

REGULATORY DISCLOSURE STATEMENT

30 September 2024 (Unaudited)



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 2024	30 Jun 2024	31 Mar 2024	31 Dec 2023	30 Sep 2023
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Regulatory capital (amount)					
1.	Common Equity Tier 1 (CET1)	54,096,557	52,567,136	50,926,369	48,794,180	48,129,897
2.	Tier 1	57,968,007	56,438,586	54,797,819	52,665,630	52,001,347
3.	Total capital	67,756,142	66,206,642	66,237,654	64,424,104	63,731,411
	RWA (amount)					
4.	Total RWA	301,376,165	302,537,806	307,593,819	299,334,296	303,145,535
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5.	CET1 ratio (%)	17.95%	17.38%	16.56%	16.30%	15.88%
6.	Tier 1 ratio (%)	19.23%	18.66%	17.82%	17.59%	17.15%
7.	Total capital ratio (%)	22.48%	21.88%	21.53%	21.52%	21.02%
	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 (%)	0.766%	0.773%	0.770%	0.774%	0.769%
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 (%)	3.266%	3.273%	3.270%	3.274%	3.269%
12.	CET1 available after meeting the AI's minimum capital requirements (%)	13.23%	12.66%	11.82%	11.59%	11.15%
	Basel III leverage ratio					
13.	Total leverage ratio (LR) exposure measure	463,317,172	453,834,919	455,548,605	440,284,071	442,605,001
14.	LR (%)	12.51%	12.44%	12.03%	11.96%	11.75%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15.	Total high quality liquid assets (HQLA)	55,245,979	46,986,217	47,812,032	52,709,761	49,260,199
16.	Total net cash outflows	34,572,475	28,603,431	28,769,627	29,475,879	29,660,294
17.	LCR (%)	161.62%	165.64%	170.50%	181.37%	166.96%
	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 available stable funding	337,636,419	340,685,574	344,011,177	332,486,621	329,375,487
19.	Total required stable funding	267,608,341	263,827,753	269,814,606	258,232,858	262,082,680
20.	NSFR (%)	126.17%	129.13%	127.50%	128.75%	125.68%
	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 2024	As at 30 Jun 2024	As at 30 Sep 2024
		HK\$'000	HK\$'000	HK\$'000
1.	Credit risk for non-securitization exposures	270,365,798	265,969,729	21,629,264
2.	Of which STC approach	270,365,798	265,969,729	21,629,264
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	7,377,554	8,773,351	590,204
7.	Of which SA-CCR approach	6,930,502	8,591,305	554,440
7a.	Of which CEM	–	–	–
8.	Of which IMM(CCR) approach	–	–	–
9.	Of which others	447,052	182,046	35,764
10.	CVA risk	4,332,750	5,945,875	346,620
11.	Equity positions in banking book under the simple risk-weight method and internal models method	–	–	–
12.	Collective investment scheme (“CIS”) exposures – LTA	–	–	–
13.	CIS exposures – MBA	–	–	–
14.	CIS exposures – FBA	–	–	–
14a.	CIS exposures – combination of approaches	–	–	–
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	4,308,438	7,634,738	344,675
21.	Of which STM approach	4,308,438	7,634,738	344,675
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	14,991,625	14,214,113	1,199,330
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	301,376,165	302,537,806	24,110,093

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.

Key prudential ratios and overview of RWA (Continued)

OV1: Overview of RWA (Continued)

The total RWA in 2024 Q3 decreased by HK\$1,162 million compared to last quarter. The key contributor was the market risk STM approach RWA which decreased by HK\$3,326 million.

Leverage ratio

LR2: Leverage ratio

		30 Sep 2024	30 Jun 2024
		HK\$'000	HK\$'000
On-balance sheet exposures			
1.	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	428,143,791	423,915,889
2.	Less: Asset amounts deducted in determining Tier 1 capital	(1,382,399)	(1,382,819)
3.	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	426,761,392	422,533,070
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)	8,322,838	11,410,294
5.	Add-on amounts for PFE associated with all derivative contracts	5,593,141	6,141,531
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	(903,283)	(271,303)
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	13,012,696	17,280,522
Exposures arising from SFTs			
12.	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	19,473,377	10,427,484
13.	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14.	CCR exposure for SFT assets	916,692	445,263
15.	Agent transaction exposures	–	–
16.	Total exposures arising from SFTs	20,390,069	10,872,747
Other off-balance sheet exposures			
17.	Off-balance sheet exposure at gross notional amount	31,175,914	33,588,743
18.	Less: Adjustments for conversion to credit equivalent amounts	(22,740,095)	(24,067,049)
19.	Off-balance sheet items	8,435,819	9,521,694
Capital and total exposures			
20.	Tier 1 capital	57,968,007	56,438,586
20a.	Total exposures before adjustments for specific and collective provisions	468,599,976	460,208,033
20b.	Adjustments for specific and collective provisions	(5,282,804)	(6,373,114)
21.	Total exposures after adjustments for specific and collective provisions	463,317,172	453,834,919
Leverage ratio			
22.	Leverage ratio	12.51%	12.44%

Liquidity

LIQ1: Liquidity Coverage Ratio – for category 1 institution

30 Sep 2024

Average liquidity coverage ratio (“LCR”)

– Third quarter

161.62%

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 period ended 30 September 2024 was 165.86%.

In the third quarter of year 2024, the Bank’s LCR decreased as a result of decrease in customer deposits.

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)

2024 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 2024: (76)		HK\$'000	
Basis of disclosure: Hong Kong office		Unweighted value (average)	Weighted value (average)
A. HQLA			
1.	Total HQLA		55,245,979
B. Cash Outflows			
2.	Retail deposits and small business funding, of which:	262,766,453	18,208,259
3.	<i>Stable retail deposits and stable small business funding</i>	6,637,748	331,887
4.	<i>Less stable retail deposits and less stable small business funding</i>	101,398,731	10,139,873
4a.	<i>Retail term deposits and small business term funding</i>	154,729,974	7,736,499
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	52,194,526	26,587,618
6.	<i>Operational deposits</i>	2,388,735	565,999
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	49,799,952	26,015,780
8.	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	5,839	5,839
9.	Secured funding transactions (including securities swap transactions)		3,610,300
10.	Additional requirements, of which:	34,799,115	6,566,244
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	17,208,200	4,926,652
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>	17,590,915	1,639,592
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	3,481,398	3,481,398
15.	Other contingent funding obligations (whether contractual or non-contractual)	10,651,115	48,192
16.	Total Cash Outflows		58,502,011
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	51,337,027	17,716,751
19.	Other cash inflows	6,220,937	6,212,785
20.	Total Cash Inflows	57,557,964	23,929,536
D. Liquidity Coverage Ratio			Adjusted value
21.	Total HQLA		55,245,979
22.	Total Net Cash Outflows		34,572,475
23.	LCR (%)		161.62%