

Regulatory Disclosures

30 September 2019



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KM1: Key prudential ratios

		At 30 September 2019	At 30 June 2019	At 31 March 2019	At 31 December 2018	At 30 September 2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	38,831,519	38,144,683	38,075,031	36,556,933	35,419,927
2	Tier 1	48,146,409	47,459,573	47,389,921	45,871,823	44,734,817
3	Total capital	52,867,274	52,293,766	52,181,933	50,626,038	49,323,691
	RWA (amount)					
4	Total RWA	262,752,628	278,277,353	278,043,475	270,692,288	252,454,668
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	14.78%	13.71%	13.69%	13.50%	14.03%
6	Tier 1 ratio (%)	18.32%	17.05%	17.04%	16.95%	17.72%
7	Total capital ratio (%)	20.12%	18.79%	18.77%	18.70%	19.54%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.5%	2.5%	2.5%	1.875%	1.875%
9	Countercyclical capital buffer requirement (%)	1.33%	1.37%	1.34%	1.01%	0.99%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	-	-	-	-	-
11	Total AI-specific CET1 buffer requirements (%)	3.83%	3.87%	3.84%	2.885%	2.865%
12	CET1 available after meeting the AI's minimum capital requirements (%)	10.28%	9.21%	9.19%	9.00%	9.53%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	480,324,461	495,303,731	504,341,925	488,062,361	445,898,969
14	LR (%)	10.02%	9.58%	9.40%	9.40%	10.03%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	74,736,968	75,150,686	71,127,385	61,520,887	62,621,990
16	Total net cash outflows	48,593,366	48,808,494	41,320,198	42,025,704	41,968,143
17	LCR (%)	154.48%	154.16%	173.83%	147.72%	151.82%
	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	290,141,434	298,813,026	296,815,218	276,806,639	263,204,451
19	Total required stable funding	244,680,316	252,318,334	246,919,326	238,184,328	230,832,203
20	NSFR (%)	118.58%	118.43%	120.21%	116.22%	114.02%
	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 2019	At 30 June 2019	At 30 September 2019
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitization exposures	236,141,269	250,766,479	19,929,798
2	Of which STC approach	19,787,862	21,857,632	1,583,029
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	215,584,182	228,114,389	18,281,539
4	Of which supervisory slotting criteria approach	769,225	794,458	65,230
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	578,144	641,492	48,990
7	Of which SA-CCR	N/A	N/A	N/A
7a	Of which CEM	476,941	540,818	40,408
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	101,203	100,674	8,582
10	CVA risk	275,450	294,775	22,036
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	199,440	274,050	15,955
17	Of which SEC - IRBA	-	-	-
18	Of which SEC - ERBA (including IAA)	-	-	-
19	Of which SEC - SA	199,440	274,050	15,955
19a	Of which SEC - FBA	-	-	-
20	Market risk	789,625	1,227,700	63,170
21	Of which STM approach	160,000	91,825	12,800
22	Of which IMM approach	629,625	1,135,875	50,370
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	15,599,650	15,159,875	1,247,972
24a	Sovereign concentration risk	-	N/A	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	15,250	15,250	1,220
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	3,861,641	3,872,972	308,931
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	83,627	87,531	6,690
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	3,778,014	3,785,441	302,241
27	Total	249,737,187	264,506,649	21,020,210

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

LR2: Leverage ratio

		At 30 September 2019	At 30 June 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)	448,496,868	467,521,030
2	Less: Asset amounts deducted in determining Tier 1 capital	(9,747,210)	(9,825,478)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	438,749,658	457,695,552
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)	599,089	514,200
5	Add-on amounts for PFE associated with all derivative contracts	507,389	649,700
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	(20,543)	(6,480)
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	1,085,935	1,157,420
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	8,864,678	7,059,645
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	368,931	305,328
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	9,233,609	7,364,973
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	138,820,869	120,145,477
18	Less: Adjustments for conversion to credit equivalent amounts	(104,355,629)	(87,640,036)
19	Off-balance sheet items	34,465,240	32,505,441
Capital and total exposures			
20	Tier 1 capital	48,146,409	47,459,573
20a	Total exposures before adjustments for specific and collective provisions	483,534,442	498,723,386
20b	Adjustments for specific and collective provisions	(3,209,981)	(3,419,655)
21	Total exposures after adjustments for specific and collective provisions	480,324,461	495,303,731
Leverage ratio			
22	Leverage ratio	10.02%	9.58%

LIQ1: Liquidity Coverage Ratio – for category 1 institution

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this template:		For the quarter ended 30 September 2019: 77 data points		For the quarter ended 30 June 2019: 71 data points	
Basis of disclosure: consolidated		UNWEIGHTED VALUE (Average)	WEIGHTED VALUE (Average)	UNWEIGHTED VALUE (Average)	WEIGHTED VALUE (Average)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
A. HQLA					
1	Total HQLA		74,736,968		75,150,686
B. CASH OUTFLOWS					
2	Retail deposits and small business funding, of which:	156,728,401	10,006,273	158,276,846	10,131,227
3	<i>Stable retail deposits and stable small business funding</i>	25,266,928	758,008	25,476,701	764,301
4	<i>Less stable retail deposits and less stable small business funding</i>	45,050,883	4,505,088	46,367,673	4,636,767
4a	<i>Retail term deposits and small business term funding</i>	86,410,590	4,743,177	86,432,472	4,730,159
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the AI, of which:	89,309,669	47,179,730	101,494,474	52,314,586
6	<i>Operational deposits</i>	19,052,582	4,587,452	30,891,508	7,556,351
7	<i>Unsecured wholesale funding (other than small business funding) not covered in Row 6</i>	70,011,071	42,346,262	70,102,493	44,257,762
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	246,016	246,016	500,473	500,473
9	Secured funding transactions (including securities swap transactions)		1,681,980		344,094
10	Additional requirements, of which:	45,560,767	9,723,659	39,878,742	8,205,105
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	3,814,727	3,814,727	3,048,698	3,048,698
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>	41,746,040	5,908,932	36,830,044	5,156,407
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	2,637,487	2,637,487	2,665,687	2,665,687
15	Other contingent funding obligations (whether contractual or non-contractual)	89,688,179	2,031,668	86,149,328	2,171,089
16	TOTAL CASH OUTFLOWS		73,260,797		75,831,788
C. CASH INFLOWS					
17	Secured lending transactions (including securities swap transactions)	303,916	303,916	309,574	309,574
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	36,545,506	17,271,930	41,911,465	22,408,792
19	Other cash inflows	7,159,795	7,091,586	4,385,298	4,304,928
20	TOTAL CASH INFLOWS	44,009,217	24,667,432	46,606,337	27,023,294
D. LIQUIDITY COVERAGE RATIO			ADJUSTED VALUE		ADJUSTED VALUE
21	TOTAL HQLA		74,736,968		75,150,686
22	TOTAL NET CASH OUTFLOWS		48,593,366		48,808,494
23	LCR (%)		154.48%		154.16%

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 2019, 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 2019 was 154.48%. The average HKD level 1 HQLA to HKD net cash outflow ratio of the third quarter of 2019 was 177.03%, 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 2019, 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.

CR8: RWA flow statements of credit risk exposures under IRB approach

		HK\$'000
1	RWA as at 30 June 2019	228,908,847
2	Asset size	(12,419,685)
3	Asset quality	1,616,393
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(1,752,148)
8	Other	-
9	RWA as at 30 September 2019	216,353,407

MR2: RWA flow statements of market risk exposures under IMM approach

Movement in RWA was mainly driven by changes in exposure and risk level during the period.

		VaR	Stressed VaR	IRC	CRC	Other	Total RWA
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	RWA as at 30 June 2019	238,800	897,075	-	-	-	1,135,875
1a	Regulatory adjustment	(171,387)	(641,537)	-	-	-	(812,924)
1b	RWA as at 30 June 2019 (day-end)	67,413	255,538	-	-	-	322,951
2	Movement in risk levels	4,625	8,950	-	-	-	13,575
3	Model updates/changes	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-
7	Other	-	-	-	-	-	-
7a	RWA as at 30 September 2019 (day-end)	72,038	264,488	-	-	-	336,526
7b	Regulatory adjustment	70,987	222,112	-	-	-	293,099
8	RWA as at 30 September 2019	143,025	486,600	-	-	-	629,625