

Regulatory Disclosures

31 March 2024



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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 2024	At 31 December 2023	At 30 September 2023	At 30 June 2023	At 31 March 2023	
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	
Regulatory capital						
1	Common Equity Tier 1 (CET1)	256,822	247,109	248,686	246,884	239,276
2	Tier 1	256,822	247,109	248,686	269,560	262,752
3	Total capital	284,910	275,145	277,747	298,730	291,865
RWA						
4	Total RWA	1,293,876	1,298,956	1,303,561	1,299,148	1,280,036
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	19.85%	19.02%	19.08%	19.00%	18.69%
6	Tier 1 ratio (%)	19.85%	19.02%	19.08%	20.75%	20.53%
7	Total capital ratio (%)	22.02%	21.18%	21.31%	22.99%	22.80%
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 (%)	0.817%	0.813%	0.826%	0.822%	0.812%
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 (%)	4.817%	4.813%	4.826%	4.822%	4.812%
12	CET1 available after meeting the AI's minimum capital requirements (%)	13.85%	13.02%	13.08%	14.50%	14.19%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	3,611,243	3,602,432	3,651,107	3,479,089	3,470,607
14	LR (%)	7.11%	6.86%	6.81%	7.75%	7.57%
Liquidity Coverage Ratio (LCR)/Liquidity Maintenance Ratio (LMR)						
Applicable to category 1 institution only:						
15	Total high quality liquid assets (HQLA)	1,218,966	1,161,624	1,037,315	965,434	931,036
16	Total net cash outflows	561,604	573,098	536,592	512,966	491,937
17	LCR (%)	223.79%	207.12%	193.47%	188.89%	189.68%
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	2,064,238	2,023,340	2,044,520	2,005,761	2,040,498
19	Total required stable funding	1,470,716	1,473,850	1,474,412	1,524,651	1,516,958
20	NSFR (%)	140.36%	137.28%	138.67%	131.56%	134.51%
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 2024	At 31 December 2023	At 30 September 2023	At 30 June 2023	At 31 March 2023
		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	359,987	350,468	353,854	351,681	346,556
2	Risk-weighted amount under the LAC Rules	1,293,876	1,298,956	1,303,561	1,299,148	1,280,036
3	Internal LAC risk-weighted ratio	27.82%	26.98%	27.15%	27.07%	27.07%
4	Exposure measure under the LAC Rules	3,611,243	3,602,432	3,651,107	3,479,089	3,470,607
5	Internal LAC leverage ratio	9.97%	9.73%	9.69%	10.11%	9.99%
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 2024 ¹	At 31 December 2023 ¹	At 30 September 2023 ¹	At 30 June 2023 ¹	At 31 March 2023 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	3,712,288	3,616,838	3,421,516	3,346,339	3,516,765
2	Total risk-weighted amount under the relevant non-HK LAC regime	20,041,798	20,392,271	Not applicable ²	19,529,804	Not applicable ²
3	External loss-absorbing capacity as a percentage of risk-weighted amount	18.52%	17.74%	17.30%	17.13%	17.53%
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	38,165,510	38,155,740	36,539,091	35,825,110	37,107,540
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	9.73%	9.48%	9.36%	9.34%	9.48%
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 2024	At 31 December 2023	At 31 March 2024
		HK\$'m	HK\$'m	HK\$'m
1	Credit risk for non-securitization exposures	1,063,780	1,083,920	89,726
2	Of which STC approach	100,441	96,935	8,035
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	960,846	984,793	81,480
4	Of which supervisory slotting criteria approach	2,493	2,192	211
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	14,679	11,638	1,234
7	Of which SA-CCR approach	13,880	11,203	1,167
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	799	435	67
10	CVA risk	4,983	4,135	399
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	54,678	46,609	4,374
21	Of which STM approach	3,190	2,731	255
22	Of which IMM approach	51,488	43,878	4,119
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	110,408	105,960	8,833
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	11,892	11,879	951
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	25,086	24,969	2,007
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	25,086	24,969	2,007
27	Total	1,235,334	1,239,172	103,510

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 2023, the 14% increase in RWA under supervisory slotting criteria approach was mainly due to increase in related exposure. The 26% increase 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 2024	At 31 December 2023
		(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)	3,371,454	3,362,473
2	Less: Asset amounts deducted in determining Tier 1 capital	(56,616)	(56,570)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	3,314,838	3,305,903
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)	6,382	7,963
5	Add-on amounts for PFE associated with all derivative contracts	32,075	24,350
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	-	(17)
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	38,457	32,296
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	86,988	70,476
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	20,022	39,765
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	107,010	110,241
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	836,471	861,787
18	Less: Adjustments for conversion to credit equivalent amounts	(669,572)	(692,516)
19	Off-balance sheet items	166,899	169,271
Capital and total exposures			
20	Tier 1 capital	256,822	247,109
20a	Total exposures before adjustments for specific and collective provisions	3,627,204	3,617,711
20b	Adjustments for specific and collective provisions	(15,961)	(15,279)
21	Total exposures after adjustments for specific and collective provisions	3,611,243	3,602,432
Leverage ratio			
22	Leverage ratio	7.11%	6.86%

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 2024	
		(a)	(b)
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)
		HK\$m	HK\$m
A. HQLA			
1	Total HQLA		1,218,966
B. Cash Outflows			
2	Retail deposits and small business funding, of which:	1,290,857	76,528
3	<i>Stable retail deposits and stable small business funding</i>	376,865	11,306
4	<i>Less stable retail deposits and less stable small business funding</i>	381,184	38,118
4a	<i>Retail term deposits and small business term funding</i>	532,808	27,104
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	1,396,140	618,800
6	<i>Operational deposits</i>	387,689	95,464
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	1,007,789	522,674
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	662	662
9	Secured funding transactions (including securities swap transactions)		6,651
10	Additional requirements, of which:	479,155	79,782
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	29,927	29,873
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>	449,228	49,909
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	81,134	81,134
15	Other contingent funding obligations (whether contractual or non-contractual)	430,160	3,340
16	Total Cash Outflows		866,235
C. Cash Inflows			
17	Secured lending transactions (including securities swap transactions)	15,365	4,863
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	341,196	230,490
19	Other cash inflows	74,499	69,278
20	Total Cash Inflows	431,060	304,631
D. Liquidity Coverage Ratio			Adjusted value
21	Total HQLA		1,218,966
22	Total Net Cash Outflows		561,604
23	LCR (%)		223.79%

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 2024 was 223.79%, 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 2023	986,985
2	Asset size	501
3	Asset quality	(1,601)
4	Model updates	(20,651)
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(1,895)
8	Other	-
9	RWA as at 31 March 2024	963,339

RWA decreased by HK\$23,646 million in the first quarter of 2024. It was mainly due to model updates of residential mortgage loan loss given default model.

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 2024.

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 2023	9,200	34,678	-	-	-	43,878
1a	Regulatory adjustment	(5,537)	(23,528)	-	-	-	(29,065)
1b	RWA as at day-end of 31 December 2023	3,663	11,150	-	-	-	14,813
2	Movement in risk levels*	(543)	2,558	-	-	-	2,015
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 2024	3,120	13,708	-	-	-	16,828
7b	Regulatory adjustment	6,244	28,416	-	-	-	34,660
8	RWA as at 31 March 2024	9,364	42,124	-	-	-	51,488

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