

Regulatory Disclosures

31 March 2023



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KM1: Key prudential ratios

		At 31 March 2023	At 31 December 2022	At 30 September 2022	At 30 June 2022	At 31 March 2022
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	48,610,924	47,160,837	46,029,364	46,461,007	47,290,730
2	Tier 1	56,032,778	52,238,693	51,107,220	51,538,863	56,605,620
3	Total capital	68,866,692	64,922,025	63,848,760	64,486,274	69,637,505
	RWA (amount)					
4	Total RWA	368,305,750	372,096,266	372,149,400	376,525,493	382,995,130
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	13.20%	12.67%	12.37%	12.34%	12.35%
6	Tier 1 ratio (%)	15.21%	14.04%	13.73%	13.69%	14.78%
7	Total capital ratio (%)	18.70%	17.45%	17.16%	17.13%	18.18%
	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 (%)	0.57%	0.58%	0.58%	0.61%	0.60%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	-	-	-	-	-
11	Total AI-specific CET1 buffer requirements (%)	3.07%	3.08%	3.08%	3.11%	3.10%
12	CET1 available after meeting the AI's minimum capital requirements (%)	8.70%	8.04%	7.73%	7.69%	7.85%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	571,882,671	593,156,997	580,601,330	587,260,275	591,512,449
14	LR (%)	9.80%	8.81%	8.80%	8.78%	9.57%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	69,115,521	69,679,965	67,909,444	72,707,763	61,766,176
16	Total net cash outflows	44,514,284	50,480,838	48,321,987	50,727,693	38,176,759
17	LCR (%)	155.64%	139.36%	140.72%	143.98%	163.59%
	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	338,109,602	333,630,281	324,281,589	329,130,628	344,888,945
19	Total required stable funding	283,269,654	281,660,752	281,582,226	285,919,549	289,207,286
20	NSFR (%)	119.36%	118.45%	115.16%	115.11%	119.25%
	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 2023	At 31 December 2022	At 31 March 2023
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitization exposures	345,556,538	347,138,745	27,644,523
2	Of which STC approach	345,556,538	347,138,745	27,644,523
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	2,612,935	2,658,649	209,035
7	Of which SA-CCR approach	1,160,640	1,306,316	92,851
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	1,452,295	1,352,333	116,184
10	CVA risk	540,238	559,813	43,219
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA	-	-	-
13	CIS exposures - MBA	-	-	-
14	CIS exposures - FBA	-	-	-
14a	CIS exposures - combination of approaches	-	-	-
15	Settlement risk	181	-	14
16	Securitization exposures in banking book	-	-	-
17	Of which SEC - IRBA	-	-	-
18	Of which SEC - ERBA (including IAA)	-	-	-
19	Of which SEC - SA	-	-	-
19a	Of which SEC - FBA	-	-	-
20	Market risk	7,261,925	6,119,413	580,954
21	Of which STM approach	7,261,925	6,119,413	580,954
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	16,032,438	15,949,825	1,282,595
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	27,458	3,392,200	2,197
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	3,725,963	3,722,379	298,077
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	3,725,963	3,722,379	298,077
27	Total	368,305,750	372,096,266	29,464,460

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

LR2: Leverage ratio

		At 31 March 2023	At 31 December 2022
		HK\$'000	HK\$'000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	508,522,700	519,550,703
2	Less: Asset amounts deducted in determining Tier 1 capital	(10,139,358)	(9,832,749)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	498,383,342	509,717,954
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)	532,076	862,906
5	Add-on amounts for PFE associated with all derivative contracts	2,408,453	2,151,508
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	(12,560)	(37,663)
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	2,927,969	2,976,751
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	23,875,826	24,322,691
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	1,625,169	1,346,725
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	25,500,995	25,669,416
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	188,567,631	192,404,200
18	Less: Adjustments for conversion to credit equivalent amounts	(139,390,632)	(133,348,176)
19	Off-balance sheet items	49,176,999	59,056,024
Capital and total exposures			
20	Tier 1 capital	56,032,778	52,238,693
20a	Total exposures before adjustments for specific and collective provisions	575,989,305	597,420,145
20b	Adjustments for specific and collective provisions	(4,106,634)	(4,263,148)
21	Total exposures after adjustments for specific and collective provisions	571,882,671	593,156,997
Leverage ratio			
22	Leverage ratio	9.80%	8.81%

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 2023	
		UNWEIGHTED VALUE (Average) HK\$'000	WEIGHTED VALUE (Average) HK\$'000
Basis of disclosure: consolidated			
A. HQLA			
1	Total HQLA		69,115,521
B. CASH OUTFLOWS			
2	Retail deposits and small business funding, of which:	179,854,978	11,562,511
3	<i>Stable retail deposits and stable small business funding</i>	25,681,704	770,451
4	<i>Less stable retail deposits and less stable small business funding</i>	56,197,272	5,619,727
4a	<i>Retail term deposits and small business term funding</i>	97,976,002	5,172,333
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the AI, of which:	105,602,502	56,817,520
6	<i>Operational deposits</i>	18,412,432	4,416,790
7	<i>Unsecured wholesale funding (other than small business funding) not covered in Row 6</i>	84,714,208	49,924,868
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	2,475,862	2,475,862
9	Secured funding transactions (including securities swap transactions)		4,098,831
10	Additional requirements, of which:	49,292,221	13,108,356
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	4,633,484	4,633,484
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>	44,658,737	8,474,872
14	Contractual lending obligations (not otherwise covered in Section B) and	6,862,382	6,862,382
15	Other contingent funding obligations (whether contractual or non-contractual)	152,191,736	4,046,484
16	TOTAL CASH OUTFLOWS		96,496,084
C. CASH INFLOWS			
17	Secured lending transactions (including securities swap transactions)	2,342,432	2,342,432
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial	69,168,346	44,423,520
19	Other cash inflows	5,790,792	5,215,848
20	TOTAL CASH INFLOWS	77,301,570	51,981,800
D. LIQUIDITY COVERAGE RATIO			ADJUSTED VALUE
21	TOTAL HQLA		69,115,521
22	TOTAL NET CASH OUTFLOWS		44,514,284
23	LCR (%)		155.64%

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 2023, 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 2023 was 155.64%. The average HKD level 1 HQLA to HKD net cash outflow ratio of the first quarter of 2023 was 1,154.53%, 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 2023, 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.