Regulatory Disclosures

31 December 2024

中國銀行(香港)有限公司
BANK OF CHINA (HONG KONG) LIMITED

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

KM1: Key prudential ratios

		(a) At 31 December 2024 HK$'m	(b) At 30 September 2024 HK$'m	(c) At 30 June 2024 HK$'m	(d) At 31 March 2024 HK$'m	(e) At 31 December 2023 HK$'m
	Regulatory capital					
1	Common Equity Tier 1 (CET1)	266,651	280,004	261,872	256,822	247,109
2	Tier 1	266,651	280,004	261,872	256,822	247,109
3	Total capital	292,980	307,164	289,609	284,910	275,145
	RWA					
4	Total RWA	1,331,828	1,371,663	1,306,227	1,293,876	1,298,956
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	20.02%	20.41%	20.05%	19.85%	19.02%
6	Tier 1 ratio (%)	20.02%	20.41%	20.05%	19.85%	19.02%
7	Total capital ratio (%)	22.00%	22.39%	22.17%	22.02%	21.18%
	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 (%)	0.422%	0.820%	0.823%	0.817%	0.813%
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 (%)	4.422%	4.820%	4.823%	4.817%	4.813%
12	CET1 available after meeting the AI's minimum capital requirements (%)	14.00%	14.39%	14.05%	13.85%	13.02%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	3,915,413	3,893,039	3,720,479	3,611,243	3,602,432
14	LR (%)	6.81%	7.19%	7.04%	7.11%	6.86%
	Liquidity Coverage Ratio (LCR)/Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	1,150,171	1,166,618	1,216,472	1,218,966	1,161,624
16	Total net cash outflows	575,682	520,427	511,109	561,604	573,098
17	LCR (%)	201.06%	231.81%	250.58%	223.79%	207.12%
	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	2,151,966	2,133,439	2,068,035	2,064,238	2,023,340
19	Total required stable funding	1,517,285	1,520,766	1,467,119	1,470,716	1,473,850
20	NSFR (%)	141.83%	140.29%	140.96%	140.36%	137.28%
	Applicable to category 2A institution only:					
20a	CFR (%)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

1. Key prudential ratios, key metrics, overview of risk management and RWA (continued)

KM2(A): Key metrics – LAC requirements for material subsidiaries (at LAC consolidation group level)

		(a)	(b)	(c)	(d)	(e)
		At 31 December 2024	**At 30 September 2024**	**At 30 June 2024**	**At 31 March 2024**	**At 31 December 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	364,962	384,920	364,905	359,987	350,468
2	Risk-weighted amount under the LAC Rules	1,331,828	1,371,663	1,306,227	1,293,876	1,298,956
3	Internal LAC risk-weighted ratio	27.40%	28.06%	27.94%	27.82%	26.98%
4	Exposure measure under the LAC Rules	3,915,413	3,893,039	3,720,479	3,611,243	3,602,432
5	Internal LAC leverage ratio	9.32%	9.89%	9.81%	9.97%	9.73%
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, overview of risk management and RWA (continued)

KM2(B): Key metrics – TLAC requirements for non-HK resolution entity (at resolution group level)

		(a)	(b)	(c)	(d)	(e)
		At 31 December 2024[1]	**At 30 September 2024**[1]	**At 30 June 2024**[1]	**At 31 March 2024**[1]	**At 31 December 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	3,816,685	3,958,439	3,748,380	3,712,288	3,616,838
2	Total risk-weighted amount under the relevant non-HK LAC regime	20,342,786	20,817,473	19,824,182	20,041,798	20,392,271
3	External loss-absorbing capacity as a percentage of risk-weighted amount	18.76%	19.01%	18.91%	18.52%	17.74%
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	38,829,513	39,566,157	37,862,246	38,165,510	38,155,740
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	9.83%	10.00%	9.90%	9.73%	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.

1. Key prudential ratios, key metrics, overview of risk management and RWA (continued)

OVA: Overview of risk management

The Group conducts risk assessment in daily operations based on its business activities, sets up risk appetite, and sets risk adjusted return targets as well as different levels of risk limits and key risk indicators ("KRIs") under the overall risk appetite framework. Via such risk limits and KRIs, the risk appetite is cascaded to business units into corresponding performance indicators, so as to supervise business units to make proper adjustments to the Bank's operations based on current risk status.

The Group conducts regular assessment on risk management status and risk governance based on regulatory requirements and assesses the Bank's level of internal capital adequacy accordingly. The key types of risk inherent in the Group's business include: credit risk, market risk, interest rate risk, liquidity risk, operational risk, technology risk, legal and compliance risk (including anti-money laundering), reputation risk and strategic risk.

The Group's risk governance structure covers 3 layers: the Board of Directors and its subordinate committees, the senior management and the management level committees, the three lines of defence risk management functions.

- Board of Directors: The Board of Directors represents the interests of shareholders, and is the highest decision-making authority of the Group and has the ultimate responsibility for the oversight of risk management. The Board with the assistance of its committees has the primary responsibilities for the determination of risk management strategies, risk appetite and risk culture, and for ensuring that the Group has an effective risk management system to implement these risk management strategies.

- Senior management: Chief Executive ("CE") is responsible for managing the various types of risks, and approving material risk exposures or transactions within his authority delegated by the Board. The Deputy Chief Executives ("DCEs") assist the CE in fulfilling his responsibilities on day-to-day management of various types of risk and are responsible for approving material risk exposures or transactions within their authorities delegated by the CE. The Chief Risk Officer ("CRO") assists the CE in fulfilling his responsibilities on day-to-day management of various types of risks and internal control; responsible for initiating new risk management strategies, projects and measures in response to regulatory changes that will enable the Group to better monitor and manage any risks that may arise from time to time from new businesses, products and changes in the operating environment and responsible for reviewing material risk exposures or transactions within the delegated authority.

1. Key prudential ratios, key metrics, overview of risk management and RWA (continued)

OVA: Overview of risk management (continued)

- Individual business units (front office): Act as the first line of defence of risk management and are responsible for soliciting business in compliance with the risk management policies and procedures and within various risk limits, and for assessing and monitoring the risk of their business, and ensuring risk data is correctly entered, kept current and aligned with the data definitions.

- Various risk management units (middle office) and supporting units (back office): Act as the second line of defence of risk management. Various risk management units (middle office), which are independent from the business units, are responsible for day-to-day management of different kinds of risks. They have the primary responsibilities for conducting an independent due diligence through identifying, measuring, monitoring and controlling risk to ensure an effective check and balance, as well as drafting various risk management policies and procedures. They are also responsible for reporting the implementation of risk management policies and risk profiles to the Board and the Management and for providing support and recommendations for their decision-making. Supporting units (back office) are responsible for providing proper day-to-day operations support to ensure that there are adequate human resources and systems to support risk management.

- Group Audit: Acts as the third line of defence of risk management, which is responsible for conducting independent checking, and reporting to the Board on the quality of risk management supervision, the adequacy of internal controls and the compliance of internal policies and procedures.

The Group develops comprehensive codes of conduct and has sound management systems in place to enforce them. The standards of conduct are laid down in its risk management policies, and other operating principles and guidelines. All staff are required to follow them when conducting business.

The Group makes use of appropriate training programmes, remuneration, incentive, reward and penalty schemes, assessment and feedback mechanism to guide and drive staff to conduct business in a responsible, honest, practical and proper manner.

The Group’s risk management measurement system covers comprehensive quantitative and qualitative indicators of the 8 major risk categories as required by regulator.

Under such system, the Group sets risk appetite and regularly reviews and monitors risk appetite and risk limits based on operating conditions and risk status, and reports regularly to senior management and the Board.

1. Key prudential ratios, key metrics, overview of risk management and RWA (continued)

OVA: Overview of risk management (continued)

Regular risk reporting is made to the senior management and the Board, and such regular reporting covers:

- Implementation status of Group Risk Appetite, risk limits and KRIs
- Risk status of various risk types, major portfolios and exposures
- Major regulatory compliance requirements and implementation status
- Significant risk, compliance and internal control incidents/events
- Matters of concern and main tasks

Ad hoc reporting to senior management and the Board is also conducted based on business needs of risk management and internal control.

Based on regulatory requirements, the Group conducts a variety of stress tests on individual risks and integrated risks each year. The Group also conducts special scenario analysis, sensitivity analysis and stress testing according to emerging issues or by specific areas or businesses. Each stress testing scenario takes into account 3 levels of severity, i.e. mild, moderate, and severe, while different probabilities are applied based on level of severity. Impacts on macroeconomic and market will be evaluated under different scenarios, and impact on Group's risk indicators are also assessed accordingly.

The Bank shall apply stress testing results to various management decisions, including decisions made on strategic businesses, preparation of the business and capital planning, setting of the risk appetite, setting and adjustment of the risk limit, inclusion in the Internal Capital Adequacy Assessment Process ("ICAAP"), performance of liquidity assessment, implementation of remedial actions and recovery plan, etc.

The strategies and processes to manage, hedge and mitigate risks that arise from the AI's business model include:

1. Establishing clear risk management strategies and ensuring that a comprehensive risk management system is in place to identify, assess, monitor and control various kinds of risks.

2. Establishing dedicated risk management units with clear responsibilities to perform independent risk management and control.

3. Establishing effective communication system that enables the "tone of the top" on risk management are communicated to and understood by every employee so that they could comply with BOCHK's risk management strategies.

1. Key prudential ratios, key metrics, overview of risk management and RWA (continued)

OVA: Overview of risk management (continued)

4. Putting in place supporting policies and procedures as well as clear authority structure that guide employees' behaviors and set clear boundaries for actions.

5. Setting the risk appetite of the Group. Empirical and/or quantitative models shall be used to set limits for quantifiable risks (including credit risk, market risk, interest rate risk and liquidity risk) to ensure that exposures to such risks are controlled within acceptable risk levels.

6. Continuously strengthen risk data aggregation capabilities, establishing a comprehensive risk management information system that provides regular and sufficiently detailed reports for the Board and the Management to facilitate their continuous monitoring of the risk profile of the Group as well as the implementation of risk management policies (especially exceptions).

7. Establishing independent internal audit, review and accountability system so as to review and evaluate the implementation of the Group's risk management system.

The Group has established various risk limits and early warning indicators of different types and different approval levels, and regularly monitors and reports implementation status to senior management and the Board. If such indicators approach or breach the early warning level or pre-set limits, timely assessment will be conducted by relevant function units and reported to corresponding approval level, and appropriate mitigation actions will be taken accordingly.

1. Key prudential ratios, key metrics, overview of risk management and RWA (continued)

OV1: Overview of RWA

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		At 31 December 2024	At 30 September 2024	At 31 December 2024
		HK$'m	HK$'m	HK$'m
1	Credit risk for non-securitization exposures	1,054,036	1,098,988	88,928
2	Of which STC approach	94,691	101,296	7,575
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	957,027	995,256	81,156
4	Of which supervisory slotting criteria approach	2,318	2,436	197
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	22,106	17,830	1,858
7	Of which SA-CCR approach	21,457	17,394	1,805
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	649	436	53
10	CVA risk	8,927	6,849	714
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	80,009	83,424	6,401
21	Of which STM approach	5,645	6,594	452
22	Of which IMM approach	74,364	76,830	5,949
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	120,026	119,139	9,602
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	11,059	8,473	885
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	23,025	23,782	1,842
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	23,025	23,782	1,842
27	Total	1,273,138	1,310,921	106,546

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 September 2024, the 7% decrease in RWA under STC approach was mainly due to the decrease in non-domestic currency sovereign exposure. The 24% increase in RWA of counterparty default risk and default fund contributions was mainly driven by change in market value of outstanding derivative transactions and increase of transaction volume.

2. Linkages between financial statements and regulatory exposures

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	At 31 December 2024						
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
			Carrying values of items:				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
Assets							
Cash and balances and placements with banks and other financial institutions	608,395	607,772	587,332	20,440	-	-	-
Financial assets at fair value through profit or loss	126,803	126,620	5	11,240	-	115,375	-
Derivative financial instruments	73,896	73,896	-	73,896	-	70,228	6
Hong Kong SAR Government certificates of indebtedness	223,510	223,510	223,510	-	-	-	-
Advances and other accounts	1,669,683	1,669,683	1,669,683	-	-	-	-
Investment in securities	1,184,491	1,184,486	1,184,486	-	-	-	-
Interests in subsidiaries	-	1,132	1,132	-	-	-	-
Interests in associates and joint ventures	158	158	158	-	-	-	-
Investment properties	14,569	14,454	14,454	-	-	-	-
Properties, plant and equipment	37,647	37,299	37,299	-	-	-	-
Current tax assets	27	25	-	-	-	-	25
Deferred tax assets	358	358	-	-	-	-	358
Other assets	71,769	71,513	58,001	13,512	-	15,176	2,006
Total assets	**4,011,306**	**4,010,906**	**3,776,060**	**119,088**	**-**	**200,779**	**2,395**

2. Linkages between financial statements and regulatory exposures (continued)

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (continued)

	At 31 December 2024						
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
			Carrying values of items:				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
Liabilities							
Hong Kong SAR currency notes in circulation	223,510	223,510	-	-	-	-	223,510
Deposits and balances from banks and other financial institutions	350,854	350,854	-	110,916	-	-	239,938
Financial liabilities at fair value through profit or loss	78,821	78,821	-	5,807	-	73,014	-
Derivative financial instruments	56,599	56,599	-	56,599	-	56,545	(61)
Deposits from customers	2,722,196	2,722,821	-	-	-	-	2,722,821
Debt securities and certificates of deposit in issue	5,296	5,296	-	-	-	-	5,296
Other accounts and provisions	172,932	172,776	-	20,855	-	-	151,921
Current tax liabilities	6,572	6,558	-	-	-	-	6,558
Deferred tax liabilities	3,843	3,719	-	-	-	-	3,719
Subordinated liabilities	71,982	71,982	-	-	-	-	71,982
Total liabilities	**3,692,605**	**3,692,936**	**-**	**194,177**	**-**	**129,559**	**3,425,684**

2. Linkages between financial statements and regulatory exposures (continued)

LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		At 31 December 2024				
		(a)	(b)	(c)	(d)	(e)
			Items subject to:			
		Total	credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
		HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	4,008,511	3,776,060	-	119,088	200,779
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	267,252	-	-	194,177	129,559
3	Total net amount under regulatory scope of consolidation	3,741,259	3,776,060	-	(75,089)	71,220
4	Off-balance sheet amounts	857,107	143,619	-	-	-
5	Differences due to valuation of exposure under SA-CCR approach	55,995	-	-	55,995	-
6	Differences due to consideration of provisions	13,682	13,682	-	-	-
7	Differences in valuations	(20,999)	-	-	(20,999)	-
8	Differences due to CRM and others	262,708	123,796	-	231,727	-
9	**Exposure amounts considered for regulatory purposes**	**4,909,752**	**4,057,157**	**-**	**191,634**	**71,220**

2. Linkages between financial statements and regulatory exposures (continued)

LIA: Explanations of differences between accounting and regulatory exposure amounts

The main driver for the differences between accounting values and amounts considered for regulatory purposes is off-balance sheet amounts, which contribute to exposure amounts considered for regulatory purposes but not the carrying value amount under scope of regulatory consolidation.

The Group has an established governance structure and controls framework to ensure that fair values are either determined or validated by control units independent of the front offices. Control units have overall responsibility for independent verification of valuation results from front line businesses and all other significant fair value measurements. Other specific controls include verification of observable pricing inputs; review and approval for new models and changes to models; calibration and back-testing of models against observed market transactions; analysis and investigation of significant daily valuation movements; review of significant unobservable inputs and valuation adjustments. Significant valuation issues are reported to senior management, Risk Committee ("RC") and Audit Committee.

The Group chooses appropriate valuation methodologies in corresponding to the nature, position and complexity of treasury products and derivatives. They can be classified into marking-to-market and marking-to-model.

Marking-to-market is valuation of positions by adopting readily available and observable close out prices in the market. If market quotation is not available, marking-to-model should be adopted. Marking-to-model is valuation which has to be benchmarked, extrapolated or otherwise derived from market data inputs.

For marking-to-market, the Group uses the price within the bid-offer spread that is most representative of the fair value of financial instruments, where appropriate, includes using on the residual of the net offsetting risk position of portfolios of financial assets and financial liabilities in cases the Group manages such groups of financial assets and liabilities according to their net market risk exposures.

If the market for assets or liabilities is not active, the Group uses valuation techniques, including the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2. Linkages between financial statements and regulatory exposures (continued)

LIA: Explanations of differences between accounting and regulatory exposure amounts (continued)

Control units independently verify the results of fair value measurements. They source observable data from external independent parties, and compare them to the pricing inputs used in valuation for the financial instruments measured at fair value. If the difference is within a certain pre-set threshold, the selected input is considered as reasonable and can represent current market situation, which supports the conclusion that valuation is reliable.

On top of accounting valuation, the Group conducts liquidity risk adjustments for risk management and regulatory capital adequacy purpose in order to arrive at a prudent value. The Group has continued to consider the liquidity risk adjustment to valuation of less liquid product positions. The appropriateness of the valuation adjustments is reviewed regularly.

2. Linkages between financial statements and regulatory exposures (continued)

PV1: Prudent valuation adjustments

		At 31 December 2024							
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		Equity	**Interest rates**	**FX**	**Credit**	**Commodities**	**Total**	**Of which: In the trading book**	**Of which: In the banking book**
		HK$'m	**HK$'m**	**HK$'m**	**HK$'m**	**HK$'m**	**HK$'m**	**HK$'m**	**HK$'m**
1	Close-out uncertainty, of which:	-	40	-	-	-	40	1	39
2	*Mid-market value*	-	-	-	-	-	-	-	-
3	*Close-out costs*	-	-	-	-	-	-	-	-
4	*Concentration*	-	*40*	-	-	-	*40*	*1*	*39*
5	Early termination	-	-	-	-	-	-	-	-
6	Model risk	-	-	-	-	-	-	-	-
7	Operational risks	-	-	-	-	-	-	-	-
8	Investing and funding costs						-	-	-
9	Unearned credit spreads						-	-	-
10	Future administrative costs	-	-	-	-	-	-	-	-
11	Other adjustments	-	-	-	-	-	-	-	-
12	**Total adjustments**	**-**	**40**	**-**	**-**	**-**	**40**	**1**	**39**

The Group has basically considered close-out uncertainty, model risk and unearned credit spreads in valuation. Additional valuation adjustments attributed to early termination, operational risks, investing and funding costs and future administrative costs are considered and assessed as zero currently.

3. Composition of regulatory capital

CC1: Composition of regulatory capital

		At 31 December 2024	
		(a)	(b)
		HK$'m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	43,043	(7)
2	Retained earnings	236,932	(8)
3	Disclosed reserves	37,995	(10)+(11)+(12)+(13)
4	*Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)*	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	**CET1 capital before regulatory deductions**	**317,970**	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	40	Not applicable
8	Goodwill (net of associated deferred tax liabilities)	-	
9	Other intangible assets (net of associated deferred tax liabilities)	2,006	(4)-(6)
10	Deferred tax assets (net of associated deferred tax liabilities)	358	(3)
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	67	(1)+(5)
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	47,891	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	41,863	(9)+(10)
26b	Regulatory reserve for general banking risks	6,028	(12)
26c	Securitization exposures specified in a notice given by the MA	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	

3. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

		At 31 December 2024	
		(a)	(b)
		HK$'m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	957	
28	**Total regulatory deductions to CET1 capital**	**51,319**	
29	**CET1 capital**	**266,651**	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	*Capital instruments subject to phase-out arrangements from AT1 capital*	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements*	-	
36	**AT1 capital before regulatory deductions**	**-**	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	957	(2)
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	**Total regulatory deductions to AT1 capital**	**957**	
44	**AT1 capital**	**-**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**266,651**	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	*Capital instruments subject to phase-out arrangements from Tier 2 capital*	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49	*of which: capital instruments issued by subsidiaries subject to phase-out arrangements*	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	7,491	Not applicable
51	**Tier 2 capital before regulatory deductions**	**7,491**	
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	

3. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

		At 31 December 2024	
		(a)	(b)
		HK$'m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	-	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments applied to Tier 2 capital	(18,838)	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	(18,838)	[(9)+(10)]*45%
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	-	
57	**Total regulatory adjustments to Tier 2 capital**	**(18,838)**	
58	**Tier 2 capital (T2)**	**26,329**	
59	**Total regulatory capital (TC = T1 + T2)**	**292,980**	
60	**Total RWA**	**1,331,828**	
	Capital ratios (as a percentage of RWA)		
61	**CET1 capital ratio**	**20.02%**	
62	**Tier 1 capital ratio**	**20.02%**	
63	**Total capital ratio**	**22.00%**	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)**	**4.422%**	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: bank specific countercyclical capital buffer requirement	0.422%	
67	of which: higher loss absorbency requirement	1.500%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	14.00%	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	13,530	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	5,194	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable

3. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

		At 31 December 2024	
		(a)	(b)
		HK$'m	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
	Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	1,270	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	1,359	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	7,013	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	6,221	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	*Current cap on CET1 capital instruments subject to phase-out arrangements*	Not applicable	Not applicable
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	Not applicable	Not applicable
82	*Current cap on AT1 capital instruments subject to phase-out arrangements*	-	
83	*Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)*	-	
84	*Current cap on Tier 2 capital instruments subject to phase-out arrangements*	-	
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	-	

3. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

Notes to the Template

Row No.	Description	Hong Kong basis HK$'m	Basel III basis HK$'m
9	**Other intangible assets (net of associated deferred tax liabilities)**	2,006	-
	Explanation As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
10	**Deferred tax assets (net of associated deferred tax liabilities)**	358	-
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
18	**Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	-	-
	Explanation For the purpose of determining the total amount of insignificant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
19	**Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	-	-
	Explanation For the purpose of determining the total amount of significant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

3. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

Row No.	Description	Hong Kong basis	Basel III basis
		HK$'m	HK$'m
39	**Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	-	-
	Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
54	**Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)**	-	-
	Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in Tier 2 capital instruments and non-capital LAC liabilities may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
	Remarks: The amount of the 10% threshold and 5% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.		

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

3. Composition of regulatory capital (continued)

CC2: Reconciliation of regulatory capital to balance sheet

	(a) Balance sheet as in published financial statements as at 31 December 2024	(b) Under regulatory scope of consolidation as at 31 December 2024	(c) Reference
	HK$'m	HK$'m	
ASSETS			
Cash and balances and placements with banks and other financial institutions	608,395	607,772	
Financial assets at fair value through profit or loss	126,803	126,620	
Derivative financial instruments	73,896	73,896	
- of which: debit valuation adjustments in respect of derivative contracts		*6*	(1)
Hong Kong SAR Government certificates of indebtedness	223,510	223,510	
Advances and other accounts	1,669,683	1,669,683	
Investment in securities	1,184,491	1,184,486	
- of which: Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation		*957*	(2)
Interests in subsidiaries	-	1,132	
Interests in associates and joint ventures	158	158	
Investment properties	14,569	14,454	
Properties, plant and equipment	37,647	37,299	
Current tax assets	27	25	
Deferred tax assets	358	358	(3)
Other assets	71,769	71,513	
- of which: other intangible assets		*2,399*	(4)
Total assets	**4,011,306**	**4,010,906**	
LIABILITIES			
Hong Kong SAR currency notes in circulation	223,510	223,510	
Deposits and balances from banks and other financial institutions	350,854	350,854	
Financial liabilities at fair value through profit or loss	78,821	78,821	
Derivative financial instruments	56,599	56,599	
- of which: debit valuation adjustments in respect of derivative contracts		*(61)*	(5)
Deposits from customers	2,722,196	2,722,821	
Debt securities and certificates of deposit in issue	5,296	5,296	
Other accounts and provisions	172,932	172,776	
Current tax liabilities	6,572	6,558	
Deferred tax liabilities	3,843	3,719	
- of which: deferred tax liabilities related to other intangible assets		*393*	(6)
Subordinated liabilities	71,982	71,982	
Total liabilities	**3,692,605**	**3,692,936**	

3. Composition of regulatory capital (continued)

CC2: Reconciliation of regulatory capital to balance sheet (continued)

	(a)	(b)	(c)
	Balance sheet as in published financial statements as at 31 December 2024	**Under regulatory scope of consolidation as at 31 December 2024**	**Reference**
	HK$'m	**HK$'m**	
EQUITY			
Share capital	**43,043**	**43,043**	(7)
Reserves	**275,350**	**274,927**	
- Retained earnings	236,370	236,932	(8)
- of which: cumulative fair value gains arising from the revaluation of investment properties		*7,946*	(9)
- Premises revaluation reserve	34,929	33,917	(10)
- Reserve for financial assets at FVOCI	222	225	(11)
- Regulatory reserve	6,028	6,028	(12)
- Translation reserve	(2,199)	(2,175)	(13)
Capital and reserves attributable to equity holders of the Bank	**318,393**	**317,970**	
Non-controlling interests	**308**	**-**	
Total equity	**318,701**	**317,970**	
Total liabilities and equity	**4,011,306**	**4,010,906**	

3. Composition of regulatory capital (continued)

CCA(A): Main features of regulatory capital instruments and non-capital LAC debt instruments

(i)	Instruments that meet both regulatory capital and LAC requirements	(a) **CET1 Capital Ordinary shares**
1	Issuer	Bank of China (Hong Kong) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable
3	Governing law(s) of the instrument	Hong Kong law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	Not applicable
	Regulatory treatment	
4	Transitional Basel III rules[1]	Not applicable
5	Post-transitional Basel III rules[2]	Common Equity Tier 1
6	Eligible at solo*/group/solo and group (for regulatory capital purposes)	Solo and Group
6a	Eligible at solo*/LAC consolidation group/solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK$43,043m (as of 31 December 2024)
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK$43,043m (as of 31 December 2024)
9	Par value of instrument	No par value (refer to Note 1 for details)
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1 October 2001 (refer to Note 2 for details)
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity date
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption price	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Subordinate to the non-capital LAC debt instruments mentioned in item (ii) of this main features table
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable
Full terms and conditions		Click here to download

3. Composition of regulatory capital (continued)

CCA(A): Main features of regulatory capital instruments and non-capital LAC debt instruments (continued)

(ii) Instruments that meet only LAC (but not regulatory capital) requirements

		(a) **Non-capital LAC debt instruments Subordinated loan**	(b) **Non-capital LAC debt instruments Subordinated loan**
1	Issuer	Bank of China (Hong Kong) Limited	Bank of China (Hong Kong) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable	Not applicable
3	Governing law(s) of the instrument	Hong Kong law	Hong Kong law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	Not applicable	Not applicable
	Regulatory treatment		
4	Transitional Basel III rules[1]	Not applicable	Not applicable
5	Post-transitional Basel III rules[2]	Ineligible	Ineligible
6	Eligible at solo*/group/solo and group (for regulatory capital purposes)	Ineligible	Ineligible
6a	Eligible at solo*/LAC consolidation group/solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	Not applicable	Not applicable
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK$30,282m (as of 31 December 2024)	HK$7,965m (as of 31 December 2024)
9	Par value of instrument	RMB28.5 billion	RMB7.5 billion
10	Accounting classification	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	27 October 2024	8 November 2024
12	Perpetual or dated	Dated	Dated
13	Original maturity date	27 October 2026	8 November 2028
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption price	27 October 2025 at par value	8 November 2025 at par value
16	Subsequent call dates, if applicable	Callable on any interest payment date thereafter	Callable on 8 November 2027 or any interest payment date thereafter
	Coupons/dividends		
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	2.11% per annum	2.19% per annum
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
21	Existence of step-up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible[3]	Non-convertible[3]
24	If convertible, conversion trigger(s)	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable

3. Composition of regulatory capital (continued)

CCA(A): Main features of regulatory capital instruments and non-capital LAC debt instruments (continued)

		(a) **Non-capital LAC debt instruments Subordinated loan**	(b) **Non-capital LAC debt instruments Subordinated loan**
30	Write-down feature	Yes	Yes
31	If write-down, write-down trigger(s)	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under the Financial Institutions (Resolution) Ordinance	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under the Financial Institutions (Resolution) Ordinance
32	If write-down, full or partial	May be written down partially	May be written down partially
33	If write-down, permanent or temporary	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable
34a	Type of subordination	Contractual	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Immediately subordinate to the claims of all unsubordinated creditors	Immediately subordinate to the claims of all unsubordinated creditors
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable
Full terms and conditions		Click here to download[4]	Click here to download[4]

3. Composition of regulatory capital (continued)

CCA(A): Main features of regulatory capital instruments and non-capital LAC debt instruments (continued)

		(c) **Non-capital LAC debt instruments Subordinated loan**	(d) **Non-capital LAC debt instruments Subordinated loan**
1	Issuer	Bank of China (Hong Kong) Limited	Bank of China (Hong Kong) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable	Not applicable
3	Governing law(s) of the instrument	Hong Kong law	Hong Kong law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	Not applicable	Not applicable
	Regulatory treatment		
4	Transitional Basel III rules[1]	Not applicable	Not applicable
5	Post-transitional Basel III rules[2]	Ineligible	Ineligible
6	Eligible at solo*/group/solo and group (for regulatory capital purposes)	Ineligible	Ineligible
6a	Eligible at solo*/LAC consolidation group/solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	Not applicable	Not applicable
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK$7,959m (as of 31 December 2024)	HK$18,037m (as of 31 December 2024)
9	Par value of instrument	RMB7.5 billion	RMB17.0 billion
10	Accounting classification	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	18 November 2024	23 November 2024
12	Perpetual or dated	Dated	Dated
13	Original maturity date	8 November 2028	23 November 2030
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption price	8 November 2025 at par value	23 November 2025 at par value
16	Subsequent call dates, if applicable	Callable on 8 November 2027 or any interest payment date thereafter	Callable on 23 November 2029 or any interest payment date thereafter
	Coupons/dividends		
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	2.13% per annum	2.28% per annum
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
21	Existence of step-up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible[3]	Non-convertible[3]
24	If convertible, conversion trigger(s)	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable

3. Composition of regulatory capital (continued)

CCA(A): Main features of regulatory capital instruments and non-capital LAC debt instruments (continued)

		(c) **Non-capital LAC debt instruments Subordinated loan**	(d) **Non-capital LAC debt instruments Subordinated loan**
30	Write-down feature	Yes	Yes
31	If write-down, write-down trigger(s)	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under the Financial Institutions (Resolution) Ordinance	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under the Financial Institutions (Resolution) Ordinance
32	If write-down, full or partial	May be written down partially	May be written down partially
33	If write-down, permanent or temporary	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable
34a	Type of subordination	Contractual	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Immediately subordinate to the claims of all unsubordinated creditors	Immediately subordinate to the claims of all unsubordinated creditors
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable
Full terms and conditions		Click here to download[4]	Click here to download[4]

3. Composition of regulatory capital (continued)

CCA(A): Main features of regulatory capital instruments and non-capital LAC debt instruments (continued)

		(e) Non-capital LAC debt instruments Subordinated loan
1	Issuer	Bank of China (Hong Kong) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable
3	Governing law(s) of the instrument	Hong Kong law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	Not applicable
	Regulatory treatment	
4	Transitional Basel III rules[1]	Not applicable
5	Post-transitional Basel III rules[2]	Ineligible
6	Eligible at solo*/group/solo and group (for regulatory capital purposes)	Ineligible
6a	Eligible at solo*/LAC consolidation group/solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	Not applicable
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK$7,739m (as of 31 December 2024)
9	Par value of instrument	RMB7.3 billion
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	6 December 2024
12	Perpetual or dated	Dated
13	Original maturity date	23 November 2030
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption price	23 November 2025 at par value
16	Subsequent call dates, if applicable	Callable on 23 November 2029 or any interest payment date thereafter
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	2.10% per annum
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible[3]
24	If convertible, conversion trigger(s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable

3. Composition of regulatory capital (continued)

CCA(A): Main features of regulatory capital instruments and non-capital LAC debt instruments (continued)

		(e) **Non-capital LAC debt instruments Subordinated loan**
30	Write-down feature	Yes
31	If write-down, write-down trigger(s)	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under the Financial Institutions (Resolution) Ordinance
32	If write-down, full or partial	May be written down partially
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	Not applicable
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Immediately subordinate to the claims of all unsubordinated creditors
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable
Full terms and conditions		Click here to download[4]

Footnote:
[1] *Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules*
[2] *Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules*
[3] *Subject to the Financial Institutions (Resolution) Ordinance*
[4] *Terms and conditions to be read in conjunction with the Master Agreement (the "Master Agreement")*
Click here to download the Master Agreement
* *Include solo-consolidated*

3. Composition of regulatory capital (continued)

CCA(A): Main features of regulatory capital instruments and non-capital LAC debt instruments (continued)

Note 1:

Pursuant to the Hong Kong Companies Ordinance (Chapter 622) which commenced operation on 3 March 2014, all shares issued by a company incorporated in Hong Kong before, on and after that commencement date shall have no par value and the relevant concept of authorised share capital is abolished.

Note 2:

- The authorised share capital of Bank of China (Hong Kong) Limited ("BOCHK"), comprising 4 million ordinary shares of HK$100 each, was subdivided into 400 million ordinary shares of HK$1 each pursuant to shareholders written resolution of BOCHK passed on 3 September 2001.
- On 30 September 2001, 400 million ordinary shares in the capital of BOCHK were transferred from Bank of China Limited to BOC Hong Kong (Holdings) Limited ("BOCHK Holdings") pursuant to Supplemental Merger Agreement.
- BOCHK then issued a total of 42,642,840,858 ordinary shares at par value of HK$1 each to BOCHK Holdings on 1 October 2001. Hence, the total issued and paid-up share capital of BOCHK was HK$43,042,840,858 since 2001.
- The concepts of par value for shares and authorised share capital have been abolished following the commencement of the Hong Kong Companies Ordinance (Chapter 622) as mentioned in Note 1.

3. Composition of regulatory capital (continued)

TLAC1(A): LAC composition of material subsidiary (at LAC consolidation group level)

		At 31 December 2024
		(a)
		HK$'m
	Regulatory capital elements of internal loss-absorbing capacity and adjustments	
1	Common Equity Tier 1 ("CET1") capital	266,651
2	Additional Tier 1 ("AT1") capital before LAC adjustments	-
3	AT1 capital instruments ineligible as internal loss-absorbing capacity as not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	-
4	Other adjustments	-
5	AT1 capital eligible under the LAC Rules	-
6	Tier 2 ("T2") capital before LAC adjustments	26,329
7	Amortized portion of T2 capital instruments that are internal LAC debt instruments issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	-
8	T2 capital instruments ineligible as internal loss-absorbing capacity as not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	-
9	Other adjustments	-
10	T2 capital eligible under the LAC Rules	26,329
11	**Internal loss-absorbing capacity arising from regulatory capital**	**292,980**
	Non-regulatory capital elements of internal loss-absorbing capacity	
12	Internal non-capital LAC debt instruments issued directly or indirectly to, and held indirectly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	71,982
17	**Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments**	**71,982**
	Non-regulatory capital elements of internal loss-absorbing capacity: adjustments	
18	**Internal loss-absorbing capacity before deductions**	**364,962**
19	Deductions of exposures between the material subsidiary's LAC consolidation group and group companies outside that group that correspond to non-capital items eligible for internal loss-absorbing capacity	-
20	Deduction of holdings of its own non-capital LAC liabilities	-
21	Other adjustments to internal loss-absorbing capacity	-
22	**Internal loss-absorbing capacity after deductions**	**364,962**
	Risk-weighted amount and exposure measure under the LAC Rules for internal loss-absorbing capacity purposes	
23	Risk-weighted amount under the LAC Rules	1,331,828
24	Exposure measure under the LAC Rules	3,915,413
	Internal LAC ratios and buffers	
25	**Internal LAC risk-weighted ratio**	**27.40%**
26	**Internal LAC leverage ratio**	**9.32%**
27	**CET1 capital (as a percentage of RWA under the Banking (Capital) Rules ("BCR")) available after meeting the LAC consolidation group's minimum capital and LAC requirements**	**12.78%**
28	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer requirements plus higher loss absorbency requirement, expressed as a percentage of RWA under the BCR)	4.422%
29	Of which: capital conservation buffer requirement	2.500%
30	Of which: institution-specific countercyclical capital buffer requirement	0.422%
31	Of which: higher loss absorbency requirement	1.500%

3. Composition of regulatory capital (continued)

TLAC2: Material subsidiary – creditor ranking at legal entity level

		At 31 December 2024			
		Creditor ranking			Sum of values in columns 1 to 2
		1 (most junior)	1 (most junior)	2 (most senior)	
		HK$'m	HK$'m	HK$'m	HK$'m
1	Is a resolution entity or a non-HK resolution entity the creditor/investor?	No	Yes	Yes	
2	Description of creditor ranking	Ordinary shares[1]		Subordinated loans	
3	Total capital and liabilities net of credit risk mitigation	14,609	28,434	71,982	115,025
4	Subset of row 3 that are excluded liabilities	-	-	-	-
5	Total capital and liabilities less excluded liabilities	14,609	28,434	71,982	115,025
6	Subset of row 5 that are eligible as internal loss-absorbing capacity	14,609	28,434	71,982	115,025
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years	-	-	30,282	30,282
8	Subset of row 6 with 2 years ≤ residual maturity < 5 years	-	-	15,924	15,924
9	Subset of row 6 with 5 years ≤ residual maturity < 10 years	-	-	25,776	25,776
10	Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	-
11	Subset of row 6 that is perpetual securities	14,609	28,434	-	43,043

Footnote:
[1] Issued and fully paid ordinary shares.

4. Macroprudential supervisory measures

GSIB1: G-SIB indicators

Not applicable.

4. Macroprudential supervisory measures (continued)

CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer

		At 31 December 2024			
		(a)	(c)	(d)	(e)
	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
		%	HK$'m	%	HK$'m
1	Hong Kong SAR	0.500%	730,144		
2	Australia (includes Christmas Islands, Cocos Islands, Norfolk Islands, Heard and McDonald Islands, Territory of Ashmore and Cartier Islands and Territory of Coral Sea Islands)	1.000%	4,267		
3	Belgium	1.000%	7		
4	Chile	0.500%	-		
5	France (includes French Guiana, French Southern Territories, Guadeloupe, Martinique, Mayotte, Monaco, Reunion and St. Pierre and Miquelon)	1.000%	-		
6	Germany (includes the European Central Bank)	0.750%	317		
7	Ireland	1.500%	1,044		
8	Luxembourg	0.500%	1,172		
9	Netherlands	2.000%	665		
10	Norway (includes Bouvet Islands, Svalbard and Jan Mayen Islands)	2.500%	1		
11	South Korea	1.000%	391		
12	Sweden	2.000%	-		
13	United Kingdom (excludes Guernsey, Isle of Man and Jersey)	2.000%	2,563		
	Sum		**740,571**		
	Total		**897,359**	**0.422%**	**5,620**

5. Leverage ratio

LR1: Summary comparison of accounting assets against leverage ratio exposure measure

		At 31 December 2024
		(a)
	Item	Value under the LR framework
		HK$'m
1	Total consolidated assets as per published financial statements	4,011,306
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(401)
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
3a	Adjustments for eligible cash pooling transactions	-
4	Adjustments for derivative contracts	(9,636)
5	Adjustment for SFTs (i.e. repos and similar secured lending)	20,046
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	169,215
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(350)
7	Other adjustments	(274,767)
	of which: Hong Kong SAR Government certificates of indebtedness	*(223,510)*
8	**Leverage ratio exposure measure**	**3,915,413**

5. Leverage ratio (continued)

LR2: Leverage ratio

		At 31 December 2024	At 30 September 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)	3,599,592	3,648,792
2	Less: Asset amounts deducted in determining Tier 1 capital	(51,257)	(52,973)
3	**Total on-balance sheet exposures (excluding derivative contracts and SFTs)**	**3,548,335**	**3,595,819**
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)	17,341	6,398
5	Add-on amounts for PFE associated with all derivative contracts	47,101	45,382
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	(182)	(839)
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**	**64,260**	**50,941**
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	129,122	66,563
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	20,046	20,032
15	Agent transaction exposures	-	-
16	**Total exposures arising from SFTs**	**149,168**	**86,595**
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	857,124	890,694
18	Less: Adjustments for conversion to credit equivalent amounts	(687,909)	(712,855)
19	**Off-balance sheet items**	**169,215**	**177,839**
Capital and total exposures			
20	**Tier 1 capital**	**266,651**	**280,004**
20a	**Total exposures before adjustments for specific and collective provisions**	**3,930,978**	**3,911,194**
20b	**Adjustments for specific and collective provisions**	**(15,565)**	**(18,155)**
21	**Total exposures after adjustments for specific and collective provisions**	**3,915,413**	**3,893,039**
Leverage ratio			
22	**Leverage ratio**	**6.81%**	**7.19%**

6. Liquidity

LIQA: Liquidity risk management

In accordance with the Group's corporate governance principles in respect of risk management, the Board and the RC, senior management and functional departments/units perform their duties and responsibilities to manage the Group's liquidity risk. The RC is the decision-making authority of liquidity risk management, and assumes the ultimate responsibility of liquidity risk management. As authorised by the RC, ALCO exercises its oversight of liquidity risk and ensures the daily operations of the Group are in accordance with the risk appetite and policies as set by the RC. The RMD is responsible for the Group's liquidity risk management. It cooperates with the Financial Management Department and Investment Management, etc. to assist the ALCO to perform liquidity management functions according to their specific responsibilities.

The Group established liquidity risk management indicators and limits to identify, measure, monitor and control liquidity risk on a daily basis. These indicators and limits include, but are not limited to liquidity coverage ratio ("LCR"), net stable funding ratio ("NSFR"), loan-to-deposit ratio, Maximum Cumulative Cash Outflow ("MCO") and liquidity cushion. The Group applies a cash flow analysis to assess the Group's liquidity condition under normal conditions and also performs a liquidity stress test (including institution specific, general market crisis and combined crisis) and other methods at least on a monthly basis to assess the Group's capability to withstand various severe liquidity crises. Also, relevant management information systems such as the Assets and Liabilities Management System and the Basel Liquidity Ratio Management System are developed to provide data and to prepare for regular management reports to facilitate liquidity risk management duties.

In accordance with the requirements of Supervisory Policy Manual LM-2 "Sound Systems and Controls for Liquidity Risk Management" issued by the HKMA, the Group has implemented a behaviour model and assumptions of cash flow analysis and stress test to enhance the Group's cash flow analysis under both normal and stressed conditions. In cash flow analysis under normal circumstances, assumptions have been made relating to on-balance sheet items (such as deposits from customers) and off-balance sheet items (such as loan commitments). According to various characteristics of the assets, liabilities and off-balance sheet items, the Group forecasts the future cash flow based on the contractual maturity date and the assumptions of customer behaviour and balance sheet changes. The Group establishes the MCO indicator which predicts the future 30 days maximum cumulative net cash outflow in normal situations based on the above assumptions, to assess if the Group has sufficient financing capacity to meet the cash flow gap in order to achieve the objective of continuing operations. As at 31 December 2024, before taking the cash inflow through the sale of outstanding marketable securities into consideration, BOCHK's 30-day cumulative cash flow was a net cash inflow, amounting to HK$238,618 million and was in compliance with the internal limit requirements.

6. Liquidity (continued)

LIQA: Liquidity risk management (continued)

The Group is committed to diversify the sources, tenors and use of funding to avoid excessive concentration of assets and liabilities; and prevent triggering liquidity risk due to the break of funding strand resulting from over-concentration of sources and use of funding in a particular area where problems occur. In order to manage such risk, the Group sets concentration limits on collateral pools and sources of funding such as Tier 1 high-quality readily liquefiable assets to total high-quality readily liquefiable assets ratio, top ten depositors ratio and large depositors ratio. Whenever necessary, the Group could improve the liquidity position by taking mitigation actions including, but not limited to obtaining funding through interbank borrowings or repos in the money market, selling bonds in the secondary market or retaining existing and attracting new customer deposits. Apart from increasing the funding, the Group would maintain good communication with the counterparties, the parent bank and the regulators to enhance mutual confidence.

In the liquidity stress test, institution specific, general market crisis and combined crisis scenarios have been set up, a combined crisis scenario is a combination of institution specific and general market crisis to assess the Group's capability to withstand a more severe liquidity crisis, with a more stringent set of assumptions being adopted.

A contingency plan is being established which details the conditions to trigger the plan based on stress test results and early warning indicators, the action plans and relevant procedures and responsibility of relevant departments.

The Group has established a set of uniform liquidity risk management policies which serve as standards and guidance to all the Group's members for liquidity risk management. On the basis of the Group's uniform policies, each of the subsidiaries develops its own liquidity management policies according to its own characteristics, and assumes its own liquidity risk management responsibility. Subsidiaries are required to report their respective liquidity positions with relevant liquidity ratios on a regular basis to the RMD of BOCHK, which consolidates this information and evaluates group-wide liquidity risk to ensure relevant requirements are satisfied.

6. Liquidity (continued)

LIQA: Liquidity risk management (continued)

Under normal circumstances, the intra-group funding transactions between BOCHK and Southeast Asian entities are mainly through interbank placement. As at 31 December 2024, the net funding provided by BOCHK were as follows (positive indicates net placement, negative indicates net borrowing):

	At 31 December 2024
	HK$'m
Southeast Asian entities	
BOC Malaysia	5,365
BOC Thailand	(815)
Manila Branch	1,436
Jakarta Branch	-
Ho Chi Minh City Branch	(2,368)
Vientiane Branch	(1,192)
Phnom Penh Branch	1,347
Brunei Branch	(2,028)
Yangon Branch	(3,179)

As at 31 December 2024, the maturity analysis based on the remaining period at balance sheet date to the contractual maturity date is as follows:

	At 31 December 2024			
	Within one year	One to five years	Over five years	Indefinite
	HK$'m	HK$'m	HK$'m	HK$'m
Total on-balance sheet assets	2,470,509	883,191	588,286	68,920
Total on-balance sheet liabilities	(3,586,614)	(76,056)	(30,266)	-
Net liquidity gap	(1,116,105)	807,135	558,020	68,920

The net liquidity gap of off-balance sheet items is mainly within one year.

6. Liquidity (continued)

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: (75)		**For the quarter ended 31 December 2024**	
		(a)	(b)
Basis of disclosure: consolidated		**Unweighted value (average)**	**Weighted value (average)**
		HK$'m	**HK$'m**
A.	**HQLA**		
1	Total HQLA		1,150,171
B.	**Cash Outflows**		
2	Retail deposits and small business funding, of which:	1,293,704	75,709
3	*Stable retail deposits and stable small business funding*	*433,822*	*13,015*
4	*Less stable retail deposits and less stable small business funding*	*383,313*	*38,331*
4a	*Retail term deposits and small business term funding*	*476,569*	*24,363*
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	1,327,823	577,988
6	*Operational deposits*	*389,257*	*95,530*
7	*Unsecured wholesale funding (other than small business funding) not covered in row 6*	*938,566*	*482,458*
8	*Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period*	-	-
9	Secured funding transactions (including securities swap transactions)		2,797
10	Additional requirements, of which:	494,069	99,477
11	*Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements*	*26,137*	*25,840*
12	*Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions*	*23,276*	*23,276*
13	*Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)*	*444,656*	*50,361*
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	100,849	100,849
15	Other contingent funding obligations (whether contractual or non-contractual)	450,918	3,610
16	**Total Cash Outflows**		**860,430**
C.	**Cash Inflows**		
17	Secured lending transactions (including securities swap transactions)	28,329	8,378
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	310,452	184,222
19	Other cash inflows	99,431	92,148
20	**Total Cash Inflows**	**438,212**	**284,748**
D.	**Liquidity Coverage Ratio**		**Adjusted value**
21	**Total HQLA**		**1,150,171**
22	**Total Net Cash Outflows**		**575,682**
23	**LCR (%)**		**201.06%**

6. 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 each quarter in 2024 were 223.79%, 250.58%, 231.81% and 201.06% 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.

6. Liquidity (continued)

LIQ2: Net Stable Funding Ratio – for category 1 institution

	For the quarter ended 31 December 2024 (HK$'m)	(a)	(b)	(c)	(d)	(e)
	Basis of disclosure: consolidated	**Unweighted value by residual maturity**				
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	**Weighted amount**
A.	**Available stable funding ("ASF") item**					
1	Capital:	325,522	-	71,982	-	361,513
2	*Regulatory capital*	*325,522*	-	-	-	*325,522*
2a	*Minority interests not covered by row 2*	-	-	-	-	-
3	*Other capital instruments*	-	-	*71,982*	-	*35,991*
4	Retail deposits and small business funding:	-	1,286,669	22,466	575	1,208,182
5	*Stable deposits*		*582,753*	*4,953*	*181*	*558,501*
6	*Less stable deposits*		*703,916*	*17,513*	*394*	*649,681*
7	Wholesale funding:	-	1,765,111	18,002	1,196	562,803
8	*Operational deposits*		*388,502*	-	-	*194,251*
9	*Other wholesale funding*	-	*1,376,609*	*18,002*	*1,196*	*368,552*
10	Liabilities with matching interdependent assets	223,510	-	-	-	-
11	Other liabilities:	71,099	135,633	8,265	15,335	19,468
12	*Net derivative liabilities*	-				
13	*All other funding and liabilities not included in the above categories*	*71,099*	*135,633*	*8,265*	*15,335*	*19,468*
14	**Total ASF**					**2,151,966**
B.	**Required stable funding ("RSF") item**					
15	Total HQLA for NSFR purposes	1,373,334				79,573
16	Deposits held at other financial institutions for operational purposes	-	1,133	-	-	567
17	Performing loans and securities:	31,093	743,687	253,770	1,159,483	1,291,717
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	*14,787*	-	-	*1,479*
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	*78*	*244,275*	*68,865*	*22,085*	*93,238*
20	*Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:*	*30,999*	*346,977*	*131,904*	*641,868*	*805,804*
21	*With a risk-weight of less than or equal to 35% under the STC approach*	*33*	*11,192*	*190*	*12,772*	*11,161*
22	*Performing residential mortgages, of which:*	-	*9,345*	*9,029*	*426,168*	*286,354*
23	*With a risk-weight of less than or equal to 35% under the STC approach*	-	*9,345*	*9,029*	*425,381*	*285,684*
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	*16*	*128,303*	*43,972*	*69,362*	*104,842*
25	Assets with matching interdependent liabilities	223,510	-	-	-	-
26	Other assets:	153,352	37,366	778	2,381	124,403
27	*Physical traded commodities, including gold*	*13,240*				*11,254*
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	*8,689*				*7,386*
29	*Net derivative assets*	*634*				*634*
30	*Total derivative liabilities before adjustments for deduction of variation margin posted*	*35,789*				*1,789*
31	*All other assets not included in the above categories*	*95,000*	*37,366*	*778*	*2,381*	*103,340*
32	Off-balance sheet items		857,108			21,025
33	**Total RSF**					**1,517,285**
34	**Net Stable Funding Ratio (%)**					**141.83%**

6. Liquidity (continued)

LIQ2: Net Stable Funding Ratio – for category 1 institution (continued)

For the quarter ended 30 September 2024 (HK$'m)		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: consolidated		**Unweighted value by residual maturity**				
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	**Weighted amount**
A.	**Available stable funding ("ASF") item**					
1	Capital:	340,034	77,756	-	-	340,034
2	*Regulatory capital*	*340,034*	-	-	-	*340,034*
2a	*Minority interests not covered by row 2*	-		-	-	-
3	*Other capital instruments*	-	*77,756*	-	-	-
4	Retail deposits and small business funding:	-	1,292,996	34,729	723	1,220,093
5	*Stable deposits*		*483,009*	*5,343*	*140*	*464,074*
6	*Less stable deposits*		*809,987*	*29,386*	*583*	*756,019*
7	Wholesale funding:	-	1,704,970	35,432	1,333	561,689
8	*Operational deposits*		*390,074*	-	-	*195,037*
9	*Other wholesale funding*	-	*1,314,896*	*35,432*	*1,333*	*366,652*
10	Liabilities with matching interdependent assets	216,230	-	-	-	-
11	Other liabilities:	78,082	127,911	3,356	9,945	11,623
12	*Net derivative liabilities*	*10,063*				
13	*All other funding and liabilities not included in the above categories*	*68,019*	*127,911*	*3,356*	*9,945*	*11,623*
14	**Total ASF**					**2,133,439**
B.	**Required stable funding ("RSF") item**					
15	Total HQLA for NSFR purposes	1,232,163				80,028
16	Deposits held at other financial institutions for operational purposes	-	1,219	-	-	610
17	Performing loans and securities:	31,224	883,588	255,283	1,125,301	1,288,745
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	*37,704*	-	-	*3,770*
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	*59*	*335,232*	*66,822*	*22,735*	*106,490*
20	*Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:*	*31,152*	*390,058*	*130,441*	*614,265*	*796,265*
21	*With a risk-weight of less than or equal to 35% under the STC approach*	*10*	*11,313*	*1,569*	*10,114*	*8,545*
22	*Performing residential mortgages, of which:*	-	*8,979*	*8,470*	*426,353*	*286,047*
23	*With a risk-weight of less than or equal to 35% under the STC approach*	-	*8,979*	*8,470*	*425,388*	*285,227*
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	*13*	*111,615*	*49,550*	*61,948*	*96,173*
25	Assets with matching interdependent liabilities	216,230	-	-	-	-
26	Other assets:	153,240	57,255	760	2,513	128,908
27	*Physical traded commodities, including gold*	*15,866*				*13,486*
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	*9,402*				*7,991*
29	*Net derivative assets*	-				-
30	*Total derivative liabilities before adjustments for deduction of variation margin posted*	*37,940*				*1,897*
31	*All other assets not included in the above categories*	*90,032*	*57,255*	*760*	*2,513*	*105,534*
32	Off-balance sheet items		890,812			22,475
33	**Total RSF**					**1,520,766**
34	**Net Stable Funding Ratio (%)**					**140.29%**

7. Credit risk for non-securitization exposures

CRA: General information about credit risk

Credit risk is the risk of loss that a customer or counterparty is unable to or unwilling to meet its contractual obligations. Credit risk exists in the trading book and banking book, as well as from on- and off-balance sheet transactions of the Group. It arises principally from lending, trade finance and treasury businesses.

The Group has formulated a comprehensive set of credit risk management policies and procedures, and appropriate credit risk limits to manage and control credit risk that may arise. These policies, procedures and credit risk limits are regularly reviewed and updated to cope with changes in market conditions and business strategies.

The Group's organisation structure establishes a clear set of authority and responsibility for monitoring compliance with policies, procedures and limits.

The Board delegates credit approval authority to the CE. The CE can further delegate to the subordinates within his limit authorised by the Board. The Group sets the limits of credit approval authority according to the credit business nature, rating, the level of transaction risk, and the extent of the credit exposure.

The Chief Credit Officer, who reports directly to the CRO, takes charge of credit risk management and is also responsible for the control of credit risk exposures of subsidiaries in line with the credit risk management principles and requirements set by the Group. Various units of the Group have their respective credit risk management responsibilities. Business units act as the first line of defence in risk management. The Risk Management Department ("RMD"), which is independent from the business units, is responsible for the day-to-day management of credit risks and provides an independent due diligence through identifying, measuring, monitoring and controlling credit risk to ensure an effective checks and balances, as well as drafting, reviewing and updating credit risk management policies and procedures. It is also responsible for the design, development and maintenance of the Group's internal rating system and ensures the system complies with the relevant regulatory requirements. Back offices are responsible for credit administration, providing operations support and supervision on the implementation of prerequisite terms and conditions of credit facilities.

The Group Audit is responsible for conducting independent reviews on the adequacy and effectiveness of credit risk management framework, as well as the compliance to internal policies and procedures.

The RMD provides regular credit management information reports and ad hoc reports to the Management Committee ("MC"), the RC and the Board to facilitate their continuous monitoring of credit risk.

7. Credit risk for non-securitization exposures (continued)

CRA: General information about credit risk (continued)

In addition, the Group identifies credit concentration risk by industry, geography, customer or counterparty. The Group monitors changes to every counterparties credit risk, quality of the credit portfolio and credit risk concentrations, and reports regularly to the Group's Management.

CR1: Credit quality of exposures

		At 31 December 2024						
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of			Of which ECL accounting provisions for credit losses on STC approach exposures			
		Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions	Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a+b-c)
		HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
1	Loans	17,369	2,234,033	15,097	1,615	553	12,929	2,236,305
2	Debt securities	-	1,180,975	49	-	20	29	1,180,926
3	Off-balance sheet exposures	790	856,334	350	18	52	280	856,774
4	**Total**	**18,159**	**4,271,342**	**15,496**	**1,633**	**625**	**13,238**	**4,274,005**

The Group identifies the exposures as "default" if the exposure is past due for more than 90 days or the borrower is unlikely to pay in full for its debt obligations.

CR2: Changes in defaulted loans and debt securities

		(a)
		HK$'m
1	**Defaulted loans and debt securities at 30 June 2024**	**17,714**
2	Loans and debt securities that have defaulted since the last reporting period	4,542
3	Returned to non-defaulted status	(385)
4	Amounts written off	(4,335)
5	Other changes	(167)
6	**Defaulted loans and debt securities at 31 December 2024**	**17,369**

The decrease in defaulted exposures in the current reporting period was mainly due to the write-off of certain defaulted corporate loans, partially offset by the impact of certain defaulted corporates engaged in property sector during the period.

7. Credit risk for non-securitization exposures (continued)

CRB: Additional disclosure related to credit quality of exposures

Exposures with a specific repayment date are classified as overdue when the principal or interest is past due and remains unpaid. Advances repayable by regular instalments are classified as overdue when an instalment payment is past due and remains unpaid. Advances repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction or when the advances have remained continuously to exceed the approved limit that was advised to the borrower.

For exposures under both FIRB and STC approaches, ECL is assessed in three stages and the exposures are classified in one of the following three stages:

Stage 1: if the financial instruments are not credit-impaired during origination and their credit risk has not increased significantly since origination, and the impairment allowance is measured at an amount up to 12-month ECL;

Stage 2: if the financial instruments are not credit-impaired during origination but their credit risk has increased significantly since origination, and the impairment allowance is measured at an amount equal to the lifetime ECL;

Stage 3: if the financial instruments are credit-impaired and their future cash flows of that financial instruments are adversely affected by one or more events, and the impairment allowance is measured at an amount equal to the lifetime ECL.

Rescheduled advances are those advances that have been restructured and renegotiated between the bank and borrowers because of deterioration in the financial position of the borrower or the inability of the borrower to meet the original repayment schedule, and the revised repayment terms, either of interest or the repayment period, are “non-commercial” to the Group.

7. Credit risk for non-securitization exposures (continued)

CRB: Additional disclosure related to credit quality of exposures (continued)

(i) Exposures by geographical areas

		At 31 December 2024
		HK$'m
1	Hong Kong, China	2,688,483
2	Chinese mainland	557,308
3	United States	310,337
4	Others	733,373
5	**Total**	**4,289,501**

(ii) Exposures by industry

		At 31 December 2024
		HK$'m
1	Personal	798,343
2	Financial and insurance services	1,199,888
3	Manufacturing	235,132
4	Public, commercial and other services	684,564
5	Real estate	464,281
6	Wholesale, retail, import and export trades	254,844
7	Others	652,449
8	**Total**	**4,289,501**

(iii) Exposures by residual maturity

		At 31 December 2024
		HK$'m
1	Within one year	2,669,697
2	One to five years	1,008,759
3	Over five years	593,218
4	Indefinite	17,827
5	**Total**	**4,289,501**

7. Credit risk for non-securitization exposures (continued)

CRB: Additional disclosure related to credit quality of exposures (continued)

(iv) Impaired exposures, related allowances and write-offs by geographical areas

		At 31 December 2024		
		Impaired exposures	Related allowances	Write-offs
		HK$'m	HK$'m	HK$'m
1	Hong Kong, China	15,339	(6,368)	3,612
2	Chinese mainland	62	(10)	2
3	United States	-	-	-
4	Others	2,282	(1,603)	1,104
5	**Total**	**17,683**	**(7,981)**	**4,718**

(v) Impaired exposures, related allowances and write-offs by industry

		At 31 December 2024		
		Impaired exposures	Related allowances	Write-offs
		HK$'m	HK$'m	HK$'m
1	Personal	906	(273)	335
2	Financial and insurance services	293	(162)	-
3	Manufacturing	1,219	(972)	232
4	Public, commercial and other services	147	(3)	-
5	Real estate	13,377	(5,511)	3,186
6	Wholesale, retail, import and export trades	1,107	(614)	31
7	Others	634	(446)	934
8	**Total**	**17,683**	**(7,981)**	**4,718**

(vi) Aging analysis of accounting past due exposures

		At 31 December 2024
		HK$'m
1	Overdue for three months or less	7,158
2	Overdue for six months or less but over three months	914
3	Overdue for one year or less but over six months	1,321
4	Overdue for over one year	10,010
5	**Total**	**19,403**

(vii) Restructured exposures

		At 31 December 2024
		HK$'m
1	Impaired exposures	1,327
2	Not impaired exposures	11
3	**Total**	**1,338**

7. Credit risk for non-securitization exposures (continued)

CRC: Qualitative disclosures related to credit risk mitigation

The Group's policies and procedures stipulate the counterparty credit risk management and the netting should only be applied where there is a legal right to do so. Recognised netting can only be done pursuant to a valid bilateral netting agreement in accordance with the Banking (Capital) Rules section 209. The Group adopts the netting approach which is consistent with the Banking (Capital) Rules for capital adequacy purposes, and only those OTC derivative transactions subject to valid bilateral netting agreements are eligible for netting approach.

The Group has in place specific policies with respect to revaluation and management of collateral. These policies articulate the standards to monitor and manage the collateral's security as the secondary repayment source and recovery of obligation loss. All collaterals are revalued on a regular basis. More frequent revaluation is required for collaterals with higher volatility or deteriorated accounts.

The credit risk concentration within the credit risk mitigation (recognised collateral and guarantees for capital calculation) used by the Group is under a low level.

7. Credit risk for non-securitization exposures (continued)

CR3: Overview of recognized credit risk mitigation

		At 31 December 2024				
		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
		HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
1	Loans	1,800,590	435,715	74,643	361,072	-
2	Debt securities	1,147,859	33,067	-	33,067	-
3	**Total**	**2,948,449**	**468,782**	**74,643**	**394,139**	**-**
4	Of which defaulted	6,003	3,252	1,886	1,366	-

CRD: Qualitative disclosures on use of ECAI ratings under STC approach

The ECAIs recognised by the Group include Standard & Poor's, Moody's and Fitch.

The Group adopts STC approach based on external credit rating (where applicable) to determine the risk weight of the small residual credit exposures that was approved by the HKMA to be exempted from FIRB approach and the main exposures are listed as below:

- Exposures to Sovereign
- Exposures to Public sector entity
- Exposures to Multilateral development bank

The Group performs the ECAI issuer ratings mapping to its exposures in banking book in accordance with Part 4 of the Banking (Capital) Rules.

7. Credit risk for non-securitization exposures (continued)

CR4: Credit risk exposures and effects of recognized credit risk mitigation – for STC approach

		At 31 December 2024					
		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Exposure classes	On-balance sheet amount HK$'m	Off-balance sheet amount HK$'m	On-balance sheet amount HK$'m	Off-balance sheet amount HK$'m	RWA HK$'m	RWA density %
1	Sovereign exposures	984,412	2,155	984,412	431	15,768	2
2	PSE exposures	132,380	4,969	138,006	5,021	11,591	8
2a	Of which: domestic PSEs	25,349	4,951	30,975	5,012	7,197	20
2b	Of which: foreign PSEs	107,031	18	107,031	9	4,394	4
3	Multilateral development bank exposures	107,184	-	107,184	-	-	-
4	Bank exposures	1,687	244	2,164	121	562	25
5	Securities firm exposures	531	179	531	86	309	50
6	Corporate exposures	38,899	60,916	33,108	6,406	37,415	95
7	CIS exposures	-	-	-	-	-	-
8	Cash items	345	-	345	-	-	-
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-
10	Regulatory retail exposures	8,768	17,996	8,462	476	6,704	75
11	Residential mortgage loans	8,255	8,143	2,627	1	1,294	49
12	Other exposures which are not past due exposures	34,140	24,086	19,760	1,997	20,132	93
13	Past due exposures	731	-	731	-	916	125
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	**Total**	**1,317,332**	**118,688**	**1,297,330**	**14,539**	**94,691**	**7**

7. Credit risk for non-securitization exposures (continued)

CR5: Credit risk exposures by asset classes and by risk weights – for STC approach

		At 31 December 2024										
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
	Risk Weight / Exposure class	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
		HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
1	Sovereign exposures	960,377	-	3,292	-	14,554	-	4,196	2,424	-	-	984,843
2	PSE exposures	96,750	-	39,718	-	5,823	-	736	-	-	-	143,027
2a	Of which: domestic PSEs	-	-	35,987	-	-	-	-	-	-	-	35,987
2b	Of which: foreign PSEs	96,750	-	3,731	-	5,823	-	736	-	-	-	107,040
3	Multilateral development bank exposures	107,184	-	-	-	-	-	-	-	-	-	107,184
4	Bank exposures	-	-	1,952	-	323	-	10	-	-	-	2,285
5	Securities firm exposures	-	-	-	-	617	-	-	-	-	-	617
6	Corporate exposures	-	-	757	-	3,478	-	34,787	492	-	-	39,514
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	345	-	-	-	-	-	-	-	-	-	345
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-	-	-
10	Regulatory retail exposures	-	-	-	-	-	8,938	-	-	-	-	8,938
11	Residential mortgage loans	-	-	-	1,693	-	935	-	-	-	-	2,628
12	Other exposures which are not past due exposures	-	-	-	-	-	-	10,932	-	-	10,825	21,757
13	Past due exposures	18	-	118	-	-	-	-	595	-	-	731
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	**Total**	**1,164,674**	**-**	**45,837**	**1,693**	**24,795**	**9,873**	**50,661**	**3,511**	**-**	**10,825**	**1,311,869**

7. Credit risk for non-securitization exposures (continued)

CRE: Qualitative disclosures related to internal models for measuring credit risk under IRB approach

The internal model developments, controls and changes are complied with the regulatory requirements of Banking (Capital) Rules by the HKMA. The Group establishes the model standards to govern the process for the initial development, the approval and the implementation of the internal rating system, as well as the procedures for monitoring and reporting of the model performance.

To ensure the discriminatory power, accuracy and stability of the rating systems meet regulatory and management requirements, review of a rating model will be triggered if the performance of the model deteriorates materially against pre-determined tolerance limit.

The model development and maintenance unit of the RMD is responsible for developing, maintaining and changing internal rating models. The model validation unit of the RMD is responsible for independent validation of internal rating models.

The implementation of initial IRB models and the subsequent material changes of models are approved by the Risk Committee of the Board on the recommendation of the Asset and Liability Management Committee ("ALCO").

The RMD as a credit risk control unit is responsible for the design, selection, testing and implementation, oversight of the effectiveness, as well as related monitoring and review of an internal rating system.

Internal audit reviews at least annually the internal rating system (including the validation process and the estimation of the risk components) and the operations of the related credit risk control unit. The audit purpose is to verify the control mechanism over the internal rating system is functioning as intended.

Comprehensive validation of all internal rating models is carried out by Model Validation Team that is functionally independent of model development, maintenance unit and business units. The validation findings and conclusions will be submitted directly to the Group's senior management and the Risk Committee.

Internal rating models are validated at least once a year. If material changes in the market environment or business activities are considered to have potentially significant impact on effectiveness of IRB system, prompt validation will be conducted accordingly.

For newly-developed or revised internal rating models, independent validation should be carried out before the model is submitted to the Risk Committee for approval for implementation. The validation opinions will be submitted together with the model development documentation for consideration in the model approval process.

7. Credit risk for non-securitization exposures (continued)

CRE: Qualitative disclosures related to internal models for measuring credit risk under IRB approach (continued)

On an ongoing basis, regular validation reports are reviewed by the Risk Committee. Significant findings of model weakness are reported to the senior management and the Risk Committee. Corresponding remedial actions are taken by the model development and maintenance unit, and followed up by the validation unit, which is also governed by the Risk Committee and senior management.

The scope of reporting related to credit risk models covers the assessment on the discriminatory power, accuracy and stability of the rating systems, the use of rating overrides and its reason analysis, the major findings during the model review and validation.

The Group adopts the FIRB approach to calculate the regulatory capital requirements for most of the corporate and bank exposures, and adopts the supervisory slotting criteria approach to project finance exposures under specialised lending. The Group adopts retail IRB approach for retail exposures to individuals and small businesses.

The following table summarised the portion of total EAD within the Group covered by the STC approach and IRB approaches:

Portfolio	STC approach (% in EAD)	IRB approaches		
		Foundation IRB approach (% in EAD)	Retail IRB approach (% in EAD)	Specific Risk Weight approach (% in EAD)
Sovereign	100%	-	-	-
Bank	8%	92%	-	-
Corporate	3%	97%	-	-
Retail	2%	-	98%	-
Equity	100%	-	-	-
Other	4%	-	-	96%

Description of Internal rating models

The models in portfolios are categorised mainly by product nature or obligor types. The main differences among the models are the reflection of the risk characteristics (e.g. secured or unsecured products, and obligors with different sales turnover, exposure size and industry, etc.). For project finance exposures under specialised lending, the rating is assigned by the project finance model based on the characteristics of borrowers and transactions.

7. Credit risk for non-securitization exposures (continued)

CRE: Qualitative disclosures related to internal models for measuring credit risk under IRB approach (continued)

IRB models – Bank and Corporate

Probability of Default ("PD") models

- PD represents the likelihood of a default event in a one-year horizon.

Portfolio	Model	Number of Models	Key Model Characteristics	Regulatory Floors Applied
Bank (Banks and regulated securities firms)	PD	2	PD models are developed based on historical data and market benchmarking data, combining both quantitative and qualitative data on latest financial performance, management quality, industry risks, group connection and negative warning signals of each obligor.	0.03%
Corporate (Large corporates, medium corporates, real estate developers, real estate investors, insurance companies, object finance and project finance)	PD	7		0.03%

IRB models – Retail

The Group uses statistical models to provide estimated probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") for retail exposures under retail IRB approach.

Probability of Default ("PD") models

- PD represents the likelihood of a default event in a one-year horizon.
- PD models incorporate the characteristics of obligors, facility types, and the obligor's account behavior.

Loss Given Default ("LGD") models

- LGD estimates the potential loss of each credit exposure if the obligor defaults.
- LGD is mainly determined by the characteristics of facility, collateralisation, loss recovery and the associated costs. Downturn LGD takes into account of the recoveries experience in the historical downturn situation. The determination of the time lapse between the default event and the closure of the exposure is based on empirical data and expert judgement.

Exposure at Default ("EAD") models

- EAD estimates the additional drawn down on the undrawn facility, if any, after the facility defaulted.
- In modeling the credit conversion factors ("CCF"), fixed horizon method has been used and the horizon chosen is 12 months. For the estimation of CCF for facilities of off-balance sheet exposures such as the undrawn portion of credit lines, CCF estimation considered the factors such as utilisation rate.

7. Credit risk for non-securitization exposures (continued)

CRE: Qualitative disclosures related to internal models for measuring credit risk under IRB approach (continued)

Portfolio	Model	Number of Models	Key Model Characteristics	Regulatory Floors Applied
Residential Mortgage (To individuals and property holding shell companies)	PD	1	Calibrated to a long-run default rate from the score based on obligor's characteristics and internal behavioral data.	0.03%
	LGD	1	Pooling based on the factors such as collateral type and LTV, etc. A conservative LGD is estimated for the economic downturn period based on the historical data.	10%
	EAD	1	Based on the outstanding balance. For the accounts denominated in foreign currency, EAD will be adjusted to consider the increasing of EAD due to the appreciation of the foreign currency.	At least be equal to the current outstanding balance
Other Retail Exposure to individuals (non-credit card)	PD	3	Calibrated to a long-run default rate from the score based on the facility type and internal behavioral data.	0.03%
	LGD	3	Pooling based on the factors such as facility type, collateral type and LTV, etc. A conservative LGD is estimated for the economic downturn period based on the historical data.	Nil
	EAD	3	For revolving facilities, utilisation ratio is derived to determine the EAD. For reducing balance facilities, EAD is based on the outstanding balance. For the accounts denominated in foreign currency, EAD will be adjusted to consider the increasing of EAD due to the appreciation of the foreign currency.	At least be equal to the current outstanding balance
Credit Card	PD	1	Calibrated to a long-run default rate from the score based on obligor's characteristics and internal behavioral data.	0.03%
	LGD	1	A conservative LGD is estimated for the economic downturn period based on the historical data.	Nil
	EAD	1	Utilisation ratio is derived to determine the EAD. For the accounts denominated in foreign currency, EAD will be adjusted to consider the increasing of EAD due to the appreciation of the foreign currency.	At least be equal to the current outstanding balance

7. Credit risk for non-securitization exposures (continued)

CRE: Qualitative disclosures related to internal models for measuring credit risk under IRB approach (continued)

Portfolio	Model	Number of Models	Key Model Characteristics	Regulatory Floors Applied
Small Business Retail	PD	1	Calibrated to a long-run default rate from the combination of financial assessment, qualitative assessment to the obligor and the internal behavioral data.	0.03%
	LGD	1	Pooling based on the factors such as facility type and LTV, etc. A conservative LGD is estimated for the economic downturn period based on the historical data.	Nil
	EAD	1	CCF is estimated to determine the EAD. For reducing balance facilities, EAD is based on the outstanding balance.	At least be equal to the current outstanding balance

7. Credit risk for non-securitization exposures (continued)

CR6: Credit risk exposures by portfolio and PD ranges – for IRB approach

(a) FIRB approach

		At 31 December 2024											
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
	%	HK$'m	HK$'m	%	HK$'m	%		%	Year	HK$'m	%	HK$'m	HK$'m
Portfolio (i) – Sovereign	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (ii) – Bank	0.00 to < 0.15	428,334	25,922	25	439,129	0.06	277	45	2.50	122,606	28	109	
	0.15 to < 0.25	16,066	3,590	8	16,461	0.22	46	45	2.50	9,726	59	16	
	0.25 to < 0.50	8,428	3,662	5	8,593	0.39	39	41	2.50	6,272	73	14	
	0.50 to < 0.75	586	4,491	-	451	0.54	10	41	2.50	299	66	1	
	0.75 to < 2.50	882	2,584	-	882	1.21	15	41	2.50	896	102	4	
	2.50 to < 10.00	685	77	-	685	5.57	6	45	2.50	1,073	157	17	
	10.00 to < 100.00	157	-	-	157	13.77	2	45	2.50	338	216	10	
	100.00 (Default)	31	-	-	31	100.00	1	45	2.50	175	563	-	
	Sub-total	455,169	40,326	17	466,389	0.09	396	45	2.50	141,385	30	171	1,943
Portfolio (iii) – Corporate – specialized lending (other than HVCRE) – FIRB/AIRB	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-

7. Credit risk for non-securitization exposures (continued)

CR6: Credit risk exposures by portfolio and PD ranges – for IRB approach (continued)

(a) FIRB approach (continued)

		At 31 December 2024											
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
	%	HK$'m	HK$'m	%	HK$'m	%		%	Year	HK$'m	%	HK$'m	HK$'m
Portfolio (iv) – Corporate – small-and-medium sized corporates	0.00 to < 0.15	8,006	3,655	10	9,958	0.10	249	43	2.50	2,552	26	4	
	0.15 to < 0.25	2,589	2,321	7	9,617	0.22	159	42	2.50	3,442	36	9	
	0.25 to < 0.50	2,549	5,673	11	6,873	0.39	253	41	2.50	3,233	47	11	
	0.50 to < 0.75	10,331	6,990	13	9,868	0.59	297	41	2.50	5,594	57	24	
	0.75 to < 2.50	38,605	14,318	15	33,302	1.63	672	41	2.50	26,995	81	223	
	2.50 to < 10.00	17,020	2,332	10	18,238	3.33	265	42	2.50	18,134	99	254	
	10.00 to < 100.00	1,107	95	1	1,105	12.37	23	44	2.50	1,696	153	59	
	100.00 (Default)	977	10	-	319	100.00	17	42	2.50	528	166	142	
	Sub-total	81,184	35,394	12	89,280	1.93	1,935	42	2.50	62,174	70	726	926
Portfolio (v) – Corporate – HVCRE – FIRB/AIRB	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (vi) – Corporate – other (including purchased corporate receivables)	0.00 to < 0.15	281,447	174,323	31	481,413	0.10	445	45	2.50	145,187	30	219	
	0.15 to < 0.25	56,138	77,766	20	143,944	0.22	195	45	2.50	67,437	47	142	
	0.25 to < 0.50	97,453	46,145	35	150,956	0.39	260	45	2.50	93,431	62	262	
	0.50 to < 0.75	267,792	83,463	17	127,774	0.58	385	45	2.50	95,412	75	334	
	0.75 to < 2.50	217,175	102,733	8	149,681	1.41	743	40	2.50	133,106	89	790	
	2.50 to < 10.00	77,147	24,170	9	52,068	4.04	248	43	2.50	70,344	135	909	
	10.00 to < 100.00	1,328	1,701	3	1,364	15.46	26	44	2.50	2,946	216	94	
	100.00 (Default)	19,566	651	63	19,202	100.00	90	44	2.50	21,665	113	11,947	
	Sub-total	1,018,046	510,952	23	1,126,402	2.29	2,392	44	2.50	629,528	56	14,697	19,804

7. Credit risk for non-securitization exposures (continued)

CR6: Credit risk exposures by portfolio and PD ranges – for IRB approach (continued)

(a) FIRB approach (continued)

		At 31 December 2024											
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
	%	HK$'m	HK$'m	%	HK$'m	%		%	Year	HK$'m	%	HK$'m	HK$'m
Portfolio (vii) – Equity – PD/LGD approach	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (viii) – Retail – QRRE	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (ix) – Retail – Residential mortgage exposures (including both to individuals and to property-holding shell companies)	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-

7. Credit risk for non-securitization exposures (continued)

CR6: Credit risk exposures by portfolio and PD ranges – for IRB approach (continued)

(a) FIRB approach (continued)

		At 31 December 2024											
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
	%	HK$'m	HK$'m	%	HK$'m	%		%	Year	HK$'m	%	HK$'m	HK$'m
Portfolio (x) – Retail – small business retail exposures	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (xi) – Other retail exposures to individuals	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Total (sum of all portfolios)		**1,554,399**	**586,672**	**22**	**1,682,071**	**1.66**	**4,723**	**44**	**2.50**	**833,087**	**50**	**15,594**	**22,673**

7. Credit risk for non-securitization exposures (continued)

CR6: Credit risk exposures by portfolio and PD ranges – for IRB approach (continued)

(b) Retail IRB approach

		At 31 December 2024											
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
	%	HK$'m	HK$'m	%	HK$'m	%		%	Year	HK$'m	%	HK$'m	HK$'m
Portfolio (i) – Sovereign	0.00 to < 0.15	-	-	-	-	-	-	-		-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-		-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-		-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-		-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-		-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-		-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-		-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-		-	-	-	
	Sub-total	-	-	-	-	-	-	-		-	-	-	-
Portfolio (ii) – Bank	0.00 to < 0.15	-	-	-	-	-	-	-		-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-		-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-		-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-		-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-		-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-		-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-		-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-		-	-	-	
	Sub-total	-	-	-	-	-	-	-		-	-	-	-
Portfolio (iii) – Corporate – specialized lending (other than HVCRE) – FIRB/AIRB	0.00 to < 0.15	-	-	-	-	-	-	-		-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-		-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-		-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-		-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-		-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-		-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-		-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-		-	-	-	
	Sub-total	-	-	-	-	-	-	-		-	-	-	-

7. Credit risk for non-securitization exposures (continued)

CR6: Credit risk exposures by portfolio and PD ranges – for IRB approach (continued)

(b) Retail IRB approach (continued)

		At 31 December 2024											
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
	%	HK$'m	HK$'m	%	HK$'m	%		%	Year	HK$'m	%	HK$'m	HK$'m
Portfolio (iv) – Corporate – small-and-medium sized corporates	0.00 to < 0.15	-	-	-	-	-	-	-		-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-		-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-		-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-		-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-		-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-		-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-		-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-		-	-	-	
	Sub-total	-	-	-	-	-	-	-		-	-	-	-
Portfolio (v) – Corporate – HVCRE – FIRB/AIRB	0.00 to < 0.15	-	-	-	-	-	-	-		-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-		-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-		-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-		-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-		-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-		-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-		-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-		-	-	-	
	Sub-total	-	-	-	-	-	-	-		-	-	-	-
Portfolio (vi) – Corporate – other (including purchased corporate receivables)	0.00 to < 0.15	-	-	-	-	-	-	-		-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-		-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-		-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-		-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-		-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-		-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-		-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-		-	-	-	
	Sub-total	-	-	-	-	-	-	-		-	-	-	-

7. Credit risk for non-securitization exposures (continued)

CR6: Credit risk exposures by portfolio and PD ranges – for IRB approach (continued)

(b) Retail IRB approach (continued)

		At 31 December 2024											
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
	%	HK$'m	HK$'m	%	HK$'m	%		%	Year	HK$'m	%	HK$'m	HK$'m
Portfolio (vii) – Equity – PD/LGD approach	0.00 to < 0.15	-	-	-	-	-	-	-		-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-		-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-		-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-		-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-		-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-		-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-		-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-		-	-	-	
	Sub-total	-	-	-	-	-	-	-		-	-	-	-
Portfolio (viii) – Retail – QRRE	0.00 to < 0.15	6,651	55,055	-	35,196	0.10	704,034	90		1,940	6	32	
	0.15 to < 0.25	1,474	26,268	-	21,557	0.23	602,141	89		2,335	11	45	
	0.25 to < 0.50	560	13,758	-	11,414	0.33	381,102	89		1,624	14	34	
	0.50 to < 0.75	1,211	2,800	-	3,289	0.56	90,284	93		745	23	17	
	0.75 to < 2.50	886	1,390	-	2,157	1.28	59,880	94		931	43	26	
	2.50 to < 10.00	1,333	1,122	-	2,104	5.49	39,247	95		2,523	120	109	
	10.00 to < 100.00	459	205	-	617	18.71	14,881	95		1,370	222	108	
	100.00 (Default)	59	129	-	159	100.00	3,828	88		1,212	760	47	
	Sub-total	12,633	100,727	-	76,493	0.73	1,895,397	90		12,680	17	418	204
Portfolio (ix) – Retail – Residential mortgage exposures (including both to individuals and to property-holding shell companies)	0.00 to < 0.15	85,010	-	-	85,010	0.10	49,626	10		2,136	3	9	
	0.15 to < 0.25	41,896	-	-	41,896	0.22	13,764	10		1,879	4	10	
	0.25 to < 0.50	55,015	2	100	55,017	0.39	16,195	10		3,757	7	22	
	0.50 to < 0.75	101,550	-	-	101,550	0.57	31,651	11		9,135	9	61	
	0.75 to < 2.50	163,513	-	-	163,513	1.28	44,003	10		24,377	15	213	
	2.50 to < 10.00	1,007	-	-	1,007	4.87	457	11		333	33	5	
	10.00 to < 100.00	2,078	-	-	2,078	25.74	847	10		1,189	57	55	
	100.00 (Default)	464	-	-	464	100.00	199	10		425	92	32	
	Sub-total	450,533	2	100	450,535	0.91	156,742	10		43,231	10	407	567

7. Credit risk for non-securitization exposures (continued)

CR6: Credit risk exposures by portfolio and PD ranges – for IRB approach (continued)

(b) Retail IRB approach (continued)

	PD scale	At 31 December 2024											
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
		Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
	%	HK$'m	HK$'m	%	HK$'m	%		%	Year	HK$'m	%	HK$'m	HK$'m
Portfolio (x) – Retail – small business retail exposures	0.00 to < 0.15	735	1,312	34	1,178	0.08	941	12		30	3	-	
	0.15 to < 0.25	198	90	39	233	0.22	160	12		12	5	-	
	0.25 to < 0.50	293	166	40	360	0.39	207	11		24	7	-	
	0.50 to < 0.75	441	263	33	528	0.59	309	12		50	9	-	
	0.75 to < 2.50	832	171	42	904	1.34	561	12		118	13	2	
	2.50 to < 10.00	229	27	34	238	3.75	156	13		45	19	1	
	10.00 to < 100.00	34	1	70	35	20.63	26	32		24	69	3	
	100.00 (Default)	67	1	78	68	100.00	63	45		141	208	28	
	Sub-total	2,829	2,031	35	3,544	2.87	2,423	13		444	13	34	33
Portfolio (xi) – Other retail exposures to individuals	0.00 to < 0.15	13,548	17,395	-	29,631	0.05	6,122	12		549	2	2	
	0.15 to < 0.25	3,764	47	-	3,802	0.22	4,919	12		199	5	1	
	0.25 to < 0.50	20,840	31	-	20,861	0.37	10,626	12		1,459	7	9	
	0.50 to < 0.75	21,534	43	1	21,563	0.62	9,588	13		2,275	11	17	
	0.75 to < 2.50	29,517	29,766	-	31,100	1.11	12,327	14		4,461	14	47	
	2.50 to < 10.00	1,655	8	-	1,659	4.09	524	13		302	18	9	
	10.00 to < 100.00	644	-	-	644	20.26	893	14		186	29	20	
	100.00 (Default)	146	-	-	151	100.00	730	42		590	390	20	
	Sub-total	91,648	47,290	-	109,411	0.85	45,729	13		10,021	9	125	144
Total (sum of all portfolios)		**557,643**	**150,050**	**-**	**639,983**	**0.89**	**2,100,291**	**20**		**66,376**	**10**	**984**	**948**

Compared with 30 June 2024, the 6 percentage points decrease in RWA density of residential mortgage exposures was mainly due to removal of 15% risk weight floor for residential mortgage lending secured by Hong Kong properties by the HKMA in October 2024.

7. Credit risk for non-securitization exposures (continued)

CR7: Effects on RWA of recognized credit derivative contracts used as recognized credit risk mitigation – for IRB approach

		At 31 December 2024	
		(a)	(b)
		Pre-credit derivatives RWA	Actual RWA
		HK$'m	HK$'m
1	Corporate – Specialized lending under supervisory slotting criteria approach (project finance)	2,318	2,318
2	Corporate – Specialized lending under supervisory slotting criteria approach (object finance)	-	-
3	Corporate – Specialized lending under supervisory slotting criteria approach (commodities finance)	-	-
4	Corporate – Specialized lending under supervisory slotting criteria approach (income-producing real estate)	-	-
5	Corporate – Specialized lending (high-volatility commercial real estate)	-	-
6	Corporate – Small-and-medium sized corporates	62,174	62,174
7	Corporate – Other corporates	629,528	629,528
8	Sovereigns	-	-
9	Sovereign foreign public sector entities	-	-
10	Multilateral development banks	-	-
11	Bank exposures – Banks	141,132	141,132
12	Bank exposures – Securities firms	253	253
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	-	-
14	Retail – Small business retail exposures	444	444
15	Retail – Residential mortgages to individuals	43,156	43,156
16	Retail – Residential mortgages to property-holding shell companies	75	75
17	Retail – Qualifying revolving retail exposures (QRRE)	12,680	12,680
18	Retail – Other retail exposures to individuals	10,021	10,021
19	Equity – Equity exposures under market-based approach (simple risk-weight method)	-	-
20	Equity – Equity exposures under market-based approach (internal models method)	-	-
21	Equity – Equity exposures under PD/LGD approach (publicly traded equity exposures held for long-term investment)	-	-
22	Equity – Equity exposures under PD/LGD approach (privately owned equity exposures held for long-term investment)	-	-
23	Equity – Equity exposures under PD/LGD approach (other publicly traded equity exposures)	-	-
24	Equity – Equity exposures under PD/LGD approach (other equity exposures)	-	-
25	Equity – Equity exposures associated with equity investments in funds (CIS exposures)	-	-
26	Other – Cash items	-	-
27	Other – Other items	57,564	57,564
28	**Total (under the IRB calculation approaches)**	**959,345**	**959,345**

The Group did not use any recognised credit derivative contracts for credit risk mitigation.

7. Credit risk for non-securitization exposures (continued)

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

		(a)
		HK$'m
1	**RWA as at 30 September 2024**	**997,692**
2	Asset size	(28,471)
3	Asset quality	26,708
4	Model updates	-
5	Methodology and policy	(27,674)
6	Acquisitions and disposals	-
7	Foreign exchange movements	(8,910)
8	Other	-
9	**RWA as at 31 December 2024**	**959,345**

RWA of methodology and policy decreased by HK$27,674 million in the fourth quarter of 2024 was due to removal of risk weight floor for residential mortgage lending secured by Hong Kong properties by the HKMA.

7. Credit risk for non-securitization exposures (continued)

CR9: Back-testing of PD per portfolio – for IRB approach

(a) FIRB approach

		At 31 December 2024							
(a)	(b)	(c)	(d)	(e)	(f)		(g)	(h)	(i)
					Number of obligors				
	PD Range	External rating equivalent (Standard & Poor's)	Weighted average PD	Arithmetic average PD by obligors	Beginning of the year	End of the year	Defaulted obligors in the year	Of which: new defaulted obligors in the year	Average historical annual default rate
Portfolio	%		%	%					%
Bank	0.00 to < 0.15	AAA to BBB+	0.06	0.07	263	296	-	-	-
	0.15 to < 0.25	BBB+ to BBB	0.22	0.22	56	49	-	-	-
	0.25 to < 0.50	BBB to BB+	0.39	0.39	41	49	-	-	-
	0.50 to < 0.75	BB+	0.56	0.62	31	27	-	-	-
	0.75 to < 2.50	BB+ to B+	1.02	1.30	24	25	-	-	-
	2.50 to < 10.00	B+ to B-	5.07	3.97	14	8	-	-	2.22
	10.00 to < 100.00	B- to C	13.78	15.89	2	2	-	-	-
Corporate – small-and-medium sized corporates	0.00 to < 0.15	AAA to BBB+	0.09	0.11	294	286	-	-	-
	0.15 to < 0.25	BBB+ to BBB	0.22	0.22	189	179	1	-	0.11
	0.25 to < 0.50	BBB to BB+	0.39	0.39	283	279	-	-	-
	0.50 to < 0.75	BB+	0.62	0.59	384	352	-	-	0.11
	0.75 to < 2.50	BB+ to B+	1.34	1.37	826	784	7	-	0.42
	2.50 to < 10.00	B+ to B-	3.56	3.79	347	329	5	-	0.85
	10.00 to < 100.00	B- to C	13.50	13.29	26	28	4	-	6.84
Corporate – other (including purchased corporate receivables)	0.00 to < 0.15	AAA to BBB+	0.09	0.10	497	462	1	-	0.04
	0.15 to < 0.25	BBB+ to BBB	0.22	0.22	210	189	-	-	0.09
	0.25 to < 0.50	BBB to BB+	0.39	0.39	290	283	1	-	0.14
	0.50 to < 0.75	BB+	0.57	0.59	581	506	-	-	0.11
	0.75 to < 2.50	BB+ to B+	1.31	1.31	1,083	1,056	8	-	0.49
	2.50 to < 10.00	B+ to B-	3.63	3.82	322	356	10	1	1.51
	10.00 to < 100.00	B- to C	13.97	14.30	47	41	6	-	10.13

7. Credit risk for non-securitization exposures (continued)

CR9: Back-testing of PD per portfolio – for IRB approach (continued)

(b) Retail IRB approach

		At 31 December 2024							
(a)	(b)	(c)	(d)	(e)	(f)		(g)	(h)	(i)
					Number of obligors				
Portfolio	PD Range	External rating equivalent (Standard & Poor's)	Weighted average PD	Arithmetic average PD by obligors	Beginning of the year	End of the year	Defaulted obligors in the year	Of which: new defaulted obligors in the year	Average historical annual default rate
	%		%	%					%
Retail – QRRE	0.00 to < 0.15		0.10	0.10	510,233	533,312	774	6	0.12
	0.15 to < 0.25		0.21	0.24	434,944	402,850	729	5	0.12
	0.25 to < 0.50		0.29	0.32	375,099	367,466	634	5	0.12
	0.50 to < 0.75		0.48	0.56	82,489	82,871	322	15	0.32
	0.75 to < 2.50		0.93	1.27	50,455	57,055	469	41	0.79
	2.50 to < 10.00		4.23	5.48	38,766	37,557	1,227	4	2.53
	10.00 to < 100.00		13.56	23.73	14,637	14,900	1,391	3	8.31
Retail – Residential mortgage exposures (including both to individuals and to property-holding shell companies)	0.00 to < 0.15		0.11	0.09	41,596	37,603	9	2	0.01
	0.15 to < 0.25		0.21	0.22	13,548	12,500	2	-	0.02
	0.25 to < 0.50		0.33	0.38	19,921	18,596	1	-	0.02
	0.50 to < 0.75		0.52	0.57	30,350	35,214	6	-	0.02
	0.75 to < 2.50		1.05	1.14	43,124	50,460	22	-	0.04
	2.50 to < 10.00		3.63	5.03	860	639	6	-	0.68
	10.00 to < 100.00		13.89	24.77	1,182	976	56	1	3.97
Retail – small business retail exposures	0.00 to < 0.15		0.08	0.08	1,041	942	1	-	0.06
	0.15 to < 0.25		0.22	0.22	187	160	1	-	0.27
	0.25 to < 0.50		0.39	0.39	231	211	1	-	0.39
	0.50 to < 0.75		0.59	0.59	300	321	1	-	0.32
	0.75 to < 2.50		1.34	1.35	596	566	8	2	0.94
	2.50 to < 10.00		3.75	3.87	140	156	9	3	2.61
	10.00 to < 100.00		28.28	26.88	14	26	5	-	30.17

7. Credit risk for non-securitization exposures (continued)

CR9: Back-testing of PD per portfolio – for IRB approach (continued)

(b) Retail IRB approach (continued)

		At 31 December 2024							
(a)	(b)	(c)	(d)	(e)	(f)		(g)	(h)	(i)
					Number of obligors				
Portfolio	PD Range %	External rating equivalent (Standard & Poor's)	Weighted average PD %	Arithmetic average PD by obligors %	Beginning of the year	End of the year	Defaulted obligors in the year	Of which: new defaulted obligors in the year	Average historical annual default rate %
Other retail exposures to individuals	0.00 to < 0.15		0.02	0.08	3,182	2,879	23	-	0.45
	0.15 to < 0.25		0.17	0.22	4,483	4,460	28	1	0.27
	0.25 to < 0.50		0.27	0.36	12,366	9,982	10	-	0.05
	0.50 to < 0.75		0.42	0.60	7,675	8,899	18	-	0.12
	0.75 to < 2.50		0.66	1.23	16,231	15,729	176	135	0.58
	2.50 to < 10.00		2.82	4.89	556	548	140	57	13.82
	10.00 to < 100.00		6.20	31.42	4,619	911	153	26	20.78

7. Credit risk for non-securitization exposures (continued)

CR10: Specialized lending under supervisory slotting criteria approach and equities under simple risk-weight method – for IRB approach

I. Specialized lending under supervisory slotting criteria approach – HVCRE

There were no specialised lending under supervisory slotting criteria approach – HVCRE as at 31 December 2024.

II. Specialized lending under supervisory slotting criteria approach – other than HVCRE

		At 31 December 2024									
		(a)	(b)	(c)	(d)(i)	(d)(ii)	(d)(iii)	(d)(iv)	(d)(v)	(e)	(f)
					EAD amount						
Supervisory Rating Grade	Remaining Maturity	On-balance sheet exposure amount HK$'m	Off-balance sheet exposure amount HK$'m	SRW	PF HK$'m	OF HK$'m	CF HK$'m	IPRE HK$'m	Total HK$'m	RWA HK$'m	Expected loss amount HK$'m
Strong^	Less than 2.5 years	-	-	50%	-	-	-	-	-	-	-
Strong	Equal to or more than 2.5 years	-	-	70%	-	-	-	-	-	-	-
Good^	Less than 2.5 years	-	-	70%	-	-	-	-	-	-	-
Good	Equal to or more than 2.5 years	2,050	223	90%	2,167	-	-	-	2,167	1,950	17
Satisfactory		703	234	115%	320	-	-	-	320	368	9
Weak		-	-	250%	-	-	-	-	-	-	-
Default		-	-	0%	-	-	-	-	-	-	-
Total		2,753	457		2,487	-	-	-	2,487	2,318	26

^ Use of preferential risk-weights.

III. Equity exposures under simple risk-weight method

The Group did not use simple risk-weight method to measure equities exposures as at 31 December 2024.

8. Counterparty credit risk

CCRA: Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs)

The Group's management objective to counterparty credit risk is to ensure credit risk is properly managed and controlled within the general credit risk management framework. The Group has also formulated relevant policy which covers identification, measurement, control and monitoring of counterparty credit risk.

The Group establishes credit limit through formal credit approval procedures to control the pre-settlement credit risk arising from derivative transactions and settlement limit to control the settlement risk arising from foreign exchange-related transactions for counterparties including CCP in both the trading book and banking book. The Group monitors the risk exposure due to market fluctuations by using the replacement cost and the potential exposure value of the transactions.

The Group establishes prudent eligibility criteria and haircut policy of debt securities being pledged as collateral for securities financing transactions.

In controlling and monitoring of wrong-way risk (risk of existence of positive correlation between the PD of a counterparty and credit exposures driven by mark-to-market value of the underlying transactions), specific wrong-way risk transactions are generally not allowed; monitoring measures have been formulated for those counterparties that would be exposed to potential general wrong-way risk being identified by making use of internal risk management tools.

Based on the existing ISDAs and CSAs signed with BOCHK's counterparties, there is no impact on collateral amount that BOCHK would be required to provide given a credit rating downgrade.

8. Counterparty credit risk (continued)

CCR1: Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

		At 31 December 2024					
		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
		HK$'m	HK$'m	HK$'m		HK$'m	HK$'m
1	SA-CCR approach (for derivative contracts)	10,886	28,645		1.4	55,343	21,457
1a	CEM (for derivative contracts)	-	-		1.4	-	-
2	IMM(CCR) approach			-	-	-	-
3	Simple approach (for SFTs)					-	-
4	Comprehensive approach (for SFTs)					127,403	366
5	VaR (for SFTs)					-	-
6	**Total**						**21,823**

Compared with 30 June 2024, the 41% increase in SA-CCR's default risk exposure after CRM was mainly driven by change in market value of outstanding transactions and increase of transaction volume. The 113% increase in SFTs' default risk exposure after CRM was mainly driven by increase of transaction volume.

CCR2: CVA capital charge

		At 31 December 2024	
		(a)	(b)
		EAD post CRM	RWA
		HK$'m	HK$'m
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	-	-
1	(i) VaR (after application of multiplication factor if applicable)		-
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		-
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	55,145	8,927
4	**Total**	**55,145**	**8,927**

8. Counterparty credit risk (continued)

CCR3: Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach

		At 31 December 2024										
		(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)	(i)
	Risk Weight / Exposure class	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**250%**	**Others**	**Total default risk exposure after CRM**
		HK$'m	**HK$'m**	**HK$'m**	**HK$'m**	**HK$'m**	**HK$'m**	**HK$'m**	**HK$'m**	**HK$'m**	**HK$'m**	**HK$'m**
1	Sovereign exposures	1,325	-	36	-	-	-	-	-	-	-	1,361
2	PSE exposures	-	-	502	-	-	-	-	-	-	-	502
2a	Of which: domestic PSEs	-	-	502	-	-	-	-	-	-	-	502
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	84	-	-	-	-	-	-	-	-	-	84
4	Bank exposures	-	-	5	-	12	-	-	-	-	-	17
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	67	-	-	-	842	-	-	676	1,585
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	173	-	-	-	-	173
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	1,326	-	-	-	1,326
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	**Total**	**1,409**	**-**	**610**	**-**	**12**	**173**	**2,168**	**-**	**-**	**676**	**5,048**

Compared with 30 June 2024, the 90% increase in sovereign exposures, 18% increase in multilateral development bank exposures, 89% increase in bank exposures, 73% increase in corporate exposures, 10% decrease in regulatory retail exposures and 12% increase in other exposures which are not past due exposures, were mainly driven by changes in respective transaction volumes.

8. Counterparty credit risk (continued)

CCR4: Counterparty default risk exposures (other than those to CCPs) by portfolio and PD range – for IRB approach

FIRB approach

	PD scale	(a) EAD post-CRM	(b) Average PD	(c) Number of obligors	(d) Average LGD	(e) Average maturity	(f) RWA	(g) RWA density
		At 31 December 2024						
	%	HK$'m	%		%	Year	HK$'m	%
Portfolio (i) – Sovereign	0.00 to < 0.15	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-
Portfolio (ii) – Bank	0.00 to < 0.15	148,762	0.06	145	12	1.03	11,295	8
	0.15 to < 0.25	2,169	0.22	29	36	2.11	1,062	49
	0.25 to < 0.50	4,831	0.39	28	32	1.90	2,745	57
	0.50 to < 0.75	427	0.55	9	45	2.50	376	88
	0.75 to < 2.50	141	1.05	8	45	2.50	154	109
	2.50 to < 10.00	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	156,330	0.07	219	13	1.07	15,632	10
Portfolio (iii) – Corporate	0.00 to < 0.15	10,626	0.09	24	10	0.95	760	7
	0.15 to < 0.25	850	0.22	16	45	2.50	390	46
	0.25 to < 0.50	462	0.39	18	45	2.50	329	71
	0.50 to < 0.75	8,211	0.66	31	5	0.66	602	7
	0.75 to < 2.50	1,069	1.15	56	38	2.20	893	84
	2.50 to < 10.00	141	3.94	18	45	2.50	195	139
	10.00 to < 100.00	7	10.54	2	45	2.50	13	197
	100.00 (Default)	2	100.00	1	45	2.50	9	563
	Sub-total	21,368	0.41	166	12	1.01	3,191	15
Portfolio (iv) – Retail	0.00 to < 0.15	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-
Total (sum of all portfolios)		**177,698**	**0.11**	**385**	**13**	**1.07**	**18,823**	**11**

Compared with 30 June 2024, the 48% increase in RWA of "Portfolio (ii) – Bank" was mainly due to increase in "EAD post-CRM".

8. Counterparty credit risk (continued)

CCR5: Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)

	At 31 December 2024					
	(a)	(b)	(c)	(d)	(e)	(f)
	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
Cash	-	26,940	-	22,028	97,117	32,005
Debt securities	-	-	-	3,340	32,383	116,711
Equity securities	-	-	-	-	280	-
Total	**-**	**26,940**	**-**	**25,368**	**129,780**	**148,716**

Compared with 30 June 2024, the 16% increase in fair value of recognised collateral received (unsegregated) and 61% increase in fair value of posted collateral (unsegregated) under derivative contracts were mainly driven by change in market value of outstanding transactions and increase of transaction volume.

The 109% increase in fair value of recognised collateral received and 83% increase in fair value of posted collateral under SFTs were mainly driven by change in transaction volume.

CCR6: Credit-related derivatives contracts

	At 31 December 2024	
	(a)	(b)
	Protection bought	Protection sold
	HK$'m	HK$'m
Notional amounts		
Index credit default swaps	-	-
Total notional amounts	**-**	**-**
Fair values		
Positive fair value (asset)	-	-
Negative fair value (liability)	-	-

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 December 2024.

8. Counterparty credit risk (continued)

CCR8: Exposures to CCPs

		At 31 December 2024	
		(a)	(b)
		Exposure after CRM	RWA
		HK$'m	HK$'m
1	**Exposures of the AI as clearing member or clearing client to qualifying CCPs (total)**		**283**
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	6,784	152
3	(i) OTC derivative transactions	6,015	136
4	(ii) Exchange-traded derivative contracts	769	16
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets subject to valid cross-product netting agreements	-	-
7	Segregated initial margin	-	
8	Unsegregated initial margin	1,203	25
9	Funded default fund contributions	901	106
10	Unfunded default fund contributions	-	-
11	**Exposures of the AI as clearing member or clearing client to non-qualifying CCPs (total)**		**-**
12	Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	-	-
13	(i) OTC derivative transactions	-	-
14	(ii) Exchange-traded derivative contracts	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets subject to valid cross-product netting agreements	-	-
17	Segregated initial margin	-	
18	Unsegregated initial margin	-	-
19	Funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

9. Securitization exposures

SECA: Qualitative disclosures related to securitization exposures

The Group has not sponsored or managed or provided implicit support to securitisation exposure and does not hold any re-securitisation exposure as at 31 December 2024.

SEC1: Securitization exposures in banking book

There was no securitisation exposure in the banking book as at 31 December 2024.

SEC2: Securitization exposures in trading book

There was no securitisation exposure in the trading book as at 31 December 2024.

SEC3: Securitization exposures in banking book and associated capital requirements – where AI acts as originator

There was no securitisation exposure in the banking book and the associated capital requirements where the Group acts as an originator as at 31 December 2024.

SEC4: Securitization exposures in banking book and associated capital requirements – where AI acts as investor

There was no securitisation exposure in the banking book and the associated capital requirements where the Group acts as an investor as at 31 December 2024.

10. Market risk

MRA: Qualitative disclosures related to market risk

Market Risk

Market risk refers to the risk of loss arising from movements in the value of foreign exchange, interest rate, equity and commodity positions held by the Group due to the volatility of financial market price (foreign exchange rate, interest rate, credit spreads, equity price, commodity price).

Market Risk Governance

The Group's market risk management is intended to ensure proper oversight of market risk, assure market risk taking activities are consistent with our risk appetite while optimising risk and return. In accordance with the Group's corporate governance principles in respect of risk management, the Board and RC, senior management and functional departments/units perform their duties and responsibilities to manage the Group's market risk. The RMD is responsible for the Group's market risk management, assisting senior management to perform their day-to-day duties, independently monitoring the market risk profile and compliance of management policies and limits of the Group and BOCHK, and ensuring that the aggregate and individual market risks are within acceptable levels. The Group's risk management report is submitted to the senior management and RC on a monthly basis.

The Group's market risk management covers BOCHK and its subsidiaries. The Group establishes market risk management policies to regulate BOCHK's and its subsidiaries' market risk management; meanwhile, the Group sets up the Group's VaR and stress test limits, which are allocated and monitored across the Group according to the business requirements and risk tolerance levels. In line with the requirements set in the Group's policy, the subsidiaries formulate the detailed policies and procedures and are responsible for managing their daily market risk.

The Group sets up market risk indicators and limits to identify, measure, monitor and control market risk. Major risk indicators and limits include but are not limited to VaR, Stop Loss, Open Position, Stress Testing and Sensitivity Analysis (Basis Point Value, Greeks), etc. Market risks are managed holistically at the trading portfolio level on a daily basis. Global Markets may utilise hedging strategies to manage risk within set limits. Hedging may lead to basis risks – due to less than perfect correlation between the hedging instrument in question and the position to be hedged, which are managed within the overall limits. As such, the RMD does not distinguish between specific positions and their respective hedges.

Market risk limits are established for the Group, individual entities, business unit and at granular levels within the business lines, reflecting the nature and magnitude of the market risks. To meet management's requirements, major risk indicators and limits are classified into three levels, and are approved by the RC, senior management or the head of the respective business unit respectively. Regular review of the market risk limits should be conducted at least once a year. The treasury business units of BOCHK and subsidiaries (as for Group Limit) are required to conduct their business within approved market risk indicators and limits.

10. Market risk (continued)

MRB: Additional qualitative disclosures for AI using IMM approach

The Group continues to adopt the internal models ("IMM") approach to calculate the general market risk capital charge for foreign exchange and interest rate exposures and, with the approval from the HKMA, exclude its structural FX positions in the calculation of the market risk capital charge. The Group continues to adopt the standardised (market risk) ("STM") approach to calculate the market risk capital charge for the remaining exposures. Regulatory VaR and stressed VaR models are adopted to use in the Group and BOCHK.

Regulatory VaR and stressed VaR for determining market risk capital requirements are calculated at a 99% confidence level for a 10-day holding period. The stressed VaR uses the same methodology as the VaR model and is generated with inputs calibrated to the historical market data from a continuous 12-month period of significant financial stress relevant to the Group's portfolio. For management purposes, the Group calculates the VaR of the Group and its subsidiaries over a one-day holding period with a 99% confidence level, and sets up the VaR limit of the Group and its subsidiaries.

Directly modeled 10-day holding period is used in the calculation of regulatory VaR, whereby two-year historical observations are equally weighted. Absolute returns are used for interest rates; logarithmic returns are used for foreign exchange rates and implied volatilities under historical simulation, where the data are updated daily.

Stressed VaR model is based on a directly modeled 10-day holding period, which is same as regulatory VaR model. Based on the assessment at the most volatile period in recent history, relevant historical crises are first identified. With further assessment, January 2008 to December 2008 is chosen as the stress period in calculating stressed VaR. The period used is approved by the HKMA and regularly reviewed.

Full revaluation approach is used in both VaR and stressed VaR model. Specific risk charge is calculated as a standalone charge by using a different method (i.e. Standardised approach). It is aggregated by simple sum with the VaR and stressed VaR contributions when computing the market risk capital charge.

The Group adopts back-testing to measure the accuracy of VaR model results. The back-testing compares the calculated VaR figure of market risk positions of each business day with the actual and hypothetical gains or losses arising from those positions on the next business day. Generally speaking, the number of back-testing exceptions in a rolling 12-month period will not exceed four times, given a 99% confidence level.

10. Market risk (continued)

MR1: Market risk under STM approach

		At 31 December 2024
		(a)
		RWA
		HK$'m
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	3,523
2	Equity exposures (general and specific risk)	653
3	Foreign exchange (including gold) exposures	-
4	Commodity exposures	1,467
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	2
7	Other approach	-
8	Securitization exposures	-
9	**Total**	**5,645**

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 September 2024**	**16,407**	**60,423**	**-**	**-**	**-**	**76,830**
1a	*Regulatory adjustment*	*(9,402)*	*(35,915)*	-	-	-	*(45,317)*
1b	***RWA as at day-end of 30 September 2024***	***7,005***	***24,508***	**-**	**-**	**-**	***31,513***
2	Movement in risk levels*	(2,132)	2,733	-	-	-	601
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 December 2024***	***4,873***	***27,241***	**-**	**-**	**-**	***32,114***
7b	*Regulatory adjustment*	*7,240*	*35,010*	-	-	-	*42,250*
8	**RWA as at 31 December 2024**	**12,113**	**62,251**	**-**	**-**	**-**	**74,364**

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

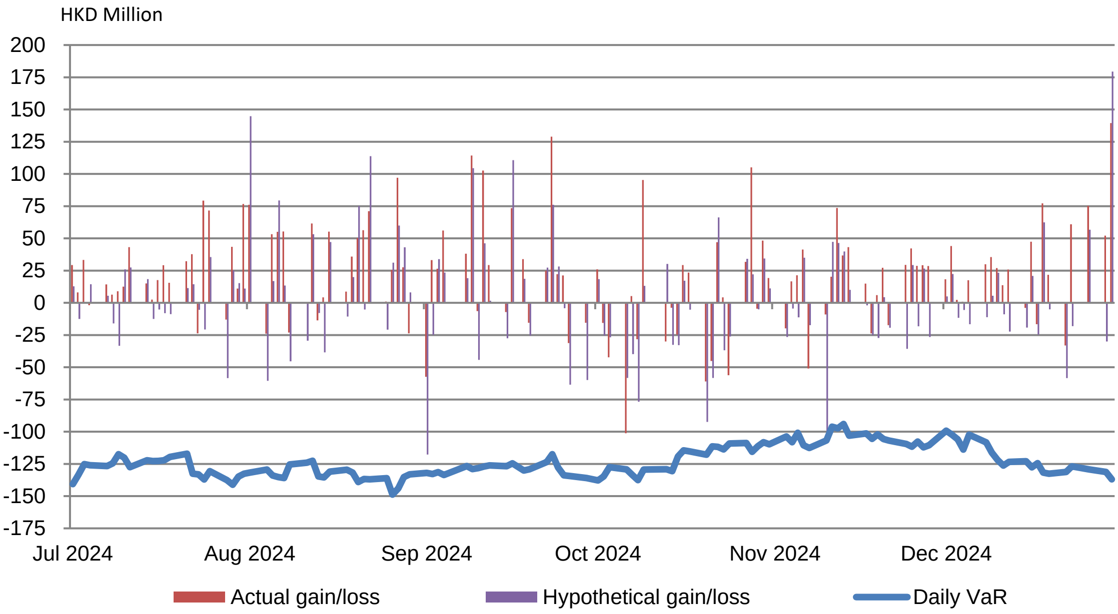
10. Market risk (continued)

MR3: IMM approach values for market risk exposures

		(a)
		HK$'m
VaR (10 days – one-tailed 99% confidence interval)		
1	Maximum Value	576
2	Average Value	322
3	Minimum Value	161
4	Period End	390
Stressed VaR (10 days – one-tailed 99% confidence interval)		
5	Maximum Value	2,179
6	Average Value	1,467
7	Minimum Value	583
8	Period End	2,179
Incremental risk charge (IRC) (99.9% confidence interval)		
9	Maximum Value	-
10	Average Value	-
11	Minimum Value	-
12	Period End	-
Comprehensive risk charge (CRC) (99.9% confidence interval)		
13	Maximum Value	-
14	Average Value	-
15	Minimum Value	-
16	Period End	-
17	Floor	-

10. Market risk (continued)

MR4: Comparison of VaR estimates with gains or losses



Regulatory VaR and stressed VaR for determining market risk capital requirements are calculated at a 99% confidence level for a 10-day holding period. The stressed VaR uses the same methodology as the VaR model and is generated with inputs calibrated to the historical market data from a continuous 12-month period of significant financial stress relevant to the Group's portfolio.

The Group adopts a regulatory VaR model, using a historical simulation approach and two years of historical data, to capture general interest rate and foreign exchange risks over a 10-day holding period with a 99% confidence level. The Group adopts back-testing to measure the accuracy of VaR model results. Actual and hypothetical P&L are compared against the corresponding 99% one-day regulatory VaR. The numbers of exception over the recent 250 business days (actual or hypothetical P&L exceeds the VaR) determines the value of VaR multiplication factor.

Actual P&Ls are the P&Ls in respect to trading activities within the scope of regulatory VaR model, which includes intraday P&Ls; excludes commissions, fees and reserves. Hypothetical P&Ls are the hypothetical changes in portfolio value assuming unchanged end-of-day position.

There were no back-testing exceptions against both actual and hypothetical P&Ls in the second half of 2024.

11. Interest rate risk in banking book

IRRBBA: Interest rate risk in banking book – risk management objectives and policies

The Group's risk management framework applies also to interest rate risk management. The ALCO exercises its oversight of interest rate risk in accordance with the "Banking Book Interest Rate Risk Management Policy of BOCHK Group" approved by the RC. The RMD is responsible for the Group's interest rate risk management. With the cooperation of the Financial Management Department and Investment Management, etc., RMD assists the ALCO to perform day-to-day interest rate risk management. Its roles include, but are not limited to, the formulation of management policies, selection of methodologies, setting of risk indicators and limits, assessment of target balance sheet, monitoring of the compliance with policies and limits, and submission of interest rate risk management reports to senior management and the RC, etc.

Interest rate risk in banking book ("IRRBB") refers to the risk of losses in terms of overall earnings and economic value of the banking book due to the adverse movement of the interest rate level, or change to the balance sheet structure. The major types of interest rate risk of the Group are:

- Gap risk: mismatches in the maturity or repricing periods of assets and liabilities that may affect net interest income and economic value;
- Basis risk: different pricing basis for different transactions resulting that the yield on assets and cost of liabilities may change by different amounts within the same repricing period; and
- Option risk: exercise of the options embedded in assets, liabilities or off-balance sheet items that can cause a change in the cash flows of assets and liabilities.

The Group sets out interest rate risk indicators and limits to identify, measure, monitor and control interest rate risk on a daily basis. The key indicators and limits include, but are not limited to, repricing gap, basis risk, duration, price value of a basis point ("PVBP"), net interest income sensitivity ratio ("NII"), economic value sensitivity ratio ("EVE"), etc. The key indicators and limits are classified into different levels, which are approved by the CFO, CRO, ALCO and RC accordingly. Risk-taking business units are required to conduct their business within the boundary of the interest rate risk limits. Based on the limit requirements and business conditions, when necessary, the Group can hedge (economic hedging or hedge accounting) or mitigate the IRRBB by holding one or more hedging tools that are opposite to the original risk position. Before launching a new product or business in the banking book, the relevant units are required to go through a risk assessment process, which includes the assessment of underlying interest rate risk and consideration of the adequacy of current risk monitoring mechanism. Any material impact on interest rate risk noted during the risk assessment process will be submitted to the RC for approval. The Group Audit, assuming the roles of third line of defence of the Group, performs internal audit on the Group's IRRBB management process independently in accordance with the annual audit plan.

11. Interest rate risk in banking book (continued)

IRRBBA: Interest rate risk in banking book – risk management objectives and policies (continued)

The Group calculates the NII and EVE according to the local standard framework for measuring IRRBB risk exposure in the Hong Kong Monetary Authority's Supervisory Policy Manual IR-1, which includes six interest rate shock scenarios:

- parallel shock up;
- parallel shock down;
- steepener shock (short rates down and long rates up);
- flattener shock (short rates up and long rates down);
- short rates shock up; and
- short rates shock down.

In the standardised framework implementation, the Group includes commercial margins and other spread components into the cash flows and discounts them at risk-free rates. For products with customer behavior models, such as non-maturity deposits, retail fixed-rate loans with early repayment risk and retail time deposits with early redemption risk, model and parameter assumptions are based on historical analysis. The average repricing maturity and the longest repricing maturity assigned to non-maturity deposits are 0.3 years and 5 years respectively. Assumptions and parameters are updated, reviewed and independently validated regularly.

The Group uses scenario analyses and stress tests to assess the banking book interest rate risk that the Group would face under adverse circumstances.

IRRBB1: Quantitative information on interest rate risk in banking book

		(a)	(b)	(c)	(d)
		ΔEVE[1]		ΔNII[1]	
	Period	**At 31 December 2024**	**At 31 December 2023**	**At 31 December 2024**	**At 31 December 2023**
		HK$'m	**HK$'m**	**HK$'m**	**HK$'m**
1	Parallel up	20,653	16,777	(1,436)	(3,691)
2	Parallel down	2,754	1,712	1,440	3,683
3	Steepener	5,197	6,252		
4	Flattener	2,016	999		
5	Short rate up	10,148	6,523		
6	Short rate down	3,170	3,058		
7	**Maximum**	20,653	16,777	1,440	3,683
	Period	**At 31 December 2024**		**At 31 December 2023**	
		HK$'m		**HK$'m**	
8	**Tier 1 capital**	266,651		247,109	

Footnote:
[1] Positive values of ΔEVE and ΔNII indicate losses under the respective scenarios, in accordance with the HKMA's disclosure requirement.

12. Remuneration

REMA: Remuneration policy

For details, please refer to “Corporate Governance” section of the Group’s 2024 Annual Report.

REM1: Remuneration awarded during financial year

For details, please refer to Note 19 to the Financial Statements of the Group’s 2024 Annual Report.

REM2: Special payments

For details, please refer to Note 19 to the Financial Statements of the Group’s 2024 Annual Report.

REM3: Deferred remuneration

For details, please refer to Note 19 to the Financial Statements of the Group’s 2024 Annual Report.

13. Operational risk

	At 31 December 2024
	HK$’m
Capital charge for operational risk	9,602

The Group uses the standardised (operational risk) approach to calculate its operational risk capital charge.