



AIRSTAR BANK LIMITED

REGULATORY DISCLOSURE STATEMENT

30 September 2021

(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 is prepared in accordance with the Banking (Disclosure) Rules ("BDR") made under section 60A of the Banking Ordinance and 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.

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 information can be found in the Regulatory Disclosures section of our website, www.airstarbank.com.

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2. TEMPLATE KM1: KEY PRUDENTIAL RATIOS

		As at 30 Sep 2021	As at 30 Jun 2021	As at 31 Mar 2021	As at 31 Dec 2020	As at 30 Sep 2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	908,819	990,494	1,066,416	1,119,489	1,212,912
2	Tier 1	908,819	990,494	1,066,416	1,119,489	1,212,912
3	Total capital	928,503	1,007,481	1,075,216	1,124,609	1,213,880
	RWA (amount)					
4	Total RWA	1,620,628	1,663,958	1,855,879	1,696,275	1,246,673
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	56.08%	59.53%	57.46%	66.00%	97.29%
6	Tier 1 ratio (%)	56.08%	59.53%	57.46%	66.00%	97.29%
7	Total capital ratio (%)	57.29%	60.55%	57.94%	66.30%	97.37%
	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 (%)	0.86%	0.86%	0.86%	0.89%	0.83%
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 (%)	3.36%	3.36%	3.36%	3.39%	3.33%
12	CET1 available after meeting the AI's minimum capital requirements (%)	44.08%	47.53%	45.46%	54.00%	85.29%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	3,179,772	3,387,424	3,266,744	2,798,515	2,267,604
14	LR (%)	28.58%	29.24%	32.64%	40.00%	53.49%
	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	147.80%	166.21%	164.72%	281.00%	642.32%
	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 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, the average LMR results in a decreasing trend 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 Sep 2021	As at 30 Jun 2021	As at 30 Sep 2021
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitization exposures	1,566,639	1,588,689	125,331
2	Of which STC approach	1,566,639	1,588,689	125,331
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	10,613	6,131	849
7	Of which SA-CCR approach	10,613	6,131	849
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	-	-	-
10	CVA Risk	2,038	1,150	163
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	188	463	15
21	Of which STM approach	188	463	15
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	41,150	67,525	3,292
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	1,620,628	1,663,958	129,650

Total RWA reduced by HKD43 million since last quarter which was mainly driven by the decrease in marketable debt securities held, operational risk; and partially offset by increase in interbank placements and loans and advances to customers.

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4. TEMPLATE LR2: LEVERAGE RATIO

		As at 30 Sep 2021	As at 30 Jun 2021
		HK\$'000	HK\$'000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	3,296,997	3,482,369
2	Less: Asset amounts deducted in determining Tier 1 capital	(106,775)	(83,546)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	3,190,222	3,398,823
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	11,246	6,272
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-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	11,246	6,272
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	5,000	-
18	Less: Adjustments for conversion to credit equivalent amounts	(4,500)	-
19	Off-balance sheet items	500	-
Capital and total exposures			
20	Tier 1 capital	908,819	990,494
20a	Total exposures before adjustments for specific and collective provisions	3,201,968	3,405,095
20b	Adjustments for specific and collective provisions	(22,196)	(17,671)
21	Total exposures after adjustments for specific and collective provisions	3,179,772	3,387,424
Leverage ratio			
22	Leverage ratio	28.58%	29.24%

The decrease in leverage ratio as of the quarter ended 30 Sep 2021 was mainly due to the decrease in total on-balance sheet exposures that was caused by the decrease in due from Exchange Fund and marketable debt securities held; and partially offset by increase in interbank placements and loans and advances to customers.

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5. ABBREVIATIONS

Abbreviations	Brief Description
AI	Authorized Institutions
Bank	Airstar Bank Limited
BCR	Banking (Capital) Rules
BDR	Banking (Disclosure) Rules
BSC	Basic Approach
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 Authorized Institution
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
LCR	Liquidity Coverage Ratio
LMR	Liquidity Maintenance Ratio
LR	Leverage Ratio
LTA	Look Through Approach
MBA	Mandate-based Approach
N/A	Not Applicable
NSFR	Net Stable Funding Ratio
PFE	Potential Future Exposure
RW	Risk Weight
RWA	Risk Weighted Assets
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) Approach
STM	Standardized (Market Risk) Approach