



AIRSTAR BANK LIMITED

REGULATORY DISCLOSURE STATEMENT

30 September 2022

(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 2022 | As at 30 Jun 2022 | As at 31 Mar 2022 | As at 31 Dec 2021 | As at 30 Sep 2021 |
|-----|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | Regulatory capital (amount) | | | | | |
| 1 | Common Equity Tier 1 (CET1) | 711,889 | 761,297 | 813,812 | 854,879 | 908,819 |
| 2 | Tier 1 | 711,889 | 761,297 | 813,812 | 854,879 | 908,819 |
| 3 | Total capital | 729,637 | 779,783 | 833,590 | 874,049 | 928,503 |
| | RWA (amount) | | | | | |
| 4 | Total RWA | 1,477,133 | 1,542,984 | 1,642,254 | 1,587,942 | 1,620,628 |
| | Risk-based regulatory capital ratios (as a percentage of RWA) | | | | | |
| 5 | CET1 ratio (%) | 48.19% | 49.34% | 49.55% | 53.84% | 56.08% |
| 6 | Tier 1 ratio (%) | 48.19% | 49.34% | 49.55% | 53.84% | 56.08% |
| 7 | Total capital ratio (%) | 49.40% | 50.54% | 50.76% | 55.04% | 57.29% |
| | 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 (%) | 0.84% | 0.83% | 0.84% | 0.87% | 0.86% |
| 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 (%) | 3.34% | 3.33% | 3.34% | 3.37% | 3.36% |
| 12 | CET1 available after meeting the AI's minimum capital requirements (%) | 36.19% | 37.34% | 37.55% | 41.84% | 44.08% |
| | Basel III leverage ratio | | | | | |
| 13 | Total leverage ratio (LR) exposure measure | 2,648,800 | 2,758,207 | 2,982,791 | 3,130,219 | 3,179,772 |
| 14 | LR (%) | 26.88% | 27.60% | 27.28% | 27.31% | 28.58% |
| | 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 | 141.58% | 116.94% | 126.90% | 150.95% | 147.80% |
| | 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 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 Sep 2022 | As at 30 Jun 2022 | As at 30 Sep 2022 |
| | | HK\$'000 | HK\$'000 | HK\$'000 |
| 1 | Credit risk for non-securitization exposures | 1,419,836 | 1,478,884 | 113,587 |
| 2 | Of which STC approach | 1,419,836 | 1,478,884 | 113,587 |
| 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 | 238 | 363 | 19 |
| 21 | Of which STM approach | 238 | 363 | 19 |
| 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 | 68,075 | 73,950 | 5,446 |
| 24a | Sovereign concentration risk | - | - | - |
| 25 | Amounts below the thresholds for deduction (subject to 250% RW) | - | - | - |
| 26 | Capital floor adjustment | - | - | - |
| 26a | Deduction to RWA | (11,016) | (10,213) | (881) |
| 26b | Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital | (11,016) | (10,213) | (881) |
| 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 | 1,477,133 | 1,542,984 | 118,171 |

Total RWA decreased by HKD66 million since last quarter which was mainly driven by RWA decrease in interbank Placements, loan and advance of customers and partially offset by increase in debt securities held.

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4. TEMPLATE LR2: LEVERAGE RATIO

| | | As at 30 Sep 2022 | As at 30 Jun 2022 |
|--|--|----------------------|----------------------|
| | | HK\$'000 | HK\$'000 |
| On-balance sheet exposures | | | |
| 1 | On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral) | 2,792,285 | 2,891,268 |
| 2 | Less: Asset amounts deducted in determining Tier 1 capital | (105,735) | (99,618) |
| 3 | Total on-balance sheet exposures (excluding derivative contracts and SFTs) | 2,686,550 | 2,791,650 |
| 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 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 | - | - |
| Exposures arising from SFTs | | | |
| 12 | Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions | - | - |
| 13 | Less: Netted amounts of cash payables and cash receivables of gross SFT assets | - | - |
| 14 | CCR exposure for SFT assets | - | - |
| 15 | Agent transaction exposures | - | - |
| 16 | Total exposures arising from SFTs | - | - |
| Other off-balance sheet exposures | | | |
| 17 | Off-balance sheet exposure at gross notional amount | - | - |
| 18 | Less: Adjustments for conversion to credit equivalent amounts | - | - |
| 19 | Off-balance sheet items | - | - |
| Capital and total exposures | | | |
| 20 | Tier 1 capital | 711,889 | 761,297 |
| 20a | Total exposures before adjustments for specific and collective provisions | 2,686,550 | 2,791,650 |
| 20b | Adjustments for specific and collective provisions | (37,750) | (33,443) |
| 21 | Total exposures after adjustments for specific and collective provisions | 2,648,800 | 2,758,207 |
| Leverage ratio | | | |
| 22 | Leverage ratio | 26.88% | 27.60% |

The decrease in leverage ratio as of the quarter ended 30 Sep 2022 was mainly due to the decrease in total on-balance sheet exposures that was caused by the decrease in interbank placement, loan and advance to customers and partially offset by increase in debt securities held.

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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 |