

Regulatory Disclosures

31 March 2022



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

KM1: Key prudential ratios

	(a)	(b)	(c)	(d)	(e)	
	At 31 March 2022	At 31 December 2021	At 30 September 2021	At 30 June 2021	At 31 March 2021	
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	
Regulatory capital						
1	Common Equity Tier 1 (CET1)	226,324	224,189	226,671	225,551	220,640
2	Tier 1	249,800	247,665	250,147	249,027	244,116
3	Total capital	280,197	277,841	280,466	279,814	273,948
RWA						
4	Total RWA	1,330,262	1,296,488	1,292,202	1,414,072	1,256,457
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	17.01%	17.29%	17.54%	15.95%	17.56%
6	Tier 1 ratio (%)	18.78%	19.10%	19.36%	17.61%	19.43%
7	Total capital ratio (%)	21.06%	21.43%	21.70%	19.79%	21.80%
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 (%)	0.802%	0.799%	0.800%	0.820%	0.799%
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 (%)	4.802%	4.799%	4.800%	4.820%	4.799%
12	CET1 available after meeting the AI's minimum capital requirements (%)	12.51%	12.79%	13.04%	11.45%	13.06%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	3,309,535	3,357,468	3,268,216	3,546,391	3,071,970
14	LR (%)	7.55%	7.38%	7.65%	7.02%	7.95%
Liquidity Coverage Ratio (LCR)/Liquidity Maintenance Ratio (LMR)						
Applicable to category 1 institution only:						
15	Total high quality liquid assets (HQLA)	1,034,777	942,170	889,577	897,070	948,742
16	Total net cash outflows	647,998	659,760	680,775	687,483	734,006
17	LCR (%)	159.16%	142.96%	131.01%	130.81%	130.80%
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	1,877,886	1,849,386	1,821,450	1,778,438	1,752,790
19	Total required stable funding	1,516,181	1,473,818	1,461,466	1,517,142	1,417,975
20	NSFR (%)	123.86%	125.48%	124.63%	117.22%	123.61%
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 2022	At 31 December 2021	At 30 September 2021	At 30 June 2021	At 31 March 2021
		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	256,721	254,365	256,990	256,338	250,472
2	Risk-weighted amount under the LAC Rules	1,330,262	1,296,488	1,292,202	1,414,072	1,256,457
3	Internal LAC risk-weighted ratio	19.30%	19.62%	19.89%	18.13%	19.93%
4	Exposure measure under the LAC Rules	3,309,535	3,357,468	3,268,216	3,546,391	3,071,970
5	Internal LAC leverage ratio	7.76%	7.58%	7.86%	7.23%	8.15%
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 31 March 2022 ¹	At 31 December 2021 ¹	At 30 September 2021 ¹	At 30 June 2021 ¹	At 31 March 2021 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	3,424,470	3,310,539	3,126,922	3,036,509	2,937,356
2	Total risk-weighted amount under the relevant non-HK LAC regime	Not applicable ²	20,023,532	Not applicable ²	19,451,738	Not applicable ²
3	External loss-absorbing capacity as a percentage of risk-weighted amount	16.64%	16.53%	16.00%	15.61%	15.71%
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	36,036,848	34,868,074	33,537,472	33,489,199	32,402,409
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	9.50%	9.49%	9.32%	9.07%	9.07%
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 31 March 2022	At 31 December 2021	At 31 March 2022
		HK\$'m	HK\$'m	HK\$'m
1	Credit risk for non-securitization exposures	1,151,188	1,121,690	97,170
2	Of which STC approach	93,858	90,165	7,509
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	1,054,805	1,029,016	89,447
4	Of which supervisory slotting criteria approach	2,525	2,509	214
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	11,976	12,878	1,008
7	Of which SA-CCR approach	11,704	12,410	986
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	272	468	22
10	CVA risk	6,124	6,308	490
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	21,033	17,485	1,683
21	Of which STM approach	1,415	1,035	113
22	Of which IMM approach	19,618	16,450	1,570
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	94,833	94,365	7,587
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	8,389	8,514	671
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	27,351	27,340	2,188
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	27,351	27,340	2,188
27	Total	1,266,192	1,233,900	106,421

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 2021, the 7% 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 31 March 2022	At 31 December 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)	3,085,861	3,119,483
2	Less: Asset amounts deducted in determining Tier 1 capital	(57,319)	(57,664)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	3,028,542	3,061,819
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)	15,673	11,836
5	Add-on amounts for PFE associated with all derivative contracts	26,579	25,910
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	(185)	(5,043)
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	42,067	32,703
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	83,986	89,404
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	53	20,049
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	84,039	109,453
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	767,017	775,514
18	Less: Adjustments for conversion to credit equivalent amounts	(600,381)	(611,138)
19	Off-balance sheet items	166,636	164,376
Capital and total exposures			
20	Tier 1 capital	249,800	247,665
20a	Total exposures before adjustments for specific and collective provisions	3,321,284	3,368,351
20b	Adjustments for specific and collective provisions	(11,749)	(10,883)
21	Total exposures after adjustments for specific and collective provisions	3,309,535	3,357,468
Leverage ratio			
22	Leverage ratio	7.55%	7.38%

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 2022	
		(a)	(b)
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)
		HK\$'m	HK\$'m
A. HQLA			
1	Total HQLA		1,034,777
B. Cash Outflows			
2	Retail deposits and small business funding, of which:	1,137,825	76,739
3	<i>Stable retail deposits and stable small business funding</i>	407,862	12,236
4	<i>Less stable retail deposits and less stable small business funding</i>	551,131	55,113
4a	<i>Retail term deposits and small business term funding</i>	178,832	9,390
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	1,490,182	695,850
6	<i>Operational deposits</i>	495,421	122,401
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	994,746	573,434
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	15	15
9	Secured funding transactions (including securities swap transactions)		4,215
10	Additional requirements, of which:	474,237	77,113
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	31,798	31,796
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>	442,439	45,317
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	57,446	57,446
15	Other contingent funding obligations (whether contractual or non-contractual)	339,499	3,474
16	Total Cash Outflows		914,837
C. Cash Inflows			
17	Secured lending transactions (including securities swap transactions)	20,753	932
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	282,917	197,104
19	Other cash inflows	74,454	68,803
20	Total Cash Inflows	378,124	266,839
D. Liquidity Coverage Ratio			Adjusted value
21	Total HQLA		1,034,777
22	Total Net Cash Outflows		647,998
23	LCR (%)		159.16%

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 2022 was 159.16%, 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 31 December 2021	1,031,525
2	Asset size	25,151
3	Asset quality	(641)
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	1,295
8	Other	-
9	RWA as at 31 March 2022	1,057,330

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 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
1	RWA as at 31 December 2021	2,772	13,678	-	-	-	16,450
1a	<i>Regulatory adjustment</i>	(1,415)	(6,020)	-	-	-	(7,435)
1b	RWA as at day-end of 31 December 2021	1,357	7,658	-	-	-	9,015
2	Movement in risk levels*	(136)	(2,338)	-	-	-	(2,474)
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 31 March 2022	1,221	5,320	-	-	-	6,541
7b	<i>Regulatory adjustment</i>	1,987	11,090	-	-	-	13,077
8	RWA as at 31 March 2022	3,208	16,410	-	-	-	19,618

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