



# AIRSTAR BANK LIMITED

REGULATORY DISCLOSURE STATEMENT

30 June 2020

(Unaudited)

**AIRSTAR BANK LIMITED**  
**REGULATORY DISCLOSURE STATEMENT (Unaudited)**

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**1. INTRODUCTION**

**Purpose**

The information contained in this document is for Airstar Bank Limited ("the Bank") and should be read in conjunction with the Bank's Interim Financial Disclosure Statements as of 30 June 2020. The Bank's Financial Disclosure Statements and the Regulatory Disclosure Statement, taken together, comply with the Banking (Disclosure) Rules ("BDR") made under section 60A of the Banking Ordinance and the disclosure templates issued by the Hong Kong Monetary Authority ("HKMA").

These banking disclosures are governed by the Bank's disclosure policy, which has been approved by the Board. 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 policies.

The Regulatory Disclosure Statement includes the majority of the information required under the BDR. The remainder of the disclosure requirements are covered in the Financial Disclosure Statement which can be found in the Financial Reports section of our website, [www.airstarbank.com](http://www.airstarbank.com).

**Basis of preparation**

The approaches used in calculating the Bank's regulatory capital and risk-weighted assets ("RWA") are in accordance with the Banking (Capital) Rules ("BCR"). The Bank uses the standardized (credit risk) approach to calculate its credit risk for its non-securitization exposures. For counterparty credit risk, the Bank uses the current exposure method to calculate its default risk exposures. For market risk, the Bank uses the standardized (market risk) approach to calculate its market risk. For operation risk, the Bank uses the basic indicator approach to calculate its operational risk.

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.airstarbank.com](http://www.airstarbank.com).

**Basis of consolidation**

The Bank does not have any subsidiaries to consolidate the financial information in this Regulatory Disclosure Statement.

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**2. TEMPLATE KM1: KEY PRUDENTIAL RATIOS**

		As at 30 June 2020	As at 31 March 2020
		HK\$'000	HK\$'000
<b>Regulatory capital (amount)</b>			
1	Common Equity Tier 1 (CET1)	1,287,557	1,335,071
2	Tier 1	1,287,557	1,335,071
3	Total capital	1,287,875	1,335,071
<b>RWA (amount)</b>			
4	Total RWA	840,401	906,021
<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>			
5	CET1 ratio (%)	153.21%	147.36%
6	Tier 1 ratio (%)	153.21%	147.36%
7	Total capital ratio (%)	153.25%	147.36%
<b>Additional CET1 buffer requirements (as a percentage of RWA)</b>			
8	Capital conservation buffer requirement (%)	2.50%	2.50%
9	Countercyclical capital buffer requirement (%)	1.00%	1.00%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	N/A	N/A
11	Total AI-specific CET1 buffer requirements (%)	3.50%	3.50%
12	CET1 available after meeting the AI's minimum capital requirements (%)	141.21%	135.36%
<b>Basel III leverage ratio</b>			
13	Total leverage ratio (LR) exposures measure	1,788,581	1,589,305
14	LR (%)	71.99%	84.00%
<b>Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)</b>			
Applicable to category 1 institution only:			
15	Total high quality liquid assets (HQLA)	N/A	N/A
16	Total net cash outflows	N/A	N/A
17	LCR (%)	N/A	N/A
<b>Applicable to category 2 institution only:</b>			
17a	LMR (%)	1,454.70%	363.03%
<b>Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)</b>			
Applicable to category 1 institution only:			
18	Total available stable funding	N/A	N/A
19	Total required stable funding	N/A	N/A
20	NSFR (%)	N/A	N/A
Applicable to category 2A institution only:			
20a	CFR (%)	N/A	N/A

The increase in marketable debt securities held was the major driver leading to the changes in CET1 ratio, Tier 1 ratio, total capital ratio and leverage ratio as of the quarter ended 30 June 2020 as well as the increase in average LMR during Q2 2020.

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**3. TEMPLATE OV1: OVERVIEW OF RISK-WEIGHTED ASSETS**

The following table sets out the Bank's RWA and the corresponding minimum capital requirements by risk types.

		RWA		Minimum capital requirements
		As at 30 June 2020	As at 31 March 2020	As at 30 June 2020
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitization exposures	658,575	636,671	52,686
2	Of which STC approach	658,575	636,671	52,686
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	-	-	-
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	1,113	250	89
21	Of which STM approach	1,113	250	89
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)	-	-	-
24	Operational risk	180,713	269,100	14,457
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	840,401	906,021	67,232

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**4. COMPOSITION OF REGULATORY CAPITAL**

**4.1 Template CC2: Reconciliation of Regulatory Capital to Balance Sheet**

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at 30 June 2020	As at 30 June 2020	
	HK\$'000	HK\$'000	
<b>Assets</b>			
Balances with banks and other financial institutions	243,535	243,535	
Placement with banks	921,504	921,504	
Loans and advances to customers	51,848	51,848	
<i>of which: Impairment allowances eligible for inclusion in Tier 2 capital</i>		(115)	[1]
Financial assets at fair value through other comprehensive income	424,655	424,655	
Financial assets at amortized cost	27,210	27,210	
Prepayment and other assets	20,036	20,036	
Property, plant and equipment	55,407	55,407	
Right-of-use assets	41,560	41,560	
Intangible assets	50,552	50,552	[2]
<b>Total assets</b>	<b>1,836,307</b>	<b>1,836,307</b>	
<b>Liabilities</b>			
Deposits from customers	356,578	356,578	
Borrowing from banks	20,000	20,000	
Other payable and accruals	76,317	76,319	
Lease liabilities	38,768	38,768	
Make good provision	6,330	6,330	
<b>Total liabilities</b>	<b>497,993</b>	<b>497,995</b>	
<b>Shareholders' equity</b>			
Share capital	1,500,000	1,500,000	
<i>of which: amount eligible for CET1</i>		1,500,000	[3]
Other reserves	13,243	13,242	[4]
<i>of which: Regulatory reserve for general banking risks</i>		203	[5]
Accumulated losses	(174,929)	(174,930)	[6]
<b>Total shareholders' equity</b>	<b>1,338,314</b>	<b>1,338,312</b>	

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**4.2 Template CC1: Composition of Regulatory Capital**

		Amount	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
		As at 30 June 2020	
		HK\$'000	
<b>CET1 capital: instruments and reserves</b>			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	1,500,000	[3]
2	Retained earnings	(174,930)	[6]
3	Disclosed reserves	13,242	[4]
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	N/A	N/A
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	<b>CET1 capital before regulatory deductions</b>	1,338,312	
<b>CET1 capital: regulatory deductions</b>			
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liabilities)	-	
9	Other intangible assets (net of associated deferred tax liabilities)	50,552	[2]
10	Deferred tax assets (net of associated deferred tax liabilities)	-	
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
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)	N/A	N/A
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	N/A	N/A
22	Amount exceeding the 15% threshold	N/A	N/A
23	of which: significant investments in the ordinary share of financial sector entities	N/A	N/A
24	of which: mortgage servicing rights	N/A	N/A
25	of which: deferred tax assets arising from temporary differences	N/A	N/A
26	National specific regulatory adjustments applied to CET1 capital	203	
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	203	[5]
26c	Securitization exposures specified in a notice given by the MA	-	



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**4.2 Template CC1: Composition of Regulatory Capital (continued)**

		Amount	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
		As at 30 June 2020	
		HK\$'000	
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	<b>Total regulatory deductions to CET1 capital</b>	50,755	
29	<b>CET1 capital</b>	1,287,557	
	<b>AT1 capital: instruments</b>		
30	Qualifying AT1 capital instruments plus any related share premium	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
36	<b>AT1 capital before regulatory deductions</b>	-	
	<b>AT1 capital: regulatory deductions</b>		
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
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	<b>Total regulatory deductions to AT1 capital</b>	-	
44	<b>AT1 capital</b>	-	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	1,287,557	
	<b>Tier 2 capital: instruments and provisions</b>		
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	-	
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	<i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	318	[1] + [5]
51	<b>Tier 2 capital before regulatory deductions</b>	318	

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**4.2 Template CC1: Composition of Regulatory Capital (continued)**

		Amount	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
		As at 30 June 2020	
		HK\$'000	
	<b>Tier 2 capital: regulatory deductions</b>		
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)	-	
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	<b>Total regulatory adjustments to Tier 2 capital</b>	-	
58	<b>Tier 2 capital (T2)</b>	318	
59	<b>Total regulatory capital (TC = T1 + T2)</b>	1,287,875	
60	<b>Total RWA</b>	840,401	
	<b>Capital ratios (as a percentage of RWA)</b>		
61	<b>CET1 capital ratio</b>	153.21%	
62	<b>Tier 1 capital ratio</b>	153.21%	
63	<b>Total capital ratio</b>	153.25%	
64	<b>Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)</b>	3.50%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical capital buffer requirement	1.00%	
67	of which: higher loss absorbency requirement	-	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	141.21%	
	<b>National minima (if different from Basel 3 minimum)</b>		
69	National CET1 minimum ratio	N/A	N/A
70	National Tier 1 minimum ratio	N/A	N/A
71	National Total capital minimum ratio	N/A	N/A
	<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
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	-	

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**4.2 Template CC1: Composition of Regulatory Capital (continued)**

		Amount	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
		As at 30 June 2020	
		HK\$'000	
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)	N/A	N/A
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	N/A	N/A
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>			
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)	-	
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	-	
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	-	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>			
80	<i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	N/A	N/A
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	N/A	N/A
82	<i>Current cap on AT1 capital instruments subject to phase-out arrangements</i>	-	
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	-	
84	<i>Current cap on Tier 2 capital instruments subject to phase-out arrangements</i>	-	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	-	

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**4.3 Table CCA: Main features of regulatory capital instruments**

		Quantitative / qualitative information
		As at 30 June 2020
1	Issuer	Airstar Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable
3	Governing law(s) of the instrument	Hong Kong Law
<i>Regulatory treatment</i>		
4	Transitional Basel III rules <sup>1</sup>	Common Equity Tier 1
5	Post-transitional Basel III rules <sup>2</sup>	Common Equity Tier 1
6	Eligible at solo / group / solo and group	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	HKD1,500 million
9	Par value of instrument	Not applicable
10	Accounting classification	Shareholders' equity
11	Original date of issuance	13 July 2018 issued 300 million ordinary shares 24 July 2018 issued 1,200 million ordinary shares
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
<i>Coupons / dividends</i>		
17	Fixed or floating dividend / coupon	Floating
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Not applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable

Full terms and conditions

Ordinary shares

<sup>1</sup> Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the BCR.

<sup>2</sup> Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR.

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**5. COUNTERCYCLICAL CAPITAL BUFFER**

**5.1 Template CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer (“CCyB”)**

The following table provides an overview of the geographical distribution of private sector credit exposures relevant for the calculation of the Bank’s CCyB ratio.

			As at 30 June 2020			
			(a)	(c)	(d)	(e)
Geographical breakdown by Jurisdiction (J)		Footnotes	Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
			%	HK\$’000	%	HK\$’000
1	Hong Kong SAR		1.000	148,742		
	Sum	1		148,742		
	<b>Total</b>	2		<b>148,742</b>	<b>1.000</b>	<b>1,487</b>

1 This represents the sum of RWA for the private sector credit exposures in jurisdictions with a non-zero countercyclical buffer rate.

2 The total RWA used in the computation of the CCyB ratio in column (c) represents the total RWA for the private sector credit exposures in all jurisdictions to which the bank is exposed, including jurisdictions with no countercyclical buffer rate or with a countercyclical buffer rate set at zero. The CCyB amount in column (e) represents the total RWA multiplied by the AI-specific CCyB ratio in column (d).

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**6. LEVERAGE RATIO**

**6.1 Template LR1: Summary comparison of accounting assets against leverage ratio (“LR”) exposure measure**

		As at 30 June 2020
		Value under the LR framework
	Item	HK\$'000
1	Total consolidated assets as per published financial statements	1,836,307
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
4	Adjustments for derivative contracts	-
5	Adjustment for SFTs (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet (“OBS”) items (i.e. conversion to credit equivalent amounts of OBS exposures)	3,029
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(115)
7	Other adjustments	(50,640)
8	<b>Leverage ratio exposure measure</b>	<b>1,788,581</b>

**6.2 Template LR2: Leverage ratio**

		As at 30 June 2020	As at 31 March 2020
		HK\$'000	HK\$'000
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	1,836,422	1,639,537
2	Less: Asset amounts deducted in determining Tier 1 capital	(50,755)	(50,232)
3	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	<b>1,785,667</b>	<b>1,589,305</b>
<b>Exposures arising from derivative contracts</b>			
4	Replacement cost associated with all derivative contracts (whether 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 derivatives 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	<b>Total exposures arising from derivative contracts</b>	<b>-</b>	<b>-</b>
<b>Exposures arising from SFTs</b>			
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	<b>Total exposures arising from SFTs</b>	<b>-</b>	<b>-</b>
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	30,286	-
18	Less: Adjustments for conversion to credit equivalent amounts	(27,257)	-

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**6.2 Template LR2: Leverage ratio (continued)**

		As at 30 June 2020	As at 31 March 2020
		HK\$'000	HK\$'000
19	Off-balance sheet items	3,029	-
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	<b>1,287,557</b>	1,335,071
20a	<b>Total exposures before adjustments for specific and collective provisions</b>	<b>1,788,696</b>	1,589,305
20b	<b>Adjustments for specific and collective provisions</b>	<b>(115)</b>	-
21	<b>Total exposures after adjustments for specific and collective provisions</b>	<b>1,788,581</b>	1,589,305
<b>Leverage ratio</b>			
22	<b>Leverage ratio (%)</b>	<b>71.99%</b>	84.00%

The decrease in leverage ratio as of the quarter ended 30 June 2020 was mainly due to the increase in total on-balance sheet exposures which was driven by the increase in marketable debt securities held.

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**7. CREDIT RISK**

**7.1 Template CR1: Credit quality of exposures**

Loans are generally referred to as any on-balance sheet exposures included as credit risk for non-securitization exposures, covering exposures to customers, banks, sovereigns and others. Cash items and non-financial assets are excluded.

		As at 30 June 2020 HK\$'000						
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of		Allowances / impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
1	Loans	-	1,219,805	115	-	115	-	1,219,690
2	Debt securities	-	452,439	-	-	-	-	452,439
3	Off-balance sheet exposures	-	-	-	-	-	-	-
4	<b>Total</b>	-	<b>1,672,244</b>	<b>115</b>	-	<b>115</b>	-	<b>1,672,129</b>

**7.2 Template CR2: Changes in defaulted loans and debt securities**

		As at 30 June 2020 HK\$'000
1	Defaulted loans and debt securities at end of the previous reporting period	-
2	Loans and debt securities that have defaulted since the last reporting period	-
3	Returned to non-defaulted status	-
4	Amounts written off	-
5	Other changes	-
6	Defaulted loans and debt securities at end of the current reporting period	-

**7.3 Template CR3: Overview of recognized credit risk mitigation**

		As at 30 June 2020 HK\$'000				
		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
1	Loans	1,219,690	-	-	-	-
2	Debt securities	452,439	-	-	-	-
3	<b>Total</b>	<b>1,672,129</b>	-	-	-	-
4	Of which defaulted	-	-	-	-	-



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

Exposure classes		As at 30 June 2020					
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount HK\$'000	Off-balance sheet amount HK\$'000	On-balance sheet amount HK\$'000	Off-balance sheet amount HK\$'000	RWA HK\$'000	RWA density %
1	Sovereign exposures	142,613	-	142,613	-	-	-
2	PSE exposures	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-
4	Bank exposures	1,397,331	-	1,397,331	-	412,867	30
5	Securities firm exposures	-	-	-	-	-	-
6	Corporate exposures	131,426	30,286	131,426	-	131,426	100
7	CIS exposures	-	-	-	-	-	-
8	Cash items	-	-	-	-	-	-
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	874	-	874	-	656	75
11	Residential mortgage loans	-	-	-	-	-	-
12	Other exposures which are not past due exposures	113,626	-	113,626	-	113,626	100
13	Past due exposures	-	-	-	-	-	-
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	<b>Total</b>	<b>1,785,870</b>	<b>30,286</b>	<b>1,785,870</b>	<b>-</b>	<b>658,575</b>	<b>37</b>

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

		As at 30 June 2020 HK\$'000										
	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
	Exposure class											
1	Sovereign exposures	142,613	-	-	-	-	-	-	-	-	-	142,613
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	1,119,642	-	177,501	-	100,188	-	-	-	1,397,331
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	131,426	-	-	-	131,426
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	874	-	-	-	-	874
11	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
12	Other exposures which are not past due exposures	-	-	-	-	-	-	113,626	-	-	-	113,626
13	Past due exposures	-	-	-	-	-	-	-	-	-	-	-
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	<b>Total</b>	<b>142,613</b>	<b>-</b>	<b>1,119,642</b>	<b>-</b>	<b>177,501</b>	<b>874</b>	<b>345,240</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,785,870</b>

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**8. COUNTERPARTY CREDIT RISK**

There were no counterparty credit risk exposures as at 30 Jun 2020.

**9. SECURITIZATION EXPOSURES**

There were no securitization exposures as at 30 Jun 2020.

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**10. MARKET RISK**

**10.1 Template MR1: Market risk under STM approach**

		As at 30 June 2020
		RWA
		HK\$'000
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	-
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	1,113
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitization exposures	-
9	<b>Total</b>	<b>1,113</b>

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**11. CONTINGENT LIABILITIES AND COMMITMENTS**

	As at 30 June 2020 HK\$'000	
	Notional amount	RWA
Direct credit substitutes	-	-
Transaction-related contingencies	-	-
Trade-related contingencies	-	-
Note issuance and revolving underwriting facilities	-	-
Forward forward deposits placed	-	-
Other commitments		
- Which are unconditionally cancellable	30,286	-
- With an original maturity of not more than one year	-	-
- With an original maturity of more than one year	-	-
<b>Total</b>	<b>30,286</b>	<b>-</b>

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**12. INTERNATIONAL CLAIMS**

The country risk exposures in the table below are prepared 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. International claims are on-balance sheet exposures to counterparties based on the location of the counterparties after taking into account the transfer of risk.

International claims attributable to individual countries or areas not less than 10% of the Bank's total international claims, after recognized risk transfer, are shown as follows:

	As at 30 June 2020					
	Banks	Official Sector	Non-bank private sector		Others	Total
			Non-bank financial institutions	Non-financial private sector		
HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	
Offshore Centres	432	-	80	51	-	563
of which: Hong Kong SAR	432	-	80	51	-	563
Developing Asia and Pacific	282	-	-	-	-	282
of which: China	282	-	-	-	-	282

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**13. LOANS AND ADVANCES TO CUSTOMERS**

**13.1 Loans and advances to customers by loan usage**

The analysis of the Bank's gross loans and advances to customers by loan usage and the corresponding balances covered by collateral are as follows:

	As at 30 June 2020	
	Outstanding balance	% of gross advances covered by collateral
	HK\$'000	%
<b>Loans and advances for use in Hong Kong</b>		
Industrial, commercial and financial:		
- Property development	-	-
- Property investment	-	-
- Financial concerns	-	-
- Stockbrokers	-	-
- Wholesale and retail trade	-	-
- Manufacturing	-	-
- Transport and transport equipment	-	-
- Recreational activities	-	-
- Information technology	-	-
- Others	-	-
Individuals:		
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes	-	-
- Loans for the purchase of other residential properties	-	-
- Credit card advances	-	-
- Others private purposes	873	-
<b>Gross loans and advances for use in Hong Kong</b>	<b>873</b>	-
Trade financing	51,090	-
Gross loans and advances for use outside Hong Kong	-	-
<b>Gross loans and advances to customers</b>	<b>51,963</b>	-

Analysis of impaired advances, specific and collective provisions for the individual loan usage category which accounted for 10% or more of the Bank's advances to customers:

	As at 30 June 2020			
	Impaired advances to customers	Specific provisions	Collective provisions	Overdue loans and advances
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Individuals - other private purposes	-	-	-	-
Trade financing	-	-	-	-
<b>Total</b>	-	-	-	-

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**13.2 Loans and advances to customers by geographical area**

The analysis of the Bank's gross advances to customers by geographical area is based on the location of the counterparty after taking into account the transfer of risk. In general, transfer of risk applies if the claim is guaranteed by a party in a country which is different from that of the counterparty.

	As at 30 June 2020		
	Loans	Trade financing	Total
	HK\$'000	HK\$'000	HK\$'000
Hong Kong	873	51,090	51,963
<b>Total</b>	<b>873</b>	<b>51,090</b>	<b>51,963</b>

Analysis of impaired advances, impairment allowances for loans and trade financing which accounted for 10% or more of the Bank's gross advances to customers:

	As at 30 June 2020			
	Impaired advances to customers	Specific provisions	Collective provisions	Overdue loans and advances
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



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**14. OVERDUE AND RESCHEDULED ASSETS**

**14.1 Overdue loans and advances to customers**

The overdue loans and advances of the Bank are analyzed as follows:

	As at 30 June 2020	
	HK\$'000	% of gross loans and advances to customers
<b>Overdue loans and advances</b>		
more than three months but not more than six months	-	-
more than six months but not more than one year	-	-
more than one year	-	-
<b>Total</b>	-	-
Individual impairment allowances made in respect of the above overdue loans and advances	-	-
Current market value of collateral held against the covered portion of the above overdue loans and advances	-	-
Covered portion of the above overdue loans and advances	-	-
Uncovered portion of the above overdue loans and advances	-	-

**14.2 Rescheduled advances**

There were no rescheduled loans and advances of the Bank as at 30 June 2020.

**14.3 Repossessed assets**

There were no repossessed assets of the Bank as at 30 June 2020.

**14.4 Overdue and rescheduled amounts relating to placings with and advances to banks and other assets**

There were no impaired, overdue or rescheduled placings with and advances to banks, nor overdue or rescheduled other assets as at 30 June 2020.

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**15. MAINLAND ACTIVITIES**

The table below summarizes the non-bank Mainland China exposure of the Bank, categorized by types of counterparties:

Types of Counterparties		As at 30 June 2020 HK\$'000		
		On-balance sheet exposure	Off-balance sheet exposure	Total
(a)	Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	27,403	-	27,403
(b)	Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
(c)	PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	-	-	-
(d)	Other entities of central government not reported in part (a) above	52,548	-	52,548
(e)	Other entities of local governments not reported in part (b) above	-	-	-
(f)	PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	51,475	-	51,475
(g)	Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
<b>Total</b>		<b>131,426</b>	<b>-</b>	<b>131,426</b>
<b>Total assets after provisions</b>		<b>1,836,602</b>		
<b>On-balance sheet exposures as percentage of total assets</b>		<b>7.16%</b>		

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**16. CURRENCY RISK**

The net positions in foreign currencies are disclosed when each currency constitutes 10% or more of the respective total net position in all foreign currencies.

	As at 30 June 2020 HK\$m		
	CNY	USD	Total foreign currencies
Spot assets	3	794	797
Spot liabilities	(4)	(800)	(804)
Forward purchases	-	-	-
Forward sales	-	-	-
<b>Net long (short) position</b>	<b>(1)</b>	<b>(6)</b>	<b>(7)</b>

There were no foreign currency structural positions and option positions as at 30 Jun 2020.

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**17. ABBREVIATIONS**

<b>Abbreviations</b>	<b>Brief Description</b>
AI	Authorized Institutions
AT1	Additional Tier 1 Capital
Bank	Airstar Bank Limited
BSC	Basic Approach
BCR	Banking (Capital) Rules
BDR	Banking (Disclosure) Rules
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CEM	Current Exposure Method
CET1	Common Equity Tier 1
CFR	Core Funding Ratio
CIS	Collective Investment Scheme
CRM	Credit Risk Mitigation
CVA	Credit Valuation Adjustment
D-SIB	Domestic Systemically Important Authorized Institution
ECL	Expected Credit Loss
EL	Expected Loss
FBA	Fall-Back Approach
G-SIB	Global Systemically Important Authorized Institution
HKMA	Hong Kong Monetary Authority
HQLA	High Quality Liquid Assets
IAA	Internal Assessment Approach
IMM	Internal Models Approach
IMM (CCR)	Internal Models (Counterparty Credit Risk) Approach
IRB	Internal Ratings-Based Approach
JCCyB	Jurisdictional Countercyclical Capital Buffer
JVs	Joint Ventures
LAC	Loss-absorbing Capacity
LCR	Liquidity Coverage Ratio
LMR	Liquidity Maintenance Ratio
LR	Leverage Ratio
LTA	Look Through Approach
MA	Monetary Authority
MBA	Mandate-based Approach
N/A	Not Applicable
NSFR	Net Stable Funding Ratio
OBS	Off-Balance Sheet
PFE	Potential Future Exposure
PRC	People's Republic of China
PSE	Public Sector Entities
RW	Risk Weighted
RWA	Risk Weighted Assets
SA-CCR	Standardized Approach (Counterparty Credit Risk)
SEC-IRBA	Securitization Internal Ratings-Based Approach
SEC-ERBA	Securitization External Ratings-Based Approach
SEC-FBA	Securitization Fall-back Approach
SEC-SA	Securitization Standardized Approach
SFT	Securities Financing Transaction
STC	Standardized (Credit Risk) Approach
STM	Standardized (Market Risk) Approach
T1	Tier 1 Capital
T2	Tier 2 Capital
TC	Total Capital