

REGULATORY DISCLOSURE STATEMENT

31 March 2024 (Unaudited)



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

Contents

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)
REGULATORY DISCLOSURE STATEMENT (UNAUDITED)

| Ref | Contents | Page(s) |
|------------|---|----------------|
| | Key prudential ratios and overview of RWA | |
| KM1 | Key prudential ratios | 2 |
| OV1 | Overview of RWA | 3 – 4 |
| | Leverage ratio | |
| LR2 | Leverage ratio | 4 |
| | Liquidity | |
| LIQ1 | Liquidity Coverage Ratio – for category 1 institution | 5 – 6 |

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 2024 | 31 Dec 2023 | 30 Sep 2023 | 30 Jun 2023 | 31 Mar 2023 |
|------|---|-------------|-------------|-------------|-------------|-------------|
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | Regulatory capital (amount) | | | | | |
| 1. | Common Equity Tier 1 (CET1) | 50,926,369 | 48,794,180 | 48,129,897 | 47,533,896 | 46,361,984 |
| 2. | Tier 1 | 54,797,819 | 52,665,630 | 52,001,347 | 51,405,346 | 50,233,434 |
| 3. | Total capital | 66,237,654 | 64,424,104 | 63,731,411 | 63,207,030 | 62,152,550 |
| | RWA (amount) | | | | | |
| 4. | Total RWA | 307,593,819 | 299,334,296 | 303,145,535 | 319,806,668 | 330,373,955 |
| | Risk-based regulatory capital ratios (as a percentage of RWA) | | | | | |
| 5. | CET1 ratio (%) | 16.56% | 16.30% | 15.88% | 14.86% | 14.03% |
| 6. | Tier 1 ratio (%) | 17.82% | 17.59% | 17.15% | 16.07% | 15.21% |
| 7. | Total capital ratio (%) | 21.53% | 21.52% | 21.02% | 19.76% | 18.81% |
| | 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 (%) | 0.770% | 0.774% | 0.769% | 0.750% | 0.800% |
| 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 (%) | 3.270% | 3.274% | 3.269% | 3.250% | 3.300% |
| 12. | CET1 available after meeting the AI's minimum capital requirements (%) | 11.82% | 11.59% | 11.15% | 10.07% | 9.21% |
| | Basel III leverage ratio | | | | | |
| 13. | Total leverage ratio (LR) exposure measure | 455,548,605 | 440,284,071 | 442,605,001 | 472,423,735 | 505,652,475 |
| 14. | LR (%) | 12.03% | 11.96% | 11.75% | 10.88% | 9.93% |
| | Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR) | | | | | |
| | Applicable to category 1 institution only: | | | | | |
| 15. | Total high quality liquid assets (HQLA) | 47,812,032 | 52,709,761 | 49,260,199 | 53,173,777 | 59,910,932 |
| 16. | Total net cash outflows | 28,769,627 | 29,475,879 | 29,660,294 | 34,682,723 | 37,866,472 |
| 17. | LCR (%) | 170.50% | 181.37% | 166.96% | 153.60% | 161.70% |
| | 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 | 344,011,177 | 332,486,621 | 329,375,487 | 339,738,451 | 341,794,541 |
| 19. | Total required stable funding | 269,814,606 | 258,232,858 | 262,082,680 | 277,563,417 | 285,659,764 |
| 20. | NSFR (%) | 127.50% | 128.75% | 125.68% | 122.40% | 119.65% |
| | 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 2024 | As at 31 Dec 2023 | As at 31 Mar 2024 |
| | | HK\$'000 | HK\$'000 | HK\$'000 |
| 1. | Credit risk for non-securitization exposures | 273,661,314 | 266,922,838 | 21,892,905 |
| 2. | Of which STC approach | 273,661,314 | 266,922,838 | 21,892,905 |
| 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 | 9,220,892 | 8,840,420 | 737,672 |
| 7. | Of which SA-CCR approach | 9,107,348 | 8,752,654 | 728,588 |
| 7a. | Of which CEM | – | – | – |
| 8. | Of which IMM(CCR) approach | – | – | – |
| 9. | Of which others | 113,544 | 87,766 | 9,084 |
| 10. | CVA risk | 6,467,450 | 6,330,350 | 517,396 |
| 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 | 4,791,150 | 4,636,375 | 383,292 |
| 21. | Of which STM approach | 4,791,150 | 4,636,375 | 383,292 |
| 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 | 13,453,013 | 12,604,313 | 1,076,241 |
| 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 | 307,593,819 | 299,334,296 | 24,607,506 |

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 Q1 increased by HK\$8,260 million compared to last quarter. The key contributor was the credit risk for non-securitization exposures which increased by HK\$6,738 million.

Leverage ratio

LR2: Leverage ratio

| | | 31 Mar 2024 | 31 Dec 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) | 431,157,741 | 418,206,053 |
| 2. | Less: Asset amounts deducted in determining Tier 1 capital | (1,352,591) | (1,334,192) |
| 3. | Total on-balance sheet exposures (excluding derivative contracts and SFTs) | 429,805,150 | 416,871,861 |
| 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) | 12,380,938 | 11,818,509 |
| 5. | Add-on amounts for PFE associated with all derivative contracts | 6,060,649 | 6,035,620 |
| 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 | (714,525) | (1,146,233) |
| 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 | 17,727,062 | 16,707,896 |
| Exposures arising from SFTs | | | |
| 12. | Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions | 5,274,895 | 3,315,914 |
| 13. | Less: Netted amounts of cash payables and cash receivables of gross SFT assets | – | – |
| 14. | CCR exposure for SFT assets | 309,124 | 222,836 |
| 15. | Agent transaction exposures | – | – |
| 16. | Total exposures arising from SFTs | 5,584,019 | 3,538,750 |
| Other off-balance sheet exposures | | | |
| 17. | Off-balance sheet exposure at gross notional amount | 28,195,277 | 29,473,602 |
| 18. | Less: Adjustments for conversion to credit equivalent amounts | (19,429,430) | (20,089,332) |
| 19. | Off-balance sheet items | 8,765,847 | 9,384,270 |
| Capital and total exposures | | | |
| 20. | Tier 1 capital | 54,797,819 | 52,665,630 |
| 20a. | Total exposures before adjustments for specific and collective provisions | 461,882,078 | 446,502,777 |
| 20b. | Adjustments for specific and collective provisions | (6,333,473) | (6,218,706) |
| 21. | Total exposures after adjustments for specific and collective provisions | 455,548,605 | 440,284,071 |
| Leverage ratio | | | |
| 22. | Leverage ratio | 12.03% | 11.96% |

Liquidity

LIQ1: Liquidity Coverage Ratio – for category 1 institution

31 Mar 2024

Average liquidity coverage ratio (“LCR”)

– First quarter 170.50%

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 31 March 2024 was 170.50%.

In the first quarter of year 2024, the Bank’s average LCR decreased compared with previous quarter as a result of increase in loan.

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 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 2024: (73) | | HK\$'000 | |
|--|--|-------------------------------|-----------------------------|
| Basis of disclosure: Hong Kong office | | Unweighted value (average) | Weighted value (average) |
| A. HQLA | | | |
| 1. | Total HQLA | | 47,812,032 |
| B. Cash Outflows | | | |
| 2. | Retail deposits and small business funding, of which: | 255,642,599 | 17,737,991 |
| 3. | <i>Stable retail deposits and stable small business funding</i> | 6,736,909 | 336,845 |
| 4. | <i>Less stable retail deposits and less stable small business funding</i> | 99,117,214 | 9,911,721 |
| 4a. | <i>Retail term deposits and small business term funding</i> | 149,788,476 | 7,489,425 |
| 5. | Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which: | 55,168,319 | 26,758,229 |
| 6. | <i>Operational deposits</i> | 2,744,017 | 655,684 |
| 7. | <i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i> | 52,305,325 | 25,983,568 |
| 8. | <i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i> | 118,977 | 118,977 |
| 9. | Secured funding transactions (including securities swap transactions) | | 564,091 |
| 10. | Additional requirements, of which: | 26,748,007 | 4,974,669 |
| 11. | <i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i> | 6,495,517 | 2,984,666 |
| 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> | 20,252,490 | 1,990,003 |
| 14. | Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows | 3,483,017 | 3,483,016 |
| 15. | Other contingent funding obligations (whether contractual or non-contractual) | 8,364,591 | 34,079 |
| 16. | Total Cash Outflows | | 53,552,075 |
| 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 | 55,707,518 | 20,346,533 |
| 19. | Other cash inflows | 4,442,989 | 4,435,915 |
| 20. | Total Cash Inflows | 60,150,507 | 24,782,448 |
| D. Liquidity Coverage Ratio | | | Adjusted value |
| 21. | Total HQLA | | 47,812,032 |
| 22. | Total Net Cash Outflows | | 28,769,627 |
| 23. | LCR (%) | | 170.50% |