

Regulatory Disclosures

31 March 2019



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KM1: Key prudential ratios

		At 31 March 2019	At 31 December 2018	At 30 September 2018	At 30 June 2018	At 31 March 2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	38,075,031	36,556,933	35,419,927	34,722,552	34,165,305
2	Tier 1	47,389,921	45,871,823	44,734,817	44,037,442	43,480,195
3	Total capital	52,181,933	50,626,038	49,323,691	48,759,491	48,184,932
	RWA (amount)					
4	Total RWA	278,043,475	270,692,288	252,454,668	270,247,232	274,118,114
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	13.69%	13.50%	14.03%	12.85%	12.46%
6	Tier 1 ratio (%)	17.04%	16.95%	17.72%	16.30%	15.86%
7	Total capital ratio (%)	18.77%	18.70%	19.54%	18.04%	17.58%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.5%	1.875%	1.875%	1.875%	1.875%
9	Countercyclical capital buffer requirement (%)	1.34%	1.01%	0.99%	0.98%	0.94%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	-	-	-	-	-
11	Total AI-specific CET1 buffer requirements (%)	3.84%	2.885%	2.865%	2.855%	2.815%
12	CET1 available after meeting the AI's minimum capital requirements (%)	9.19%	9.00%	9.53%	8.35%	7.96%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	504,341,925	488,062,361	445,898,969	459,130,193	460,951,668
14	LR (%)	9.40%	9.40%	10.03%	9.59%	9.43%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)*	71,127,385	61,520,887	62,621,990	65,859,148	64,062,868
16	Total net cash outflows	41,320,198	42,025,704	41,968,143	49,016,908	45,569,882
17	LCR (%)*	173.83%	147.72%	151.82%	134.79%	142.25%
	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	296,815,218	276,806,639	263,204,451	258,185,785	260,239,902
19	Total required stable funding	246,919,326	238,184,328	230,832,203	228,502,078	228,084,632
20	NSFR (%)	120.21%	116.22%	114.02%	112.99%	114.10%
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

* Comparative figures have been restated

OV1: Overview of RWA

		RWA		Minimum capital requirements
		At 31 March 2019	At 31 December 2018	At 31 March 2019
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitization exposures	251,306,118	244,742,721	21,201,050
2	Of which STC approach	22,855,817	23,834,269	1,828,465
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	227,645,834	220,104,841	19,304,366
4	Of which supervisory slotting criteria approach	804,467	803,611	68,219
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	537,444	693,425	45,396
7	Of which SA-CCR	N/A	N/A	N/A
7a	Of which CEM	504,865	530,373	42,633
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	32,579	163,052	2,763
10	CVA risk	280,188	323,200	22,415
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	281,487	327,351	22,519
17	Of which SEC - IRBA	-	-	-
18	Of which SEC - ERBA (including IAA)	-	-	-
19	Of which SEC - SA	281,487	327,351	22,519
19a	Of which SEC - FBA	-	-	-
20	Market risk	947,700	847,525	75,816
21	Of which STM approach	154,650	12,213	12,372
22	Of which IMM approach	793,050	835,312	63,444
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	14,766,013	14,274,213	1,181,281
24a	Sovereign concentration risk	N/A	N/A	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	3,827,754	3,826,025	306,220
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	104,848	107,457	8,388
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	3,722,906	3,718,568	297,832
27	Total	264,306,446	257,397,660	22,243,477

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

LR2: Leverage ratio

		At 31 March 2019	At 31 December 2018
		HK\$'000	HK\$'000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	478,291,523	456,736,817
2	Less: Asset amounts deducted in determining Tier 1 capital	(9,510,361)	(9,313,950)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	468,781,162	447,422,867
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)	412,653	537,035
5	Add-on amounts for PFE associated with all derivative contracts	571,074	554,854
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	(3,297)	-
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	980,430	1,091,889
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	4,425,511	11,602,798
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	355,169	357,107
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	4,780,680	11,959,905
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	117,461,873	113,158,400
18	Less: Adjustments for conversion to credit equivalent amounts	(84,284,704)	(82,403,871)
19	Off-balance sheet items	33,177,169	30,754,529
Capital and total exposures			
20	Tier 1 capital	47,389,921	45,871,823
20a	Total exposures before adjustments for specific and collective provisions	507,719,441	491,229,190
20b	Adjustments for specific and collective provisions	(3,377,516)	(3,166,829)
21	Total exposures after adjustments for specific and collective provisions	504,341,925	488,062,361
Leverage ratio			
22	Leverage ratio	9.40%	9.40%

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 31 March 2019: 73 data points		For the quarter ended 31 December 2018: 75 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		71,127,385		61,520,887
B. CASH OUTFLOWS					
2	Retail deposits and small business funding, of which:	148,886,996	9,675,657	134,368,801	8,846,973
3	<i>Stable retail deposits and stable small business funding</i>	24,292,462	728,774	23,475,562	704,267
4	<i>Less stable retail deposits and less stable small business funding</i>	46,878,252	4,687,825	45,620,628	4,562,065
4a	<i>Retail term deposits and small business term funding</i>	77,716,282	4,259,058	65,272,611	3,580,641
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the AI, of which:	109,678,544	58,989,317	100,564,202	51,617,044
6	<i>Operational deposits</i>	32,374,229	7,923,967	33,191,248	8,126,859
7	<i>Unsecured wholesale funding (other than small business funding) not covered in Row 6</i>	76,946,112	50,707,147	66,900,742	43,017,973
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	358,203	358,203	472,212	472,212
9	Secured funding transactions (including securities swap transactions)		725,034		252,754
10	Additional requirements, of which:	38,620,190	8,769,898	38,737,875	9,854,910
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	4,159,385	4,159,385	5,293,998	5,293,998
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>	34,460,805	4,610,513	33,443,877	4,560,912
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	4,196,096	4,196,096	3,135,055	3,135,055
15	Other contingent funding obligations (whether contractual or non-contractual)	84,729,817	2,373,815	85,353,866	2,151,617
16	TOTAL CASH OUTFLOWS		84,729,817		75,858,353
C. CASH INFLOWS					
17	Secured lending transactions (including securities swap transactions)	1,664,457	1,664,457	2,041,281	2,041,281
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	56,535,772	37,290,267	48,512,024	28,161,186
19	Other cash inflows	4,545,774	4,454,895	3,681,516	3,630,182
20	TOTAL CASH INFLOWS	62,746,003	43,409,619	54,234,821	33,832,649
D. LIQUIDITY COVERAGE RATIO			ADJUSTED VALUE		ADJUSTED VALUE
21	TOTAL HQLA		71,127,385		61,520,887
22	TOTAL NET CASH OUTFLOWS		41,320,198		42,025,704
23	LCR (%)		173.83%		147.72%

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 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 first quarter of 2019 was 173.83%. The average HKD level 1 HQLA to HKD net cash outflow ratio of the first quarter of 2019 was 204.49%, 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 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 31 December 2018:	220,908,452
2	Asset size	7,042,013
3	Asset quality	(417,663)
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	917,499
8	Other	-
9	RWA as at 31 March 2019	228,450,301

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 31 December 2018	161,175	674,137	-	-	-	835,312
1a	Regulatory adjustment	(142,750)	(603,774)	-	-	-	(746,524)
1b	RWA as at 31 December 2018 (day-end)	18,425	70,363	-	-	-	88,788
2	Movement in risk levels	27,450	187,287	-	-	-	214,737
3	Model updates/changes	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-
7	Other	-	-	-	-	-	-
7a	RWA as at 31 March 2019 (day-end)	45,875	257,650	-	-	-	303,525
7b	Regulatory adjustment	90,175	399,350	-	-	-	489,525
8	RWA as at 31 March 2019	136,050	657,000	-	-	-	793,050