



ZA Bank Limited

Regulatory Disclosure Statement
For the quarter ended
30 September 2020

ZA Bank Limited Regulatory Disclosure Statement

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Introduction

Purpose

The information contained in this document is for ZA Bank Limited ("the Bank"), and prepared in accordance with the Banking (Disclosure) Rules ("BDR") and disclosure templates issued by the Hong Kong Monetary Authority ("HKMA").

This regulatory disclosure statement is governed by the Bank's disclosure policy, which has been approved by the Board of Directors. The disclosure policy sets out the governance, control and assurance requirements for publication of the document. While the regulatory disclosure statement is not required to be externally audited, the document has been subject to independent review in accordance with the Bank's disclosure policy.

The numbers in this document are expressed in thousands of Hong Kong Dollars, unless otherwise stated.

Basis of preparation

The capital adequacy ratio ("CAR") was compiled in accordance with the Banking (Capital) Rules ("BCR") issued by the HKMA. In calculating the risk weighted assets ("RWA"), the Bank adopted the Standardized (Credit Risk) Approach and the Standardized (Market Risk) Approach for credit risk and market risk respectively. For operational risk, the capital requirement is calculated using the alternative approach communicated to HKMA pursuant to section 340 of the BCR.

Basis of consolidation

As at 30 September 2020, the Bank does not have any subsidiaries to consolidate the financial information in this Regulatory Disclosure Statement.

KM1 - Key prudential ratios

(HK\$ '000)		(a)	(b)	(c)	(d)	(e)
		30-Sep-20	30-Jun-20	31-Mar-20	31-Dec-19	30-Sep-19 ¹
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	1,087,417	1,172,664	1,256,327	1,298,769	-
2	Tier 1	1,087,417	1,172,664	1,256,327	1,298,769	-
3	Total capital	1,097,591	1,175,910	1,256,954	1,298,769	-
RWA (amount)						
4	Total RWA	3,415,156	2,135,868	883,734	524,132	-
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	31.8%	54.9%	142.2%	247.8%	-
6	Tier 1 ratio (%)	31.8%	54.9%	142.2%	247.8%	-
7	Total capital ratio (%)	32.1%	55.1%	142.2%	247.8%	-
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	2.5%	2.5%	2.5%	2.5%	-
9	Countercyclical capital buffer requirement (%)	1.0%	1.0%	1.0%	2.0%	-
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0.0%	0.0%	0.0%	0.0%	-
11	Total AI-specific CET1 buffer requirements (%)	3.5%	3.5%	3.5%	4.5%	-
12	CET1 available after meeting the AI's minimum capital requirements (%)	16.8%	39.9%	127.2%	232.8%	-
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	6,526,820	4,149,633	1,841,109	1,377,818	-
14	LR (%)	16.7%	28.3%	68.2%	94.3%	-
Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)						
Applicable to category 1 institution only:						
15	Total high quality liquid assets (HQLA)	N/A	N/A	N/A	N/A	N/A
16	Total net cash outflows	N/A	N/A	N/A	N/A	N/A
17	LCR (%)	N/A	N/A	N/A	N/A	N/A
Applicable to category 2 institution only:						
17a	LMR (%) ²	103.7%	158.1%	489.4%	271.5%	-
Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)						
Applicable to category 1 institution only:						
18	Total available stable funding	N/A	N/A	N/A	N/A	N/A
19	Total required stable funding	N/A	N/A	N/A	N/A	N/A
20	NSFR (%)	N/A	N/A	N/A	N/A	N/A
Applicable to category 2A institution only:						
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

The capital ratios and LMR remained above the minimum regulatory requirements.

The increase in bank exposures, loans and advances to customers and marketable debt securities held were the major drivers leading to the decrease in CET1, Tier 1, total capital and leverage ratio as of the quarter ended 30 September 2020. Combined with the increase in deposits from customers, the average LMR decreased during Q3 2020.

¹ There is no comparative information available prior to 31 December 2019.

² The LMR disclosed above represent the arithmetic mean of the average value of its LMR for each calendar month within the quarter.

OV1: Overview of RWA

The following table provides an overview of capital requirements in terms of a detailed breakdown of RWAs for various risks as at 30 September 2020 and 30 June 2020 respectively:

(HK\$ '000)		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30 September 2020	30 June 2020	30 September 2020
1	Credit risk for non-securitization exposures	3,132,006	1,853,005	250,560
2	Of which STC approach	3,132,006	1,853,005	250,560
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	Of which SA-CCR	-	-	-
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	-	-	-
10	CVA risk	-	-	-
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme (CIS) exposures - LTA	N/A	N/A	N/A
13	CIS exposures – MBA	N/A	N/A	N/A
14	CIS exposures – FBA	N/A	N/A	N/A
14a	CIS exposures – combination of approaches	N/A	N/A	N/A
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	400	113	32
21	Of which STM approach	400	113	32
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)	N/A	N/A	N/A
24	Operational risk	282,750	282,750	22,620
24a	Sovereign concentration risk	N/A	N/A	N/A
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	3,415,156	2,135,868	273,212

Increase in total RWA for credit risk for non-securitization exposures as of the quarter ended 30 September 2020 was mainly due to the increase in bank exposures, regulatory retail exposures and corporate exposures.

LR2: Leverage ratio (“LR”)

		(HK\$ '000)	
		30 September 2020	30 June 2020
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	6,556,581	4,165,271
2	Less: Asset amounts deducted in determining Tier 1 capital	(19,587)	(12,392)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	6,536,994	4,152,879
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)	-	-
5	Add-on amounts for PFE associated with all derivative contracts	-	-
6	Gross-up for derivatives collateral provided 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	-	-
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	-	-
11	Total exposures arising from derivative contracts	-	-
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	-	-
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	-	-
18	Less: Adjustments for conversion to credit equivalent amounts	-	-
19	Off-balance sheet items	-	-
Capital and total exposures			
20	Tier 1 capital	1,087,417	1,172,664
20a	Total exposures before adjustments for specific and collective provisions	6,536,994	4,152,879
20b	Adjustments for specific and collective provisions	(10,174)	(3,246)
21	Total exposures after adjustments for specific and collective provisions	6,526,820	4,149,633
Leverage ratio			
22	Leverage ratio	16.7%	28.3%

Decrease in leverage ratio as of the quarter ended 30 September 2020 was mainly due to the increase in total on-balance sheet exposures which was mainly driven by the increase in bank exposures, loans and advances to customers and marketable debt securities held.

Glossary

<u>Abbreviations</u>	<u>Descriptions</u>
AI	Authorized Institution
BCR	Banking (Capital) Rules
BDR	Banking (Disclosure) Rules
BSC	Basic Approach
CAR	Capital Adequacy Ratio
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CEM	Current Exposure Method
CET1	Common Equity Tier 1
CFR	Core Funding Ratio
CIS	Collective Investment Scheme
CVA	Credit Valuation Adjustment
D-SIB	Domestic Systemically Important Banks
FBA	Fall-back Approach
G-SIB	Global Systemically Important Banks
HKMA	Hong Kong Monetary Authority
HQLA	High Quality Liquid Assets
IAA	Internal Assessment Approach
IMM	Internal Models Method
IRB	Internal Ratings-Based
LCR	Liquidity Coverage Ratio
LMR	Liquidity Maintenance Ratio
LR	Leverage Ratio
LTA	Look-through Approach
MBA	Mandate-based Approach
NSFR	Net Stable Funding Ratio
PFE	Potential Future Exposure
RW	Risk Weight
RWA	Risk Weighted Asset
SA-CCR	Standardized Approach (Counterparty Credit Risk)
SEC-ERBA	Securitization External Ratings-Based Approach
SEC-FBA	Securitization Fall-back Approach
SEC-IRBA	Securitization Internal Ratings-Based Approach
SEC-SA	Securitization Standardized Approach
SFT	Securities Financing Transaction
STC	Standardized (Credit Risk)
STM	Standardized (Market Risk)