

# Regulatory Disclosures

## 30 September 2021



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**KM1: Key prudential ratios**

		At 30 September 2021	At 30 June 2021	At 31 March 2021	At 31 December 2020	At 30 September 2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<b>Regulatory capital (amount)</b>					
1	Common Equity Tier 1 (CET1)	47,172,353	45,718,021	44,952,826	44,036,800	43,142,456
2	Tier 1	56,487,243	55,032,911	54,267,716	53,351,690	52,457,346
3	Total capital	69,451,850	67,840,101	66,868,827	65,817,172	64,833,017
	<b>RWA (amount)</b>					
4	Total RWA	377,888,829	363,861,555	354,130,047	341,754,242	330,482,971
	<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>					
5	CET1 ratio (%)	12.48%	12.56%	12.69%	12.89%	13.05%
6	Tier 1 ratio (%)	14.95%	15.12%	15.32%	15.61%	15.87%
7	Total capital ratio (%)	18.38%	18.64%	18.88%	19.26%	19.62%
	<b>Additional CET1 buffer requirements (as a percentage of RWA)</b>					
8	Capital conservation buffer requirement (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical capital buffer requirement (%)	0.60%	0.60%	0.59%	0.61%	0.62%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	-	-	-	-	-
11	Total AI-specific CET1 buffer requirements (%)	3.10%	3.10%	3.09%	3.11%	3.12%
12	CET1 available after meeting the AI's minimum capital requirements (%)	7.98%	8.06%	8.19%	8.39%	8.55%
	<b>Basel III leverage ratio</b>					
13	Total leverage ratio (LR) exposure measure	590,148,242	561,949,256	549,373,836	533,313,515	507,920,400
14	LR (%)	9.57%	9.79%	9.88%	10.00%	10.33%
	<b>Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)</b>					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	68,349,326	63,608,577	71,250,987	70,322,081	67,437,447
16	Total net cash outflows	47,340,020	42,073,053	43,901,089	47,143,977	41,650,976
17	LCR (%)	144.97%	151.97%	164.15%	149.77%	162.49%
	Applicable to category 2 institution only:					
17a	LMR (%)	N/A	N/A	N/A	N/A	N/A
	<b>Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)</b>					
	Applicable to category 1 institution only:					
18	Total available stable funding	333,193,432	334,563,003	326,173,550	315,982,721	306,570,174
19	Total required stable funding	292,929,673	286,151,482	278,338,523	267,972,856	261,322,481
20	NSFR (%)	113.75%	116.92%	117.19%	117.92%	117.31%
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

**OV1: Overview of RWA**

		RWA		Minimum capital requirements
		At 30 September 2021	At 30 June 2021	At 30 September 2021
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitization exposures	354,665,624	341,265,447	28,373,250
2	Of which STC approach	354,665,624	341,265,447	28,373,250
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	1,395,327	1,414,223	111,626
7	Of which SA-CCR approach	1,241,316	1,265,031	99,305
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	154,011	149,192	12,321
10	CVA risk	681,500	591,275	54,520
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA	N/A	N/A	N/A
13	CIS exposures - MBA	N/A	N/A	N/A
14	CIS exposures - FBA	N/A	N/A	N/A
14a	CIS exposures - combination of approaches	N/A	N/A	N/A
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	85,827	84,153	6,866
17	Of which SEC - IRBA	-	-	-
18	Of which SEC - ERBA (including IAA)	-	-	-
19	Of which SEC - SA	85,827	84,153	6,866
19a	Of which SEC - FBA	-	-	-
20	Market risk	5,509,988	5,074,825	440,799
21	Of which STM approach	5,509,988	5,074,825	440,799
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)	N/A	N/A	N/A
24	Operational risk	15,679,488	15,754,925	1,254,359
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	3,628,395	3,620,543	290,272
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	3,757,320	3,943,836	300,586
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	186,990	-
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	3,757,320	3,756,846	300,586
27	<b>Total</b>	<b>377,888,829</b>	<b>363,861,555</b>	<b>30,231,106</b>

N/A: Not applicable until the respective policy frameworks take effect

**LR2: Leverage ratio**

		At 30 September 2021	At 30 June 2021
		HK\$'000	HK\$'000
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	538,849,197	518,664,810
2	Less: Asset amounts deducted in determining Tier 1 capital	(9,774,517)	(9,961,973)
3	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	<b>529,074,680</b>	<b>508,702,837</b>
<b>Exposures arising from derivative contracts</b>			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	547,335	694,539
5	Add-on amounts for PFE associated with all derivative contracts	2,237,557	1,920,359
6	Gross-up for collateral provided in respect of derivative 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	(303,187)	(343,353)
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	<b>Total exposures arising from derivative contracts</b>	<b>2,481,705</b>	<b>2,271,545</b>
<b>Exposures arising from SFTs</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	8,270,374	7,390,871
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	143,373	167,198
15	Agent transaction exposures	-	-
16	<b>Total exposures arising from SFTs</b>	<b>8,413,747</b>	<b>7,558,069</b>
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	182,839,646	172,495,718
18	Less: Adjustments for conversion to credit equivalent amounts	(128,890,553)	(124,987,624)
19	<b>Off-balance sheet items</b>	<b>53,949,093</b>	<b>47,508,094</b>
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	<b>56,487,243</b>	<b>55,032,911</b>
20a	<b>Total exposures before adjustments for specific and collective provisions</b>	<b>593,919,225</b>	<b>566,040,545</b>
20b	<b>Adjustments for specific and collective provisions</b>	<b>(3,770,983)</b>	<b>(4,091,289)</b>
21	<b>Total exposures after adjustments for specific and collective provisions</b>	<b>590,148,242</b>	<b>561,949,256</b>
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	<b>9.57%</b>	<b>9.79%</b>

**LIQ1: Liquidity Coverage Ratio – for category 1 institution**

Number of data points used in calculating the average value of the LCR and related components set out in this template: 77		For the quarter ended At 30 September 2021	
		UNWEIGHTED VALUE (Average) HK\$'000	WEIGHTED VALUE (Average) HK\$'000
Basis of disclosure: consolidated			
<b>A. HQLA</b>			
1	Total HQLA		<b>68,349,326</b>
<b>B. CASH OUTFLOWS</b>			
2	Retail deposits and small business funding, of which:	155,585,413	10,614,581
3	<i>Stable retail deposits and stable small business funding</i>	28,806,404	864,192
4	<i>Less stable retail deposits and less stable small business funding</i>	61,802,536	6,180,254
4a	<i>Retail term deposits and small business term funding</i>	64,976,473	3,570,135
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the AI, of which:	108,340,800	57,749,143
6	<i>Operational deposits</i>	13,756,880	3,256,865
7	<i>Unsecured wholesale funding (other than small business funding) not covered in Row 6</i>	93,537,801	53,446,159
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	1,046,119	1,046,119
9	Secured funding transactions (including securities swap transactions)		1,504,536
10	Additional requirements, of which:	44,762,170	10,538,000
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	3,283,056	3,283,056
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>	41,479,114	7,254,944
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	5,031,072	5,031,072
15	Other contingent funding obligations (whether contractual or non-contractual)	144,950,204	3,846,717
16	<b>TOTAL CASH OUTFLOWS</b>		<b>89,284,049</b>
<b>C. CASH INFLOWS</b>			
17	Secured lending transactions (including securities swap transactions)	1,254,131	1,254,131
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	59,468,747	36,791,398
19	Other cash inflows	4,346,737	3,898,500
20	<b>TOTAL CASH INFLOWS</b>	<b>65,069,615</b>	<b>41,944,029</b>
<b>D. LIQUIDITY COVERAGE RATIO</b>			<b>ADJUSTED VALUE</b>
21	<b>TOTAL HQLA</b>		<b>68,349,326</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>		<b>47,340,020</b>
23	<b>LCR (%)</b>		<b>144.97%</b>

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## LIQ1: Liquidity Coverage Ratio – for category 1 institution (continued)

### Notes:

The weighted amount of HQLA is to be calculated as the amount after applying the haircuts as required under the Banking (Liquidity) Rules.

The unweighted amounts of cash inflows and cash outflows are to be calculated as the principal amounts in the calculation of the LCR as required under the Banking (Liquidity) Rules.

The weighted amounts of cash inflows and cash outflows are to be calculated as the amounts after applying the inflow and outflow rates as required under the Banking (Liquidity) Rules.

The adjusted value of total HQLA and the total net cash outflows have taken into account any applicable ceiling as required under the Banking (Liquidity) Rules.

In the third quarter of 2021, the Group has maintained a healthy liquidity position. The LCR remained stable and there was no material change compared with the last quarter. The average LCR of the third quarter of 2021 was 144.97%. The average HKD level 1 HQLA to HKD net cash outflow ratio of the third quarter of 2021 was 123.00%, well above the regulatory requirement of 20%. The ratios have maintained at stable and healthy levels.

The HQLA consists of cash, balances at central banks and high quality marketable securities issued or guaranteed by sovereigns, central banks, public sector entities or multilateral development banks and non-financial corporate debt securities. In the third quarter of 2021, the majority of the HQLA was composed of Level 1 HQLA.

The net cash outflow was mainly from retail and corporate customer deposit which are the Group's primary source of funds, together with deposit and balance from bank and other financial institution. To ensure stable, sufficient and diversified source of funds, the Group actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market. Other cash outflow, such as commitment, cash outflow under derivative contract and potential collateral requirement, were minimal to the LCR.

Majority of the Group's customer deposits are denominated in HKD, USD and RMB. As the supply of HKD denominated HQLA in the market is relatively limited, the Group swaps surplus HKD funding into USD and other foreign currencies, part of funding are deployed to investment in HQLA.