

BANK OF COMMUNICATIONS (HONG KONG) LIMITED

(Incorporated in Hong Kong with limited liability)

REGULATORY DISCLOSURE STATEMENT

30 September 2019
(Unaudited)



SINCE 1908 YOUR WEALTH MANAGEMENT BANK

Bank of Communications (Hong Kong) Limited

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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 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Regulatory capital (amount)						
1.	Common Equity Tier 1 (CET1)	19,616,775	19,221,644	18,715,837	17,821,621	17,775,567
2.	Tier 1	19,616,775	19,221,644	18,715,837	17,821,621	17,775,567
3.	Total capital	22,770,163	22,075,153	21,745,278	20,845,033	20,694,426
RWA (amount)						
4.	Total RWA	125,062,409	117,914,582	113,517,208	115,005,469	109,587,558
Risk-based regulatory capital ratios (as a percentage of RWA)						
5.	CET1 ratio (%)	15.69%	16.30%	16.49%	15.50%	16.22%
6.	Tier 1 ratio (%)	15.69%	16.30%	16.49%	15.50%	16.22%
7.	Total capital ratio (%)	18.21%	18.72%	19.16%	18.13%	18.88%
Additional CET1 buffer requirements (as a percentage of RWA)						
8.	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	1.875%	1.875%
9.	Countercyclical capital buffer requirement (%)	1.923%	2.031%	2.009%	1.524%	1.470%
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 (%)	4.423%	4.531%	4.509%	3.399%	3.345%
12.	CET1 available after meeting the AI's minimum capital requirements (%)	9.69%	10.30%	10.49%	9.50%	10.22%
Basel III leverage ratio						
13.	Total leverage ratio (LR) exposure measure	229,157,390	211,580,580	209,868,314	212,179,002	194,000,996
14.	LR (%)	8.56%	9.08%	8.92%	8.40%	9.16%
Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)						
Applicable to category 1 institution only:						
15.	Total high quality liquid assets (HQLA)	25,665,666	23,945,265	22,888,411	18,344,119	25,360,604
16.	Total net cash outflows	15,729,791	14,991,795	15,391,988	10,346,618	12,979,109
17.	LCR (%)	165.46%	162.55%	149.35%	182.69%	213.11%
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	164,366,345	161,006,288	163,097,307	161,334,586	152,253,762
19.	Total required stable funding	143,817,700	133,437,609	129,330,267	125,303,104	120,510,120
20.	NSFR (%)	114.29%	120.66%	126.11%	128.76%	126.34%
Applicable to category 2A institution only:						
20a.	CFR (%)	N/A	N/A	N/A	N/A	N/A

Chan Ha Fong, Nancy, Chief Executive

22 November 2019

Key prudential ratios and overview of RWA (Continued)

OV1: Overview of RWA

		RWA		Minimum capital requirements
		As at 30 Sep 2019	As at 30 Jun 2019	As at 30 Sep 2019
		HK\$'000	HK\$'000	HK\$'000
1.	Credit risk for non-securitization exposures	116,663,279	110,197,399	9,333,062
2.	Of which STC approach	116,663,279	110,197,399	9,333,062
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	1,353,954	1,666,320	108,316
7.	Of which SA-CCR*	Not applicable	Not applicable	–
7a.	Of which CEM	1,299,251	1,623,771	103,940
8.	Of which IMM(CCR) approach	–	–	–
9.	Of which others	54,703	42,549	4,376
10.	CVA risk	677,538	804,450	54,203
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	647,250	823,938	51,780
21.	Of which STM approach	647,250	823,938	51,780
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	5,720,388	4,422,475	457,631
24a.	Sovereign concentration risk	–	Not applicable	–
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	125,062,409	117,914,582	10,004,992

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 Company's aggregated RWA, amounting to HK\$125,062 million as of 30 Sep 2019, had increased by HK\$7,147 million (6.06%) as compared to that of 30 Jun 2019. Majority of the increase was attributable to the increase of credit risk of non-securitization exposures (HK\$6,466 million) as a result of the increase in corporate loans during Q3 of 2019. RWA attributable to operational risk had increased by HK\$1,298 million in line with the growth in gross income. On the other hand, there were RWA reduction of HK\$617 million in total attributable to the reduction in counterparty default risk, market risk and CVA risk.

Leverage ratio

LR2: Leverage ratio ("LR")

		30 Sep 2019	30 Jun 2019
		HK\$'000	HK\$'000
On-balance sheet exposures			
1.	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	214,178,685	199,550,464
2.	Less: Asset amounts deducted in determining Tier 1 capital	(905,887)	(816,686)
3.	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	213,272,798	198,733,778
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)	1,042,511	1,260,716
5.	Add-on amounts for PFE associated with all derivative contracts	1,737,521	2,802,329
6.	Gross-up for derivatives collateral provided 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	(222,684)	(199,216)
8.	Less: Exempted CCP leg of client-cleared trade exposures	–	–
9.	Adjusted effective notional amount of written credit derivative contracts	–	–
10.	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	–	–
11.	Total exposures arising from derivative contracts	2,557,348	3,863,829
Exposures arising from SFTs			
12.	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	10,390,076	6,553,409
13.	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14.	CCR exposure for SFT assets	273,926	213,101
15.	Agent transaction exposures	–	–
16.	Total exposures arising from SFTs	10,664,002	6,766,510
Other off-balance sheet exposures			
17.	Off-balance sheet exposure at gross notional amount	11,556,035	10,548,171
18.	Less: Adjustments for conversion to credit equivalent amounts	(8,756,107)	(8,225,866)
19.	Off-balance sheet items	2,799,928	2,322,305
Capital and total exposures			
20.	Tier 1 capital	19,616,775	19,221,644
20a.	Total exposures before adjustments for specific and collective provisions	229,294,076	211,686,422
20b.	Adjustments for specific and collective provisions	(136,686)	(105,842)
21.	Total exposures after adjustments for specific and collective provisions	229,157,390	211,580,580
Leverage ratio			
22.	Leverage ratio	8.56%	9.08%

Liquidity

LIQ1: Liquidity Coverage Ratio – for category 1 institution

	30 Sep 2019
Average liquidity coverage ratio (“LCR”)	
– Third quarter	165.46%

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

In the third quarter of year 2019, the Company’s average LCR increased as a result of increase in HQLA portfolio.

Level 1 HQLA is the major component of the Company’s HQLA portfolio, which consists of balance with the HKMA, Exchange Fund Bills / Notes and unencumbered sovereign bonds. The Company 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 Company.

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

The Company’s HKD LCR is above the regulatory requirement for the period. The Company 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 Company has established internal monitoring limit on LCR for foreign major currencies according to the amendment of regulatory framework for supervision of major currency’s liquidity risk under LM-1 by the HKMA.

The Company 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 Company’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 Company 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)

2019 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 2019: (77)		HK\$'000	
Basis of disclosure: Hong Kong office		Unweighted value (average)	Weighted value (average)
A.	HQLA		
1.	Total HQLA		25,665,666
B.	Cash Outflows		
2.	Retail deposits and small business funding, of which:	143,589,369	10,680,618
3.	<i>Stable retail deposits and stable small business funding</i>	6,011,894	300,595
4.	<i>Less stable retail deposits and less stable small business funding</i>	70,023,000	7,002,300
4a.	<i>Retail term deposits and small business term funding</i>	67,554,475	3,377,723
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	19,339,099	11,421,027
6.	<i>Operational deposits</i>	158,469	39,155
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	19,180,630	11,381,872
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)		2,840,478
10.	Additional requirements, of which:	24,550,821	3,707,887
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	13,818,510	3,148,805
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>	10,732,311	559,082
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	2,732,056	2,732,056
15.	Other contingent funding obligations (whether contractual or non-contractual)	1,210,796	7,287
16.	Total Cash Outflows		31,389,353
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	13,440,912	7,585,443
19.	Other cash inflows	8,074,119	8,074,119
20.	Total Cash Inflows	21,515,031	15,659,562
D.	Liquidity Coverage Ratio		Adjusted value
21.	Total HQLA		25,665,666
22.	Total Net Cash Outflows		15,729,791
23.	LCR (%)		165.46%