

Regulatory Disclosures

31 March 2022



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KM1: Key prudential ratios

		At 31 March 2022	At 31 December 2021	At 30 September 2021	At 30 June 2021	At 31 March 2021
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	47,290,730	47,157,979	47,172,353	45,718,021	44,952,826
2	Tier 1	56,605,620	56,472,869	56,487,243	55,032,911	54,267,716
3	Total capital	69,637,505	69,402,642	69,451,850	67,840,101	66,868,827
	RWA (amount)					
4	Total RWA	382,995,130	375,956,309	377,888,829	363,861,555	354,130,047
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	12.35%	12.54%	12.48%	12.56%	12.69%
6	Tier 1 ratio (%)	14.78%	15.02%	14.95%	15.12%	15.32%
7	Total capital ratio (%)	18.18%	18.46%	18.38%	18.64%	18.88%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical capital buffer requirement (%)	0.60%	0.60%	0.60%	0.60%	0.59%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	-	-	-	-	-
11	Total AI-specific CET1 buffer requirements (%)	3.10%	3.10%	3.10%	3.10%	3.09%
12	CET1 available after meeting the AI's minimum capital requirements (%)	7.85%	8.04%	7.98%	8.06%	8.19%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	591,512,449	582,164,898	590,148,242	561,949,256	549,373,836
14	LR (%)	9.57%	9.70%	9.57%	9.79%	9.88%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	61,766,176	70,119,857	68,349,326	63,608,577	71,250,987
16	Total net cash outflows	38,176,759	45,906,712	47,340,020	42,073,053	43,901,089
17	LCR (%)	163.59%	153.44%	144.97%	151.97%	164.15%
	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	344,888,945	339,996,776	333,193,432	334,563,003	326,173,550
19	Total required stable funding	289,207,286	290,216,030	292,929,673	286,151,482	278,338,523
20	NSFR (%)	119.25%	117.15%	113.75%	116.92%	117.19%
	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 2022	At 31 December 2021	At 31 March 2022
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitization exposures	358,569,755	352,662,371	28,685,580
2	Of which STC approach	358,569,755	352,662,371	28,685,580
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	1,465,543	1,047,919	117,244
7	Of which SA-CCR approach	1,329,160	999,531	106,333
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	136,383	48,388	10,911
10	CVA risk	662,525	637,425	53,002
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	955	-	76
16	Securitization exposures in banking book	909,420	592,486	72,754
17	Of which SEC - IRBA	-	-	-
18	Of which SEC - ERBA (including IAA)	-	-	-
19	Of which SEC - SA	909,420	592,486	72,754
19a	Of which SEC - FBA	-	-	-
20	Market risk	5,925,088	5,522,163	474,007
21	Of which STM approach	5,925,088	5,522,163	474,007
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	15,510,063	15,563,600	1,240,805
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	3,727,818	3,704,860	298,225
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	3,776,037	3,774,515	302,083
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	3,776,037	3,774,515	302,083
27	Total	382,995,130	375,956,309	30,639,610

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

LR2: Leverage ratio

		At 31 March 2022	At 31 December 2021
		HK\$'000	HK\$'000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	537,491,995	536,596,250
2	Less: Asset amounts deducted in determining Tier 1 capital	(9,875,944)	(9,851,747)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	527,616,051	526,744,503
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)	600,725	497,818
5	Add-on amounts for PFE associated with all derivative contracts	2,311,063	1,766,657
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	(310,567)	(212,232)
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	2,601,221	2,052,243
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	6,472,234	2,927,596
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	81,666	38,167
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	6,553,900	2,965,763
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	189,642,207	186,788,227
18	Less: Adjustments for conversion to credit equivalent amounts	(130,478,466)	(132,072,869)
19	Off-balance sheet items	59,163,741	54,715,358
Capital and total exposures			
20	Tier 1 capital	56,605,620	56,472,869
20a	Total exposures before adjustments for specific and collective provisions	595,934,913	586,477,867
20b	Adjustments for specific and collective provisions	(4,422,464)	(4,312,969)
21	Total exposures after adjustments for specific and collective provisions	591,512,449	582,164,898
Leverage ratio			
22	Leverage ratio	9.57%	9.70%

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 2022	
		UNWEIGHTED VALUE (Average) HK\$'000	WEIGHTED VALUE (Average) HK\$'000
Basis of disclosure: consolidated			
A. HQLA			
1	Total HQLA		61,766,176
B. CASH OUTFLOWS			
2	Retail deposits and small business funding, of which:	159,518,251	11,050,918
3	<i>Stable retail deposits and stable small business funding</i>	29,066,907	872,007
4	<i>Less stable retail deposits and less stable small business funding</i>	67,690,182	6,769,018
4a	<i>Retail term deposits and small business term funding</i>	62,761,162	3,409,893
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the AI, of which:	110,552,181	60,446,162
6	<i>Operational deposits</i>	15,033,476	3,570,142
7	<i>Unsecured wholesale funding (other than small business funding) not covered in Row 6</i>	91,548,787	52,906,102
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	3,969,918	3,969,918
9	Secured funding transactions (including securities swap transactions)		1,055,114
10	Additional requirements, of which:	43,219,893	9,872,556
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	2,854,871	2,854,871
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>	40,365,022	7,017,685
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	6,476,932	6,476,932
15	Other contingent funding obligations (whether contractual or non-contractual)	155,188,391	4,473,956
16	TOTAL CASH OUTFLOWS		93,375,638
C. CASH INFLOWS			
17	Secured lending transactions (including securities swap transactions)	1,492,034	1,492,034
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial	73,843,758	49,412,850
19	Other cash inflows	4,841,833	4,293,995
20	TOTAL CASH INFLOWS	80,177,625	55,198,879
D. LIQUIDITY COVERAGE RATIO			ADJUSTED VALUE
21	TOTAL HQLA		61,766,176
22	TOTAL NET CASH OUTFLOWS		38,176,759
23	LCR (%)		163.59%

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 2022, 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 2022 was 163.59%. The average HKD level 1 HQLA to HKD net cash outflow ratio of the first quarter of 2022 was 174.22%, 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 2022, 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.