



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 30 JUNE 2021

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: Alternative approach communicated to HKMA pursuant to section 340 of the BCR.

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2. Key prudential ratios

2.1 KM1: Key prudential ratios

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

		(a)	(b)	(c)	(d)	(e)
		At 30 Jun 2021	At 31 Mar 2021	At 31 Dec 2020	At 30 Sep 2020	At 30 Jun 2020
HK\$'000						
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	660,843	431,196	489,345	568,619	619,879
2	Tier 1	660,843	431,196	489,345	568,619	619,879
3	Total capital	663,203	432,580	490,144	568,990	619,894
	RWA (amount)					
4	Total RWA	581,321	595,577	599,546	524,196	511,029
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	113.7%	72.4%	81.6%	108.5%	121.3%
6	Tier 1 ratio (%)	113.7%	72.4%	81.6%	108.5%	121.3%
7	Total capital ratio (%)	114.1%	72.6%	81.8%	108.5%	121.3%
	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 (%)	0.971%	0.913%	0.923%	0.855%	0.893%
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 (%)	3.471%	3.413%	3.423%	3.355%	3.393%
12	CET1 available after meeting the AI's minimum capital requirements (%)	106.1%	64.4%	73.6%	100.5%	113.3%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	1,302,133	1,062,386	1,098,230	815,477	731,366
14	LR (%)	50.8%	40.6%	44.6%	69.7%	84.8%
	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 (%)	150.9%	142.9%	148.4%	525.2%	612.2%
	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 ratios and LMR remained well above the minimum regulatory requirements. Increase in CET1, Tier 1, total capital and leverage ratio as of 30 June 2021 was driven by capital injection in Q2 2021.

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3. Overview of risk-weighted amount

3.1 OV1: Overview of risk-weighted amount

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

HK\$'000		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30 Jun 2021	31 Mar 2021	30 Jun 2021
1	Credit risk for non-securitization exposures	221,346	243,252	17,708
2	Of which STC approach	221,346	243,252	17,708
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
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	13,425	5,775	1,074
21	Of which STM approach	13,425	5,775	1,074
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	346,550	346,550	27,724
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	-	-	-
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	581,321	595,577	46,506

(i) Items marked with an asterisk (*) will be applicable only after their respective policy framework take effect. Until then, "Not applicable" should be reported in the rows.

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4. Composition of regulatory capital

4.1 CC1: Composition of regulatory capital

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

		(a)	(b)
		Amount	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
As at 30 Jun 2021 HK\$'000			
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	1,200,000	(4)
2	Retained earnings	(413,091)	(5)
3	Disclosed reserves	8,670	(6)
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	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	795,579	
CET1 capital: regulatory deductions			
7	Valuation adjustments	–	
8	Goodwill (net of associated deferred tax liabilities)	–	(2)
9	Other intangible assets (net of associated deferred tax liabilities)	134,736	(3)
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)	–	

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4. Composition of regulatory capital (Continued)

4.1 CC1: Composition of regulatory capital (Continued)

		(a)	(b)
		Amount	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
As at 30 Jun 2021 HK\$'000			
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
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	134,736	
29	CET1 capital	660,843	
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	–	

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4. Composition of regulatory capital (Continued)

4.1 CC1: Composition of regulatory capital (Continued)

		(a)	(b)
		Amount	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
As at 30 Jun 2021 HK\$'000			
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	–	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	–	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	–	
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)	660,843	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	–	
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	–	
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	<i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	–	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	2,360	(1)
51	Tier 2 capital before regulatory deductions	2,360	

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4. Composition of regulatory capital (Continued)

4.1 CC1: Composition of regulatory capital (Continued)

		(a)	(b)
As at 30 Jun 2021 HK\$'000		Amount	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
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)	–	
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)	2,360	
59	Total regulatory capital (TC = T1 + T2)	663,203	
60	Total RWA	581,321	
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	113.7%	
62	Tier 1 capital ratio	113.7%	
63	Total capital ratio	114.1%	

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4. Composition of regulatory capital (Continued)

4.1 CC1: Composition of regulatory capital (Continued)

		(a)	(b)
As at 30 Jun 2021			Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
HK\$'000		Amount	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	3.471%	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: bank specific countercyclical capital buffer requirement	0.971%	
67	of which: higher loss absorbency requirement	NA	NA
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	106.1%	
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)	2,360	
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	2,767	
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)	–	

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4. Composition of regulatory capital (Continued)

4.1 CC1: Composition of regulatory capital (Continued)

		(a)	(b)
As at 30 Jun 2021 HK\$'000		Amount	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
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	<i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	NA	NA
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	NA	NA
82	<i>Current cap on AT1 capital instruments subject to phase-out arrangements</i>	–	
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	–	
84	<i>Current cap on Tier 2 capital instruments subject to phase-out arrangements</i>	–	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	–	

Notes to the Template

Description	Hong Kong basis	Basel III basis
9 Other intangible assets (net of associated deferred tax liabilities)	134,736	134,736
<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.		

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4. Composition of regulatory capital (Continued)

4.2 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).

	(a)	(b)	(c)
As at 30 Jun 2021 HK\$'000	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
Assets			
Balances with banks and central bank	279,716	279,716	
Placements with and advances to banks	395,092	395,092	
Of which: Collective provision reflected in regulatory capital	–	(6)	(1)
Investment securities	79,981	79,981	
Of which: Collective provision reflected in regulatory capital	–	(1)	(1)
Loans and advances to customers	518,475	518,475	
Of which: Collective provision reflected in regulatory capital	–	(2,353)	(1)
Amounts due from related company	3,237	3,237	
Property, plant and equipment	6,296	6,296	
Goodwill and intangible assets	134,736	134,736	
Of which: goodwill	–	–	(2)
Of which: other intangibles assets	134,736	134,736	(3)
Right-of-use asset	5,974	5,974	
Other assets	13,362	13,362	
Total assets	1,436,869	1,436,869	
Liabilities			
Deposits from customers	502,359	502,359	
Lease Liability	7,911	7,911	
Amount due to related companies	81,566	81,566	
Other payables and accruals	49,454	49,454	
Total liabilities	641,290	641,290	
Shareholders' equity			
Share capital	1,200,000	1,200,000	(4)
Retained earnings	(413,091)	(413,091)	(5)
Other reserves	8,670	8,670	(6)
Total shareholders' equity	795,579	795,579	
Total equity and liabilities	1,436,869	1,436,869	

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4. Composition of regulatory capital (Continued)

4.3 CCA: Main features of regulatory capital instruments

As at 30 Jun 2021		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
	<i>Regulatory treatment</i>	
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\$ 1,200 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
	<i>Coupons / dividends</i>	
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
23	Convertible or non-convertible	Non-convertible

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.

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4. Composition of regulatory capital (Continued)

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

As at 30 Jun 2021		CET1 Capital Ordinary Shares
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
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 in the insolvency creditor hierarchy of the legal entity concerned).	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

5. Macroprudential supervisory measures

5.1 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.

As at 30 Jun 2021 HK\$’000	Geographical breakdown by Jurisdiction (J)	(a)	(c)	(d)	(e)
		Applicable JCCyB ratio in effect (%)	RWA used in computation of CCyB ratio	AI-specific CCyB ratio (%)	CCyB amount
1	Hong Kong SAR	1.000%	106,057		
2	Sum		106,057		
3	Total		109,294	0.971%	1,061

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6. Leverage ratio

6.1 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 30 Jun 2021 HK\$'000		(a)
	Item	Value under the LR framework
1	Total consolidated assets as per published financial statements	1,439,229
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–
2a	Adjustment for securitised exposure that meet the operational requirements for the recognition of risk transference	
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	–
3a	Adjustments for eligible cash pooling transactions	
4	Adjustments for derivative contracts	–
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 prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(2,360)
7	Other adjustments	(134,736)
8	Leverage ratio exposure measure	1,302,133

6.2 LR2: Leverage ratio (“LR”)

The table below provides a detailed breakdown of the components of the LR denominator as at 30 Jun 2021.

HK\$'000		(a)	(b)
		As at 30 Jun 2021	As at 31 Mar 2021
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	1,439,229	1,192,142
2	Less: Asset amounts deducted in determining Tier 1 capital	(134,736)	(128,372)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	1,304,493	1,063,770
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	–	–

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6. Leverage ratio (Continued)

6.2 LR2: Leverage ratio (“LR”) (Continued)

HK\$'000		(a)	(b)
		As at 30 Jun 2021	As at 31 Mar 2021
6	Gross-up for collateral provided in respect of derivatives contracts where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	–	–
8	Less: Exempted CCP leg of client-cleared trade exposures	–	–
9	Adjusted effective notional amount of written credit-related derivative contracts	–	–
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	–	–
11	Total exposures arising from derivative contracts	–	–
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	–	–
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	–	–
15	Agent transaction exposures	–	–
16	Total exposures arising from SFTs	–	–
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	–	–
18	Less: Adjustments for conversion to credit equivalent amounts	–	–
19	Off-balance sheet items	–	–
Capital and total exposures			
20	Tier 1 capital	660,843	431,196
20a	Total exposures before adjustments for specific and collective provisions	1,304,493	1,063,770
20b	Adjustments for specific and collective provisions	(2,360)	(1,384)
21	Total exposures after adjustments for specific and collective provisions	1,302,133	1,062,386
Leverage ratio			
22	Leverage ratio	50.8%	40.6%

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7. Credit risk for non-securitization exposures

7.1 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)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
	As at 30 Jun 2021 HK\$'000							
1	Loans	-	916,864	2,359	-	2,359	-	914,505
2	Debt securities	-	79,982	1	-	1	-	79,981
3	Off-balance sheet exposures	-	-	-	-	-	-	-
4	Total	-	996,846	2,360	-	2,360	-	994,486

7.2 CR2: Changes in defaulted loans and debt securities

There was no defaulted loans or debt securities movement from 1 January 2021 to 30 June 2021.

As at 30 Jun 2021 HK\$'000		(a) Amount
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	-

7.3 CR3: Overview of recognized credit risk mitigation

		(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
	As at 30 Jun 2021 HK\$'000					
1	Loans	490,926	423,579	-	423,579	-
2	Debt securities	79,981	-	-	-	-
3	Total	570,907	423,579	-	423,579	-
4	Of which defaulted	-	-	-	-	-

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7. Credit risk for non-securitization exposures (continued)

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

The following table illustrate 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 30 June 2021.

As at 30 Jun 2021 HK\$'000		(a)		(b)		(c)		(d)		(e)		(f)
		Exposures pre-CCF and pre-CRM		Off-balance sheet amount		Exposures post-CCF and post-CRM		On-balance sheet amount		Off-balance sheet amount		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	284,543	–	–	–	708,122	–	–	–	–	–	0%
2	PSE exposures	–	–	–	–	–	–	–	–	–	–	–
2a	Of which: domestic PSEs	–	–	–	–	–	–	–	–	–	–	–
2b	Of which: foreign PSEs	–	–	–	–	–	–	–	–	–	–	–
3	Multilateral development bank exposures	–	–	–	–	–	–	–	–	–	–	–
4	Bank exposures	470,287	–	–	–	470,287	–	–	–	112,052	–	24%
5	Securities firm exposures	–	–	–	–	–	–	–	–	–	–	–
6	Corporate exposures	162,312	–	–	–	30,993	–	–	–	30,993	–	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	359,421	–	–	–	67,161	–	–	–	50,371	–	75%
11	Residential mortgage loans	–	–	–	–	–	–	–	–	–	–	–
12	Other exposures which are not past due exposures	27,930	–	–	–	27,930	–	–	–	27,930	–	100%
13	Past due exposures	–	–	–	–	–	–	–	–	–	–	–
14	Significant exposures to commercial entities	–	–	–	–	–	–	–	–	–	–	–
15	Total	1,304,493	–	–	–	1,304,493	–	–	–	221,346	–	17%

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7. Credit risk for non-securitization exposures (continued)

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

The following table present a breakdown of credit risk exposures under STC approach by asset classes and by risk weights as of 30 June 2021.

As at 30 Jun 2021 HK\$'000		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
Risk Weight												Total credit risk exposures amount (post CCF and post CRM)
1	Exposure class	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	708,122
2	Sovereign exposures	708,122	-	-	-	-	-	-	-	-	-	-
2a	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	410,305	-	59,982	-	-	-	-	-	470,287
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	30,993	-	-	-	30,993
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	-	-	-	-	-	67,161	-	-	-	-	67,161
11	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
12	Other exposures which are not past due exposures	-	-	-	-	-	-	27,930	-	-	-	27,930
13	Past due exposures	-	-	-	-	-	-	-	-	-	-	-
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	708,122	-	410,305	-	59,982	67,161	58,923	-	-	-	1,304,493

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8. Counterparty credit risk

There were no counterparty default risk exposures and credit-related derivative contracts as at 30 June 2021.

9. Securitization exposures

There were no securitization exposures as at 30 June 2021.

10. Market risk

10.1 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 30 June 2021:

As at 30 Jun 2021		(a)
HK\$'000		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	13,425
4	Commodity exposures	–
Option exposures		
5	Simplified approach	–
6	Delta-plus approach	–
7	Other approach	–
8	Securitization exposures	–
9	Total	13,425

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

There were no off-balance sheet exposures (other than derivative transactions) as at 30 June 2021.

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12. 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.

As at 30 Jun 2021 HK\$'000	Banks	Official sector	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial private sector	
Developed countries, of which	100,001	–	–	–	100,001
Spain	100,001	–	–	–	100,001
Offshore centres, of which	93,962	–	–	413,092	507,054
Cayman Islands	–	–	–	413,092	413,092
Singapore	93,962	–	–	–	93,962
Developing Asia and Pacific, of which:	276,324	–	–	4,666	280,990
Mainland China	151,318	–	–	4,666	155,984
Malaysia	125,006	–	–	–	125,006
	470,287	–	–	417,758	888,045

As at 31 Dec 2020 HK\$'000 (restated)*	Banks	Official sector	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial private sector	
Developed countries	165,032	–	–	156	165,188
Offshore centres, of which	91,226	–	–	296,243	387,469
Cayman Islands	–	–	–	296,243	296,243
Developing Asia and Pacific, of which:	481,866	–	–	6,030	487,896
Mainland China	316,833	–	–	6,030	322,863
	738,124	–	–	302,429	1,040,553

* Comparative figures are restated to conform with current period presentation.

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13. Loans and advances

13.1 Sector information

HK\$'000	30 Jun 2021		31 Dec 2020	
	Outstanding balance	Balance covered by collateral/ other security	Outstanding balance	Balance covered by collateral/ other security
Gross loans and advances for use in				
Hong Kong	520,828	–	70,528	–
– Manufacturing	35,236	–	11,171	–
– Wholesales and retail trade	482,967	–	58,541	–
– Others	2,625	–	816	–
	520,828	–	70,528	–

There were no specific provision as at 30 June 2021 and 31 December 2020 and no loans and advances amount was written off during the same periods. No specific provision was provided as at 30 June 2021 (31 December 2020: nil). The collective provision as at 30 June 2021 was HK\$2,353,000 (31 December 2020: HK\$785,000).

13.2 Geographical areas

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.

30 June 2021 HK\$'000	Gross loans and advances to customers	Impaired loans and advances to customers	Overdue loans and advances to customers	Specific provisions	Collective provisions
Hong Kong	520,828	–	–	–	2,353
	520,828	–	–	–	2,353
31 December 2020 HK\$'000	Gross loans and advances to customers	Impaired loans and advances to customers	Overdue loans and advances to customers	Specific provisions	Collective provisions
Hong Kong	70,528	–	–	–	785
	70,528	–	–	–	785

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.

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14. Overdue and rescheduled assets

There were no impaired, overdue or rescheduled assets as at 30 June 2021 and 31 December 2020.

15. 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.

HK\$'000 Types of Counterparties	30 Jun 2021		
	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	3,237	–	3,237
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	3,237	–	3,237
Total assets after provisions	1,436,887		
On-balance sheet exposures as % of total assets	0.23%		

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15. Non-bank mainland exposures (continued)

HK\$'000 Types of Counterparties	31 Dec 2020		
	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	4,771	-	4,771
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	4,771	-	4,771
Total assets after provisions	1,220,461		
On-balance sheet exposures as % of total assets	0.39%		

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16. Foreign currency exposures

As at 30 Jun 2021 Equivalent in HK\$'000	USD	CNY	Total
Spot assets	–	97,660	97,660
Spot liabilities	(280)	(84,230)	(84,510)
Forward purchases	–	–	–
Forward sales	–	–	–
Net options position	–	–	–
	<hr/>	<hr/>	<hr/>
Net (short) / long position	<u>(280)</u>	<u>13,430</u>	<u>13,150</u>
	<hr/>	<hr/>	<hr/>
As at 31 Dec 2020 Equivalent in HK\$'000	USD	CNY	Total
Spot assets	156	77,810	77,966
Spot liabilities	(349)	(78,944)	(79,293)
Forward purchases	–	–	–
Forward sales	–	–	–
Net options position	–	–	–
	<hr/>	<hr/>	<hr/>
Net (short) / long position	<u>(193)</u>	<u>(1,134)</u>	<u>(1,327)</u>
	<hr/>	<hr/>	<hr/>

The Bank had no structural position as of 30 June 2021 and 31 December 2020.

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17. Abbreviations

Abbreviations	Brief Description
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
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
DTAs	Deferred Tax Assets
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
MSRs	Mortgage Servicing Rights
NA	Not Applicable
NSFR	Net Stable Funding Ratio
PFE	Potential Future Exposure
RWA	Risk Weighted Assets
SA-CCR	Standardized Approach (Counterparty Credit Risk)
SEC-ERBA	Securitization External Ratings-Based Approach
SEC-FBA	Securitization Fall-back Approach

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17. Abbreviations (Continued)

Abbreviations	Brief Description
SEC-IRBA	Securitization Internal Ratings-Based Approach
SEC-SA	Securitization Standardized Approach
SFT	Securities Financing Transaction
STC	Standardized (Credit Risk)
STM	Standardized (Market Risk)