

Regulatory Disclosures

30 September 2021



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

KM1: Key prudential ratios

	(a)	(b)	(c)	(d)	(e)	
	At 30 September 2021	At 30 June 2021	At 31 March 2021	At 31 December 2020	At 30 September 2020	
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	
Regulatory capital						
1	Common Equity Tier 1 (CET1)	226,671	225,551	220,640	216,542	216,426
2	Tier 1	250,147	249,027	244,116	240,018	239,902
3	Total capital	280,463	279,813	273,946	269,576	270,581
RWA						
4	Total RWA	1,291,708	1,413,929	1,256,099	1,220,000	1,347,574
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	17.55%	15.95%	17.57%	17.75%	16.06%
6	Tier 1 ratio (%)	19.37%	17.61%	19.43%	19.67%	17.80%
7	Total capital ratio (%)	21.71%	19.79%	21.81%	22.10%	20.08%
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9	Countercyclical capital buffer requirement (%)	0.800%	0.820%	0.799%	0.790%	0.809%
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 (%)	4.800%	4.820%	4.799%	4.790%	4.809%
12	CET1 available after meeting the AI's minimum capital requirements (%)	13.05%	11.45%	13.07%	13.25%	11.56%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	3,267,749	3,546,256	3,071,633	3,036,425	3,438,516
14	LR (%)	7.66%	7.02%	7.95%	7.90%	6.98%
Liquidity Coverage Ratio (LCR)/Liquidity Maintenance Ratio (LMR)						
Applicable to category 1 institution only:						
15	Total high quality liquid assets (HQLA)	889,577	897,070	948,742	829,430	704,240
16	Total net cash outflows	680,775	687,483	734,006	648,810	550,321
17	LCR (%)	131.01%	130.81%	130.80%	129.65%	128.55%
Applicable to category 2 institution only:						
17a	LMR (%)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Net Stable Funding Ratio (NSFR)/Core Funding Ratio (CFR)						
Applicable to category 1 institution only:						
18	Total available stable funding	1,821,450	1,778,438	1,752,790	1,726,956	1,669,808
19	Total required stable funding	1,461,466	1,517,142	1,417,975	1,393,610	1,455,375
20	NSFR (%)	124.63%	117.22%	123.61%	123.92%	114.73%
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 30 September 2021	At 30 June 2021	At 31 March 2021	At 31 December 2020	At 30 September 2020
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Of the material entity at LAC consolidation group level						
1	Internal loss-absorbing capacity available	256,987	256,337	250,470	246,100	247,105
2	Risk-weighted amount under the LAC Rules	1,291,708	1,413,929	1,256,099	1,220,000	1,347,574
3	Internal LAC risk-weighted ratio	19.90%	18.13%	19.94%	20.17%	18.34%
4	Exposure measure under the LAC Rules	3,267,749	3,546,256	3,071,633	3,036,425	3,438,516
5	Internal LAC leverage ratio	7.86%	7.23%	8.15%	8.10%	7.19%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply? ¹	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? ¹	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 ¹	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Footnote:

¹ 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 30 September 2021 ¹	At 30 June 2021 ¹	At 31 March 2021 ¹	At 31 December 2020 ¹	At 30 September 2020 ¹
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Of the non-HK resolution entity at resolution group level						
1	External loss-absorbing capacity available	3,126,922	3,036,509	2,937,356	2,921,224	2,743,041
2	Total risk-weighted amount under the relevant non-HK LAC regime	Not applicable ²	19,451,738	Not applicable ²	18,007,355	Not applicable ²
3	External loss-absorbing capacity as a percentage of risk-weighted amount	16.00%	15.61%	15.71%	16.22%	15.69%
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	33,537,472	33,489,199	32,402,409	30,844,993	29,757,570
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	9.32%	9.07%	9.07%	9.47%	9.22%
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:

¹ 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.

² "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 30 September 2021	At 30 June 2021	At 30 September 2021
		HK\$m	HK\$m	HK\$m
1	Credit risk for non-securitization exposures	1,117,436	1,232,433	94,322
2	Of which STC approach	91,096	87,283	7,288
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	1,023,691	1,142,541	86,809
4	Of which supervisory slotting criteria approach	2,649	2,609	225
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	13,545	14,270	1,140
7	Of which SA-CCR approach	13,261	14,109	1,117
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	284	161	23
10	CVA risk	6,576	7,361	526
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	10	-	1
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	10,993	14,653	879
21	Of which STM approach	1,463	2,465	117
22	Of which IMM approach	9,530	12,188	762
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	102,102	96,848	8,168
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	6,244	6,253	500
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	27,486	27,355	2,199
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	27,486	27,355	2,199
27	Total	1,229,420	1,344,463	103,337

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 30 June 2021, RWA under foundation IRB approach decreased by HK\$118,850 million, mainly due to decrease in IPO business (including placement of IPO subscription funds to interbank market and IPO loans).

2. Leverage ratio

LR2: Leverage ratio

		At 30 September 2021	At 30 June 2021
		(a)	(b)
		HK\$m	HK\$m
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	3,073,596	3,377,021
2	Less: Asset amounts deducted in determining Tier 1 capital	(57,763)	(58,056)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	3,015,833	3,318,965
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)	12,771	11,480
5	Add-on amounts for PFE associated with all derivative contracts	24,453	24,887
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	(7,282)	(8,336)
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	29,942	28,031
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	71,624	47,344
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	190	22
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	71,814	47,366
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	746,121	730,356
18	Less: Adjustments for conversion to credit equivalent amounts	(584,874)	(567,340)
19	Off-balance sheet items	161,247	163,016
Capital and total exposures			
20	Tier 1 capital	250,147	249,027
20a	Total exposures before adjustments for specific and collective provisions	3,278,836	3,557,378
20b	Adjustments for specific and collective provisions	(11,087)	(11,122)
21	Total exposures after adjustments for specific and collective provisions	3,267,749	3,546,256
Leverage ratio			
22	Leverage ratio	7.66%	7.02%

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: (77)		For the quarter ended 30 September 2021	
		(a)	(b)
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)
		HK\$m	HK\$m
A. HQLA			
1	Total HQLA		889,577
B. Cash Outflows			
2	Retail deposits and small business funding, of which:	1,113,883	75,160
3	<i>Stable retail deposits and stable small business funding</i>	397,813	11,934
4	<i>Less stable retail deposits and less stable small business funding</i>	535,330	53,533
4a	<i>Retail term deposits and small business term funding</i>	180,740	9,693
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	1,327,025	675,804
6	<i>Operational deposits</i>	451,097	111,397
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	875,928	564,407
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	-	-
9	Secured funding transactions (including securities swap transactions)		466
10	Additional requirements, of which:	455,830	76,898
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	34,907	34,907
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>	420,923	41,991
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	53,018	53,018
15	Other contingent funding obligations (whether contractual or non-contractual)	330,494	5,320
16	Total Cash Outflows		886,666
C. Cash Inflows			
17	Secured lending transactions (including securities swap transactions)	10,388	1,112
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	240,074	155,035
19	Other cash inflows	55,653	49,744
20	Total Cash Inflows	306,115	205,891
D. Liquidity Coverage Ratio			Adjusted value
21	Total HQLA		889,577
22	Total Net Cash Outflows		680,775
23	LCR (%)		131.01%

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, second and third quarter in 2021 were 130.80%, 130.81% and 131.01% respectively, 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, had a minimal impact to the LCR.

The majority of the Group's customer deposits are denominated in HKD, USD and RMB. As the supply of HQLA denominated in HKD in the market is relatively limited, the Group exchanges surplus funds in HKD for USD and other currencies through swap transactions, 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	RWA as at 30 June 2021	1,145,150
2	Asset size	(111,564)
3	Asset quality	(6,946)
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(300)
8	Other	-
9	RWA as at 30 September 2021	1,026,340

RWA decreased by HK\$118,810 million in the third quarter of 2021, mainly due to decrease in IPO business (including placement of IPO subscription funds to interbank market and IPO loans).

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 30 September 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	RWA as at 30 June 2021	2,091	10,097	-	-	-	12,188
1a	Regulatory adjustment	(1,314)	(7,073)	-	-	-	(8,387)
1b	RWA as at day-end of 30 June 2021	777	3,024	-	-	-	3,801
2	Movement in risk levels*	224	211	-	-	-	435
3	Model updates/changes	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-
7	Other	-	-	-	-	-	-
7a	RWA as at day-end of 30 September 2021	1,001	3,235	-	-	-	4,236
7b	Regulatory adjustment	1,375	3,919	-	-	-	5,294
8	RWA as at 30 September 2021	2,376	7,154	-	-	-	9,530

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