交通銀行（香港）
BANK OF COMMUNICATIONS (HONG KONG)

Bank of Communications (Hong Kong) Limited
(Incorporated in Hong Kong with limited liability)

REGULATORY DISCLOSURE STATEMENT

31 December 2024 (Unaudited)

CREATE SHARED VALUE

Bank of Communications (Hong Kong) Limited

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(incorporated in Hong Kong with limited liability)

REGULATORY DISCLOSURE STATEMENT (UNAUDITED)

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BANK OF COMMUNICATIONS (HONG KONG) LIMITED
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Introduction

The information contained in this document is prepared in accordance with the Banking (Disclosure) Rules ("BDR") and disclosure templates issued by the Hong Kong Monetary Authority ("HKMA"). It should be read in conjunction with the Bank's Annual Report. The Bank's Annual Report and the Regulatory Disclosure Statement, taken together, comply with the BDR. Within this document, Mainland China excludes Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"), Macau Special Administrative Region of the People's Republic of China and Taiwan.

The key elements of the Bank's disclosure policy, please refer to note 1 of General of the 2024 Annual Report.

The Regulatory Disclosure Statement

The Regulatory Disclosure Statement comprises Pillar 3 Disclosure Requirements under the framework of the Basel Committee on Banking Supervision. These disclosures are supplemented by specific additional requirements of the HKMA set out in the BDR.

According to the BDR, disclosure of comparative information is not required unless otherwise specified in the standard disclosure templates. Prior period disclosures can be found in the Regulatory Disclosures section of our website www.hk.commcom.com.

The Regulatory Disclosure Statement includes the majority of the information required under the BDR. The remainder of the disclosure requirements are covered in the 2024 Annual Report which can be found in the Financial Statements section of our website www.hk.commcom.com.

Disclosure requirements covered in the Bank's 2024 Annual Report:	Reference in 2024 Annual Report
– BDR section 16FJ – LIQA: Liquidity risk management	Note 3.3
– BDR section 44 – assets used as security	Note 35
– BDR section 46 – the general disclosure of the major business activities	Note 37
– BDR section 52 – corporate governance	Unaudited Supplementary Financial Information

Key prudential ratios and overview of risk management and RWA

KM1: Key prudential ratios

		31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2023
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Regulatory capital (amount)					
1.	Common Equity Tier 1 (CET1)	55,177,830	54,096,557	52,567,136	50,926,369	48,794,180
2.	Tier 1	59,049,280	57,968,007	56,438,586	54,797,819	52,665,630
3.	Total capital	68,759,460	67,756,142	66,206,642	66,237,654	64,424,104
	RWA (amount)					
4.	Total RWA	290,900,268	301,376,165	302,537,806	307,593,819	299,334,296
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5.	CET1 ratio (%)	18.97%	17.95%	17.38%	16.56%	16.30%
6.	Tier 1 ratio (%)	20.30%	19.23%	18.66%	17.82%	17.59%
7.	Total capital ratio (%)	23.64%	22.48%	21.88%	21.53%	21.52%
	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 (%)	0.412%	0.766%	0.773%	0.770%	0.774%
10.	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0.000%	0.000%	0.000%	0.000%	0.000%
11.	Total AI-specific CET1 buffer requirements (%)	2.912%	3.266%	3.273%	3.270%	3.274%
12.	CET1 available after meeting the AI's minimum capital requirements (%)	14.30%	13.23%	12.66%	11.82%	11.59%
	Basel III leverage ratio					
13.	Total leverage ratio (LR) exposure measure	447,356,478	463,317,172	453,834,919	455,548,605	440,284,071
14.	LR (%)	13.20%	12.51%	12.44%	12.03%	11.96%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15.	Total high quality liquid assets (HQLA)	62,542,159	55,245,979	46,986,217	47,812,032	52,709,761
16.	Total net cash outflows	37,779,897	34,572,475	28,603,431	28,769,627	29,475,879
17.	LCR (%)	167.03%	161.62%	165.64%	170.50%	181.37%
	Applicable to category 2 institution only:					
17a.	LMR (%)	N/A	N/A	N/A	N/A	N/A
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18.	Total available stable funding	336,770,774	337,636,419	340,685,574	344,011,177	332,486,621
19.	Total required stable funding	260,200,350	267,608,341	263,827,753	269,814,606	258,232,858
20.	NSFR (%)	129.43%	126.17%	129.13%	127.50%	128.75%
	Applicable to category 2A institution only:					
20a.	CFR (%)	N/A	N/A	N/A	N/A	N/A

Key prudential ratios and overview of risk management and RWA (Continued)

OVA: Overview of risk management

Overview

Throughout 2024, the Bank has maintained "stable, balanced, compliant and innovative" as the core concept behind its risk appetite. Through excellent risk management, the Bank is guided onto a sustainable growth path and strengthened its market leading position.

During this reporting period, the Bank thoroughly implements a sound strategy and establishes a mature management structure. Under the guidance of the Board of Directors, the Bank pursues balance between returns and risks, thereby achieving a balanced development in scale, quality and efficiency. We adhere to the principle of compliance management, comply with all regulatory requirements, strengthen the maintenance of risk data, increase the technical level of risk measurements, and enhance the overall risk management capabilities. Through the spirit of risk management, we inherited innovative thinking, grasped development opportunities, achieved strategic goals and created greater value.

As the Bank's main business is still dominated by credit business such as lending, billing and stock financing, credit risk is one of key risks encountered by the Bank. The Bank also attaches great importance to the development of treasury business, but market risks such as exchange rate risk, interest rate risk and option risk arise from such market price fluctuations. Beyond credit and market risks, key risks encountered by the Bank also include operational, strategy, liquidity, legal and compliance, climate risk.

Risk Governance

The Bank's risk management governance structure is designed to cover all business processes. It ensures various risks are properly managed and controlled throughout the course of conducting business. The Bank has a robust organisational structure for risk management and a comprehensive set of policies and procedures to identify, measure, monitor and control various risks that may arise. These risk management policies and procedures are regularly reviewed and updated to reflect changes in markets and business strategies. Various groups of risk takers assume their respective responsibilities for risk management.

The Board of Directors, with the assistance of its committees, has the primary responsibility for the formulation of risk management strategies and ensuring that the Bank has an effective risk management system to implement these strategies. The Risk Management Committee, a standing committee established by the Board of Directors, is responsible for overseeing the Bank's various types of risks, approving high level risk management policies and monitoring their implementation, reviewing significant or high risk exposures or transactions and exercising its power of veto if it considers that any transaction should not proceed.

The Chief Executive is responsible for managing the Bank's various types of risks, and material risk exposures or transactions within his authority delegated by the Board of Directors. The Chief Risk Officer assists the Chief Executive in fulfilling his responsibilities for the day-to-day management of risks. The Chief Risk Officer is responsible for initiating new risk management strategies, projects and measures in response to regulatory changes that will enable the Bank to better monitor and manage new risk issues or areas that may arise from time to time from new businesses, products and changes in the operating environment. The Chief Risk Officer is also responsible for reviewing material risk exposures or transactions within his delegated authority. In accordance with the principle of setting the hierarchy of risk management policies approved by the Board of Directors, Senior Management are also responsible for approving the detailed risk management policies of their responsible areas.

Various units of the Bank have their respective risk management responsibilities. Business units act as the first line of defence while risk management units, which are independent from the business units, are responsible for the day-to-day management of different kinds of risks. Risk management units have the primary responsibilities for drafting, reviewing and updating various risk management policies and procedures.

Key prudential ratios and overview of risk management and RWA (Continued)

OVA: Overview of risk management (Continued)

Risk Governance (Continued)

As the main operational function in risk management, the Risk Management Department is tasked with identifying, understanding, controlling and reporting of all risks. The Risk Management Department should also provide reliable and comprehensive risk information (such as risk heat map). Other than that, the Risk Management Department is tasked with performing stress tests and reporting the Bank's risk situation under stressed scenarios. Finally, when any event that causes major changes to the Bank's financial and risk situation arises, the Risk Management Department should draw the Board of Director's, Risk Management Committee's and Chief Executive's attention to said event.

Risk information is taken from different risk measurement systems of the Risk Management Department. The information is analysed and presented in management committees. The information is visualized using different business intelligence tools, targeting to provide management with some easy-to-understand risk analytics accompanied with suitable narratives. The committees then report to the Board of Directors with a summary of discussions and recommendations supported by analyses and figures.

Risk Culture

A prudent risk management culture is maintained through making clear risk governance, providing staff trainings, creating proper incentives and setting up various communication channels. The management believes that a strong risk culture would be one of the key attributes stakeholders are looking forward, which will in turn help the Bank sustains in a long run. The promotion of risk culture is aligned with the management incentives through proper performance evaluations. This ensures both the financial and non-financial targets would be achieved simultaneously.

Stress Testing

Stress testing is an important risk management tool for estimating risk exposures under stressed conditions arising from extreme but plausible external factors. The Bank uses a comprehensive bank-wide stress testing program to support risk management and capital planning. The Bank's stress testing policy is approved by Risk Management Committee. The stress test results are presented in the same committee. The stress testing program aims to provide management with the performance and capital strength of the Bank under some stress scenarios. It enables them to better understand and mitigate risks. The Bank's resilience to market shocks is thus enhanced. Stress testing tools include sensitivity analysis, hypothetical and historical stress scenarios as well as reverse stress test. Under stress tests, the incremental expected and the unexpected loss would be reflected in a decrease in capital level and an increase in risk weighted assets respectively.

In sensitivity analysis, it is assumed that extreme changes occur to a single risk factor (such as USD exchange rate decreasing by 10% or yield curve shifting up by 200 bps). These stress test scenarios are used to test the sensitivity of the Bank's business to a single factor, thereby evaluating if the Bank's risk is overly concentrated.

Scenario analysis assumes extreme changes to multiple risk factors at the same time. There are two types of scenario analysis, namely historical scenario analysis and hypothetical scenario analysis. Historical scenario analysis assumes historical extreme fluctuations periods (such as the 1997 Asian Financial Crisis) reoccur. Hypothetical situation analysis uses the discretion and professional judgment of test conductors to design potential movement in future extreme fluctuation periods.

Reverse stress testing assumes that stress test results are above the threshold, such as low capital adequacy ratio, low liquidity or losses beyond profit level, identifying risk drivers that can cause such situations and their respective scenario changes. After that, the probability of such events are identified through quantitative analysis and then classified as very low, low, medium or high.

Key prudential ratios and overview of risk management and RWA (Continued)

OV1: Overview of RWA

		RWA		Minimum capital requirements
		As at 31 Dec 2024	As at 30 Sep 2024	As at 31 Dec 2024
		HK$'000	HK$'000	HK$'000
1.	Credit risk for non-securitization exposures	259,722,767	270,365,798	20,777,821
2.	Of which STC approach	259,722,767	270,365,798	20,777,821
2a.	Of which BSC approach	–	–	–
3.	Of which foundation IRB approach	–	–	–
4.	Of which supervisory slotting criteria approach	–	–	–
5.	Of which advanced IRB approach	–	–	–
6.	Counterparty default risk and default fund contributions	7,319,763	7,377,554	585,581
7.	Of which SA-CCR approach	7,080,175	6,930,502	566,414
7a.	Of which CEM	–	–	–
8.	Of which IMM(CCR) approach	–	–	–
9.	Of which others	239,588	447,052	19,167
10.	CVA risk	4,697,425	4,332,750	375,794
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	3,505,588	4,308,438	280,447
21.	Of which STM approach	3,505,588	4,308,438	280,447
22.	Of which IMM approach	–	–	–
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	–
24.	Operational risk	15,654,725	14,991,625	1,252,378
24a.	Sovereign concentration risk	–	–	–
25.	Amounts below the thresholds for deduction (subject to 250% RW)	–	–	–
26.	Capital floor adjustment	–	–	–
26a.	Deduction to RWA	–	–	–
26b.	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	–	–	–
26c.	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	–	–	–
27.	Total	290,900,268	301,376,165	23,272,021

Point to note: Items marked with an asterisk (*) will be applicable only after their respective policy frameworks take effect. Until then, "Not applicable" should be reported in the rows.

Key prudential ratios and overview of risk management and RWA (Continued)

OV1: Overview of RWA (Continued)

During the fourth quarter in 2024, the total RWA decreased by HK$10,476 million. The key contributor was the decrease in Credit risk for non-securitization exposures.

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

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			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$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets							
Cash and balances with central bank	1,864,846	1,864,846	1,864,846	–	–	–	–
Due from and placements with banks and other financial institutions	33,021,581	33,021,581	32,331,198	–	–	–	690,383
Loans and advances to customers	192,723,750	192,723,750	192,723,750	–	–	–	–
Financial assets at fair value through profit or loss	9,501,189	9,501,189	–	9,043,419	–	1,668,350	–
Financial assets at fair value through other comprehensive income	141,642,473	141,642,473	141,642,473	14,287,934	–	–	–
Financial assets at amortized cost	46,955,952	46,955,952	46,955,952	474,976	–	–	–
Fixed assets	155,596	155,596	155,596	–	–	–	–
Right-of-use assets	212,532	212,532	212,532	–	–	–	–
Other assets	7,570,611	7,570,611	6,837,621	147,915	–	2,353	730,637
Total assets	**433,648,530**	**433,648,530**	**422,723,968**	**23,954,244**	**–**	**1,670,703**	**1,421,020**

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)

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items: 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$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Liabilities							
Due to banks and other financial institutions	23,744,827	23,744,827	–	14,174,817	–	–	9,570,010
Financial liabilities at fair value through profit or loss	1,889,524	1,889,524	–	–	–	972,659	916,865
Due to customers	330,593,006	330,593,006	–	–	–	–	330,593,006
Certificates of deposits issued	111,480	111,480	–	–	–	–	111,480
Current tax liabilities	748,456	748,456	–	–	–	–	748,456
Debt securities issued	7,764,376	7,764,376	–	–	–	–	7,764,376
Deferred tax liabilities	127,641	127,641	–	–	–	–	127,641
Lease liabilities	218,723	218,723	–	–	–	–	218,723
Other liabilities	8,330,430	8,330,430	–	80,387	–	–	8,250,043
Total liabilities	**373,528,463**	**373,528,463**	**–**	**14,255,204**	**–**	**972,659**	**358,300,600**

Linkages between financial statements and regulatory exposures (Continued)

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

			Items subject to:			
		Total	credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1.	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	432,227,510	422,723,968	–	23,954,244	1,670,703
2.	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	15,227,863	–	–	14,255,204	972,659
3.	Total net amount under regulatory scope of consolidation	416,999,647	422,723,968	–	9,699,040	698,044
4.	Off-balance sheet amounts	30,849,565	7,296,443	–	–	–
5.	Differences due to consideration of provisions	932,821	932,821	–	–	–
6.	Apply SA-CCR approach for measuring the exposure at default of derivatives contracts	4,878,383	–	–	4,878,383	–
7.	Differences due to credit risk mitigation	14,255,204	–	–	14,255,204	–
8.	**Exposure amounts considered for regulatory purposes**	467,915,620	430,953,232	–	28,832,627	698,044

LIA: Explanations of differences between accounting and regulatory exposure amounts

The main differences between accounting values and amounts considered for regulatory purpose are as follow:

(i) Off-balance sheet items under regulatory purpose are converted into credit equivalent amount through the use of credit conversion factors (CCFs);

(ii) Carrying amounts reported in financial statements are net of Stage 1, 2 and 3 provisions, whereas exposure amount under regulatory purpose are net of Stage 3 provision only;

(iii) Apply SA-CCR approach for measuring the exposure at default of derivatives contracts;

(iv) Regulatory exposure amounts take into account the recognized collateral received under SFTs.

Disclosure for valuation methodologies and independent price verification, please refer to note 3.4 of Fair value of financial assets and liabilities under Financial Risk Management Section of the 2024 Annual Report.

Linkages between financial statements and regulatory exposures (Continued)

PV1: Prudent valuation adjustments

		Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1.	Close-out uncertainty, of which:	–	–	–	–	–	–	–	–
2.	*Mid-market value*	–	–	–	–	–	–	–	–
3.	*Close-out costs*	–	–	–	–	–	–	–	–
4.	*Concentration*	–	–	–	–	–	–	–	–
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**	–	–	–	–	–	–	–	–

Prudent valuation adjustment applies to exotic and / or illiquid financial instruments which require alternative valuation. As the Bank does not current possess such financial instruments, no prudent valuation adjustment is necessary.

Composition of regulatory capital

CC1: Composition of regulatory capital

		Amount HK$'000	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	37,900,000	(12)
2.	Retained earnings	16,812,474	(16)
3.	Disclosed reserves	1,536,143	(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**	56,248,617	–
	CET1 capital: regulatory deductions		
7.	Valuation adjustments	–	–
8.	Goodwill (net of associated deferred tax liabilities)	–	–
9.	Other intangible assets (net of associated deferred tax liabilities)	79,136	(7)-(10)
10.	Deferred tax assets (net of associated deferred tax liabilities)	–	–
11.	Cash flow hedge reserve	(8,711)	(14)
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	5,741	(4)+(9)
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

Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

		Amount HK$'000	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
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	994,621	–
26a.	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	–	–
26b.	Regulatory reserve for general banking risks	994,621	(17)
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)	–	–
27.	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	–	–
28.	**Total regulatory deductions to CET1 capital**	1,070,787	–
29.	**CET1 capital**	55,177,830	–
	AT1 capital: instruments		
30.	Qualifying AT1 capital instruments plus any related share premium	3,871,450	–
31.	of which: classified as equity under applicable accounting standards	3,871,450	(15)
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**	3,871,450	–
	AT1 capital: regulatory deductions		
37.	Investments in own AT1 capital instruments	–	–
38.	Reciprocal cross-holdings in AT1 capital instruments	–	–

Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

		Amount HK$'000	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
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	–	–
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**	–	–
44.	**AT1 capital**	3,871,450	–
45.	**Tier 1 capital (T1 = CET1 + AT1)**	59,049,280	–
	Tier 2 capital: instruments and provisions		
46.	Qualifying Tier 2 capital instruments plus any related share premium	7,764,376	(8)
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	1,945,804	(11)+(17)-(1)-(2)-(3)-(5)-(6)
51.	**Tier 2 capital before regulatory deductions**	9,710,180	–
	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	–	–
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)	–	–

Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

		Amount HK$'000	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
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	–	–
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	–	–
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**	–	–
58.	**Tier 2 capital (T2)**	9,710,180	–
59.	**Total regulatory capital (TC = T1 + T2)**	68,759,460	–
60.	**Total RWA**	290,900,268	–
	Capital ratios (as a percentage of RWA)		
61.	**CET1 capital ratio**	18.97%	–
62.	**Tier 1 capital ratio**	20.30%	–
63.	**Total capital ratio**	23.64%	–
64.	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)**	2.912%	–
65.	of which: capital conservation buffer requirement	2.500%	–
66.	of which: bank specific countercyclical capital buffer requirement	0.412%	–
67.	of which: higher loss absorbency requirement	0.000%	–
68.	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	14.30%	–
	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

Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

		Amount HK$'000	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
	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	4,035,825	–
73.	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	–	–
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
	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)	1,945,804	–
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	3,337,397	–
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)	–	–
79.	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	–	–
	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)*	–	–

Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

Notes to the Template

	Description	Hong Kong basis	Basel III basis
		HK$'000	HK$'000
9.	**Other intangible assets (net of associated deferred tax liabilities)**	79,136	79,136
	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)**	–	–
	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.		

Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

Notes to the Template (Continued)

	Description	Hong Kong basis HK$'000	Basel III basis HK$'000
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.		
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.			

Composition of regulatory capital (Continued)

CC2: Reconciliation of regulatory capital to balance sheet

	Balance sheet as in published financial statements (as at 31 Dec 2024) HK$'000	Under regulatory scope of consolidation (as at 31 Dec 2024) HK$'000	Reference
Assets			
Cash and balances with central bank	1,864,846	1,864,846	
of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital		*(948)*	*(1)*
Due from and placements with banks and other financial institutions	33,021,581	33,021,581	
of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital		*(28,165)*	*(2)*
Loans and advances to customers	192,723,750	192,723,750	
of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital		*(851,783)*	*(3)*
Financial assets at fair value through profit or loss	9,501,189	9,501,189	
of which: debit valuation adjustments in respects of derivative contracts		*3,422*	*(4)*
Financial assets at fair value through other comprehensive income	141,642,473	141,642,473	
Financial assets at amortized cost	46,955,952	46,955,952	
of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital		*(46,093)*	*(5)*
Fixed assets	155,596	155,596	
Right-of-use assets	212,532	212,532	
Other assets	7,570,611	7,570,611	
of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital		*(5,832)*	*(6)*
of which: other intangible assets		*94,773*	*(7)*
Total assets	**433,648,530**	**433,648,530**	

Composition of regulatory capital (Continued)

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

	Balance sheet as in published financial statements (as at 31 Dec 2024)	Under regulatory scope of consolidation (as at 31 Dec 2024)	
	HK$'000	HK$'000	Reference
Liabilities			
Due to banks and other financial institutions	23,744,827	23,744,827	
of which: subordinated loan eligible for inclusion in regulatory capital		*7,764,376*	*(8)*
Financial liabilities at fair value through profit or loss	1,889,524	1,889,524	
of which: debit valuation adjustments in respects of derivative contracts		*2,319*	*(9)*
Due to customers	330,593,006	330,593,006	
Certificates of deposits issued	111,480	111,480	
Current tax liabilities	748,456	748,456	
Debt securities issued	7,764,376	7,764,376	
Deferred tax liabilities	127,641	127,641	
of which: deferred tax liabilities on other intangible assets		*15,637*	*(10)*
Lease liabilities	218,723	218,723	
Other liabilities	8,330,430	8,330,430	
of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital		*18,362*	*(11)*
Total liabilities	**373,528,463**	**373,528,463**	
Equity			
Share capital	37,900,000	37,900,000	*(12)*
Other reserves	1,536,143	1,536,143	*(13)*
of which: cash flow hedge reserve		*(8,711)*	*(14)*
Additional equity instrument	3,871,450	3,871,450	*(15)*
Retained earnings	16,812,474	16,812,474	*(16)*
of which: regulatory capital for general banking risk		*994,621*	*(17)*
Total equity	**60,120,067**	**60,120,067**	
Total equity and liabilities	**433,648,530**	**433,648,530**	

Composition of regulatory capital (Continued)

CCA: Main features of regulatory capital instruments

		Ordinary shares	Additional Tier 1 capital securities	Tier 2 capital bonds
1.	Issuer	Bank of Communications (Hong Kong) Limited	Bank of Communications (Hong Kong) Limited	Bank of Communications (Hong Kong) Limited
2.	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable	ISIN: XS2085545494	ISIN: XS2357352702
3.	Governing law(s) of the instrument	Hong Kong law	The capital securities are governed by and shall be construed in accordance with English Law, except that the subordination provisions are governed by and shall be construed in accordance with Hong Kong law.	The Bonds are governed by, and shall be construed in accordance with, English law, except that the subordination provisions shall be governed by and construed in accordance with the laws of Hong Kong.
	Regulatory treatment			
4.	Transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Tier 2
5.	Post-transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Tier 2
6.	Eligible at solo / group / solo and group	Solo	Solo	Solo
7.	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Non-cumulative subordinated Additional Tier 1 capital securities	Tier 2 capital
8.	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK$37,900 million	US$500 million	US$1,000 million
9.	Par value of instrument	Not applicable	US$500 million	US$1,000 million
10.	Accounting classification	Shareholders' equity	Equity instruments	Liability – amortized cost
11.	Original date of issuance	1 share issued on 29 July 2014 299,999,999 shares issued on 9 February 2015 7,600,000,000 shares issued on 19 January 2018 10,000,000,000 shares issued on 28 June 2018 20,000,000,000 shares issued on 21 September 2020	3 March 2020	8 July 2021
12.	Perpetual or dated	Perpetual	Perpetual	Dated
13.	Original maturity date	No maturity	No maturity	8 July 2031

Composition of regulatory capital (Continued)

CCA: Main features of regulatory capital instruments (Continued)

		Ordinary shares	Additional Tier 1 capital securities	Tier 2 capital bonds
14.	Issuer call subject to prior supervisory approval	No	Yes	Yes
15.	Optional call date, contingent call dates and redemption amount	Not applicable	First call date: 3 March 2025 (Redemption in whole at 100%)	First call date: 8 July 2026 (Redemption in whole at 100%)
16.	Subsequent call dates, if applicable	No	Any distribution payment date thereafter	Not applicable
	Coupons / dividends			
17.	Fixed or floating dividend / coupon	Not applicable	Fixed	Fixed
18.	Coupon rate and any related index	Not applicable	Year 1-5: 3.725% per annum payable, semi-annually in arrear; Year 5 onwards: resettable on year 5 and every 5 years thereafter at then prevailing 5-year U.S. Treasury yield plus 2.525% per annum.	Year 1-5: 2.304% per annum payable, semi-annually in arrear; Year 5 onwards: resettable on year 5 at the prevailing 5-year U.S. Treasury yield plus 1.4% per annum.
19.	Existence of a dividend stopper	Not applicable	Yes	No
20.	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Mandatory
21.	Existence of step-up or other incentive to redeem	Not applicable	No	No
22.	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Cumulative
23.	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24.	If convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable
25.	If convertible, fully or partially	Not applicable	Not applicable	Not applicable
26.	If convertible, conversion rate	Not applicable	Not applicable	Not applicable
27.	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable
28.	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable
29.	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable

Composition of regulatory capital (Continued)

CCA: Main features of regulatory capital instruments (Continued)

		Ordinary shares	Additional Tier 1 capital securities	Tier 2 capital bonds
30.	Write-down feature	No	Yes	Yes
31.	If write-down, write-down trigger(s)	Not applicable	Upon Non-Viability Event (a) the Monetary Authority notifying the Issuer in writing that the Monetary Authority is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable; and (b) the Monetary Authority notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.	If a Non-Viability Event occurs and is continuing. "Non-Viability Event" means the earlier of: (a) the Monetary Authority notifying the Issuer in writing that the Monetary Authority is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable; and (b) the Monetary Authority notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.
32.	If write-down, full or partial	Not applicable	Full or partial	Full or partial
33.	If write-down, permanent or temporary	Not applicable	Permanent	Permanent
34.	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable

Composition of regulatory capital (Continued)

CCA: Main features of regulatory capital instruments (Continued)

		Ordinary shares	Additional Tier 1 capital securities	Tier 2 capital bonds
35.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Represents the most subordinated claim in liquidation	Depositors and all other unsubordinated creditors of the Issuer, creditors in respect of Tier 2 capital instruments of the Issuer, and all other holders of subordinated indebtedness of the Issuer whose claims are stated to rank senior to the capital securities or rank senior to the capital securities by operation of law or contract; Senior to claims of holders junior obligations which include ordinary share capital.	Subject to the insolvency laws of Hong Kong and other applicable laws, in the event of a Winding-Up of the Issuer (other than pursuant to a Permitted Reorganisation), the rights and claims of the Bondholders in respect of or arising under the Bonds, shall rank (i) subordinate and junior in right of payment to, and of all claims of, (a) all depositors and unsubordinated creditors of the Issuer and (b) all other holders of Subordinated Indebtedness of the Issuer whose claims are stated to rank senior to the Bonds or rank senior to the Bonds by operation of law or contract; (ii) pari passu in right of payment to and of all claims of the holders of Parity Obligations; and (iii) senior in right of payment to, and of all claims of, the holders of Junior Obligation which include all classes of share capital of the Issuer and any Tier 1 Capital Instruments.
36.	Non-compliant transitioned features	No	No	No
37.	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable
Full terms and conditions of capital instruments		Ordinary shares	Additional Tier 1 capital securities	Tier 2 capital bonds due 2031

Macroprudential supervisory measures

CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer ("CCyB")

	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect (%)	RWA used in computation of CCyB ratio (HK$'000)	AI-specific CCyB ratio (%)	CCyB amount (HK$'000)
1.	Hong Kong SAR	0.5%	166,387,522		
2.	Australia	1%	484		
3.	Belgium	1%	38,477		
4.	Ireland	1.5%	2,864,323		
5.	Netherlands	2%	368,066		
6.	South Korea	1%	146,010		
7.	Sweden	2%	270,682		
8.	United Kingdom	2%	491,335		
9.	Sum		170,566,899		
10.	Total		218,096,727	0.412%	1,198,509

CCyB ratio is calculated as the weighted average of the applicable jurisdictional CCyB ratio, effective at the date for which the determination is made, in respect of the jurisdictions (including Hong Kong) where the Bank has private sector credit exposures. The weight to be attributed to a given jurisdiction's applicable CCyB ratio is the ratio of the Bank's aggregate risk-weighted amount for its private sector credit exposures (in both the banking book and the trading book) in that jurisdiction (RWAj) to the sum of the Bank's aggregate RWAj across all jurisdictions in which the AI has private sector credit exposure.

Leverage ratio

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

	Item	Value under the LR framework (HK$'000)
1.	Total consolidated assets as per published financial statements	433,648,530
2.	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–
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	5,178,906
5.	Adjustment for SFTs (i.e. repos and similar secured lending)	662,113
6.	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	8,792,435
6a.	Adjustment for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(5,254,573)
7.	Other adjustments	4,329,067
8.	**Leverage ratio exposure measure**	447,356,478

Leverage ratio (Continued)

LR2: Leverage ratio

		31 Dec 2024	30 Sep 2024
		HK$'000	HK$'000
On-balance sheet exposures			
1.	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	415,747,443	428,143,791
2.	Less: Asset amounts deducted in determining Tier 1 capital	(1,068,468)	(1,382,399)
3.	**Total on-balance sheet exposures (excluding derivative contracts and SFTs)**	414,678,975	426,761,392
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)	9,700,429	8,322,838
5.	Add-on amounts for PFE associated with all derivative contracts	4,922,783	5,593,141
6.	Gross-up for collateral provided in respect of derivatives 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	(400,888)	(903,283)
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**	14,222,324	13,012,696
Exposures arising from SFTs			
12.	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	14,255,204	19,473,377
13.	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14.	CCR exposure for SFT assets	662,113	916,692
15.	Agent transaction exposures	–	–
16.	**Total exposures arising from SFTs**	14,917,317	20,390,069
Other off-balance sheet exposures			
17.	Off-balance sheet exposure at gross notional amount	30,849,565	31,175,914
18.	Less: Adjustments for conversion to credit equivalent amounts	(22,057,130)	(22,740,095)
19.	**Off-balance sheet items**	8,792,435	8,435,819
Capital and total exposures			
20.	**Tier 1 capital**	59,049,280	57,968,007
20a.	**Total exposures before adjustments for specific and collective provisions**	452,611,051	468,599,976
20b.	**Adjustments for specific and collective provisions**	(5,254,573)	(5,282,804)
21.	**Total exposures after adjustments for specific and collective provisions**	447,356,478	463,317,172
Leverage ratio			
22.	**Leverage ratio**	13.20%	12.51%

Liquidity

	31 Dec 2024
Average liquidity coverage ratio ("LCR")	
– Fourth quarter	167.03%
Average LCR for the period	166.16%
Net stable funding ratio ("NSFR")	
– Third quarter end	126.17%
– Fourth quarter end	129.43%

The Bank's LCR and HKD HQLA Level 1 LCR were above the regulatory requirement for the period.

The Bank's average LCR in year 2024 was 166.16%. The Bank's NSFR for the quarter ends of year 2024 were 127.50%, 129.13%, 126.17% and 129.43% respectively.

In the fourth quarter of year 2024, the Bank's LCR increased as a result of decrease in loan and decrease in money market taking within LCR period.

In the fourth quarter end of year 2024, the Bank's NSFR increased as a result of decrease in loan.

Level 1 HQLA is the major component of the Bank's HQLA portfolio, which consists of balance with the HKMA, Exchange Fund Bills / Notes and unencumbered sovereign bonds. The Bank also holds a portion of Level 2 HQLA, which include corporate bonds with high credit rating. The main drivers of net cash outflows are retail deposits and small business funding, wholesale funding and loans during the quarter. Deposit is the major funding source of the Bank.

LCR net cash outflow arising from off-balance sheet derivatives and additional collateral provision are not material. The Bank's major liquidity profile is captured in the LCR calculation.

The Bank's HKD HQLA Level 1 LCR was above the regulatory requirement for the period. The Bank holds Level 1 HQLA denominated in foreign currencies (mainly CNY and USD) to cover respective LCR net cash outflow in foreign currency. The foreign currency LCR mismatch is bolstered mainly by our HKD-denominated HQLA through FX contracts. The Bank has established internal monitoring limit on LCR for foreign major currencies according to Supervisory Policy Manual LM-1 issued by the HKMA.

The Bank has established internal limit and management action trigger level on LCR and NSFR to ensure our liquidity risk is controlled at the level commensurate with our risk appetite. The Bank's daily liquidity management is governed by the liquidity management requirement of parent bank and there is considerable level of interaction between members of the parent group. The Bank submits liquidity management reports to parent bank regularly and participates in the group liquidity stress test.

LIQA: Liquidity risk management

Disclosure information relating to the Bank's liquidity risk management, please refer to note 3.3 of Liquidity Risk under Financial Risk Management Section of the 2024 Annual Report.

Liquidity (Continued)

LIQ1: Liquidity Coverage Ratio – for category 1 institution

2024 Fourth quarter:

Number of data points used in calculating the average value of the LCR and related components set out in this template for the quarter ending on 31 Dec 2024: (75)		HK$'000	
Basis of disclosure: Hong Kong office		**Unweighted value** (average)	**Weighted value** (average)
A.	**HQLA**		
1.	Total HQLA		62,542,159
B.	**Cash Outflows**		
2.	Retail deposits and small business funding, of which:	261,128,272	18,295,932
3.	*Stable retail deposits and stable small business funding*	9,425,933	471,297
4.	*Less stable retail deposits and less stable small business funding*	104,790,377	10,479,037
4a.	*Retail term deposits and small business term funding*	146,911,962	7,345,598
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	50,217,183	25,715,013
6.	*Operational deposits*	2,709,212	632,465
7.	*Unsecured wholesale funding (other than small business funding) not covered in row 6*	47,486,783	25,061,360
8.	*Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period*	21,188	21,188
9.	Secured funding transactions (including securities swap transactions)		4,427,748
10.	Additional requirements, of which:	37,025,310	6,918,724
11.	*Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements*	18,969,371	5,296,825
12.	*Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions*	–	–
13.	*Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)*	18,055,939	1,621,899
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	4,732,403	4,732,403
15.	Other contingent funding obligations (whether contractual or non-contractual)	11,169,346	37,450
16.	**Total Cash Outflows**		60,127,270
C.	**Cash Inflows**		
17.	Secured lending transactions (including securities swap transactions)	–	–
18.	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	55,094,958	17,421,095
19.	Other cash inflows	4,934,756	4,926,278
20.	**Total Cash Inflows**	60,029,714	22,347,373
D.	**Liquidity Coverage Ratio**		**Adjusted value**
21.	**Total HQLA**		62,542,159
22.	**Total Net Cash Outflows**		37,779,897
23.	**LCR (%)**		167.03%

Liquidity (Continued)

LIQ2: Net Stable Funding Ratio – for category 1 institution

2024 Fourth quarter end:

Basis of disclosure: Hong Kong office		Unweighted value by residual maturity				**Weighted amount**
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
		HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
A.	**Available stable funding ("ASF") item**					
1.	Capital:	61,071,250	85,952	–	7,764,376	68,835,626
2.	*Regulatory capital*	61,071,250	85,952	–	7,764,376	68,835,626
2a.	*Minority interests not covered by row 2*	–	–	–	–	–
3.	*Other capital instruments*	–	–	–	–	–
4.	Retail deposits and small business funding:	–	254,308,310	3,722,129	9,857	232,791,425
5.	*Stable deposits*		10,956,496	126,964	983	10,530,270
6.	*Less stable deposits*		243,351,814	3,595,165	8,874	222,261,155
7.	Wholesale funding:	–	95,865,526	2,180,264	288,320	35,143,723
8.	*Operational deposits*		2,803,291	–	–	1,401,646
9.	*Other wholesale funding*	–	93,062,235	2,180,264	288,320	33,742,077
10.	Liabilities with matching interdependent assets	–	–	–	–	–
11.	Other liabilities:	3,115,509	1,724,135	–	–	–
12.	*Net derivative liabilities*	–				
13.	*All other funding and liabilities not included in the above categories*	3,115,509	1,724,135	–	–	–
14.	**Total ASF**					336,770,774
B.	**Required stable funding ("RSF") item**					
15.	Total HQLA for NSFR purposes	467,809	14,776,910	11,553,086	88,375,686	33,671,129
16.	Deposits held at other financial institutions for operational purposes	–	214,363	–	–	107,182
17.	Performing loans and securities:	34,077,524	46,469,952	27,905,068	188,390,569	208,455,484
18.	*Performing loans to financial institutions secured by Level 1 HQLA*	–	–	–	–	–
19.	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	11,523,908	24,527,223	10,039,651	12,392,518	32,615,335

Liquidity (Continued)

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

2024 Fourth quarter end: (Continued)

Basis of disclosure: Hong Kong office		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**
		HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
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:*	22,553,616	8,270,107	11,591,541	72,760,703	89,957,013
21.	*With a risk-weight of less than or equal to 35% under the STC approach*	1,124,828	1,193,863	211,107	3,830,079	3,923,174
22.	*Performing residential mortgages, of which:*	–	857,103	822,483	43,120,689	28,868,981
23.	*With a risk-weight of less than or equal to 35% under the STC approach*	–	857,029	822,413	43,116,990	28,865,765
24.	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	–	12,815,519	5,451,393	60,116,659	57,014,155
25.	Assets with matching interdependent liabilities	–	–	–	–	–
26.	Other assets:	17,905,806	1,179,822	–	–	16,995,895
27.	*Physical traded commodities, including gold*	–				–
28.	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	1,562,304				1,327,958
29.	*Net derivative assets*	6,157,823				6,157,823
30.	*Total derivative liabilities before adjustments for deduction of variation margin posted*	752,611				37,631
31.	*All other assets not included in the above categories*	9,433,068	1,179,822	–	–	9,472,483
32.	Off-balance sheet items		4,492	–	30,845,074	970,660
33.	**Total RSF**					260,200,350
34.	**Net Stable Funding Ratio (%)**					129.43%

Liquidity (Continued)

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

2024 Third quarter end:

Basis of disclosure: Hong Kong office		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**
		HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
A.	**Available stable funding ("ASF") item**					
1.	Capital:	60,048,901	41,230	–	7,764,630	67,813,531
2.	*Regulatory capital*	60,048,901	41,230	–	7,764,630	67,813,531
2a.	*Minority interests not covered by row 2*	–	–	–	–	–
3.	*Other capital instruments*	–	–	–	–	–
4.	Retail deposits and small business funding:	–	257,905,536	6,669,069	53,188	238,549,940
5.	*Stable deposits*		7,484,380	107,751	1,622	7,214,147
6.	*Less stable deposits*		250,421,156	6,561,318	51,566	231,335,793
7.	Wholesale funding:	–	106,125,231	1,068,125	99,171	31,272,948
8.	*Operational deposits*		2,170,834	–	–	1,085,417
9.	*Other wholesale funding*	–	103,954,397	1,068,125	99,171	30,187,531
10.	Liabilities with matching interdependent assets	–	–	–	–	–
11.	Other liabilities:	3,236,473	3,076,013	–	–	–
12.	*Net derivative liabilities*	–				
13.	*All other funding and liabilities not included in the above categories*	3,236,473	3,076,013	–	–	–
14.	**Total ASF**					337,636,419
B.	**Required stable funding ("RSF") item**					
15.	Total HQLA for NSFR purposes	394,639	17,331,586	16,033,827	86,317,245	36,865,932
16.	Deposits held at other financial institutions for operational purposes	–	198,891	–	–	99,446
17.	Performing loans and securities:	36,168,456	48,668,185	30,323,993	193,040,423	215,136,282
18.	*Performing loans to financial institutions secured by Level 1 HQLA*	–	–	–	–	–
19.	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	11,047,928	27,662,175	6,750,608	11,107,297	29,679,855

Liquidity (Continued)

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

2024 Third quarter end: (Continued)

Basis of disclosure: Hong Kong office		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
		HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
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:*	25,120,528	12,663,048	9,034,603	79,816,927	99,037,091
21.	*With a risk-weight of less than or equal to 35% under the STC approach*	975,151	323,508	1,178,587	4,067,704	4,028,904
22.	*Performing residential mortgages, of which:*	–	829,449	765,336	42,654,938	28,524,691
23.	*With a risk-weight of less than or equal to 35% under the STC approach*	–	829,294	765,194	42,646,996	28,517,791
24.	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	–	7,513,513	13,773,446	59,461,261	57,894,645
25.	Assets with matching interdependent liabilities	–	–	–	–	–
26.	Other assets:	15,323,963	3,334,039	–	–	14,564,226
27.	*Physical traded commodities, including gold*	–				–
28.	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	1,711,500				1,454,775
29.	*Net derivative assets*	5,500,324				5,500,324
30.	*Total derivative liabilities before adjustments for deduction of variation margin posted*	573,547				28,677
31.	*All other assets not included in the above categories*	7,538,592	3,334,039	–	–	7,580,450
32.	Off-balance sheet items		7,286	–	31,168,628	942,455
33.	**Total RSF**					267,608,341
34.	**Net Stable Funding Ratio (%)**					126.17%

Credit risk for non-securitization exposures

CRA: General information about credit risk

Credit Risk
Credit risk is the risk of loss that a customer or counterparty is unable to or unwilling to meet its contractual obligations. It arises principally from lending, trade finance and treasury businesses. As a local retail bank, according to business model, customer base and market environment derived from the operation risks, 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.

Credit Risk Governance
The Bank's organization structure establishes a clear set of authority and responsibility for monitoring compliance with policies, procedures and limits. The Chief Credit Officer, who reports directly to the Risk Management Committee, takes charge of credit risk management and is also responsible for the control of credit risk exposures in line with the credit risk management principles and requirements set by the Bank. Various units of the Bank have their respective credit risk management responsibilities. Business units act as the first line of defense. The Risk Management Department, which is independent from the business units, is responsible for the day-to-day management of credit risks and has the primary responsibility for providing 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.

The Board of Directors delegates credit approval authority to the Chief Executive. The Chief Executive can further delegate to the subordinates within his limit authorized by the Board of Directors. The Bank 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. In view of the rapidly changing market conditions, the Bank has been continuously revisiting its credit strategies and conducting rigorous reviews on the concerned portfolios. Different credit approval and control procedures are adopted according to the level of risk associated with the customer, counterparty or transaction. The Credit Committee, comprising experts from credit and other functions, is responsible for making an independent assessment of material credit applications which require the approval of Chief Executives or above. For retail exposures, more comprehensive review is required and monitored regularly on a portfolio basis.

Risk Management Department provides regular credit management information reports and ad hoc reports to the Management, Risk Management Committee and Board of Directors to facilitate their continuous monitoring of credit risk. In addition, the Bank identifies credit concentration risk by industry, geography, customer and counterparty. The Bank monitors changes to counterparty credit risk, quality of the credit portfolio and credit risk concentrations, and reports regularly to the Bank's Management.

Credit risk for non-securitization exposures (Continued)

CR1: Credit quality of exposures

		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
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1.	Loans	4,983,697	227,461,467	5,302,796	4,421,900	880,896	–	227,142,368
2.	Debt securities	–	188,634,600	46,093	–	46,093	–	188,588,507
3.	Off-balance sheet exposures	–	15,889,646	12,895	–	12,895	–	15,876,751
4.	***Total***	4,983,697	431,985,713	5,361,784	4,421,900	939,884	–	431,607,626

CR2: Changes in defaulted loans and debt securities

		Amount
		HK$'000
1.	**Defaulted loans and debt securities at 30 Jun 2024**	7,026,517
2.	Loans and debt securities that have defaulted since the last reporting period	452,202
3.	Returned to non-defaulted status	(1,410,979)
4.	Amounts written off	(700,939)
5.	Other changes	(383,104)
6.	**Defaulted loans and debt securities at 31 Dec 2024**	4,983,697

Between Jun 2024 and Dec 2024, the Bank's defaulted loans and debt securities decreased from HK$7,027 million to HK$4,984 million.

Credit risk for non-securitization exposures (Continued)

CRB: Additional disclosure related to credit quality of exposures

Definition of Overdue
Advances 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 exceeded the approved limit that was advised to the borrower.

Definition of Impairment Loss on Advances and Calculations
Advances are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred and that loss event(s) has an impact on the estimated future cash flows of the advances that can be reliably estimated. If there is objective evidence that an impairment loss on advances has been incurred, the amount of loss is measured as the difference between the carrying amount and the present value of estimated future cash flows generated by the advances. Objective evidence that advances are impaired includes observable information that comes to the attention of the Bank about the loss events.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty incurred by the borrower;
- A breach of contract, such as a default or delinquency in principal or interest payment;
- For economic or legal reasons related to the borrower's financial difficulty, the Bank has granted to the borrower a concession that it would not otherwise consider;
- Probable that the borrower will become bankrupt or undergo other financial reorganization; or
- Other observable data indicating that there is a measurable decrease in the estimated future cash flows from such advances.

Definition of Rescheduled Advances
Rescheduled advances are those advances that have been restructured or renegotiated because of deterioration in the financial position of the borrower or of the inability of the borrower to meet the original repayment schedule. Rescheduled advances, which have been overdue for more than three months under the revised repayment terms, are included in "Advances overdue for more than three months".

i) Credit quality of exposures by geographical areas

	31 Dec 2024 HK$'000
Hong Kong	243,380,563
People's Republic of China	87,610,385
Others	105,978,462
Total	436,969,410

Credit risk for non-securitization exposures (Continued)

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

ii) Credit quality of exposures by industry

	31 Dec 2024 HK$'000
Property development and investment	54,294,418
Financial concerns	180,891,872
Individuals	62,066,579
Manufacturing	22,458,556
Others	117,257,985
Total	436,969,410

iii) Credit quality of exposures by residual maturity

	31 Dec 2024 HK$'000
Less than 1 year	134,466,946
More than 1 year but not more than 5 years	185,808,648
More than 5 years	116,693,816
Total	436,969,410

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

	Impaired exposures HK$'000	Stage 3 provision for ECL HK$'000	Write-off HK$'000
As at 31 Dec 2024			
Hong Kong	6,580,181	4,421,900	883,429
Total	6,580,181	4,421,900	883,429

Credit risk for non-securitization exposures (Continued)

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

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

	Impaired exposures HK$'000	Stage 3 provision for ECL HK$'000	Write-off HK$'000
As at 31 Dec 2024			
Property development and investment	5,447,450	4,132,345	435,543
Financial concerns	3,200	–	993
Individuals	194,448	19,788	25,558
Others	935,083	269,767	421,335
Total	6,580,181	4,421,900	883,429

vi) Aging analysis of accounting past due exposures

Please refer to note 4 of additional balance sheet information.

vii) Breakdown of rescheduled exposures

	31 Dec 2024 HK$'000
Impaired	92,976
Not impaired	7,721
Total	100,697

CRC: Qualitative disclosures related to credit risk mitigation

Collateral and Other Enhancements

The valuation and management of collateral have been documented in the credit risk management policies and procedures which cover acceptance criteria, validity of collateral, loan-to-value ratio, haircut ratio, valuation and insurance, etc. The collateral is revalued on a regular basis, though the frequency and the method used varies with the type of collateral involved and the nature and the risk of the underlying credit. In the personal sector, the main types of collateral are real estate properties, cash deposits and securities. In the commercial and industrial sector, the main types of collateral are real estate properties, securities, receivables, cash deposits and machinery. For loans guaranteed by a third party, the Bank will assess the guarantor's financial condition, credit history and ability to meet obligations. Balances and placements with banks and other financial institutions, these exposures are generally considered to be low risk due to the nature of the counterparties. Collateral is generally not sought on these assets.

Credit Exposures

The maximum credit exposure is the worst case scenario of exposure to the Bank without taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the maximum exposure to credit risk equals their carrying amount. For letters of guarantee issued, the maximum exposure to credit risk is the maximum amount that the Bank could be required to pay if the guarantees are called upon. For loan commitment and other credit related liabilities, the maximum exposure to credit risk is the full amount of the committed facilities.

Credit risk for non-securitization exposures (Continued)

CR3: Overview of recognized credit risk mitigation

		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$'000	HK$'000	HK$'000	HK$'000	HK$'000
1.	Loans	223,142,490	3,999,878	1,001,304	2,998,574	–
2.	Debt securities	185,307,477	3,281,030	–	3,281,030	–
3.	**Total**	408,449,967	7,280,908	1,001,304	6,279,604	–
4.	Of which defaulted	331,102	452,946	89,610	363,336	–

As of Dec 2024, the Bank's carrying amount for unsecured exposures was HK$408,450 million, a decrease of HK$3,016 million compared with Jun 2024. This was mainly due to the decline of unsecured debt.

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

The Bank uses the following external credit assessment institutions ("ECAIs") to calculate its capital adequacy requirements under the standardized (credit risk) approach prescribed in the Capital Rules:

- Moody's Investors Service
- S&P's Ratings Services
- Fitch Ratings

Where exposures have been rated by the above-mentioned ECAIs, they are categorized under the following class of exposures:

- Sovereign exposures
- Public sector entity exposures
- Bank exposures
- Corporate exposures

The process used to map ECAIs issuer ratings or ECAIs issue specific ratings in the Bank's banking book is consistent with those prescribed in the Capital Rules.

Credit risk for non-securitization exposures (Continued)

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

		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	Exposure classes	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	%
1.	Sovereign exposures	32,106,522	–	36,861,877	–	3,264,948	9%
2.	PSE exposures	9,538,850	999,286	7,220,189	475,926	1,539,223	20%
2a.	Of which: domestic PSEs	7,154,835	999,286	7,220,189	475,926	1,539,223	20%
2b.	Of which: foreign PSEs	2,384,015	–	–	–	–	0%
3.	Multilateral development bank exposures	9,856,996	–	9,856,996	–	–	0%
4.	Bank exposures	86,997,175	–	89,118,598	27,626	33,918,170	38%
5.	Securities firm exposures	181,809	–	473,342	–	236,671	50%
6.	Corporate exposures	211,807,630	22,842,293	207,603,313	5,722,240	180,732,547	85%
7.	CIS exposures	–	–	–	–	–	0%
8.	Cash items	467,809	–	1,384,365	107,692	73,596	5%
9.	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	–	–	–	–	–	0%
10.	Regulatory retail exposures	12,314,315	6,440,853	11,373,351	866,525	9,179,908	75%
11.	Residential mortgage loans	44,800,275	327,138	44,511,098	–	15,580,421	35%
12.	Other exposures which are not past due exposures	14,684,893	239,995	14,353,145	96,434	14,449,579	100%
13.	Past due exposures	900,515	–	900,515	–	747,704	83%
14.	Significant exposures to commercial entities	–	–	–	–	–	0%
15.	**Total**	423,656,789	30,849,565	423,656,789	7,296,443	259,722,767	60%

Compared with Jun 2024, the Bank's credit risk RWA in Dec 2024 had a decrease from HK$265,970 million to HK$259,723 million. The change was mainly attributed to higher exposures to sovereign and lower exposures to banks, lead to a total RWA decrease of by 2.3%.

Credit risk for non-securitization exposures (Continued)

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

	Exposure classes \ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1.	Sovereign exposures	22,815,972	–	12,526,681	–	1,519,224	–	–	–	–	–	36,861,877
2.	PSE exposures	–	–	7,696,115	–	–	–	–	–	–	–	7,696,115
2a.	Of which: domestic PSEs	–	–	7,696,115	–	–	–	–	–	–	–	7,696,115
2b.	Of which: foreign PSEs	–	–	–	–	–	–	–	–	–	–	–
3.	Multilateral development bank exposures	9,856,996	–	–	–	–	–	–	–	–	–	9,856,996
4.	Bank exposures	–	–	35,516,479	–	53,629,745	–	–	–	–	–	89,146,224
5.	Securities firm exposures	–	–	–	–	473,342	–	–	–	–	–	473,342
6.	Corporate exposures	–	–	4,540,117	–	59,940,446	–	146,826,369	2,018,621	–	–	213,325,553
7.	CIS exposures	–	–	–	–	–	–	–	–	–	–	–
8.	Cash items	1,124,078	–	367,979	–	–	–	–	–	–	–	1,492,057
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	–	–	–	–	–	12,239,876	–	–	–	–	12,239,876
11.	Residential mortgage loans	–	–	–	44,507,255	–	3,843	–	–	–	–	44,511,098
12.	Other exposures which are not past due exposures	–	–	–	–	–	–	14,449,579	–	–	–	14,449,579
13.	Past due exposures	371,294	–	–	–	–	–	92,255	436,966	–	–	900,515
14.	Significant exposures to commercial entities	–	–	–	–	–	–	–	–	–	–	–
15.	**Total**	34,168,340	–	60,647,371	44,507,255	115,562,757	12,243,719	161,368,203	2,455,587	–	–	430,953,232

Compared with Jun 2024, the Bank's post-CCF and post-CRM total credit risk exposure decreased by 0.80% to HK$430,953 million. This was mainly attributed to higher exposures to sovereign and lower exposures to banks.

Counterparty credit risk

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

The objective of our counterparty credit risk management is to establish and implement management practices that align with the group's strategic goals and risk appetite, aiming to address counterparty credit risks encountered in our operations effectively. The Bank has formulated policies covering identification, measurement, control and monitoring of counterparty credit risk, acceptable criteria of collaterals and haircut ratios. The Bank has also defined the counterparty risk management framework, authority and responsibilities for monitoring compliance with respective policies, procedures and limits. Credit limits for individual counterparties are approved and managed according to the Bank's credit underwriting procedure, with reference to credit risk management principles and requirements of the Bank to manage the maximum risk exposure of each counterparty. The respective credit underwriting procedure is the same as the procedure adopted for approving loans, taking into account a number of factors including the credit quality of the counterparty and guarantors, as well as other forms credit risk mitigation. An overall counterparty credit risk exposure limit has also been set and included in the Bank's Risk Appetite Statement for risk management purpose. For derivative financial instruments, the Master Agreement published by the International Swaps and Derivatives Association, Inc. ("ISDA Master Agreement") is used as contractual document for derivatives activities of the Bank. It provides the contractual framework for conducting over-the-counter ("OTC") transactions and sets out close-out netting provisions upon termination following the occurrence of an event of default or a termination event. In addition, if deemed necessary, Credit Support Annex ("CSA") will be included to form part of the Schedule to the ISDA Master Agreement. Under a CSA, collateral is passed from one counterparty to another, as appropriate, to mitigate the exposures. With reference to terms and conditions of the current ISDA Master Agreement and CSAs signed with counterparties, additional obligations on collateral due to downgrade of the Bank's credit rating is considered minimal.

When analyzing counterparty credit risk, specific wrong way risks should be considered, and the associated additional risks shall be carefully analyzed, with reference to corresponding credit underwriting and monitoring procedure. For general wrong way risk arising from macro-economic factors that affect counterparties, the Bank identifies, assess and analyzes the potential impacts on the Bank's credit risk exposure through internal risk management process, and develop appropriate monitoring strategies and measures accordingly.

Counterparty credit risk (Continued)

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

		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
		HK$'000	HK$'000	HK$'000		HK$'000	HK$'000
1.	SA-CCR approach (for derivative contracts)	6,843,564	3,100,580		1.4	13,921,802	7,080,175
1a.	CEM (for derivative contracts)	–	–		1.4	–	–
2.	IMM(CCR) approach			–	–	–	–
3.	Simple approach (for SFTs)					14,910,825	188,825
4.	Comprehensive approach (for SFTs)					–	–
5.	VaR (for SFTs)					–	–
6.	**Total**						7,269,000

There was an 16.7% decrease in counterparty credit risk RWA on default risk exposures compared to Jun 2024. The main contributor is originated from the decrease in default risk exposure of derivative contracts in SA-CCR approach, a 18.3% decrease from HK$17,036 million to HK$13,922 million.

CCR2: CVA capital charge

		EAD post CRM	RWA
		HK$'000	HK$'000
	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	16,459,939	4,697,425
4.	Total	16,459,939	4,697,425

There is a 21.0% decrease CVA RWA for counterparty credit risk compared to Jun 2024. The main contributor is originated from decrease in derivatives EAD.

Counterparty credit risk (Continued)

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

	Exposure classes \ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1.	Sovereign exposures	2,872	–	–	–	–	–	–	–	–	–	2,872
2.	PSE exposures	–	–	–	–	–	–	–	–	–	–	–
2a.	Of which: domestic PSEs	–	–	–	–	–	–	–	–	–	–	–
2b.	Of which: foreign PSEs	–	–	–	–	–	–	–	–	–	–	–
3.	Multilateral development bank exposures	–	–	–	–	–	–	–	–	–	–	–
4.	Bank exposures	–	–	1,069,674	–	12,568,266	–	–	–	–	–	13,637,940
5.	Securities firm exposures	–	–	–	–	–	–	–	–	–	–	–
6.	Corporate exposures	–	–	–	–	–	–	99,134	–	–	–	99,134
7.	CIS exposures	–	–	–	–	–	–	–	–	–	–	–
8.	Regulatory retail exposures	–	–	–	–	–	688,682	–	–	–	–	688,682
9.	Residential mortgage loans	–	–	–	–	–	–	–	–	–	–	–
10.	Other exposures which are not past due exposures	–	–	–	–	–	–	155,288	–	–	–	155,288
11.	Significant exposures to commercial entities	–	–	–	–	–	–	–	–	–	–	–
12.	**Total**	2,872	–	1,069,674	–	12,568,266	688,682	254,422	–	–	–	14,583,916

Compared to 2024 Q2, the main component of the 16.6% decrease in the total counterparty default risk exposure was bank exposures, decreasing 17.6% from HK$16,543 million to HK$13,638 million.

Counterparty credit risk (Continued)

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

	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$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cash – domestic currency	56,549	–	–	–	250,000	–
Cash – other currencies	991,807	258,942	1,706,753	240,463	14,005,204	–
Domestic sovereign debt	–	–	–	–	–	252,872
Other sovereign debt	–	–	4,092	–	–	–
Government agency debt	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	14,657,953
Equity securities	–	–	–	–	–	–
Other collateral	–	–	–	–	–	–
Total	1,048,356	258,942	1,710,845	240,463	14,255,204	14,910,825

The collateral posted and received resulted from transaction with CCP, counterparties via CSA and repo transaction.

CCR6: Credit-related derivatives contracts

	Protection bought	Protection sold
	HK$'000	HK$'000
Notional amounts		
Single-name credit default swaps	–	–
Index credit default swaps	–	–
Total return swaps	–	–
Credit-related options	–	–
Other credit-related derivative contracts	–	–
Total notional amounts	–	–
Fair values		
Positive fair value (asset)	–	–
Negative fair value (liability)	–	–

Counterparty credit risk (Continued)

CCR8: Exposures to CCPs

		Exposure after CRM	RWA
		HK$'000	HK$'000
1.	**Exposures of the AI as clearing member or clearing client to qualifying CCPs (total)**		50,763
2.	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	2,538,137	50,763
3.	(i) OTC derivative transactions	2,538,137	50,763
4.	(ii) Exchange-traded derivative contracts	–	–
5.	(iii) Securities financing transactions	–	–
6.	(iv) Netting sets subject to valid cross-product netting agreements	–	–
7.	Segregated initial margin	1,558,211	
8.	Unsegregated initial margin	–	–
9.	Funded default fund contributions	–	–
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	–	–

There is a decrease of 3.28% of RWA to qualifying CCPs compared to Jun 2024, mainly due to a decrease of exposure on OTC derivative transactions from HK$2,624 million to HK$2,538 million. The collateral posted and received resulted from derivatives transaction via CCP.

Securitization exposures

SECA: Qualitative disclosures related to securitization exposures

There were no securitisation exposures as at 31 Dec 2024.

Securitization exposures (Continued)

SEC1: Securitization exposures in banking book

		Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1.	Retail (total) – of which:	–	–	–	–	–	–	–	–	–
2.	residential mortgage	–	–	–	–	–	–	–	–	–
3.	credit card	–	–	–	–	–	–	–	–	–
4.	other retail exposures	–	–	–	–	–	–	–	–	–
5.	re-securitization exposures	–	–	–	–	–	–	–	–	–
6.	Wholesale (total) – of which:	–	–	–	–	–	–	–	–	–
7.	loans to corporates	–	–	–	–	–	–	–	–	–
8.	commercial mortgage	–	–	–	–	–	–	–	–	–
9.	lease and receivables	–	–	–	–	–	–	–	–	–
10.	other wholesale	–	–	–	–	–	–	–	–	–
11.	re-securitization exposures	–	–	–	–	–	–	–	–	–

Securitization exposures (Continued)

SEC2: Securitization exposures in trading book

		Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1.	Retail (total) – of which:	–	–	–	–	–	–	–	–	–
2.	residential mortgage	–	–	–	–	–	–	–	–	–
3.	credit card	–	–	–	–	–	–	–	–	–
4.	other retail exposures	–	–	–	–	–	–	–	–	–
5.	re-securitization exposures	–	–	–	–	–	–	–	–	–
6.	Wholesale (total) – of which:	–	–	–	–	–	–	–	–	–
7.	loans to corporates	–	–	–	–	–	–	–	–	–
8.	commercial mortgage	–	–	–	–	–	–	–	–	–
9.	lease and receivables	–	–	–	–	–	–	–	–	–
10.	other wholesale	–	–	–	–	–	–	–	–	–
11.	re-securitization exposures	–	–	–	–	–	–	–	–	–

Securitization exposures (Continued)

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

		Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWAs (by regulatory approach)				Capital charges after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA
		HK$'000					HK$'000				HK$'000				HK$'000			
1.	**Total exposures**	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2.	Traditional securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3.	Of which securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4.	Of which retail	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5.	Of which wholesale	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6.	Of which re-securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
7.	Of which senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
8.	Of which non-senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9.	Synthetic securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10.	Of which securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
11.	Of which retail	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
12.	Of which wholesale	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
13.	Of which re-securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
14.	Of which senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
15.	Of which non-senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Securitization exposures (Continued)

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

		Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWAs (by regulatory approach)				Capital charges after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA
		HK$'000					HK$'000				HK$'000				HK$'000			
1.	**Total exposures**	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2.	Traditional securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3.	Of which securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4.	Of which retail	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5.	Of which wholesale	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6.	Of which re-securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
7.	Of which senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
8.	Of which non-senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9.	Synthetic securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10.	Of which securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
11.	Of which retail	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
12.	Of which wholesale	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
13.	Of which re-securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
14.	Of which senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
15.	Of which non-senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Market risk

MRA: Qualitative disclosures related to market risk

Market Risk

The Bank sets indicators and limits to identify, measure, monitor and control market risks. To hold market risk positions, any department must obtain market risk limits approval in advance.

Under guidance from the Board of Directors, the Bank has established and authorized the Risk Management Committee to manage market risks. The Board of Directors is responsible for approving market risk management regulations, and, in accordance with market risk management regulations, reviewing the Bank's market risk tolerance levels and limits, and monitoring management of market risks. The Risk Management Committee promptly reports to the Board of Directors about the current or potential major changes in any market risk affecting the Bank's financial position.

Market Risk Governance

Market risk management of the Bank is led by the Board of Directors and the Risk Management Committee. Their main task is to set a high level market risk limit, including value at risk (VaR), net open position, basis point value and the market risk management policy. They are also tasked with assigning the Comprehensive Risk Management and Internal Control Committee and the Risk Management Department to determine the suitability of market risk exposure and to further breakdown the risk limit for market risk bearing departments respectively.

Other than determining the suitability of market risk exposure, the Comprehensive Risk Management and Internal Control Committee is also in charge of checking the market risk regulations and regularly overseeing both the day to day and long term market risk management of the Bank.

As a function independent of business and operational areas, the Risk Management Department is in charge of breaking down the risk limit for market risk bearing departments, overseeing market risk management regularly, and responding and reporting to related business units, Chief Executive and the Board of Directors, when either market risk indicators are breached or market risk events occurred. Finally, Risk Management Department also needs to review and draft changes to the market risk management policy annually for the Comprehensive Risk Management and Internal Control Committee, Risk Management Committee and Board of Directors to approve.

Global Markets Department is currently the only department authorized with market risk limit, they should control market risk to be within a suitable range. Each financial trade should also be clearly classified into the trading book, investment book or banking book. Any reclassification of financial instruments would require the permission from Risk Management Department and Financial Management Department.

Internal Audit Department is in charge of regularly reviewing the Bank's market risk management procedures and policies to ensure the Bank's procedures and policies are reasonable, accurate and remain stable.

Value at Risk

Value at risk (VaR) refers to the maximum loss that an investment portfolio may incur at a given confidence level and holding period caused by the changes in market price factors such as interest rates and exchange rates etc. The Bank adopted the historical simulation method to calculate daily VaR (250 days historical market data, 99% confidence interval, the holding period of 1 day).

Market risk (Continued)

MR1: Market risk under STM approach

		RWA
		HK$'000
	Outright product exposures	
1.	Interest rate exposures (general and specific risk)	795,075
2.	Equity exposures (general and specific risk)	–
3.	Foreign exchange (including gold) exposures	211,625
4.	Commodity exposures	850
	Option exposures	
5.	Simplified approach	–
6.	Delta-plus approach	2,498,038
7.	Other approach	–
8.	Securitization exposures	–
9.	**Total**	3,505,588

Compared with Jun 2024, the market risk RWA decreased by 54%. The change was due to the decrease of HK$3,104 million in option exposures RWA.

Operational risk

Basic Indicator Approach
The Bank has adopted the basic indicator (operational risk) ("BIA") approach to calculate the operational risk capital charge, the formula for operational risk capital charge is shown below:

$$K_{BIA} = [\sum(GI_{1 \ldots n} \times \alpha)] / n$$

Where:

K_{BIA} = capital charge for operational risk calculated under the BIA approach;
GI = gross income, where positive, of the last 3 years;
α = 15%; and
n = number of the last 3 years for which gross income is positive.

Interest rate risk in banking book

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

Banking Book Interest Rate Risk Management
Interest rate risk in the banking book ("IRRBB") means the risk to the Bank's financial condition resulting from adverse movements in interest rates that affect the Bank's banking book positions. The interest rate risk exposure in the banking book arises from its normal course of banking activities, such as lending, deposit taking, securities investment and debt issuance. The governing objective in interest rate risk management is to control potential significant loss as a result of interest rate changes within risk appetite.

The Bank is exposed to two major sources of IRRBB, namely, gap risk and basis risk.

Interest rate risk in banking book (Continued)

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

Banking Book Interest Rate Risk Management (Continued)
Gap risk arises from the changes in interest rates on assets, liabilities or off-balance sheet items of different maturities. The extent of gap risk depends on whether changes to the term structure of interest rates occur consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk).

Basis risk arises from imperfect correlation between changes in the rates earned and paid on different instruments with otherwise similar repricing characteristics. For example, loan assets are being tied to the prime rate, and deposit liabilities tied to the HIBOR. Basis risk primarily occurs in the Bank's Hong Kong dollar books.

The Bank has a robust banking book interest rate risk management framework in accordance with the "The Policy of Interest Rate Risk Management in Banking Book", which is approved by the Board. Risk Management Committee is responsible for overseeing and reviewing the Bank's risk management strategies including IRRBB. ALCO exercises its oversight of IRRBB. Financial Management Department assists ALCO to perform day-to-day monitoring on IRRBB. Global Markets Department is responsible for managing and hedging the IRRBB within the limits approved by the Board and related Committees. The Bank hedges the IRRBB, mainly, through interest rate swap and cross currency swap.

The Bank sets out interest rate risk limits, which are approved by the Board for implementation. The limits include, but not limited to, net interest income sensitivity ratio ("NII") and economic value sensitivity ratio ("EVE").

Sensitivity analysis in relation to the impact of changes in interest rate on earnings and economic value is assessed through a prescribed interest rate shock scenarios by the HKMA's Supervisory Policy Manual IR-1 on the Bank's actual repricing profile on assets, liabilities and off-balance sheet items on a routine basis. Apart from daily risk monitoring, the Bank has established a monthly stress testing to assess potential erosion of earnings and economic value that the Bank may incur from gap risk, basis risk and option risk. The outcome analyses are reported to Senior Management and related Committees on a regular basis.

Sensitivity Analysis on IRRBB
The Bank adopts sensitivity analysis to measure the impact of interest rate changes on earnings and economic value.

Sensitivity analysis, which is based on a static interest rate risk profile of assets and liabilities, is used for risk management purposes only. They are based on several assumptions, including but not limited to, run to maturity positions, etc.

The Bank adopts excluding spread components approach in calculating the coupon cash flow for IRRBB monitoring. For products with optionality, including retail fixed rate loans with early prepayment risk and retail term deposits with early redemption risk, the Bank developed customer behavioral models based on historical statistics. Besides, the Bank slots the non-maturity deposits into the appropriate time bands according to the earliest date on which their interest rates can be adjusted, i.e. next day. The Bank regularly reviews and updates the assumptions and parameters setting, and conducts independent model validation regularly.

Interest rate risk in banking book (Continued)

IRRBB1: Quantitative information on interest rate risk in banking book

	Equivalent in millions of HK$	ΔEVE		ΔNII	
	Period	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
1.	Parallel up	2,012	553	(648)	(921)
2.	Parallel down	–	–	648	921
3.	Steepener	1,042	684		
4.	Flattener	446	160		
5.	Short rate up	694	284		
6.	Short rate down	163	482		
7.	**Maximum**	2,012	684	648	921
	Period	31 Dec 2024		31 Dec 2023	
8.	**Tier 1 capital**	59,049		52,666	

Explanatory Note

(1) Positive values indicate losses under the prescribed interest rate shock scenarios.

Remuneration

REMA: Remuneration policy

In accordance with the disclosure requirement of Banking (Disclosure) Rules and the Supervisory Policy Manual "CG-5 Guideline on a Sound Remuneration System" issued by the HKMA, the following disclosures are made:

Governance Structure of the Remuneration System

The Bank has established the Remuneration Committee. The Remuneration Committee shall be chaired by an Independent Non-executive Director, and the majority of members shall be Independent Non-executive Directors. It is mainly responsible for making recommendations to the Board on the remuneration packages for the Directors, Chief Executive, Senior Management and Key Personnel; making recommendations to the Board on the remuneration policies and the implementation of such policies; and reviewing the policies regularly. The Remuneration Committee has held meetings during the year, discussed and reviewed remuneration policies of the Bank.

"Senior Management" refers to the senior executives who are responsible for oversight of the Bank's firm-wide strategy or activities or those of the Bank's material business lines. "Key Personnel" refers to the individual staff whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposures on behalf of the Bank. In 2024, the Bank has engaged an external consultant to undertake an independent review and sought advice of the Bank's remuneration policy and its implementation.

Remuneration Policy

The remuneration policy is applicable to all staff employed by the Bank. The remuneration policy supports the Bank's overall approach to risk management so as to ensure it is not undermined and to encourage staff to support the Bank's overall risk management, including but not limited to credit risk, market risk, interest rate risk, liquidity risk, operational risk, reputation risk, legal and compliance risk, strategic risk and consistent with the Bank's climate risk management strategy.

Remuneration (Continued)

REMA: Remuneration policy (Continued)

Remuneration Policy (Continued)
Staff remuneration is composed of "fixed remuneration" and "variable remuneration". Both are paid by cash. The proportion of fixed and variable remuneration is determined by the factors such as staff seniority, job responsibilities and the need to encourage staff to support the Bank's overall risk management, corporate values and long-term financial soundness. Generally, the proportion of variable remuneration would be expected to increase in line with the staff seniority and responsibility. For risk control personnel, their remuneration is determined independent of the performance of the business units they oversee.

Variable remuneration is discretionary and should be granted subject to the budget which is determined based on the factors including (1) the cost and quantity of capital required to support the risks taken; (2) the cost and quantity of the liquidity risk assumed in the conduct of business; and (3) the timing and likelihood of potential future revenues incorporated into current earnings, together with the Bank's overall performance assessment by Head Office, the Bank's profit of the year, asset and liability, future development, etc.

The award of variable remuneration to the staff is determined by individual fulfilment of both financial and non-financial factors (including but not limited to the adherence to the risk management policies, compliance with legal, regulatory and ethical standards, bank culture, etc.). Under such arrangement, staff performance shall be assessed comprehensively and appropriately reflected in their variable remuneration after taken into account of other factors such as the Bank's financial performance and future development.

The Bank has established relevant guidelines, stipulating the consequences of staff misconduct (e.g. cases in which a staff / staff's supervisor is accountable for misconduct that leads to significant losses for the Bank, or cases in which there is fraud or a serious breach of internal rules) on remuneration (including adjustment to the amount of variable remuneration, reduction of unvested variable remuneration or clawback of variable remuneration paid in the past or which has already vested to the staff, etc). Under such circumstances, the application of the variable remuneration adjustment should be proportionate with the misconduct outcome.

To improve and enhance the remuneration system and to strike a balance between staff current earnings and the delayed risk that might bring to the Bank as well as to support the Bank's stability and sustainable development, the Bank has implemented a deferral mechanism on variable remuneration (such as performance bonus) with a vesting period of three years. Generally, the proportion of variable remuneration made subject to deferment would be expected to increase in line with staff seniority, responsibility, risk taken, amount of variable remuneration, etc. Apart from considering the Bank's business performance, if a staff is found to have committed significant operational incidents, non-compliance, identified accountability incidents or other serious incidents, the Bank may recalculate the variable remuneration and / or adjust the deferred variable remuneration of the staff. The Bank has established relevant policies that in case the staff committed the above incidents or events, the Bank should be able to apply clawback of variable remuneration paid in the past or which has already vested to the staff.

The Bank conducts regular internal monitoring to ensure compliance in the implementation of its remuneration policy. Such monitoring is conducted by relevant independent departments responsible for compliance monitoring in accordance with the Bank's organization structure. The remuneration policy is subject to review periodically and when necessary.

In 2024, the Remuneration Committee has reviewed and enhanced the remuneration policy. Major changes included enhancing the deferral mechanism on variable remuneration, further elaboration on the vesting conditions of deferral remuneration, etc, with a view to aligning remuneration with prudent risk-taking.

Remuneration (Continued)

REM1: Remuneration awarded during financial year

Remuneration amount and quantitative information Note 1 – 3			31 Dec 2024
Fixed remuneration	Number of employees	No. of Senior Management:	9
		No. of Key Personnel:	3
			HK$'000
	Total fixed remuneration		15,624
	Of which: cash-based		15,624
	Of which: deferred		–
	Of which: shares or other share-linked instruments		–
	Of which: deferred		–
	Of which: other forms		–
	Of which: deferred		–
Variable remuneration	Number of employees	No. of Senior Management:	9
		No. of Key Personnel:	3
			HK$'000
	Total variable remuneration		5,517
	Of which: cash-based		5,517
	Of which: deferred		1,969
	Of which: shares or other share-linked instruments		–
	Of which: deferred		–
	Of which: other forms		–
	Of which: deferred		–
Total remuneration			21,141

Note:

1. Given the sensitive nature of related information, aggregate figures instead of separate figures will be disclosed in this part.
2. The remuneration of some Senior Management and Key Personnel were paid by Bank of Communications Co., Ltd. Hong Kong Branch and disclosed in its Disclosure of Remuneration Policy.
3. Included staff newly joined or left the Bank during the financial year.

Remuneration (Continued)

REM2: Special payments

Special payments	31 Dec 2024					
	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of employees	Total amount HK$'000	Number of employees	Total amount HK$'000	Number of employees	Total amount HK$'000
Senior Management & Key Personnel	–	–	–	–	–	–

REM3: Deferred remuneration

Deferred and retained remuneration	31 Dec 2024				
	Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and / or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Senior Management & Key Personnel					
Cash	3,690	3,690	–	–	1,251
Shares	–	–	–	–	–
Cash-linked instruments	–	–	–	–	–
Other	–	–	–	–	–
Total	3,690	3,690	–	–	1,251

Additional balance sheet information

1. International claims

The information on international claims are prepared in according to the location and types of the counterparties as defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA's Return of International Banking Statistics. The HKMA has revised the Return of International Banking Statistics and the new return template ("MA(BS)29") has replaced the existing template ("MA(BS)21") starting from the position of end-December 2024. Figures for the reporting period ended 31 December 2024 were computed with reference to the completion instruction for MA(BS)29. International claims are on-balance sheet exposures to counterparties based on the location of the counterparties after taking into account the transfer of risk, and represent the sum of cross-border claims in all currencies and local claims in foreign currencies. Geographical segments, constituting 10% or more of the Bank's total international claims after taking into account any recognized risk transfer, are disclosed below.

Equivalent in millions of HK$	Bank	Official sector	Non-bank financial institutions	Non-financial private sector	Total
As at 31 Dec 2024					
Developing Asia-Pacific	33,435	5,660	2,813	38,897	80,805
of which attributed to Mainland China	28,761	3,732	2,813	34,736	70,042
Developed economies	35,019	4,240	4,358	12,668	56,285
Offshore centres	1,810	5,754	22,625	47,999	78,188
of which attributed to Hong Kong	498	5,754	21,170	46,073	73,495
Developing Africa and Middle East	6,398	11,881	1,280	7,892	27,451

2. Impaired loans and advances to customers by geographical areas

	Gross amount of loans to customers HK$'000	Gross amount of trade bills HK$'000	Total amount of loans and advances to customers HK$'000	Identified Impaired loans and advances to customers HK$'000	% of total loans and advances to customers	Stage 1 & 2 provision for ECL HK$'000	Stage 3 provision for ECL HK$'000
As at 31 Dec 2024							
Hong Kong	172,871,205	4,108	172,875,313	6,580,181	3.32	755,708	4,421,900
Mainland China	15,379,609	207,353	15,586,962	–	–	59,951	–
Others	9,528,952	6,206	9,535,158	–	–	36,124	–
	197,779,766	217,667	197,997,433	6,580,181	3.32	851,783	4,421,900

The gross amount of loans and advances to customers by geographical segment is classified in accordance with the location of the counterparties after taking into account the transfer of risk. In general, a transfer of risk arises if the loans or advances of a customer are guaranteed by a party in a country which is different from that of the customer. Geographical segment, constituting 10% or more of the Bank's total amount of loans and advances to customers after taking into account any recognized risk transfer, are disclosed above.

Additional balance sheet information (Continued)

3. The risk concentration analysis for loans and advances to customers by industry sectors (gross)

	31 Dec 2024 HK$'000	% of total secured loans and advances
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
– Property development	22,547,131	30.83
– Property investment	15,568,096	68.70
– Financial concerns	23,316,238	4.55
– Stockbrokers	–	–
– Wholesale and retail trade	4,504,214	58.05
– Manufacturing	11,402,340	23.09
– Transport and transport equipment	10,020,722	42.97
– Recreational activities	2,251	50.96
– Information technology	1,241,261	2.64
– Others	20,398,448	30.84
Individuals		
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchases Scheme	88,620	100.00
– Loans for the purchase of other residential properties	44,328,539	99.99
– Credit card advances	128,160	–
– Others	15,244,476	91.38
Sub-total	168,790,496	55.06
Trade finance	627,896	56.72
Loans and advances for use outside Hong Kong	28,361,374	14.88
Total	197,779,766	49.30

Additional balance sheet information (Continued)

3. The risk concentration analysis for loans and advances to customers by industry sectors (gross) (Continued)

Gross loans, impaired loans, overdue loans, provision for Expected Credit Loss ("ECL") in respect of industry sectors which constitute not less than 10% of total amount of loans and advances to customers are analysed as follows:

	Gross amount of loans to customers HK$'000	Impaired loans HK$'000	Overdue loans HK$'000	Stage 1 & 2 provision for ECL HK$'000	Stage 3 provision for ECL HK$'000	New impairment allowances HK$'000	Impaired loans written off during the year HK$'000
As at 31 Dec 2024							
Loans and advances for use in Hong Kong							
– Industrial, commercial and financial	109,000,701	6,268,438	4,749,476	505,786	4,334,614	684,055	470,191
– Individuals	59,789,795	194,448	116,930	233,049	19,788	100,810	25,558
Trade finance	627,896	97,121	97,121	2,383	63,101	12,609	–
Loans and advances for use outside Hong Kong	28,361,374	16,066	16,062	109,446	289	63,346	387,680
	197,779,766	6,576,073	4,979,589	850,664	4,417,792	860,820	883,429

4. Gross amount of overdue loans and advances to customers

	31 Dec 2024 HK$'000	% of total loans and advances to customers
Gross loans and advances to customers which have been overdue for periods of:		
More than 3 months but not more than 6 months	254,613	0.13
More than 6 months but not more than 1 year	614,257	0.31
More than 1 year	4,110,719	2.08
	4,979,589	2.52
Gross trade bills to customers which have been overdue for periods of:		
More than 3 months but not more than 6 months	–	–
More than 6 months but not more than 1 year	–	–
More than 1 year	4,108	0.01
	4,108	0.01
Total gross amount of overdue loans and advances to customers	4,983,697	2.53

Additional balance sheet information (Continued)

5. Overdue loans and advances to customers by geographical areas

	Overdue loans and advances to customers HK$'000	Stage 3 provision for ECL HK$'000
As at 31 Dec 2024		
Hong Kong	4,983,697	4,199,613
	4,983,697	4,199,613
Of which:		
Market value of collateral held against the secured of overdue loans and advances	415,979	
Secured of overdue loans and advances	401,123	
Unsecuredportion of overdue loans and advances	4,582,574	

Collateral held with respect to overdue loans and advances to customers is mainly properties.

6. Overdue and rescheduled loans and advances to customers

	31 Dec 2024 HK$'000
Total rescheduled loans and advances to customers	100,697
Excluding: rescheduled loans and advances to customers overdue above 3 months	97,410
Net amounts of rescheduled loans and advances to customers	3,287
Percentage of net amounts of rescheduled loans and advances to customers in total loans (%)	0.05

7. Overdue assets

There were no other overdue assets as at 31 Dec 2024.

8. Repossessed assets

There were no repossessed assets held as at 31 Dec 2024.

Additional balance sheet information (Continued)

9. Non-bank Mainland exposures

The analysis of non-bank Mainland exposures is based on the categories of non-bank counterparties and the type of direct exposures defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA's Return of Mainland Activities.

	On-balance sheet exposures HK$'000	Off-balance sheet exposures HK$'000	Total exposures HK$'000
As at 31 Dec 2024			
1. Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	51,549,504	196,816	51,746,320
2. Local governments, local government-owned entities and their subsidiaries and JVs	10,933,140	174,618	11,107,758
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	34,395,777	1,788,672	36,184,449
4. Other entities of central government not reported in item 1 above	–	–	–
5. Other entities of local governments not reported in item 2 above	203,122	–	203,122
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	769,835	–	769,835
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	–	–	–
Total	97,851,378	2,160,106	100,011,484
Total assets after provisions	433,630,353		
On-balance sheet exposures as percentage of total assets	22.57%		

Additional balance sheet information (Continued)

10. Foreign currency exposures

The information concerning the foreign currency exposures of the Bank arising from trading and non-trading positions are disclosed below:

Equivalent in millions of HK$	USD	Total
As at 31 Dec 2024		
Spot assets	192,321	192,321
Spot liabilities	(136,237)	(136,237)
Forward purchases	63,093	63,093
Forward sales	(124,237)	(124,237)
Net options position*	288	288
Net long (short) position	(4,772)	(4,772)
Net structural position	–	–

* Net options position is calculated based on the basis of the delta-weighted position of the options contracts.

Except for the above foreign currencies, we do not disclose other foreign currency exposures arising from trading and non-trading positions, which constitutes less than 10% of the total net position in all foreign currencies as above. There is no net structural position in any foreign currencies.

11. Off-balance sheet exposures (other than derivative transactions)

The off-balance sheet exposures are based on nominal contract amounts and risk-weighted amounts of contingent liabilities and commitments defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA's Return of Capital Adequacy Ratio.

	31 Dec 2024 HK$'000
Contract amounts	
Direct credit substitutes	95,236
Trade-related contingencies	1,006,306
Commitments that are unconditionally cancellable without prior notice	14,959,919
Commitments which have an original maturity of not more than 1 year	1,313,689
Commitments which have an original maturity of more than 1 year	13,474,415
Total	30,849,565
Risk-weighted amount	6,346,071