



Bank of Communications (Hong Kong) Limited
(Incorporated in Hong Kong with limited liability)

REGULATORY DISCLOSURE STATEMENT

30 June 2023 (Unaudited)



CREATE SHARED VALUE
創造共同價值

Bank of Communications (Hong Kong) Limited

Unit B B/F & G/F, Unit C G/F, 1-3/F, 16/F Rm01 & 18/F Wheelock House, 20 Pedder Street, Central, Hong Kong
www.hk.bankcomm.com

Contents

BANK OF COMMUNICATIONS (HONG KONG) LIMITED

(incorporated in Hong Kong with limited liability)

REGULATORY DISCLOSURE STATEMENT (UNAUDITED)

Ref	Contents	Page(s)
	Key prudential ratios and overview of RWA	
KM1	Key prudential ratios	3
OV1	Overview of RWA	4 - 5
	Composition of regulatory capital	
CC1	Composition of regulatory capital	5 - 11
CC2	Reconciliation of regulatory capital to balance sheet	12 - 13
CCA	Main features of regulatory capital instruments	14 - 19
	Macroprudential supervisory measures	
CCyB1	Geographical distribution of credit exposures used in countercyclical capital buffer ("CCyB")	20
	Leverage ratio	
LR1	Summary comparison of accounting assets against leverage ratio exposure measure	20
LR2	Leverage ratio	21
	Liquidity	22
LIQ1	Liquidity Coverage Ratio – for category 1 institution	23
LIQ2	Net Stable Funding Ratio – for category 1 institution	24 - 27
	Credit risk for non-securitization exposures	
CR1	Credit quality of exposures	28
CR2	Changes in defaulted loans and debt securities	28
CR3	Overview of recognized credit risk mitigation	28
CR4	Credit risk exposures and effects of recognized credit risk mitigation – for STC approach	29
CR5	Credit risk exposures by asset classes and by risk weights – for STC approach	30
	Counterparty credit risk	
CCR1	Analysis of counterparty default risk exposures (other than those to CCPs) by approaches	31
CCR2	CVA capital charge	31
CCR3	Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach	32
CCR5	Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)	33
CCR6	Credit-related derivatives contracts	33
CCR8	Exposures to CCPs	34
	Securitization exposures	
SEC1	Securitization exposures in banking book	35
SEC2	Securitization exposures in trading book	36
SEC3	Securitization exposures in banking book and associated capital requirements – where AI acts as originator	37
SEC4	Securitization exposures in banking book and associated capital requirements – where AI acts as investor	38

Contents

BANK OF COMMUNICATIONS (HONG KONG) LIMITED

(incorporated in Hong Kong with limited liability)

REGULATORY DISCLOSURE STATEMENT (UNAUDITED)

Ref	Contents	Page(s)
	Market risk	
MR1	Market risk under STM approach	39
	Additional balance sheet information	
1.	International claims	40
2.	Impaired loans and advances to customers by geographical areas	40
3.	The risk concentration analysis for loans and advances to customers by industry sectors (gross)	41 - 42
4.	Gross amount of overdue loans and advances to customers	42
5.	Overdue loans and advances to customers by geographical areas	43
6.	Overdue and rescheduled loans and advances to customers	43
7.	Overdue assets	43
8.	Reposessed assets	43
9.	Non-bank Mainland exposures	44
10.	Currency concentration	45
11.	Off-balance sheet exposures (other than derivative transactions)	45

The following disclosures contained all disclosures required by the Banking (Disclosure) Rules and disclosure templates issued by the Hong Kong Monetary Authority (“HKMA”). Within this document, Mainland China excludes Hong Kong Special Administrative Region of the People’s Republic of China (“Hong Kong”), Macau Special Administrative Region of the People’s Republic of China and Taiwan.

Key prudential ratios and overview of RWA

KM1: Key prudential ratios

		30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Regulatory capital (amount)					
1.	Common Equity Tier 1 (CET1)	47,533,896	46,361,984	45,191,471	44,307,740	44,686,122
2.	Tier 1	51,405,346	50,233,434	49,062,921	48,179,190	48,557,572
3.	Total capital	63,207,030	62,152,550	60,868,691	59,917,540	60,187,639
	RWA (amount)					
4.	Total RWA	319,806,668	330,373,955	327,801,830	331,433,583	323,435,244
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5.	CET1 ratio (%)	14.86%	14.03%	13.79%	13.37%	13.82%
6.	Tier 1 ratio (%)	16.07%	15.21%	14.97%	14.54%	15.01%
7.	Total capital ratio (%)	19.76%	18.81%	18.57%	18.08%	18.61%
	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 (%)	0.750%	0.800%	0.797%	0.775%	0.760%
10.	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0.000%	0.000%	0.000%	0.000%	0.000%
11.	Total AI-specific CET1 buffer requirements (%)	3.250%	3.300%	3.297%	3.275%	3.260%
12.	CET1 available after meeting the AI’s minimum capital requirements (%)	10.07%	9.21%	8.97%	8.54%	9.01%
	Basel III leverage ratio					
13.	Total leverage ratio (LR) exposure measure	472,423,735	505,652,475	485,175,105	498,684,605	511,957,991
14.	LR (%)	10.88%	9.93%	10.11%	9.66%	9.48%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15.	Total high quality liquid assets (HQLA)	53,173,777	59,910,932	57,017,989	69,685,104	76,311,932
16.	Total net cash outflows	34,682,723	37,866,472	39,477,191	43,090,088	48,767,045
17.	LCR (%)	153.60%	161.70%	145.06%	164.57%	160.25%
	Applicable to category 2 institution only:					
17a.	LMR (%)	N/A	N/A	N/A	N/A	N/A
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18.	Total available stable funding	339,738,451	341,794,541	328,640,221	336,304,020	342,431,622
19.	Total required stable funding	227,563,417	285,659,764	285,580,903	283,151,325	283,419,665
20.	NSFR (%)	122.40%	119.65%	115.08%	118.77%	120.82%
	Applicable to category 2A institution only:					
20a.	CFR (%)	N/A	N/A	N/A	N/A	N/A

Key prudential ratios and overview of RWA (Continued)

OV1: Overview of RWA

		RWA		Minimum capital requirements
		As at 30 Jun 2023	As at 31 Mar 2023	As at 30 Jun 2023
		HK\$'000	HK\$'000	HK\$'000
1.	Credit risk for non-securitization exposures	285,481,329	299,714,290	22,838,506
2.	Of which STC approach	285,481,329	299,714,290	22,838,506
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	11,887,225	10,755,114	950,978
7.	Of which SA-CCR approach	11,585,472	10,073,368	926,838
7a.	Of which CEM	–	–	–
8.	Of which IMM(CCR) approach	–	–	–
9.	Of which others	301,753	681,746	24,140
10.	CVA risk	8,352,588	8,045,475	668,207
11.	Equity positions in banking book under the simple risk-weight method and internal models method	–	–	–
12.	Collective investment scheme (“CIS”) exposures – LTA	–	–	–
13.	CIS exposures – MBA	–	–	–
14.	CIS exposures – FBA	–	–	–
14a.	CIS exposures – combination of approaches	–	–	–
15.	Settlement risk	–	–	–
16.	Securitization exposures in banking book	–	–	–
17.	Of which SEC-IRBA	–	–	–
18.	Of which SEC-ERBA (including IAA)	–	–	–
19.	Of which SEC-SA	–	–	–
19a.	Of which SEC-FBA	–	–	–
20.	Market risk	3,070,688	1,643,538	245,655
21.	Of which STM approach	3,070,688	1,643,538	245,655
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)*	Not applicable	Not applicable	–
24.	Operational risk	11,014,838	10,215,538	881,187
24a.	Sovereign concentration risk	–	–	–
25.	Amounts below the thresholds for deduction (subject to 250% RW)	–	–	–
26.	Capital floor adjustment	–	–	–
26a.	Deduction to RWA	–	–	–
26b.	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	–	–	–
26c.	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	–	–	–
27.	Total	319,806,668	330,373,955	25,584,533

Point to note: Items marked with an asterisk (*) will be applicable only after their respective policy frameworks take effect. Until then, “Not applicable” should be reported in the rows.

Key prudential ratios and overview of RWA (Continued)

OV1: Overview of RWA (Continued)

During the second quarter in 2023, the total RWA decreased by HK\$10,567 million. The key contributor was the credit risk RWA for non-securitization exposures, which was mainly driven by the decline in loans and advances of credit risk exposure.

Composition of regulatory capital

CC1: Composition of regulatory capital

		Amount	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
		HK\$'000	
CET1 capital: instruments and reserves			
1.	Directly issued qualifying CET1 capital instruments plus any related share premium	37,900,000	(13)
2.	Retained earnings	10,070,566	(16)
3.	Disclosed reserves	816,853	(14)
4.	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	Not applicable	Not applicable
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	48,787,419	–
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)	24,241	(7)-(11)
10.	Deferred tax assets (net of associated deferred tax liabilities)	639	-(10)
11.	Cash flow hedge reserve	–	–
12.	Excess of total EL amount over total eligible provisions under the IRB approach	–	–
13.	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	–	–
14.	Gains and losses due to changes in own credit risk on fair valued liabilities	20,266	(4)+(9)
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)	–	–

Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

		Amount	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
		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)	Not applicable	Not applicable
21.	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22.	Amount exceeding the 15% threshold	Not applicable	Not applicable
23.	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24.	of which: mortgage servicing rights	Not applicable	Not applicable
25.	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26.	National specific regulatory adjustments applied to CET1 capital	1,208,377	–
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	1,208,377	(17)
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	1,253,523	–
29.	CET1 capital	47,533,896	–
AT1 capital: instruments			
30.	Qualifying AT1 capital instruments plus any related share premium	3,871,450	–
31.	of which: classified as equity under applicable accounting standards	3,871,450	(15)
32.	of which: classified as liabilities under applicable accounting standards	–	–
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)	–	–

Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

		Amount HK\$'000	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
35.	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	–	–
36.	AT1 capital before regulatory deductions	3,871,450	–
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	3,871,450	–
45.	Tier 1 capital (T1 = CET1 + AT1)	51,405,346	–
Tier 2 capital: instruments and provisions			
46.	Qualifying Tier 2 capital instruments plus any related share premium	9,834,125	(8)
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	1,967,559	(12)+(17)-(1) -(2)-(3)-(5)-(6)
51.	Tier 2 capital before regulatory deductions	11,801,684	–
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)	–	–

Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

		Amount	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
		HK\$'000	
54a.	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	–	–
55.	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	–
55a.	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	–
56.	National specific regulatory adjustments applied to Tier 2 capital	–	–
56a.	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	–	–
56b.	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	–	–
57.	Total regulatory adjustments to Tier 2 capital	–	–
58.	Tier 2 capital (T2)	11,801,684	–
59.	Total regulatory capital (TC = T1 + T2)	63,207,030	–
60.	Total RWA	319,806,668	–
Capital ratios (as a percentage of RWA)			
61.	CET1 capital ratio	14.86%	–
62.	Tier 1 capital ratio	16.07%	–
63.	Total capital ratio	19.76%	–
64.	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	3.250%	–
65.	of which: capital conservation buffer requirement	2.500%	–
66.	of which: bank specific countercyclical capital buffer requirement	0.750%	–
67.	of which: higher loss absorbency requirement	0.000%	–
68.	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	10.07%	–
National minima (if different from Basel 3 minimum)			
69.	National CET1 minimum ratio	Not applicable	Not applicable
70.	National Tier 1 minimum ratio	Not applicable	Not applicable

Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

		Amount HK\$'000	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
71.	National total capital minimum ratio	Not applicable	Not applicable
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	4,394,421	–
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)	Not applicable	Not applicable
75.	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
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)	1,967,559	–
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	3,716,546	–
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.	<i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	Not applicable	Not applicable
81.	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	Not applicable
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>	–	–

Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

Notes to the Template

	Description	Hong Kong basis	Basel III basis
		HK\$'000	HK\$'000
9.	Other intangible assets (net of associated deferred tax liabilities)	24,241	–
	<p><u>Explanation</u></p> <p>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.</p>		
10.	Deferred tax assets (net of associated deferred tax liabilities)	639	–
	<p><u>Explanation</u></p> <p>As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column “Basel III basis” in this box represents the amount reported in row 10 (i.e. the amount reported under the “Hong Kong basis”) adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.</p>		
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)	–	–
	<p><u>Explanation</u></p> <p>For the purpose of determining the total amount of insignificant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI’s business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column “Basel III basis” in this box represents the amount reported in row 18 (i.e. the amount reported under the “Hong Kong basis”) adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI’s connected companies which were subject to deduction under the Hong Kong approach.</p>		

Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

Notes to the Template (Continued)

	Description	Hong Kong basis	Basel III basis
		HK\$'000	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)	–	–
	<p><u>Explanation</u> For the purpose of determining the total amount of significant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</p>		
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)	–	–
	<p><u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</p>		
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)	–	–
	<p><u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in Tier 2 capital instruments and non-capital LAC liabilities may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</p>		
<p>Remarks: The amount of the 10% threshold and 5% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.</p>			

Composition of regulatory capital (Continued)

CC2: Reconciliation of regulatory capital to balance sheet

	Balance sheet as in published financial statements (as at 30 Jun 2023)	Under regulatory scope of consolidation (as at 30 Jun 2023)	Reference
	HK\$'000	HK\$'000	
Assets			
Cash and balances with central bank	958,710	958,710	
<i>of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital</i>		(2)	(1)
Due from and placements with banks and other financial institutions	27,965,618	27,965,618	
<i>of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital</i>		(2,207)	(2)
Loans and advances to customers	199,129,370	199,129,370	
<i>of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital</i>		(690,322)	(3)
Financial assets at fair value through profit or loss	14,314,195	14,314,195	
<i>of which: debit valuation adjustments in respects of derivative contracts</i>		12,227	(4)
Financial assets at fair value through other comprehensive income	146,846,393	146,846,393	
Financial assets at amortized cost	55,216,110	55,216,110	
<i>of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital</i>		(45,348)	(5)
Property and equipment	62,471	62,471	
Right-of-use assets	301,692	301,692	
Other assets	9,388,429	9,388,429	
<i>of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital</i>		(5,306)	(6)
<i>of which: other intangible assets</i>		29,031	(7)
Total assets	454,182,988	454,182,988	

Composition of regulatory capital (Continued)

CC2: Reconciliation of regulatory capital to balance sheet (Continued)

	Balance sheet as in published financial statements (as at 30 Jun 2023)	Under regulatory scope of consolidation (as at 30 Jun 2023)	
	HK\$'000	HK\$'000	Reference
Liabilities			
Due to banks and other financial institutions	28,765,827	28,765,827	
<i>of which: subordinated loan eligible for inclusion in regulatory capital</i>		9,834,125	(8)
Financial liabilities at fair value through profit or loss	3,677,044	3,677,044	
<i>of which: debit valuation adjustments in respects of derivative contracts</i>		8,039	(9)
Due to customers	347,461,642	347,461,642	
Certificates of deposit issued	5,712,482	5,712,482	
Current income tax liabilities	168,417	168,417	
Debt securities issued	7,834,125	7,834,125	
Deferred income tax liabilities	4,151	4,151	
<i>of which: deferred income tax assets</i>		(639)	(10)
<i>of which: deferred income tax liabilities on other intangible assets</i>		4,790	(11)
Lease liabilities	307,249	307,249	
Other liabilities	7,593,182	7,593,182	
<i>of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital</i>		15,997	(12)
Total liabilities	401,524,119	401,524,119	
Equity			
Share capital	37,900,000	37,900,000	(13)
Other reserves	816,853	816,853	(14)
Additional equity instrument	3,871,450	3,871,450	(15)
Retained earnings	10,070,566	10,070,566	(16)
<i>of which: regulatory capital for general banking risk</i>		1,208,377	(17)
Total equity	52,658,869	52,658,869	
Total equity and liabilities	454,182,988	454,182,988	

Composition of regulatory capital (Continued)

CCA: Main features of regulatory capital instruments

		Ordinary shares	Additional Tier 1 capital securities	Tier 2 capital subordinated loan	Tier 2 capital bonds
1.	Issuer	Bank of Communications (Hong Kong) Limited	Bank of Communications (Hong Kong) Limited	Bank of Communications (Hong Kong) Limited	Bank of Communications (Hong Kong) Limited
2.	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable	ISIN: XS2085545494	Not applicable	ISIN: XS2357352702
3.	Governing law(s) of the instrument	Hong Kong law	The capital securities are governed by and shall be construed in accordance with English Law, except that the subordination provisions are governed by and shall be construed in accordance with Hong Kong law.	Hong Kong law	The Bonds are governed by, and shall be construed in accordance with, English law, except that the subordination provisions shall be governed by and construed in accordance with the laws of Hong Kong.
	<i>Regulatory treatment</i>				
4.	Transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Tier 2	Tier 2
5.	Post-transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Tier 2	Tier 2
6.	Eligible at solo / group / solo and group	Solo	Solo	Solo	Solo
7.	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Non-cumulative subordinated Additional Tier 1 capital securities	Other Tier 2 instruments	Tier 2 capital
8.	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK\$37,900 million	U.S.\$500 million	HK\$2,000 million	US\$1,000 million
9.	Par value of instrument	Not applicable	U.S.\$500 million	HK\$2,000 million	US\$1,000 million
10.	Accounting classification	Shareholders' equity	Equity instruments	Liability – amortized cost	Liability – amortized cost

Composition of regulatory capital (Continued)

CCA: Main features of regulatory capital instruments (Continued)

		Ordinary shares	Additional Tier 1 capital securities	Tier 2 capital subordinated loan	Tier 2 capital bonds
11.	Original date of issuance	1 share issued on 29 July 2014 299,999,999 shares issued on 9 February 2015 7,600,000,000 shares issued on 19 January 2018 10,000,000,000 shares issued on 28 June 2018 20,000,000,000 shares issued on 21 September 2020	3 March 2020	19 January 2018	8 July 2021
12.	Perpetual or dated	Perpetual	Perpetual	Dated	Dated
13.	Original maturity date	No maturity	No maturity	19 January 2028	8 July 2031
14.	Issuer call subject to prior supervisory approval	No	Yes	Yes	Yes
15.	Optional call date, contingent call dates and redemption amount	Not applicable	First call date: 3 March 2025 (Redemption in whole at 100%)	The Borrower may repay the Loan in whole but not in part at any time on or after 19 January 2023, at the outstanding principal amount together with interest accrued to (but excluding) the date of repayment. In addition, the Borrower may repay the Loan in whole but not in part at the outstanding principal amount together with interest accrued to (but excluding) the date of repayment for taxation reasons, tax deductions reasons and regulatory reasons. Prepayment is subject to prior written consent of the HKMA.	First call date: 8 July 2026 (Redemption in whole at 100%)
16.	Subsequent call dates, if applicable	No	Any distribution payment date thereafter	The Borrower may repay the Loan in whole but not in part at any time on or after 19 January 2023.	Not applicable

Composition of regulatory capital (Continued)

CCA: Main features of regulatory capital instruments (Continued)

		Ordinary shares	Additional Tier 1 capital securities	Tier 2 capital subordinated loan	Tier 2 capital bonds
	<i>Coupons / dividends</i>				
17.	Fixed or floating dividend / coupon	Not applicable	Fixed	Floating	Fixed
18.	Coupon rate and any related index	Not applicable	Year 1-5: 3.725% per annum payable, semi-annually in arrear; Year 5 onwards: resettable on year 5 and every 5 years thereafter at then prevailing 5-year U.S. Treasury yield plus 2.525% per annum.	The rate of interest on the Loan for each interest period shall be the percentage rate per annum which is the aggregate of 1.50 per cent per annum and three-month HIBOR.	Year 1-5: 2.304% per annum payable, semi-annually in arrear; Year 5 onwards: resettable on year 5 at the prevailing 5-year U.S. Treasury yield plus 1.4% per annum.
19.	Existence of a dividend stopper	Not applicable	Yes	No	No
20.	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Mandatory	Mandatory
21.	Existence of step-up or other incentive to redeem	Not applicable	No	No	No
22.	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Cumulative	Cumulative
23.	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24.	If convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable
25.	If convertible, fully or partially	Not applicable	Not applicable	Not applicable	Not applicable
26.	If convertible, conversion rate	Not applicable	Not applicable	Not applicable	Not applicable
27.	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable	Not applicable
28.	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable	Not applicable
29.	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable	Not applicable

Composition of regulatory capital (Continued)

CCA: Main features of regulatory capital instruments (Continued)

		Ordinary shares	Additional Tier 1 capital securities	Tier 2 capital subordinated loan	Tier 2 capital bonds
30.	Write-down feature	No	Yes	Yes	Yes
31.	If write-down, write-down trigger(s)	Not applicable	Upon Non-Viability Event (a) the Monetary Authority notifying the Issuer in writing that the Monetary Authority is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable; and (b) the Monetary Authority notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.	If a Non-Viability Event occurs and is continuing. "Non-Viability Event" means the earlier of: (a) the Monetary Authority notifying the Borrower in writing that the Monetary Authority is of the opinion that a write-off or conversion is necessary, without which the Borrower would become non-viable; and (b) the Monetary Authority notifying the Borrower in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Borrower would become non-viable.	If a Non-Viability Event occurs and is continuing. "Non-Viability Event" means the earlier of: (a) the Monetary Authority notifying the Issuer in writing that the Monetary Authority is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable; and (b) the Monetary Authority notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.
32.	If write-down, full or partial	Not applicable	Full or partial	Always be written down fully	Full or partial
33.	If write-down, permanent or temporary	Not applicable	Permanent	Permanent	Permanent
34.	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable	Not applicable

Composition of regulatory capital (Continued)

CCA: Main features of regulatory capital instruments (Continued)

		Ordinary shares	Additional Tier 1 capital securities	Tier 2 capital subordinated loan	Tier 2 capital bonds
35.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Represents the most subordinated claim in liquidation	Depositors and all other unsubordinated creditors of the Issuer, creditors in respect of Tier 2 capital instruments of the Issuer, and all other holders of subordinated indebtedness of the Issuer whose claims are stated to rank senior to the capital securities or rank senior to the capital securities by operation of law or contract; Senior to claims of holders junior obligations which include ordinary share capital.	In the event of a Winding-Up of the Borrower, the right of the Lender to payment of principal and interest on the Loan, and any other obligations in respect of the Loan, shall rank (i) subordinate and junior in right of payment to, and of all claims of, (a) all unsubordinated creditors of the Borrower (including its depositors), and (b) all other subordinated creditors of the Borrower whose claims are stated to rank senior to the Loan or rank senior to the Loan by operation of law or contract; (ii) pari passu in right of payment to, and all claims of, holders of any instrument or other obligation issued or entered into by the Borrower that constitutes or qualifies as a Tier 2 capital instruments or any instrument or other obligation issued, entered into, or guaranteed by the Borrower that ranks or is expressed to rank pari passu with the Loan by operation of law or contract;	Subject to the insolvency laws of Hong Kong and other applicable laws, in the event of a Winding-Up of the Issuer (other than pursuant to a Permitted Reorganisation), the rights and claims of the Bondholders in respect of or arising under the Bonds, shall rank (i) subordinate and junior in right of payment to, and of all claims of, (a) all depositors and unsubordinated creditors of the Issuer and (b) all other holders of Subordinated Indebtedness of the Issuer whose claims are stated to rank senior to the Bonds or rank senior to the Bonds by operation of law or contract; (ii) pari passu in right of payment to and of all claims of the holders of Parity Obligations; and

Composition of regulatory capital (Continued)

CCA: Main features of regulatory capital instruments (Continued)

		Ordinary shares	Additional Tier 1 capital securities	Tier 2 capital subordinated loan	Tier 2 capital bonds
35.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned) (Continued)			(iii) senior in right of payment to, and all claims of, (a) shareholders, and holders of any other class of the Borrower's share capital, and any instrument or other obligation issued or guaranteed by the Borrower that ranks or is expressed to rank junior to the Loan by operation of law or contract; and (b) holders of Tier 1 capital instruments of the Borrower. The Loan constitutes unsecured obligations of the Borrower.	(iii) senior in right of payment to, and of all claims of, the holders of Junior Obligation which include all classes of share capital of the Issuer and any Tier 1 Capital Instruments.
36.	Non-compliant transitioned features	No	No	No	No
37.	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable	Not applicable
	Full terms and conditions of capital instruments	Ordinary shares	Additional Tier 1 capital securities	Tier 2 capital subordinated loan due 2028	Tier 2 capital bonds due 2031

Macroprudential supervisory measures

CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer (“CCyB”)

	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect (%)	RWA used in computation of CCyB ratio (HK\$'000)	AI-specific CCyB ratio (%)	CCyB amount (HK\$'000)
1.	Hong Kong SAR	1%	178,942,731		
2.	Australia	1%	9,930		
3.	Netherlands	1%	43,822		
4.	Sweden	2%	383,982		
5.	Sum		179,380,465		
6.	Total		242,420,244	0.750%	2,398,550

CCyB ratio is calculated as the weighted average of the applicable jurisdictional CCyB ratio, effective at the date for which the determination is made, in respect of the jurisdictions (including Hong Kong) where the Bank has private sector credit exposures. The weight to be attributed to a given jurisdiction’s applicable CCyB ratio is the ratio of the Bank’s aggregate risk-weighted amount for its private sector credit exposures (in both the banking book and the trading book) in that jurisdiction (RWA_j) to the sum of the Bank’s aggregate RWA_j across all jurisdictions in which the AI has private sector credit exposure.

Leverage ratio

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

	Item	Value under the LR framework (HK\$'000)
1.	Total consolidated assets as per published financial statements	454,182,988
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 exposures 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	8,060,857
5.	Adjustment for SFTs (i.e. repos and similar secured lending)	688,326
6.	Adjustment for off-balance sheet (“OBS”) items (i.e. conversion to credit equivalent amounts of OBS exposures)	10,591,720
6a.	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(4,350,958)
7.	Other adjustments	3,250,802
8.	Leverage ratio exposure measure	472,423,735

Leverage ratio (Continued)

LR2: Leverage ratio

		30 Jun 2023	31 Mar 2023
		HK\$'000	HK\$'000
On-balance sheet exposures			
1.	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	433,995,405	455,591,096
2.	Less: Asset amounts deducted in determining Tier 1 capital	(1,245,484)	(1,490,475)
3.	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	432,749,921	454,100,621
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)	15,840,181	13,503,529
5.	Add-on amounts for PFE associated with all derivative contracts	7,526,576	6,821,759
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	(1,548,023)	(115,821)
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	21,818,734	20,209,467
Exposures arising from SFTs			
12.	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	10,925,992	23,849,856
13.	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14.	CCR exposure for SFT assets	688,326	1,876,561
15.	Agent transaction exposures	–	–
16.	Total exposures arising from SFTs	11,614,318	25,726,417
Other off-balance sheet exposures			
17.	Off-balance sheet exposure at gross notional amount	34,060,727	32,641,473
18.	Less: Adjustments for conversion to credit equivalent amounts	(23,469,007)	(23,655,455)
19.	Off-balance sheet items	10,591,720	8,986,018
Capital and total exposures			
20.	Tier 1 capital	51,405,346	50,233,434
20a.	Total exposures before adjustments for specific and collective provisions	476,774,693	509,022,523
20b.	Adjustments for specific and collective provisions	(4,350,958)	(3,370,048)
21.	Total exposures after adjustments for specific and collective provisions	472,423,735	505,652,475
Leverage ratio			
22.	Leverage ratio	10.88%	9.93%

Liquidity

30 Jun 2023

Average liquidity coverage ratio (“LCR”)	
– Second quarter	153.60%
Average LCR for the period	157.68%
Net stable funding ratio (“NSFR”)	
– First quarter end	119.65%
– Second quarter end	122.40%

The Bank’s LCR and HKD HQLA Level 1 LCR were above the regulatory requirement for the period.

The Bank’s average LCR for the period was 157.68%. The Bank’s NSFR for the quarter ends of first half of year 2023 were 119.65% and 122.40% respectively.

In the second quarter of year 2023, the Bank’s LCR decreased as a result of decrease in customer deposits.

In the second quarter end of year 2023, the Bank’s NSFR increased as a result of increase in earnings and reserve.

Level 1 HQLA is the major component of the Bank’s HQLA portfolio, which consists of balance with the HKMA, Exchange Fund Bills / Notes and unencumbered sovereign bonds. The Bank also holds a portion of Level 2 HQLA, which include corporate bonds with high credit rating. The main drivers of net cash outflows are retail deposits and small business funding, wholesale funding and loans during the quarter. Deposit is the major funding source of the Bank.

LCR net cash outflow arising from off-balance sheet derivatives and additional collateral provision are not material. The Bank’s major liquidity profile is captured in the LCR calculation.

The Bank’s HKD HQLA Level 1 LCR was above the regulatory requirement for the period. The Bank holds Level 1 HQLA denominated in foreign currencies (mainly CNY and USD) to cover respective LCR net cash outflow in foreign currency. The foreign currency LCR mismatch is bolstered mainly by our HKD-denominated HQLA through FX contracts. The Bank has established internal monitoring limit on LCR for foreign major currencies according to Supervisory Policy Manual LM-1 issued by the HKMA.

The Bank has established internal limit and management action trigger level on LCR and NSFR to ensure our liquidity risk is controlled at the level commensurate with our risk appetite. The Bank’s daily liquidity management is governed by the liquidity management requirement of parent bank and there is considerable level of interaction between members of the parent group. The Bank submits liquidity management reports to parent bank regularly and participates in the group liquidity stress test.

Liquidity (Continued)

LIQ1: Liquidity Coverage Ratio – for category 1 institution

2023 Second quarter:

Number of data points used in calculating the average value of the LCR and related components set out in this template for the quarter ending on 30 Jun 2023: (72)		HK\$'000	
		Unweighted value (average)	Weighted value (average)
Basis of disclosure: Hong Kong office			
A. HQLA			
1.	Total HQLA		53,173,777
B. Cash Outflows			
2.	Retail deposits and small business funding, of which:	251,750,595	17,300,443
3.	<i>Stable retail deposits and stable small business funding</i>	6,952,341	347,617
4.	<i>Less stable retail deposits and less stable small business funding</i>	94,258,264	9,425,826
4a.	<i>Retail term deposits and small business term funding</i>	150,539,990	7,527,000
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	63,688,472	33,095,352
6.	<i>Operational deposits</i>	3,349,276	805,737
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	60,318,076	32,268,495
8.	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	21,120	21,120
9.	Secured funding transactions (including securities swap transactions)		5,278,815
10.	Additional requirements, of which:	45,428,951	8,094,939
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	20,061,448	5,849,867
12.	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	–	–
13.	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	25,367,503	2,245,072
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	2,829,822	2,829,822
15.	Other contingent funding obligations (whether contractual or non-contractual)	1,055,341	21,131
16.	Total Cash Outflows		66,620,502
C. Cash Inflows			
17.	Secured lending transactions (including securities swap transactions)	–	–
18.	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	28,484,040	24,885,614
19.	Other cash inflows	7,058,443	7,052,165
20.	Total Cash Inflows	35,542,483	31,937,779
D. Liquidity Coverage Ratio			Adjusted value
21.	Total HQLA		53,173,777
22.	Total Net Cash Outflows		34,682,723
23.	LCR (%)		153.60%

Liquidity (Continued)

LIQ2: Net Stable Funding Ratio – for category 1 institution

2023 Second quarter end:

Basis of disclosure: Hong Kong office	Unweighted value by residual maturity				Weighted amount HK\$'000	
	No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
A.	Available stable funding ("ASF") item					
1.	Capital:	53,418,051	106,912	–	9,834,125	63,252,176
2.	<i>Regulatory capital</i>	53,418,051	106,912	–	9,834,125	63,252,176
2a.	<i>Minority interests not covered by row 2</i>	–	–	–	–	–
3.	<i>Other capital instruments</i>	–	–	–	–	–
4.	Retail deposits and small business funding:	–	231,526,876	20,676,458	274,966	227,651,394
5.	<i>Stable deposits</i>	–	7,473,109	395,428	6,976	7,482,086
6.	<i>Less stable deposits</i>	–	224,053,767	20,281,030	267,990	220,169,308
7.	Wholesale funding:	–	118,801,108	5,519,073	222,485	47,954,172
8.	<i>Operational deposits</i>	–	3,470,056	–	–	1,735,028
9.	<i>Other wholesale funding</i>	–	115,331,052	5,519,073	222,485	46,219,144
10.	Liabilities with matching interdependent assets	–	–	–	–	–
11.	Other liabilities:	1,277,074	4,621,828	1,761,417	–	880,709
12.	<i>Net derivative liabilities</i>	–	–	–	–	–
13.	<i>All other funding and liabilities not included in the above categories</i>	1,277,074	4,621,828	1,761,417	–	880,709
14.	Total ASF					339,738,451
B.	Required stable funding ("RSF") item					
15.	Total HQLA for NSFR purposes	382,395	13,097,433	9,989,193	79,299,801	33,304,276
16.	Deposits held at other financial institutions for operational purposes	–	163,344	–	–	81,672
17.	Performing loans and securities:	28,707,771	70,723,054	30,161,728	198,273,404	226,548,639
18.	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	–	393,958	–	–	–
19.	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	4,963,377	38,088,619	4,957,157	1,979,762	19,936,563

Liquidity (Continued)

LIQ2: Net Stable Funding Ratio – for category 1 institution (Continued)

2023 Second quarter end: (Continued)

Basis of disclosure: Hong Kong office		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
20.	<i>Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:</i>	23,744,394	12,403,392	15,648,454	89,906,081	110,071,979
21.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	1,284,880	288,404	261,900	1,499,361	2,084,909
22.	<i>Performing residential mortgages, of which:</i>	–	801,990	753,804	42,929,654	28,682,172
23.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	801,990	753,804	42,929,654	28,682,172
24.	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	–	19,035,095	8,802,313	63,457,907	67,857,925
25.	Assets with matching interdependent liabilities	–	–	–	–	–
26.	Other assets:	20,142,853	1,871,240	–	–	16,464,904
27.	<i>Physical traded commodities, including gold</i>	–	–	–	–	–
28.	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	1,455,001	–	–	–	1,236,751
29.	<i>Net derivative assets</i>	10,112,554	–	–	–	10,112,554
30.	<i>Total derivative liabilities before adjustments for deduction of variation margin posted</i>	3,707,151	–	–	–	185,358
31.	<i>All other assets not included in the above categories</i>	4,868,147	1,871,240	–	–	4,930,241
32.	Off-balance sheet items	–	105	–	33,070,622	1,163,926
33.	Total RSF					277,563,417
34.	Net Stable Funding Ratio (%)					122.40%

Liquidity (Continued)

LIQ2: Net Stable Funding Ratio – for category 1 institution (Continued)

2023 First quarter end:

Basis of disclosure: Hong Kong office		Unweighted value by residual maturity				Weighted amount HK\$'000
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
A.	Available stable funding ("ASF") item					
1.	Capital:	52,430,257	62,596	–	9,852,250	62,282,507
2.	<i>Regulatory capital</i>	52,430,257	62,596	–	9,852,250	62,282,507
2a.	<i>Minority interests not covered by row 2</i>	–	–	–	–	–
3.	<i>Other capital instruments</i>	–	–	–	–	–
4.	Retail deposits and small business funding:	–	225,376,391	22,012,159	233,653	223,283,263
5.	<i>Stable deposits</i>	–	7,455,288	543,016	4,222	7,602,611
6.	<i>Less stable deposits</i>	–	217,921,103	21,469,143	229,431	215,680,652
7.	Wholesale funding:	–	161,256,846	4,946,484	490,220	55,200,906
8.	<i>Operational deposits</i>	–	3,147,567	–	–	1,573,784
9.	<i>Other wholesale funding</i>	–	158,109,279	4,946,484	490,220	53,627,122
10.	Liabilities with matching interdependent assets	–	–	–	–	–
11.	Other liabilities:	1,928,525	3,812,774	2,055,729	–	1,027,865
12.	<i>Net derivative liabilities</i>	–	–	–	–	–
13.	<i>All other funding and liabilities not included in the above categories</i>	1,928,525	3,812,774	2,055,729	–	1,027,865
14.	Total ASF					341,794,541
B.	Required stable funding ("RSF") item					
15.	Total HQLA for NSFR purposes	402,287	35,957,753	13,850,927	83,416,388	34,147,038
16.	Deposits held at other financial institutions for operational purposes	–	186,603	–	–	93,302
17.	Performing loans and securities:	31,179,374	74,697,709	30,902,811	195,390,375	234,585,674
18.	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	–	400,365	–	–	–
19.	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	3,420,036	44,244,519	2,495,727	3,538,615	28,029,245

Liquidity (Continued)

LIQ2: Net Stable Funding Ratio – for category 1 institution (Continued)

2023 First quarter end: (Continued)

Basis of disclosure: Hong Kong office		Unweighted value by residual maturity				Weighted amount HK\$'000
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
20.	<i>Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:</i>	27,759,338	14,642,852	15,104,373	97,470,925	120,416,033
21.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	3,040,438	275,612	258,364	1,476,070	3,202,717
22.	<i>Performing residential mortgages, of which:</i>	–	799,999	750,898	42,198,281	28,204,332
23.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	799,999	750,898	42,198,281	28,204,332
24.	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	–	14,609,974	12,551,813	52,182,554	57,936,064
25.	Assets with matching interdependent liabilities	–	–	–	–	–
26.	Other assets:	17,701,580	1,600,335	–	–	15,777,824
27.	<i>Physical traded commodities, including gold</i>	–	–	–	–	–
28.	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	1,112,535	–	–	–	945,655
29.	<i>Net derivative assets</i>	8,443,845	–	–	–	8,443,845
30.	<i>Total derivative liabilities before adjustments for deduction of variation margin posted</i>	1,915,563	–	–	–	95,778
31.	<i>All other assets not included in the above categories</i>	6,229,637	1,600,335	–	–	6,292,546
32.	Off-balance sheet items	–	10,362	4,646	32,626,465	1,055,926
33.	Total RSF	–	–	–	–	285,659,764
34.	Net Stable Funding Ratio (%)	–	–	–	–	119.65%

Credit risk for non-securitization exposures

CR1: Credit quality of exposures

		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
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
1.	Loans	5,795,117	226,304,778	4,428,592	3,736,061	692,531	–	227,671,303
2.	Debt securities	–	202,547,190	45,348	–	45,348	–	202,501,842
3.	Off-balance sheet exposures	–	19,994,657	12,135	–	12,135	–	19,982,522
4.	Total	5,795,117	448,846,625	4,486,075	3,736,061	750,014	–	450,155,667

CR2: Changes in defaulted loans and debt securities

		Amount
		HK\$'000
1.	Defaulted loans and debt securities at 31 Dec 2022	4,170,393
2.	Loans and debt securities that have defaulted since the last reporting period	1,797,082
3.	Returned to non-defaulted status	(30,187)
4.	Amounts written off	(188,004)
5.	Other changes	45,833
6.	Defaulted loans and debt securities at 30 Jun 2023	5,795,117

Between Dec 2022 and Jun 2023, the Bank's defaulted loans and debt securities increased from HK\$4,170 million by 39% to HK\$5,795 million. The main contributor was the loans and debt securities of HK\$1,797 million defaulted during the reporting period.

CR3: Overview of recognized credit risk mitigation

		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
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1.	Loans	222,455,335	5,215,968	1,683,407	3,532,561	–
2.	Debt securities	201,822,233	679,609	–	679,609	–
3.	Total	424,277,568	5,895,577	1,683,407	4,212,170	–
4.	Of which defaulted	1,982,011	161,845	25,715	136,130	–

As of Jun 2023, the Bank's carrying amount for unsecured exposures was HK\$424,278 million, a decrease of HK\$13,991 million compared with Dec 2022. This was mainly due to the decline in unsecured debt securities of HK\$7,867 million.

Credit risk for non-securitization exposures (Continued)

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

	Exposure classes	Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
1.	Sovereign exposures	19,258,379	–	22,423,959	–	1,885,828	8%
2.	PSE exposures	10,955,180	–	11,204,501	170,228	2,274,946	20%
2a.	Of which: domestic PSEs	10,955,180	–	11,204,501	170,228	2,274,946	20%
2b.	Of which: foreign PSEs	–	–	–	–	–	0%
3.	Multilateral development bank exposures	3,470,346	–	3,470,346	–	–	0%
4.	Bank exposures	100,630,699	990,000	103,132,326	1,070,046	37,667,837	36%
5.	Securities firm exposures	426,335	–	936,726	–	468,363	50%
6.	Corporate exposures	225,225,915	25,516,978	219,624,821	6,770,570	196,610,250	87%
7.	CIS exposures	–	–	–	–	–	0%
8.	Cash items	382,395	–	2,045,926	72,144	214,530	10%
9.	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	–	–	–	–	–	0%
10.	Regulatory retail exposures	13,723,356	6,774,407	12,418,283	925,571	10,007,891	75%
11.	Residential mortgage loans	44,485,448	340,456	44,198,752	–	15,469,563	35%
12.	Other exposures which are not past due exposures	18,270,865	438,886	17,373,278	176,554	17,549,832	100%
13.	Past due exposures	2,367,316	–	2,367,316	–	3,332,289	141%
14.	Significant exposures to commercial entities	–	–	–	–	–	0%
15.	Total	439,196,234	34,060,727	439,196,234	9,185,113	285,481,329	64%

Compared with Dec 2022, the bank's credit risk RWA in Jun 2023 have a decrease from HK\$295,943 million to HK\$285,481 million. The decrease was mainly attributed to lower exposures to corporates, decreasing the corresponding RWA by 3.54%.

Credit risk for non-securitization exposures (Continued)

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

Exposure classes	Risk Weight											Total credit risk exposures amount (post CCF and post CRM) HK\$'000
	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1. Sovereign exposures	14,730,397	–	6,536,511	–	1,157,051	–	–	–	–	–	–	22,423,959
2. PSE exposures	–	–	11,374,729	–	–	–	–	–	–	–	–	11,374,729
2a. Of which: domestic PSEs	–	–	11,374,729	–	–	–	–	–	–	–	–	11,374,729
2b. Of which: foreign PSEs	–	–	–	–	–	–	–	–	–	–	–	–
3. Multilateral development bank exposures	3,470,346	–	–	–	–	–	–	–	–	–	–	3,470,346
4. Bank exposures	–	–	52,284,167	–	49,414,402	–	2,503,803	–	–	–	–	104,202,372
5. Securities firm exposures	–	–	–	–	936,726	–	–	–	–	–	–	936,726
6. Corporate exposures	–	–	3,059,631	–	54,867,473	–	168,275,688	192,599	–	–	–	226,395,391
7. CIS exposures	–	–	–	–	–	–	–	–	–	–	–	–
8. Cash items	1,045,422	–	1,072,648	–	–	–	–	–	–	–	–	2,118,070
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	–	–	–	–	–	13,343,854	–	–	–	–	–	13,343,854
11. Residential mortgage loans	–	–	–	44,198,752	–	–	–	–	–	–	–	44,198,752
12. Other exposures which are not past due exposures	–	–	–	–	–	–	17,549,832	–	–	–	–	17,549,832
13. Past due exposures	136,939	–	128	–	–	–	26,222	2,204,027	–	–	–	2,367,316
14. Significant exposures to commercial entities	–	–	–	–	–	–	–	–	–	–	–	–
15. Total	19,383,104	–	74,327,814	44,198,752	106,375,652	13,343,854	188,355,545	2,396,626	–	–	–	448,381,347

Compared with Dec 2022, the Bank's post-CCF and post-CRM on balance exposure decreased by 2.67% to HK\$448,381 million. This was mainly attributed to the decrease in corporate exposures.

Counterparty credit risk

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

		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
		HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000
1.	SA-CCR approach (for derivative contracts)	11,358,206	4,847,486		1.4	22,687,969	11,585,472
1a.	CEM (for derivative contracts)	–	–		1.4	–	–
2.	IMM(CCR) approach			–	–	–	–
3.	Simple approach (for SFTs)					11,608,194	256,852
4.	Comprehensive approach (for SFTs)					–	–
5.	VaR (for SFTs)					–	–
6.	Total						11,842,324

There was a 0.41% increase in counterparty credit risk RWA on default risk exposures compared to Dec 2022. The main contributor is originated from the RWA increase in SA-CCR approach and decrease of RWA in simple approach (for SFTs).

CCR2: CVA capital charge

		EAD post CRM	RWA
		HK\$'000	HK\$'000
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	–	–
1.	(i) VaR (after application of multiplication factor if applicable)		–
2.	(ii) Stressed VaR (after application of multiplication factor if applicable)		–
3.	Netting sets for which CVA capital charge is calculated by the standardized CVA method	24,933,003	8,352,588
4.	Total	24,933,003	8,352,588

The CVA RWA for counterparty credit risk decrease from HK\$9,243 million to HK\$8,353 million compared to Dec 2022. The main contributor is originated from a decrease in time weighted exposure for derivatives.

Counterparty credit risk (Continued)

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

	Risk Weight											Total default risk exposure after CRM
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
Exposure classes		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1.	Sovereign exposures	246	–	–	–	–	–	–	–	–	–	246
2.	PSE exposures	–	–	–	–	–	–	–	–	–	–	–
2a.	Of which: domestic PSEs	–	–	–	–	–	–	–	–	–	–	–
2b.	Of which: foreign PSEs	–	–	–	–	–	–	–	–	–	–	–
3.	Multilateral development bank exposures	–	–	–	–	–	–	–	–	–	–	–
4.	Bank exposures	–	–	1,618,385	–	19,870,593	–	–	–	–	–	21,488,978
5.	Securities firm exposures	–	–	–	–	–	–	–	–	–	–	–
6.	Corporate exposures	–	–	–	–	–	–	239,339	–	–	–	239,339
7.	CIS exposures	–	–	–	–	–	–	–	–	–	–	–
8.	Regulatory retail exposures	–	–	–	–	–	1,214,889	–	–	–	–	1,214,889
9.	Residential mortgage loans	–	–	–	–	–	–	–	–	–	–	–
10.	Other exposures which are not past due exposures	–	–	–	–	–	–	432,844	–	–	–	432,844
11.	Significant exposures to commercial entities	–	–	–	–	–	–	–	–	–	–	–
12.	Total	246	–	1,618,385	–	19,870,593	1,214,889	672,183	–	–	–	23,376,296

Compared to Dec 2022, total default risk exposure after CRM has no significant changes.

Counterparty credit risk (Continued)

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

	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash – domestic currency	131,578	–	–	–	400,000	–
Cash – other currencies	1,586,644	28,595	1,455,001	1,548,023	10,525,992	–
Domestic sovereign debt	–	–	–	–	–	400,246
Other sovereign debt	–	–	–	–	–	–
Government agency debt	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	11,207,947
Equity securities	–	–	–	–	–	–
Other collateral	–	–	–	–	–	–
Total	1,718,222	28,595	1,455,001	1,548,023	10,925,992	11,608,193

The collateral posted and received resulted from transaction with CCP, counterparties via CSA and repo transaction.

CCR6: Credit-related derivatives contracts

	Protection bought	Protection sold
	HK\$'000	HK\$'000
Notional amounts		
Single-name credit default swaps	–	–
Index credit default swaps	–	–
Total return swaps	–	–
Credit-related options	–	–
Other credit-related derivative contracts	–	–
Total notional amounts	–	–
Fair values		
Positive fair value (asset)	–	–
Negative fair value (liability)	–	–

Counterparty credit risk (Continued)

CCR8: Exposures to CCPs

		Exposure after CRM	RWA
		HK\$'000	HK\$'000
1.	Exposures of the AI as clearing member or clearing client to qualifying CCPs (total)		44,901
2.	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	2,245,034	44,901
3.	(i) OTC derivative transactions	2,245,034	44,901
4.	(ii) Exchange-traded derivative contracts	–	–
5.	(iii) Securities financing transactions	–	–
6.	(iv) Netting sets subject to valid cross-product netting agreements	–	–
7.	Segregated initial margin	1,455,001	
8.	Unsegregated initial margin	–	–
9.	Funded default fund contributions	–	–
10.	Unfunded default fund contributions	–	–
11.	Exposures of the AI as clearing member or clearing client to non-qualifying CCPs (total)		–
12.	Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	–	–
13.	(i) OTC derivative transactions	–	–
14.	(ii) Exchange-traded derivative contracts	–	–
15.	(iii) Securities financing transactions	–	–
16.	(iv) Netting sets subject to valid cross-product netting agreements	–	–
17.	Segregated initial margin	–	
18.	Unsegregated initial margin	–	–
19.	Funded default fund contributions	–	–
20.	Unfunded default fund contributions	–	–

Compared to Dec 2022, RWA of default risk exposure to qualifying CCPs increased by 51%, originating from an increase in exposure on OTC derivatives. The collateral posted and received resulted from derivatives transaction via CCP.

Securitization exposures

SEC1: Securitization exposures in banking book

		Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1.	Retail (total) – of which:	–	–	–	–	–	–	–	–	–
2.	residential mortgage	–	–	–	–	–	–	–	–	–
3.	credit card	–	–	–	–	–	–	–	–	–
4.	other retail exposures	–	–	–	–	–	–	–	–	–
5.	re-securitization exposures	–	–	–	–	–	–	–	–	–
6.	Wholesale (total) – of which:	–	–	–	–	–	–	–	–	–
7.	loans to corporates	–	–	–	–	–	–	–	–	–
8.	commercial mortgage	–	–	–	–	–	–	–	–	–
9.	lease and receivables	–	–	–	–	–	–	–	–	–
10.	other wholesale	–	–	–	–	–	–	–	–	–
11.	re-securitization exposures	–	–	–	–	–	–	–	–	–

Securitization exposures (Continued)

SEC2: Securitization exposures in trading book

		Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1.	Retail (total) – of which:	–	–	–	–	–	–	–	–	–
2.	residential mortgage	–	–	–	–	–	–	–	–	–
3.	credit card	–	–	–	–	–	–	–	–	–
4.	other retail exposures	–	–	–	–	–	–	–	–	–
5.	re-securitization exposures	–	–	–	–	–	–	–	–	–
6.	Wholesale (total) – of which:	–	–	–	–	–	–	–	–	–
7.	loans to corporates	–	–	–	–	–	–	–	–	–
8.	commercial mortgage	–	–	–	–	–	–	–	–	–
9.	lease and receivables	–	–	–	–	–	–	–	–	–
10.	other wholesale	–	–	–	–	–	–	–	–	–
11.	re-securitization exposures	–	–	–	–	–	–	–	–	–

Securitization exposures (Continued)

SEC3: Securitization exposures in banking book and associated capital requirements – where AI acts as originator

		Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWAs (by regulatory approach)				Capital charges after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA
		HK\$'000					HK\$'000				HK\$'000				HK\$'000			
1.	Total exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.	Traditional securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7.	Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.	Synthetic securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13.	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.	Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15.	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Securitization exposures (Continued)

SEC4: Securitization exposures in banking book and associated capital requirements – where AI acts as investor

		Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWAs (by regulatory approach)				Capital charges after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA
		HK\$'000					HK\$'000				HK\$'000				HK\$'000			
1.	Total exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.	Traditional securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7.	Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.	Synthetic securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13.	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.	Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15.	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Market risk

MR1: Market risk under STM approach

		RWA
		HK\$'000
	Outright product exposures	
1.	Interest rate exposures (general and specific risk)	1,637,212
2.	Equity exposures (general and specific risk)	–
3.	Foreign exchange (including gold) exposures	424,600
4.	Commodity exposures	23,088
	Option exposures	
5.	Simplified approach	–
6.	Delta-plus approach	985,788
7.	Other approach	–
8.	Securitization exposures	–
9.	Total	3,070,688

Compared with Dec 2022, the market risk RWA rose from HK\$1,290 million to HK\$3,071 million. The change was due to the growth in option exposures.

Additional balance sheet information

1. International claims

The information on international claims are prepared in according to the location and types of the counterparties as defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA's Return of International Banking Statistics. International claims are on-balance sheet exposures to counterparties based on the location of the counterparties after taking into account the transfer of risk, and represent the sum of cross-border claims in all currencies and local claims in foreign currencies. Geographical segments, constituting 10% or more of the Bank's total international claims after taking into account any recognized risk transfer, are disclosed below.

	Bank	Official sector	Non-bank financial institutions	Non-financial private sector	Total
Equivalent in millions of HK\$					
<u>As at 30 Jun 2023</u>					
Developing Asia-Pacific	46,706	5,275	3,468	50,306	105,755
of which attributed to Mainland China	34,669	3,828	3,468	46,912	88,877
Developed countries	35,451	1,954	4,032	8,436	49,873
Offshore centres	2,330	4,934	18,724	54,997	80,985
of which attributed to Hong Kong	1,565	4,934	16,775	54,555	77,829

2. Impaired loans and advances to customers by geographical areas

	Gross amount of loans to customers HK\$'000	Gross amount of trade bills HK\$'000	Total amount of loans and advances HK\$'000	Identified Impaired loans and advances HK\$'000	% of total loans and advances	Stage 1 & 2 provision for ECL HK\$'000	Stage 3 provision for ECL HK\$'000
<u>As at 30 Jun 2023</u>							
Hong Kong	176,640,497	6,840	176,647,337	4,949,812	2.43	603,627	3,112,834
Mainland China	25,676,384	49,128	25,725,512	1,233,919	0.61	82,704	623,227
Other countries	1,179,366	3,538	1,182,904	–	–	3,991	–
	<u>203,496,247</u>	<u>59,506</u>	<u>203,555,753</u>	<u>6,183,731</u>	3.04	<u>690,322</u>	<u>3,736,061</u>

The gross amount of loans and advances to customers by geographical segment is in accordance with the location of the counterparties after taking into account the transfer of risk. In general, a transfer of risk arises if the loans or advances of a customer are guaranteed by a party in a country which is different from that of the customer. Geographical segment, constituting 10% or more of the Bank's total amount of loans and advances to customers after taking into account any recognized risk transfer, are disclosed above.

Additional balance sheet information (Continued)

3. The risk concentration analysis for loans and advances to customers by industry sectors (gross)

	30 Jun 2023 HK\$'000	% of secured loans and advances
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
– Property development	34,124,864	28.62
– Property investment	18,612,026	65.65
– Financial concerns	16,263,951	22.98
– Stockbrokers	–	–
– Wholesale and retail trade	4,562,651	46.60
– Manufacturing	12,783,081	10.50
– Transport and transport equipment	8,317,435	64.70
– Recreational activities	6,523	24.91
– Information technology	1,618,270	4.24
– Others	22,648,457	27.99
Individuals		
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchases Scheme	112,970	100.00
– Loans for the purchase of other residential properties	43,940,970	100.00
– Credit card advances	108,147	–
– Others	16,573,894	82.49
Sub-total	179,673,239	54.94
Trade finance	976,124	29.89
Loans and advances for use outside Hong Kong	22,846,884	6.91
Total	203,496,247	49.43

Additional balance sheet information (Continued)

3. The risk concentration analysis for loans and advances to customers by industry sectors (gross) (Continued)

Gross loans, impaired loans, overdue loans, provision for Expected Credit Loss (“ECL”) in respect of industry sectors which constitute not less than 10% of total amount of loans and advances to customers are analysed as follows:

	Gross amount of loans to customers HK\$'000	Impaired loans HK\$'000	Overdue loans HK\$'000	Stage 1 & 2 provision for ECL HK\$'000	Stage 3 provision for ECL HK\$'000
<u>As at 30 Jun 2023</u>					
Loans and advances for use in Hong Kong					
– Industrial, commercial and financial	118,937,258	5,902,310	5,533,879	399,565	3,529,610
– Individuals	60,735,981	81,809	67,629	207,238	29,316
Trade finance	976,124	31,805	25,814	3,230	12,640
Loans and advances for use outside Hong Kong	22,846,884	160,968	160,956	80,210	157,656
	<u>203,496,247</u>	<u>6,176,892</u>	<u>5,788,278</u>	<u>690,243</u>	<u>3,729,222</u>

4. Gross amount of overdue loans and advances to customers

	30 Jun 2023 HK\$'000	% of total loans and advances to customers
Gross loans and advances to customers which have been overdue for periods of:		
More than 3 months but not more than 6 months	1,013,050	0.50
More than 6 months but not more than 1 year	3,228,652	1.59
More than 1 year	1,546,576	0.76
	<u>5,788,278</u>	2.85
Gross trade bills to customers which have been overdue for periods of:		
More than 3 months but not more than 6 months	–	–
More than 6 months but not more than 1 year	–	–
More than 1 year	6,839	–
	<u>6,839</u>	–
Total gross amount of overdue loans and advances to customers	<u>5,795,117</u>	2.85

Additional balance sheet information (Continued)

5. Overdue loans and advances to customers by geographical areas

	Overdue loans and advances to customers HK\$'000	Stage 3 provision for ECL HK\$'000
<u>As at 30 Jun 2023</u>		
Hong Kong	4,561,199	3,028,022
Mainland China	1,233,918	623,227
	<u>5,795,117</u>	<u>3,651,249</u>
Fair value of collateral	<u>470,422</u>	

Collateral held with respect to overdue loans and advances to customers is mainly properties.

6. Overdue and rescheduled loans and advances to customers

	30 Jun 2023 HK\$'000
Total rescheduled loans and advances to customers	100,473
Excluding: rescheduled loans and advances to customers overdue above 3 months	<u>900</u>
Net amounts of rescheduled loans and advances to customers	<u>99,573</u>
Percentage of net amounts of rescheduled loans and advances to customers in total loans (%)	0.05

7. Overdue assets

There were no other overdue assets as at 30 Jun 2023.

8. Repossessed assets

There were no repossessed assets held as at 30 Jun 2023.

Additional balance sheet information (Continued)

9. Non-bank Mainland exposures

The analysis of non-bank Mainland 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's Return of Mainland Activities.

	On-balance sheet exposures HK\$'000	Off-balance sheet exposures HK\$'000	Total exposures HK\$'000
<u>As at 30 Jun 2023</u>			
1. Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	63,598,423	3,348,204	66,946,627
2. Local governments, local government-owned entities and their subsidiaries and JVs	15,009,490	2,537	15,012,027
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	35,886,837	1,366,545	37,253,382
4. Other entities of central government not reported in item 1 above	–	–	–
5. Other entities of local governments not reported in item 2 above	659,502	–	659,502
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	884,027	–	884,027
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	–	–	–
Total	<u>116,038,279</u>	<u>4,717,286</u>	<u>120,755,565</u>
Total assets after provisions	454,190,602		
On-balance sheet exposures as percentage of total assets	25.55%		

Additional balance sheet information (Continued)

10. Currency concentration

The information concerning the foreign currency exposures of the Bank arising from trading and non-trading positions are disclosed below:

	USD	Total
Equivalent in millions of HK\$		
<u>As at 30 Jun 2023</u>		
Spot assets	200,866	200,866
Spot liabilities	(126,563)	(126,563)
Forward purchases	127,194	127,194
Forward sales	(207,446)	(207,446)
Net options position*	62	62
Net long (short) position	(5,887)	(5,887)
Net structural position	–	–

* Delta equivalent approach is adopted.

Except for the above foreign currencies, we do not disclose other foreign currency exposures arising from trading and non-trading positions, which constitutes less than 10% of the total net position in all foreign currencies as above. There is no net structural position in any foreign currencies.

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

The off-balance sheet exposures are based on nominal contract amounts and risk-weighted amounts of contingent liabilities and commitments defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA's Return of Capital Adequacy Ratio.

	30 Jun 2023 HK\$'000
Contract amounts	
Direct credit substitutes	36,621
Trade-related contingencies	437,390
Forward forward deposits placed	990,000
Commitments that are unconditionally cancellable without prior notice	14,066,070
Commitments which have an original maturity of not more than 1 year	3,981,031
Commitments which have an original maturity of more than 1 year	14,549,615
Total	34,060,727
Risk-weighted amount	7,486,106