

AIRSTAR BANK LIMITED

REGULATORY DISCLOSURE STATEMENT

30 June 2024

(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 Report 2024. The Bank's Interim Report 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 Interim Report which can be found in the Financial Reports section of our website, 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 standardized (counterparty credit risk) approach to calculate its default risk exposures. For market risk, the Bank uses the standardized (market risk) approach to calculate its market risk. For operational 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.

Basis of consolidation

The Bank does not have any subsidiaries to consolidate the financial information in this Regulatory Disclosure Statement and its Interim Report 2024.

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2. TEMPLATE KM1: KEY PRUDENTIAL RATIOS

	As at 30 Jun 2024	As at 31 Mar 2024	As at 31 Dec 2023	As at 30 Sep 2023	As at 30 Jun 2023	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	785,955	405,863	461,997	504,480	560,158
2	Tier 1	785,955	405,863	461,997	504,480	560,158
3	Total capital	800,346	418,394	474,913	517,805	574,227
RWA (amount)						
4	Total RWA	1,245,719	1,092,518	1,120,480	1,145,205	1,197,145
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	63.09%	37.15%	41.23%	44.05%	46.79%
6	Tier 1 ratio (%)	63.09%	37.15%	41.23%	44.05%	46.79%
7	Total capital ratio (%)	64.25%	38.30%	42.38%	45.22%	47.97%
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical capital buffer requirement (%)	0.77%	0.79%	0.80%	0.84%	0.84%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	N/A	N/A	N/A	N/A	N/A
11	Total AI-specific CET1 buffer requirements (%)	3.27%	3.29%	3.30%	3.34%	3.34%
12	CET1 available after meeting the AI's minimum capital requirements (%)	51.09%	25.15%	29.23%	32.05%	34.79%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposures measure	2,623,707	1,933,026	2,230,322	2,198,361	2,297,769
14	LR (%)	29.96%	21.00%	20.71%	22.95%	24.38%
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	201.22%	148.85%	174.89%	195.37%	189.76%
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

Capital injection of HK\$440 million contributed to the increase in CET1 capital, Tier 1 capital and total regulatory capital as of 30 Jun 2024. Other than this, the movement in marketable debt securities held, interbank placements and loans and advances to customers were the major drivers leading to the changes in CET1 ratio, Tier 1 ratio, total capital ratio and leverage ratio across the reporting periods. Combined with the movement of due from Exchange Fund and customer deposits were the major drivers the movement of average LMR across the reporting periods.

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

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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 Jun 2024	As at 31 Mar 2024	As at 30 Jun 2024
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitization exposures	1,151,281	1,002,515	92,102
2	Of which STC approach	1,151,281	1,002,515	92,102
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	-	-	-
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	88	213	7
21	Of which STM approach	88	213	7
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	97,275	95,725	7,782
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	-	-	-
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	(2,925)	(5,935)	(234)
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	(2,925)	(5,935)	(234)
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	1,245,719	1,092,518	99,657

Total RWA increase was mainly attributable to increase in RWA for credit risk, which was driven by the increase in balance sheet size during the quarter.

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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 Jun 2024	As at 30 Jun 2024	
	HK\$'000	HK\$'000	
Assets			
Balances with banks	207,107	207,107	
Placement with banks	125,727	125,727	
<i>of which: Impairment allowances eligible for inclusion in Tier 2 capital</i>		(4)	[1]
Investment in securities	1,560,191	1,560,191	
<i>of which: Impairment allowances eligible for inclusion in Tier 2 capital</i>		(58)	[2]
Loans and advances to customers	657,682	657,682	
<i>of which: Impairment allowances eligible for inclusion in Tier 2 capital</i>		(14,329)	[3]
Prepayment and other assets	39,198	39,198	
Property and equipment	5,578	5,578	
Right-of-use assets	27,369	27,369	
Intangible assets	84,990	84,990	[4]
Total assets	2,707,842	2,707,842	
Liabilities			
Deposits from customers	1,760,715	1,760,715	
Other payables and accruals	46,294	46,294	
Lease liabilities	26,470	26,470	
Make good provision	3,418	3,418	
Total liabilities	1,836,897	1,836,897	
Equity			
Share capital	1,940,000	1,940,000	
<i>of which: amount eligible for CET1</i>		1,940,000	[5]
Other reserves	29,740	29,740	[6]
<i>of which: Regulatory reserve for general banking risks</i>		-	[7]
Accumulated losses	(1,098,795)	(1,098,795)	[8]
Total equity	870,945	870,945	

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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 Jun 2024	
		HK\$'000	
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	1,940,000	[5]
2	Retained earnings	(1,098,795)	[8]
3	Disclosed reserves	29,740	[6]
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	CET1 capital before regulatory deductions	870,945	
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)	84,990	[4]
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	-	
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	-	[7]
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 Jun 2024	
		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	Total regulatory deductions to CET1 capital	84,990	
29	CET1 capital	785,955	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	<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	AT1 capital before regulatory deductions	-	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
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	-	
45	Tier 1 capital (T1 = CET1 + AT1)	785,955	
	Tier 2 capital: instruments and provisions		
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	14,391	[1] + [2] + [3] + [7]
51	Tier 2 capital before regulatory deductions	14,391	

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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 Jun 2024	
		HK\$'000	
	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)	-	
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)	14,391	
59	Total regulatory capital (TC = T1 + T2)	800,346	
60	Total RWA	1,245,719	
	Capital ratios (as a percentage of RWA)		
61	CET1 capital ratio	63.09%	
62	Tier 1 capital ratio	63.09%	
63	Total capital ratio	64.25%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	3.27%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical capital buffer requirement	0.77%	
67	of which: higher loss absorbency requirement	N/A	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	51.09%	
	National minima (if different from Basel 3 minimum)		
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
	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	-	

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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 Jun 2024	
		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
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)	17,316	
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	14,391	
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	<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>	-	

Capital injection of HK\$440 million contributed to the increase in CET1 capital, Tier 1 capital and total regulatory capital. For the key drivers of significant changes in RWA, please refer to OV1.

Notes to the Template

	Description	Hong Kong basis HK\$'000	Basel III basis HK\$'000
9	Other intangible assets (net of associated deferred tax liabilities)	84,990	84,990
	<p><u>Explanation</u></p> <p>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.</p>		

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4.3 Table CCA: Main features of regulatory capital instruments

		Quantitative / qualitative information
		As at 30 Jun 2024
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 ¹	Common Equity Tier 1
5	Post-transitional Basel III rules ²	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)	HKD1,940 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 24 May 2024 issued 1,183,775,814 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](#)

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

² 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 Jun 2024			
			(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, China		1.000	630,411		
2	Ireland		1.500	3,956		
	Sum	1		634,367		
	Total	2		827,021	0.769	9,580

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

	Item	As at 30 Jun 2024
		Value under the LR framework HK\$'000
1	Total consolidated assets as per published financial statements	2,707,842
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 securitized exposures that meet the operational requirements for the recognition of risk transference	-
3	Adjustment for fiduciary assets recognized 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	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)	852
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	-
7	Other adjustments	(84,987)
8	Leverage ratio exposure measure	2,623,707

The differences between the total balance sheets reported in financial statements and leverage ratio are related to regulatory deduction.

6.2 Template LR2: Leverage ratio

		As at 30 Jun 2024 HK\$'000	As at 31 Mar 2024 HK\$'000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	2,736,664	2,057,321
2	Less: Asset amounts deducted in determining Tier 1 capital	(84,990)	(95,155)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	2,651,674	1,962,166
Exposures arising from derivative contracts			
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 collateral provided in respect of derivative contracts where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivatives 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	-	-

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6.2 Template LR2: Leverage ratio (continued)

		As at 30 Jun 2024	As at 31 Mar 2024
		HK\$'000	HK\$'000
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	8,519	5,129
18	Less: Adjustments for conversion to credit equivalent amounts	(7,667)	(4,616)
19	Off-balance sheet items	852	513
Capital and total exposures			
20	Tier 1 capital	785,955	405,863
20a	Total exposures before adjustments for specific and collective provisions	2,652,526	1,962,679
20b	Adjustments for specific and collective provisions	(28,819)	(29,653)
21	Total exposures after adjustments for specific and collective provisions	2,623,707	1,933,026
Leverage ratio			
22	Leverage ratio	29.96%	21.00%

Leverage ratio increased as the Bank completed the HK\$440 million new capital issuance during the quarter which increased the Tier 1 capital, this impact was partly offset by the increased balance sheet size during the quarter.

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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.

Bank identifies the exposures as “default” if the exposure is past due for more than 90 days or the borrower is unlikely to pay in full for the credit obligations to the Bank.

		As at 30 Jun 2024 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	14,870	1,008,011	28,761	11,503	17,258	-	994,120
2	Debt securities	-	1,571,004	58	-	58	-	1,570,946
3	Off-balance sheet exposures	-	-	-	-	-	-	-
4	Total	14,870	2,579,015	28,819	11,503	17,316	-	2,565,066

7.2 Template CR2: Changes in defaulted loans and debt securities

		As at 30 Jun 2024 HK\$'000
1	Defaulted loans and debt securities at end of the previous reporting period (31 Dec 2023)	14,274
2	Loans and debt securities that have defaulted since the last reporting period	10,928
3	Returned to non-defaulted status	-
4	Amounts written off	(9,665)
5	Other changes	(667)
6	Defaulted loans and debt securities at end of the current reporting period (30 Jun 2024)	14,870

For the period ended 30 June 2024, the Bank's defaulted loans increased to HK\$14.9 million by 4.2% (2023 Dec: HK\$14.3 million). Other changes mainly includes loan repayment.

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7.3 Template CR3: Overview of recognized credit risk mitigation

		As at 30 Jun 2024 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	994,120	-	-	-	-
2	Debt securities	1,570,946	-	-	-	-
3	Total	2,565,066	-	-	-	-
4	Of which defaulted	3,367	-	-	-	-

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

		As at 30 Jun 2024					
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Exposure classes	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	623,895	-	623,895	-	-	-
2	PSE exposures	106,022	-	106,022	-	21,204	20
2a	Of which: domestic PSEs	106,022	-	106,022	-	21,204	20
2b	Of which: foreign PSEs	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-
4	Bank exposures	644,903	-	644,903	-	270,109	42
5	Securities firm exposures	-	-	-	-	-	-
6	Corporate exposures	529,472	-	529,472	-	290,920	55
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	674,502	8,519	674,502	-	505,877	75
11	Residential mortgage loans	-	-	-	-	-	-
12	Other exposures which are not past due exposures	57,789	-	57,789	-	57,789	100
13	Past due exposures	3,588	-	3,588	-	5,382	150
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	Total	2,640,171	8,519	2,640,171	-	1,151,281	44

Compared with 31 December 2023, total credit risk exposures and total RWA as at 30 June 2024 increased by HKD397 million and HKD118 million respectively. RWA increase was mainly driven by the increase in marketable debt securities held, partially offset by the decrease in due from bank and loans and advances to customers.

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

		As at 30 Jun 2024										Total credit risk exposures amount (post CCF and post CRM)
		HK\$'000										
	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
	Exposure class											
1	Sovereign exposures	623,895	-	-	-	-	-	-	-	-	-	623,895
2	PSE exposures	-	-	106,022	-	-	-	-	-	-	-	106,022
2a	Of which: domestic PSEs	-	-	106,022	-	-	-	-	-	-	-	106,022
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	174,478	-	470,425	-	-	-	-	-	644,903
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	477,105	-	52,367	-	-	-	529,472
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	-	-	-	-	-	674,502	-	-	-	-	674,502
11	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
12	Other exposures which are not past due exposures	-	-	-	-	-	-	57,789	-	-	-	57,789
13	Past due exposures	-	-	-	-	-	-	-	3,588	-	-	3,588
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	623,895	-	280,500	-	947,530	674,502	110,156	3,588	-	-	2,640,171

Compared with 31 December 2023, total credit risk exposures increased by HK\$391 million which was mainly due to the increase in marketable debt securities held, due from Exchange Fund, partially offset by the decrease in due from bank and loans and advances to customers.

8. COUNTERPARTY CREDIT RISK

As at 30 June 2024, the Bank does not have any counterparty default risk exposures.

9. SECURITIZATION EXPOSURES

There were no securitization exposures as at 30 June 2024 and 31 December 2023.

10. MARKET RISK

10.1 Template MR1: Market risk under STM approach

		As at 30 Jun 2024
		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	88
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitization exposures	-
9	Total	88

11. CONTINGENT LIABILITIES AND COMMITMENTS

	As at 30 Jun 2024 HK\$'000	
	Notional amount	RWA
Direct credit substitutes	-	-
Transaction-related contingencies	-	-
Trade-related contingencies	-	-
Note issuance and revolving underwriting facilities	-	-
Forward asset purchases, amounts owing on partly paid-up shares and securities, forward forward deposits placed and asset sales with recourse	-	-
Other commitments		
- Which are unconditionally cancellable	8,519	-
- With an original maturity of not more than one year	-	-
- With an original maturity of more than one year	-	-
Total	8,519	-

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12. INTERNATIONAL CLAIMS

The country risk exposures in the table below are prepared according to the locations 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 Jun 2024					Total HK\$m
	Banks	Official Sector	Non-bank private sector		Others	
			Non-bank financial institutions	Non-financial private sector		
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	
Offshore Centres	56	-	167	-	-	223
of which: Hong Kong, China	56	-	109	-	-	165
Developing Asia and Pacific	536	-	161	99	-	796
of which: China	536	-	161	99	-	796

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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 Jun 2024	
	Outstanding balance	% of gross advances covered by collateral
	HK\$'000	%
Loans and advances for use in Hong Kong		
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	-	-
- Other private purposes	686,438	21
Gross loans and advances for use in Hong Kong	686,438	21
Trade financing	-	-
Gross loans and advances for use outside Hong Kong	-	-
Gross loans and advances to customers	686,438	21

Analysis of impaired and overdue loans and 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 Jun 2024			
	Impaired loans and advances to customers	Specific provisions	Collective provisions	Overdue loans and advances for more than 3 months
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Individuals - other private purposes	14,801	11,460	194	1,769
Total	14,801	11,460	194	1,769

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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 Jun 2024
	Total
	HK\$'000
Hong Kong, China	670,248
Mainland China	16,190
Total	686,438

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

	As at 30 Jun 2024			
	Impaired loans and advances to customers	Specific provisions	Collective provisions	Overdue loans and advances for more than 3 months
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong, China	14,801	11,460	194	1,769
Total	14,801	11,460	194	1,769

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 Jun 2024	
	HK\$'000	% of gross loans and advances to customers
Overdue loans and advances	HK\$'000	%
more than three months but not more than six months	1,769	0.26
more than six months but not more than one year	-	-
more than one year	-	-
Total	1,769	0.26
Individual impairment allowances made in respect of the above overdue loans and advances	1,702	
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	1,769	

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14.2 Rescheduled advances

The rescheduled loans and advances of the Bank (excluding those which have been overdue for over three months and reported in section 14.1 above) are analyzed as follows:

	As at 30 Jun 2024	
	HK\$'000	% of gross loans and advances to customers
Rescheduled loans and advances	11,778	1.72

14.3 Repossessed assets

There were no repossessed assets of the Bank as at 30 June 2024.

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 2024.

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 Jun 2024		
		On-balance sheet exposure	Off-balance sheet exposure	Total
(1)	Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	78,202	-	78,202
(2)	Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
(3)	PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	165,763	-	165,763
(4)	Other entities of central government not reported in part (1) above	-	-	-
(5)	Other entities of local governments not reported in part (2) above	-	-	-
(6)	PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
(7)	Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total		243,965	-	243,965
Total assets after provisions		2,713,742		
On-balance sheet exposures as percentage of total assets		8.99%		

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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 Jun 2024		
	HK\$m		
	CNY	USD	Total foreign currencies
Spot assets	58	768	826
Spot liabilities	(58)	(768)	(826)
Forward purchases	1	2	3
Forward sales	(1)	-	(1)
Net long (short) position	-	2	2

There were no foreign currency structural positions and option positions as at 30 June 2024.

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17. ABBREVIATIONS

Abbreviations	Brief Description
AI	Authorized Institutions
AT1	Additional Tier 1 Capital
Bank	Airstar Bank Limited
BSC	Basic Approach
BCR	Banking (Capital) Rules
BDR	Banking (Disclosure) Rules
Board	Board of Director
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
EAD	Exposure at Default
ECL	Expected Credit Loss
EL	Expected Loss
EPE	Expected Positive Exposure
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
OTC	Over-The-Counter
PFE	Potential Future Exposure
PRC	People's Republic of China
PSE	Public Sector Entities
RC	Replacement Cost
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

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17. ABBREVIATIONS (continued)

Abbreviations	Brief Description
STM	Standardized (Market Risk) Approach
T1	Tier 1 Capital
T2	Tier 2 Capital
TC	Total Capital
VaR	Value at Risk