



The Bank of East Asia, Limited
東亞銀行有限公司

Banking Disclosure Statement
For the period ended
30 September 2023

(Unaudited)

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Introduction

Purpose

The information contained in this document is for The Bank of East Asia, Limited (“the Bank”) and its subsidiaries (together “the Group”), and is prepared in accordance with the Banking (Disclosure) Rules (“BDR”), Part 6 of the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules (“LAC Rules”), and disclosure templates issued by the Hong Kong Monetary Authority (“HKMA”).

These banking disclosures are governed by the Group’s disclosure policy, which has been approved by the Board. The disclosure policy sets out the governance, control and assurance requirements for publication of the document. While the banking disclosure statement is not required to be externally audited, the document has been subject to independent review in accordance with the Group’s policies on disclosure and its financial reporting and governance processes.

Basis of preparation

Except where indicated otherwise, the financial information contained in this Banking Disclosure Statement has been prepared on the basis of regulatory scope of consolidation specified by the HKMA to the Bank. The basis of consolidation for regulatory purposes is different from that for accounting purposes.

The banking disclosure statement

The HKMA has implemented the final standards on the Revised Pillar 3 Disclosure Requirements issued by the Basel Committee on Banking Supervision (“BCBS”) in January 2015, and also incorporated the BCBS Pillar 3 disclosure requirements – consolidated and enhanced framework finalized in March 2017 in the latest BDR and the LAC Rules. These disclosures are supplemented by specific additional requirements of the HKMA set out in the BDR and the LAC Rules. The banking disclosure statement includes the information required under the BDR and the LAC Rules.

According to the BDR and the LAC Rules, disclosure of comparative information is not required unless otherwise specified in the standard disclosure templates.

Template KM1: Key prudential ratios

(HK\$ million)		30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	82,473	82,132	83,173	81,282	79,950
2	Tier 1	92,562	92,222	93,262	91,372	90,039
3	Total capital	105,024	104,726	105,821	103,420	103,263
RWA (amount)						
4	Total RWA	471,761	490,121	505,329	514,873	515,331
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	17.48%	16.76%	16.46%	15.79%	15.51%
6	Tier 1 ratio (%)	19.62%	18.82%	18.46%	17.75%	17.47%
7	Total capital ratio (%)	22.26%	21.37%	20.94%	20.09%	20.04%
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 (%)	0.457%	0.415%	0.426%	0.415%	0.377%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	N/A	N/A	N/A	N/A	N/A
11	Total AI-specific CET1 buffer requirements (%)	2.957%	2.915%	2.926%	2.915%	2.877%
12	CET1 available after meeting the AI's minimum capital requirements (%)	12.98%	12.26%	11.96%	11.29%	11.01%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	896,901	917,707	933,047	935,197	930,819
14	LR (%)	10.32%	10.05%	10.00%	9.77%	9.67%
Liquidity Coverage Ratio (LCR)						
15	Total high quality liquid assets (HQLA)	70,527	69,422	70,676	65,694	63,656
16	Total net cash outflows	37,341	33,389	38,934	33,274	35,670
17	LCR (%)	191.35%	208.87%	182.93%	197.74%	179.08%
Net Stable Funding Ratio (NSFR)						
18	Total available stable funding	566,501	577,415	577,024	568,204	550,694
19	Total required stable funding	463,464	480,463	492,581	489,801	488,612
20	NSFR (%)	122.23%	120.18%	117.14%	116.01%	112.71%

The movement of total high quality liquid assets (HQLA) between the periods was mainly contributed by the fluctuation in the average holding of central bank reserve in level 1 HQLA.

Template OV1: Overview of RWA

The following table provides an overview of capital requirements in terms of a detailed breakdown of RWAs for various risks as at 30th September 2023 and 30th June 2023 respectively:

(HK\$ million)		(a)	(b)	(c)
		RWA ¹		Minimum capital requirements ¹
		September 2023	June 2023	September 2023
1	Credit risk for non-securitization exposures	376,088	390,126	31,751
2	Of which STC approach	29,388	29,056	2,351
2a	Of which BSC approach	0	0	0
3	Of which foundation IRB approach	323,341	336,457	27,419
4	Of which supervisory slotting criteria approach	23,359	24,613	1,981
5	Of which advanced IRB approach	0	0	0
6	Counterparty default risk and default fund contributions	3,798	3,332	316
7	Of which SA-CCR approach	3,168	2,956	264
7a	Of which CEM	0	0	0
8	Of which IMM(CCR) approach	0	0	0
8a	Of which counterparty default risk to CCPs in respect of derivative contracts	312	292	25
9	Of which others	318	84	27
10	CVA risk	1,120	1,078	90
11	Equity positions in banking book under the simple risk-weight method and internal models method	12,233	13,965	1,037
12	Collective investment scheme ("CIS") exposures – LTA	0	0	0
13	CIS exposures – MBA	129	128	11
14	CIS exposures – FBA	8,227	8,628	698
14a	CIS exposures – combination of approaches	0	0	0
15	Settlement risk	0	0	0
16	Securitization exposures in banking book	0	0	0
17	Of which SEC-IRBA	0	0	0
18	Of which SEC-ERBA (including IAA)	0	0	0
19	Of which SEC-SA	0	0	0
19a	Of which SEC-FBA	0	0	0
20	Market risk	4,274	4,540	342
21	Of which STM approach	539	670	43
22	Of which IMM approach	3,735	3,870	299
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	33,973	32,483	2,718
24a	Sovereign concentration risk	0	0	0
25	Amounts below the thresholds for deduction (subject to 250% RW)	11,878	11,783	1,007
26	Capital floor adjustment	0	3,052	0
26a	Deduction to RWA	2,860	2,853	229
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	0	0	0
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	2,860	2,853	229
27	Total	448,860	466,262	37,741

1. In this table, RWAs for credit risk which are calculated under the IRB approach and form part of item 3, 4, 7, 9, 11, 13, 14, 25 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%.

Template LR2: Leverage ratio (“LR”)

		(HK\$ million)	
		At 30 Sep 2023	At 30 Jun 2023
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	824,325	855,844
2	Less: Asset amounts deducted in determining Tier 1 capital	(10,215)	(10,556)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	814,110	845,288
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)	14,370	12,386
5	Add-on amounts for PFE associated with all derivative contracts	9,987	9,465
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	(1,054)	(1,228)
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	23,303	20,623
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	13,971	6,743
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	350	362
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	14,321	7,105
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	363,281	356,572
18	Less: Adjustments for conversion to credit equivalent amounts	(310,990)	(305,266)
19	Off-balance sheet items	52,291	51,306
Capital and total exposures			
20	Tier 1 capital	92,562	92,222
20a	Total exposures before adjustments for specific and collective provisions	904,025	924,322
20b	Adjustments for specific and collective provisions	(7,124)	(6,615)
21	Total exposures after adjustments for specific and collective provisions	896,901	917,707
Leverage ratio			
22	Leverage ratio	10.32%	10.05%

Template LIQ1: Liquidity Coverage Ratio (“LCR”)

(HK\$ million)		Quarter ending on 30 September 2023		Quarter ending on 30 June 2023	
Number of data points used in calculating the average value of the LCR and related components set out in this template		73		71	
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)	Unweighted value (average)	Weighted value (average)
A. High Quality Liquid Assets (HQLA)					
1	Total HQLA		87,238		87,012
B. Cash Outflows					
2	Retail deposits and small business funding, of which:	326,073	23,615	319,119	23,091
3	<i>Stable retail deposits and stable small business funding</i>	43,277	1,335	42,416	1,308
4	<i>Less stable retail deposits and less stable small business funding</i>	162,814	16,281	158,975	15,897
4a	<i>Retail term deposits and small business term funding</i>	119,982	5,999	117,728	5,886
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the institution, of which:	129,277	70,916	132,779	71,118
6	<i>Operational deposits</i>	0	0	0	0
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	123,880	65,519	130,189	68,528
8	<i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>	5,397	5,397	2,590	2,590
9	Secured funding transactions (including securities swap transactions)		30		0
10	Additional requirements, of which:	97,009	15,236	102,963	15,328
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	4,931	4,931	4,728	4,728
12	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	0	0	0	0
13	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	92,078	10,305	98,235	10,600
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	9,035	9,035	9,393	9,393
15	Other contingent funding obligations (whether contractual or non-contractual)	156,394	2,399	158,537	2,271
16	Total Cash Outflows		121,231		121,201
C. Cash Inflows					
17	Secured lending transactions (including securities swap transactions)	1,487	1,418	2,795	2,758
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	127,553	77,934	133,549	80,737
19	Other cash inflows	4,996	4,760	5,027	4,697
20	Total Cash Inflows	134,036	84,112	141,371	88,192
D. Liquidity Coverage Ratio		Adjusted value		Adjusted value	
21	Total HQLA		70,527		69,422
22	Total Net Cash Outflows		37,341		33,389
23	LCR (%)		191.35%		208.87%

This is the standard disclosure template that a category 1 institution must use for the purposes of making its liquidity information disclosures under section 16FK or 103A (where applicable) of the Banking (Disclosure) Rules.

Template LIQ1: Liquidity Coverage Ratio (“LCR”) (continued)

Main drivers of LCR results

The Liquidity Coverage Ratio (“LCR”), which came into effect on 1st January, 2015, promotes the short-term resilience of the Group’s liquidity risk by requiring that the Group holds sufficient high quality liquid assets (“HQLAs”) to survive under a pre-defined stress scenario over a period of 30 days. It is expressed as a percentage, of the amount of a category 1 institution’s HQLAs to the amount of the institution’s “total net cash outflows” over 30 calendar days. The Banking (Liquidity) Rules require that Group meets the minimum LCR of not less than 100% starting from 1st January, 2019.

The total net cash outflows is the total cash outflows offset by the total cash inflows. Total cash outflows mainly consist of customer deposits which are the Group’s main source of stable funding. Total cash inflows mainly come from maturing assets such as money market placements, loans and securities within 30 calendar days.

The Group’s LCR is well above the regulatory limit of 100% throughout the third quarter of 2023. The average LCR decreased from 209% for the second quarter of 2023 to 191% for the third quarter of 2023 mainly due to comparably higher net cash outflows within 30 days. Overall, there was no material fluctuation in the average LCR across the last five quarters.

Composition of HQLA

The HQLAs for fulfilling the LCR consist of cash, exchange fund bills and notes, high quality government debt securities and other equivalent liquid marketable assets. The majority of HQLAs are denominated in Hong Kong dollars. The classification of HQLAs among level 1, 2A or 2B is based on the credit rating of securities and a number of market factors in determining the degree of readiness of monetizing the assets in short period of time. The Group’s liquid assets are predominately classified as level 1 assets.

Concentration of Funding Sources

The Group has strengthened the deposit base by retaining loyal customers and maintaining customer relationships. The Group balances funding among retail, small business, and wholesale funding to avoid concentration in any one source. Professional markets are accessed through the issuance of certificates of deposit, medium-term notes, subordinated debt, money market placement, and borrowing for the purposes of providing additional funding, maintaining a presence in local money markets, and optimizing asset and liability maturities.

Currency mismatch in the LCR

Majority of the Group’s customer deposits are denominated in HKD, USD and RMB. The Bank held an amount of HKD-denominated level 1 assets that was not less than 20% of its HKD-denominated total net cash outflows. The Group manages the composition of its HQLA by currency through funding swaps. There is no significant currency mismatch in the Bank’s LCR at respective levels of consolidation.

Degree of centralization of liquidity management

The Asset and Liability Management Committee is delegated by the Board to oversee the Group’s liquidity risk management. The Asset and Liability Management Committee sets the strategy, policy, and limits for managing liquidity risk and the means for ensuring that such strategy and policy are implemented. Regular meetings are held to review the compliance status of the monitoring matrix established and the need for any change in strategy and policy. Liquidity is managed daily by the Capital Markets & Liquidity Management Department under the Treasury Markets Division of the Group within the set limits. The Market & Liquidity Risk Management Department under the Risk Management Division of the Group is responsible for monitoring the activities relating to liquidity risk. The Internal Audit Division performs periodic reviews to ensure that the liquidity risk management functions are carried out effectively.

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

The following table presents a flow statement explaining variations in the RWA for credit risk determined under the IRB approach for the period from 30th June 2023 to 30th September 2023:

(HK\$ million)		(a)
		Amount
1	RWA as at end of previous reporting period	386,818
2	Asset size	-13,983
3	Asset quality	-1,405
4	Model updates	1,008
5	Methodology and policy	0
6	Acquisitions and disposals	0
7	Foreign exchange movements	-1,627
8	Other	0
9	RWA as at end of reporting period	370,811

RWA decreased by HK\$16bn in the third quarter of 2023. It was mainly due to a decrease of HK\$14bn from asset size, partly offset by an increase of HK\$1bn from model updates relating to corporate exposures.

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

The table below presents a flow statement explaining variations in the RWA for market risk determined under the IMM approach for the period from 30th June 2023 to 30th September 2023:

(HK\$ million)		(a)	(b)	(c)	(d)	(e)	(f)
		VaR	Stressed VaR	IRC	CRC	Other	Total RWA
1	RWA as at end of previous reporting period	1,191	2,679	0	0	0	3,870
1a	Regulatory adjustment	849	1,840	0	0	0	2,689
1b	RWA as at day-end of previous reporting period	342	839	0	0	0	1,181
2	Movement in risk levels	-9	-55	0	0	0	-64
3	Model updates/changes	0	0	0	0	0	0
4	Methodology and policy	0	0	0	0	0	0
5	Acquisitions and disposals	0	0	0	0	0	0
6	Foreign exchange movements	-4	-3	0	0	0	-7
7	Other	-11	-19	0	0	0	-30
7a	RWA as at day-end of reporting period	318	762	0	0	0	1,080
7b	Regulatory adjustment	747	1,908	0	0	0	2,655
8	RWA as at end of reporting period	1,065	2,670	0	0	0	3,735

Template KM2: Key metrics – LAC requirements for resolution entities (at LAC consolidation group level)

(HK\$ million)		30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022
Of the resolution entity at LAC consolidation group level						
1	External loss-absorbing capacity available	110,869	110,573	111,687	105,360	105,214
2	Risk-weighted amount under the LAC Rules	471,761	490,121	505,329	514,873	515,331
3	External LAC risk-weighted ratio	23.50%	22.56%	22.10%	20.46%	20.42%
4	Exposure measure under the LAC Rules	896,901	917,707	933,047	935,197	930,819
5	External LAC leverage ratio	12.36%	12.05%	11.97%	11.27%	11.30%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply? ¹	N/A	N/A	N/A	N/A	N/A
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply? ¹	N/A	N/A	N/A	N/A	N/A
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	N/A	N/A	N/A	N/A	N/A

Footnotes:

1 The subordination exemptions under Section 11 of the FSB TLAC Term Sheet do not apply in Hong Kong under the LAC Rules.

Glossary

Abbreviations

Descriptions

AI	Authorised Institution
BSC Approach	Basic Approach
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CEM	Current Exposure Method
CIS	Collective Investment Scheme
CRC	Comprehensive Risk Charge
CVA	Credit Valuation Adjustment
D-SIB	Domestic Systemically Important Authorised Institution
FBA	Fall-back Approach
FSB	Financial Stability Board
G-SIB	Global Systemically Important Authorised Institution
IAA	Internal Assessment Approach
IMM (CCR) Approach	Internal Models (Counterparty Credit Risk) Approach
IMM Approach	Internal Models Approach
IRB Approach	Internal Ratings-Based Approach
IRC	Incremental Risk Charge
LAC	Loss-absorbing Capacity
LTA	Look-through Approach
MBA	Mandate-based Approach
PFE	Potential Future Exposure
RW	Risk Weight
RWA	Risk-Weighted Amount
SA-CCR Approach	Standardised Approach for measuring Counterparty Credit Risk Exposures
SEC-ERBA	Securitization External Ratings-Based Approach
SEC-FBA	Securitization Fall-back Approach
SEC-IRBA	Securitization Internal Ratings-Based Approach
SEC-SA	Securitization Standardized Approach
SFT	Securities Financing Transaction
STC Approach	Standardized (Credit Risk) Approach
STM Approach	Standardized (Market Risk) Approach
TLAC	Total Loss-absorbing Capacity
VaR	Value-At-Risk