Ant Bank (Hong Kong) Limited

Regulatory Disclosures

For the period ended
31 December 2020
(Unaudited)

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Introduction

Purpose

The information contained in this document is for The Ant Bank Hong Kong Limited ("the Bank") prepared in accordance with the Banking (Disclosure) Rules ("BDR") and disclosure templates issued by the Hong Kong Monetary Authority ("HKMA").

These banking disclosures are governed by the Bank's disclosure policy, which has been approved by the Board. The disclosure policy sets out the governance, control and assurance requirements for publication of the document. While the banking disclosure statement is not required to be externally audited, the document has been subject to independent review in accordance with the Bank's policies on disclosure and its financial reporting and governance processes.

Basis of preparation

Except where indicated otherwise, the financial information contained in this Banking Disclosure Statement has been prepared on the basis of regulatory scope specified by the HKMA to the Bank.

The capital adequacy ratios ("CAR") were compiled in accordance with the Banking (Capital) Rules ("BCR") issued by the HKMA. In calculating the risk weighted assets, the Group adopted the Standardised (Credit Risk) Approach and the Standardised (Market Risk) Approach for credit risk and market risk respectively. For operational risk, the capital requirement is calculated using the Basic Indicator Approach.

Basis of consolidation

As of 31 December 2020, the Bank does not have any subsidiaries to consolidate the financial information in this Regulatory Disclosure Statement.

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OVA: Overview of risk management

The Bank conducts risk assessments in daily operations based on business activities, establishes risk appetite, and sets risk limits and KRIs at different levels under the overall risk framework. Through such risk limits and KRI, risk appetite is classified into business departments and become corresponding performance indicators so as to supervise the business departments and make appropriate adjustments to the bank's business according to the current risk situation.

The key types of risk inherent in the Bank's business include: credit risk, market risk, interest rate risk, liquidity risk, operational risk, technology risk, legal and compliance risk (including anti-money laundering risk), reputation risk and strategic risk. The risks inherent in the business that make up the risk profile of the Bank are as follows:

- Credit risk: the risk arising from the probability that one party to a financial instrument will fail to meet its contractual obligations for reasons of insolvency or inability to pay and cause a financial loss for the other party.

- Market risk: the risk of loss arising from changes in the value of the bank's assets and liabilities resulting from the changes in market variables, such as interest rates, exchange rates or credit spreads.

- Interest rate risk in the banking book (IRRBB): the risk of changes to net interest income & economic value of equity as a result of fluctuations in the market interest rates.

- Liquidity risk: the risk of an entity having difficulties in duly meeting its payment commitments, and where it does not have to resort to funding under burdensome terms which may harm the bank's image or reputation.

- Operational risk: the risk of loss resulting from inadequate or failed internal processes, systems, human factors, or from external events. It also includes fraud risk arising from dishonest use or appropriation of assets, resources, services or benefits, misrepresentation of financial condition by internal or external individuals.

- Technology risk: the risk of financial loss, disruption or damage to the reputation of an organization arising from the failure of information technology systems, processing, security, stability and performance.

- Legal and Compliance risk: include compliance risk arising from violations of, or non-conformance with local laws, rules, or regulations, or relevant standard of conduct or risk of harming customers, or the integrity of market and legal risk from uncertainty due to legal actions, regulatory enforcement actions, proceedings or investigations, or uncertainty in the applicability or interpretation of contracts, laws or regulations.

OVA: Overview of risk management (continued)

- Reputation risk: the risk that negative publicity about the Bank's business practices, whether genuine or not, will cause a potential decline in the customer base, or lead to costly litigation or revenue erosion, which may arise when systems or products that do not work as expected and cause widespread negative public reaction. Mistakes and fraud by third parties may also expose the Bank to reputation risk.

- Strategic risk: the risk to current or anticipated earnings, capital, or enterprise value arising from poor business decisions, an inability to adapt to changes in the operating environment, or other external factors which might impair the ability to carry out a business strategy.

To ensure an adequate oversight and delegation of duties by the Board to various departments and functional units while at the same time providing clear and efficient channels for the functional units to report and escalate issues in a timely manner, the Bank will exercise clear segregation of duties between the risk-taking business units and risk-monitoring business units with defined roles and responsibilities, and adopt "Three lines of defence" model, as a means to facilitate risk governance. The Bank’s risk governance structure covers 3 layers: the Board of Directors and its subordinate committees, the senior management and the management level committees, the three lines of defence risk management functions.

Board of Directors: Board of Directors represents the highest authority of the Bank and is ultimately responsible for the overall risk management. In order to properly oversee the complicated risk management framework, the Board of Directors will delegate its authority to board-level and management-level committees to manage all kinds of risks. Risk Committee is a Board-level Committee which assists the Board in overseeing the risk management framework. The bank’s overall risk appetite is reviewed, monitored and endorsed by the bank’s board of directors through regular reporting.

Senior management: Senior management includes Chief Executive, Chief Risk Officer, Chief Financial Officer, Chief Technology Officer and Chief Compliance Officer, Head of Operations & Customer Services, Head of Business Development, and Head of Product. Chief Executive (“CE”) is responsible for managing the various types of risks that the Bank is exposed to, and approving material risk exposures or transactions within his authority delegated by the Board. The Chief Risk Officer (“CRO”) assists the CE in fulfilling his responsibilities on day-to-day management of various types of risks.

The First Line of Defence: The functional units responsible for the day-to-day frontline and middle-line risk-taking virtual banking business are the first line of defence. It is responsible for identifying, assessing, managing and reporting the Bank's risk exposures in an ongoing basis, with reference to the overall risk appetite, risk control measures, risk management policies, operational manuals.

OVA: Overview of risk management (continued)

The Second Line of Defence: For the Risk Management Department (consisting of Credit Risk Team, Liquidity Risk, Market Risk & IRRBB Team, Operational Risk Team, Technology Risk Management Team, Enterprise Risk Management Team), they are responsible for the duties in relation to inherent risks of Ant Bank: including overseeing the risk-taking activities; establishing and maintaining the risk management framework including risk identification, assessment, response, and monitoring; conducting risk assessments and stress testing; monitoring of any breach of risk limits and risk tolerance levels; and reporting to the senior management regularly and independently. For the Legal and Compliance Department, it is responsible for reviewing legal documentation, as well as for advising the Bank on compliance with laws, regulations and rules, including those on anti-money-laundering and counter-financing of terrorism ("AML/CFT").

The Third Line of Defence: The Internal Audit Department is the third line of defence. It is responsible for assuring the effectiveness and evaluating the overall performance of the Bank's risk management framework, including the risk governance arrangements.

The Bank has formulated various codes of conduct and the standard of conduct has been stipulated in its risk management policy and other operating principles and guidelines. When conducting business, all employees must follow them. The Bank uses appropriate training programs, compensation, incentives, rewards and punishment mechanisms, evaluation and feedback mechanisms to guide and promote employees to conduct business in a responsible, honest, pragmatic and appropriate manner.

The Bank will act in accordance to the risk management framework outlined in the respective risk management policies to manage, assess, monitor and report the risk. The risk management information system for capturing, aggregating, controlling, validating and reporting risk-related data and information in a timely manner are used to facilitate the risk management. The required technology and data analytic capability are supported by the Technology Department.

The Bank's risk management framework covers comprehensive quantitative and qualitative indicators for the main risk categories required by regulator. Under this framework, the Bank sets risk appetite, regularly reviews and monitors risk appetite and risk limits based on operating and risk conditions, and reports regularly to senior management and the board of directors. Regularly reports to the senior management and the board of directors include: the status of the bank's risk appetite, risk limits and KRI; the risk status of investment portfolios and exposures; the major regulatory compliance requirements and implementation status; major risk, compliance and internal control events/incidents; concerns and main tasks. It also provides interim reports to the senior management and the board of directors in accordance with the business needs of risk management and internal control.

The Bank will regularly conduct sensitivity analysis and stress-testing on all major business activities as well as on a bank-wide basis in order to ensure the Bank's resilience to adverse scenarios.

OVA: Overview of risk management (continued)

For the sensitivity analysis, the Bank will test the sensitivity of the earnings to a change in individual risk factors. It highlights how different values of an independent variable affect a particular dependent variable under a given set of assumptions.

For the stress test, the Bank will test its vulnerability to various hypothetical or historical adverse scenarios for the purpose of evaluating the capacity to withstand extreme market scenarios. The stress-testing scenarios will be ranged from stressed events specific to the Bank to some global macro-economic adverse scenarios in which markets exhibit different stress events such as volatile price moves and reduce in liquidity.

The Bank's risk strategy and processes to manage, hedge and mitigate risks that arise from the Bank's business model would be summarized as follows:

- utilizing the cutting-edge "big data analytics" technology to forecast the market trend as well as customer needs and behavior to facilitate the setting of appropriate risk strategy and avoid taking unnecessary or excessive risk;
- refusal to take any unnecessary and excessive risk during the course of business, and as a prudential banking practice, the risk taken as part of the business development will be maintained within the risk appetite set by the Board of Directors;
- setting up of robust risk governance structure with defined roles and responsibilities, escalation lines, reporting duties, supported by three lines of defence, which underpins the risk management framework;
- close monitoring of adherence to risk appetite, thresholds and limits, exception or exceeding of which needs proper approval from the senior management and the Board;
- facilitating employees' risk awareness and professional behaviour in handling risk-taking tasks through trainings, internal, bulletins, guidelines and coaching from senior management;
- early identification of risk exposure through early warning indicators; If such indicators are close to or exceed the early warning level or the preset limit, the relevant functional departments will conduct a timely assessment and report to the corresponding approved level, and appropriate mitigation measures will be taken accordingly.
- carrying out stress test and sensitivity analysis to test the bank's resilience to adverse scenario and financial soundness;
- self-developing risk management information system which has capability of risk reporting, risk data aggregation and capturing, monitoring of risk limits, to ensure strict compliance with regulatory requirements on risk management;
- Establishing effective communication system and fostering a risk culture which promotes risk awareness and encourages open communication and challenge with regards to risk-taking activities;
- periodic reporting of risk exposure to the senior management and the Board for review, as well as the regular disclosure of information to relevant government and/or regulatory bodies, including the HKMA, in a transparent fashion and timely manner; and

  ensuring the confidentiality, integrity and availability of the Bank's information and protecting its intellectual property and IT assets.

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KM1: Key Prudential Ratios

The following table provides an overview of the Bank's key prudential ratios which were calculated in accordance with the Banking (Capital) Rules and Banking (Liquidity) Rules, issued by the HKMA.

	Amount expressed in HKD'K	31 Dec 2020	30 Sept 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	571,816	623,875	704,703	729,819	N/A
2	Tier 1	571,816	623,875	704,703	729,819	N/A
3	Total capital	573,363	625,394	704,703	729,819	N/A
	RWA (amount)					
4	Total RWA	257,020	221,366	224,631	254,312	N/A
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	222.48%	281.83%	313.72%	286.98%	N/A
6	Tier 1 ratio (%)	222.48%	281.83%	313.72%	286.98%	N/A
7	Total capital ratio (%)	223.08%	282.52%	313.72%	286.98%	N/A
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.5%	2.5%	2.5%	2.5%	N/A
9	Countercyclical capital buffer requirement (%)	0.05%	1.0%	1.0%	1.0%	N/A
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0%	0%	0%	0%	N/A
11	Total AI-specific CET1 buffer requirements (%)	2.55%	3.5%	3.5%	3.5%	N/A
12	CET1 available after meeting the AI's minimum capital requirements (%)	214.48%	273.83%	301.72%	274.98%	N/A
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	1,346,108	836,199	727,019	779,582	N/A
14	LR (%)	42.48%	74.61%	96.93%	93.62%	N/A
	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 (%) *	133.49%	508.45%	469.30%	6906.23%	N/A
	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

* 17a LMR (%) disclosed above represents the arithmetic mean of the average value of the LMR for each calendar month within the quarter.

OV1: Overview of RWA

The following table provides an overview of the capital requirements in terms of detailed breakdown of RWAs for credit risk, market risk and operational risk. Minimum capital requirement means the amount of capital required to be held for that risk based on its risk-weighted amount multiplied by 8%.

	Amount expressed in HKD'K	RWA		Minimum capital requirements
		31 Dec 2020	30 Sept 2020	31 Dec 2020
1	Credit risk for non-securitization exposures	176,720	141,066	14,138
2	Of which STC approach	176,720	141,066	14,138
2a	Of which BSC approach	N/A	N/A	N/A
3	Of which foundation IRB approach	N/A	N/A	N/A
4	Of which supervisory slotting criteria approach	N/A	N/A	N/A
5	Of which advanced IRB approach	N/A	N/A	N/A
6	Counterparty default risk and default fund contributions	-	-	-
7	Of which SA-CCR	N/A	N/A	N/A
7a	Of which CEM	N/A	N/A	N/A
8	Of which IMM(CCR) approach	N/A	N/A	N/A
9	Of which others	N/A	N/A	N/A
10	CVA risk	-	-	-
11	Equity positions in banking book under the simple risk-weight method and internal models method	N/A	N/A	N/A
12	Collective investment scheme ("CIS") exposures – LTA	N/A	N/A	N/A
13	CIS exposures – MBA	N/A	N/A	N/A
14	CIS exposures – FBA	N/A	N/A	N/A
14a	CIS exposures – combination of approaches	N/A	N/A	N/A
15	Settlement risk	N/A	N/A	N/A
16	Securitization exposures in banking book	N/A	N/A	N/A
17	Of which SEC-IRBA	N/A	N/A	N/A
18	Of which SEC-ERBA (including IAA)	N/A	N/A	N/A
19	Of which SEC-SA	N/A	N/A	N/A
19a	Of which SEC-FBA	N/A	N/A	N/A
20	Market risk	-	-	-
21	Of which STM approach	-	-	-
22	Of which IMM approach	-	-	-
23	Capital charge for switch between exposures in trading book and banking book (N/A before the revised market risk framework takes effect)	-	-	-
24	Operational risk	80,300	80,300	6,424
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	-	-	-
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	-	-	-
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	-	-	-
27	Total	257,020	221,366	20,562

PV1: Prudent valuation adjustments

The following table shows a detailed breakdown of the constituent elements of valuation adjustment that have not been taken into account in the calculation of the amount of the Bank's retained earnings or other disclosed reserves.

The Bank does not have any valuation adjustments as of 31 December 2020.

Amount expressed in HKD'K

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		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**	-	-	-	-	-	-	-	-

LI1: Differences between accounting and regulatory scope of consolidation and mapping of financial statement categories with regulatory risk categories

The following table shows the differences between the carrying values as reported in the Bank's financial statements following the scope of accounting consolidation and the carrying values under the scope of regulatory consolidation, with a breakdown into regulatory risk categories of every item of the assets and liabilities reported in financial statements based on the scope of accounting consolidation. There is no difference between the carrying values as reported in published financial statements and the exposure amounts used for the calculation of regulatory capital in respect of the assets and liabilities based on the scope of regulatory consolidation.

Amount expressed in HKD'K

	(a) & (b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements and under scope of regulatory consolidation	Carrying values of items:				
		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						
Cash and balances at central banks	466,661	466,661				
Placements with and advances to banks	878,524	878,524				
Intangible assets	45,497					45,497
Other assets	923	923				
Total assets	**1,391,605**	**1,346,108**				**45,497**
Liabilities						
Deposits from customers	733,511					733,511
Other payables and accruals	40,781					40,781
Total liabilities	**774,292**					**774,292**

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

There is no difference between the carrying values in financial statements and the exposure amounts used for the calculation of regulatory capital in respect of the assets and liabilities based on the scope of regulatory consolidation.

LIA: Explanations of differences between accounting and regulatory exposure amounts

There is no difference on the financial statements amounts and regulatory exposure amounts.

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CC1: Composition of regulatory capital

The following table sets out the detailed composition of the regulatory capital:

	Amount expressed in HKD'K	Dec 31 2020	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	784,870	(1)
2	Retained earnings	(209,267)	(2)
3	Disclosed reserves	41,710	(3)
4	*Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)*	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**	617,313	
	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)	45,497	(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)	-	

	Amount expressed in HKD'K	**Dec 31 2020**	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
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	-	
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)	-	
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**	45,497	
29	**CET1 capital**	571,816	
	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*	-	

	Amount expressed in HKD'K	**Dec 31 2020**	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
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)**	571,816	
	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	1,547	
51	**Tier 2 capital before regulatory deductions**	1,547	
	Tier 2 capital: regulatory deductions		

	Amount expressed in HKD'K	Dec 31 2020	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non- capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	-	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments applied to Tier 2 capital	-	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	-	
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	-	
57	**Total regulatory adjustments to Tier 2 capital**	-	
58	**Tier 2 capital (T2)**	1,547	
59	**Total regulatory capital (TC = T1 + T2)**	573,363	
60	**Total RWA**	257,020	
	Capital ratios (as a percentage of RWA)		
61	**CET1 capital ratio**	222.48%	
62	**Tier 1 capital ratio**	222.48%	
63	**Total capital ratio**	223.08%	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)**	2.55%	
65	of which: capital conservation buffer requirement	2.50%	

	Amount expressed in HKD'K	Dec 31 2020	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
66	of which: bank specific countercyclical capital buffer requirement	0.05%	
67	of which: higher loss absorbency requirement	0.00%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	214.48%	
	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)	-	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	-	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	-	
	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

	Amount expressed in HKD'K	Dec 31 2020	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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	Basel III basis
9	**Other intangible assets (net of associated deferred tax liabilities)**	45,497	45,497
	Explanation 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.		
10	**Deferred tax assets (net of associated deferred tax liabilities)**	-	-
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences 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 deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 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 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences 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.		
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)**	-	-
	Explanation For the purpose of determining the total amount of insignificant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 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 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

Notes to the Template (Continued)

	Description	Hong Kong basis	Basel III basis
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)**	-	-
	Explanation For the purpose of determining the total amount of significant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 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 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
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)**	-	-
	Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 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 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
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)**	-	-
	Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in Tier 2 capital instruments and noncapital LAC liabilities may be smaller. Therefore, the amount to be deducted as reported in row 54 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 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
Remarks: The amount of the 10% threshold and 5% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.			

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CC2: Reconciliation of regulatory capital to balance sheet

Balance Sheet Reconciliation	Balance sheet as in published financial statements & Under regulatory scope of consolidation	Cross reference to Definition of Capital Components
	31 Dec 2020	
	HKD'K	
Assets		
Balances with central bank	466,661	
Placements with and advances to banks	878,524	
Intangible Assets	45,497	(4)
Interest receivables and Others	923	
Total assets	**1,391,605**	
Liabilities		
Customer accounts	733,511	
Amount due to follow subsidiaries	13,398	
Accruals, deferred income and other liabilities	27,383	
Total liabilities	**774,292**	
Shareholders' Equity		
Paid-in share capital	784,870	**(1)**
Of which: amount eligible for CET1	784,870	
Retained earnings	(209,267)	**(2)**
Reserves	41,710	**(3)**
Total shareholders' equity	**617,313**	

CCA: Main features of regulatory capital instruments

		CET1 capital USD ordinary shares
1	Issuer	Ant Bank (Hong Kong) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Law
	Regulatory treatment	
4	Transitional Basel III rules#	N/A
5	Post-transitional Basel III rules+	Common Equity Tier 1
6	Eligible at solo*/group/ group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	USD100M
9	Par value of instrument	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	16 Aug 2018: 1 Ordinary Share 29 Aug 2018 : 100,000,000 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	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
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	Noncumulative or cumulative	Non-cumulative
23	Convertible or non- convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A

		CET1 capital USD ordinary shares
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer

The table below provides an overview of the geographical distribution of private sector credit exposures relevant for the calculation of the Group's CCyB ratio:

		(a)	(c)	(d)	(e)
	Geographical breakdown by Jurisdiction (J)	**Applicable JCCyB ratio in effect (%)**	**RWA used in computation of CCyB ratio HKD'K**	**AI-specific CCyB ratio (%)**	**CCyB amount HKD'K**
1	Hong Kong SAR	1.00	32		
2	Sum		32		
3	Total		652	0.05	0.33

LR1: Summary comparison of accounting assets against leverage ratio exposure measure

Below shows the reconciliation from the total assets in the published financial statements to the LR exposure measure.

	Item	Value under the LR framework HKD'K
1	Total consolidated assets as per published financial statements	1,393,152
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
4	Adjustments for derivative contracts	-
5	Adjustment for SFTs (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	-
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(1,547)
7	Other adjustments	(45,497)
8	**Leverage ratio exposure measure**	**1,346,108**

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LR2: Leverage ratio ("LR")

Amount expressed in HKD'K		HKD'K	
		31 Dec 2020	30 Sept 2020
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	1,393,152	877,743
2	Less: Asset amounts deducted in determining Tier 1 capital	(45,497)	(40,025)
3	**Total on-balance sheet exposures (excluding derivative contracts and SFTs)**	1,347,655	837,718
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-
5	Add-on amounts for PFE associated with all derivative contracts	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	-	-
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	-	-
11	**Total exposures arising from derivative contracts**	-	-
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
16	**Total exposures arising from SFTs**	-	-
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	-	-
18	Less: Adjustments for conversion to credit equivalent amounts	-	-
19	**Off-balance sheet items**	-	-
Capital and total exposures			
20	**Tier 1 capital**	571,816	623,875
20a	**Total exposures before adjustments for specific and collective provisions**	1,347,655	837,718
20b	**Adjustments for specific and collective provisions**	(1,547)	(1,519)
21	**Total exposures after adjustments for specific and collective provisions**	1,364,108	836,199
Leverage ratio			
22	**Leverage ratio**	42.48%	74.61%

LIQA: Liquidity Risk Management

Ant Bank Liquidity Risk policy requires Treasury to maintain a strong liquidity position and ensure sufficient cashflows to meet all financial commitment and to capitalize on opportunities for business expansion.

This includes the bank's ability to meet deposit withdrawals on demand, to repay borrowings as they mature, to comply with the statutory liquidity ratio, and make new loans and investments as opportunities arise. The Bank maintains a pool of diversified and stable funding sources which is an appropriate mix of liabilities including borrowing from the interbank market and customer deposits. The sources of liquefiable assets are diversified in accordance with the Liquidity Risk Policy to avoid concentration on assets with similar natures. The Bank seeks to maintain a diversified and stable source of funding to avoid over-reliance on a funding category or a small group of fund providers through setting up monitoring metric on funding concentration and setting up appropriate funding strategy and structure in the budget process.

Policies and Procedures

The Bank has formulated Liquidity Risk Management policy that outlines the liquidity risk management framework according to the requirements of HKMA's Supervisory Policy Manuals "Regulatory Framework for Supervision of Liquidity Risk (LM1)" and "Sound Systems and Controls for Liquidity Risk Management (LM2)". The purpose of the policy is to ensure sufficient cash flows to meet all financial obligation and to comply with regulatory requirement.

The Bank has established an Asset and Liability Management Committee ("ALCO"). The ALCO Charter includes the monitoring and control of liquidity and funding. ALCO monitors trends in balance sheet and ensures that any concerns that might impact the stability of the customer deposits are addressed effectively.

It is the responsibility of the Bank's management to ensure compliance with local regulatory requirements and limits set by ALCO. The Bank's liquidity resources are centralized managed by the treasurer. Liquidity is managed on a daily basis by treasury function. The Board is ultimately responsible for overseeing liquidity risk that the Bank is able to take and ensure that there is a robust liquidity management process in place.

The Bank's liquidity risk management framework requires limits to be set for prudent liquidity management, the limits and internal targets including, Liquidity ratios, Loan to deposit ratio, Maturity Gap analysis, Maximum Cash Outflow, Daily Liquidity Stress Testing. The intraday cash inflows and outflows are continuously being monitored during business day to ensure payment obligation can be met at all time.

All limits and internal targets are reviewed at least annually and more frequently if required, to ensure that they are remain to current market conditions and business strategy. These limits and targets are monitored and reviewed by ALCO on a regular basis. Any limit excess will be escalated under a delegated authority structure and reviewed by ALCO and the Board. A Contingency Funding and Liquidity Plan ("CFP") playbook is in place for Hong Kong and reviewed annually which lays out the trigger points and actions in the event of liquidity crisis to ensure that there is an effective response by senior management in case of such an event.

LIQA: Liquidity Risk Management (continued)

Stress Test

Stress testing and scenario analyzes are intended to quantify the potential impact of a liquidity event on the balance sheet (including on and off-balance sheet), contingent funding obligations and other liquidity exposures, and to identify viable funding alternatives that can be utilized. The scenarios include assumptions about significant changes in key funding sources, potential uses of funding and political and economic conditions in certain countries. These conditions include stress market conditions as well as firm-specific events.

A wide range of liquidity events over a full year, some may cover an intense stress period of one month, and still other time frames may be appropriate. These potential liquidity events are useful to ascertain potential mismatches between liquidity sources and uses over a variety of time horizons by tenor buckets. Liquidity limits are set accordingly. To monitor the liquidity of the Bank, those stress tests and potential mismatches may be calculated with varying frequencies, with several important tests performed daily. All assumptions used in the stress scenarios must be approved under ALCO. As of 31 December 2020, the Bank maintains the LMR of 138.86%.

In addition, the following table shows the Bank's maturity profile as of 31 December 2020, covering on and off-balance sheet items broken down by maturity buckets and the resultant liquidity gaps. The off-balance sheet item is the committed line granted by parent company, it is considered as our risk mitigation tools and reviewed annually. The Bank does not have off-balance sheet obligations as of 31 December 2020.

	2020				
HKD (000')	Within 1 month	1-3 months	3 months - 1 year	Over 1 year	Balancing amount
On-balance sheet assets					
Due from MA for A/C of Exchange Fund	466,661	-	-	-	-
Due from Banks	632,000	248,342	-	-	-
Other Assets	652	-	-	-	45,497
Total Assets	1,099,313	248,342	-	-	45,497
On-balance sheet liabilities					
Deposits from Customers	733,536	-	-	-	-
Other Liabilities	23,460	-	17,296	-	-
Total liabilities	756,996	-	17,296	-	-
Off-balance sheet claims					
Irrevocable loan commitments of facilities received - others	-	-	-	-	232,569
Total Off-balance sheet claims	-	-	-	-	232,569
Contractual Maturity Mismatch	342,317	248,342	-17,296	-	
Cumulative Contractual Maturity Mismatch	342,317	590,659	573,363	573,363	

CRA: Credit quality of exposures

Credit risk is the potential that a borrower or counterparty will fail to meet its obligations with agreed terms. Credit risk exists throughout the activities of a bank, including in the banking book and in in trading book, and both on- and off-balance sheet transaction. The credit risk exposure principally will arise from the on balance sheet banking book activities at this moment.

The Bank has formulated a comprehensive set of policies and procedures that outlines the governance framework and appropriate credit limits to manage and monitor the credit risk that may arise from different credit portfolios in both portfolio level and individual level. The policies cover various areas including credit risk governance structure, customer selection criteria, customer acceptance criteria and post-approval monitoring. The principal objectives of such mechanism are:

- To analyze the credit risks of various credit portfolios, geographic locations of borrowers and types of loans, etc.;
- To forecast and monitor any changes in the credit rating and risk return dynamics in each credit portfolio;
- To evaluate the components and allocations of the credit portfolios regularly and make timely adjustments in case of changes in the economic environment/industry situations; and
- To implement effective capital and resources allocation over different types of credit-related activities, mainly through the rebalancing and controlling of the portfolios and the migration of the overall portfolio's credit risk hedging.

The overall credit risk is managed through a hierarchy of approval authorities of the Bank.

Ant Bank has established credit policies that govern credit extension criteria, credit approval, review and monitoring processes, the internal credit rating system and impairment assessment processes. The bank's credit risk management and control are centralized in Credit Management Department which report to the Credit Risk and Major Risk Management Committee regularly. The Board of Directors has ultimate responsibility for the effectiveness of credit risk management processes.

The head of Credit Risk who reports directly to the CRO, takes charge of credit risk management principles and requirement set by the Board. Business units act as the first line of defense. The Risk Management Department, which is independent from the business units, is responsible for the day-to-day management of credit risks and has the primary responsibility for providing an independent due diligence through identifying, measuring, monitoring and controlling credit risk to ensure an effective checks and balances, as well as drafting, reviewing and updating credit risk management policies and procedures. Back offices are responsible for credit administration, providing operations support and supervision on the implementation of prerequisite terms and conditions of credit facilities.

CRA: Credit quality of exposures (continued)

The Internal Audit is responsible for conducting independent reviews on the adequacy and effectiveness of credit risk management framework, as well as the compliance to internal policies and procedures.

The Bank also established a comprehensive monitoring process and intends to manage the risk level in the credit portfolio that aligns with the Bank's risk appetite and identify any early warning signal of credit deterioration. Various metric is adopted to assess and monitor the quality of credit exposure in both acquisition stage and post-approval stage.

The Risk Management Department provides regular credit management information reports and ad hoc reports to the Credit Risk and Major Risk Management Committee (CRMRMC), Board's Risk Committee, and the Board to facilitate their continuous monitoring of credit risk.

Accounts will be classified into different risk levels based on their latest credit status and history. For loan facilities that miss the scheduled payment are managed separately with proper follow-up action.

In addition to the condition of the customers, the quality of credit exposure may deteriorate due to adverse economic environment. The Bank monitors the performance of key macro-economic indicators. The Bank also applies stress testing technique periodically to assess the vulnerability of the credit portfolio under adverse market condition. Ad hoc stress assessment will also be conducted when market seem to deteriorate.

The quality of the overall credit portfolio will be assessed and monitored monthly by a few key indicators including High-risk accounts acquisition ratio, 30 days-past-due ratio and gross credit charge-off amount in a calendar year. Senior management of the Bank is alerted if the indicators breach the limit defined in risk appetite. Remedial action may be taken if necessary.

The Bank also aims at holding a credit portfolio that has diversified characteristic to minimize the concentration risk. The Bank identifies credit concentration risk by nature of products, geography, customer, counterparty and industry. The Bank is currently with simple business strategy and operations, the limits are largely with the Financial Institutions and trading counterparty by following the statutory limitations on large exposures and risk concentrations limits. Concentration Risk of SME Loan Business is inherently diversified.

The Bank is preparing to launch loan products based on the above principles. Before the launch of loan products, there is no credit risk rising from loan portfolios. Currently the credit risk mainly comes from the counterparty trading exposure.

The Expected Credit Loss ("ECL") allowance is recognized by rating designated by regulator or agency designation at the end of the reporting period. The ECL as of 31 December 2020 is HK$1,574K.

The Bank does not hold collateral or other credit enhancement associated with the financial assets.

CR1: Credit quality of exposures

The table below provides an overview of the credit quality of on- and off-balance sheet exposures as at 31 Dec 2020:

Amount expressed in HKD'K

		(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	-	880,071	1,547	-	1,547	-	878,524
2	Debt securities	-	-	-	-	-	-	-
3	Off-balance sheet exposures	-	-	-	-	-	-	-
4	**Total**	-	880,071	1,547	-	1,547	-	878,524

As at 31 December 2020, the Bank does not have loans and advances to customers. Amounts in Loans represents the placement with banks.

CR2: Changes in defaulted loans and debt securities

The table below provides information on the changes in defaulted loans and debt securities, including any changes in the amount of defaulted exposures, movements between non-defaulted and defaulted exposures, and reductions in the defaulted exposures due to write-offs as at 31 December 2020:

		(a)
		Amount HKD'K
1	**Defaulted loans and debt securities at end of the previous reporting period**	-
2	Loans and debt securities that have defaulted since the last reporting period	-
3	Returned to non-defaulted status	-
4	Amounts written off	-
5	Other changes	-
6	**Defaulted loans and debt securities at end of the current reporting period**	-

There were no defaulted debt securities and does not have exposures in loans and advances to customers as at 31 December 2020.

CRB: Additional disclosure related to credit quality of exposures

As of 31 December 2020, the Bank does not have exposures in loans and advances to customers.

CRC: Qualitative disclosures related to credit risk mitigation

The Bank has set out maximum credit exposure to each individual or counterparty in relations to the Banking (disclosure) rules.

CR3: Overview of recognized credit risk mitigation

The following table presents the extent of credit risk exposures covered by different types of recognized CRM as at 31 December 2020:

Amount expressed in HKD'K

		(a)	(b1)	(b)	(d)	(f)
		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	878,524	-	-	-	-
2	Debt securities	-	-	-	-	-
3	**Total**	878,524	-	-	-	**-**
4	Of which defaulted	-	-	-	-	-

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

The Bank uses the following external credit assessment institutions ("ECAIs") to calculate its capital adequacy requirements under the Standardized (Credit Risk) Approach prescribed in the Banking (Capital) Rules:

- Moody's Investors Service
- Standard & Poor's Ratings Services
- Fitch Ratings

As of 31 December 2020, credit risk arises mainly from cash and cash equivalents, placements with banks and other assets. The counterparties are rated at investment grade based on the ratings published by above-mentioned ECAIs. The Company follows the process prescribed in Part 4 of the Banking (Capital) Rules to map the ratings to the exposures booked in the Company's banking book.

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

The following table illustrates the effect of any recognized CRM (including recognized collateral under both comprehensive and simple approaches) on the calculation of credit risk capital requirements under STC approach as at 31 December 2020:

		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		**Exposures post-CCF and post-CRM**		**RWA and RWA density**	
	Exposure classes	On-balance sheet amount (HKD'K)	Off-balance sheet amount (HKD'K)	On-balance sheet amount (HKD'K)	Off-balance sheet amount (HKD'K)	RWA (HKD'K)	RWA density
1	Sovereign exposures	466,661	-	466,661	-	-	-
2	PSE exposures	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-
4	Bank exposures	880,342	-	880,342	-	176,068	20.0%
5	Securities firm exposures	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-
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	-	-	-	-	-	-
11	Residential mortgage loans	-	-	-	-	-	-
12	Other exposures which are not past due exposures	652	-	652	-	652	100.0%
13	Past due exposures	-	-	-	-	-	-
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	**Total**	**1,347,655**	-	**1,347,655**	-	**176,720**	**13.11%**

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

The following table presents a breakdown of credit risk exposures under STC approach by asset classes and by risk weights as at 31 December 2020:

HKD'K

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
	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	466,661	-	-	-	-	-	-	-	-	-	466,661
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	880,342	-	-	-	-	-	-	-	880,342
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-
11	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
12	Other exposures which are not past due exposures	-	-	-	-	-	-	652	-	-	-	652
13	Past due exposures	-	-	-	-	-	-	-	-	-	-	-
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	**Total**	**466,661**	**-**	**880,342**	**-**	**-**	**-**	**652**	**-**	**-**	**-**	**1,347,655**

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

As of 31 December 2020, the Bank does not have counterparty default risk exposure and credit-related derivative contracts.

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

Amount expressed in HKD'K		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR (for derivative contracts)	-	-		-	-	-
1a	CEM	-	-		-	-	-
2	IMM(CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					-	-
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	**Total**						-

CCR2: CVA capital charge

Amount expressed in HKD'K		(a)	(b)
		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	-	-
4	**Total**	**-**	**-**

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

Amount expressed in HKD'K		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
	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	-	-	-	-	-	-	-	-	-	-	-
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**	-	-	-	-	-	-	-	-	-	-	-

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

Amount expressed in HKD'K	(a)	(b)	(c)	(d)	(e)	(f)
	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	-	-	-	-	-	-

CCR6: Credit-related derivatives contracts

Amount expressed in HKD'K	(a)	(b)
	Protection bought	Protection sold
Notional amounts		
Total return swaps	-	-
Credit-related options	-	-
Other credit-related derivative contracts	-	-
Total notional amounts	-	-
Fair values		
Positive fair value (asset)	-	-
Negative fair value (liability)	-	-

MRA: Qualitative disclosures related to market risk

Market risk arises on all market risk sensitive financial instruments, including securities, foreign exchange contracts, etc. The objective of market risk management is to avoid excessive exposure of earnings and equity to loss and to manage the bank's exposure to the volatility inherent in financial instruments.

The risk can exist in both non-trading and trading activities. Currently, the Bank does not involve in trading book business and market risk predominantly arises from the Bank's Treasury activities. The major types of market risk come into two forms, interest rate risk and currency risk, and the risk mainly comes from the Bank's Money market Portfolio held as investment and/or liquidity management. The primary objective of such interest rate risk management is to limit the potential adverse effect of interest rate movements on net interest income. The Market Risk Manager monitors interest rate risks against set limits on a daily basis. All exceptions are reviewed and approved by the appropriate level of Market Risk Management.

The Bank has formulated Market Risk Management Policy that outlines the governance structure and measurements and controls of market risk in the Bank. The policy details a clear strategy to manage different types of market risk that the Bank is exposed to. A market risk framework for different types of risk are established to clearly define risk profiles to ensure it is consistent with the overall risk appetite. Risk limits are developed by the Risk Department in conjunction with the Treasury Department.

The Treasury Department manages interest rate risks within the limits approved by the Asset and Liability Management Committee, Market Risk team reviews and sets limits package as well as permitted product list, ensuring adherence to risk management objectives.

The Board of Directors is ultimately responsible for ensuring an appropriate organization structure is in place for managing market risk. Market risk oversight rests with the Risk Department which in turn reports to the Asset and Liability Management Committee

The Bank adopts factor sensitivities analysis to identify, measure, monitor and control the market risk of the Bank. All transactions are captured for market risk measurements. The factor sensitivities are calculated, monitored and in most cases, limited for all relevant risks taken. Market risk limits would be reviewed regularly, at least annually.

As of 31 December 2020, the Bank only has interest rate risk exposure and the exposure is considered to be immaterial. Refer to Section IRRBB for more details in relation to interest rate risk exposure.

MR1: Market risk under STM approach

The table below provides the components of the market risk capital requirements calculated using the STM approach as at 31 December 2020:

		(a)
		RWA HKD'K
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	-
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	-
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitization exposures	-
9	**Total**	-

IRRBB: Interest rate exposures in banking book

Nature of the risk

Interest rate risk is referred to the risk to the bank's financial condition resulting from adverse movements in interest rates. This consists of repricing risk, basis risk, option risk and yield curve risk. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movement arises.

Interest rate risks comprise those originating from both trading and non-trading portfolio. The bank's interest rate risk exposure is solely contributed by non-trading portfolio. The Bank manages interest rate risks within the limits approved by the RMC and under the monitoring of both ALCO and RMC. Limits are set on the level of mismatch of interest rate repricing that maybe undertaken, which is monitored regularly on daily basis.

The bank maintains controllable interest rate positions on its treasury portfolio. Interest rate risk arises primarily from the timing differences in the re-pricing of and the different bases of pricing interest-bearing assets, liabilities and off-balance sheet positions. Interest rate risk is regularly monitored by regular sensitivity analysis of the net re-pricing gap and of different scenarios of pricing bases of assets and liabilities grouped with reference to their next contractual repricing date or maturity date.

The Bank measures interest rate risks on a daily basis. The key assumptions the Bank uses in the measurements of the risk include:

(a) for fixed rate items, the earliest interest repricing date is the maturity dates of the assets or liabilities concerned;

(b) a parallel shift in interest rate throughout the time spectrum;

(c) for deposits without a fixed maturity, the earliest interest repricing date is the next business day.

Since regulatory approval has been obtained by Ant Bank to implement the IRRBB standardised approach one year after its business commencement (i.e. March 2021), the interest rate risk in the banking book of the annual disclosure for year ended December 2020 would be presented using Table IRRBB instead.

Interest rate exposures in banking book

	As at 31 December 2020		
	HKD	USD	Total
Interest rate risk shock			
Equivalents of HKD' 000			
Impact on earnings over the next 12 months if interest rates rise by 200 basis points	(7,758)	9,557	1,799
Impact on economic value over the next 12 months if interest rates rise by 200 basis points	294	796	1,090

REMA: Remuneration policy

Governance Structure

The Nomination and Remuneration Committee ("Committee") is established with specific terms of reference and chaired by an Independent Non-executive Director with majority of its members (over 50%) are Independent Non-executive Directors. The Committee meets at least once a year to review the Bank's overall remuneration policy and structure, and specific remuneration plans for senior management, as well as the overall remuneration plan for all employees of the Bank, and make recommendations to the Board of Directors.

The Committee shall ensure that remuneration policy is in line with the business strategy, objectives, risk appetite, culture, control environment, long-term interests of the Bank, as well as any legal or regulatory requirements. Risk control personnel are compensated in a manner that is independent of the business areas they oversee, aligned with their performance objectives and commensurate their respective roles in the Bank.

Senior management refers to individual employees who are responsible for oversight of the bank-wide strategy or activities or those of the bank's material business lines, which includes chief executive and other senior executives. Key Personnel refers to individual employees 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. The remuneration policy was approved by the board in Dec 2019.

Remuneration Structure and Design

Our remuneration policy and structure aim to enhance core competitiveness, mobilize the enthusiasm of employees and to ensure the internal equity and externally competitive remuneration incentive mechanism that is compatible with risk control, so as to promote stable operation and sustainable development.

The Remuneration Policy is established to provide the key remuneration principles and practices covering all employees of the Bank, and the key risk management requirements relating to remuneration, performance and risk control.

The remuneration of employees is composed of an appropriate mix of fixed and variable remuneration. Remuneration payment follows policy guidelines and maintains an appropriate balance. Fixed remuneration refers to base salary. Variable remuneration, comprising mainly bonus payments, year-end bonus and/or long term incentives (if applicable),is paid based on the overall performance of the bank, relevant business departments and the employee, taking into account the full range of current and potential short-term and longer-term risks connected with the activities of employees which may affect the performance of the Bank. Variable remuneration is currently awarded in form of cash or shares (if applicable). The fixed remuneration is set at a level which is sufficient to attract and retain employees with relevant skills, knowledge and expertise to discharge their functions while the award of variable remuneration does not induce excessive risk taking. In general, the proportion of variable remuneration to total remuneration increases in line with the seniority, roles, responsibilities and activities of employees within the Bank.

Performance Measurements and the Award of Variable Remuneration

Performance of the Bank will be evaluated against pre-determined performance criteria and assessable financial and non-financial factors, including but not limited to the bank's performance on risk management perspectives. Financial factors include quantitative measures such as profit, revenue, sales or volume. Non-financial factors include but not limited to legal/ regulatory/ethical standards, improper behavior that leads to major consequences (including financial and non-financial losses to the Bank), fraud or serious violation of internal rules, or other risk management factors. In general, both quantitative measures and qualitative assessments play vital roles in determining risk adjustments and assessments for all types of risk and have been incorporated as part of performance measures of the bank. The variable remuneration shall be deducted or possibly deducted to zero while employees whose performance does not meet the relevant standards.

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REMA: Remuneration policy (Continued)

Deferral Arrangements

Deferral of the payment of a portion of variable remuneration is conducive to restraining excessive short-term risk-taking and to aligning actual variable remuneration payments with risks 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 employee in question. For senior managers and 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, the vesting period shall not be less than three years and generally vest gradually over a period of years and no faster than on a pro rata basis, subject to fulfilment and validation of the pre-defined performance conditions.

In the event of resignation, or it is later established that there has been fraud or other malfeasance on the part of the relevant employees, or violations of internal control policies, the unvested portion of deferred variable remuneration will be forfeited or claw-back.

REM1: Remuneration awarded during financial year

Amount expressed in HKD'K

			(a)	(b)
Remuneration amount and quantitative information			Senior management	Key personnel
1	Fixed remuneration	Number of employees	4	6
2		Total fixed remuneration	5,691	5,624
3		Of which: cash-based	5,691	5,624
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	4	6
10		Total variable remuneration	1,111	534
11		Of which: cash-based	1,111	534
12		Of which: deferred	-	-
13		Of which: shares or other share-linked instruments	13,272	9,220
14		Of which: deferred	13,272	9,220
15		Of which: other forms	-	-
16		Of which: deferred	-	-
17	**Total remuneration**		20,074	15,378

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REM2: Special payments

Amount expressed in HKD'K

		(a)	(b)	(c)	(d)	(e)	(f)
Special payments		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	-	-	4	560	4	436
2	Key personnel	-	-	6	210	6	-

REM3: Deferred remuneration

Amount expressed in HKD'K

		(a)	(b)	(c)	(d)	(e)
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	45,724				
2	Cash	-	-	-	-	-
3	Shares	45,724	-	-	-	-
4	Cash-linked instruments	-	-	-	-	-
5	Other	-	-	-	-	-
6	Key personnel	28,301				
7	Cash	-	-	-	-	-
8	Shares	28,301	-	-	-	-
9	Cash-linked instruments	-	-	-	-	-
10	Other	-	-	-	-	-
11	**Total**	**74,025**				

Off-balance sheet exposures other than derivative transactions

The Bank does not have off-balance sheet exposures as of 31 December 2020.

International claims

International claims are exposures recorded on the statement of financial position based on the location of the counterparties after taking into account the transfer of risk. For a claim guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor. For a claim on the branch of a bank, the risk will be transferred to the country where its head office is situated. Claims on individual countries or areas, after risk transfer, amounting to 10% or more of the aggregate international claims are shown as follows:

Amount expressed in HKD'M

	As at 31 December 2020				
			Non-bank private sector		
	Banks	**Official sector**	**Non-bank financial institutions**	**Non-financial private sector**	**Total**
Developing Asia and Pacific	317	-	-	1	318
- of which China	217	-	-	1	218
Offshore centres	363	467	-	-	830
- of which Hong Kong	363	467	-	-	830

Loans and advances to customers

The bank does not have loans and advances to customers as of 31 December 2020.

Overdue and rescheduled Assets

There were no overdue and rescheduled loans and advances and other assets as of 31 December 2020.

Currency concentrations

The Bank is exposed to foreign exchange risk, primarily United States dollar ("USD").

HKD'K equivalent	**USD**
Spot assets	519,748
Spot liabilities	(9,044)
Forward purchases	-
Forward sales	-
Net options position	-
Net (short) / long position	510,704

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Mainland activities exposures

The table below summarises the Mainland activities exposure of the Bank, categorised by types of non-bank counterparties:

Amount expressed in HKD'K

As at 31 December 2020

Types of Counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
(a) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	-	-	-
(b) Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	620	-	620
(d) Other entities of central government not reported in part (a) Above	-	-	-
(e) Other entities of local governments not reported in part (b) above	-	-	-
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	**620**	**-**	**620**

Total assets after provision	1,391,605
On-balance sheet exposures as percentage of total assets	0.04%

Asset under security

The Bank does not have any secured liabilities and assets used as security as of 31 December 2020.

Corporate Governance

The Board of Directors and the Management of Ant Bank (Hong Kong) Limited (the "Bank") are committed to maintaining a high standard of corporate governance practices and devote considerable effort to identify and formalize best practices. We believe that sound and effective corporate governance practices are essential for delivering sustainable value, enhancing a culture of business integrity and maintaining investors' confidence. Good corporate governance promotes and safeguards the interests of shareholders and other stakeholders including customers and employees, thereby enhancing the credibility and reputation of the Bank.

The Bank is committed to effective corporate governance in order to ensure its proper functioning and protect the interests of all the Bank's stakeholders. The Bank is an authorized institution supervised by the Hong Kong Monetary Authority ("HKMA") under the Banking Ordinance. Throughout the year ended 31 December 2020, the Bank has complied, in all material aspects, with the guidelines set out in the HKMA Supervisory Policy Manual CG-1 Corporate Governance of Locally Incorporated Authorized Institutions.

Board of directors

The Board of directors of the Bank (the "Board") has the ultimate responsibilities to the depositors, creditors, employees and shareholders, for the supervision, leadership, operations and financial soundness of the Bank, and is responsible for providing strategic direction and overseeing the implementation of strategic objectives and goals by the Management. In discharging its responsibilities, the Board actively engages in the affairs of the Bank and is cognizant of material changes in the Bank's business and the external environment in which the Bank operates. The Board acts honestly and in good faith in the interest of the Bank, and on an informed and prudent basis, having regard to the legitimate interests of depositors, shareholders and other relevant stakeholders. The Board has established Board-level specialized committees with clear delegation and formal terms of reference setting out the authorities, responsibilities and membership for the oversight of certain major functional areas.

The Board also has a well-balanced composition of Executive Director, Non-executive Directors and Independent Non-executive Directors ("INEDs") to ensure independence and objectivity of the decisions as well as robustness and impartiality of the Board's oversight of the Management. As at the date of this Annual Report, the Board comprises six members, including one Executive Director, two Non-Executive Directors and three INEDs. Members of the Board are as follows:

#Mr. Yu Shengfa *(Chairman)*
#Mr. Leiming Chen
^Mr. Wang Lan *(appointed on 19 May 2020)*
*Mr. Lam Wai Chung Gordon
*Mr. Wang Qing *
*Mr. Zee John *

^ *Executive Director & Chief Executive*
# *Non-executive Director*
* *INED*

The biographical information of the Directors is disclosed in the Appendix.

The Board meets regularly to formulate objectives, strategies, business plans and annual budgets and to assess the Bank's performance, position and prospects throughout the year. All Directors have unfettered access to board papers and related materials which are provided in a timely manner. All Directors are also given opportunities to propose matters in the meeting agenda. Board meetings are held at least four times a year. In addition, special Board meetings are held when necessary. All Board meetings involve the active participation, either in person or through other electronic means of communication, of Directors. The Board held six meetings in 2020. Attendance records of the Board are set out below:

Corporate Governance (Continued)

	No. of meetings attended/No. of meetings held
Mr. Yu Shengfa (Chairman)	6/6
Mr. Leiming Chen	6/6
Mr. Wang Lan, appointed on 19 May 2020	3/3
Mr. Lam Wai Chung Gordon	6/6
Mr. Wang Qing	6/6
Mr. Zee John	6/6

Board-level Specialized Committees

The Board has established three Board-level committees, namely, the Audit Committee, the Nomination and Remuneration Committee and the Risk Committee, to assist it in carrying out its responsibilities. Each of these committees has specific written terms of reference, which set out in detail their authorities and responsibilities.

Audit Committee

The Audit Committee ("AC") has the authority to oversee matters relating to financial reporting, internal audits and external audits and internal financial controls for the Bank.

The AC meets at least four times each year, and may invite any Director, executive, external auditor or other persons (including, but not limited to, the Chief Financial Officer, the Chief Risk Officer, the Chief Compliance Officer and the Head of Internal Audit) to attend any AC meeting as it may from time to time consider desirable to assist the AC in the discharge of its responsibilities. The AC will meet separately with the external auditor and with the Head of Internal Audit at least once each year without the presence of the Bank's Senior Management. Special meetings of the AC are held when necessary.

The AC currently comprises three members, all of whom are INEDs. The members of the AC are Messrs. Wang Qing (Chairman), Lam Wai Chung Gordon and Zee John. The AC held five meetings in 2020. Attendance records of the AC are set out below:

	No. of meetings attended/No. of meetings held
Mr. Wang Qing (Chairman)	5/5
Mr. Lam Wai Chung Gordon	5/5
Mr. Zee John	5/5

The AC was established with written terms of reference and its major roles and functions are as follows:-

- To ensure the integrity of the annual and interim financial statements of the Bank, regulatory disclosure, and any formal announcements in relation to the Bank's financial performance and corporate governance;
- To recommend to the Board the appointment of the Head of Internal Audit and review the performance of the Head of Internal Audit;
- To review and approve periodically the Internal Audit Charter;
- To approve periodically, the annual audit plan, as well as the related manpower and financial resources/budget required to support the carrying out of the audit plan;
- To monitor and assess the effectiveness, performance, resourcing, independence and standing of the internal audit function;
- To review reports and significant recommendations provided by the internal audit function and management plans for their implementation;
- To make recommendations to the Board, on the appointment, re-appointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of the external auditor;
- To review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process, considering relevant professional, regulatory and other requirements;
- To oversee the work of external auditor;

Corporate Governance (Continued)

- To review the effectiveness of the Bank's internal financial controls (the systems established to identify, assess, manage and monitor financial risks); and
- To consider any findings of major investigations of internal controls over financial reporting matters, the management's response and the conclusions of any testing carried out by the Head of Internal Audit or external auditor.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee ("NRC") is responsible for overseeing the remuneration matters of the Bank, and also to review and endorse the nomination of candidates for appointment as Non-Executive Directors (including INEDs), Executive Directors and Senior Management, prior to the approval by the Board.

The NRC meets at least twice a year, and may invite any Director, executive or other persons to attend any NRC meeting as it may from time to time consider necessary to assist the NRC in the attainment of its objective. Special meetings of the NRC are held when necessary.

The NRC is chaired by an INED and currently comprises three members, majority of whom are INEDs. The members of the NRC are Messrs. Zee John (Chairman), Lam Wai Chung Gordon and Chen Leiming. In 2020, the NRC held four meetings. Attendance records of the NRC are set out below:

	No. of meetings attended/No. of meetings held
Mr. Zee John (Chairman)	4/4
Mr. Lam Wai Chung Gordon	4/4
Mr. Leiming Chen	3/4

The NRC was established with written terms of reference and its major roles and functions are as follows:-

- To lead the process for Board appointments and identify and nominate for the approval of the Board, candidates for appointment to the Board;
- To identify individuals suitably qualified to become members of senior management and selecting, or making recommendations to the Board on the selection of, individuals nominated for senior management positions;
- To review whether the Bank's remuneration policy complies with all relevant local regulations, in line with the Bank's risk appetite, culture and long-term interests, and is appropriate to attract, retain and motivate Directors and senior management of the quality required to run the Bank successfully and make recommendations to the Board on any action needed to resolve concerns or improvements; and
- To assist the Board in establishing the Bank's culture and behavioral standards that promote prudent risk-taking and fair treatment of customers, and discharging its responsibilities on the Bank's culture-related matter.

Corporate Governance (Continued)

Risk Committee

The Risk Committee ("RC") has authority to oversee risk-related matters relating to the Bank, including risk governance, cyber security risk management strategies, overall risks control and internal control systems (other than internal controls over financial reporting).

The RC meets at least four times a year, and may invite any Director, executive, external auditor, cyber security experts, other relevant experts or other persons (including, but not limited to, the Chief Financial Officer, the Chief Risk Officer, the Chief Compliance Officer, the Chief Technology Officer and the Head of Internal Audit) to attend any RC meeting as it may from time to time consider desirable to assist the RC in the discharge of its responsibilities. Special meetings of the RC are held when necessary.

The RC is chaired by an INED and currently comprises three members, majority of whom are INEDs. The members of the RC are Messrs. Lam Wai Chung Gordon, Zee John, and Yu Shengfa. In 2020, the RC held four meetings. Attendance records of the RC are set out below:

	No. of meetings attended/No. of meetings held
Mr. Lam Wai Chung Gordon (Chairman)	4/4
Mr. Zee John	4/4
Mr. Yu Shengfa	4/4

The RC was established with written terms of reference and its major roles and functions are as follows:-

- To review and recommend for the Board's approval the Bank's risk appetite;
- To review and approve major risk management policies;
- To oversee and advise the Board on risk related matters, including both financial and non-financial risks;
- To review and discuss, and to bring to the Board's attention, the critical comments of the regulators on the Bank's risk management related issues;
- To review and approve, the Bank's final stress testing submissions to regulatory authorities;
- To recommend the Board to approve and annually review the Bank's enterprise risk management framework and satisfy itself that it is operating effectively;
- To oversee the implementation of risk management policies and the compliance with the respective statutory rules and regulations, and to review the effectiveness of internal control systems (other than internal controls over financial reporting);
- To review and endorse the cyber security programme;
- To monitor the effectiveness and independence (from the business) of the Chief Risk Officer and to review the composition and effectiveness of the risk management function; and
- To recommend to the Board the appointment or removal of the Chief Risk Officer.

Delegation by the Board

In addition to the Audit Committee, Nomination and Remuneration Committee and Risk Committee, the Board has also established the following management-level specialized committees, each of which has specific written terms of reference in order to ensure that they discharge their functions properly.

Information on these committees is set out below:

Corporate Governance (Continued)

Executive Committee

The Executive Committee ("EC") comprises the Chief Executive and senior management of the Bank. It is responsible for developing and setting the strategies and objectives of the Bank for the approval of the Board. It provides direction and guidance to business divisions, reviews business performance, ensures effective internal control systems, allocates resources, prioritises business initiatives and investment, and is delegated with the authority of the Board to exercise the authority and power of the Board on matters relating to the normal course of business of the Bank.

The EC is chaired by the Chief Executive, and can call upon such members of senior management for advice or participation in its discussions as it deems appropriate.

Asset and Liability Management Committee

The Asset and Liability Management Committee ("ALCO") oversees the overall management of the statement of financial position, liquidity, funding, interest rate risk and market risk of the Bank. It is responsible for formulating business plans affecting lending business, portfolio mix, treasury investments, deposit taking and capital management. It also plays a key role in the overall risk governance and management of the Bank.

ALCO meets every month and its regular tasks include the review of key business emphasis and development, loan and deposit structures and dynamics, funding strategy, liquidity, surplus funds investments, capital market dealing, and review of market changes and competition. ALCO also conducts a regular monthly review of overall statement of financial position, including trend analysis and actual positions against limits and targets.

ALCO is chaired by the Chief Financial Officer. Members of the committee include senior management of the Bank, such as heads of most business divisions, risk management and treasurer

Credit Risk and Major Risk Management Committees

The Credit Risk and Major Risk Management Committee is the functional committee primary responsible for setting up the risk strategies and approving the risk appetite limits based on board's approved risk appetite for credit risk management and non-financial risk management, together with the policy formulation, and the handling of the risk events. This committee is chaired by the Chief Risk Officer with senior management and head of credit risk as members and meets every month in principle. Credit risk measurement, underwriting, approval and monitoring requirements are detailed in credit policies.

AML Committee

The AML Committee is responsible for overseeing and guiding the development, maintenance and enhancement of the overall AML/CFT program, which includes the formulation of sound AML/CFT policies and procedures and the development of effective ongoing AML monitoring systems and mechanism of the Bank to ensure the Bank's compliance with all AML/CFT statutory requirements and their regulatory guidelines in Hong Kong. The committee serves to uphold a high level of oversight and accountability of the Bank's senior management to the day to day banking operations, products, and technology from AML/CFT perspective. Throughout the AML Committee, the Bank has already adopted a sound AML/CFT program with ongoing control and monitoring process after collaboration with the business and other support functions, such as, AML, Operations and Risk Management.

Members of the AML Committee include the Chief Executive, the Chief Compliance Officer, the Chief Risk Officer, the Head of Business Development and Products, the Head of Business Banking, the Head of Operations and Customer Service, and the Head of AML. The Bank AML Committee meets every two months. Formal Terms of Reference and Minutes of the AML Committee meetings are recorded for proper audit trail purpose.

Corporate Governance (Continued)

Risk Appetite Framework

This risk appetite framework guides Management in the pursuit of the Bank's strategy and business plans and is encapsulated in a formal risk appetite statement which considers capital adequacy, earnings volatility and the various risk types including but not limited to credit risk, market risk, liquidity risk, operational risk and technology risk. Risk appetite takes into account potential impact arising from stressed conditions and concentration risk. Portfolio risk limits for the quantifiable risk types are established through a top-down approach and operationalised through a formal framework. Other significant risk aspects are guided by qualitative expression of principles. The risk appetite framework is reviewed annually.

Recruitment and Selection of Members of the Board

The Bank uses a formal, considered and transparent procedure for the appointment of new Directors. The proposed appointment will first be reviewed by the NRC, taking into account the balance of skills, knowledge and experience on the Board. Upon recommendation of the NRC, the proposed appointment will then be reviewed and, if thought fit, approved by the Board after due deliberation.

In accordance with the requirement under the Banking Ordinance, approval from the HKMA will need to be sought prior to the appointment of any person as a Director of the Bank.

The Bank issues appointment letters to each of the INEDs, setting out the terms and conditions of their appointments. For proposed appointment as INEDs of the Bank, the factors as laid down in the HKMA's Guidance on Empowerment of INEDs will be considered to assess the independence of a proposed INED of the Bank. The same factors will be revisited to reassess the independence of any INED who has served the Board of the Bank for more than 9 years, where applicable.

The Board or NRC will satisfy itself that a candidate nominated for appointment as Director is a fit and proper person for appointment, taking into account the following features and attributes of the candidate:-

- age
- education background and professional qualification
- experience, especially working and commercial experience
- capability
- professional and/ or business management skills
- track record
- independence of mind (particularly in the case of non-executive directors and INEDs)
- any financial or other interest in the business of the Bank
- other directorship

Candidates as proposed Board members should not have any conflict of interest that may impede their ability to perform their duties independently and objectively or subject them to undue influence from:-

- personal, professional or other economic relationships with other members of the board or management (or with other entities within the group)
- other persons including shareholders
- relationship arising from or connected to past or present positions held

Remuneration Information

Remuneration information in line with the requirements set out in CG-5 is disclosed in this disclosure statement.

Corporate Governance (Continued)

Major Share Ownership and Voting Rights and Related-party Transactions

The Bank is a wholly owned subsidiary of Alipay (Hong Kong) Investment Limited, a company incorporated in Hong Kong and the ultimate holding company of the Bank is Ant Group Co., Ltd., a company incorporated in the People's Republic of China.

The Bank's related party transactions are set out in the Note 15 of the Bank's Annual Report 2020 published in the Bank's website at https://www.antbank.hk/disclosures?lang=en_us.

Others

During the year ended 31 December 2020, the Bank did not engage in any material and complex or non-transparent structure that is difficult for supervisors and stakeholders of the Bank to reasonably assess the risks to which it is exposed.

Appendix

The biographical information of the Directors is disclosed as below:

Mr. Yu Shengfa

Mr. Yu has been the Chairman and a Non-executive Director of Ant Bank (Hong Kong) Limited (the "Bank") since May 2019. He is also the Chairman and a Non-executive Director of Alipay (Hong Kong) Investment Limited ("Alipay Investment"), the holding company of the Bank. Mr. Yu joined Ant Group Co., Ltd. ("Ant Group") in February 2014, and served as Vice President of Ant Group from January 2017 to August 2020. Mr. Yu has nearly 20 years of work experience in the banking industry in the Mainland China. In particular, he was the Executive Director and Chief Executive Officer of MYBank, a PRC online-only bank, from March 2015 to January 2017. From September 1996 to August 2013, Mr. Yu was the Chief Executive Officer of Bank of Hangzhou. Mr. Yu has a Master's degree and is a certified public accountant.

Mr. Leiming Chen

Mr. Chen has been a Non-executive Director of the Bank since May 2019. He is also a Non-executive Director of Alipay Investment. Mr. Chen has been Ant Group's Senior Vice President since March 2016 and served as General Counsel of Ant Group from March 2016 to May 2020. Prior to joining Ant Group, Mr. Chen was a Partner and Head of China practice at Simpson Thacher & Bartlett LLP, a New York-based international law firm, where he worked on a variety of equity and debt offerings and mergers and acquisitions involving primarily PRC companies. Mr. Chen has extensive experience in corporate governance and regulatory matters. He has been qualified to practice law in the State of New York since October 2001 and has been a solicitor of the High Court of Hong Kong since July 2011. Mr. Chen obtained a juris doctor degree from Osgoode Hall Law School, York University in Toronto, Canada in June 1994.

Mr. Wang Lan

Mr. Wang was appointed as the Executive Director and Chief Executive of the Bank on 19 May 2020. He is also Executive Director of Alipay Investment. Before joining the Bank, he served successively as the Leader of the preparatory group for virtual bank in the Bank of China (Hong Kong) and the CEO of the virtual bank Livi from December 2018 to February 2020. From February 2017 to December 2018, Mr. Wang was the Head of E-Finance Centre of the Bank of China (Hong Kong). From May 2015 to February 2017, Mr. Wang served as General Manager of the Financial Institutions and Corporate Banking Department at WeBank, where he was responsible for the bank's payment channels, small and medium-sized enterprises and corporate platform online services. From December 1998 to April 2015, Mr. Wang worked for the Bank of China Shenzhen branch, and his last position was President of the Bank of China Shenzhen branch, Shangbu sub-branch. Mr. Wang graduated from Zhongnan University of Economics with a Bachelor's degree in International Finance in 1998 and obtained a Master's degree in the finance programme at the Chinese University of Hong Kong-Tsinghua University.

Mr. Lam Wai Chung Gordon

Mr. Lam was appointed as an Independent Non-executive Director ("INED") of the Bank on 9 May 2019. He is also an INED of Alipay Investment. Mr. Lam has over 35 years of extensive experience in banking industry. Mr. Lam held various positions in HSBC Group since 1988. From 2009 to 2011, he served as Managing Director and Head of Global Banking of HSBC Bank (China) Co Ltd. From November 2012 to April 2018, Mr. Lam was Vice Chairman and Chief Executive of Hang Seng Bank (China) Limited. He then acted as an adviser to Hang Seng Bank Limited from May 2018 to July 2019. Mr. Lam currently is a Director of Shaw College of CUHK (Shenzhen). Mr. Lam obtained his Bachelor's degree of Business Administration from CUHK in 1982.

Appendix (Continued)

Mr. Wang Qing

Mr. Wang was appointed as an INED of the Bank on 9 May 2019. He is also an INED of Alipay Investment. Mr. Wang has over 20 years of experience in investment banking and corporate finance. He is INED of Baioo Family Interactive Limited (a company listed in Hong Kong, stock code: 2100) and China Continent Insurance Co., Ltd. (中国大地保险股份有限公司). Mr. Wang is also President and Partner of Shanghai Chongyang Investment Management Co., Ltd, a privately managed fund in China, and the CEO of Chongyang International Asset Management Ltd. Before joining Chongyang Investment in April 2013, Mr. Wang was Deputy Head of Investment Banking Department at China International Capital Corporation ("CICC") from June 2011 to April 2013. He joined CICC from Morgan Stanley, where he served as Managing Director and Chief Economist for Greater China in the research division in Hong Kong from May 2007 to June 2011. Prior to that, Mr. Wang spent 6 years, from June 1999 to October 2005, in Washington, D.C. as an economist with the International Monetary Fund. Mr. Wang received his Ph.D. in economics from the University of Maryland at College Park, U.S. in August 2000. He received his Bachelor's degree and Master's degree in Economics from Renmin University of China (中國人民大學) in July 1991 and January 1994, respectively.

Mr. Zee John

Mr. Zee was appointed as an INED of the Bank on 14 November 2019. He is also an INED of Alipay Investment. Mr. Zee has worked in the financial industry for over 30 years and possesses extensive experience in different fields such as investment banking, asset management and securities services. From October 2008 to August 2010, he served as Managing Director, Chief Information Officer, China – Group Technology & Operations Division in Deutsche Bank (China) Co, Ltd. From August 2010 to March 2017, Mr. Zee served as Managing Director – Head of Operations in China International Capital Corporation (Hong Kong) Limited. Mr. Zee also served as Group Deputy Chief Executive Officer in Delta Asia Group (Holdings) Limited from June 2017 to March 2019. Mr. Zee has been a founder member of Zsolution Consulting Limited which is engaged in financial advisory services since March 2019. Mr. Zee obtained a Master's degree of Business Administration (Investment and Finance) from The University of Hull in 1994 and a Bachelor's degree of Science from McMaster University in 1987.

ANT BANK 螞蟻銀行

Glossary

Abbreviations	Descriptions
ASF	Available stable funding
AT1	Additional Tier 1
BSC	Basic approach
CCF	Credit conversion factor
CCP	Central counterparty
CCR	Counterparty credit risk
CCyB	Countercyclical capital buffer
CEM	Current exposure method
CIS	Collective investment scheme
CRM	Credit risk mitigation
CVA	Credit valuation adjustment
D-SIB	Domestic systemically important authorized institution
EAD	Exposure at default
EPE	Expected positive exposure
FBA	Fall-back approach
G-SIB	Global systemically important banks
IMM	Internal models approach
IMM (CCR)	Internal models (counterparty credit risk) approach
IRB	Internal ratings-based approach
LTA	Look through approach
MBA	Mandate-based approach
PFE	Potential future exposure
PSE	Public sector entity
RC	Replacement cost
RSF	Required stable funding
RW	Risk-weight
RWA	Risk-weighted asset/risk-weighted amount
SA-CCR	Standardized approach for counterparty credit risk
SEC-ERBA	securitization external ratings based approach
SEC-FBA	securitization fall-back approach
SEC-IRBA	securitization internal ratings-based approach
SEC-SA	securitization standardized approach
SFT	Securities financing transaction
STC	Standardized (credit risk) approach
STM	Standardized (market risk) approach
VaR	Value at risk