

ZA Bank Limited

Regulatory Disclosure Statement
For the quarter ended
30 September 2023

ZA Bank Limited Regulatory Disclosure Statement

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ZA Bank Limited

Regulatory Disclosure Statement

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 basic indicator approach.

Basis of consolidation

As at 30 September 2023, 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-23	30-Jun-23	31-Mar-23	31-Dec-22	30-Sep-22
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	1,945,780	2,008,526	2,116,422	2,113,732	2,214,724
2	Tier 1	1,945,780	2,008,526	2,116,422	2,113,732	2,214,724
3	Total capital	1,995,605	2,057,874	2,158,851	2,155,675	2,264,911
Total RWA						
4	Total RWA	8,545,820	8,817,596	8,997,843	8,526,667	8,375,878
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	22.8%	22.8%	23.5%	24.8%	26.4%
6	Tier 1 ratio (%)	22.8%	22.8%	23.5%	24.8%	26.4%
7	Total capital ratio (%)	23.4%	23.3%	24.0%	25.3%	27.0%
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical capital buffer requirement (%)	0.7%	0.7%	0.7%	0.7%	0.7%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0.0%	0.0%	0.0%	0.0%	0.0%
11	Total AI-specific CET1 buffer requirements (%)	3.2%	3.2%	3.2%	3.2%	3.2%
12	CET1 available after meeting the AI's minimum capital requirements (%)	15.4%	15.3%	16.0%	17.3%	19.0%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	13,594,603	13,028,614	12,466,984	11,601,539	10,637,846
14	LR (%)	14.3%	15.4%	17.0%	18.2%	20.8%
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 (%) ¹	84.7%	78.3%	86.3%	76.9%	74.7%
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.

¹ The LMR disclosed above represent the arithmetic mean of the average value of its LMR for each calendar month within the quarter.

Regulatory Disclosure Statement

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 2023 and 30 June 2023 respectively:

(HK\$ '000)		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30-Sep-23	30-Jun-23	30-Sep-23
1	Credit risk for non-securitization exposures	8,110,682	8,432,446	648,855
2	Of which STC approach	8,110,682	8,432,446	648,855
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 approach	-	-	-
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	2,000	1,425	160
21	Of which STM approach	2,000	1,425	160
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	433,138	383,725	34,651
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	8,545,820	8,817,596	683,666

Increase in RWA for market risk under STM approach as of the quarter ended 30 September 2023 was mainly due to the increase in foreign exchange exposure.

LR2: Leverage ratio (“LR”)

		(HK\$ '000)	
		30-Sep-23	30-Jun-23
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	13,648,338	13,090,233
2	Less: Asset amounts deducted in determining Tier 1 capital	(36,081)	(42,308)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	13,612,257	13,047,925
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-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	-	-
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	462,715	423,083
18	Less: Adjustments for conversion to credit equivalent amounts	(416,443)	(380,775)
19	Off-balance sheet items	46,272	42,308
Capital and total exposures			
20	Tier 1 capital	1,945,780	2,008,526
20a	Total exposures before adjustments for specific and collective provisions	13,658,529	13,090,233
20b	Adjustments for specific and collective provisions	(63,926)	(61,619)
21	Total exposures after adjustments for specific and collective provisions	13,594,603	13,028,614
Leverage ratio			
22	Leverage ratio	14.3%	15.4%

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)