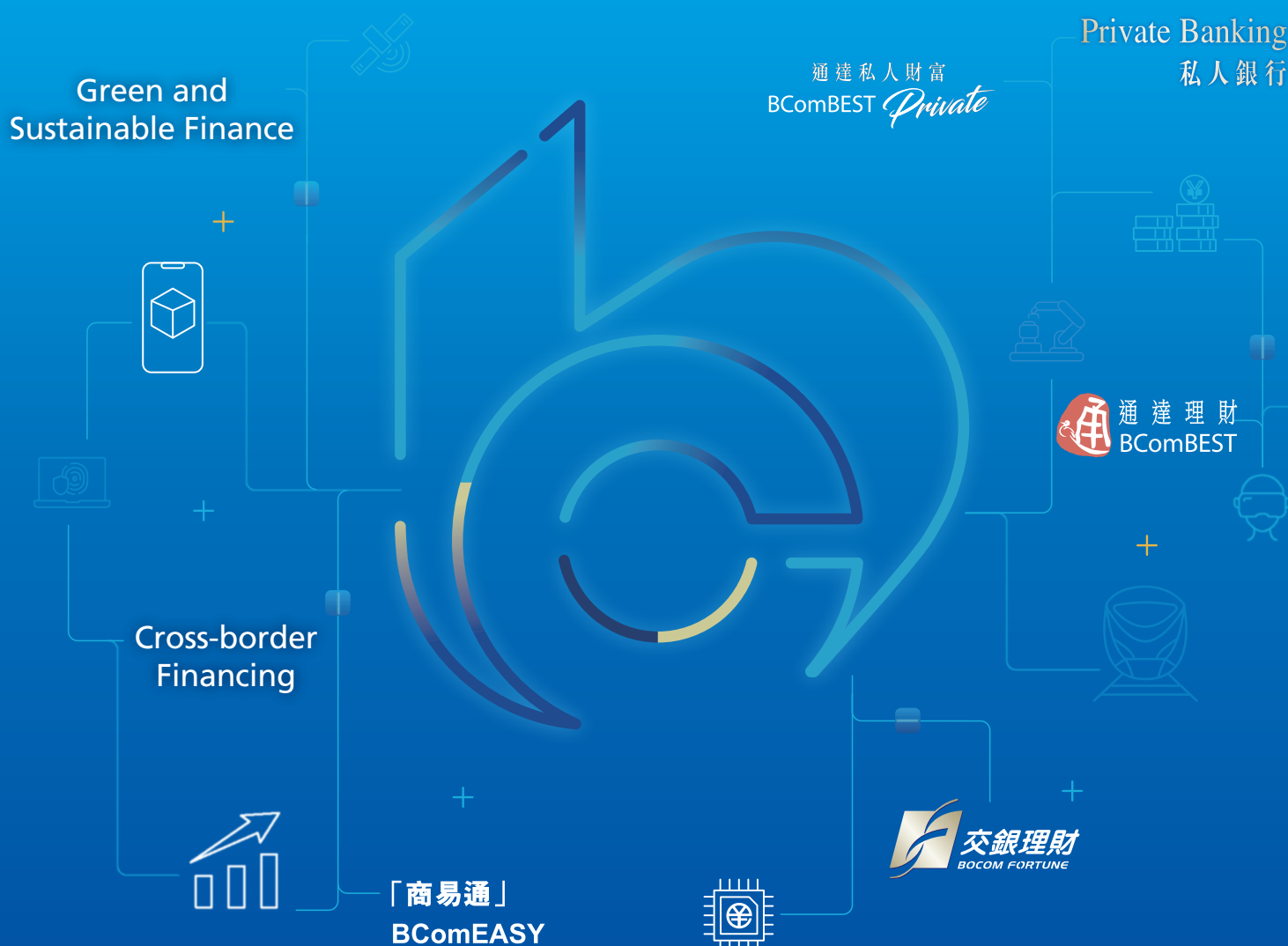


# REGULATORY DISCLOSURE STATEMENT

30 September 2022 (Unaudited)



CREATE SHARED VALUE  
創造共同價值

Bank of Communications (Hong Kong) Limited

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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 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<b>Regulatory capital (amount)</b>					
1.	Common Equity Tier 1 (CET1)	44,307,740	44,686,122	44,865,307	45,706,323	44,969,589
2.	Tier 1	48,179,190	48,557,572	48,736,757	49,577,773	48,841,039
3.	Total capital	59,917,540	60,187,639	60,061,153	61,004,198	60,168,160
	<b>RWA (amount)</b>					
4.	Total RWA	331,433,583	323,435,244	310,208,007	293,766,767	289,763,660
	<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>					
5.	CET1 ratio (%)	13.37%	13.82%	14.46%	15.56%	15.52%
6.	Tier 1 ratio (%)	14.54%	15.01%	15.71%	16.88%	16.86%
7.	Total capital ratio (%)	18.08%	18.61%	19.36%	20.77%	20.76%
	<b>Additional CET1 buffer requirements (as a percentage of RWA)</b>					
8.	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9.	Countercyclical capital buffer requirement (%)	0.775%	0.760%	0.743%	0.752%	0.739%
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 (%)	3.275%	3.260%	3.243%	3.252%	3.239%
12.	CET1 available after meeting the AI's minimum capital requirements (%)	8.54%	9.01%	9.71%	10.88%	10.86%
	<b>Basel III leverage ratio</b>					
13.	Total leverage ratio (LR) exposure measure	498,684,605	511,957,991	490,261,690	475,334,197	453,625,628
14.	LR (%)	9.66%	9.48%	9.94%	10.43%	10.77%
	<b>Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)</b>					
	Applicable to category 1 institution only:					
15.	Total high quality liquid assets (HQLA)	69,685,104	76,311,932	78,846,061	75,613,050	68,391,435
16.	Total net cash outflows	43,090,088	48,767,045	52,908,771	53,874,877	43,829,928
17.	LCR (%)	164.57%	160.25%	150.46%	140.86%	158.36%
	Applicable to category 2 institution only:					
17a.	LMR (%)	N/A	N/A	N/A	N/A	N/A
	<b>Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)</b>					
	Applicable to category 1 institution only:					
18.	Total available stable funding	336,304,020	342,431,622	331,367,086	318,104,250	323,694,055
19.	Total required stable funding	283,151,325	283,419,665	274,693,741	265,239,051	263,854,421
20.	NSFR (%)	118.77%	120.82%	120.63%	119.93%	122.68%
	Applicable to category 2A institution only:					
20a.	CFR (%)	N/A	N/A	N/A	N/A	N/A

## Key prudential ratios and overview of RWA (Continued)

### OV1: Overview of RWA

		RWA		Minimum capital requirements
		As at 30 Sep 2022	As at 30 Jun 2022	As at 30 Sep 2022
		HK\$'000	HK\$'000	HK\$'000
1.	Credit risk for non-securitization exposures	296,694,395	286,803,454	23,735,552
2.	Of which STC approach	296,694,395	286,803,454	23,735,552
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	13,576,025	16,072,677	1,086,082
7.	Of which SA-CCR approach	12,902,142	12,976,759	1,032,171
7a.	Of which CEM	–	–	–
8.	Of which IMM(CCR) approach	–	–	–
9.	Of which others	673,883	3,095,918	53,911
10.	CVA risk	10,275,875	10,133,075	822,070
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	–
13.	CIS exposures – MBA*	–	Not applicable	–
14.	CIS exposures – FBA*	–	Not applicable	–
14a.	CIS exposures – combination of approaches*	–	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	1,950,838	1,707,500	156,067
21.	Of which STM approach	1,950,838	1,707,500	156,067
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	8,936,450	8,718,538	714,916
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	331,433,583	323,435,244	26,514,687

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.

## Key prudential ratios and overview of RWA (Continued)

### OV1: Overview of RWA (Continued)

The total RWA in 2022 Q3 increased by HK\$7,998 million. RWA increase in on-balance sheet exposure contributed for the increase in credit risk RWA for non-securitization exposures.

### Leverage ratio

#### LR2: Leverage ratio

		30 Sep 2022	30 Jun 2022
		HK\$'000	HK\$'000
<b>On-balance sheet exposures</b>			
1.	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	439,942,286	446,257,516
2.	Less: Asset amounts deducted in determining Tier 1 capital	(1,384,277)	(1,120,817)
3.	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	438,558,009	445,136,699
<b>Exposures arising from derivative contracts</b>			
4.	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and / or with bilateral netting)	17,277,040	15,069,973
5.	Add-on amounts for PFE associated with all derivative contracts	8,036,696	11,912,545
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	(1,550,169)	(465,793)
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.	<b>Total exposures arising from derivative contracts</b>	23,763,567	26,516,725
<b>Exposures arising from SFTs</b>			
12.	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	28,130,575	32,101,857
13.	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14.	CCR exposure for SFT assets	1,643,436	1,869,251
15.	Agent transaction exposures	–	–
16.	<b>Total exposures arising from SFTs</b>	29,774,011	33,971,108
<b>Other off-balance sheet exposures</b>			
17.	Off-balance sheet exposure at gross notional amount	29,382,971	27,678,679
18.	Less: Adjustments for conversion to credit equivalent amounts	(21,135,983)	(20,142,307)
19.	<b>Off-balance sheet items</b>	8,246,988	7,536,372
<b>Capital and total exposures</b>			
20.	<b>Tier 1 capital</b>	48,179,190	48,557,572
20a.	<b>Total exposures before adjustments for specific and collective provisions</b>	500,342,575	513,160,904
20b.	<b>Adjustments for specific and collective provisions</b>	(1,657,970)	(1,202,913)
21.	<b>Total exposures after adjustments for specific and collective provisions</b>	498,684,605	511,957,991
<b>Leverage ratio</b>			
22.	<b>Leverage ratio</b>	9.66%	9.48%

## Liquidity

### LIQ1: Liquidity Coverage Ratio – for category 1 institution

30 Sep 2022

Average liquidity coverage ratio ("LCR")

– Third quarter

164.57%

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 year 2022 was 158.52%.

In the third quarter of year 2022, the Bank's LCR increased compared with previous quarter as a result of decrease in customer loans and increase in net MM taking maturing beyond LCR period.

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)

2022 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 2022: (77)		HK\$'000	
Basis of disclosure: Hong Kong office		Unweighted value (average)	Weighted value (average)
<b>A. HQLA</b>			
1.	Total HQLA		69,685,104
<b>B. Cash Outflows</b>			
2.	Retail deposits and small business funding, of which:	243,179,732	17,259,211
3.	<i>Stable retail deposits and stable small business funding</i>	6,917,440	345,872
4.	<i>Less stable retail deposits and less stable small business funding</i>	102,004,490	10,200,449
4a.	<i>Retail term deposits and small business term funding</i>	134,257,802	6,712,890
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	64,018,377	31,355,276
6.	<i>Operational deposits</i>	4,203,638	1,018,332
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	59,810,158	30,332,363
8.	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	4,581	4,581
9.	Secured funding transactions (including securities swap transactions)		7,236,604
10.	Additional requirements, of which:	50,443,679	9,413,155
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	28,535,520	7,615,038
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>	21,908,159	1,798,117
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	2,942,308	2,942,308
15.	Other contingent funding obligations (whether contractual or non-contractual)	7,621,774	24,410
16.	<b>Total Cash Outflows</b>		68,230,964
<b>C. Cash Inflows</b>			
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	54,614,998	18,325,509
19.	Other cash inflows	6,826,105	6,815,367
20.	<b>Total Cash Inflows</b>	61,441,103	25,140,876
<b>D. Liquidity Coverage Ratio</b>			
21.	<b>Total HQLA</b>		69,685,104
22.	<b>Total Net Cash Outflows</b>		43,090,088
23.	<b>LCR (%)</b>		164.57%