

Regulatory Disclosures

30 September 2024



CONTENTS	PAGE
1. Key prudential ratios, key metrics and overview of RWA	
KM1: Key prudential ratios	1
KM2(A): Key metrics – LAC requirements for material subsidiaries (at LAC consolidation group level)	2
KM2(B): Key metrics – TLAC requirements for non-HK resolution entity (at resolution group level)	3
OV1: Overview of RWA	4
2. Leverage ratio	
LR2: Leverage ratio	5
3. Liquidity	
LIQ1: Liquidity Coverage Ratio – for category 1 institution	6
4. Credit risk for non-securitization exposures	
CR8: RWA flow statements of credit risk exposures under IRB approach	8
5. Counterparty credit risk	
CCR7: RWA flow statements of default risk exposures under IMM(CCR) approach	8
6. Market risk	
MR2: RWA flow statements of market risk exposures under IMM approach	8

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

KM1: Key prudential ratios

	(a)	(b)	(c)	(d)	(e)	
	At 30 September 2024	At 30 June 2024	At 31 March 2024	At 31 December 2023	At 30 September 2023	
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	
Regulatory capital						
1	Common Equity Tier 1 (CET1)	280,004	261,872	256,822	247,109	248,686
2	Tier 1	280,004	261,872	256,822	247,109	248,686
3	Total capital	307,164	289,609	284,910	275,145	277,747
RWA						
4	Total RWA	1,371,663	1,306,227	1,293,876	1,298,956	1,303,561
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	20.41%	20.05%	19.85%	19.02%	19.08%
6	Tier 1 ratio (%)	20.41%	20.05%	19.85%	19.02%	19.08%
7	Total capital ratio (%)	22.39%	22.17%	22.02%	21.18%	21.31%
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 (%)	0.820%	0.823%	0.817%	0.813%	0.826%
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 (%)	4.820%	4.823%	4.817%	4.813%	4.826%
12	CET1 available after meeting the AI's minimum capital requirements (%)	14.39%	14.05%	13.85%	13.02%	13.08%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	3,893,039	3,720,479	3,611,243	3,602,432	3,651,107
14	LR (%)	7.19%	7.04%	7.11%	6.86%	6.81%
Liquidity Coverage Ratio (LCR)/Liquidity Maintenance Ratio (LMR)						
Applicable to category 1 institution only:						
15	Total high quality liquid assets (HQLA)	1,166,618	1,216,472	1,218,966	1,161,624	1,037,315
16	Total net cash outflows	520,427	511,109	561,604	573,098	536,592
17	LCR (%)	231.81%	250.58%	223.79%	207.12%	193.47%
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	2,133,439	2,068,035	2,064,238	2,023,340	2,044,520
19	Total required stable funding	1,520,766	1,467,119	1,470,716	1,473,850	1,474,412
20	NSFR (%)	140.29%	140.96%	140.36%	137.28%	138.67%
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 2024	At 30 June 2024	At 31 March 2024	At 31 December 2023	At 30 September 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	384,920	364,905	359,987	350,468	353,854
2	Risk-weighted amount under the LAC Rules	1,371,663	1,306,227	1,293,876	1,298,956	1,303,561
3	Internal LAC risk-weighted ratio	28.06%	27.94%	27.82%	26.98%	27.15%
4	Exposure measure under the LAC Rules	3,893,039	3,720,479	3,611,243	3,602,432	3,651,107
5	Internal LAC leverage ratio	9.89%	9.81%	9.97%	9.73%	9.69%
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 30 September 2024 ¹	At 30 June 2024 ¹	At 31 March 2024 ¹	At 31 December 2023 ¹	At 30 September 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	3,958,439	3,748,380	3,712,288	3,616,838	3,421,516
2	Total risk-weighted amount under the relevant non-HK LAC regime	20,817,473	19,824,182	20,041,798	20,392,271	Not applicable ²
3	External loss-absorbing capacity as a percentage of risk-weighted amount	19.01%	18.91%	18.52%	17.74%	17.30%
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	39,566,157	37,862,246	38,165,510	38,155,740	36,539,091
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	10.00%	9.90%	9.73%	9.48%	9.36%
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 30 September 2024	At 30 June 2024	At 30 September 2024
		HK\$m	HK\$m	HK\$m
1	Credit risk for non-securitization exposures	1,098,988	1,055,941	92,708
2	Of which STC approach	101,296	99,117	8,104
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	995,256	954,496	84,398
4	Of which supervisory slotting criteria approach	2,436	2,328	206
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	17,830	16,184	1,497
7	Of which SA-CCR approach	17,394	15,629	1,462
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	436	555	35
10	CVA risk	6,849	5,943	548
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	83,424	68,705	6,674
21	Of which STM approach	6,594	4,293	528
22	Of which IMM approach	76,830	64,412	6,146
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	119,139	113,931	9,531
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	8,473	12,018	678
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	23,782	24,720	1,903
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	23,782	24,720	1,903
27	Total	1,310,921	1,248,002	109,733

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 2024, the 10% 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 30 September 2024	At 30 June 2024
		(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)	3,648,792	3,497,454
2	Less: Asset amounts deducted in determining Tier 1 capital	(52,973)	(55,266)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	3,595,819	3,442,188
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)	6,398	9,956
5	Add-on amounts for PFE associated with all derivative contracts	45,382	38,904
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	(839)	(2)
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	50,941	48,858
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	66,563	61,637
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	20,032	20,024
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	86,595	81,661
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	890,694	858,371
18	Less: Adjustments for conversion to credit equivalent amounts	(712,855)	(693,696)
19	Off-balance sheet items	177,839	164,675
Capital and total exposures			
20	Tier 1 capital	280,004	261,872
20a	Total exposures before adjustments for specific and collective provisions	3,911,194	3,737,382
20b	Adjustments for specific and collective provisions	(18,155)	(16,903)
21	Total exposures after adjustments for specific and collective provisions	3,893,039	3,720,479
Leverage ratio			
22	Leverage ratio	7.19%	7.04%

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 2024	
		(a)	(b)
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)
		HK\$'m	HK\$'m
A. HQLA			
1	Total HQLA		1,166,618
B. Cash Outflows			
2	Retail deposits and small business funding, of which:	1,290,082	77,211
3	<i>Stable retail deposits and stable small business funding</i>	395,702	11,871
4	<i>Less stable retail deposits and less stable small business funding</i>	402,008	40,201
4a	<i>Retail term deposits and small business term funding</i>	492,372	25,139
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	1,361,249	593,309
6	<i>Operational deposits</i>	386,083	95,055
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	975,166	498,254
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)		3,736
10	Additional requirements, of which:	480,883	78,948
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	26,645	26,386
12	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	888	888
13	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	453,350	51,674
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	86,056	86,056
15	Other contingent funding obligations (whether contractual or non-contractual)	443,031	3,240
16	Total Cash Outflows		842,500
C. Cash Inflows			
17	Secured lending transactions (including securities swap transactions)	15,953	4,097
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	336,283	234,376
19	Other cash inflows	89,737	83,600
20	Total Cash Inflows	441,973	322,073
D. Liquidity Coverage Ratio			Adjusted value
21	Total HQLA		1,166,618
22	Total Net Cash Outflows		520,427
23	LCR (%)		231.81%

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 2024 were 223.79%, 250.58% and 231.81% 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
1	RWA as at 30 June 2024	956,824
2	Asset size	22,333
3	Asset quality	13,059
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	5,476
8	Other	-
9	RWA as at 30 September 2024	997,692

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 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 30 June 2024	10,222	54,190	-	-	-	64,412
1a	<i>Regulatory adjustment</i>	(6,370)	(30,709)	-	-	-	(37,079)
1b	RWA as at day-end of 30 June 2024	3,852	23,481	-	-	-	27,333
2	Movement in risk levels*	3,153	1,027	-	-	-	4,180
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 30 September 2024	7,005	24,508	-	-	-	31,513
7b	<i>Regulatory adjustment</i>	9,402	35,915	-	-	-	45,317
8	RWA as at 30 September 2024	16,407	60,423	-	-	-	76,830

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