



Bank of Communications (Hong Kong) Limited
(Incorporated in Hong Kong with limited liability)

REGULATORY DISCLOSURE STATEMENT

31 March 2023 (Unaudited)



CREATE SHARED VALUE
創造共同價值

Bank of Communications (Hong Kong) Limited

Unit B B/F & G/F, Unit C G/F, 1-3/F, 16/F Rm01 & 18/F Wheelock House, 20 Pedder Street, Central, Hong Kong
www.hk.bankcomm.com

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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

		31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Regulatory capital (amount)					
1.	Common Equity Tier 1 (CET1)	46,361,984	45,191,471	44,307,740	44,686,122	44,865,307
2.	Tier 1	50,233,434	49,062,921	48,179,190	48,557,572	48,736,757
3.	Total capital	62,152,550	60,868,691	59,917,540	60,187,639	60,061,153
	RWA (amount)					
4.	Total RWA	330,373,955	327,801,830	331,433,583	323,435,244	310,208,007
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5.	CET1 ratio (%)	14.03%	13.79%	13.37%	13.82%	14.46%
6.	Tier 1 ratio (%)	15.21%	14.97%	14.54%	15.01%	15.71%
7.	Total capital ratio (%)	18.81%	18.57%	18.08%	18.61%	19.36%
	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 (%)	0.800%	0.797%	0.775%	0.760%	0.743%
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 (%)	3.300%	3.297%	3.275%	3.260%	3.243%
12.	CET1 available after meeting the AI's minimum capital requirements (%)	9.21%	8.97%	8.54%	9.01%	9.71%
	Basel III leverage ratio					
13.	Total leverage ratio (LR) exposure measure	505,652,475	485,175,105	498,684,605	511,957,991	490,261,690
14.	LR (%)	9.93%	10.11%	9.66%	9.48%	9.94%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15.	Total high quality liquid assets (HQLA)	59,910,932	57,017,989	69,685,104	76,311,932	78,846,061
16.	Total net cash outflows	37,866,472	39,477,191	43,090,088	48,767,045	52,908,771
17.	LCR (%)	161.70%	145.06%	164.57%	160.25%	150.46%
	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	341,794,541	328,640,221	336,304,020	342,431,622	331,367,086
19.	Total required stable funding	285,659,764	285,580,903	283,151,325	283,419,665	274,693,741
20.	NSFR (%)	119.65%	115.08%	118.77%	120.82%	120.63%
	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 31 Mar 2023	As at 31 Dec 2022	As at 31 Mar 2023
		HK\$'000	HK\$'000	HK\$'000
1.	Credit risk for non-securitization exposures	299,714,290	295,943,433	23,977,143
2.	Of which STC approach	299,714,290	295,943,433	23,977,143
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	10,755,114	11,824,321	860,409
7.	Of which SA-CCR approach	10,073,368	11,105,705	805,869
7a.	Of which CEM	–	–	–
8.	Of which IMM(CCR) approach	–	–	–
9.	Of which others	681,746	718,616	54,540
10.	CVA risk	8,045,475	9,242,700	643,638
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	1,643,538	1,290,038	131,483
21.	Of which STM approach	1,643,538	1,290,038	131,483
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	10,215,538	9,501,338	817,243
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	330,373,955	327,801,830	26,429,916

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 2023 Q1 increased by HK\$2,572 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

		31 Mar 2023	31 Dec 2022
		HK\$'000	HK\$'000
On-balance sheet exposures			
1.	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	455,591,096	434,590,772
2.	Less: Asset amounts deducted in determining Tier 1 capital	(1,490,475)	(1,482,951)
3.	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	454,100,621	433,107,821
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)	13,503,529	15,738,059
5.	Add-on amounts for PFE associated with all derivative contracts	6,821,759	6,537,816
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	(115,821)	(161,665)
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	20,209,467	22,114,210
Exposures arising from SFTs			
12.	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	23,849,856	22,042,135
13.	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14.	CCR exposure for SFT assets	1,876,561	1,758,496
15.	Agent transaction exposures	–	–
16.	Total exposures arising from SFTs	25,726,417	23,800,631
Other off-balance sheet exposures			
17.	Off-balance sheet exposure at gross notional amount	32,641,473	31,673,205
18.	Less: Adjustments for conversion to credit equivalent amounts	(23,655,455)	(22,912,205)
19.	Off-balance sheet items	8,986,018	8,761,000
Capital and total exposures			
20.	Tier 1 capital	50,233,434	49,062,921
20a.	Total exposures before adjustments for specific and collective provisions	509,022,523	487,783,662
20b.	Adjustments for specific and collective provisions	(3,370,048)	(2,608,557)
21.	Total exposures after adjustments for specific and collective provisions	505,652,475	485,175,105
Leverage ratio			
22.	Leverage ratio	9.93%	10.11%

Liquidity

LIQ1: Liquidity Coverage Ratio – for category 1 institution

31 Mar 2023

Average liquidity coverage ratio (“LCR”)

– First quarter

161.70%

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 quarter of year 2023 was 161.70%.

In the first quarter of year 2023, the Bank’s average LCR increased compared with previous quarter as a result of increase in customer deposit.

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)

2023 First 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 31 Mar 2023: (73)		HK\$'000	
Basis of disclosure: Hong Kong office		Unweighted value (average)	Weighted value (average)
A. HQLA			
1.	Total HQLA		59,910,932
B. Cash Outflows			
2.	Retail deposits and small business funding, of which:	242,712,462	16,738,543
3.	<i>Stable retail deposits and stable small business funding</i>	6,852,745	342,637
4.	<i>Less stable retail deposits and less stable small business funding</i>	92,058,396	9,205,840
4a.	<i>Retail term deposits and small business term funding</i>	143,801,321	7,190,066
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	58,352,569	29,789,562
6.	<i>Operational deposits</i>	3,471,553	834,408
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	54,874,901	28,949,039
8.	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	6,115	6,115
9.	Secured funding transactions (including securities swap transactions)		4,264,366
10.	Additional requirements, of which:	46,882,447	8,728,470
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	25,433,892	6,913,841
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>	21,448,555	1,814,629
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	3,213,679	3,213,679
15.	Other contingent funding obligations (whether contractual or non-contractual)	10,397,838	19,362
16.	Total Cash Outflows		62,753,982
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	50,660,419	17,322,669
19.	Other cash inflows	7,572,278	7,564,841
20.	Total Cash Inflows	58,232,697	24,887,510
D. Liquidity Coverage Ratio		Adjusted value	
21.	Total HQLA		59,910,932
22.	Total Net Cash Outflows		37,866,472
23.	LCR (%)		161.70%