

Regulatory Disclosures

31 March 2021



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KM1: Key prudential ratios

		At 31 March 2021	At 31 December 2020	At 30 September 2020	At 30 June 2020	At 31 March 2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	44,952,826	44,036,800	43,142,456	42,131,955	40,952,753
2	Tier 1	54,267,716	53,351,690	52,457,346	51,446,845	50,267,643
3	Total capital	66,868,827	65,817,172	64,833,017	63,696,709	62,566,034
	RWA (amount)					
4	Total RWA	354,130,047	341,754,242	330,482,971	318,440,326	324,039,939
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	12.69%	12.89%	13.05%	13.23%	12.64%
6	Tier 1 ratio (%)	15.32%	15.61%	15.87%	16.16%	15.51%
7	Total capital ratio (%)	18.88%	19.26%	19.62%	20.00%	19.31%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical capital buffer requirement (%)	0.59%	0.61%	0.62%	0.63%	0.63%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	-	-	-	-	-
11	Total AI-specific CET1 buffer requirements (%)	3.09%	3.11%	3.12%	3.13%	3.13%
12	CET1 available after meeting the AI's minimum capital requirements (%)	8.19%	8.39%	8.55%	8.73%	8.14%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	549,373,836	533,313,515	507,920,400	498,847,697	492,849,199
14	LR (%)	9.88%	10.00%	10.33%	10.31%	10.20%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	71,250,987	70,322,081	67,437,447	65,988,015	69,226,714
16	Total net cash outflows	43,901,089	47,143,977	41,650,976	44,120,681	45,795,373
17	LCR (%)	164.15%	149.77%	162.49%	150.00%	151.34%
	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	326,173,550	315,982,721	306,570,174	303,380,824	296,981,688
19	Total required stable funding	278,338,523	267,972,856	261,322,481	252,823,944	250,509,520
20	NSFR (%)	117.19%	117.92%	117.31%	120.00%	118.55%
	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 31 March 2021	At 31 December 2020	At 31 March 2021
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitization exposures	336,951,576	324,707,222	26,956,126
2	Of which STC approach	336,951,576	324,707,222	26,956,126
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	758,748	961,621	60,700
7	Of which SA-CCR	N/A	N/A	N/A
7a	Of which CEM	583,382	672,251	46,671
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	175,366	289,370	14,029
10	CVA risk	263,963	284,513	21,117
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	144,768	144,210	11,581
17	Of which SEC - IRBA	-	-	-
18	Of which SEC - ERBA (including IAA)	-	-	-
19	Of which SEC - SA	144,768	144,210	11,581
19a	Of which SEC - FBA	-	-	-
20	Market risk	3,948,275	3,598,913	315,862
21	Of which STM approach	3,948,275	3,598,913	315,862
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	15,776,000	15,772,300	1,262,080
24a	Sovereign concentration risk	-	-	-
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	3,728,533	3,729,787	298,283
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	3,728,533	3,729,787	298,283
27	Total	354,130,047	341,754,242	28,330,403

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

LR2: Leverage ratio

		At 31 March 2021	At 31 December 2020
		HK\$'000	HK\$'000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	517,483,533	499,642,543
2	Less: Asset amounts deducted in determining Tier 1 capital	(9,723,145)	(9,666,304)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	507,760,388	489,976,239
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)	582,435	781,818
5	Add-on amounts for PFE associated with all derivative contracts	650,816	607,047
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	(20,989)	-
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	1,212,262	1,388,865
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	6,171,073	8,309,492
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	251,903	412,099
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	6,422,976	8,721,591
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	151,625,031	160,567,538
18	Less: Adjustments for conversion to credit equivalent amounts	(114,029,297)	(123,891,433)
19	Off-balance sheet items	37,595,734	36,676,105
Capital and total exposures			
20	Tier 1 capital	54,267,716	53,351,690
20a	Total exposures before adjustments for specific and collective provisions	552,991,360	536,762,800
20b	Adjustments for specific and collective provisions	(3,617,524)	(3,449,285)
21	Total exposures after adjustments for specific and collective provisions	549,373,836	533,313,515
Leverage ratio			
22	Leverage ratio	9.88%	10.00%

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: 73		For the quarter ended 31 March 2021	
		UNWEIGHTED VALUE (Average) HK\$'000	WEIGHTED VALUE (Average) HK\$'000
Basis of disclosure: consolidated			
A. HQLA			
1	Total HQLA		71,250,987
B. CASH OUTFLOWS			
2	Retail deposits and small business funding, of which:	155,750,768	10,624,115
3	<i>Stable retail deposits and stable small business funding</i>	28,825,756	864,773
4	<i>Less stable retail deposits and less stable small business funding</i>	61,418,398	6,141,839
4a	<i>Retail term deposits and small business term funding</i>	65,506,614	3,617,503
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the AI, of which:	107,633,607	59,693,124
6	<i>Operational deposits</i>	12,591,193	2,965,343
7	<i>Unsecured wholesale funding (other than small business funding) not</i>	94,146,578	55,831,945
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	895,836	895,836
9	Secured funding transactions (including securities swap transactions)		2,145,562
10	Additional requirements, of which:	42,968,409	10,816,960
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	5,032,022	5,032,022
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>	37,936,387	5,784,938
14	Contractual lending obligations (not otherwise covered in Section B) and	5,510,646	5,510,646
15	Other contingent funding obligations (whether contractual or non-contractual)	128,556,303	2,661,307
16	TOTAL CASH OUTFLOWS		91,451,714
C. CASH INFLOWS			
17	Secured lending transactions (including securities swap transactions)	1,083,221	1,083,221
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial	64,625,851	40,354,759
19	Other cash inflows	6,520,379	6,112,645
20	TOTAL CASH INFLOWS	72,229,451	47,550,625
D. LIQUIDITY COVERAGE RATIO			ADJUSTED VALUE
21	TOTAL HQLA		71,250,987
22	TOTAL NET CASH OUTFLOWS		43,901,089
23	LCR (%)		164.15%

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 first 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 first quarter of 2021 was 164.15%. The average HKD level 1 HQLA to HKD net cash outflow ratio of the first quarter of 2021 was 163.16%, 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 first 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.