# AIRSTAR BANK LIMITED

## REGULATORY DISCLOSURE STATEMENT

31 December 2024

(Unaudited)

**Contents**

## 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 Financial Statements for the year ended 31 December 2024. The Bank’s Financial 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 Statements for the year ended 31 December 2024 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 Financial Statements for the year ended 31 December 2024.

## 2. TEMPLATE KM1: KEY PRUDENTIAL RATIOS

| | | **As at 31 Dec 2024 HK$'000** | As at 30 Sep 2024 HK$'000 | As at 30 Jun 2024 HK$'000 | As at 31 Mar 2024 HK$'000 | As at 31 Dec 2023 HK$'000 |
|---|---|---|---|---|---|---|
| | **Regulatory capital (amount)** | | | | | |
| 1 | Common Equity Tier 1 (CET1) | **634,494** | 720,454 | 785,955 | 405,863 | 461,997 |
| 2 | Tier 1 | **634,494** | 720,454 | 785,955 | 405,863 | 461,997 |
| 3 | Total capital | **650,432** | 734,603 | 800,346 | 418,394 | 474,913 |
| | RWA (amount) | | | | | |
| 4 | Total RWA | **1,376,627** | 1,329,158 | 1,245,719 | 1,092,518 | 1,120,480 |
| | **Risk-based regulatory capital ratios (as a percentage of RWA)** | | | | | |
| 5 | CET1 ratio (%) | **46.09%** | 54.20% | 63.09% | 37.15% | 41.23% |
| 6 | Tier 1 ratio (%) | **46.09%** | 54.20% | 63.09% | 37.15% | 41.23% |
| 7 | Total capital ratio (%) | **47.25%** | 55.27% | 64.25% | 38.30% | 42.38% |
| | **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 (%) | **0.34%** | 0.71% | 0.77% | 0.79% | 0.80% |
| 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 (%) | **2.84%** | 3.21% | 3.27% | 3.29% | 3.30% |
| 12 | CET1 available after meeting the AI's minimum capital requirements (%) | **34.09%** | 42.20% | 51.09% | 25.15% | 29.23% |
| | **Basel III leverage ratio** | | | | | |
| 13 | Total leverage ratio (LR) exposure measure | **3,192,435** | 2,644,801 | 2,623,707 | 1,933,026 | 2,230,322 |
| 14 | LR (%) | **19.87%** | 27.24% | 29.96% | 21.00% | 20.71% |
| | **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] | **225.19%** | 260.58% | 201.22% | 148.85% | 174.89% |
| | **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 June 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.

# 3. OVERVIEW OF RISK MANAGEMENT

## 3.1 TABLE OVA: OVERVIEW OF RISK MANAGEMENT

The overall risk management approach of the Bank is governed by its Enterprise Risk Management Framework ("ERMF"). The ERMF provides a high-level risk management structure and processes that the Bank adopts to identify, assess, manage and monitor all types of risks faced by the Bank in achieving its strategic objectives. The objectives of the ERMF are to ensure a consistent risk management approach; to support a strong risk culture; to promote risk awareness and sound operational and strategic decision-making; and to ensure that the Bank's risk taking activities are within the risk appetite approved by the Board of Directors ("Board").

**Risk Governance**

The Bank's risk governance model includes executive and non-executive governance committees, delegated authorities to individuals and an escalation path for material risks and issues.

The Board has overall ultimate responsibility for the risk related matters of the Bank. It approves the Bank's Risk Appetite Statement, setting the 'Tone from the Top' to embed a strong risk culture within the Bank.

The Board delegates non-executive responsibility for risk oversight to the Risk Committee ("RC"). The Audit Committee is delegated with oversight responsibility for independent review on the overall risk management framework.

The Board delegates day-to-day management responsibilities to the Chief Executive who chairs the Management Committee ("MANCO"), which is an executive-level committee providing recommendation and advice to the Chief Executive in discharge of his responsibilities to the Board. Specific accountabilities are further delegated to sub-committees including, Risk Management Committee ("RMC"), Credit Committee ("CC"), Asset and Liability Management Committee ("ALCO"), Legal and Compliance Committee ("LCM") and Information Technology Committee ("ITC"). The Chief Risk Officer ("CRO") is granted authority and accountability to make decisions to risk-related matters considered at the RMC, CC and ALCO while the executive accountability for Legal, Regulatory Compliance, Financial Crime and Fraud risks resides with the Chief Compliance Officer ("CCO") who chairs the LCM.

Material risks and issues considered at RMC, CC, ALCO, LCM and ITC should be escalated to the Risk Committee and/or the Board for adequate awareness, challenge and decisions.

**Roles and responsibilities**

The Bank adopts the 3 Lines of Defense ("LOD") model to define the roles and responsibilities of different functions and individuals in risk management, based on the activities performed. It applies to all risk types. The model delineates management accountabilities and responsibilities for risk management and control environment with each LOD, thereby creating a robust control environment to manage risks.

The first LOD has ownership for risks and controls. It comprises Risk Owners and Control Owners. The first LOD may sit within Business units or other functions and is accountable for identifying, assessing, managing and reporting risk from frontline positions and ensure their business activities are in line with the Bank's approved risk appetite, policies and risk limits.

### 3.1 TABLE OVA: OVERVIEW OF RISK MANAGEMENT *(continued)*

The second LOD reviews and challenges activities of the first LOD to ensure they have met the minimum requirements set out in the relevant policies and procedures. The second LOD comprises CRO and Risk Stewards who typically sit within Risk Management Department and Legal and Compliance Department.

The third LOD is Internal Audit. It provides independent assurance to the senior management, Audit Committee and the Board on the effectiveness of risk management framework including design and implementation of processes and controls.

**Risk Appetite**

Risk Appetite is defined as the level and types of risk that the Bank is willing to accept in achieving its strategic objectives. It is formally articulated in the Bank's Risk Appetite Statement ("RAS") approved by the Board. The RAS consists of both qualitative statements and quantitative metrics, covering all material risk types. The qualitative statements outline the Bank's core principles in dealing with and managing such risks and, where appropriate, supplemented by quantitative metrics with thresholds to support monitoring and embedding of Risk Appetite.

The Bank's RAS is embedded, or operationalized, in the Bank's risk management framework, through policies, procedures, limits, controls and/or key indicators to guide day-to-day operations and inform business decision-making.

**Risk Management and Reporting Systems**

The risk management process and management information reporting systems are in place to ensure material risks of the Bank are properly identified, measured, monitored and reported in different level of governance committee. Appropriate methodologies/techniques are adopted to support business development under Board approved risk appetite, together with evolving regulatory standards. Risk management systems of specific risk types are introduced, including policies and procedures, with risk metrics and applicable limits are properly documented to ascertain compliance of internal and regulatory requirements.

**Risk Profile**

Currently, the Bank is principally engaged in deposits and lending business, funded by retail deposits and shareholder equity. The Bank's excess funding resources are being deployed for Treasury investment as part of the overall asset and liability management.

Below set out material risks inherent from the Bank's business.

**Credit Risk**

Credit risk is defined as the risk of financial loss from a borrower or counterparty who fails to meet its obligations in accordance with agreed terms. It exists in both the trading and banking book and both on and off the balance sheet. The Bank's credit risk principally arises from its lending and treasury activities.

## 3.1 TABLE OVA: OVERVIEW OF RISK MANAGEMENT *(continued)*

The Bank has formulated comprehensive policies and procedures which laid down governance structure and the approaches on credit risk identification, assessment, control and reporting.

Refer to section CRA for more details in relation to Credit Risk Management of the Bank.

**Market Risk (Including IRRBB)**

Market risk is defined as the risk of loss arising from adverse movements in market factors, e.g. exchange rates, interest rates, credit spread, equity price, etc. Currently, the Bank does not have any trading book exposures as mandated by its RAS. Market risk predominately arises from Treasury activities due to movements in interest rates and exchange rates.

Interest rate risk in the banking book ("IRRBB") refers to impact to the Bank's capital and earning arising from adverse movements in interest rates that affect the Bank's banking book positions. The risk arises from the mismatches of repricing frequency of banking book assets and liabilities.

The Bank has established Market Risk Management Policy, Interest Rate Risk Management Policy and Treasury Products and Investment Policy which set out the approaches to measure, monitor and control market risk; and particularly, internal guidelines in relation to the investment activities carried out by Treasury function.

Refer to section MRA and IRRBBA for more details related to Market Risk and IRRBB respectively.

**Liquidity Risk**

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its obligation as they fall due or requires additional cost in meeting such obligation. This may be caused by the adverse market conditions or liquidity dry up under which the Bank is unable to obtain funding or to liquidate the assets, unless with material haircut, to meet the liquidity needs.

The Bank has established Liquidity and Funding Risk Management Policy which defines the governance framework, roles and responsibilities of different parties as well as monitoring limits and metrics for liquidity risk management of the Bank.

Refer to section LIQA for more details related to Liquidity Risk of the Bank.

**Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal process, people and systems or external events. Operational risk arises from day to day operations or external events and is relevant to every aspect of the Bank.

The Bank has established and implemented an Operational Risk Management Framework which provides a comprehensive framework to identifying and managing operational risks. The framework defines roles and responsibilities across three lines of defense, Risk and Control Self-assessment process, issue and controls management as well as a comprehensive Key Risk Indicators for on-going monitoring and reporting.

## 3.1 TABLE OVA: OVERVIEW OF RISK MANAGEMENT *(continued)*

Monitoring report of Key Risk Indicators, material events and issues as well as material outstanding issues are submitted to RMC for senior management review and oversight.

**Stress Testing**

As an integral part of the Bank's risk management process, stress tests on principal risk are regularly performed, where appropriate, to identify the potential weaknesses of the Bank's business profile and associated risk positions. Stress testing methodologies and techniques, e.g. sensitivity tests, scenario analysis, are adopted to assess the potential impact on the Bank's financial positions, including capital adequacy, profitability and liquidity. Appropriate management actions will be prompted, whenever necessary to mitigate the risks.

### 3.2 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 31 Dec 2024** | As at 30 Sep 2024 | **As at 31 Dec 2024** |
| | | **HK$'000** | HK$'000 | **HK$'000** |
| 1 | Credit risk for non-securitization exposures | **1,274,944** | 1,229,699 | **101,996** |
| 2 | Of which STC approach | **1,274,944** | 1,229,699 | **101,996** |
| 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 | **89** | 184 | **7** |
| 7 | Of which SA-CCR approach | **89** | 184 | **7** |
| 7a | Of which CEM | **-** | - | **-** |
| 8 | Of which IMM(CCR) approach | **-** | - | **-** |
| 9 | Of which others | **-** | - | **-** |
| 10 | CVA Risk | **88** | 175 | **7** |
| 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 | **3,350** | 250 | **268** |
| 21 | Of which STM approach | **3,350** | 250 | **268** |
| 22 | Of which IMM approach | **-** | - | **-** |
| 23 | Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect) | **N/A** | N/A | N/A |
| 24 | Operational risk | **99,500** | 98,850 | **7,960** |
| 24a | Sovereign concentration risk | **-** | - | **-** |
| 25 | Amounts below the thresholds for deduction (subject to 250% RW) | **-** | - | **-** |
| 26 | Capital floor adjustment | **-** | - | **-** |
| 26a | Deduction to RWA | **(1,344)** | - | **(108)** |
| 26b | Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital | **(1,344)** | - | **(108)** |
| 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 | **1,376,627** | 1,329,158 | **110,130** |

Total RWA increased by HKD47 million since last quarter was mainly driven by increase RWA in marketable debt securities held, loans and advances to customers and partially offset by RWA decrease in interbank placements.

## 4. LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES

### 4.1 Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

| | As at 31 Dec 2024 HK$'000 | | | | | | |
|---|---|---|---|---|---|---|---|
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| | | | Carrying values of items: | | | | |
| | Carrying values as reported in published financial statements | Carrying values under scope of regulatory consolidation | subject to credit risk framework | subject to counterparty credit risk framework | subject to the securitization framework | subject to market risk framework | not subject to capital requirements or subject to deduction from capital |
| **Assets** | | | | | | | |
| Balances with banks | 189,658 | 189,658 | 189,658 | - | - | - | - |
| Placement with banks | 76,907 | 76,907 | 76,907 | - | - | - | - |
| Investment in securities | 2,153,807 | 2,153,807 | 2,153,807 | - | - | - | - |
| Loans and advances to customers | 693,026 | 693,026 | 694,370 | - | - | - | (1,344) |
| Prepayment and other assets | 55,936 | 55,936 | 55,884 | 52 | - | - | - |
| Property and equipment | 2,442 | 2,442 | 2,442 | - | - | - | - |
| Right-of-use assets | 18,654 | 18,654 | 18,654 | - | - | - | - |
| Intangible assets | 64,658 | 64,658 | - | - | - | - | 64,658 |
| **Total Assets** | **3,255,088** | **3,255,088** | **3,191,722** | **52** | **-** | **-** | **63,314** |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| Deposits from customers | 2,399,386 | 2,399,386 | - | - | - | - | 2,399,386 |
| Other payables and accruals | 134,817 | 134,817 | - | - | - | - | 134,817 |
| Lease liabilities | 18,315 | 18,315 | - | - | - | - | 18,315 |
| Make good provision | 3,418 | 3,418 | - | - | - | - | 3,418 |
| **Total Liabilities** | **2,555,936** | **2,555,936** | **-** | **-** | **-** | **-** | **2,555,936** |

### 4.2 Template LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

| | | As at 31 Dec 2024 HK$'000 | | | | |
|---|---|---|---|---|---|---|
| | | (a) | (b) | (c) | (d) | (e) |
| | | | Items subject to: | | | |
| | | Total | credit risk framework | securitization framework | counterparty credit risk framework | market risk framework |
| 1 | **Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**[1] | 3,191,774 | 3,191,722 | - | 52 | - |
| 2 | Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)[2] | - | - | - | - | - |
| 3 | Total net amount under regulatory scope of consolidation | 3,191,774 | 3,191,722 | - | 52 | - |
| 4 | Off-balance sheet amounts | 43,269 | - | - | - | - |
| 5 | Differences due to consideration of provision | 15,938 | 15,938 | - | - | - |
| 6 | Differences due to potential exposures for counterparty credit risk | 395 | - | - | 395 | - |
| 7 | Exposure amounts considered for regulatory purposes | **3,251,376** | **3,207,660** | **-** | **447** | **-** |

[1] *The amount shown in column (a) is equal to column (b) less column (g) in Total assets row in template LI1*

[2] *The amount shown in column (a) is equal to column (b) less column (g) in Total liabilities row in template LI1*

## 4.3 Table LIA: Explanations of differences between accounting and regulatory exposure amounts

The main differences between accounting values and amounts considered for regulatory purpose are as follow:

(i) Off-balance sheet items under regulatory purpose are converted into credit equivalent amount through the use of credit conversion factors ("CCFs");
(ii) Carrying amounts reported in financial statements are net of stage 1, 2 and 3 provisions, whereas exposure amount under regulatory purpose are net of stage 3 provision only;
(iii) Counterparty credit risk exposures under regulatory purpose not only include the current exposures but also the potential exposures.

## 4.4 Template PV1: Prudent valuation adjustments

The following table provides a detailed breakdown of the constituent elements of valuation adjustments. There were no valuation adjustments as of 31 December 2024.

| | | **As at 31 Dec 2024 HK$'000** | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Equity | Interest rates | FX | Credit | Commodities | Total | Of which: In the trading book | Of which: In the banking book |
| 1 | Close-out uncertainty, of which: | - | - | - | - | - | - | - | - |
| 2 | *Mid-market value* | - | - | - | - | - | - | - | - |
| 3 | *Close-out costs* | - | - | - | - | - | - | - | - |
| 4 | *Concentration* | - | - | - | - | - | - | - | - |
| 5 | Early termination | - | - | - | - | - | - | - | - |
| 6 | Model risk | - | - | - | - | - | - | - | - |
| 7 | Operational risks | - | - | - | - | - | - | - | - |
| 8 | Investing and funding costs | | | | | | - | - | - |
| 9 | Unearned credit spreads | | | | | | - | - | - |
| 10 | Future administrative costs | - | - | - | - | - | - | - | - |
| 11 | Other adjustments | - | - | - | - | - | - | - | - |
| **12** | **Total adjustments** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |

## 5. COMPOSITION OF REGULATORY CAPITAL

### 5.1 Template CC2: Reconciliation of Regulatory Capital to Balance Sheet

| | Balance sheet as in published financial statements | Under regulatory scope of consolidation | Reference |
|---|---|---|---|
| | As at 31 Dec 2024 | As at 31 Dec 2024 | |
| | HK$'000 | HK$'000 | |
| **Assets** | | | |
| Balances with banks | 189,658 | 189,658 | |
| Placement with banks | 76,907 | 76,907 | |
| *of which: Impairment allowances eligible for inclusion in Tier 2 capital* | | *(1)* | [1] |
| Investment in securities | 2,153,807 | 2,153,807 | |
| *of which: Impairment allowances eligible for inclusion in Tier 2 capital* | | *(36)* | [2] |
| Loans and advances to customers | 693,026 | 693,026 | |
| *of which: Impairment allowances eligible for inclusion in Tier 2 capital* | | *(15,901)* | [3] |
| Prepayment and other assets | 55,936 | 55,936 | |
| Property and equipment | 2,442 | 2,442 | |
| Right-of-use assets | 18,654 | 18,654 | |
| Intangible assets | 64,658 | 64,658 | [4] |
| **Total assets** | **3,255,088** | **3,255,088** | |
| **Liabilities** | | | |
| Deposits from customers | 2,399,386 | 2,399,386 | |
| Other payable and accruals | 134,817 | 134,817 | |
| Lease liabilities | 18,315 | 18,315 | |
| Make good provision | 3,418 | 3,418 | |
| **Total liabilities** | **2,555,936** | **2,555,936** | |
| **Equity** | | | |
| Share capital | 1,940,000 | 1,940,000 | |
| *of which: amount eligible for CET1* | | *1,940,000* | [5] |
| Other reserves | 26,352 | 26,352 | [6] |
| *of which: Regulatory reserve for general banking risks* | | - | [7] |
| Accumulated losses | (1,267,200) | (1,267,200) | [8] |
| **Total equity** | **699,152** | **699,152** | |

## 5.2 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 31 Dec 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 | (1,267,200) | [8] |
| 3 | Disclosed reserves | 26,352 | [6] |
| 4 | *Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)* | 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** | 699,152 | |
| | **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) | 64,658 | [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 | - | |
| 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) | - | |

## 5.2 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 31 Dec 2024 | |
| | | HK$'000 | |
| 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** | 64,658 | |
| 29 | **CET1 capital** | 634,494 | |
| | **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 | *Capital instruments subject to phase-out arrangements from AT1 capital* | - | |
| 34 | AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group) | - | |
| 35 | *of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements* | - | |
| 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)** | 634,494 | |
| | **Tier 2 capital: instruments and provisions** | | |
| 46 | Qualifying Tier 2 capital instruments plus any related share premium | - | |
| 47 | *Capital instruments subject to phase-out arrangements from Tier 2 capital* | - | |
| 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 | *of which: capital instruments issued by subsidiaries subject to phase-out arrangements* | - | |
| 50 | Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital | 15,938 | [1] + [2] + [3] + [7] |
| 51 | **Tier 2 capital before regulatory deductions** | 15,938 | |
| | **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) | - | |

## 5.2 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 31 Dec 2024 | |
| | | HK$'000 | |
| 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)** | 15,938 | |
| 59 | **Total regulatory capital (TC = T1 + T2)** | 650,432 | |
| 60 | **Total RWA** | 1,376,627 | |
| | **Capital ratios (as a percentage of RWA)** | | |
| 61 | **CET1 capital ratio** | 46.09% | |
| 62 | **Tier 1 capital ratio** | 46.09% | |
| 63 | **Total capital ratio** | 47.25% | |
| 64 | **Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)** | 2.84% | |
| 65 | of which: capital conservation buffer requirement | 2.50% | |
| 66 | of which: bank specific countercyclical capital buffer requirement | 0.34% | |
| 67 | of which: higher loss absorbency requirement | N/A | |
| 68 | CET1 (as a percentage of RWA) available after meeting minimum capital requirements | 34.09% | |
| | **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 | - | |
| 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) | 17,282 | |

## 5.2 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 31 Dec 2024 | |
| | | HK$'000 | |
| 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 | 15,938 | |
| 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 | *Current cap on CET1 capital instruments subject to phase-out arrangements* | N/A | N/A |
| 81 | *Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)* | N/A | N/A |
| 82 | *Current cap on AT1 capital instruments subject to phase-out arrangements* | - | |
| 83 | *Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)* | - | |
| 84 | *Current cap on Tier 2 capital instruments subject to phase-out arrangements* | - | |
| 85 | *Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)* | - | |

*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)** | 64,658 | 64,658 |
| | Explanation<br>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. | | |

## 5.3 TABLE CCA: Main features of regulatory capital instruments

| | | Quantitative / qualitative information<br>As at 31 Dec 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 |
| | *Regulatory treatment* | |
| 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<br>24 July 2018 issued 1,200 million ordinary shares<br>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 |
| | *Coupons / dividends* | |
| 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.

## 6. COUNTERCYCLICAL CAPITAL BUFFER

### 6.1 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 31 Dec 2024 | | | |
|---|---|---|---|---|---|---|
| | | | (a) | (c) | (d) | (e) |
| | **Geographical breakdown by Jurisdiction (J)** | | **Applicable JCCyB ratio in effect** | **RWA used in computation of CCyB ratio** | **AI-specific CCyB ratio** | **CCyB amount** |
| | | *Footnote* | **%** | **HK$'000** | **%** | **HK$'000** |
| 1 | Hong Kong, China | | 0.500 | 631,762 | | |
| | Sum | *1* | | 631,762 | | |
| | **Total** | *2* | | **938,753** | **0.337** | **4,639** |

*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).*

## 7. LEVERAGE RATIO

### 7.1 Template LR1: Summary comparison of accounting assets against leverage ratio ("LR") exposure measure

| | | As at 31 Dec 2024 |
|---|---|---|
| | | **Value under the LR framework** |
| | **Item** | **HK$'000** |
| 1 | Total consolidated assets as per published financial statements | 3,255,088 |
| 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 | 447 |
| 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) | 1,610 |
| 6a | Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure | - |
| 7 | Other adjustments | (64,710) |
| **8** | **Leverage ratio exposure measure** | **3,192,435** |

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

## 7.2 Template LR2: Leverage ratio

| | | As at 31 Dec 2024 HK$'000 | As at 30 Sep 2024 HK$'000 |
|---|---|---|---|
| **On-balance sheet exposures** | | | |
| 1 | On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral) | **3,277,448** | 2,743,614 |
| 2 | Less: Asset amounts deducted in determining Tier 1 capital | **(64,658)** | (74,824) |
| 3 | **Total on-balance sheet exposures (excluding derivative contracts and SFTs)** | **3,212,790** | 2,668,790 |
| **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) | **65** | 225 |
| 5 | Add-on amounts for PFE associated with all derivative contracts | **382** | 695 |
| 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** | **447** | 920 |
| **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 | **16,098** | 12,051 |
| 18 | Less: Adjustments for conversion to credit equivalent amounts | **(14,488)** | (10,846) |
| 19 | ***Off-balance sheet items*** | **1,610** | 1,205 |
| **Capital and total exposures** | | | |
| 20 | **Tier 1 capital** | **634,494** | 720,454 |
| 20a | **Total exposures before adjustments for specific and collective provisions** | **3,214,847** | 2,670,915 |
| 20b | **Adjustments for specific and collective provisions** | **(22,412)** | (26,114) |
| 21 | **Total exposures after adjustments for specific and collective provisions** | **3,192,435** | 2,644,801 |
| **Leverage ratio** | | | |
| 22 | **Leverage ratio** | **19.87%** | 27.24% |

The decrease in leverage ratio as of the quarter ended 31 December 2024 was mainly contributed by the decrease in Tier 1 capital due to operating loss and increased balance sheet size incurred during the reporting period.

## 8. LIQUIDITY

### 8.1 Table LIQA: Liquidity Risk Management

**Overview**

Liquidity Risk is the risk that the Bank does not have sufficient financial resources to meet its obligation as they fall due or requires additional costs in meeting such obligation. This may be caused by the adverse market conditions or liquidity dry up under which the Bank is unable to obtain funding or to liquidate the assets, unless with significant haircut, to meet the liquidity needs.

**Governance**

The Bank has established the Liquidity and Funding Risk Management Policy which sets out the approaches for liquidity and funding risk management and oversight in accordance with the requirements stipulated in the HKMA SPM LM-1 "Regulatory Framework for Supervision of Liquidity Risk" and LM-2 "Sound Systems and Controls for Liquidity Risk Management". The Policy aims to ensure that the Bank maintains adequate level of liquidity and cash flows to meet all contractual obligations, maintains diversified funding base and fulfills the relevant regulatory liquidity requirements.

The policy defines the governance framework, roles and responsibilities of different parties, together with monitoring limits and metrics for liquidity risk management of the Bank.

The Board is ultimately responsible for the overall liquidity management and asset and liability management. ALCO is delegated with executive responsibility to manage liquidity risk, in particular, responsible for reviewing relevant liquidity reports, reviewing material changes to liquidity risk models and assumptions, overseeing the development and maintenance of Contingency Funding Plan ("CFP").

The Bank sets up various risk measures, including Liquidity Maintenance Ratio ("LMR"), and Loan to Deposit ratio, to identify emerging risks in liquidity risk positions and potential funding needs. The internal limits for such liquidity measures are established, with sufficient buffer to regulatory minimum requirements to ensure the on-going compliance. Monitoring results of liquidity risk metrics are presented to ALCO on a monthly basis and to the RC on a quarterly basis.

As at 31 Dec 2024, the Bank maintained the following liquidity related ratio well above the HKMA required level.

| | **As at 31 Dec 2024** |
|---|---|
| Liquidity Maintenance Ratio | 182.03% |
| Loan to Deposit ratio | 29.82% |

**Cash flow projection and stress testing**

The Bank conducts cash flow analysis and projection to identify funding needs arising from balance sheet items in specific time frame. The cash flow analysis covers both normal and stress scenarios to obtain a comprehensive view of cash flow positions and maturity profile of the balance sheet for ensuring sufficient liquidity can be maintained and informing necessary actions in advance when needed. According to HKMA SPM LM-2, three stress scenarios (institution specific, market-wide and combined) are designed and employed where the Bank is required to maintain positive net cash flow.

## 8.1 Table LIQA: Liquidity Risk Management *(continued)*

The table below analyses the Bank's maturity profile as at 31 December 2024, breaking down on- and off-balance sheet items by maturity buckets and the resultant liquidity gaps based on the completion instructions of MA(BS)23 Return on Liquidity Monitoring Tools.

| | Total amount | Contractual maturity of cash flows and securities flows arising from the relevant items As at 31 Dec 2024 In HK$'000 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Next day | Less than 1 month | Over 1 month up to 3 months | Over 3 months up to 1 year | Over 1 year | Undated |
| **On-balance sheet liabilities** | | | | | | | |
| Deposits from non-bank customers | | | | | | | |
| (a) Pledged deposits | - | - | - | - | - | - | - |
| (b) Demand, savings and current account deposits | 914,357 | 914,357 | | | | | |
| (c) Term, call and notice deposits | 1,505,734 | 15,104 | 273,876 | 513,251 | 703,503 | - | |
| Amount payable arising from derivative contracts | 3 | 3 | 19,408 | 7,763 | - | - | |
| Other liabilities | 135,842 | 8,792 | 592 | 109,416 | 8,052 | 8,990 | - |
| Capital and reserves | 699,152 | - | - | - | - | - | 699,152 |
| **Total liabilities** | **3,255,088** | **938,256** | **293,876** | **630,430** | **711,555** | **8,990** | **699,152** |
| **On-balance sheet assets** | | | | | | | |
| Amount receivable arising from derivative contracts | 51 | 5 | 19,446 | 7,766 | - | - | - |
| Due from MA for a/c of Exchange Fund | 128,596 | 128,596 | - | - | - | - | - |
| Due from banks | 138,049 | 61,063 | 33,091 | 43,895 | - | - | - |
| Debt securities, prescribed instruments and structured financial instruments held (net of short positions) | | | | | | | |
| Readily monetizable | 2,148,637 | 2,148,637 | | | | | |
| Loans and advances to non-bank customers | 718,520 | 9,176 | 44,318 | 72,517 | 393,523 | 190,683 | 8,303 |
| Other assets | 99,905 | 886 | 567 | 3,020 | 8,570 | 5,749 | 81,113 |
| **Total Assets** | **3,233,758** | **2,348,363** | **97,422** | **127,198** | **402,093** | **196,432** | **89,416** |
| **Off-balance sheet obligations** | | | | | | | |
| Irrevocable loan commitments or facilities granted | 16,098 | 16,098 | - | - | - | - | - |
| **Total Off-balance sheet obligations** | **16,098** | **16,098** | - | - | - | - | - |
| **Contractual Maturity Mismatch**[(i)] | | 1,394,009 | (196,454) | (503,232) | (309,462) | 187,442 | |
| **Cumulative Contractual Maturity Mismatch**[(i)] | | 1,394,009 | 1,197,555 | 694,323 | 384,861 | 572,303 | |

[(i)] Positive indicates a position of liquidity surplus. Negative indicates a liquidity shortfall that has be funded.

## 8.1 Table LIQA: Liquidity Risk Management *(continued)*

**Funding Strategy**

The Bank's major source of funding are retail customer deposits and shareholders' funds. Funding strategy takes into consideration of bank structure of assets and liabilities, optimization of loan to deposit ratio, as well as interbank funding facilities, to establish a more balanced and stable deposit profile. Meanwhile, for the Bank's resilience to liquidity stress, adequate cushions of unencumbered, high quality liquid assets are maintained for the bank to obtain funding to meet liquidity needs at all times.

**Contingency Funding Plan**

As an integral part of the Bank's liquidity and funding risk management framework, the CFP is established, in accordance with HKMA's requirements stipulated in SPM LM-2, to facilitate the Bank in addressing liquidity shortfalls in emergency situations proactively, including idiosyncratic and market wide liquidity stress events. A set of early warning indicators are utilised, covering both internal and external factors, for monitoring potential threats, at an early stage, towards the Bank's liquidity profile.

Should there be any breach of earning warning indicators, immediate investigation will be conducted and escalated to ALCO for further consideration on remedial action, if applicable, and the potential activation of the CFP.

A Liquidity Crisis Management Team, chaired by the Chief Executive, will be formed to implement the CFP, including formulating strategies and actions, facilitating internal/external coordination and communication, arranging and allocating appropriate resources on handling the liquidity stress event.

Drill testing on the CFP is conducted, at least annually, to demonstrate the availability and operational feasibility of the funding options and the CFP is subject to regular review in order to accommodate any changes in business environment.

## 9. CREDIT RISK

### 9.1 Table CRA: General information about credit risk

**Overview**

Credit Risk is defined as the risk of financial loss from a borrower or counterparty who fails to meet its obligations in accordance with agreed terms. It exists in both the trading and banking book and both on and off the balance sheet. The Bank's credit risk principally arises from its lending and treasury activities.

**Governance**

The Bank has established policies and procedures, outlining the governance framework and requirements in identifying, measuring, monitoring, controlling and reporting the credit risk arising from its business. The credit risk exposure mainly arises from personal lending and debt securities investments. The approach on credit risk management, including the credit underwriting criteria and credit monitoring process which take into account of credit quality, debt capacity, industries etc. , aligns with the business strategy and risk appetite of the Bank as well as the relevant regulatory requirements. Management reports on credit risk exposures and credit quality are circulated periodically to senior management for credit risk monitoring.

The Board represents the highest authority of the Bank's credit risk management. CC is delegated with the executive responsibility for overseeing and monitoring the credit risk arising from retail and treasury transactions, including but not limited to approval of respective risk management policies. This includes, setting of relevant policies and procedures; monitoring the credit quality and associated risk profile to ensure alignment with risk appetite and compliance with regulatory requirements; and reviewing the appropriateness credit approval authority being delegated by different governance body. Furthermore, CC is also delegated to approve large credit facilities subject to size of exposure limit. Internal Audit Department provides independent assurance on the overall effectiveness on the Bank's credit risk management framework, including the control processes.

Credit approval limit operates through a hierarchy approach on authority delegation. The Board delegates the credit approval authority limits to Chief Executive with the power of sub-delegation to Chief Risk Officer. Credit approvers are empowered by Chief Risk Officer on the credit approval authority limit.

## 9.2 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.

The 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 31 Dec 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 | 13,701 | 1,008,024 | 22,376 | 5,130 | 17,246 | . | 999,349 |
| 2 | Debt securities | - | 2,169,969 | 36 | - | 36 | . | 2,169,933 |
| 3 | Off-balance sheet exposures | | - | - | - | - | . | - |
| ***4*** | ***Total*** | **13,701** | **3,177,993** | **22,412** | **5,130** | **17,282** | **.** | **3,169,282** |

## 9.3 Template CR2: Changes in defaulted loans and debt securities

| | | As at 31 Dec 2024 HK$'000 |
|---|---|---|
| 1 | **Defaulted loans and debt securities at end of the previous reporting period (30 Jun 2024)** | **14,870** |
| 2 | Loans and debt securities that have defaulted since the last reporting period | 8,401 |
| 3 | Returned to non-defaulted status | - |
| 4 | Amounts written off | (8,655) |
| 5 | Other changes | (915) |
| 6 | **Defaulted loans and debt securities at end of the current reporting period (31 Dec 2024)** | **13,701** |

At the end of December 2024, the Bank's defaulted loans decreased to HK$13.7 million by 7.9% from HK$14.9 million in June 2024. The main contributors were HK$8.7 million loans written off, partially net off by the HK$8.4 million loans defaulted during the reporting period. Other changes mainly include loan repayments.

## 9.4 Table CRB: Additional disclosure related to credit quality of exposures

In order to meet the impairment measurement requirement under HKFRS 9, a forward-looking expected credit loss ("ECL") model is adopted to measure impairment allowance. It estimates the expected credit losses at reporting date based on either an estimate of 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in the credit risk of the financial instrument since initial recognition.

Financial instruments are classified into three stages using up-to-date information at reporting date to determine whether 12-month ECL or lifetime ECL is used:

### 9.4 Table CRB: Additional disclosure related to credit quality of exposures *(continued)*

Stage 1: Financial instruments that are not considered to have significant increase in credit risk since initial recognition or low credit risk at reporting date are classified in Stage 1 and are evaluated for impairment using 12-month ECL.

Stage 2: Financial instruments that are considered to have significant increase in credit risk since initial recognition but not credit-impaired are classified in Stage 2. Financial instruments classified in Stage 2 are evaluated using lifetime ECL.

Stage 3: Financial instruments, which are credit-impaired, are classified in Stage 3. Financial instruments classified in Stage 3 are evaluated using lifetime ECL.

The calculation of ECL incorporates forward-looking information that several key macroeconomic factors and their forecast are included in the ECL model. Taking into account of different potential economic condition, probability weighted ECL under possible outcomes of different economic scenario is measured.

Rescheduled loans refer to loans: (i) that have been restructured and re-negotiated between borrowers and the Bank because of a deterioration in the financial position of the borrower or of the inability of the borrower to meet the original repayment schedule and (ii) for which the revised repayment terms, either of interest or the repayment period, are non-commercial to the Bank.

Additional information on the credit quality of exposures are provided in sections 9.4.1 to 9.4.7 below to supplement the quantitative information provided under templates CR1 and CR2 as at 31 December 2024.

#### 9.4.1 CRB1: Exposures by geographical location

| | Gross carrying amounts at 31 Dec 2024 HK$'000 |
|---|---|
| Hong Kong, China | 1,502,243 |
| Mainland China | 698,468 |
| Others [1] | 990,983 |
| **Total** | **3,191,694** |

[1] *"Others" constitutes segment less than 10% of total RWA and is disclosed on aggregated basis.*

#### 9.4.2 CRB2: Exposures by industry

| | Gross carrying amounts at 31 Dec 2024 HK$'000 |
|---|---|
| Bank | 758,561 |
| Official sector | 872,695 |
| Non-bank private sector | |
| - Financial concerns | 696,387 |
| - Information technology | 123,291 |
| - Individuals | 718,519 |
| Others[1] | 22,241 |
| **Total** | **3,191,694** |

[1] *"Others" constitutes segment less than 10% of total RWA and is disclosed on aggregated basis.*

### 9.4.3 CRB3: Exposures by residual maturity

| | Gross carrying amounts As at 31 Dec 2024 |
|---|---|
| | HK$'000 |
| Up to 1 year | 2,311,356 |
| More than 1 year up to 5 years | 833,633 |
| More than 5 years | 1,977 |
| Unrated or overdue | 44,728 |
| **Total** | **3,191,694** |

### 9.4.4 CRB4: Impaired exposures and related allowances and write-offs by geographical location

| | As at 31 Dec 2024 | | |
|---|---|---|---|
| | Impaired Exposures | Specific Provision | Write-offs |
| | HK$'000 | HK$'000 | HK$'000 |
| Hong Kong, China | 13,701 | 5,130 | 18,321 |
| **Total** | **13,701** | **5,130** | **18,321** |

### 9.4.5 CRB5: Impaired exposures and related allowances and write-offs by industry

| | As at 31 Dec 2024 | | |
|---|---|---|---|
| | Impaired Exposures | Specific Provision | Write-offs |
| | HK$'000 | HK$'000 | HK$'000 |
| Loans and advances to customers | | | |
| - Individuals | 13,701 | 5,130 | 18,321 |
| **Total** | **13,701** | **5,130** | **18,321** |

### 9.4.6 CRB6: Aging analysis of accounting past due unimpaired exposures

Past due unimpaired exposures are those loans where customers have failed to make payments in accordance with the contractual terms of their facilities. Exposures past due for more than 90 days are considered impaired.

| | As at 31 Dec 2024 | | | |
|---|---|---|---|---|
| | Up to 30 days | 31 – 60 days | 61 – 90 days | Total |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Loans and advances to customers | | | | |
| - Individuals | 3,359 | 1,320 | 1,247 | 5,926 |
| **Total** | **3,359** | **1,320** | **1,247** | **5,926** |

### 9.4.7 CRB7: Breakdown of restructured exposures between impaired and unimpaired

| | As at 31 Dec 2024 |
|---|---|
| | HK$'000 |
| Impaired | 4,663 |
| Not impaired | 7,331 |
| **Total** | **11,994** |

## 9.5 Table CRC: Qualitative disclosures related to credit risk mitigation

The Credit Risk Management Policy sets out the approach on credit risk mitigation of the Bank.

As of 31 December 2024, the Bank does not have any credit risk exposures that possess recognized collaterals or guarantees as credit risk mitigation.

## 9.6 Template CR3: Overview of recognized credit risk mitigation

| | | As at 31 Dec 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 | 999,349 | - | - | - | - |
| 2 | Debt securities | 2,169,933 | - | - | - | - |
| **3** | **Total** | **3,169,282** | **-** | **-** | **-** | **-** |
| 4 | Of which defaulted | 1,239 | - | - | - | - |

## 9.7 Table CRD: Qualitative disclosures on use of ECAI ratings under STC approach

The Bank adopts the standardized approach for assessing the capital adequacy of credit risk exposure, as mandated by BCR, according to the credit rating announced by recognized External Credit Assessment Institutions ("ECAIs"), i.e. Moody's Investors Services; Standard & Poor's Rating Services and Fitch Ratings to determine the risk-weight of the following exposures, if applicable:

1. Sovereign;
2. Public sector entity;
3. Bank;
4. Securities Firm; and
5. Corporate.

The mapping process of ECAI issuer ratings or ECAI issue specific ratings is consistent with requirements within Part 4 of BCR.

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

| | | As at 31 Dec 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 | 872,695 | - | 872,695 | - | 1,068 | - |
| 2 | PSE exposures | 105,154 | - | 105,154 | - | 21,031 | 20% |
| 2a | Of which: domestic PSEs | 105,154 | - | 105,154 | | 21,031 | 20% |
| 2b | Of which: foreign PSEs | - | - | - | - | - | - |
| 3 | Multilateral development bank exposures | - | - | - | - | - | - |
| 4 | Bank exposures | 758,561 | - | 758,561 | - | 292,996 | 39% |
| 5 | Securities firm exposures | 60,779 | - | 60,779 | - | 30,390 | 50% |
| 6 | Corporate exposures | 639,561 | - | 639,561 | - | 326,974 | 51% |
| 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 | 690,814 | 16,098 | 690,814 | - | 518,111 | 75% |
| 11 | Residential mortgage loans | - | - | - | - | - | - |
| 12 | Other exposures which are not past due exposures | 71,541 | - | 71,541 | - | 71,541 | 100% |
| 13 | Past due exposures | 8,555 | - | 8,555 | - | 12,833 | 150% |
| 14 | Significant exposures to commercial entities | - | - | - | - | - | - |
| 15 | **Total** | **3,207,660** | **16,098** | **3,207,660** | **-** | **1,274,944** | **40%** |

Compared with 30 June 2024, total credit risk exposures and total RWA as at 31 December 2024 increased by HKD575 million and HKD124 million respectively. The increase was mainly driven by the combined effect of the increase in loans and advances to customers and marketable debt securities held, and partially offset by the decrease in due from banks and due from Exchange Fund.

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

| | | As at 31 Dec 2024 HK$'000 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Exposure class** / **Risk Weight** | **0%** | **10%** | **20%** | **35%** | **50%** | **75%** | **100%** | **150%** | **250%** | **Others** | **Total credit risk exposures amount (post CCF and post CRM)** |
| 1 | Sovereign exposures | 867,355 | - | 5,340 | - | - | - | - | - | - | - | **872,695** |
| 2 | PSE exposures | - | - | 105,154 | - | - | - | - | - | - | - | **105,154** |
| 2a | Of which: domestic PSEs | - | - | 105,154 | - | - | - | - | - | - | - | **105,154** |
| 2b | Of which: foreign PSEs | - | - | - | - | - | - | - | - | - | - | **-** |
| 3 | Multilateral development bank exposures | - | - | - | - | - | - | - | - | - | - | **-** |
| 4 | Bank exposures | - | - | 287,617 | - | 470,944 | - | - | - | - | - | **758,561** |
| 5 | Securities firm exposures | - | - | - | - | 60,779 | - | - | - | - | - | **60,779** |
| 6 | Corporate exposures | - | - | 62,979 | - | 524,409 | - | 52,173 | - | - | - | **639,561** |
| 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 | - | - | - | - | - | 690,814 | - | - | - | - | **690,814** |
| 11 | Residential mortgage loans | - | - | - | - | - | - | - | - | - | - | **-** |
| 12 | Other exposures which are not past due exposures | - | - | - | - | - | - | 71,541 | - | - | - | **71,541** |
| 13 | Past due exposures | - | - | - | - | - | - | - | 8,555 | - | - | **8,555** |
| 14 | Significant exposures to commercial entities | - | - | - | - | - | - | - | - | - | - | **-** |
| 15 | **Total** | **867,355** | **-** | **461,090** | **-** | **1,056,132** | **690,814** | **123,714** | **8,555** | **-** | **-** | **3,207,660** |

Compared with 30 June 2024, total credit risk exposures increased by HKD568 million which was mainly due to the increase in loans and advances to customers and marketable debt securities held, and partially offset by the decrease in due from banks and due from Exchange Fund.

## 10. COUNTERPARTY CREDIT RISK

### 10.1 Table CCRA: Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs)

**Overview**

Counterparty Credit Risk ("CCR") is the bilateral risk of loss to a transaction from counterparty default before the final settlement of the transaction with a positive economic value at the time of default. Due to the uncertainty of underlying market factors, market value movement of the transaction can vary over time and either be positive or negative, which therefore creates a bilateral risk towards both parties.

**Governance**

The Bank has adopted the standardized (counterparty credit risk) approach ("SA-CCR") as described in BCR for measuring the exposure of CCR. Limits for CCR are established and enforced, as an integral part of overall credit limit, through formal credit approval procedures to control and monitor the limit utilization of different counterparties.

As of 31 December 2024, based on the existing International Swap and Derivatives Association ("ISDA") agreement and Credit Support Annexes ("CSA") signed with the counterparties, there is no impact on collateral amount that the Bank would be required to provide given a credit rating downgrade.

### 10.2 Template CCR1: Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

| | | **As at 31 Dec 2024 HK$'000** | | | | | |
|---|---|---|---|---|---|---|---|
| | | Replacement cost | PFE | Effective EPE | Alpha (α) used for computing default risk exposure | Default risk exposure after CRM | RWA |
| 1 | SA-CCR approach (for derivative contracts) | 46 | 273 | | 1.4 | 447 | **89** |
| 1a | CEM (for derivative contracts) | - | - | | 1.4 | - | **-** |
| 2 | IMM (CCR) approach | | | - | - | - | **-** |
| 3 | Simple approach (for SFTs) | | | | | - | **-** |
| 4 | Comprehensive approach (for SFTs) | | | | | - | **-** |
| 5 | VaR (for SFTs) | | | | | - | **-** |
| 6 | **Total** | | | | | | **89** |

### 10.3 Template CCR2: CVA capital charge

| | | **As at 31 Dec 2024 HK$'000** | |
|---|---|---|---|
| | | EAD post CRM | RWA |
| | Netting sets for which CVA capital charge is calculated by the advanced CVA method | **-** | **-** |
| 1 | (i) VaR (after application of multiplication factor if applicable) | | - |
| 2 | (ii) Stressed VaR (after application of multiplication factor if applicable) | | - |
| 3 | Netting sets for which CVA capital charge is calculated by the standardized CVA method | 447 | 88 |
| 4 | Total | **447** | **88** |

## 10.4 Template CCR3: Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach

| | | **As at 31 Dec 2024 In HK$'000** | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Exposure class \ Risk Weight | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | 250% | Others | **Total default risk exposure after CRM** |
| 1 | Sovereign exposures | - | - | - | - | - | - | - | - | - | - | **-** |
| 2 | PSE exposures | - | - | - | - | - | - | - | - | - | - | **-** |
| 2a | Of which: domestic PSEs | - | - | - | - | - | - | - | - | - | - | **-** |
| 2b | Of which: foreign PSEs | - | - | - | - | - | - | - | - | - | - | **-** |
| 3 | Multilateral development bank exposures | - | - | - | - | - | - | - | - | - | - | **-** |
| 4 | Bank exposures | - | - | 447 | - | - | - | - | - | - | - | **447** |
| 5 | Securities firm exposures | - | - | - | - | - | - | - | - | - | - | **-** |
| 6 | Corporate exposures | - | - | - | - | - | - | - | - | - | - | **-** |
| 7 | CIS exposures | - | - | - | - | - | - | - | - | - | - | **-** |
| 8 | Regulatory retail exposures | - | - | - | - | - | - | - | - | - | - | **-** |
| 9 | Residential mortgage loans | - | - | - | - | - | - | - | - | - | - | **-** |
| 10 | Other exposures which are not past due exposures | - | - | - | - | - | - | - | - | - | - | **-** |
| 11 | Significant exposures to commercial entities | - | - | - | - | - | - | - | - | - | - | **-** |
| 12 | Total | **-** | **-** | **447** | - | - | - | - | - | - | - | **447** |

## 10.5 Template CCR5: Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)

| | As at 31 Dec 2024 In HK$'000 | | | | | |
|---|---|---|---|---|---|---|
| | Derivative contracts | | | | SFTs | |
| | Fair value of recognized collateral received | | Fair value of posted collateral | | Fair value of recognized collateral received | Fair value of posted collateral |
| | Segregated | Unsegregated | Segregated | Unsegregated | | |
| Cash - domestic currency | - | - | - | - | - | - |
| Cash - other currencies | - | - | - | - | - | - |
| Domestic sovereign debt | - | - | - | - | - | - |
| Other sovereign debt | - | - | - | - | - | - |
| Government agency debt | - | - | - | - | - | - |
| Corporate bonds | - | - | - | - | - | - |
| Equity securities | - | - | - | - | - | - |
| Other collateral | - | - | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** | **-** | **-** |

## 10.6 Template CCR6: Credit-related derivatives contracts

| | As at 31 Dec 2024 HK$'000 | |
|---|---|---|
| | (a) | (b) |
| | Protection bought | Protection sold |
| **Notional amounts** | | |
| Single-name credit default swaps | - | - |
| Index credit default swaps | - | - |
| Total return swaps | - | - |
| Credit-related options | - | - |
| Other credit-related derivative contracts | - | - |
| **Total notional amounts** | - | - |
| **Fair values** | | |
| Positive fair value (asset) | - | - |
| Negative fair value (liability) | - | - |

## 10.7 Template CCR8: Exposures to CCPs

| | | As at 31 Dec 2024 HK$'000 | |
|---|---|---|---|
| | | (a) | (b) |
| | | Exposure after CRM | RWA |
| **1** | **Exposures of the AI as clearing member or clearing client to qualifying CCPs (total)** | | **-** |
| 2 | Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which: | - | - |
| 3 | (i) OTC derivative transactions | - | - |
| 4 | (ii) Exchange-traded derivative contracts | - | - |
| 5 | (iii) Securities financing transactions | - | - |
| 6 | (iv) Netting sets subject to valid cross-product netting agreements | - | - |
| 7 | Segregated initial margin | - | |
| 8 | Unsegregated initial margin | - | - |
| 9 | Funded default fund contributions | - | - |
| 10 | Unfunded default fund contributions | - | - |
| **11** | **Exposures of the AI as clearing member or clearing client to non-qualifying CCPs (total)** | | **-** |
| 12 | Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which: | - | - |
| 13 | (i) OTC derivative transactions | - | - |
| 14 | (ii) Exchange-traded derivative contracts | - | - |
| 15 | (iii) Securities financing transactions | - | - |
| 16 | (iv) Netting sets subject to valid cross-product netting agreements | - | - |
| 17 | Segregated initial margin | - | |
| 18 | Unsegregated initial margin | - | - |
| 19 | Funded default fund contributions | - | - |
| 20 | Unfunded default fund contributions | - | - |

## 11. SECURITIZATION EXPOSURES

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

## 12. MARKET RISK

## 12.1 Table MRA: Qualitative disclosures related to market risk

### Overview

Market Risk is defined as the risk of loss arising from adverse movements in market factors, e.g. exchange rates, interest rates, credit spread, equity price, etc. Currently, the Bank does not have any trading book exposures as mandated by its RAS. Market risk predominately arises from Treasury activities due to movements in interest rates and exchange rates.

### Governance

The Bank has established Market Risk Management Policy, Interest Rate Risk Management Policy and Treasury Products and Investment Policy which set out the approaches to measure and monitor market risk; and particularly, internal guidelines in relation to the investment activities carried out by Treasury respectively. The governance framework for market risk management and treasury investment activities are defined in the policies, together with responsibilities of different parties and various limits for control and monitor the risk associated.

### 12.1 Table MRA: Qualitative disclosures related to market risk *(continued)*

The Board is ultimately responsible for the overall market risk and treasury investment management to ensure the risks are properly identified, measured and monitored by different level of parties. ALCO represents senior management oversight and monitoring on market risk and treasury investment related exposure.

Market risk limits are defined in different dimensions, such as price sensitivity and open positions for foreign currencies, to monitor and control the market risk associated with business activities of the Bank. In addition, Treasury is required to prepare and submit the Treasury Investment Proposal, as mandated by Treasury Products and Investment Policy, for ALCO review and approval. The performance and risk on Treasury investment portfolio will be presented in monthly ALCO meeting where the monitoring result on market risk related metrics will be presented in ALCO and RC.

### 12.2 Template MR1: Market risk under STM approach

| | | As at 31 Dec 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 | 3,350 |
| 4 | Commodity exposures | - |
| | Option exposures | |
| 5 | Simplified approach | - |
| 6 | Delta-plus approach | - |
| 7 | Other approach | - |
| 8 | Securitization exposures | - |
| 9 | **Total** | **3,350** |

## 13. INTEREST RATE RISK IN BANKING BOOK

### 13.1 Table IRRBBA: Interest Rate Risk in the Banking Book

#### Overview

Interest Rate Risk in the Banking Book refers to impact to the Bank's capital and earning arising from adverse movements in interest rates affecting the Bank's banking book positions. The risk arises from the mismatches of repricing frequency of banking book assets and liabilities.

#### Governance

The Bank has formulated Interest Rate Risk Management Policy which outlines the governance framework on IRRBB management according to the requirements stipulated in HKMA IR-1 – Interest Rate Risk in the Banking Book ("IR-1") and the Bank's RAS. The Board is ultimately responsible for ensuring effective interest rate risk management of the Bank. ALCO is responsible for senior management risk oversight in relation to interest rate risk management and monitoring. Internal Audit provides independent assurance to senior management, Audit Committee and the Board on the effectiveness of IRRBB management framework.

## 13.1 Table IRRBBA: Interest Rate Risk in Banking Book *(continued)*

The interest rate risk impact on capital and earnings is measured by Economic Value of Equity ("EVE") sensitivity and Net Interest Income ("NII") respectively, which are introduced with applicable limits to measure and monitor the interest rate risk exposure of the Bank. Stress tests are also conducted, following the requirements in IR-1, to assess the vulnerability to loss in stressed market conditions. Regular monitoring of IRRBB risk profile are prepared and presented for review in ALCO and RC.

As of 31 December 2024, no hedging on IRRBB exposure was applied for the Bank.

**Key Assumptions**

For the implementation of IRRBB standards, assumptions are required to capture the customer behaviour for the following products reflecting the impact from product characteristics and market conditions. Customer behavior analysis and recalibration, major stress testing assumptions are approved by ALCO, as mandated by Interest Rate Risk Management Policy, for IRRBB risk metrics calculation and monitoring.

Key assumptions and approaches, subject to regular review, adopted for IRRBB monitoring and oversight includes:

1. Non-maturity deposits ("NMD")

   NMD are liabilities of the Bank without specific maturity which the depositors can withdraw at any time. The Bank places NMD at the earliest date on which the interest rate can be adjusted, i.e., overnight.

2. Retail term deposits and retail fixed rate loans with behavioural optionality

   Cash flows of the retail term deposits and retail fixed rate loans are subject to early redemption or early prepayment risk which the customers have options, if exercised, that will alter the timing of cash flows. In the case of the term deposits, customers may have options to withdraw their deposit before the scheduled date; and for the fixed rate loan, customers may have options to prepay the loan. Customer behaviour on these products are analysed to estimate the baseline withdrawal rate and redemption rate, together with the scenario-dependent scalars, for analyzing the respective cash flow in different scenarios.

Same set of assumptions are applied for both internal monitoring and regulatory reporting purposes. For EVE sensitivity calculation, commercial margins and spread components have been included in the cash flows used in the computation and discounted by risk free rate. The Bank applies the methodology prescribed in IR-1 for aggregating the exposure across different major currencies comprising HKD, USD and any other foreign currency that accounts for 5% or more of the Bank's total on-balance sheet interest rate-sensitive position in all currencies.

## 13.2 Template IRRBB1: Quantitative information on interest rate risk in banking book

| (HK$'m) | | (a) | (b) | (c) | (d) |
|---|---|---|---|---|---|
| | | **ΔEVE** | | **ΔNII** | |
| | **Period** | **31 Dec 2024** | 31 Dec 2023 | **31 Dec 2024** | 31 Dec 2023 |
| 1 | Parallel up | **41** | 32 | **2** | 8 |
| 2 | Parallel down | **-** | - | **(2)** | (7) |
| 3 | Steepener | **-** | - | | |
| 4 | Flattener | **15** | 16 | | |
| 5 | Short rate up | **29** | 28 | | |
| 6 | Short rate down | **-** | - | | |
| 7 | **Maximum** | **41** | 32 | **2** | 8 |
| | **Period** | **31 Dec 2024** | | 31 Dec 2023 | |
| 8 | **Tier 1 capital** | **634** | | 462 | |

As of 31 December 2024, the most adverse of the six interest rate scenarios with regard to ΔEVE was the 'Parallel up' scenario, resulting in a change of the economic value of equity of negative HKD41 million, representing a reduction of 6.47% of tier 1 capital, which is well below the regulatory outlier test of 15% of tier 1 capital. The ΔEVE increased by HKD9 million by comparing December 2024 with December 2023. The changes were mainly driven by change in balance sheet composition.

As of 31 December 2024, the most adverse of the two parallel interest rate scenarios with regard to ΔNII over the next 12 months was the 'Parallel up' scenario resulting in a potential change of the net interest income of negative HKD2 million, representing a reduction of 0.32% of tier 1 capital. The ΔNII decreased by HKD6 million, comparing December 2024 with December 2023. The changes were mainly driven by change in balance sheet composition.

## 14. CONTINGENT LIABILITIES AND COMMITMENTS

| | **As at 31 Dec 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 | 16,098 | - |
| - With an original maturity of not more than one year | - | - |
| - With an original maturity of more than one year | - | - |
| **Total** | **16,098** | **-** |

## 15. 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 31 Dec 2024 | | | | | |
|---|---|---|---|---|---|---|
| | | | Non-bank private sector | | | |
| | Banks | Official Sector | Non-bank financial institutions | Non-financial private sector | Others | Total |
| | HK$m | HK$m | HK$m | HK$m | HK$m | HK$m |
| Developed Countries | 340 | 385 | 138 | - | - | 863 |
| of which: United States | 35 | 385 | 138 | - | - | 558 |
| Developing Asia and Pacific | 374 | 5 | 146 | 164 | - | 689 |
| of which: Mainland China | 374 | 5 | 146 | 164 | - | 689 |

## 16. LOANS AND ADVANCES TO CUSTOMERS

### 16.1 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 31 Dec 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 | - | - |
| - Others private purposes | 715,401 | - |
| **Gross loans and advances for use in Hong Kong** | **715,401** | **-** |
| Trade financing | - | - |
| Gross loans and advances for use outside Hong Kong | - | - |
| **Gross loans and advances to customers** | **715,401** | **-** |

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 31 Dec 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 | 6,331 | 5,100 | - | 1,566 |
| **Total** | **6,331** | **5,100** | **-** | **1,566** |

## 16.2 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 31 Dec 2024 |
|---|---|
| | Total |
| | HK$'000 |
| Hong Kong, China | 672,453 |
| Mainland China | 42,948 |
| **Total** | **715,401** |

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 31 Dec 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 | 6,331 | 5,100 | - | 1,566 |
| **Total** | **6,331** | **5,100** | **-** | **1,566** |

## 16.3 Loans and advances to customers of provision movements during the year

| | As at 31 Dec 2024 | |
|---|---|---|
| | Charged to profit and loss during the year | Impaired loans Write-off during the year |
| | HK$'000 | HK$'000 |
| **Loans and advances to customers** | | |
| Hong Kong, China | | |
| - Individuals - other private purposes | 8,757 | (18,321) |
| **Total** | **8,757** | **(18,321)** |

## 17. OVERDUE AND RESCHEDULED ASSETS

### 17.1 Overdue loans and advances to customers

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

| | As at 31 Dec 2024 | |
|---|---|---|
| | | % of gross loans and advances to customers |
| **Overdue loans and advances** | **HK$'000** | **%** |
| more than three months but not more than six months | 1,566 | 0.22 |
| more than six months but not more than one year | - | - |
| more than one year | - | - |
| **Total** | **1,566** | **0.22** |
| Individual impairment allowances made in respect of the above overdue loans and advances | 1,288 | |
| 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 | 1,566 | |

### 17.2 Rescheduled Advances

The rescheduled loans and advances of the Bank (excluding those which have been overdue for over three months and reported in section 17.1 above) are analyzed as follows:

| | As at 31 Dec 2024 | |
|---|---|---|
| | | % of gross loans and advances to customers |
| | **HK$'000** | **%** |
| Rescheduled loans and advances | 11,994 | 1.68 |

### 17.3 Repossessed assets

There were no repossessed assets of the Bank as at 31 December 2024.

### 17.4 Overdue other assets

There were no impaired, overdue or rescheduled placings with and advances to banks, nor overdue or rescheduled other assets as at 31 December 2024.

## 18. MAINLAND ACTIVITIES

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

| | | As at 31 Dec 2024 HK$'000 | | |
|---|---|---|---|---|
| **Types of Counterparties** | | **On-balance sheet exposure** | **Off-balance sheet exposure** | **Total** |
| (1) | Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs") | 77,699 | - | **77,699** |
| (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 | 218,595 | 75 | **218,670** |
| (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** | | **296,294** | **75** | **296,369** |
| **Total assets after provisions** | | **3,257,360** | | |
| **On-balance sheet exposures as percentage of total assets** | | **9.10%** | | |

## 19. 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 31 Dec 2024 HK$m | | |
|---|---|---|---|
| | **CNY** | **USD** | **Total foreign currencies** |
| Spot assets | 87 | 1,249 | 1,336 |
| Spot liabilities | (85) | (1,216) | (1,301) |
| Forward purchases | 2 | 1 | 3 |
| Forward sales | (1) | (28) | (29) |
| **Net long (short) position** | **3** | **6** | **9** |

There were no foreign currency structural positions and option positions as at 31 December 2024.

## 20. ASSET UNDER SECURITY

The Bank did not have any secured liabilities and assets used as security as of 31 December 2024.

## 21. SEGMENTAL INFORMATION

The Bank's core business activity in 2024 was retail banking and there was only one reportable segment. Therefore, no additional reportable segment and geographical information were presented.

## 22. REMUNERATION

### 22.1 Table REMA: Remuneration policy

**Mechanism**

The Remuneration Policy of the Bank is designed to encourage employee behaviour that supports the Bank's risk management framework, corporate values and long-term financial soundness. It is in line with the objectives, business strategies and long-term goals of the Bank and is structured in a way that does not encourage excessive risk-taking by employees but allows the Bank to attract and retain employees with relevant skills, knowledge and expertise to discharge their specific functions.

The Policy addresses the remuneration of the following personnel in particular.

1) Senior Management who are responsible for oversight of the Bank's firm-wide strategy or activities or those of the Bank's material business lines (including, but not limited to, executive directors, the chief executive, and other senior executives).
2) Key Personnel whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposures on behalf of the Bank.
3) Groups of employees whose activities in the aggregate may expose the Bank to material amounts of risk and who are subject to the same or similar incentive arrangements.
4) Staff within risk control functions including, but not limited to, risk management, financial control, compliance, legal and internal audit functions.

The Board is ultimately responsible for overseeing the formulation and implementation of the Bank's remuneration policy, systems and related control process. In exercising such oversight, the Board ensures that the Bank's remuneration system is appropriate and consistent with the Bank's culture, long-term business and risk appetite, performance and control environment as well as with any legal or regulatory requirements. The Board's judgements and decisions relating to remuneration arrangements are taken independently of the management and in the best interests of the Bank.

The Board approves the remuneration packages (and any subsequent adjustments) of the Bank's Senior Management and Key Personnel. This approval can, except for the remuneration packages of the chief executive and the alternate chief executive(s), be delegated to the Board's Nomination and Remuneration Committee ("NRC").

The NRC

- makes recommendations in respect of remuneration policy and practices to the Board;
- exercises competent and independent judgement on remuneration policies and practices and the incentives thereby created for managing risk, capital and liquidity; and
- reports any material issues in relation to the Bank's remuneration system to the Board.

The Human Resources Department of the Bank presents proposals on the remuneration policy, remuneration review as well as the arrangement of variable remuneration to the NRC for review and approval.

To avoid possible undue influence from business units, risk control personnel are compensated in a manner that is independent of the performance of the business areas which they oversee. Management of business units is not able to determine the remuneration of personnel in the risk control functions.

## 22.1 Table REMA: Remuneration policy *(continued)*

**Structure of Remuneration**

Remuneration packages typically consist of fixed and variable remuneration. The Bank seeks to achieve an appropriate balance between these elements in accordance with the employees' role, responsibilities, seniority and activities. The proportion of variable remuneration to the total remuneration is generally expected to increase in line with the seniority and responsibility of an employee such that a substantial proportion of the remuneration of the Senior Management and Key Personnel is paid in the form of variable remuneration.

In restraining the risk-taking incentives of Senior Management and Key Personnel whose activities could have a material impact on the overall financial performance of the Bank, the payment of a substantial proportion of their variable remuneration in the form of shares could be effective in aligning incentives with risk and longer term value creation.

**Performance Measurement for Variable Remuneration**

The award of variable remuneration depends on the fulfilment of performance criteria including both financial (including, but not limited to, profit and loss, market share, intake of new customers, etc) and non-financial factors so that the quality of the performance of employees in the overall course of their employment (and not solely their financial performance) can be assessed as an integral part of their performance measurement and hence be appropriately reflected in their awards of variable remuneration.

Performance in relation to non-financial factors such as adherence to risk management policies, compliance with legal, regulatory and ethical standards, results of internal audit reviews and adherence to corporate values forms a significant part of the overall performance measurement of employees, given that poor performance in these factors can be indicative of significant risks to the Bank. For employees who play a role in supervising other staff within the Bank, additional non-financial factors are also considered (e.g. assessing their oversight responsibilities in relation to the management and mitigation of risks, and the risk of misconduct). Adverse performance in non-financial factors, where appropriate, should override outstanding financial achievements, and be reflected by a reduction to, or elimination of, any variable remuneration.

**Deferral of Variable Remuneration**

As some of the risks to which the Bank is exposed and the outcomes of such risks can only be adequately measured or observed over the longer term, deferral of the payment of a portion of variable remuneration allows employees' performance, including the associated risks, to be observed and validated over a period of time before payment is actually made and the adjustment of the amount to be paid will enable the remuneration ultimately received by employees to more accurately reflect risk and risk outcomes. Generally, the proportion of variable remuneration made subject to deferment would be expected to increase in line with the seniority and responsibility of the relevant employees.

Deferred variable remuneration is paid in the form of shares which vest over a period of 4 years. Shares are awarded subject to the performance of eligible employees. The shares will lapse upon termination of employment.

## 22.2 Template REM1: Remuneration awarded during financial year

The following table summarized quantitative information on remuneration for the financial year ended 31 December 2024.

| Remuneration amount and quantitative information | | | As at 31 Dec 2024<br>In HK$'000 | |
|---|---|---|---|---|
| | | | Senior management | Key personnel |
| 1 | Fixed remuneration | Number of employees | 11 | 4 |
| 2 | | Total fixed remuneration | 16,380 | 3,041 |
| 3 | | Of which: cash-based | 16,380 | 3,041 |
| 4 | | Of which: deferred | - | - |
| 5 | | Of which: shares or other share-linked instruments | - | - |
| 6 | | Of which: deferred | - | - |
| 7 | | Of which: other forms | - | - |
| 8 | | Of which: deferred | - | - |
| 9 | Variable remuneration | Number of employees | 11 | 4 |
| 10 | | Total variable remuneration | 7,563 | 533 |
| 11 | | Of which: cash-based | 4,475 | 533 |
| 12 | | Of which: deferred | - | - |
| 13 | | Of which: shares or other share-linked instruments | 3,088 | - |
| 14 | | Of which: deferred | 2,111 | - |
| 15 | | Of which: other forms | - | - |
| 16 | | Of which: deferred | - | - |
| **17** | **Total remuneration** | | **23,943** | **3,574** |

## 22.3 Template REM2: Special payments

The following table summarized quantitative information on special payment for the financial year ended 31 December 2024.

| Special payments | | As at 31 Dec 2024<br>In HK$'000 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Guaranteed bonuses | | Sign-on awards | | Severance payments | |
| | | Number of employees | Total amount | Number of employees | Total amount | Number of employees | Total amount |
| 1 | Senior management | - | - | - | - | - | - |
| 2 | Key personnel | - | - | - | - | - | - |

## 22.4 Template REM3: Deferred remuneration

The following table summarized quantitative information on deferred and retained remuneration for the financial year ended 31 December 2024.

| | | As at 31 Dec 2024 In HK$'000 | | | | |
|---|---|---|---|---|---|---|
| Deferred and retained remuneration | | Total amount of outstanding deferred remuneration | Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment | Total amount of amendment during the year due to ex post explicit adjustments | Total amount of amendment during the year due to ex post implicit adjustments | Total amount of deferred remuneration paid out in the financial year |
| 1 | Senior management | | | | | |
| 2 | Cash | - | - | - | - | - |
| 3 | Shares | 4,087 | - | - | - | 2,783 |
| 4 | Cash-linked instruments | - | - | - | - | - |
| 5 | Other | - | - | - | - | - |
| 6 | Key personnel | | | | | |
| 7 | Cash | - | - | - | - | - |
| 8 | Shares | - | - | - | - | - |
| 9 | Cash-linked instruments | - | - | - | - | - |
| 10 | Other | - | - | - | - | - |
| **11** | **Total** | **4,087** | **-** | **-** | **-** | **2,783** |

## 23. ABBREVIATIONS

| Abbreviations | Brief Description |
|---|---|
| ALCO | Asset and Liability Management Committee |
| AT1 | Additional Tier 1 Capital |
| Bank | Airstar Bank Limited |
| BSC | Basic Approach |
| BCR | Banking (Capital) Rules |
| BDR | Banking (Disclosure) Rules |
| Board | Board of Director |
| CC | Credit Committee |
| CCF | Credit Conversion Factor |
| CCO | Chief Compliance Officer |
| CCP | Central Counterparty |
| CCR | Counterparty Credit Risk |
| CCyB | Countercyclical Capital Buffer |
| CEM | Current Exposure Method |
| CET1 | Common Equity Tier 1 |
| CFP | Contingency Funding Plan |
| CFR | Core Funding Ratio |
| CIS | Collective Investment Scheme |
| CRM | Credit Risk Mitigation |
| CRO | Chief Risk Officer |
| CSA | Credit Support Annexes |
| CVA | Credit Valuation Adjustment |
| D-SIB | Domestic Systemically Important Authorized Institution |
| EAD | Exposure at Default |
| ECAIs | External Credit Assessment Institutions |
| ECL | Expected Credit Loss |
| EL | Expected Loss |
| EPE | Expected Positive Exposure |
| ERMF | Enterprise Risk Management Framework |
| EVE | Economic Value of Equity |
| FBA | Fall-Back Approach |
| G-SIB | Global Systemically Important Authorized Institution |
| HKFRS | Hong Kong Financial Reporting Standards |
| 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 |
| IR-1 | Interest Rate Risk in the Banking Book |
| IRB | Internal Ratings-Based Approach |
| IRRBB | Interest Rate Risk in the Banking Book |
| ISDA | International Swap and Derivatives Association |
| ITC | Information Technology Committee |
| JCCyB | Jurisdictional Countercyclical Capital Buffer |
| JVs | Joint Ventures |
| LAC | Loss-absorbing Capacity |
| LCM | Legal and Compliance Committee |
| LCR | Liquidity Coverage Ratio |
| LM-1 | Regulatory Framework for Supervision of Liquidity Risk |
| LM-2 | Sound Systems and Controls for Liquidity Risk Management |
| LMR | Liquidity Maintenance Ratio |
| LOD | Line of Defense |
| LR | Leverage Ratio |
| LTA | Look Through Approach |
| MA | Monetary Authority |
| MANCO | Management Committee |
| MBA | Mandate-based Approach |
| MSRs | Mortgage servicing rights |

## 23. ABBREVIATIONS *(continued)*

| Abbreviations | Brief Description |
|---|---|
| N/A | Not Applicable |
| NII | Net Interest Income |
| NMD | Non-maturity deposits |
| NRC | Nomination and Remuneration Committee |
| NSFR | Net Stable Funding Ratio |
| OBS | Off-Balance Sheet |
| OTC | Over-The-Counter |
| PFE | Potential Future Exposure |
| PSE | Public Sector Entities |
| RAS | Risk Appetite Statement |
| RC | Risk Committee |
| RMC | Risk Management Committee |
| RW | Risk Weighted |
| RWA | Risk Weighted Assets |
| SA-CCR | Standardized (Counterparty Credit Risk) Approach |
| 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 |
| SPM | Supervisory Policy Manual |
| STC | Standardized (Credit Risk) Approach |
| STM | Standardized (Market Risk) Approach |
| T1 | Tier 1 Capital |
| T2 | Tier 2 Capital |
| TC | Total Capital |
| VaR | Value at Risk |