



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

REGULATORY DISCLOSURE STATEMENT

30 September 2023 (Unaudited)



CREATE SHARED VALUE
創造共同價值

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 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Regulatory capital (amount)					
1.	Common Equity Tier 1 (CET1)	48,129,897	47,533,896	46,361,984	45,191,471	44,307,740
2.	Tier 1	52,001,347	51,405,346	50,233,434	49,062,921	48,179,190
3.	Total capital	63,731,411	63,207,030	62,152,550	60,868,691	59,917,540
	RWA (amount)					
4.	Total RWA	303,145,535	319,806,668	330,373,955	327,801,830	331,433,583
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5.	CET1 ratio (%)	15.88%	14.86%	14.03%	13.79%	13.37%
6.	Tier 1 ratio (%)	17.15%	16.07%	15.21%	14.97%	14.54%
7.	Total capital ratio (%)	21.02%	19.76%	18.81%	18.57%	18.08%
	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 (%)	0.769%	0.750%	0.800%	0.797%	0.775%
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 (%)	3.269%	3.250%	3.300%	3.297%	3.275%
12.	CET1 available after meeting the AI's minimum capital requirements (%)	11.15%	10.07%	9.21%	8.97%	8.54%
	Basel III leverage ratio					
13.	Total leverage ratio (LR) exposure measure	442,605,001	472,423,735	505,652,475	485,175,105	498,684,605
14.	LR (%)	11.75%	10.88%	9.93%	10.11%	9.66%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15.	Total high quality liquid assets (HQLA)	49,260,199	53,173,777	59,910,932	57,017,989	69,685,104
16.	Total net cash outflows	29,660,294	34,682,723	37,866,472	39,477,191	43,090,088
17.	LCR (%)	166.96%	153.60%	161.70%	145.06%	164.57%
	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	329,375,487	339,738,451	341,794,541	328,640,221	336,304,020
19.	Total required stable funding	262,082,680	277,563,417	285,659,764	285,580,903	283,151,325
20.	NSFR (%)	125.68%	122.40%	119.65%	115.08%	118.77%
	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 2023	As at 30 Jun 2023	As at 30 Sep 2023
		HK\$'000	HK\$'000	HK\$'000
1.	Credit risk for non-securitization exposures	267,405,476	285,481,329	21,392,438
2.	Of which STC approach	267,405,476	285,481,329	21,392,438
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	11,225,596	11,887,225	898,047
7.	Of which SA-CCR approach	11,182,168	11,585,472	894,573
7a.	Of which CEM	–	–	–
8.	Of which IMM(CCR) approach	–	–	–
9.	Of which others	43,428	301,753	3,474
10.	CVA risk	8,552,625	8,352,588	684,210
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	3,997,075	3,070,688	319,766
21.	Of which STM approach	3,997,075	3,070,688	319,766
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	11,964,763	11,014,838	957,181
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	303,145,535	319,806,668	24,251,642

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 Q3 decreased by HK\$16,661 million. The key contributor was the credit risk RWA for non-securitization exposures, which was mainly driven by the decline in loans and advances, bonds of credit risk exposure.

Leverage ratio

LR2: Leverage ratio

		30 Sep 2023	30 Jun 2023
		HK\$'000	HK\$'000
On-balance sheet exposures			
1.	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	417,710,776	433,995,405
2.	Less: Asset amounts deducted in determining Tier 1 capital	(1,318,583)	(1,245,484)
3.	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	416,392,193	432,749,921
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)	15,921,580	15,840,181
5.	Add-on amounts for PFE associated with all derivative contracts	6,938,655	7,526,576
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	(1,526,402)	(1,548,023)
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	21,333,833	21,818,734
Exposures arising from SFTs			
12.	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	580,765	10,925,992
13.	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14.	CCR exposure for SFT assets	1,311	688,326
15.	Agent transaction exposures	–	–
16.	Total exposures arising from SFTs	582,076	11,614,318
Other off-balance sheet exposures			
17.	Off-balance sheet exposure at gross notional amount	31,142,557	34,060,727
18.	Less: Adjustments for conversion to credit equivalent amounts	(22,005,336)	(23,469,007)
19.	Off-balance sheet items	9,137,221	10,591,720
Capital and total exposures			
20.	Tier 1 capital	52,001,347	51,405,346
20a.	Total exposures before adjustments for specific and collective provisions	447,445,323	476,774,693
20b.	Adjustments for specific and collective provisions	(4,840,322)	(4,350,958)
21.	Total exposures after adjustments for specific and collective provisions	442,605,001	472,423,735
Leverage ratio			
22.	Leverage ratio	11.75%	10.88%

Liquidity

LIQ1: Liquidity Coverage Ratio – for category 1 institution

30 Sep 2023

Average liquidity coverage ratio (“LCR”)

– Third quarter

166.96%

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 2023 was 160.82%.

In the third quarter of year 2023, the Bank’s average LCR increased compared with previous quarter as a result of decrease in customer deposits maturing within 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)

2023 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 2023: (74)		HK\$'000	
Basis of disclosure: Hong Kong office		Unweighted value (average)	Weighted value (average)
A. HQLA			
1.	Total HQLA		49,260,199
B. Cash Outflows			
2.	Retail deposits and small business funding, of which:	248,026,261	17,150,838
3.	<i>Stable retail deposits and stable small business funding</i>	6,853,277	342,664
4.	<i>Less stable retail deposits and less stable small business funding</i>	94,990,508	9,499,050
4a.	<i>Retail term deposits and small business term funding</i>	146,182,476	7,309,124
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	54,430,766	24,966,172
6.	<i>Operational deposits</i>	2,972,930	712,069
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	51,223,344	24,019,611
8.	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	234,492	234,492
9.	Secured funding transactions (including securities swap transactions)		1,818,239
10.	Additional requirements, of which:	32,114,575	5,830,290
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	10,233,398	3,807,721
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>	21,881,177	2,022,569
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	3,400,295	3,400,295
15.	Other contingent funding obligations (whether contractual or non-contractual)	10,905,002	18,362
16.	Total Cash Outflows		53,184,196
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	18,501,158	15,469,901
19.	Other cash inflows	8,060,357	8,054,001
20.	Total Cash Inflows	26,561,515	23,523,902
D. Liquidity Coverage Ratio		Adjusted value	
21.	Total HQLA		49,260,199
22.	Total Net Cash Outflows		29,660,294
23.	LCR (%)		166.96%