

REGULATORY DISCLOSURE STATEMENT

30 September 2021 (Unaudited)



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「商易通」

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BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)
REGULATORY DISCLOSURE STATEMENT (UNAUDITED)

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The following disclosures contained all disclosures required by the Banking (Disclosure) Rules and disclosure templates issued by the Hong Kong Monetary Authority (“HKMA”).

Key prudential ratios and overview of RWA

KM1: Key prudential ratios

		30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Regulatory capital (amount)						
1.	Common Equity Tier 1 (CET1)	44,969,589	44,151,274	43,657,384	42,446,962	41,332,972
2.	Tier 1	48,841,039	48,022,724	47,528,834	46,318,412	45,204,422
3.	Total capital	60,168,160	51,430,688	51,015,390	49,635,017	48,397,377
RWA (amount)						
4.	Total RWA	289,763,660	278,297,019	247,309,713	227,729,125	207,083,221
Risk-based regulatory capital ratios (as a percentage of RWA)						
5.	CET1 ratio (%)	15.52%	15.86%	17.65%	18.64%	19.96%
6.	Tier 1 ratio (%)	16.86%	17.26%	19.22%	20.34%	21.83%
7.	Total capital ratio (%)	20.76%	18.48%	20.63%	21.80%	23.37%
Additional CET1 buffer requirements (as a percentage of RWA)						
8.	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9.	Countercyclical capital buffer requirement (%)	0.739%	0.742%	0.723%	0.739%	0.734%
10.	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0.000%	0.000%	0.000%	0.000%	0.000%
11.	Total AI-specific CET1 buffer requirements (%)	3.239%	3.242%	3.223%	3.239%	3.234%
12.	CET1 available after meeting the AI's minimum capital requirements (%)	10.86%	10.48%	12.63%	13.80%	15.37%
Basel III leverage ratio						
13.	Total leverage ratio (LR) exposure measure	453,625,628	442,604,507	399,649,484	381,168,190	359,882,695
14.	LR (%)	10.77%	10.85%	11.89%	12.15%	12.56%
Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)						
Applicable to category 1 institution only:						
15.	Total high quality liquid assets (HQLA)	68,391,435	66,937,141	62,933,689	64,234,199	53,105,035
16.	Total net cash outflows	43,829,928	45,405,802	41,499,962	39,793,336	30,656,628
17.	LCR (%)	158.36%	150.20%	152.82%	163.10%	174.48%
Applicable to category 2 institution only:						
17a.	LMR (%)	N/A	N/A	N/A	N/A	N/A
Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)						
Applicable to category 1 institution only:						
18.	Total required stable funding	323,694,055	315,518,626	281,551,164	250,309,664	248,624,106
19.	Total required stable funding	263,854,421	257,146,439	235,474,970	221,302,699	205,880,244
20.	NSFR (%)	122.68%	122.70%	119.57%	113.11%	120.76%
Applicable to category 2A institution only:						
20a.	CFR (%)	N/A	N/A	N/A	N/A	N/A

Both total capital and total capital ratio were higher compared to last quarter, as the Bank issued new T2 capital bonds of USD1 billion in third quarter of 2021.

Key prudential ratios and overview of RWA (Continued)

OV1: Overview of RWA

		RWA		Minimum capital requirements
		As at 30 Sep 2021	As at 30 Jun 2021	As at 30 Sep 2021
		HK\$'000	HK\$'000	HK\$'000
1.	Credit risk for non-securitization exposures	268,168,650	260,356,550	21,453,492
2.	Of which STC approach	268,168,650	260,356,550	21,453,492
2a.	Of which BSC approach	–	–	–
3.	Of which foundation IRB approach	–	–	–
4.	Of which supervisory slotting criteria approach	–	–	–
5.	Of which advanced IRB approach	–	–	–
6.	Counterparty default risk and default fund contributions	9,141,822	6,100,506	731,346
7.	Of which SA-CCR approach	5,288,033	5,008,179	423,043
7a.	Of which CEM	–	–	–
8.	Of which IMM(CCR) approach	–	–	–
9.	Of which others	3,853,789	1,092,327	308,303
10.	CVA risk	3,811,600	3,278,225	304,928
11.	Equity positions in banking book under the simple risk-weight method and internal models method	–	–	–
12.	Collective investment scheme (“CIS”) exposures – LTA*	Not applicable	Not applicable	–
13.	CIS exposures – MBA*	Not applicable	Not applicable	–
14.	CIS exposures – FBA*	Not applicable	Not applicable	–
14a.	CIS exposures – combination of approaches*	Not applicable	Not applicable	–
15.	Settlement risk	–	–	–
16.	Securitization exposures in banking book	–	–	–
17.	Of which SEC-IRBA	–	–	–
18.	Of which SEC-ERBA (including IAA)	–	–	–
19.	Of which SEC-SA	–	–	–
19a.	Of which SEC-FBA	–	–	–
20.	Market risk	827,738	947,150	66,219
21.	Of which STM approach	827,738	947,150	66,219
22.	Of which IMM approach	–	–	–
23.	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)*	Not applicable	Not applicable	–
24.	Operational risk	7,813,850	7,614,588	625,108
24a.	Sovereign concentration risk	–	–	–
25.	Amounts below the thresholds for deduction (subject to 250% RW)	–	–	–
26.	Capital floor adjustment	–	–	–
26a.	Deduction to RWA	–	–	–
26b.	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	–	–	–
26c.	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	–	–	–
27.	Total	289,763,660	278,297,019	23,181,093

Point to note: Items marked with an asterisk (*) will be applicable only after their respective policy frameworks take effect. Until then, “Not applicable” should be reported in the rows.

Leverage ratio

LR2: Leverage ratio

		30 Sep 2021	30 Jun 2021
		HK\$'000	HK\$'000
On-balance sheet exposures			
1.	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	410,796,483	400,361,137
2.	Less: Asset amounts deducted in determining Tier 1 capital	(1,063,278)	(1,034,128)
3.	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	409,733,205	399,327,009
Exposures arising from derivative contracts			
4.	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and / or with bilateral netting)	2,719,589	2,234,528
5.	Add-on amounts for PFE associated with all derivative contracts	8,491,282	8,493,233
6.	Gross-up for collateral provided in respect of derivatives contracts where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
7.	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	(57,475)	(61,032)
8.	Less: Exempted CCP leg of client-cleared trade exposures	–	–
9.	Adjusted effective notional amount of written credit-related derivative contracts	–	–
10.	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	–	–
11.	Total exposures arising from derivative contracts	11,153,396	10,666,729
Exposures arising from SFTs			
12.	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	26,805,818	26,154,217
13.	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14.	CCR exposure for SFT assets	1,625,345	1,861,008
15.	Agent transaction exposures	–	–
16.	Total exposures arising from SFTs	28,431,163	28,015,225
Other off-balance sheet exposures			
17.	Off-balance sheet exposure at gross notional amount	19,625,682	19,009,517
18.	Less: Adjustments for conversion to credit equivalent amounts	(14,635,882)	(13,858,736)
19.	Off-balance sheet items	4,989,800	5,150,781
Capital and total exposures			
20.	Tier 1 capital	48,841,039	48,022,724
20a.	Total exposures before adjustments for specific and collective provisions	454,307,564	443,159,744
20b.	Adjustments for specific and collective provisions	(681,936)	(555,237)
21.	Total exposures after adjustments for specific and collective provisions	453,625,628	442,604,507
Leverage ratio			
22.	Leverage ratio	10.77%	10.85%

Liquidity

LIQ1: Liquidity Coverage Ratio – for category 1 institution

30 Sep 2021

Average liquidity coverage ratio (“LCR”)	
– Third quarter	158.36%

The Bank’s LCR and HKD HQLA Level 1 LCR were above the regulatory requirement for the period.

The Bank’s average LCR for the first three quarters of 2021 was 153.91%.

In the third quarter of year 2021, the Bank’s average LCR increased as a result of the increase in retail deposits, small business funding and unsecured wholesale funding.

Level 1 HQLA is the major component of the Bank’s HQLA portfolio, which consists of balance with the HKMA, Exchange Fund Bills / Notes and unencumbered sovereign bonds. The Bank also holds a portion of Level 2 HQLA, which include corporate bonds with high credit rating. The main drivers of net cash outflows are retail deposits and small business funding, wholesale funding and loans during the quarter. Deposit is the major funding source of the Bank.

LCR net cash outflow arising from off-balance-sheet derivatives and additional collateral provision are not material. The Bank’s major liquidity profile is captured in the LCR calculation.

The Bank’s HKD HQLA Level 1 LCR was above the regulatory requirement for the period. The Bank holds Level 1 HQLA denominated in foreign currencies (mainly CNY and USD) to cover respective LCR net cash outflow in foreign currency. The foreign currency LCR mismatch is bolstered mainly by our HKD-denominated HQLA through FX contracts. The Bank has established internal monitoring limit on LCR for foreign major currencies according to Supervisory Policy Manual LM-1 issued by the HKMA.

The Bank has established internal limit and management action trigger level on LCR and NSFR to ensure our liquidity risk is controlled at the level commensurate with our risk appetite. The Bank’s daily liquidity management is governed by the liquidity management requirement of parent bank and there is considerable level of interaction between members of the parent group. The Bank submits liquidity management reports to parent bank regularly and participates in the group liquidity stress test.

Liquidity (Continued)

LIQ1: Liquidity Coverage Ratio – for category 1 institution (Continued)

2021 Third quarter:

Number of data points used in calculating the average value of the LCR and related components set out in this template for the quarter ending on 30 Sep 2021: (77)		HK\$'000	
Basis of disclosure: Hong Kong office		Unweighted value (average)	Weighted value (average)
A. HQLA			
1.	Total HQLA		91,121,419
B. Cash Outflows			
2.	Retail deposits and small business funding, of which:	231,558,115	17,707,125
3.	<i>Stable retail deposits and stable small business funding</i>	7,149,687	357,484
4.	<i>Less stable retail deposits and less stable small business funding</i>	122,584,387	12,258,439
4a.	<i>Retail term deposits and small business term funding</i>	101,824,041	5,091,202
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	72,014,205	34,056,295
6.	<i>Operational deposits</i>	2,458,647	589,249
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	69,555,558	33,467,046
8.	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	–	–
9.	Secured funding transactions (including securities swap transactions)		3,177,974
10.	Additional requirements, of which:	38,448,714	7,250,747
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	24,583,172	6,282,362
12.	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	–	–
13.	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	13,865,542	968,385
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	2,392,372	2,392,372
15.	Other contingent funding obligations (whether contractual or non-contractual)	5,034,242	12,996
16.	Total Cash Outflows		64,597,509
C. Cash Inflows			
17.	Secured lending transactions (including securities swap transactions)	–	–
18.	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	32,232,337	13,813,749
19.	Other cash inflows	6,953,832	6,953,832
20.	Total Cash Inflows	39,186,169	20,767,581
D. Liquidity Coverage Ratio			Adjusted value
21.	Total HQLA		68,391,435
22.	Total Net Cash Outflows		43,829,928
23.	LCR (%)		158.36%