

# Regulatory Disclosures

## 30 September 2023



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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 2023	At 30 June 2023	At 31 March 2023	At 31 December 2022	At 30 September 2022	
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	
<b>Regulatory capital</b>						
1	Common Equity Tier 1 (CET1)	248,686	246,884	239,276	229,798	231,059
2	Tier 1	248,686	269,560	262,752	253,274	254,535
3	Total capital	277,747	298,730	291,865	282,322	284,601
<b>RWA</b>						
4	Total RWA	1,303,561	1,299,148	1,280,036	1,312,199	1,291,554
<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>						
5	CET1 ratio (%)	19.08%	19.00%	18.69%	17.51%	17.89%
6	Tier 1 ratio (%)	19.08%	20.75%	20.53%	19.30%	19.71%
7	Total capital ratio (%)	21.31%	22.99%	22.80%	21.52%	22.04%
<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 (%)	0.826%	0.822%	0.812%	0.817%	0.817%
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 (%)	4.826%	4.822%	4.812%	4.817%	4.817%
12	CET1 available after meeting the AI's minimum capital requirements (%)	13.08%	14.50%	14.19%	13.01%	13.39%
<b>Basel III leverage ratio</b>						
13	Total leverage ratio (LR) exposure measure	3,651,107	3,479,089	3,470,607	3,370,353	3,310,168
14	LR (%)	6.81%	7.75%	7.57%	7.51%	7.69%
<b>Liquidity Coverage Ratio (LCR)/Liquidity Maintenance Ratio (LMR)</b>						
Applicable to category 1 institution only:						
15	Total high quality liquid assets (HQLA)	1,037,315	965,434	931,036	829,726	848,353
16	Total net cash outflows	536,592	512,966	491,937	466,673	570,294
17	LCR (%)	193.47%	188.89%	189.68%	178.49%	149.00%
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	2,044,520	2,005,761	2,040,498	1,952,126	1,907,480
19	Total required stable funding	1,474,412	1,524,651	1,516,958	1,483,841	1,490,466
20	NSFR (%)	138.67%	131.56%	134.51%	131.56%	127.98%
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 2023	At 30 June 2023	At 31 March 2023	At 31 December 2022	At 30 September 2022
		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	353,854	351,681	346,556	335,239	261,125
2	Risk-weighted amount under the LAC Rules	1,303,561	1,299,148	1,280,036	1,312,199	1,291,554
3	Internal LAC risk-weighted ratio	27.15%	27.07%	27.07%	25.55%	20.22%
4	Exposure measure under the LAC Rules	3,651,107	3,479,089	3,470,607	3,370,353	3,310,168
5	Internal LAC leverage ratio	9.69%	10.11%	9.99%	9.95%	7.89%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply? <sup>1</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>1</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>1</sup>	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

**Footnote:**

<sup>1</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 30 September 2023 <sup>1</sup>	At 30 June 2023 <sup>1</sup>	At 31 March 2023 <sup>1</sup>	At 31 December 2022 <sup>1</sup>	At 30 September 2022 <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	3,421,516	3,346,339	3,516,765	3,301,580	3,176,182
2	Total risk-weighted amount under the relevant non-HK LAC regime	Not applicable <sup>2</sup>	19,529,804	Not applicable <sup>2</sup>	18,845,214	Not applicable <sup>2</sup>
3	External loss-absorbing capacity as a percentage of risk-weighted amount	17.30%	17.13%	17.53%	17.52%	17.17%
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	36,539,091	35,825,110	37,107,540	34,738,341	33,816,503
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	9.36%	9.34%	9.48%	9.50%	9.39%
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 30 September 2023	At 30 June 2023	At 30 September 2023
		HK\$m	HK\$m	HK\$m
1	Credit risk for non-securitization exposures	1,096,404	1,103,096	92,507
2	Of which STC approach	97,560	93,757	7,805
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	996,502	1,007,034	84,503
4	Of which supervisory slotting criteria approach	2,342	2,305	199
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	12,315	14,008	1,034
7	Of which SA-CCR approach	12,032	13,725	1,011
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	283	283	23
10	CVA risk	4,645	5,301	372
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	-	-	-
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	41,904	29,190	3,352
21	Of which STM approach	3,221	3,555	258
22	Of which IMM approach	38,683	25,635	3,094
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	101,659	99,762	8,132
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	12,195	12,675	976
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	26,098	26,141	2,088
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	26,098	26,141	2,088
27	Total	1,243,024	1,237,891	104,285

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 2023, the 12% decrease in RWA of counterparty default risk and default fund contributions was mainly driven by change in outstanding derivative transactions' market value and transaction volume.

## 2. Leverage ratio

### LR2: Leverage ratio

		At 30 September 2023	At 30 June 2023
		(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)	3,372,890	3,276,522
2	Less: Asset amounts deducted in determining Tier 1 capital	(57,507)	(57,913)
3	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	<b>3,315,383</b>	<b>3,218,609</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)	10,522	16,554
5	Add-on amounts for PFE associated with all derivative contracts	24,767	23,851
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	(2,487)	(2,489)
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>32,802</b>	<b>37,916</b>
<b>Exposures arising from SFTs</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	119,380	44,583
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	20,027	21,017
15	Agent transaction exposures	-	-
16	<b>Total exposures arising from SFTs</b>	<b>139,407</b>	<b>65,600</b>
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	865,072	829,432
18	Less: Adjustments for conversion to credit equivalent amounts	(687,141)	(659,368)
19	<b>Off-balance sheet items</b>	<b>177,931</b>	<b>170,064</b>
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	<b>248,686</b>	<b>269,560</b>
20a	<b>Total exposures before adjustments for specific and collective provisions</b>	<b>3,665,523</b>	<b>3,492,189</b>
20b	<b>Adjustments for specific and collective provisions</b>	<b>(14,416)</b>	<b>(13,100)</b>
21	<b>Total exposures after adjustments for specific and collective provisions</b>	<b>3,651,107</b>	<b>3,479,089</b>
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	<b>6.81%</b>	<b>7.75%</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 30 September 2023	
		(a)	(b)
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)
		HK\$m	HK\$m
<b>A. HQLA</b>			
1	Total HQLA		1,037,315
<b>B. Cash Outflows</b>			
2	Retail deposits and small business funding, of which:	1,278,736	75,956
3	<i>Stable retail deposits and stable small business funding</i>	384,061	11,522
4	<i>Less stable retail deposits and less stable small business funding</i>	385,435	38,544
4a	<i>Retail term deposits and small business term funding</i>	509,240	25,890
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	1,222,075	531,360
6	<i>Operational deposits</i>	387,954	95,498
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	833,986	435,727
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	135	135
9	Secured funding transactions (including securities swap transactions)		112
10	Additional requirements, of which:	503,973	89,826
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	32,245	32,184
12	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	8,325	8,325
13	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	463,403	49,317
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	80,734	80,734
15	Other contingent funding obligations (whether contractual or non-contractual)	400,390	3,540
16	<b>Total Cash Outflows</b>		<b>781,528</b>
<b>C. Cash Inflows</b>			
17	Secured lending transactions (including securities swap transactions)	23,715	9,441
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	286,261	167,939
19	Other cash inflows	72,599	67,556
20	<b>Total Cash Inflows</b>	<b>382,575</b>	<b>244,936</b>
<b>D. Liquidity Coverage Ratio</b>			<b>Adjusted value</b>
21	Total HQLA		1,037,315
22	Total Net Cash Outflows		536,592
23	LCR (%)		193.47%



### 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 2023 were 189.68%, 188.89% and 193.47% 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 2023</b>	<b>1,009,339</b>
2	Asset size	(34,171)
3	Asset quality	25,041
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(1,365)
8	Other	-
<b>9</b>	<b>RWA as at 30 September 2023</b>	<b>998,844</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 2023.

#### 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 2023</b>	<b>5,352</b>	<b>20,283</b>	-	-	-	<b>25,635</b>
1a	Regulatory adjustment	(4,116)	(13,401)	-	-	-	(17,517)
<b>1b</b>	<b>RWA as at day-end of 30 June 2023</b>	<b>1,236</b>	<b>6,882</b>	-	-	-	<b>8,118</b>
2	Movement in risk levels*	967	4,114	-	-	-	5,081
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 2023</b>	<b>2,203</b>	<b>10,996</b>	-	-	-	<b>13,199</b>
7b	Regulatory adjustment	5,008	20,476	-	-	-	25,484
<b>8</b>	<b>RWA as at 30 September 2023</b>	<b>7,211</b>	<b>31,472</b>	-	-	-	<b>38,683</b>

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