

# Regulatory Disclosures

## 30 September 2022



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## 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 2022 <sup>1</sup>	At 30 June 2022 <sup>1</sup>	At 31 March 2022 <sup>1</sup>	At 31 December 2021 <sup>1</sup>	At 30 September 2021 <sup>1</sup>
		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	3,176,182	3,304,501	3,424,470	3,310,539	3,126,922
2	Total risk-weighted amount under the relevant non-HK LAC regime	Not applicable <sup>2</sup>	19,448,240	Not applicable <sup>2</sup>	20,023,532	Not applicable <sup>2</sup>
3	External loss-absorbing capacity as a percentage of risk-weighted amount	17.17%	16.99%	16.64%	16.53%	16.00%
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	33,816,503	34,979,020	36,036,848	34,868,074	33,537,472
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	9.39%	9.45%	9.50%	9.49%	9.32%
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.



## 2. Leverage ratio

### LR2: Leverage ratio

		At 30 September 2022	At 30 June 2022
		(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	Less: Asset amounts deducted in determining Tier 1 capital	(57,976)	(57,954)
3	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	<b>3,079,048</b>	<b>3,028,186</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)	18,351	22,983
5	Add-on amounts for PFE associated with all derivative contracts	24,656	31,673
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	(9)	-
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	<b>Total exposures arising from derivative contracts</b>	<b>42,998</b>	<b>54,656</b>
<b>Exposures arising from SFTs</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	25,343	76,057
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	15,042	51
15	Agent transaction exposures	-	-
16	<b>Total exposures arising from SFTs</b>	<b>40,385</b>	<b>76,108</b>
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	762,420	746,559
18	Less: Adjustments for conversion to credit equivalent amounts	(603,121)	(592,969)
19	<b>Off-balance sheet items</b>	<b>159,299</b>	<b>153,590</b>
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	<b>254,535</b>	<b>253,082</b>
20a	<b>Total exposures before adjustments for specific and collective provisions</b>	<b>3,321,730</b>	<b>3,312,540</b>
20b	<b>Adjustments for specific and collective provisions</b>	<b>(11,562)</b>	<b>(12,195)</b>
21	<b>Total exposures after adjustments for specific and collective provisions</b>	<b>3,310,168</b>	<b>3,300,345</b>
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	<b>7.69%</b>	<b>7.67%</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: (76)		For the quarter ended 30 September 2022	
		(a)	(b)
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)
		HK\$'m	HK\$'m
<b>A. HQLA</b>			
1	Total HQLA		848,353
<b>B. Cash Outflows</b>			
2	Retail deposits and small business funding, of which:	1,152,036	74,398
3	<i>Stable retail deposits and stable small business funding</i>	398,445	11,953
4	<i>Less stable retail deposits and less stable small business funding</i>	487,174	48,717
4a	<i>Retail term deposits and small business term funding</i>	266,417	13,728
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	1,181,736	522,987
6	<i>Operational deposits</i>	476,502	117,623
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	705,234	405,364
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)		133
10	Additional requirements, of which:	458,683	79,759
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	36,012	35,946
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>	422,671	43,813
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	78,438	78,438
15	Other contingent funding obligations (whether contractual or non-contractual)	343,157	4,309
16	<b>Total Cash Outflows</b>		760,024
<b>C. Cash Inflows</b>			
17	Secured lending transactions (including securities swap transactions)	10,143	2,972
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	216,419	130,045
19	Other cash inflows	60,537	56,713
20	<b>Total Cash Inflows</b>	287,099	189,730
<b>D. Liquidity Coverage Ratio</b>			<b>Adjusted value</b>
21	Total HQLA		848,353
22	Total Net Cash Outflows		570,294
23	LCR (%)		149.00%



### 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 2022 were 159.16%, 149.49% and 149.00% 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
<b>1</b>	<b>RWA as at 30 June 2022</b>	<b>1,033,509</b>
2	Asset size	3,087
3	Asset quality	(7,639)
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(5,823)
8	Other	-
<b>9</b>	<b>RWA as at 30 September 2022</b>	<b>1,020,684</b>

#### 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 2022.

#### 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
<b>1</b>	<b>RWA as at 30 June 2022</b>	<b>2,766</b>	<b>14,624</b>	-	-	-	<b>17,390</b>
1a	Regulatory adjustment	(2,067)	(10,713)	-	-	-	(12,780)
<b>1b</b>	<b>RWA as at day-end of 30 June 2022</b>	<b>699</b>	<b>3,911</b>	-	-	-	<b>4,610</b>
2	Movement in risk levels*	482	5,182	-	-	-	5,664
3	Model updates/changes	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-
7	Other	-	-	-	-	-	-
<b>7a</b>	<b>RWA as at day-end of 30 September 2022</b>	<b>1,181</b>	<b>9,093</b>	-	-	-	<b>10,274</b>
7b	Regulatory adjustment	1,362	8,518	-	-	-	9,880
<b>8</b>	<b>RWA as at 30 September 2022</b>	<b>2,543</b>	<b>17,611</b>	-	-	-	<b>20,154</b>

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