

# Regulatory Disclosures

31 March 2021



<b>CONTENTS</b>	<b>PAGE</b>
<b>1. Key prudential ratios, key metrics and overview of RWA</b>	
KM1: Key prudential ratios	1
KM2(A): Key metrics – LAC requirements for material subsidiaries (at LAC consolidation group level)	2
KM2(B): Key metrics – TLAC requirements for non-HK resolution entity (at resolution group level)	3
OV1: Overview of RWA	4
<b>2. Leverage ratio</b>	
LR2: Leverage ratio	5
<b>3. Liquidity</b>	
LIQ1: Liquidity Coverage Ratio – for category 1 institution	6
<b>4. Credit risk for non-securitization exposures</b>	
CR8: RWA flow statements of credit risk exposures under IRB approach	8
<b>5. Counterparty credit risk</b>	
CCR7: RWA flow statements of default risk exposures under IMM(CCR) approach	8
<b>6. Market risk</b>	
MR2: RWA flow statements of market risk exposures under IMM approach	8

## 1. Key prudential ratios, key metrics and overview of RWA

### KM1: Key prudential ratios

	(a)	(b)	(c)	(d)	(e)	
	At 31 March 2021	At 31 December 2020	At 30 September 2020	At 30 June 2020	At 31 March 2020	
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	
<b>Regulatory capital</b>						
1	Common Equity Tier 1 (CET1)	220,640	216,542	216,426	216,560	201,094
2	Tier 1	244,116	240,018	239,902	240,036	224,570
3	Total capital	273,946	269,576	270,581	270,258	255,360
<b>RWA</b>						
4	Total RWA	1,256,099	1,220,000	1,347,574	1,169,600	1,165,836
<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>						
5	CET1 ratio (%)	17.57%	17.75%	16.06%	18.52%	17.25%
6	Tier 1 ratio (%)	19.43%	19.67%	17.80%	20.52%	19.26%
7	Total capital ratio (%)	21.81%	22.10%	20.08%	23.11%	21.90%
<b>Additional CET1 buffer requirements (as a percentage of RWA)</b>						
8	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9	Countercyclical capital buffer requirement (%)	0.799%	0.790%	0.809%	0.778%	0.780%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	1.500%	1.500%	1.500%	1.500%	1.500%
11	Total AI-specific CET1 buffer requirements (%)	4.799%	4.790%	4.809%	4.778%	4.780%
12	CET1 available after meeting the AI's minimum capital requirements (%)	13.07%	13.25%	11.56%	14.02%	12.75%
<b>Basel III leverage ratio</b>						
13	Total leverage ratio (LR) exposure measure	3,071,633	3,036,425	3,438,516	2,960,539	2,866,862
14	LR (%)	7.95%	7.90%	6.98%	8.11%	7.83%
<b>Liquidity Coverage Ratio (LCR)/Liquidity Maintenance Ratio (LMR)</b>						
Applicable to category 1 institution only:						
15	Total high quality liquid assets (HQLA)	948,742	829,430	704,240	629,778	655,935
16	Total net cash outflows	734,006	648,810	550,321	487,193	451,052
17	LCR (%)	130.80%	129.65%	128.55%	129.63%	146.14%
Applicable to category 2 institution only:						
17a	LMR (%)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
<b>Net Stable Funding Ratio (NSFR)/Core Funding Ratio (CFR)</b>						
Applicable to category 1 institution only:						
18	Total available stable funding	1,752,790	1,726,956	1,669,808	1,662,594	1,634,103
19	Total required stable funding	1,417,975	1,393,610	1,455,375	1,423,913	1,409,245
20	NSFR (%)	123.61%	123.92%	114.73%	116.76%	115.96%
Applicable to category 2A institution only:						
20a	CFR (%)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

## 1. Key prudential ratios, key metrics and overview of RWA (continued)

### KM2(A): Key metrics – LAC requirements for material subsidiaries (at LAC consolidation group level)

		(a)	(b)	(c)	(d)	(e)
		At 31 March 2021	At 31 December 2020	At 30 September 2020	At 30 June 2020	At 31 March 2020 <sup>1</sup>
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
<b>Of the material entity at LAC consolidation group level</b>						
1	Internal loss-absorbing capacity available	250,470	246,100	247,105	246,782	Not applicable
2	Risk-weighted amount under the LAC Rules	1,256,099	1,220,000	1,347,574	1,169,600	Not applicable
3	Internal LAC risk-weighted ratio	19.94%	20.17%	18.34%	21.10%	Not applicable
4	Exposure measure under the LAC Rules	3,071,633	3,036,425	3,438,516	2,960,539	Not applicable
5	Internal LAC leverage ratio	8.15%	8.10%	7.19%	8.34%	Not applicable
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply? <sup>2</sup>	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply? <sup>2</sup>	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied <sup>2</sup>	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Footnote:

<sup>1</sup> The LAC disclosures for the Group commences on 30 June 2020 in accordance with the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules (“LAC Rules”), accordingly the prior periods’ metrics are not available.

<sup>2</sup> The subordination exemptions under Section 11 of the Financial Stability Board (“FSB”) Total Loss-absorbing Capacity Term Sheet (“TLAC Term Sheet”) do not apply in Hong Kong under the LAC Rules.

## 1. Key prudential ratios, key metrics and overview of RWA (continued)

### KM2(B): Key metrics – TLAC requirements for non-HK resolution entity (at resolution group level)

		(a)	(b)	(c)	(d)	(e)
		At 31 March 2021 <sup>1</sup>	At 31 December 2020 <sup>1</sup>	At 30 September 2020 <sup>1</sup>	At 30 June 2020 <sup>1</sup>	At 31 March 2020
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
<b>Of the non-HK resolution entity at resolution group level</b>						
1	External loss-absorbing capacity available	2,937,356	2,921,224	2,743,041	2,517,967	Not applicable
2	Total risk-weighted amount under the relevant non-HK LAC regime	Not applicable <sup>2</sup>	18,007,355	Not applicable <sup>2</sup>	16,324,797	Not applicable
3	External loss-absorbing capacity as a percentage of risk-weighted amount	15.71%	16.22%	15.69%	15.42%	Not applicable
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	32,402,409	30,844,993	29,757,570	28,135,870	Not applicable
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	9.07%	9.47%	9.22%	8.95%	Not applicable
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

**Footnote:**

<sup>1</sup> The relevant non-HK LAC regime in the non-HK jurisdiction is not yet implemented and that the values for rows 1 to 5 are reported on the regulatory capital regime of the non-HK jurisdiction as proxies.

<sup>2</sup> "Not applicable" is reported because the value was not published by the non-HK resolution entity.

## 1. Key prudential ratios, key metrics and overview of RWA (continued)

### OV1: Overview of RWA

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		At 31 March 2021	At 31 December 2020	At 31 March 2021
		HK\$m	HK\$m	HK\$m
1	Credit risk for non-securitization exposures	1,087,261	1,055,377	91,765
2	Of which STC approach	90,639	104,371	7,251
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	994,080	950,382	84,298
4	Of which supervisory slotting criteria approach	2,542	624	216
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	11,745	11,701	985
7	Of which SA-CCR	Not applicable	Not applicable	Not applicable
7a	Of which CEM	10,700	10,574	899
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	1,045	1,127	86
10	CVA risk	7,030	7,738	562
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA	Not applicable	Not applicable	Not applicable
13	CIS exposures – MBA	Not applicable	Not applicable	Not applicable
14	CIS exposures – FBA	Not applicable	Not applicable	Not applicable
14a	CIS exposures – combination of approaches	Not applicable	Not applicable	Not applicable
15	Settlement risk	-	-	-
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	12,383	9,880	991
21	Of which STM approach	1,447	885	116
22	Of which IMM approach	10,936	8,995	875
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	Not applicable	Not applicable	Not applicable
24	Operational risk	98,233	98,493	7,859
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	6,391	6,360	511
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	27,307	27,177	2,185
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	27,307	27,177	2,185
27	Total	1,195,736	1,162,372	100,488

In this table, RWAs for credit risk calculated under the IRB approach are before the application of the 1.06 scaling factor. Minimum capital requirement represents the amount of capital required to be held for that risk based on its RWAs after any applicable scaling factor multiplied by 8%.

Compared with 31 December 2020, RWA under STC approach decreased by HK\$13,732 million, mainly due to extended scope of BOCHK's Bank and Corporate FIRB model application to Southeast Asia entities (common obligors of BOCHK and Southeast Asia entities), with relevant credit exposures adopted FIRB approach to calculate the credit risk capital charge.

## 2. Leverage ratio

### LR2: Leverage ratio

		At 31 March 2021	At 31 December 2020
		(a)	(b)
		HK\$m	HK\$m
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	2,876,975	2,905,598
2	Less: Asset amounts deducted in determining Tier 1 capital	(56,451)	(55,824)
3	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	<b>2,820,524</b>	<b>2,849,774</b>
<b>Exposures arising from derivative contracts</b>			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	20,067	22,666
5	Add-on amounts for PFE associated with all derivative contracts	18,422	15,936
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	(8,773)	(12,659)
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	<b>Total exposures arising from derivative contracts</b>	<b>29,716</b>	<b>25,943</b>
<b>Exposures arising from SFTs</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	63,152	5,260
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	59	29
15	Agent transaction exposures	-	-
16	<b>Total exposures arising from SFTs</b>	<b>63,211</b>	<b>5,289</b>
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	749,493	767,841
18	Less: Adjustments for conversion to credit equivalent amounts	(580,978)	(602,308)
19	<b>Off-balance sheet items</b>	<b>168,515</b>	<b>165,533</b>
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	<b>244,116</b>	<b>240,018</b>
20a	<b>Total exposures before adjustments for specific and collective provisions</b>	<b>3,081,966</b>	<b>3,046,539</b>
20b	<b>Adjustments for specific and collective provisions</b>	<b>(10,333)</b>	<b>(10,114)</b>
21	<b>Total exposures after adjustments for specific and collective provisions</b>	<b>3,071,633</b>	<b>3,036,425</b>
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	<b>7.95%</b>	<b>7.90%</b>

### 3. Liquidity

#### 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	
		(a)	(b)
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)
		HK\$'m	HK\$'m
<b>A. HQLA</b>			
1	Total HQLA		948,742
<b>B. Cash Outflows</b>			
2	Retail deposits and small business funding, of which:	1,097,498	73,453
3	<i>Stable retail deposits and stable small business funding</i>	394,219	11,827
4	<i>Less stable retail deposits and less stable small business funding</i>	518,125	51,813
4a	<i>Retail term deposits and small business term funding</i>	185,154	9,813
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	1,457,890	832,827
6	<i>Operational deposits</i>	336,766	82,880
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	1,121,079	749,902
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	45	45
9	Secured funding transactions (including securities swap transactions)		194
10	Additional requirements, of which:	470,080	85,203
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	41,245	41,245
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>	428,835	43,958
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	69,464	69,464
15	Other contingent funding obligations (whether contractual or non-contractual)	339,101	5,322
16	<b>Total Cash Outflows</b>		<b>1,066,463</b>
<b>C. Cash Inflows</b>			
17	Secured lending transactions (including securities swap transactions)	3,953	37
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	322,820	231,537
19	Other cash inflows	110,609	100,883
20	<b>Total Cash Inflows</b>	<b>437,382</b>	<b>332,457</b>
<b>D. Liquidity Coverage Ratio</b>			<b>Adjusted value</b>
21	Total HQLA		948,742
22	Total Net Cash Outflows		734,006
23	LCR (%)		130.80%



### 3. Liquidity (continued)

#### 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.

The Group's average LCR of the first quarter in 2021 was 130.80%, continuously maintained at stable and healthy level.

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. 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 or by issuing debts in the capital market. Other cash outflow, such as commitment, cash outflow under derivative contract and potential collateral requirement, were minimal to the LCR.

The majority of the Group's customer deposits is denominated in HKD, USD and RMB. As the supply of HKD denominated HQLA in the market is relatively limited, the Group swaps surplus HKD funds into USD and other foreign currencies, part of which being used for investment in HQLA.

#### 4. Credit risk for non-securitization exposures

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

		(a)
		HK\$'m
1	<b>RWA as at 31 December 2020</b>	<b>951,006</b>
2	Asset size	23,408
3	Asset quality	6,316
4	Model updates	16,282
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(390)
8	Other	-
9	<b>RWA as at 31 March 2021</b>	<b>996,622</b>

RWA of model updates increased in the first quarter of 2021 by HK\$16,282 million, due to (i) extended scope of BOCHK's Bank and Corporate FIRB model application to Southeast Asia entities, leading to increase in RWA by HK\$17,435 million; and (ii) recalibrated Mid-Market PD model, with RWA decreased by HK\$1,153 million.

#### 5. Counterparty credit risk

##### CCR7: RWA flow statements of default risk exposures under IMM(CCR) approach

The Group did not use IMM(CCR) approach to measure default risk exposures as at 31 March 2021.

#### 6. Market risk

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

		(a)	(b)	(c)	(d)	(e)	(f)
		VaR	Stressed VaR	IRC	CRC	Other	Total RWA
		HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
1	<b>RWA as at 31 December 2020</b>	<b>2,688</b>	<b>6,307</b>	-	-	-	<b>8,995</b>
1a	<i>Regulatory adjustment</i>	(1,769)	(4,809)	-	-	-	(6,578)
1b	<b>RWA as at day-end of 31 December 2020</b>	<b>919</b>	<b>1,498</b>	-	-	-	<b>2,417</b>
2	Movement in risk levels*	(295)	202	-	-	-	(93)
3	Model updates/changes	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-
7	Other	-	-	-	-	-	-
7a	<b>RWA as at day-end of 31 March 2021</b>	<b>624</b>	<b>1,700</b>	-	-	-	<b>2,324</b>
7b	<i>Regulatory adjustment</i>	1,646	6,966	-	-	-	8,612
8	<b>RWA as at 31 March 2021</b>	<b>2,270</b>	<b>8,666</b>	-	-	-	<b>10,936</b>

\* Movements as a result of changes in positions and risk levels.