PING AN ONECONNECT BANK (HONG KONG) LIMITED
(平安壹賬通銀行(香港)有限公司)

REGULATORY DISCLOSURE STATEMENT (Unaudited)

AS AT 31 December 2023

PING AN ONECONNECT BANK (HONG KONG) LIMITED
(平安壹賬通銀行(香港)有限公司)

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1. Introduction

General information

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

Basis of preparation

The capital adequacy ratios of the Bank were calculated in accordance with Banking (Capital) Rules ("BCR") of the Banking Ordinance. The Bank adopted the following approach to calculate its capital charge for:

Credit risk: Standardised (Credit Risk) Approach; Market risk: Standardised (Market Risk) Approach; Operational Risk: Transitional arrangements pursuant to section 341 of BCR on or before 30 June 2023 and Basic Indicator Approach after 30 June 2023.

2. Key prudential ratios

2.1 KM1: Key prudential ratios

The table below provides an overview of the Bank's key prudential ratios.

HK$'000		(a) At 31 Dec 2023	(b) At 30 Sep 2023	(c) At 30 Jun 2023	(d) At 31 Mar 2023	(e) At 31 Dec 2022
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	546,433	593,786	626,890	663,941	707,422
2	Tier 1	546,433	593,786	626,890	663,941	707,422
3	Total capital	554,635	601,590	633,133	670,286	715,373
	RWA (amount)					
4	Total RWA	820,598	772,903	632,966	615,426	728,011
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	66.6%	76.8%	99.0%	107.9%	97.2%
6	Tier 1 ratio (%)	66.6%	76.8%	99.0%	107.9%	97.2%
7	Total capital ratio (%)	67.6%	77.8%	100.0%	108.9%	98.3%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9	Countercyclical capital buffer requirement (%)	1.000%	0.998%	0.997%	0.996%	0.998%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	NA	NA	NA	NA	NA
11	Total AI-specific CET1 buffer requirements (%)	3.500%	3.498%	3.497%	3.496%	3.498%
12	CET1 available after meeting the AI's minimum capital requirements (%)	59.6%	69.8%	92.0%	100.9%	90.3%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	3,183,532	3,129,120	2,943,100	2,804,969	3,052,557
14	LR (%)	17.2%	19.0%	21.3%	23.7%	23.2%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	NA	NA	NA	NA	NA
16	Total net cash outflows	NA	NA	NA	NA	NA
17	LCR (%)	NA	NA	NA	NA	NA
	Applicable to category 2 institution only:					
17a	LMR (%)[1]	74.1%	85.1%	78.5%	109.1%	124.8%
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18	Total available stable funding	NA	NA	NA	NA	NA
19	Total required stable funding	NA	NA	NA	NA	NA
20	NSFR (%)	NA	NA	NA	NA	NA
	Applicable to category 2A institution only:					
20a	CFR (%)	NA	NA	NA	NA	NA

The capital ratio and LMR remained well above the minimum regulatory requirements. Decrease in capital ratios was mainly due to the decrease in capital base, increase in credit risk RWA and operational risk RWA in December 2023.

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

3. Overview of risk management and risk-weighted amount ("RWA")

3.1 OVA: Overview of risk management

The Bank's Risk Management Framework ("Framework") is an over-arching framework for the various risk management processes to effect an enterprise risk management. The key risks related to the Bank's business include credit risk, liquidity risk, market risk, interest rate risk, operational risk and technology risk.

Risk governance
The Board of Directors ("the Board") has ultimate responsibility for the implementation of this Framework, promoting a sound risk culture for the Bank and ensuring that the governance and other key components of the risk management framework are properly established and effectively implemented. The Board is also responsible for approving the risk appetite statement, the core policies and thresholds that support its operationalisation, and maintaining consistency among business strategy, risk appetite and the long term goals of the Bank. The Board delegates its power to the Board Risk Management Committee ("BRMC") to supervise the Bank's major risk areas.

The Board has authorized the Chief Executive to establish Management Committee ("ManCo") to (i) deal with day-to-day activities of the Bank's business, (ii) develop and implement business plans, policies and procedures, and budgets that have been approved by the Board, (iii) monitor the Bank's operating and financial performance, prioritize and allocate investment and resources, (iv) manage and develop talent and (v) manage the risk profile. Under the umbrella of ManCo which is chaired by the Chief Executive, there are six management level sub-committees:

Risk Management Committee ("RMC")	Supervises the management of the key risks of the Bank at the senior management level and oversees the development and implementation of this Risk Management Framework.
Asset and Liability Committee ("ALCO")	Responsible for providing risk oversight on capital and liquidity risk by determining the Bank's approach to balance sheet management.
Compliance Committee	Oversees the legal, regulatory and compliance matters of the Bank. This includes but not limited to treating customer fairly, anti-money laundering, counter terrorist financing and sanctions.
Technology Committee	Oversees the effective implementation of information technology strategies and data protection framework.
Disciplinary Action Committee	Responsible for dealing with formal complaints concerning allegations of misconduct by employees and making decisions on the type of disciplinary action that it considers appropriate in the circumstances.
Customer Selection Committee	Responsible for ensuring a consistent approach in customer selection, reviewing customer relationships with the Bank and management of changes to such relationships.

The Chief Executive, Chief Risk Officer and the senior management have the responsibility to ensure various risk limits are appropriately established according to the risk management strategies set by the Board, and to oversee the effectiveness of managing and controlling risk in the day-to-day management of the Bank.

Various business and functional units act as the first line of defence, held accountable for implementing and adhering to policy requirements in their respective functions, ensuring end-to-end preventative and detective controls are designed and operating effectively, escalating material issues and matters of regulatory importance and remediating any control deficiencies. The second line of defence is provided by the Risk Management Department and the Legal & Compliance Department, which are independent from the business units, both are responsible for overseeing the first-line activities, setting policies and procedures, undertaking risk assessments and internal monitoring. Internal Audit Department as the third line of defence is responsible for providing assurance on the effectiveness of the Bank's risk management framework, including the risk governance arrangements and practices of the first and second lines of defence units.

3. Overview of risk management and risk-weighted amount ("RWA") (Continued)

3.1 OVA: Overview of risk management (Continued)

The Bank recognise the importance of risk culture being one of the key pillars of the risk management framework. The risk culture of the Bank is created through setting the "Tone from the top", as the statement is clearly articulated by the Board through the established Risk Appetite stating the boundaries which the Bank should operate within, effective communication and challenge through formal governance forums, established whistleblowing channel to encourage 'Speak up' culture, appropriate accountability and incentivisation through the three lines of defence model and appropriate remuneration system to ensure that incentives would not create excessive or undue risk exposure and unethical behaviour which could threaten the financial soundness and reputation of the Bank. Risk awareness is promoted to all staff to enhance the Bank's overall risk management through appropriate training.

Risk measurement systems
Risk profile is an overview of the major business activities, the key issues and common themes identified across the Bank. A concise depiction of the risk profile enables the Board and the management to more effectively evaluate whether the risk taking is healthy, in line with expectation and acceptable from a forward-looking perspective. Risk profiling requires identifications of key business activities, key risk dimensions, representative metrics and their thresholds relevant for health-checking purpose. The risk profile should be regularly monitored, measured against the Bank's risk appetite, and reported to the Board, the BRMC and the relevant management level committee(s) for their review. The Bank shall maintain a management information system ("MIS") with adequate technological support and processing capacity to effectively capture, aggregate and report the risks of major business activities, as well as to address information needs arising from regulatory changes and information requests from the Board (or its sub-committees). The risk data aggregation and risk reporting framework and any substantial change to them should be reviewed and approved by the Board and RMC.

Risk management reports including exposure and position information for all significant risk areas are provided to the Board and management on a regular basis, as deemed appropriate. The Board, through various committees, determines the risk reporting requirements that best suit the business. This includes the following:

- Risk exposures and profile against risk limits and risk strategy
- Operational risk trends along with changes in external environment
- New risk models evaluating the readiness for implementation
- Large risk events and subsequent remedial action plans.

A quarterly report on risk exposures and risk management activities of the Bank is presented to the Board, which covers the assessment on major risk exposures including credit risk, market risk, interest rate risk in the banking book, liquidity risk, operational risk, fraud risk and technology risk.

The Bank continues to invest significant resources in IT systems and processes in order to maintain and improve the risk management capabilities. A number of key initiatives and projects to enhance consistent data aggregation, reporting and management, and work towards meeting new regulatory standards are in progress.

3. Overview of risk management and risk-weighted amount ("RWA") (Continued)

3.1 OVA: Overview of risk management (Continued)

Risk mitigation

The Bank applies different strategies and processes to hedge and mitigate different risks. Exposure to credit risk is mitigated by guarantees. Personal guarantee, government guarantee and guarantees given by public sector entities, are potentially relevant forms of credit risk mitigations adopted by the Bank to manage, hedge and mitigate risks that arise from the Bank's business model. The Bank ensures that guarantees accepted should be unconditional and irrevocable, subject to the Bank's full compliance with the relevant terms and conditions, represent a direct claim on the guarantor, and remain continuously effective until the facility covered by the guarantee is fully repaid or settled. For liquidity risk management, the Bank uses results of stress-testing to strengthen resilience to liquidity stress and early-warning triggers for the formulation of management actions and contingency funding plan to mitigate potential stress and vulnerability which the Bank might face. As part of the risk management process, the Bank also takes into consideration of emerging risk types (e.g. Climate Risk) which may have implication for existing risk exposure. The bank would assess and utilize various risk management techniques such as stress testing and imposing exposure limits to manage relevant risks.

3.2 OV1: Overview of risk-weighted amount ("RWA")

The following table provides an overview of capital requirements in terms of a detailed breakdowns of RWAs for various risks.

		(a)	(b)	(c)
		RWA		Minimum capital requirements
HK$'000		31 Dec 2023	30 Sep 2023	31 Dec 2023
1	**Credit risk for non-securitization exposures**	656,137	**624,319**	**52,491**
2	Of which STC approach	656,137	624,319	52,491
2a	Of which BSC approach	–	–	–
3	Of which foundation IRB approach	–	–	–
4	Of which supervisory slotting criteria approach	–	–	–
5	Of which advanced IRB approach	–	–	–
6	**Counterparty default risk and default fund contributions**	**–**	**–**	**–**
7	Of which SA-CCR approach	–	–	–
7a	Of which CEM	–	–	–
8	Of which IMM(CCR) approach	–	–	–
9	Of which others	–	–	–
10	CVA risk	–	–	–
11	Equity positions in banking book under the simple risk-weight method and internal models method	–	–	–
12	Collective investment scheme ("CIS") exposures – LTA	NA	NA	NA
13	CIS exposures – MBA	NA	NA	NA

3. Overview of risk management and risk-weighted amount ("RWA") (Continued)

3.2 OV1: Overview of risk-weighted amount ("RWA") (Continued)

		(a)	(b)	(c)
		RWA		Minimum capital requirements
HK$'000		31 Dec 2023	30 Sep 2023	31 Dec 2023
14	CIS exposures – FBA	NA	NA	NA
14a	CIS exposures – combination of approaches	NA	NA	NA
15	Settlement risk	–	–	–
16	**Securitization exposures in banking book**	**–**	**–**	**–**
17	Of which SEC-IRBA	–	–	–
18	Of which SEC-ERBA (including IAA)	–	–	–
19	Of which SEC-SA	–	–	–
19a	Of which SEC-FBA	–	–	–
20	**Market risk**	**31,325**	**29,713**	**2,506**
21	Of which STM approach	31,325	29,713	2,506
22	Of which IMM approach	–	–	–
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	NA	NA	NA
24	**Operational risk**[1]	**133,575**	**119,950**	**10,686**
24a	Sovereign concentration risk	NA	NA	NA
25	Amounts below the thresholds for deduction (subject to 250% RW)	–	–	–
26	Capital floor adjustment	–	–	–
26a	**Deduction to RWA**	**439**	**1,079**	**35**
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	439	1,079	35
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**	**820,598**	**772,903**	**65,648**

[1] Increase in operational risk RWA as of 31 December 2023 was mainly due to the continuous increase in total income.

4. Linkage between financial statement and regulatory exposure

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

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
			Carrying values of items:				
As at 31 Dec 2023 HK$'000	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
Assets							
Balances with banks and central bank	166,270		166,270	–	–	–	–
Placements with and advances to banks	532,553		532,553	–	–	–	–
Investment securities	353,059		353,059	–	–	–	–
Loans and advances to customers	2,103,313		2,103,313	–	–	–	–
Amounts due from related companies	908		908	–	–	–	–
Property, plant and equipment	2,006		2,006	–	–	–	–
Intangible assets	121,570		-	–	–	–	121,570
Right-of-use asset	7,271		7,271	–	–	–	–
Other assets	17,736		17,736	–	–	–	–
Total assets	**3,304,686**		**3,183,116**	**–**	**–**	**–**	**121,570**
Liabilities							
Repurchase agreements at amortised cost	60,000		–	–	–	–	60,000
Deposits from customers	2,495,215		–	–	–	–	2,495,215
Amounts due to related companies	35,133		–	–	–	–	35,133
Other payables and accruals	35,180		–	–	–	–	35,180
Lease liability	11,155		–	–	–	–	11,155
Total liabilities	**2,636,683**		**–**	**–**	**–**	**–**	**2,636,683**

4. Linkage between financial statement and regulatory exposure (Continued)

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

		(a)	(b)	(c)	(d)	(e)
			Items subject to:			
	As at 31 Dec 2023 HK$'000	Total	credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	**3,304,686**	**3,183,116**	**–**	**–**	**–**
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	–	–	–	–	–
3	Total net amount under regulatory scope of consolidation	3,304,686	3,183,116	–	–	–
4	Off-balance sheet amounts	4,148	–	–	–	–
5	*Differences in valuations*	–	–	–	–	–
6	*Differences due to different netting rules, other than those already included in row 2*	–	–	–	–	–
7	*Differences due to consideration of provisions*	13,433	8,640	–	–	–
8	*Differences due to prudential filters*	–	–	–	–	–
9	**Exposure amounts considered for regulatory purposes**	**3,322,267**	**3,191,756**	**–**	**–**	**–**

4. Linkage between financial statement and regulatory exposure (Continued)

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

Basis of consolidation
The basis of consolidation for regulatory purposes is the same for accounting purposes for the Bank.

Exposure amounts considered for regulatory purposes require adjustments to be made to the carrying value of assets as reported in published financial statements. The only adjustment taken by the Bank is the consideration of provisions.

During the reporting period, the Bank did not have any securitisation exposure. Stage 1, Stage 2 and Stage 3 impairment allowances that are deducted from the carrying amount of exposures in the financial statements need to be reintegrated in the regulatory exposure value under the standardised approach.

4.4 PV1: Prudent valuation adjustments

There was no prudent valuation adjustment as at 31 December 2023.

5. Composition of regulatory capital

5.1 CC1: Composition of regulatory capital

The following table below provides a breakdown of regulatory capital according to the scope of regulatory consolidation.

		(a)	(b)
	As at 31 Dec 2023 HK$'000	Amount	Source based on reference numbers 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	1,500,000	(3)
2	Retained earnings	(847,861)	(4)
3	Disclosed reserves	15,864	(5)
4	*Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)*	NA	NA
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**	**668,003**	

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5. Composition of regulatory capital (Continued)

5.1 CC1: Composition of regulatory capital (Continued)

As at 31 Dec 2023 HK$'000		(a) Amount	(b) Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
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)	121,570	(2)
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	NA	NA
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	–	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	–	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	–	
17	Reciprocal cross-holdings in CET1 capital instruments	–	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	NA	NA
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	NA	NA
22	Amount exceeding the 15% threshold	NA	NA
23	of which: significant investments in the ordinary share of financial sector entities	NA	NA
24	of which: mortgage servicing rights	NA	NA
25	of which: deferred tax assets arising from temporary differences	NA	NA

5. Composition of regulatory capital (Continued)

5.1 CC1: Composition of regulatory capital (Continued)

As at 31 Dec 2023 HK$'000		(a) Amount	(b) Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
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**	**121,570**	
29	**CET1 capital**	**546,433**	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	–	
31	of which: classified as equity under applicable accounting standards	–	
32	of which: classified as liabilities under applicable accounting standards	–	
33	*Capital instruments subject to phase-out arrangements from AT1 capital*	–	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	–	
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements*	–	
36	**AT1 capital before regulatory deductions**	–	
AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	–	
38	Reciprocal cross-holdings in AT1 capital instruments	–	

5. Composition of regulatory capital (Continued)

5.1 CC1: Composition of regulatory capital (Continued)

As at 31 Dec 2023 HK$'000		(a) Amount	(b) Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
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)**	**546,433**	
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	8,202	
51	**Tier 2 capital before regulatory deductions**	**8,202**	
Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	–	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	–	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	–	

5. Composition of regulatory capital (Continued)

5.1 CC1: Composition of regulatory capital (Continued)

As at 31 Dec 2023 HK$'000		(a) Amount	(b) Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
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)**	**8,202**	
59	**Total regulatory capital (TC = T1 + T2)**	**554,635**	
60	**Total RWA**	**820,598**	
Capital ratios[1] (as a percentage of RWA)			
61	**CET1 capital ratio**	**66.6%**	
62	**Tier 1 capital ratio**	**66.6%**	
63	**Total capital ratio**	**67.6%**	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)**	**3.500%**	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: bank specific countercyclical capital buffer requirement	1.000%	
67	of which: higher loss absorbency requirement	NA	NA

[1] Decrease in capital ratios was driven by the increase in credit RWA partly offset by the decrease in operational risk RWA in December 2023.

5. Composition of regulatory capital (Continued)

5.1 CC1: Composition of regulatory capital (Continued)

As at 31 Dec 2023 HK$'000		(a) Amount	(b) Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
68	**CET1 (as a percentage of RWA) available after meeting minimum capital requirements**	**59.6%**	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	NA	NA
70	National Tier 1 minimum ratio	NA	NA
71	National Total capital minimum ratio	NA	NA
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)	NA	NA
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	NA	NA
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)	8,641	(1)
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	8,202	
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*	NA	NA

5. Composition of regulatory capital (Continued)

5.1 CC1: Composition of regulatory capital (Continued)

As at 31 Dec 2023 HK$'000		(a) Amount	(b) Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	NA	NA
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)*	–	

<u>Notes to the Template</u>

Description		**Hong Kong basis**	**Basel III basis**
9	**Other intangible assets (net of associated deferred tax liabilities)**	121,570	121,570
	<u>Explanation</u> As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		

5. Composition of regulatory capital (Continued)

5.2 CC2: Reconciliation of regulatory capital to balance sheet

The following table below shows the link between the Bank's balance sheet in published financial statements and the numbers that are used in the composition of regulatory capital disclosure template set out in Template CC1 (i.e., composition of regulatory capital).

As at 31 Dec 2023 HK$'000	(a) Balance sheet as in published financial statements	(b) Under regulatory scope of consolidation	(c) Reference
Assets			
Balances with banks and central bank	166,270	166,270	
Placements with and advances to banks	532,553	532,553	
Of which: Collective provision reflected in regulatory capital	–	(26)	(1)
Investment securities	353,059	353,059	
Of which: Collective provision reflected in regulatory capital	–	–	(1)
Loans and advances to customers	2,103,313	2,103,313	
Of which: Collective provision reflected in regulatory capital	–	(8,614)	(1)
Of which: Specific provision reflected in regulatory capital		(4,793)	
Amounts due from related companies	908	908	
Property, plant and equipment	2,006	2,006	
Intangibles assets	121,570	121,570	(2)
Right-of-use asset	7,271	7,271	
Other assets	17,736	17,736	
Total assets	**3,304,686**	**3,304,686**	
Liabilities			
Repurchase agreements at amortised cost	60,000	60,000	
Deposits from customers	2,495,215	2,495,215	
Amount due to related companies	35,133	35,133	
Other payables and accruals	35,180	35,180	
Lease liability	11,155	11,155	
Total liabilities	**2,636,683**	**2,636,683**	
Shareholders' equity			
Share capital	1,500,000	1,500,000	(3)
Accumulated loss	(847,861)	(847,861)	(4)
Other reserves	15,864	15,864	(5)
Total shareholders' equity	**668,003**	**668,003**	
Total equity and liabilities	**3,304,686**	**3,304,686**	

5. Composition of regulatory capital (Continued)

5.3 CCA: Main features of regulatory capital instruments

As at 31 Dec 2023		CET1 Capital Ordinary Shares
1	Issuer	Ping An OneConnect 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
	Regulatory treatment	
4	Transitional Basel III rules [1]	N/A
5	Post-transitional Basel III rules [2]	CET1
6	Eligible at solo / group / solo and group	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK$ 1,500 Million
9	Par value of instrument	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1 share issued on 7 Dec 2018
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
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	Non-cumulative or cumulative	Non-cumulative

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

[2] Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR.

5. Composition of regulatory capital (Continued)

5.3 CCA: Main features of regulatory capital instruments (Continued)

As at 31 Dec 2023		CET1 Capital Ordinary Shares
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	NA
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

6. Macroprudential supervisory measures

6.1 CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer ("CCyB")

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

		(a)	(c)	(d)	(e)
As at 31 Dec 2023 HK$'000	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect (%)	RWA used in computation of CCyB ratio	AI-specific CCyB ratio (%)	CCyB amount
1	Hong Kong SAR	1.000%	315,566		
2	Sum of above		315,566		
3	**Total**		**315,639**	**1.000%**	**3,156**

7. Leverage ratio

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

The table below provides the reconciliation of the total assets in the published financial statement to the LR exposure measure.

As at 31 Dec 2023
HK$'000

	Item	(a) Value under the LR framework
1	Total consolidated assets as per published financial statements (before adjustments for specific and collective provisions per 6a below)	3,318,120
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)	415
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(13,433)
7	Other adjustments	(121,570)
8	**Leverage ratio exposure measure**	**3,183,532**

7.2 LR2: Leverage ratio ("LR")

The table below provides a detailed breakdown of the components of the LR denominator as at 31 Dec 2023.

HK$'000		(a) As at 31 Dec 2023	(b) As at 30 Sep 2023
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	3,318,120	3,269,655
2	Less: Asset amounts deducted in determining Tier 1 capital	(121,570)	(128,384)
3	**Total on-balance sheet exposures (excluding derivative contracts and SFTs)**	**3,196,550**	**3,141,271**
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	–	–

7. Leverage ratio (Continued)

7.2 LR2: Leverage ratio ("LR") (Continued)

HK$'000		(a) As at 31 Dec 2023	(b) As at 30 Sep 2023
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	4,148	3,577
18	Less: Adjustments for conversion to credit equivalent amounts	(3,733)	(3,219)
19	**Off-balance sheet items**	**415**	**358**
Capital and total exposures			
20	Tier 1 capital	546,433	593,786
20a	Total exposures before adjustments for specific and collective provisions	3,196,965	3,141,629
20b	Adjustments for specific and collective provisions	(13,433)	(12,509)
21	**Total exposures after adjustments for specific and collective provisions**	**3,183,532**	**3,129,120**
Leverage ratio			
22	**Leverage ratio**	**17.2%**	**19.0%**

8. LIQA: Liquidity risk management

Governance of liquidity risk management

The Bank's risk appetite statement describes the level of risk the Bank is prepared to accept and achieve its strategic and business objective. The risk appetite thresholds are established according to the business nature, risk tolerance and the commercial environment in the period, it shall be reviewed by ALCO and RMC and approved by the Board on annual basis. In addition to risk appetite limits, operational level controls are also implemented with reference to the regulatory requirements, industry practices, and the prudent liquidity management manners.

The Board is ultimately responsible for approving the Bank's Liquidity risk management policy and ensuring that these are appropriate to the business and observed within the organisation and delegates its power to RMC and ALCO to manage the Bank liquidity risk strategy, policies and practices, oversee the liquidity risk framework to ensure proper internal control are in place and in compliance with the regulatory requirements. The ALCO members and attendees consist of the Chief Executive, Chief Risk Officer, Chief Financial Officer and various business lines. The Bank's liquidity is managed by the Treasury Division (the first line of defence) and monitored by Market and Liquidity Risk Division (second line of defence), the independent party to monitor the liquidity regularly. ALCO and RMC are performing high level management in accordance with the guidelines and procedures laid down in the liquidity risk management policy that has been approved by the Board. Internal reports and any excess cases will be submitted to senior management, ALCO and Board for their review and approval, whilst seeking their advices or instruction on mitigating the liquidity risk. Market and Liquidity Risk Division is also responsible to conduct stress tests, develop relevant policies and procedures, and review the assumptions which is related with the risk measures.

Liquidity risk management

The Bank's operation is mainly funded by customer deposits and shareholders' funds. Adequate liquidity with high quality liquid assets will be maintained at all times to meet obligations when they fall due in normal circumstances and provide contingent liquidity in the event of a funding crisis. Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. In addition, the Bank is also closely monitoring the concentration risk of the liquid assets portfolio.

Stress testing

Stress testing is one of the important tool in the liquidity risk management process. It is to evaluate the Bank's ability to meet its payment obligations under different severe but plausible scenarios. The Bank has set up bank specific, market wide, and combined scenarios to evaluate liquidity healthiness of the Bank in the times of different stress situations. The Board, ALCO, and RMC are the committees to oversee the stress testing results and the implications for balance sheet management, growth plan and, in the extreme, triggering contingency funding plan.

Contingency funding plan

The Contingency Funding Plan is implemented and approved by the Board. It describes the Bank's strategy for dealing with any liquidity problems, and the procedures for making up cash flow deficits in emergency situations. The Bank has designed early warning indicators to alert if there is any potential liquidity crisis situation. If there is any sign of liquidity crisis, ad-hoc ALCO meeting will be called to discuss the situation. If it is defined as a liquidity crisis situation, Crisis Management Team which consist of senior management of the Bank will be formed as instructed by ALCO to tackle the situation until the crisis is over.

8. LIQA: Liquidity risk management (Continued)

The following table shows the Bank's contractual maturity profile as of 31 December 2023, covering on-balance sheet items broken down by maturity buckets and the resultant liquidity gaps. The Bank does not have irrevocable off-balance sheet items as of 31 December 2023.

As at 31 Dec 2023 HK$'000	Contractual maturity of cash flows and securities flows arising from the relevant items							
	Next day	Within 1 month	> 1 month up to 3 months	> 3 months up to 1 year	> 1 year up to 5 years	Over 5 years	Balancing amount	**Total amount**
On-balance sheet liabilities								
Deposits from non-bank customers	486,781	305,777	889,544	813,113	–	–	–	**2,495,215**
Amount payable arising from securities financing transactions (other than securities swap transactions)	60,000	–	–	–	–	–	–	**60,000**
Other liabilities	4,894	12,787	52,829	5,521	5,437	–	–	**81,468**
Capital and reserves	–	–	–	–	–	–	668,003	**668,003**
Total on-balance sheet liabilities	**551,675**	**318,564**	**942,373**	**818,634**	**5,437**	**–**	**668,003**	**3,304,686**
On-balance sheet assets								
Due from MA for a/c of Exchange Fund	147,873	–	–	–	–	–	–	**147,873**
Due from banks	18,398	186,304	102,561	243,714	–	–	–	**550,977**
Debt securities, prescribed instruments and structured financial instruments held (net of short positions)	353,059	–	–	–	–	–	–	**353,059**
Loans and advances to non-bank customers	14,657	87,273	168,284	681,320	1,064,811	–	100,375	**2,116,720**
Other assets	–	2,000	–	–	1,974	–	145,516	**149,490**
Total on-balance sheet assets	**533,987**	**275,577**	**270,845**	**925,034**	**1,066,785**	**–**	**245,891**	**3,318,119**
Contractual Maturity Mismatch	**(17,688)**	**(42,987)**	**(671,526)**	**106,400**	**1,061,348**	**–**		
Cumulative Contractual Maturity Mismatch	**(17,688)**	**(60,675)**	**(732,201)**	**(625,801)**	**435,547**	**435,547**		

9. Credit risk for non-securitization exposures

9.1 CRA: General information about credit risk

Credit risk is the risk that a borrower or counterparty fails to meet its obligations. It could exist in both banking and trading books, and both on and off balance sheet of a bank. For the Bank, the types of credit risk exposures are relatively confined. The product suite currently does not include complex products such as collateralised lending, cross border financing, private banking, traded products, bank guarantee/letter of credit, etc. A Credit Programme will be established for the purpose of credit extension to a group of customers with similar characteristics, risk profiles and financial needs. It is prescribed by a set of risk parameters which define the conditions under which credit lines may be approved by designated credit authorities. In all Credit Programmes, the credit approving authority required and the credit approval criteria for individual transactions or credit lines are clearly defined. The sponsoring Business Unit ensures that appropriate and adequate control measures are in place to support on-going risk monitoring and programme compliance. All Credit Programmes shall be reviewed, with re-approval by RMC on annual basis from last approval date.

Credit risk management

The key credit strategy adopted to manage down earning volatility is to focus the lending businesses on the more granular types of credits where the exposure sizes are individually small against the portfolio size and the portfolios are reasonably diversified, acknowledging the limitation of the current size of the capital base of the Bank. The target customers are therefore small-and-medium enterprises (“SMEs”). The risk appetite limits for credit loss rates are with respect to the break-even point, with a buffer, under moderate degree of stresses, given our expected pricing and cost of fund. An exception is interbank exposure. This type of exposures arises because of liquidity management needs, as the other core lending businesses may not always use up the available capital and deposits. Its size, therefore, is to some extent passively determined by the sizes of the other lending relative to capital and deposits. In view of this and the very low degree of bank credit risk, we do not set a portfolio risk appetite limit to interbank lending. Instead, obligor concentration limits are set to avoid over concentration in individual name(s).

The Board is ultimately responsible for approving the Bank’s key credit risk policies and strategies and ensuring that these are appropriate to the business and observed within the organisation. BRMC would periodically review the credit risk profile against the agreed risk thresholds, paying attention to large or connected exposures, and determine whether the credit strategy should be re-appraised or adjusted to adapt to external changes and internal risk appetite.

BRMC delegates its credit approving authority to the RMC within the Bank for overseeing different aspects of credit risk management. Actions and changes to the risk thresholds, where appropriate, are directed by RMC. In instances of breaches, the RMC will review the nature of the breaches, changes in the external environment and the associated risks to determine what remedial actions may be needed.

The risk management function, which is directly accountable to the Chief Risk Officer and RMC, is responsible for formulating credit risk management methodologies, strategies and policies and the day-to-day measurement, monitoring and evaluation of credit risk within the Bank. Business units should solicit credit business within laid-down policies and manage the relationship with customers.

The risk management function undertakes the overall administration, credit approval, and review of the credit portfolio, including implementation of relevant risk thresholds with respect to the risk appetite, sector trend analyses and compilation of management information reports.

9. Credit risk for non-securitization exposures (Continued)

9.1 CRA: General information about credit risk (Continued)

The Legal and Compliance Department advises on and monitors compliance with applicable banking and corporate laws, codes of conduct and other regulatory expectations. All business units shall have a comprehensive knowledge and understanding of the Bank's risks and the legal, regulatory and compliance obligations associated with their businesses. Each business unit shall take all necessary steps to comply with the various rules and regulations under which the Bank operates.

Independent credit reviews and compliance audits are performed by Internal Audit, external auditors and regulator. These audits could involve on-site review of credit and portfolio management functions, credit policies and procedures, MIS reports, account administration practices, as well as the Bank's compliance with applicable laws and regulations.

Content of the reporting on credit risk exposure
The risk management function regularly reports to the BRMC and RMC on the credit risk profile, risk concentrations, and stress testing results:

- Management Information ("MI"). It is an essential tool in portfolio management to effect, through periodic quantification and presentation of the credit risks of the portfolios, a feedback mechanism where effects of decisions previously made and impacts of economic cycles can be systemically tracked and visualised. For this, risk management function would regularly provide MI reports on the up-to-date credit risk profile and performance of the portfolios to RMC.

- Concentration Risk Management. It manages against name concentration and segment portfolio concentration, risk appetite thresholds are established. Sub-portfolio limits may be set to maintain a healthy composition for a particular portfolio/credit programme when deemed appropriate.

- Stress Testing. It is an integral part of the Bank's risk management process. It alerts senior management to exceptional but plausible adverse events, assesses their impacts on overall capital adequacy and individual portfolio performances, evaluates our overall resilience to systemic risks and vulnerabilities of certain portfolios, and provides lead time for mitigating actions before the onset of an adverse event. Credit stress testing is conducted once or more every year. Additional stress tests may be requested by RMC as a result of changes in external conditions or internal developments.

9.2 CR1: Credit quality of exposures

		(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)
	As at 31 Dec 2023 HK$'000	Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
1	Loans	67,756	2,599,942	13,433	4,792	8,641	–	2,654,265
2	Debt securities	–	353,059	–	–	–	–	353,059
3	Off-balance sheet exposures	–	–	–	–	–	–	–
4	***Total***	**67,756**	**2,953,001**	**13,433**	**4,792**	**8,641**	**–**	**3,007,324**

9. Credit risk for non-securitization exposures (Continued)

9.3 CR2: Changes in defaulted loans and debt securities

	As at 31 Dec 2023 HK$'000	(a) Amount
1	**Defaulted loans and debt securities at end of the previous reporting period**	**16,357**
2	Loans and debt securities that have defaulted since the last reporting period	66,422
3	Returned to non-defaulted status	–
4	Amounts written off	(14,965)
5	Other changes	(58)
6	**Defaulted loans and debt securities at end of the current reporting period**	**67,756**

9.4 CRB: Additional disclosure related to credit quality of exposures

The Bank adopts the following loan classifications following the Supervisory Policy Manual ("SPM") of HKMA:

Category	**Definition**
Pass	Loans where borrowers are current in meeting commitments and full repayment of interest and principal is not in doubt
Special Mention	Loans where borrowers are experiencing difficulties which may threaten the institution's position. Ultimate loss is not expected at this stage but could occur if adverse conditions persist.
Substandard	Loans where borrowers are displaying a definable weakness that is likely to jeopardise repayment. Includes loans where some loss of principal or interest is possible after taking account of the "net realisable value" of security, and rescheduled loans where concessions have been made, on non-commercial terms, to the customer on interest or principal. [Note: Such loans may be upgraded to pass once they have been serviced according to the revised terms for 6 months in the case of monthly repayments or 12 months other than monthly repayments.]
Doubtful	Loans where collection in full is improbable and the institution expects to sustain a loss of principal and/or interest after taking account of the net realisable value of security.
Loss	Loans which are considered uncollectible after exhausting all collection efforts such as realisation of collateral, institution of legal proceedings, etc.

9. Credit risk for non-securitization exposures (Continued)

9.4 CRB: Additional disclosure related to credit quality of exposures (Continued)

The accounting definition of impaired exposures and the regulatory definition of defaulted exposures are generally aligned. In general, loans and advances overdue for more than 90 days are considered impaired unless the Bank has objective evidence showing that facility is credit-impaired significantly impacting the expected future cash flows. Loans and advances repayable by regular instalments are classified as overdue when an instalment payment is past due and remains unpaid. Should there be deviations from the below staging criteria for certain individual cases, approval from the Chief Risk Officer shall be obtained.

Under HKFRS 9, each credit exposure shall be classified into one of the three stages. Below states the requirements and our ways of identifications:

	Requirement	Our Identification
Stage 1	A loss allowance for a financial instrument should be measured at an amount equal to 12-month ECL if the credit risk on that financial instrument has not increased significantly since initial recognition	The contractual cash flow obligations of the facility is fulfilled and there is no objective evidence showing a significant increase in credit risk since initial recognition; or its contractual cash flow obligations is not fulfilled, but the facility is less than 30 days past due
Stage 2	A loss allowance for a financial instrument should be measured at an amount equaling to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition	The facility is 30 days past due; or its loan classification grade is “Special Mention”; or the Bank has any objective evidence showing a significant increase in credit risk since initial recognition
Stage 3	Lifetime ECL are recognised on the financial instrument if the credit risk of a financial instrument increases to the point that it is considered credit-impaired	The facility is 90 days past due; or the Bank has objective evidence showing that facility is credit-impaired significantly impacting the expected future cash flows. The loan classification grades of Stage 3 facilities are either “Substandard”, “Doubtful” or “Loss”

Initial recognition refers to the time of credit origination for retail and regulatory retail portfolios where exposures are not managed individually but on a portfolio basis. Whereas it refers to the time of the last credit review for non-retail portfolios.

9. Credit risk for non-securitization exposures (Continued)

9.4 CRB: Additional disclosure related to credit quality of exposures (Continued)

It is possible for a customer who faces difficulty in repayment to look for an alternative arrangement from the Bank. In this instance, the Bank may consider restructuring the loan for the customer, provided that there are sufficient evidences showing that the original repayment arrangement is unsustainable under the borrower's worsened financial conditions, whereas these conditions are reasonably compatible with the repayment requirements under a re-arrangement, following the principles given in "Hong Kong Approach to Corporate Difficulties" stated in SPM IC-7. Therefore, before offering a restructured loan to a customer, there has to be an adequate assessment on the customer's long-term repayment ability and the feasibility of a reasonable restructuring arrangement. Restructured exposure will normally require an adverse classification under the loan classification system (i.e. substandard or doubtful).

I. Exposures by geographical location (CRB1)

	At 31 Dec 2023 HK$'000	Gross carrying amount
1	Hong Kong	2,286,111
2	Mainland China	379,378
3	Others	355,268
4	**Total**	**3,020,757**

II. Exposures by Industry (CRB2)

	At 31 Dec 2023 HK$'000	Gross carrying amount
1	Banks and financial institutions	904,036
2	Wholesales and retail trade	1,470,415
3	Others	646,306
4	**Total**	**3,020,757**

III. Exposures by residual maturity (CRB3)

	At 31 Dec 2023 HK$'000	Repayable on demand to 1 year	Due between 1 year to 5 years	Due after 5 years	Total
1	Loans	1,590,389	1,077,310	–	2,667,698
2	Debt securities	353,059	–	–	353,059
3	Off-balance sheet exposures	–	–	–	–
4	**Total**	**1,943,448**	**1,077,310**	**–**	**3,020,757**

9. Credit risk for non-securitization exposures (Continued)

9.4 CRB: Additional disclosure related to credit quality of exposures (Continued)

IV. Impaired exposures and related allowances and write-offs by geographical location (CRB4)

	At 31 December 2023 HK$'000	Gross impaired advances	Specific provisions	Advances written-off in a year
1	Hong Kong	67,756	4,792	14,965
2	**Total**	**67,756**	**4,792**	**14,965**

V. Impaired exposures and related allowances and write-offs by Industry (CRB5)

	At 31 December 2023 HK$'000	Gross impaired advances	Specific provisions	Advances written-off in a year
1	Wholesales and retail trade	51,902	3,526	12,903
2	Construction	4,836	178	908
3	Transport and transport equipment	4,019	480	494
4	Manufacturing	1,052	240	32
5	Other	5,947	368	628
6	**Total**	**67,756**	**4,792**	**14,965**

VI. Aging analysis of accounting past due exposures (CRB6)

	At 31 December 2023 HK$'000	Gross carrying amount
1	Past due over 3 months but less than 6 months	18,552
2	Past due over 6 months but less than 1 year	21,760
3	Past due over 1 year	25,100
4	**Total**	**65,412**

VII. Breakdown of restructured exposure (CRB7)

There was no restructured exposure as at 31 December 2023.

9.5 CRC: Qualitative disclosures related to credit risk mitigation

Recognition of risk mitigation under the standardised approach

The main types of recognised credit risk mitigant used by the Bank include government guarantee, personal guarantee and guarantees given by public sector entities. The Bank applies the simple approach for credit risk mitigation to all its on-balance sheet banking book exposures that are subject to risk mitigation, where a claim on a counterparty is secured by a guarantee from an eligible guarantor, the portion of the claim that is supported by the guarantee is to be weighted according to the risk-weight applicable to the guarantor (unless the risk-weight applicable to the original counterparty is lower). The unsecured portion of the claim must be weighted according to the risk-weight applicable to the original counterparty.

For capital calculation, the Bank has not used any on-balance sheet or off-balance sheet recognised netting for credit risk mitigation.

9. Credit risk for non-securitization exposures (Continued)

9.5 CRC: Qualitative disclosures related to credit risk mitigation (Continued)

Concentrations within credit risk mitigations
According to Banking (Exposure Limits) Rules, the aggregate post-CRM exposure to a single counterparty or a group of linked counterparties – by control or by economic dependence – is subject to a statutory limit of 25% of the Bank's Tier 1 capital, excluding exempted sovereign entities and exposures exempted/disregarded. Exposures to linked counterparties are expected to be aggregated and be subject to large exposure limit. Grouping has to be based on the control structure and economic dependence. If the exposures to a set of unrelated counterparties are protected by the same credit protection provider under a credit risk transfer arrangement, then the aggregate exposure to this credit protection provider is also subject to the 25% statutory limit, unless the provider is being exempted (e.g. Hong Kong Mortgage Corporation).

9.6 CR3: Overview of recognised credit risk mitigation

		(a)	(b1)	(b)	(d)	(f)
	As at 31 Dec 2023 HK$'000	Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
1	Loans	916,403	1,737,862	–	1,737,862	–
2	Debt securities	353,059	–	–	–	–
3	**Total**	**1,269,462**	**1,737,862**	–	**1,737,862**	–
4	Of which defaulted	45	62,918		62,918	–

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

Under the standardised approach for the calculation of credit risk within the Basel capital framework, banks are required to use credit assessments provided by external credit assessment institutions ("ECAIs"), recognised by the HKMA for the purposes of regulatory capital calculation, to determine the risk-weights of the banks' credit exposures.

Standard & Poor's Ratings Services, Moody's Investors Service, Fitch Ratings and Rating and Investment Information, Inc. are the ECAIs that the Bank has used for the determination of risk weightings for the following classes of exposure:

– Sovereign exposures;

– Public sector entity exposures; and

– Bank exposures

The mapping of ECAI ratings of the above three classes of exposure to the risk weights under standardised approach follows the process as prescribed in Part 4 of the BCR. Where an exposure of debt securities has an issue-specific external credit assessment, such assessment will be used. In case there is no specific issue rating published by the ECAI, the issuer rating is applied to the senior unsecured claims of that issuer subject to the conditions prescribed by the BCR.

9. Credit risk for non-securitization exposures (Continued)

9.8 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 of 31 December 2023.

As at 31 Dec 2023 HK$'000		(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	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures	217,737	–	1,955,599	–	–	0%
2	PSE exposures	–	–	–	–	–	–
2a	Of which: domestic PSEs	–	–	–	–	–	–
2b	Of which: foreign PSEs	–	–	–	–	–	–
3	Multilateral development bank exposures	–	–	–	–	–	–
4	Bank exposures	834,172	–	834,172	–	340,498	41%
5	Securities firm exposures	–	–	–	–	–	–
6	Corporate exposures	150,165	–	28,539	–	28,539	100%
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	1,898,799	4,148	345,481	–	259,111	75%
11	Residential mortgage loans	–	–	–	–	–	–
12	Other exposures which are not past due exposures	27,921	–	27,921	–	27,921	100%
13	Past due exposures	62,963	–	45	–	68	150%
14	Significant exposures to commercial entities	–	–	–	–	–	–
15	**Total**	**3,191,757**	**4,148**	**3,191,757**	**–**	**656,137**	**21%**

9. Credit risk for non-securitization exposures (Continued)

9.9 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 of 31 December 2023.

As at 31 Dec 2023 HK$'000		(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	1,955,599	–	–	–	–	–	–	–	–	–	**1,955,599**
2	PSE exposures	–	–	–	–	–	–	–	–	–	–	–
2a	Of which: domestic PSEs	–	–	–	–	–	–	–	–	–	–	–
2b	Of which: foreign PSEs	–	–	–	–	–	–	–	–	–	–	–
3	Multilateral development bank exposures	–	–	–	–	–	–	–	–	–	–	–
4	Bank exposures	–	–	255,292	–	578,880	–	–	–	–	–	**834,172**
5	Securities firm exposures	–	–	–	–	–	–	–	–	–	–	–
6	Corporate exposures	–	–	–	–	–	–	28,539	–	–	–	**28,539**
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	–	–	–	–	–	345,481	–	–	–	–	**345,481**
11	Residential mortgage loans	–	–	–	–	–	–	–	–	–	–	–
12	Other exposures which are not past due exposures	–	–	–	–	–	–	27,921	–	–	–	**27,921**
13	Past due exposures	–	–	–	–	–	–	–	45	–	–	**45**
14	Significant exposures to commercial entities	–	–	–	–	–	–	–	–	–	–	–
15	**Total**	**1,955,599**	–	**255,292**	–	**578,880**	**345,481**	**56,460**	**45**	–	–	**3,191,757**

10. Counterparty credit risk

There was no counterparty credit risk exposures as at 31 December 2023.

11. Securitization exposures

There was no securitization exposures as at 31 December 2023.

12. Market risk

12.1 MRA: Qualitative disclosures related to market risk

Market risk is the risk of losses in assets, liabilities and off-balance sheet positions arising from movements in market rates and prices, including foreign exchange rates and interest rates, etc.

The Bank does not have any trading portfolio. The market risk exposures mainly arise from the foreign exchange risk and interest rate risk of non-trading portfolios, which is not considered material.

Market risk measurement
RMC and ALCO have been delegated by the Board to manage the Bank's market risk strategy, policies and practices. The Committee membership and attendees consist of the Chief Executive, Chief Risk Officer, Chief Financial Officer and various business lines. The Bank's market risk is managed by the Treasury Division (the first line of defence) and monitored by Market and Liquidity Risk Division (second line of defence). ALCO and RMC are performing the high level management in accordance with the guidelines and procedures laid down in the Market and Interest Rate Risk Management Policy that has been approved by the Board. Market and Liquidity Risk Division is the independent party to monitor the exposure. Market and Liquidity Risk Division is also responsible to conduct stress tests, develop relevant policies and procedures, and review the assumptions which is related with the risk measures.

The Bank is mainly exposed to the foreign exchange risk arising from Renminbi and US dollar payables. Market and Liquidity Risk Division monitors the FX positions on daily basis. The FX position limit is set and approved in RMC and ALCO, and the FX exposure is reported to the committees on monthly basis to ensure the activities are within the risk limits.

12. Market risk (Continued)

12.2 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 2023:

As at 31 Dec 2023 HK$'000		(a) RWA
Outright product exposures		
1	Interest rate exposures (general and specific risk)	–
2	Equity exposures (general and specific risk)	–
3	Foreign exchange (including gold) exposures	31,325
4	Commodity exposures	–
Option exposures		
5	Simplified approach	–
6	Delta-plus approach	–
7	Other approach	–
8	Securitization exposures	–
9	**Total**	**31,325**

13. IRRBB: Interest Rate Risk in banking book

Qualitative and quantitative disclosures are described in Note 23(c) of Notes to the Financial Statements for the year ended 31 December 2023.

14. Operational Risk

The Bank defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. This includes all non-financial risks such as legal, technology and fraud risks, but excludes strategic and reputational risk.

Operational risk management
The Board is ultimately responsible for establishing the operational risk appetite and ensuring the Bank's operational risk is appropriately managed. Risk Management Committee ("RMC") and Operational Risk Working Group ("ORWG") have been delegated to manage the Bank's operational risk strategy, policies and practices, oversee the operational risk management to ensure proper internal control are in place and in compliance with the regulatory requirements.

The Bank has implemented the "Three Lines of Defence" for its operational risk management. The Policy of The Management of Operational, Technology and Reputation Risk (the "Policy") sets our overall approach for managing operational risk in a structured, systematic and consistent manner. There are policies, guidelines and tools in place to govern operational risk management practices across the Bank. These include internal control policies and standards that are owned by the respective business units.

The Bank manages operational risk by using various tools, including Risk Control Self-Assessment (RCSA), operational risk incident management and risk metrics monitoring. Business continuity plans are established to ensure that critical banking operations and services can continue in the event of unforeseen events or business disruptions. Drills are conducted annually, simulating different scenarios to test business continuity plans and crisis management protocol.

14. Operational Risk (Continued)

Operational risk exposure
The Bank did not have any significant operational loss event reporting for the year ended 31 December 2023.

The capital adequacy ratios of the Bank were calculated in accordance with Banking (Capital) Rules ("BCR") of the Banking Ordinance. For operational risk, the Bank uses transitional arrangements pursuant to section 341 of BCR on or before 30 June 2023 and Basic Indicator Approach after 30 June 2023.

15. Remuneration

15.1 REMA: Remuneration policy

The Nomination and Remuneration Committee (the "NRC") is designated by the Board to oversee the design and practice of the Bank's remuneration system. NRC is composited by 2 independent non-executive directors and 1 non-executive director.

NRC takes into account of the Bank's risk tolerance, risk management, business strategy and long term financial soundness in determining the Bank's remuneration policy. The policy advocates pay-for-performance philosophy to ensure desirable behavior and work ethic that align with the Bank's risk management framework, long term goals and strategies, with an aim to prevent misconduct behavior.

Remuneration Structure
The remuneration packages of employees comprise of fixed salary and variable remuneration. Following the total reward principle and prevailing market practices, payments of remuneration are required to follow the policy to maintain an appropriate balance that the fixed portion is sufficient to attract and retain competent employees and the variable portion should not induce excessive risk taking. The proportion of variable remuneration is expected to increase in line with the seniority and responsibilities of employees.

Fixed remuneration mainly refers to base salary, pension rights, and benefits-in-kind (if any). Variable remuneration mainly includes cash bonus payments, sales incentives and share-based incentives (if any). Variable remuneration is discretionary and is awarded based on overall performance of the Bank, the relevant business units and the selective employee.

Performance management and determination of variable remuneration
Performance of the Bank will be evaluated against pre-defined and assessable financial and non-financial targets, including but not limited to the Bank's performance on risk management perspectives. Based on the Bank level targets, performance of individual employees will be determined according to the job responsibilities, contributions covering both financial and non-financial factors, and the full adherence to the code of conduct, compliance standard, risk management requirements and other internal control policies. The overall performance of an employee is therefore measured and determined by not only financial achievement, but also non-financial indicators. For employees with risk control functions, they should be compensated in a manner that is independent of the performance of the business area which they oversee.

Payout and deferral of variable remuneration
The award of variable remuneration is subject to deferment in accordance with the remuneration policy. In general, the proportion of variable remuneration with respect to the share-based incentive, sales incentive, and Senior Executive Members' and Key Personnel's annual cash bonus are subject to deferment. The share-based incentive is granted for a vesting period with pre-determined vesting condition.

15. Remuneration (Continued)

15.1 REMA: Remuneration policy (Continued)

Ongoing monitoring of the remuneration system

The NRC shall oversee the overall remuneration matters of the Bank including the regular review on the adequacy and effectiveness of the remuneration policy. Any material weakness identified shall be reported to the Board. Involvement and inputs from risk management, finance, internal audit and compliance shall be solicited as appropriate in the design and implementation of the remuneration systems, with specific regard to risk considerations at various levels of the Bank.

15.2 REM1: Remuneration awarded during financial year

As at 31 Dec 2023
HK$'000

			(a)	(b)
Remuneration amount and quantitative information			Senior Executive Member[1]	Key personnel[2]
1	Fixed remuneration	Number of employees	7	3
2		Total fixed remuneration	15,079	3,573
3		Of which: cash-based	15,079	3,573
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	7	3
10		Total variable remuneration	4,760	877
11		Of which: cash-based	4,279	858
12		Of which: deferred	1,402	150
13		Of which: shares or other share-linked instruments	481	19
14		Of which: deferred	481	19
15		Of which: other forms	–	–
16		Of which: deferred	–	–
17	**Total remuneration**		**19,839**	**4,450**

1 Senior Executive Member refers to the Chief Executive, Alternative Chief Executives and all voting members of the Management Committee of the Bank .

2 Key Personnel refers to employees whose duties or activities in the course of the employment involve the assumption of material risk or taking on of material exposures on behalf of the Bank.

15. Remuneration (Continued)

15.3 REM2: Special payment

As at 31 Dec 2023

HK$'000		(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	–	–	1	300	1	58
2	Key personnel	–	–	2	180	–	–

15.4 REM3: Deferred remuneration

As at 31 Dec 2023

HK$'000		(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					
2	Cash	1,402	1,402	–	–	–
3	Shares	3,265	3,265	–	–	–
4	Cash-linked instruments	–	–	–	–	–
5	Other	–	–	–	–	–
6	Key personnel					
7	Cash	150	150	–	–	–
8	Shares	20	20	–	–	–
9	Cash-linked instruments	–	–	–	–	–
10	Other	–	–	–	–	–
11	**Total**	**4,837**	**4,837**	**–**	**–**	**–**

16. Off-balance sheet exposures (other than derivative transactions)

As at 31 Dec 2023 HK$'000	Contractual amount	RWA
Direct credit substitutes	–	–
Transaction-related contingencies	–	–
Trade-related contingencies	–	–
Note issuance and revolving underwriting facilities	–	–
Forward asset purchases, amounts owning on partly paid-up shares and securities, forward forward deposits placed and asset sales with recourse	–	–
Other commitments		
– Which are unconditionally cancellable	4,148	–
– With an original maturity of not more than one year	–	–
– With an original maturity of more than one year	–	–
	4,148	–

17. International claims

International claims are on-balance sheet exposures of counterparties based on the location of the counterparties after taking into account any risk transfer. Transfer of risk from one country to another is recognised if the claims against a counterparty are guaranteed by another party in a different country or if the claims are on an overseas branch of a bank whose head office is located in a different country. Only regions constituting 10% or more of the aggregate international claims after taking into account any recognised risk transfer are disclosed.

			Non-bank private sector		
As at 31 Dec 2023 HK$'000	Bank	Official sector	Non-bank financial institutions	Non-financial private sector	Total
Offshore centres					
of which: Cayman Islands	–	–	–	847,860	847,860
Developing Asia and Pacific					
of which: China	379,378	–	–	73	379,451
	379,378	**–**	**–**	**847,933**	**1,227,311**

18. Loan and advances

(a) Sector information

As at 31 Dec 2023 HK$'000	Outstanding balance	Balance covered by collateral/ other security
Gross loans and advances for use in Hong Kong	**2,108,653**	**–**
Industrial, commercial and financial		
– Property development	3,673	–
– Wholesale and retail trade	1,464,973	–
– Manufacturing	78,840	–
– Transport and transport equipment	97,192	–
– Recreational activities	19,043	–
– Information technology	39,818	–
– Others	341,339	–
Individuals		
– Others	63,775	–
	2,108,653	**–**

The amount of impaired and overdue advances to customers and expected credit loss provision for industry sectors which constitute not less than 10% of the Bank's total advances to customers are as follows:

As at 31 Dec 2023 HK$'000	Impaired advances to customers	Overdue > 3 months advances to customers	Stage 3 expected credit loss provision	Stage 1 & 2 expected credit loss provision	Provision charge
Gross loans and advances for use in Hong Kong					
– Wholesales and retail trade	51,524	50,386	3,150	6,127	12,296
– Others	7,853	7,632	370	1,503	1,397
	59,377	**58,018**	**3,520**	**7,630**	**13,693**

(b) Geographical information

The following table shows the gross loans and advances to customers by country or geographical area in accordance with the location of counterparties after taking into account any risk transfers. Risk transfers in relation to loans and advances to customers means that the loans and advances are guaranteed by a person different from that of the customer. Major geographical segment constitutes not less than 10% of the Bank's total amount of loans and advances to customers after taking into account any recognized risk transfer.

As at 31 Dec 2023 HK$'000	Gross loans and advances to customers	Impaired loans and advances to customers	Overdue loans and advances to customers > 3 months	Specific provisions	Collective provisions
Hong Kong	2,108,653	67,274	65,412	4,311	8,614
	2,108,653	67,274	65,412	4,311	8,614

19. Overdue and rescheduled assets

(a) Loans and advances overdue for more than 3 months

As at 31 Dec 2023 HK$'000		% of gross loans and advances to customers
Balances which have been overdue for:		
– 6 months or less but over 3 months	18,552	0.88
– 1 year or less but over 6 months	21,760	1.03
– over 1 year	25,100	1.19
	65,412	**3.10**
Current market value of collateral	–	
Covered portion by collateral	–	
Uncovered portion by collateral	65,412	
Credit impairment allowances	4,035	

Credit risk mitigation against such loans and advances are guarantees under the SME Financing Guarantee Scheme by HKMC Insurance Limited

(b) There were no rescheduled assets as at 31 December 2023.

(c) There were no repossessed assets held as at 31 December 2023.

(d) There were no advances to bank which were overdue for over 3 months.

20. Non-bank mainland exposures

The analysis of Mainland activities exposures is based on the categories of non-bank counterparties and the type of direct exposures defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA Return of Mainland Activities, which includes the Mainland activities exposures extended by the Bank.

As at 31 Dec 2023 HK$'000 Types of Counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total exposures
1. Central government, central government-owned entities and their subsidiaries and Joint Ventures	–	–	–
2. Local governments, local government-owned entities and their subsidiaries and JVs	–	–	–
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	981	–	981
4. Other entities of central government not reported in item 1 above	–	–	–
5. Other entities of local governments not reported in item 2 above	–	–	–
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	–	–	–
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	–	–	–
Total	**981**	**–**	**981**
Total assets after provisions	**3,312,167**		
On-balance sheet exposures as % of total assets	**0.03%**		

21. Foreign currency exposures

As at 31 Dec 2023 Equivalent in HK$'000	USD	CNY	Total
Spot assets	324,208	521	324,729
Spot liabilities	(308,051)	(31,843)	(339,894)
Forward purchases	–	–	–
Forward sales	–	–	–
Net options position	–	–	–
Net long / (short) position	16,157	(31,322)	(15,165)

The Bank had no structural position as of 31 December 2023.

22. Abbreviations

Abbreviations	Brief Description
ALCO	Asset and Liability Committee
AT1	Additional Tier 1
BCR	Banking Capital Rules
BDR	Banking Disclosure Rules
BSC	Basic Approach
BRMC	Board Risk Management Committee
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CEM	Current Exposure Method
CET1	Common Equity Tier 1
CFR	Core Funding Ratio
CIS	Collective Investment Scheme
CRM	Credit Risk Mitigation
CVA	Credit Valuation Adjustment
D-SIB	Domestic Systemically Important Authorized Institution
DTA	Deferred Tax Assets
ECL	Expected Credit Loss
EL	Expected Loss
FBA	Fall-Back Approach
G-SIB	Global Systemically Important Authorized Institution
HQLA	High Quality Liquid Assets
IAA	Internal Assessment Approach
IMM	Internal Models Method
IMM (CCR)	Internal Models Method (Counterparty Credit Risk)
IRB	Internal Ratings-Based
JCCyB	Jurisdictional Countercyclical Capital Buffer
LAC	Loss-absorbing Capacity
LCR	Liquidity Coverage Ratio
LMR	Liquidity Maintenance Ratio
LR	Leverage Ratio
LTA	Look Through Approach
MBA	Mandate-based Approach
MI	Management Information
MIS	Management Information System
MSR	Mortgage Servicing Rights
NA	Not Applicable

21. Abbreviations (Continued)

Abbreviations	Brief Description
NSFR	Net Stable Funding Ratio
PFE	Potential Future Exposure
RW	Risk Weight
RWA	Risk Weighted Amount
RMC	Risk Management Committee
SA-CCR	Standardized Approach (Counterparty Credit Risk)
SEC-ERBA	Securitization External Ratings-Based Approach.
SEC-FBA	Securitization Fall-back Approach
SEC-IRBA	Securitization Internal Ratings-Based Approach
SEC-SA	Securitization Standardized Approach
SFT	Securities Financing Transaction
SME	Small and Medium Enterprises
STC	Standardized (Credit Risk)
STM	Standardized (Market Risk)