

Allied Banking Corporation (Hong Kong) Limited

Pillar 3 Regulatory Disclosures

For the year ended
31 December 2024

(unaudited)

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Table OVA : Overview of risk management (continued)

The Group's primary credit approval bodies are the Credit Risk Management Committee and the Executive Committee. The Credit Risk Management Committee is responsible for evaluating and monitoring lending-related activities, reviewing existing credit limits and industry limits and managing the lending portfolio and overall credit risk of the Group. It comprises one non-executive director, the Chief Executive, two Alternate Chief Executives, who are also Head of Treasury and Head of Operation, and the Senior Managers of Credit.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are typically monitored on a revolving basis and are subject to periodic reviews. Limits on the level of credit risk by product, industry sector and by country are approved annually by the Board.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular reviews of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees

The Group is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

Market risk is managed by the Asset and Liability Management Committee ("ALCO"). ALCO directs the Group's overall acquisition, allocation and pricing of funds, within the established target/guidelines, while managing and monitoring the overall treasury risk exposure. It comprises one non-executive director, the Chief Executive, two Alternate Chief Executives, who are also the Head of Treasury and Head of Operation, the Senior Manager of Credit and the Head of Marketing and the Senior Manager of Accounts.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes transactions denominated in foreign currencies, hence exposures to

Table OVA : Overview of risk management (continued)

exchange rate fluctuations arise. Exchange rate exposures are managed within the approved policy parameters by utilising forward foreign exchange contracts.

The Group does not have any significant foreign exchange risk as foreign exchange dealing is moderate. Day-to-day foreign exchange management is performed by the Treasury Management Department within the approved limits. The Group takes exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. ALCO sets both overnight and intra-day positions limits and monitors the level of exposure by currencies and in total on a daily basis.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Limits are set on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly.

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend. ALCO is responsible for monitoring the Group's liquidity position through periodic review of statutory liquidity ratio, maturity profile of assets and liabilities, loan-to-deposit ratio and inter-bank transactions. Liquidity policy is monitored by ALCO and reviewed regularly by the Board of Directors of the Company. The Group's policy is to maintain a conservative level of liquid funds on a daily basis so that the Group is prepared to meet its obligations when they fall due in the normal course of business, to satisfy statutory liquidity ratio requirements, and to deal with any funding crises that may arise. Limits are set on the minimum proportion of maturing funds to be maintained in order to meet all the calls on cash resources such as overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees, margin calls and other calls on cash-settled derivatives. Limits are also set on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at an unexpected level of demand.

The Group has an established capital planning process to assess the adequacy of its capital to support current and future activities. The process states the Group's capital adequacy goals in relation to risk, taking into account its strategic focus and business plan. The Group has adopted a policy of maintaining a strong capital base to support its business growth. Capital adequacy ratio, computed as a ratio of total regulatory

Table OVA : Overview of risk management (continued)

capital to the risk-weighted assets of the Group was maintained at a level above the required minimum ratio. It can be referred to note 11 of the supplementary financial information of audited financial statement.

Operational risk is the risk of unexpected losses attributable to human error, systems failures, fraud, or inadequate internal controls and procedures. Executive director, department heads, inhouse legal counsels, and internal auditor collaborate to manage operational and legal risks through proper human resources policies, delegation of authorities, segregation of duties, and timely and accurate management information. Senior management and the Audit Committee are accountable to the Board for maintaining a strong disciplined control environment to provide reasonable assurance that operational and legal risks are prudently managed. A comprehensive contingency plan is available to ensure that key business functions continue and normal operations are restored effectively and efficiently in the event of business interruption.

Reputation risk is the risk to earnings or capital arising from negative public opinion. Reputation risk is managed by ensuring proper and adequate communication and public relation efforts to foster the reputation of the Group. A risk management mechanism guided by the senior management, including executive directors and senior managers has been established to manage the media exposure, handle customers' and other relevant parties' complaints and suggestions, and to ensure that new business activities and agents acting on the Group's behalf do not jeopardize the Group's reputation.

REGULATORY DISCLOSURES
Template KM1 : Key Prudential Ratios
31 December 2024

(HK\$ '000)		31-Dec-24	30-Sep-24	30-Jun-24	31-Mar-24	31-Dec-23
	Regulatory capital (amount)					
1	Common equity Tier 1 (CET1)	533,339	527,379	520,750	513,851	506,796
2	Tier 1	533,339	527,379	520,750	513,851	506,796
3	Total capital	556,292	552,565	545,936	538,986	531,931
	RWA (amount)					
4	Total RWA	1,384,536	1,404,275	1,364,217	1,346,489	1,386,427
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	38.52%	37.56%	38.17%	38.16%	36.55%
6	Tier 1 ratio (%)	38.52%	37.56%	38.17%	38.16%	36.55%
7	Total capital ratio (%)	40.18%	39.35%	40.02%	40.03%	38.37%
	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 (%)	0.500%	1.000%	1.000%	1.000%	1.000%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBS or D-SIBs)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total AI-specific CET1 buffer requirements (%)	3.00%	3.50%	3.50%	3.50%	3.50%
12	CET1 available after meeting the AI's minimum capital requirements (%)	27.68%	26.85%	27.52%	27.53%	25.87%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	1,619,351	1,579,270	1,630,644	1,620,769	1,639,114
14	LR (%)	32.94%	33.39%	31.94%	31.70%	30.92%
	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 (%)	133.53%	114.89%	110.18%	113.15%	94.82%
	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



ALLIED BANKING CORPORATION (HONG KONG) LIMITED

Template OV1: Overview of Risk-Weighted Assets (RWA)

The table below provides an overview of capital requirements in terms of a detailed breakdown of RWAs for various risks as at 31 December 2024 and 30 September 2024 respectively:

		(HK\$ '000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		December 2024	September 2024	December 2024
1	Credit risk for non-securitization exposures	1,268,523	1,290,446	158,565
2	Of which STC approach	0	0	0
2a	Of which BSC approach	1,268,523	1,290,446	158,565
3	Of which foundation IRB approach	0	0	0
4	Of which supervisory slotting criteria approach	0	0	0
5	Of which advanced IRB approach	0	0	0
6	Counterparty default risk and default fund contributions	4,468	4,459	559
7	Of which SA-CCR	NA	NA	NA
7a	Of which CEM	4,468	4,459	559
8	Of which IMM(CCR) approach	0	0	0
9	Of which others	0	0	0
10	CVA risk	0	0	0
11	Equity positions in banking book under the simple risk-weight method and internal models method	0	0	0
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	0	0	0
16	Securitization exposures in banking book	0	0	0
17	Of which SEC-IRBA	0	0	0
18	Of which SEC-ERBA (including IAA)	0	0	0
19	Of which SEC-SA	0	0	0
19a	Of which SEC-FBA	0	0	0
20	Market risk	16,350	18,375	2,044
21	Of which STM approach	16,350	18,375	2,044
22	Of which IMM approach	0	0	0
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	116,400	114,950	14,550
24a	Sovereign concentration risk	0	0	0
25	Amounts below the thresholds for deduction (subject to 250% RW)	0	0	0
26	Capital floor adjustment	0	0	0
26a	Deduction to RWA	21,205	23,955	2,651
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	0	0	0
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	21,205	23,955	2,651
27	Total	1,384,536	1,404,275	173,067



ALLIED BANKING CORPORATION (HONG KONG) LIMITED

Template PV1 : Prudent valuation adjustments

The table below provides a breakdown of the constituent elements of valuation adjustment as at 31 December 2024. There was no valuation adjustments for all assets measure at fair value (marked to market or marked to model), including non-derivative and derivative instruments, during the year.

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		Equity	Interest rates	EX	Credit	Commodities	Total	of which : In the trading book	of which : In the banking book
		HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
1	Close-out uncertainty, of which :	0	0	0	0	0	0	0	0
2	<i>Mid-market value</i>	0	0	0	0	0	0	0	0
3	<i>Close-out cost</i>	0	0	0	0	0	0	0	0
4	<i>Concentration</i>	0	0	0	0	0	0	0	0
5	Early termination	0	0	0	0	0	0	0	0
6	Model risk	0	0	0	0	0	0	0	0
7	Operational risks	0	0	0	0	0	0	0	0
8	Investing and funding costs	0	0	0	0	0	0	0	0
9	Unearned credit spreads	0	0	0	0	0	0	0	0
10	Future administrative costs	0	0	0	0	0	0	0	0
11	Other adjustments	0	0	0	0	0	0	0	0
12	Total adjustments	0	0	0	0	0	0	0	0

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

The following table shows the differences between the carrying values as reported in the Group's financial statements following the scope of accounting consolidation and the carrying values under the scope of regulatory consolidation, with a breakdown into regulatory risk categories of every item of the assets and liabilities reported in financial statements based on the scope of accounting consolidation.

	31 December 2024						
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirement or subject to deduction from capital
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
Assets							
Cash and cash equivalents	268,465	265,497	265,497	0	0	0	0
Placements with banks and other financial institutions maturing between one and twelve months	200,695	156,622	156,622	0	0	0	0
Derivative financial instruments	109	109	0	109	0	109	0
Advances and other accounts	1,125,568	1,123,603	1,123,603	0	0	0	0
Trade bills	0	0	0	0	0	0	0
Investment in a subsidiary	0	1,000	1,000	0	0	0	0
Investment property	65,000	65,000	65,000	0	0	0	0
Property and equipment	21,922	21,922	21,922	0	0	0	0
Total assets	1,681,759	1,633,753	1,633,644	109	0	109	0
Liabilities							
Deposits and balances of banks and other financial institutions	11,988	11,988	0	0	0	0	11,988
Deposits from customers	1,004,848	1,004,848	0	0	0	0	1,004,848
Derivative financial instruments (Note)	317	317	0	317	0	317	0
Other accounts and payables	19,979	14,169	0	0	0	0	14,169
Current tax liabilities	2,458	2,520	0	0	0	0	2,520
Deferred tax liabilities	1,818	1,818	0	0	0	0	1,818
Total liabilities	1,041,408	1,035,660	0	317	0	317	1,035,343

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

The following table shows the main sources of differences between the carrying values in financial statements and the exposure amounts used for the calculation of regulatory capital in respect of the assets and liabilities based on the scope of regulatory consolidation :

		31 December 2024				
		(a)	(b)	(c)	(d)	(e)
		Total	Items subject to :			
			credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
			HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	1,633,753	1,633,644	0	109	109
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	(317)	0	0	(317)	(317)
3	Total net amount under regulatory scope of consolidation	1,633,436	1,633,644	0	(208)	(208)
4	Differences due to potential exposure for counterparty credit risk	396,223	0	0	15,849	0
5	Off-balance sheet amounts	21,425	21,425			
6	Differences due to consideration of provisions		105	0	0	0
7	Exposure amounts considered for regulatory purposes	2,051,084	1,655,174	0	15,641	(208)

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

The basis of consolidation for regulatory purposes is different from that for accounting purposes. In accordance with the Banking (Capital) Rules, the computation on a solo basis of total capital ratio and other regulatory capital ratios of the Group is only for purpose of regulatory reporting to the Hong Kong Monetary Authority ("HKMA"). The subsidiary not included in the computation of the total capital ratio, other capital adequacy ratios and corresponding capital base, Tier 1 Capital, other capital related components and risk weighted amounts of the Group is ACR Nominees Limited.

The key drivers for the differences between accounting and regulatory exposure amounts differences are as follows:

- The carrying amounts reported in the financial statements are after deduction of collective and individual impairment allowances while the exposure amounts for regulatory purposes are before deduction of collective impairment allowances;
- Counterparty credit risk exposures for regulatory purposes consist of both the current exposures and the potential exposures derived from applying credit conversion factors (CCFs) to the notional principal of foreign exchange contracts.

The Group measures its investment properties and derivative financial instruments at fair value using the fair value hierarchy described as follows:

Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Level 2 derivative financial instruments include open foreign exchange spot contracts, foreign exchange forward and swap contracts. These instruments are valued by either observable foreign exchange rates, and observable or calculated forward points.

Level 3 fair value measurements - the fair value of the Group's investment property is determined by adoption of direct comparison approach by Century 21 Surveyors Limited, an independent professional qualified valuer. Valuations were derived on the basis of assuming sale of the property in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. In the course of valuation,

**Table LIA: Explanations of differences between accounting and regulatory exposure
Amounts (continued)**

reference has been made to comparable market transactions of properties in the same development as well as other similar developments nearby and taking into account the general market trends and other economic factors which may reasonably affect the open market value of the investment property as at 31 December 2024

Template CC1 : Composition of regulatory capital
As at 31 December 2024

		Amount (HK\$ '000)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	165,000	(5) + (6)
2	Retained earnings	399,894	(7) + (8)
3	Disclosed reserves	7,000	(10)
4	<i>Directly issued capital subject to phase out arrangements from CET1 (only applicable to non-joint stock companies)</i>	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)	0	
6	CET1 capital before regulatory adjustments	571,894	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	0	
8	Goodwill (net of associated deferred tax liabilities)	0	
9	Other intangible assets (net of associated deferred tax liabilities)	0	
10	Deferred tax assets (net of associated deferred tax liabilities)	0	
11	Cash flow hedge reserve	0	
12	Excess of total EL amount over total eligible provisions under the IRB approach	0	
13	Gain-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	0	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	0	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	0	
17	Reciprocal cross-holdings in CET1 capital instruments	0	
18	Insignificant LAC investments in CET1 capital investments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	
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)	0	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	
22	Amount exceeding the 15% threshold	Not applicable	
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	
24	of which: mortgage servicing rights	Not applicable	
25	of which: deferred tax assets arising from temporary differences	Not applicable	
26	National specific regulatory adjustments applied to CET1 capital	38,555	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	38,555	(4)
26b	Regulatory reserve for general banking risks	0	
26c	Securitization exposures specified in a notice given by the MA	0	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	0	
26e	Capital shortfall of regulated non-bank subsidiaries	0	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	0	
28	Total regulatory deductions to CET1 capital	38,555	
29	CET1 capital	533,339	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	0	
31	of which: classified as equity under applicable accounting standards	0	
32	of which: classified as liabilities under applicable accounting standards	0	
33	<i>Capital instruments subject to phase out arrangements from AT1 capital</i>	0	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	0	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>	0	
36	AT1 capital before regulatory deductions	0	

As at 31 December 2024

		Amount (HK\$ '000)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	0	
38	Reciprocal cross-holdings in AT1 capital instruments	0	
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)	0	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
41	National specific regulatory adjustments applied to AT1 capital	0	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	0	
43	Total regulatory deductions to AT1 capital	0	
44	AT1 capital	0	
45	Tier 1 capital (T1 = CET1 + AT1)	533,339	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	0	
47	<i>Capital instruments subject to phase out arrangements from Tier 2 capital</i>	0	
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)	0	
49	<i>of which: capital instruments issued by subsidiaries subject to phase out arrangements</i>	0	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	5,603	(1)+(2)+(3)+(9)
51	Tier 2 capital before regulatory deductions	5,603	
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	0	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	0	
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)	0	
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 S2(1) of Schedule 4F to BCR only)	0	
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)	0	
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)	0	
56	National specific regulatory adjustments applied to Tier 2 capital	(17,350)	
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	(17,350)	(4) x 45%
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within S48(1)(g) of BCR	0	
57	Total regulatory adjustments to Tier 2 capital	(17,350)	
58	Tier 2 capital (T2)	22,953	
59	Total regulatory capital (TC = T1 + T2)	556,292	
60	Total RWA	1,384,536	

As at 31 December 2024

		Amount (HK\$ '000)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Capital ratios (as a percentage of RWA)		
61	CET1 capital ratio	38.5211%	
62	Tier 1 capital ratio	38.5211%	
63	Total capital ratio	40.1789%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	3.00%	
65	<i>of which: capital conservation buffer requirement</i>	2.500%	
66	<i>of which: bank specific countercyclical buffer requirement</i>	0.500%	
67	<i>of which: higher loss absorbency requirement</i>	0.00%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirement	27.679%	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	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	0	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
74	Mortgage servicing rights (net of associated related tax liabilities)	Not applicable	
75	Deferred tax assets arising from temporary differences (net of associated related tax liabilities)	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)	0	
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	0	
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)	0	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	0	
	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	
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	
82	<i>Current cap on AT1 capital instruments subject to phase out arrangements</i>	0	
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	0	
84	<i>Current cap on Tier 2 capital instruments subject to phase out arrangements</i>	0	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	0	

As at 31 December 2024

Notes to the template:

Elements where a more conservative definition has been applied in the BCR relative to that set out in Basel III capital standards:

	Description	Hong Kong basis (HK\$ '000)	Basel III basis (HK\$ '000)
	Other intangible assets (net of associated deferred tax liabilities)	0	0
9	<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.		
	Deferred tax assets (net of associated deferred tax liabilities)	0	0
10	<u>Explanation</u> 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 and other credit exposures to connected companies) under Basel III.		
	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
18	<u>Explanation</u> 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 Monetary Authority 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.		

As at 31 December 2024

	Description	Hong Kong basis (HK\$ '000)	Basel III basis (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) <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 Monetary Authority 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.	0	0
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) <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.	0	0
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) <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.	0	0
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.			

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1



ALLIED BANKING CORPORATION (HONG KONG) LIMITED

Template CC2 : Reconciliation of regulatory capital to balance sheet

Balance Sheet Reconciliation	Balance sheet as in published audited financial statements	Under regulatory scope of consolidation	Cross reference to Definition of Capital Components
	as at 31/12/2024	as at 31/12/2024	
	HK\$ '000	HK\$ '000	
ASSETS			
Cash and cash equivalents	268,465	265,497	
<i>of which : collective impairment allowances reflected in regulatory capital</i>		(17)	(1)
Placements with banks and other financial institutions maturing between one and twelve months	200,695	156,622	
<i>of which : collective impairment allowances reflected in regulatory capital</i>		0	(2)
Derivative financial instruments	109	109	
Advances and other accounts	1,125,568	1,123,603	
<i>of which : collective impairment allowances reflected in regulatory capital</i>		(87)	(3)
Trade bills	0	0	
Investment in a subsidiary	0	1,000	
Investment property	65,000	65,000	
<i>of which : cumulative revaluation gains on land and buildings</i>		38,555	(4)
Property and equipment	21,922	21,922	
Total assets	1,681,759	1,633,753	
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits and balances of banks and other financial institutions	11,988	11,988	
Deposits from customers	1,004,848	1,004,848	
Derivative financial instruments	317	317	
Other accounts and provisions	19,979	14,169	
Current tax liabilities	2,458	2,520	
Deferred tax liabilities	1,818	1,818	
Total liabilities	1,041,408	1,035,660	
EQUITY			
Share capital	185,700	185,700	
<i>of which : fully paid up share capital</i>		124,209	(5)
<i>partly paid up share capital</i>		40,791	(6)
<i>non-cumulative and non-redeemable preference shares</i>		20,700	
Reserves	454,651	412,393	
<i>of which : retained earnings</i>		378,350	(7)
<i>unaudited profit of the current financial year</i>		21,544	(8)
<i>collective impairment reserve</i>		5,499	(9)
<i>general reserve</i>		7,000	(10)
Total equity	640,351	598,093	
Total liabilities and equity	1,681,759	1,633,753	

31 December 2024

Table CCA : Main features of regulatory capital instruments

Main Features Template			
1	Issuer	Allied Banking Corporation (HK) Limited	Allied Banking Corporation (HK) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NA	NA
3	Governing law(s) of the instrument	Hong Kong Law	Hong Kong Law
	<i>Regulatory treatment</i>		
4	Transitional Basel III rules [#]	NA	NA
5	Post-transitional Basel III rules ⁺	NA	NA
6	Eligible at solo*/group/group & solo	Solo*	Solo*
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares	Non-cumulative and Non-redeemable Preference Shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	[HK\$ in million] [HK\$165million]	[HK\$ in million] [HK\$0]
9	Par value of instrument	[12,420,925 ordinary shares of HK\$10 each fully paid] [6,500,000 ordinary shares of HK\$10 each with HK\$6.2755 each paid up]	[2,070,000 5% non-cumulative and non-redeemable preference shares of HK\$10 each]
10	Accounting classification	Shareholders' equity	Shareholders' equity
11	Original date of issuance	[1 ordinary shares - 9 October 1978] [10,835,924 ordinary shares - 28 September 1978] [8,085,000 ordinary shares - 22 July 1986]	[2,070,000 non-cumulative and non-redeemable preference shares - 22 July 1986]
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	NA	NA
15	Optional call date, contingent call dates and redemption amount	NA	NA
16	Subsequent call dates, if applicable	NA	NA
	<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	NA	Fixed
18	Coupon rate and any related index	NA	5% on non-cumulative and non-redeemable preference shares
19	Existence of a dividend stopper	No	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	NA	NA
22	Noncumulative or cumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down feature	No	No
31	If write-down, write-down trigger(s)	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA	NA
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	NA	NA

Footnote:
[#] Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

⁺ Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

^{*} Include solo-consolidated

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

The following table presents the geographical breakdown of risk-weighted amounts (RWA) in relation to private sector credit exposures as at 31 December 2024

		a	b	c	d
	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
		%	HK\$ '000	%	HK\$ '000
1	Hong Kong SAR	0.500%	1,093,678		
	Sum of above		1,093,678		
	Total		1,093,678	0.500%	5,468

As at 31 December 2024

Template LR1 : Summary comparison of accounting assets against Leverage Ratio ("LR") exposure measure

	Item	Value under Leverage Ratio framework HK\$ '000
1	Total consolidated assets as per published financial statements	1,681,759
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the leverage ratio exposure measure	0
4	Adjustments for derivative contracts	22,341
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	2,143
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	0
7	Other adjustments	(86,892)
8	Leverage ratio exposure measure	1,619,351

Template LR2 : Leverage ratio ("LR")

		Leverage Ratio framework (HK\$ '000)	
		As at 31 Dec 2024	As at 30 Sep 2024
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivatives contracts and SFTs, but including collateral)	1,633,422	1,597,392
2	Less: Asset amounts deducted in determining Tier 1 capital	(38,555)	(43,555)
3	Total on-balance sheet exposures (excluding derivatives contracts and SFTs)	1,594,867	1,553,837
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivatives contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	152	77
5	Add-on amounts for PFE associated with all derivatives contracts	22,189	22,221
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0	0
7	Less: Deductions of receivables assets for cash variation margin provided under derivatives contracts	0	0
8	Less: Exempted CCP leg of client-cleared trade exposures	0	0
9	Adjusted effective notional amount of written credit derivatives contracts	0	0
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives contracts	0	0
11	Total exposures arising from derivative contracts	22,341	22,298
Exposures arising from securities financing transactions (SFTs)			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0	0
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	0	0
14	CCR exposure for SFT assets	0	0
15	Agent transaction exposures	0	0
16	Total exposures arising from SFTs	0	0
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	21,425	31,349
18	Less: Adjustments for conversion to credit equivalent amounts	(19,282)	(28,214)
19	Off-balance sheet items	2,143	3,135
Capital and total exposures			
20	Tier 1 capital	533,339	527,379
20a	Total exposures before adjustments for specific and collective provisions	1,619,351	1,579,270
20b	Adjustments for specific and collective provisions	0	0
21	Total exposures after adjustments for specific and collective provision	1,619,351	1,579,270
Leverage ratio			
22	Leverage ratio	32.94%	33.39%

Table LIQA: Liquidity risk management

Liquidity risk tolerance as established by the Board that defines clearly the level of unmitigated funding liquidity risk under normal and stressed conditions commensurate to our business strategy and activities, financial condition, funding capacity and our historical record in relation to our role in the financial system of Hong Kong and our Parent Bank.

The liquidity risk tolerance level of our Bank is considered low in view of the simple structure of our assets (mainly SME loans, mortgage loans, money market placements and investment) and liabilities (mainly time deposit in HKD and USD) and the stable high liquidity level historically maintained by our Bank. Therefore, a minimum of five (5) workings days and a two (2) working day survival period under normal runoff scenario and a stress scenario are to be maintained respectively unless otherwise deemed inappropriate and not relevant to the economic situation then prevailing.

Liquidity risk management strategy that sets out our general approach to liquidity such as, amongst others, the composition and maturity of assets and liabilities; the approach to managing liquidity in different currencies; managing access to interbank and other wholesale markets; diversification and stability of funding sources; and, to a certain extent the management of intragroup liquidity.

Liquidity risk management responsibilities that set out the responsibilities with clearly defined lines of authority, responsibilities and reporting structure.

In respect of an integrated global liquidity risk management, we manage liquidity risk independently in accordance with the liquidity risk tolerance established by our Board and in compliance with HKMA requirements and the Banking Ordinance. Philippine National Bank (a bank authorized under Philippine Banking laws and our Parent Bank) has established liquidity risk management policies for its subsidiaries and affiliates in accordance with the home country jurisdiction and such extend to its subsidiaries and branches wherever located. As such, reporting arrangements have been established for proper monitoring and oversight into our liquidity risk management.

Liquidity risk management systems setting out the use of systems and tools for measuring, monitoring, controlling and reporting liquidity risk, including but not limited to:

- the setting of various risk tolerance limits and ratios (e.g. target Liquidity Maintenance Ratio, maturity mismatch limits, loan to deposit ratio, etc.);
- the framework for conducting cash-flow analysis under normal and stress scenarios, including the techniques and behavioural assumptions used; and
- the management reporting system for liquidity risk.

To facilitate the effective implementation of Liquidity Risk Management Policies, we have also established appropriate procedures which detailed the operational steps and processes for the execution of various risk controls. The procedures are subject to regular reviews and updates to take into account new business activities and changes in risk management processes.

Table LIQA: Liquidity risk management (continued)

Contingency funding plan that sets out the approach and strategies for dealing with various types of liquidity crisis and addressing emergency situations. The Contingency Funding Plan is regularly tested and updated to ensure that it is operationally viable. This is done in coordination between teams managing issues surrounding the liquidity crisis and our business continuity, as such.

The Board of Directors has delegated authority to the Asset and Liability Committee (ALCO) to carry out some of its responsibilities, particularly managing the overall liquidity of the Bank. ALCO is chaired by the Chief Executive (who is an Executive Director) with the Head of Treasury, Head of Operations, the Senior Manager of Credit Department, Head of Marketing, the Senior Manager of Accounts and one non-executive director as members. A meeting is held monthly or more often if necessary.

We shall review the appropriateness of Liquidity risk management structure in the light of business developments and changes.

We have adequate management information systems ("MIS") for measuring, monitoring, controlling and reporting liquidity risk under normal and stressed situations.

The Fund Summary and Maturity Analysis Report show the liquidity needs and the sources of funds available to meet these needs over various time horizons and scenarios.

The List of Large Funds Providers contains asset yields, liability costs, net interest margins and variations both from the prior month and budget. Such reports provide an analysis of the cause of interest margin variations.

As HKD and USD are the major currencies we operate and have very limited liquidity risk exposures in other currencies, the MIS encompasses all significant causes of liquidity risk for HKD and USD and can evaluate the effect of such causes on cash flows and Liquidity Maintenance Ratios.

The MIS can provide on a timely basis accurate and relevant liquidity reports to senior management / ALCO and other personnel responsible for evaluation of the level of liquidity risk under different operating circumstances.

An effective liquidity risk management process requires critical oversight by the Board of Directors and the senior management. We have established a liquidity risk management framework proportionate to our business environment.

The Board of Directors has a distinct governing role in liquidity risk management. The Board should be responsible for determining the types and magnitude of liquidity risk that the bank can tolerate and ensuring that there is an appropriate organization structure for managing liquidity risk.

Table LIQA: Liquidity risk management (continued)

CE, ACE and Head of Treasury (Senior Management as hereinafter referred to in the context of this policy) are responsible for overseeing the day-to-day and long-term management of liquidity risk in line with the objectives and risk tolerance levels set by the Board of Directors. This involves the development, implementation, maintenance and communication with various business units of:

- appropriate policies and procedures that translate the Board's approved objectives and liquidity risk tolerance into operating standards;
- management information and other systems that adequately identify, measure, monitor and control liquidity risk; and
- effective internal controls over the liquidity risk management process.

Senior management has a thorough understanding of the nature and level of liquidity risk assumed by the Bank and the means to manage that risk. Given that maintenance of adequate liquidity is crucial for the ongoing viability of the Bank, senior management shall promptly communicate any material changes in the Bank's current or prospective liquidity position to the Board of Directors for advice and consideration.

The Parent Bank has established liquidity risk management policies and procedures that extend to its subsidiaries and affiliates. Through its Subsidiaries, Affiliates and Other Offices Division (SAOOD), the parent bank oversight role is executed.

The bank's liquidity is mainly comprised of assets in the form of loans and interbank placements; while, its liability consists primarily of customers' deposits.

Asset liquidity

The bank maintains an appropriate mix of liquid assets as a source of liquidity for operational needs (e.g. funding loan commitments) as well as reserve for meeting emergency funding needs. The liquefiable assets should at least be sufficient to meet the statutory requirements, and the minimum Liquidity Maintenance Ratio set by Management.

Funding liquidity is maintained at a level as loan commitments are made and such is embedded in our lending process. A concentration limit will be in place to avoid excessive exposure to the market and other risks within the asset portfolios in respect of asset type, counter party, geographic location, and economic sector.

Table LIQA: Liquidity risk management (continued)**Liability liquidity**

As a restricted licence bank, the access to customer deposits posts a limitation. Nonetheless, historical data will demonstrate that we have been able to maintain a good level of deposits that will support our loan growth and sustain profitability through an actively managed market presence and relationship. Better efficiency is aimed to be achieved with a higher loan to deposit ratio than that of the current level.

In this regard, we shall endeavor to employ caution in ensuring that the bank maintains a diversified and stable funding source through an appropriate mix of liabilities while enhancing relationship with the counter parties.

Off-balance sheet activities

The bank will not be involved in any off-balance sheet items such as derivatives, options, credit derivatives and the like without approval from our Board taking into consideration all relevant factors in risk assessment.

Managing the bank's liquidity should consider the immediate impact on the other inherent risks such as credit, market, interest rate, operational, reputation and strategies. To mitigate such an impact, it is our objective to ensure that the relevant business units are aware of the correlation of the different risks that may be identified thru established mechanisms.

Stress-testing and scenario analysis

We include the following area and scenarios in our stress testing exercise:

- for all currencies in aggregate and separately for positions in HKD and other significant currencies, i.e., 5% or more of the Bank total liability
- an institution-specific stress scenario;
- a general market stress scenario; and
- a combination of both
- intraday liquidity stress-testing
- run-off rate to be used
- reverse stress-testing

Institution-specific crisis scenario

An institution-specific crisis scenario covers "worst case" situations that could arise from both real and perceived problems (e.g. asset quality problems, solvency concerns, rumours on our credibility or management fraud, etc.). A key assumption is that many of the liabilities cannot be rolled over or replaced, resulting in the need to secure emergency liquidity. It may entail a deposit run. Such a scenario would typically include the following characteristics:

- significant daily run-off rates of time deposits in the first week
- all bank loans/borrowings cannot be rolled over upon maturity/repricing

Table LIQA: Liquidity risk management (continued)**Institution-specific crisis scenario (continued)**

- pre-termination of interbank deposits/debit securities before maturity with penalty/discount
- new unsecured funding still can be obtainable from the market
- forced sale of marketable securities at discounted prices

We may consider two types of institution-specific crisis scenario, namely a crisis that is restricted to our Hong Kong operations and a crisis that affects the global operations of the banking group (e.g., with problems originated from the parent bank). In the latter case, no intragroup or parent bank funding support is assumed to be available. A no less than 5 working days of positive cash flow to cover liquidity needs is the minimum stress period. Any breach of this minimum stress period must be reported and documented in the ALCO Meeting accordingly with remediate actions taken.

General market stress scenario

A general market crisis scenario is one where liquidity at a large number of financial institutions in one or more markets is affected. Characteristics of this scenario may include a liquidity squeeze, counterparty defaults, substantial discounts needed to sell assets and wide differences in funding access among banks due to the occurrence of a severe tiering of perceived credit quality (i.e., flight to quality). Such a scenario would typically include the following characteristics:

- slight increase of daily run-off rates of time deposits
- all bank loans/borrowings cannot be rolled over upon maturity/repricing
- not possible to pre-terminate interbank deposits before maturity
- no new unsecured funding obtainable from the market
- forced sale of marketable securities at a higher discounted price

The cash-flow patterns of certain assets and liabilities may behave quite differently in the case of a general market crisis scenario. For example, compared with the institution-specific crisis scenario, we may have less control over the level and timing of future cash flows from the sale of marketable debt securities. We may need to assign appropriate discount factors to such assets to reflect the price risk associated with different stress scenarios. A no less than 1 calendar month of positive cash flow to cover liquidity needs is the minimum stress period. Any breach of this minimum stress period must be reported and documented in the ALCO Meeting accordingly with remediate actions taken.

Table LIQA: Liquidity risk management (continued)**Combined stress scenarios**

Combination of institution-specific and general market stress scenarios may happen under an adverse circumstance such as a greater number of AIs in the markets will be affected and the severe bank run may be a less acute, but more persistent and lower realisable values of assets due to the market in need of liquidity. Such a scenario would typically include the following characteristics:

- significant daily run-off rates of time deposits.
- all bank loans/borrowings cannot be rolled over upon maturity/repricing
- no pre-termination of interbank deposits before maturity.
- no new unsecured funding can be obtainable from the market; and
- forced sale of marketable securities at a higher discounted price.

A no less than 1 calendar month of positive cash flow to cover liquidity needs is the minimum stress period. Any breach of this minimum stress period must be reported and documented in the ALCO Meeting accordingly with remediate actions taken.

Intraday liquidity

In stressed conditions, we are likely to require more intraday liquidity than in normal market conditions for a variety of reasons, including payments due to banks being delayed and wholesale depositors withdrawing from the market. We take account of this in our stress-testing and scenario analysis.

Reverse stress-testing

The reverse stress testing may start with the failure of the Bank that an unexpected challenge strikes, and we do not survive as a bank. The most possible scenario is that our entire account of capital is wiped out because of impairment made on overdue and non-performing loans.

Requirements

We shall perform stress-testing and scenario analysis on a monthly basis. Senior management / ALCO should examine the stress-testing results and formulate appropriate strategies to address the cash-flow needs reflected from the scenario analysis. For example, there may be a need to reduce liquidity risk by obtaining more long-term funding or restructuring the composition of assets.

Contingency funding plan

We have formulated a formal Liquidity Contingency Plan that sets out a strategy for dealing with a liquidity crisis and the procedures for making up cash-flow deficits in emergency situations. We have identified and understood the types of events that may trigger the contingency plan.

Table LIQA: Liquidity risk management (continued)
Contingency funding plan (continued)

The Liquidity Contingency Plan should be updated and reviewed regularly (at least annually) by senior management / ALCO to ensure that it remains robust over time.

It also includes how to handle the press and broadcasting media when negative information about them is disseminated. We should conduct rehearsals of the Liquidity Contingency Plan from time to time (at least annually together with the general annual BCP) to better prepare ourselves for unfavourable situations.

Early warning indicators

To assess whether a potential liquidity problem may be developing, various internal and market indicators are:

Internal indicators:

- deteriorating asset quality;
- excessive concentrations on certain assets and funding sources;
- decline in earnings and interest margins;
- increase in overall funding costs;
- rapid asset growth being funded by volatile wholesale liabilities; and
- worsening cash-flow positions as evidenced by widening negative maturity mismatches, especially in the short-term time bands.

Market indicators:

- credit rating downgrades;
- persistent drop in the stock price (not applicable to us);
- widened spread on the senior and subordinated debt (not applicable to us);
- reduction in available credit lines from correspondent banks;
- counterparties unwilling to extend unsecured or longer dated transactions; and
- increasing trend of deposit withdrawals.

These signals will be identified and tracked by our senior management/ALCO to spot potential problems at an early stage.

LIQUIDITY INFORMATION

	2024 %
Average liquidity maintenance ratio	
– First quarter	113.15
– Second quarter	110.18
– Third quarter	114.89
– Fourth quarter	133.53

Table LIQA: Liquidity risk management (continued)

LIQUIDITY INFORMATION (continued)

The Liquidity Ratio specified under section 102 of the Banking Ordinance, which was replaced by the liquidity maintenance ratio ("LMR") on 1 January 2015. LMR was compiled in accordance with the Banking (Liquidity) Rules issued by the HKMA with effective from 1 January 2015 for the implementation of the Basel III capital framework.

The Bank's analysis of on- and off-balance items by remaining maturity and the resultant liquidity gaps as at 31 December 2024 is shown as follows:

	on demand	Up to 1 month	1 – 3 months	4 – 12 months	1 – 5 years	Over 5 years	Indefinite period	Total
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ 000	HK\$ '000	HK\$ '000	HK\$ '000
Financial assets								
Cash & cash equivalents	70,451	195,046	-	-	-	-	-	265,497
Placement with Banks & other financial institutions between one and twelve months	-	-	155,269	1,353	-	-	-	156,622
Derivate financial instruments	-	10	6	93	-	-	-	109
Financial assets included in advances and other accounts	182,352	304,158	429,656	88,942	22,702	95,793	-	1,123,603
Trade bills	-	-	-	-	-	-	-	-
Gross foreign exchange contracts & off-balance sheet claims	-	170,785	147,493	77,628	-	-	-	395,906
Total financial assets	252,803	669,999	732,424	168,016	22,702	95,793	-	1,941,737
Financial liabilities								
Deposits and balances of banks and other financial institutions	4,014	-	-	-	7,974	-	-	11,988
Deposits from customers	-	149,604	391,068	393,331	70,845	-	-	1,004,848
Derivative financial instruments	-	185	131	1	-	-	-	317
Other accounts and payables	-	2,943	7,375	2,133	268	2	1,448	14,169
Gross foreign exchange contracts & off-balance sheet obligations	-	170,960	158,247	88,332	-	-	-	417,539
Total financial liabilities	4,014	323,692	556,821	483,797	79,087	2	1,448	1,448,861
Net liquidity gap	248,789	346,307	175,603	(315,781)	(56,385)	95,791	(1,448)	492,876

Table CRA : General information about credit risk

The Board of Directors (the “Board”) has the overall responsibility for the management of all types of risk exposures. In the delivery of its responsibility, the Board has established specialised committees to identify, measure, monitor and control different types of risks. The Board or the appropriate specialised committees review and approve policies and procedures for the identification, measurement, control and monitoring of both financial and non-financial risks. Such policies and procedures are reviewed by the relevant committees or senior management on a regular basis.

Credit Risk Management Committee - responsible for evaluation and monitoring of lending-related activities, reviewing existing credit limits and industry limits and managing the lending portfolio and overall credit risk of the Group. It comprises one non-executive director, the Chief Executive, two Alternate Chief Executives, who are also Head of Treasury and Head of Operation and Senior Managers of Credit.

Asset and Liability Management Committee (“ALCO”) - responsible for managing the Group's assets and liabilities on a functional basis. The Committee directs the Group's overall acquisition, allocation and pricing of funds, within the established target/guidelines, while managing and monitoring the overall treasury risk exposure. It comprises one non-executive director, the Chief Executive, two Alternate Chief Executives, who are also the Head of Treasury and Head of Operation, the Senior Manager of Credit and the Head of Marketing and the Manager of Accounts.

The Audit Committee is an oversight body monitoring the internal control framework, risk management systems and financial reports. The Committee consists of two non-executive directors, both of whom are independent non-executives.

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. Impairment allowances are made for losses that have been incurred at the end of the reporting period. Significant changes in the economy, or in the health of a particular industry segment, could result in losses that are different from those provided for at the end of the reporting period. Management therefore carefully manages its exposure to credit risk.

The Group's lending policies have been formulated based on its own experience, the Banking Ordinance, the Hong Kong Monetary Authority guidelines and other statutory requirements.

Table CRA : General information about credit risk (continued)

The Group's primary credit approval bodies are the Credit Risk Management Committee. The Credit Risk Management Committee is responsible for evaluating and monitoring lending-related activities, reviewing existing credit limits and industry limits and managing the lending portfolio and overall credit risk of the Group. It comprises one non-executive director, the Chief Executive, two Alternate Chief Executives, who are also Head of Treasury and Head of Operation, and the Senior Manager of Credit. The Executive Committee is responsible for reviewing and confirming all credit approvals.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are typically monitored on a revolving basis and are subject to periodic reviews. Limits on the level of credit risk by product, industry sector and by country are approved annually by the Board.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular reviews of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Template CR1: Credit quality of exposures

The table below provides an overview of the credit quality of on- and off-balance sheet exposures as at 31 December 2024

(HK\$ '000)		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of		Allowances / impairments	of which ECL accounting provisions for credit losses on STC approach exposures		of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
1	Loans	116,731	993,004	87	0	0	0	1,109,648
2	Debt securities	0	0	0	0	0	0	0
3	Off-balance sheet exposures	0	21,425	0	0	0	0	21,425
4	Total	116,731	1,014,429	87	0	0	0	1,131,073

**Template CR2: Changes in defaulted loans and debt securities**

The table below provides information on the changes in defaulted loans and debt securities, including any changes in the amount of defaulted exposures, movements between non-defaulted and defaulted exposures, and reductions in the defaulted exposures due to write-offs as at 31 December 2024 and 30 June 2024 respectively:

(HK\$ '000)		(a)
		Amount
1	Defaulted loans and debt securities at end of the previous reporting period (30 June 2024)	93,569
2	Loans and debt securities that have defaulted since the last reporting period	24,296
3	Returned to non-defaulted status	0
4	Amounts written off	0
5	Other changes *	(1,134)
6	Defaulted loans and debt securities at end of the current reporting period (31 December 2021)	116,731

* Other changes include loan repayment

Table CRB: Additional disclosure related to credit quality of exposures

Impairment allowances are recognised for losses that have incorporated forward-looking information into its measurement of expected credit losses at the end of the reporting period based on objective evidence of impairment.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). The Group recognizes impairment allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVPL:

- Loans and advances
- Lease receivables (if any);
- Account receivables;
- Accrued interest receivables;
- Off-balance sheet items with contingent liability such as Letter of Credit, Shipping Guarantee, Acceptance and Guarantee (Utility);
- Money market placements

The Group measures impairment allowances for 12-month or lifetime ECL using a 3-stage approach as follows:

Stage	Description	Impairment Loss
1	Performing	12-month ECL
2	Performing but with credit risk increased significantly at reporting date since its initial recognition (Account is classified as "Substandard")	Lifetime ECL
3	Non-performing	Lifetime ECL

Both lifetime ECL and 12-month ECL are calculated at an account-level.

The Group considers the financial asset to be in default when the borrower is more than 90 days past due on any material credit obligation to the Group or the borrower is unlikely to pay its credit

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

obligations to the Group in full. The definition of default is largely consistent with the loan classification system required to be adopted for reporting to the HKMA for loans and advances.

Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery, and all collateral has been realised or has been transferred to the Group.

The Group will consider that a financial institution lending is with low credit risk if its international credit grading is equivalent to or higher than investment grading of the relevant credit rating agent such as S&P Global Ratings Inc. or Moody's Investor Service. The Group will consider that a non-financial institution lending is with low credit risk if (a) its account performance with the Group is normal; (b) stable business prospect; (c) acceptable financial strength and (d) sound management.

The rating tool assists management to determine whether objective evidence of impairment exists under HKFRS 9, based on the criteria of "significant increase of credit risk" set out by the Group. The Group will allocate each exposure to an internal credit risk grade (5-grade loan classification) that is determined to be predictive of the risk of default. Each exposure will be allocated to an internal credit risk grade on initial recognition based on available information about the borrower. Exposures will be subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade when the risk of asset changes. The Group will primarily identify whether a significant increase in credit risk has occurred for an exposure by comparing the credit risk grade at the reporting date with the credit risk grade at the initial recognition of the exposure.

The Group will presumptively consider that a significant increase in credit risk occurs no later than when an asset is past due more than 30 days due to (a) late payment or tight liquidity of the borrower's client, this may indicate the cash flow of the borrower may be affected which ultimately lead to expected loss of the Group; (b) consecutive decline in sales in 3 years and the net loss was booked for 3 years or more while the overall economy is not under down turn cycle; (c) deterioration of the borrower's competitive position; (d) downgrading below investment grade level; (e) deterioration in the value of collateral.

The Group assesses whether financial asset carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

Evidence that a financial asset is credit-impaired includes but not limited to the following observable data:

- Delinquency in contractual payments of principal or interest;
- Significant cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Downgrading below special mention;

The credit quality of loans and advances to customers can be analysed as follows:

It includes analysis on the exposures that are “neither past due nor impaired”, “past due but not impaired” and “impaired”.

	31 December 2024 (HK\$ '000)
Gross loans and advances to customers	
- neither past due nor impaired	951,344
- past due but not impaired	158,391
- impaired	0
- impaired which are not overdue or rescheduled	0
Total	1,109,735

Of which,

	31 December 2024 (HK\$ '000)
Gross loans and advances to customers that are neither past due nor impaired	
- pass	951,344
- special mention	0
Total	951,344

Also, the ageing analysis of loans and advances to customers that are past due but not impaired is as follows:

	31 December 2024 (HK\$ '000)
Gross loans and advances to customers that are past due but not impaired	
- overdue 3 months or less	41,660
- overdue more than 3 months	116,731
Total	158,391

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

An analysis of changes in the gross amount of advances to customers is as follows:

	2024			
	Stage 1	Stage 2	Stage 3	Total
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
Gross advances as at 1 January 2024	1,113,546	1,051	-	1,114,597
New loans/financing originated or purchased	275,543	26	827	276,396
Loans/financing derecognized or repaid	(274,117)	-	(7,176)	(281,293)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(81,329)	-	81,329	-
Recoveries	-	-	35	35
Written off	-	-	-	-
Balance at 31 December 2024	1,033,643	1,077	75,015	1,109,735

There are no renegotiated loans that would otherwise be past due or impaired as at 31 December 2024

Table CRC: Qualitative disclosures related to credit risk mitigation

Credit risk mitigation policies

Some specific control and mitigation measures are outlined below.

Collateral

The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over properties;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

In addition, in order to minimise credit losses, the Group will seek additional collaterals from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

The value and type of collateral or credit enhancement required depends on an assessment of the credit risk of the counterparty. Policies and guidelines are in place to determine the eligibility of collateral for credit risk mitigation.

The Group takes collateral as a secondary recourse to the borrower. The collateral and credit enhancements include but not limited to residential properties, income-producing real estate properties, guarantees and cash deposits.

Periodic valuations of collateral are required. Loans and advances are typically collateralized to a substantial extent with top-up clauses incorporated in the underlying agreement. The current market value of the collateral is considered during the review of the adequacy of the allowance for credit losses, among others.

Template CR3: Overview of recognized credit risk mitigation

The following table presents the extent of credit risk exposures covered by different types of recognized CRM as at 31 December 2024

(HK\$ '000)		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured : carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
1	Loans	1,107,824	1,824	1,824	0	0
2	Debt securities	0	0	0	0	0
3	Total	1,107,824	1,824	1,824	0	0
4	of which defaulted	116,731	0	0	0	0

Template CR4: Credit risk exposures and effects of recognized credit risk mitigation - for BSC approach

The following table illustrates the effect of any recognized credit risk mitigation (including recognized collateral based on the comprehensive approach or the simple approach or both) on the calculation of credit risk capital requirements under BSC approach as at 31 December 2024:

	Exposure Classes	(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount (HK\$ '000)	Off-balance sheet amount (HK\$ '000)	On-balance sheet amount (HK\$ '000)	Off-balance sheet amount (HK\$ '000)	RWA (HK\$ '000)	RWA density %
1	Sovereign exposures	0	0	0	0	0	0.00%
2	PSE exposures	0	0	0	0	0	0.00%
3	Multilateral development bank exposures	0	0	0	0	0	0.00%
4	Bank exposures	423,761	396,223	423,761	22,341	89,221	20.00%
5	Cash items	0	0	1,824	0	0	0.00%
6	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	0	0	0	0	0	0.00%
7	Residential mortgage loans	48,135	0	48,135	0	24,068	50.00%
8	Other exposures	1,161,526	21,425	1,159,702	0	1,159,702	100.00%
9	Significant exposures to commercial entities	0	0	0	0	0	0.00%
10	Total	1,633,422	417,648	1,633,422	22,341	1,272,991	76.88%

Template CR5 : Credit risk exposures by asset classes and by risk weights - for BSC approach

The following table presents a breakdown of credit risk exposures under BSC approach by asset classes and by risk weights as at 31 December 2024

	(HK\$ '000)	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	Risk Weight									
	Exposure class	0%	10%	20%	35%	50%	100%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures	0	0	0	0	0	0	0	0	0
2	PSE exposures	0	0	0	0	0	0	0	0	0
3	Multilateral development bank exposures	0	0	0	0	0	0	0	0	0
4	Bank exposures	0	0	446,102	0	0	0	0	0	446,102
5	Cash items	1,824	0	0	0	0	0	0	0	1,824
6	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	0	0	0	0	0	0	0	0	0
7	Residential mortgage loans	0	0	0	0	48,135	0	0	0	48,135
8	Other exposures	0	0	0	0	0	1,159,702	0	0	1,159,702
9	Significant exposures to commercial entities	0	0	0	0	0	0	0	0	0
10	Total	1,824	0	446,102	0	48,135	1,159,702	0	0	1,655,763

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

The Group's relevant counterparty credit risk exposures are applicable to interbank placements and nostro balances; commercial exposures (i.e. trade finance lines); and over-the-counter derivative financial instruments (i.e. foreign exchange contracts). Counterparty credit risk management policy is in place to set the scope for the management of all on and off-balance sheet credit risk exposures with sovereigns and financial institutions undertaken by the Bank and ensure counterparty credit risk management is consistently applied across all entities within the Group.

The Group has adopted the Current Exposure Method for regulatory capital calculation of its counterparty credit risk arising from derivative contracts booked in the banking book.

The Group does not carry interest and foreign exchange rate positions on its trading book. The derivatives are used to manage the Group's own exposures to market risks as part of its asset and liability management process. The principal derivatives instruments used by the Group are interest and foreign exchange rate related contracts, which are over-the-counter derivatives. Most of the Group's foreign exchange rate and interest rate contracts have been entered into to meet customer demand and manage the Group's own risk.

The Group maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts), in terms of amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e., assets where their fair values are positive), which is generally only a small fraction of the nominal value of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Group's market transactions on any single day.

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

The following table presents a comprehensive breakdown of counterparty default risk exposures (other than those to CCPs), RWAs, and , where applicable, main parameters under the approaches used to calculate default risk exposures in respect of derivative contracts and SFTs as at 31 December 2024

		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC) (HK\$ '000)	PFE (HK\$ '000)	Effective EPE (HK\$ '000)	Alpha used for computing default risk exposure	Default risk exposure after CRM (HK\$ '000)	RWA (HK\$ '000)
1	SA-CCR (for derivative contracts)	0	0		1.4	0	0
1a	CEM	109	15,849		1.4	22,341	4,468
2	IMM (CCR) Approach			0	0	0	0
3	Simple Approach (for SFTs)					0	0
4	Comprehensive Approach (for SFTs)					0	0
5	VaR (for SFTs)					0	0
6	Total						4,468



ALLIED BANKING CORPORATION (HONG KONG) LIMITED

Template CCR2: CVA capital charge

At 31 Dec 2024			
(HK\$ '000)		(a)	(b)
		EAD post CRM	RWA
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	0	0
1	(i) vaR (after application of multiplication factor if applicable)		0
2	(ii) Stressed vaR (after application of multiplication factor if applicable)		0
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	0	0
4	Total	0	0

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

The following table presents a breakdown of default risk exposures as at 31 December 2024, other than those to CCPs, in respect of derivative contracts and SFTs that are subject to the BSC approach, by asset classes and risk-weights, irrespective of the approach used to determine the amount of default risk exposures:

	(HK\$ '000)	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	<div> <div>Risk Weight</div> <div>Exposure class</div> </div>	0%	10%	20%	35%	50%	100%	250%	Others	Total default risk exposure after CRM
1	Sovereign exposures	0	0	0	0	0	0	0	0	0
2	PSE exposures	0	0	0	0	0	0	0	0	0
3	Multilateral development bank exposures	0	0	0	0	0	0	0	0	0
4	Bank exposures	0	0	22,341	0	0	0	0	0	22,341
5	CIS exposures	0	0	0	0	0	0	0	0	0
6	Other exposures	0	0	0	0	0	0	0	0	0
7	Significant exposures to commercial entities	0	0	0	0	0	0	0	0	0
8	Total	0	0	22,341	0	0	0	0	0	22,341

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

(HK\$ '000)	At 31 December 2024					
	(a)	(b)	(c)	(d)	(e)	(f)
	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash	0	0	0	0	0	0
Debt securities	0	0	0	0	0	0
Equity securities	0	0	0	0	0	0
Total	0	0	0	0	0	0

Template CCR6: Credit-related derivatives contracts

(HK\$ '000)	At 31 December 2024	
	(a)	(b)
	Protection bought	Protection sold
Notional amounts		
Single-name credit default swaps	0	0
Index credit default swaps	0	0
Total return swaps	0	0
Credit-related options	0	0
Other credit-related derivative contracts	0	0
Total notional amounts	0	0
Fair values		
Positive fair value (asset)	0	0
Negative fair value (liability)	0	0

Template CCR8: Exposures to CCPs

(HK\$ '000)		At 31 December 2024	
		(a)	(b)
		Exposure after CRM	RWA
1	Exposures of the AI as clearing member or client to qualifying CCPs (total)		0
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	0	0
3	(i) OTC derivative transactions	0	0
4	(ii) Exchange-traded derivative contracts	0	0
5	(iii) Securities financing transactions	0	0
6	(iv) Netting sets subject to valid cross-product netting agreements	0	0
7	Segregated initial margin	0	
8	Unsegregated initial margin	0	0
9	Funded default fund contributions	0	0
10	Unfunded default fund contributions	0	0
11	Exposures of the AI as clearing member or client to non-qualifying CCPs (total)		0
12	Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	0	0
13	(i) OTC derivative transactions	0	0
14	(ii) Exchange-traded derivative contracts	0	0
15	(iii) Securities financing transactions	0	0
16	(iv) Netting sets subject to valid cross-product netting agreements	0	0
17	Segregated initial margin	0	
18	Unsegregated initial margin	0	0
19	Funded default fund contributions	0	0
20	Unfunded default fund contributions	0	0

Table MRA: Qualitative disclosures related to market risk

The Group is exposed to market risk, which is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

Market risk is managed by the Asset and Liability Management Committee ("ALCO"). ALCO directs the Group's overall acquisition, allocation and pricing of funds, within the established target/guidelines, while managing and monitoring the overall treasury risk exposure. It comprises one non-executive director, the Chief Executive, two Alternate Chief Executives, who are also the Head of Treasury and Head of Operation, the Senior Manager of Credit, the Head of Marketing and the Manager of Accounts.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within the approved policy parameters by utilising forward foreign exchange contracts. The Group does not have any significant foreign exchange risk as foreign exchange dealing is moderate. Day-to-day foreign exchange management is performed by the Treasury Management Department within the approved limits. The Group takes exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. ALCO sets both overnight and intra-day positions limits and monitors the level of exposure by currencies and in total on a daily basis.

A revised market risk capital framework has been prepared for the implementation of 2025 by adopting the Simplified Standardised Approach (SSA). Relevant control and monitoring measures on the market risk exposures are in place to monitor our eligibility to adopt SSA for the calculation of market risk capital charge such as market risk limits commensurate to our market risk appetite; management action triggers (MATs) for monitoring the SSA eligibility criteria; and actions to be taken in case of MATs being triggered.

Template MR1: Market risk under Standardized (market risk) approach (STM approach)

The table below provides the components of the market risk capital requirements calculated using the STM approach exposures as at 31 December 2024:

	(HK\$ '000)	(a) RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	14,950
2	Equity exposures (general and specific risk)	0
3	Foreign exchange (including gold) exposures	1,400
4	Commodity exposures	0
	Option exposures	
5	Simplified approach	0
6	Delta-plus approach	0
7	Other approach	0
8	Securitization exposures	0
9	Total	16,350

Table IRRBBA: Interest rate risk in banking book – risk management objectives and policies

Interest rate risk in banking book positions is the risk to the Bank's financial condition resulting from adverse movements in interest rates that affect banking book positions. Changes in market interest rate affect the economic value of interest bearing assets, interest bearing liabilities and off-balance sheet commitments and net interest income from the financial instruments. The objective of interest rate risk management is to minimize the adverse effects of interest rate movements in economic value of equity (EVE) and net interest income (NII) by closely monitoring the net repricing gap of the Bank's assets and liabilities.

Interest rate risk in banking book ("IRRBB") comprises gap risk, basis risk and option risk. The major types of interest rate risk of the Bank are:

- Gap risk: mismatches in the maturity or repricing periods of assets, liabilities and off-balance sheet commitments that may affect net interest income and economic value;
- Basis risk: risk arises from imperfect correlation between changes in the rates earned and paid on different instruments with otherwise similar repricing characteristics.
- Option risk: exercise of the options embedded in assets, liabilities and/or off-balance sheet instruments that can cause a change in the cash flows of assets and liabilities.

Asset and Liability Management Committee (ALCO) is delegated by the Board with the responsibility to oversee the interest rate risk management of the Bank. Its members consist of Chief Executive (CE), Alternate Chief Executive (ACE), Head of Treasury, Department Heads and one non-executive director. The CE, ACE and Head of Treasury monitor and control the interest rate risk on daily basis. The formal limits are approved by the Board. Exceptions have to be approved by any two ALCO members of Class A approval authority or above and reported to ALCO meeting monthly. The limits will be subject to regular review by ALCO for its appropriateness. The Bank will identify the interest rate risks inherent in new services and activities and ensure that these are subject to adequate procedures and controls before being introduced. Pricing strategy will cater for an adequate interest spread to absorb any additional interest rate risk. The Bank will also consider balancing cash flows and managing the interest rate risk arising from new services or strategies through hedging. Any new services, strategies, major hedging or risk management initiatives will be approved in advance by ALCO. The Bank will measure the vulnerability to loss in stressed market conditions, including the breakdown of key assumptions, and consider those results when establishing and reviewing the policies and limits for interest rate risk. Internal or external auditors will evaluate the effectiveness of the internal controls annually, covering also the integrity, accuracy and reasonableness of the risk



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Table IRRBBA: Interest rate risk in banking book – risk management objectives and policies (continued)

management process. The independent review considers factors including the quality of interest rate risk management and the size of interest rate risk.

For computation of the impact on EVE, the Bank adopts the six prescribed standardized interest rate shock scenarios defined by the HKMA:

- parallel up;
- parallel down;
- steepener;
- flattener;
- short rate up; and
- short rate down

For computation of the impact on NII over the next twelve months, the Bank adopts the two prescribed standardized basis risk scenarios defined by the HKMA:

- all rates except for fixed and managed rates on interest rate-sensitive assets are subject to the parallel up shock; and
- managed rates on interest rate-sensitive assets are subject to the parallel down shock while other rates remain unchanged

The key modeling assumptions used by the Bank in EVE and NII computation pursuant to the requirements of the HKMA include the followings:

- the repricing maturity of non-maturity deposits (NMDs) is determined based on the earliest date on which their interest rates can be adjusted. Based on such assumption, the repricing maturity of all NMDs is determined to be one day.
- retail term deposits are assumed not subject to early redemption risk that cannot be withdrawn early at the discretion of the customer.
- No retail fixed rate loans are subject to early prepayment risk.
- commercial margins and other spread components are excluded in the cash flows used in the computation and discount rate.

The Bank measures IRRBB separately for USD and HKD currencies. In addition, the Bank also measures IRRBB separately for each significant currency. The Bank's significant currency would exceed 5% of the bank's total on-balance sheet interest rate-sensitive assets or liabilities.



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

The table below provides information on interest rate risk in banking book.

		(a)	(b)	(c)	(d)
		ΔEVE		ΔNII	
	Period	31 December 2024	31 December 2023	31 December 2024	31 December 2023
		HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
1	Parallel up	(3,864)	(3,863)	(23,205)	(24,818)
2	Parallel down	3,894	3,894	(37,395)	(40,137)
3	Steepener	2,910	2,921		
4	Flattener	(3,675)	(3,686)		
5	Short rate up	(4,764)	(4,771)		
6	Short rate down	4,814	4,818		
7	Maximum	4,814	4,771	37,395	40,137
	Period	31 December 2024		31 December 2023	
		HK\$ '000		HK\$ '000	
8	Tier 1 capital	533,339		506,796	



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Table REMA: Remuneration policy

Disclosure of Remuneration Policy

In accordance with the “Guideline on a Sound Remuneration System” issued by Hong Kong Monetary Authority (“HKMA”) in March 2010 and its revision effective March 2015, the Bank has reviewed its remuneration policy for employees of the Group including its branch and subsidiary.

The Board of directors has authority to approve remuneration matters brought before it subject to any shareholder approvals that may be required under its Memorandum and Articles of Association and By-laws or by any and all regulatory requirements.

The members of the Board who have been directly involved in the formulation of this Remuneration Policy have the experience to form an independent judgement on the suitability of the remuneration policy and its implications for risk and risk management and thereafter the implementation and operation of the remuneration system.

The Board has established a board remuneration committee for the design and operation of the remuneration system.

The policy covers the remuneration of the following designated personnel:

- (a) Senior management who are responsible for oversight of the Bank’s strategy or activities or those of material business lines i.e. CE, ACE, Marketing Head, Head of Treasury, Head of Operations;
- (b) Individual employees (“Key Personnel”) whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposures of Bank i.e. Foreign Exchange & Money Market Dealers;
- (c) Group of employees whose activities in the aggregate may expose the Bank to material amounts of risk and who are subject to the same or similar incentive arrangements i.e. Relationship Managers;
- (d) Employees within risk control functions i.e. Chief Accountant, Internal Audit, Compliance Officer and Head of Credit.

General Principles

The key principles underpinning the Company’s remuneration policy are accessible to all employees, including but not limited to the financial and non-financial factors to be used to measure the employees’ performance, risk adjustments to the performance measurement and the “payout function” to determine how and when the employees will be paid for their performance.



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Table REMA: Remuneration policy (continued)

Remuneration Structure

The Company adopts a flat and simple remuneration structure. Having regard to the seniority, role, responsibilities and activities of employees, the Bank has established policies and procedures to ensure an appropriate balance between fixed and variable incentive-based compensation, both financial and non-financial incentives. The pay packages are total cash packages with minimal benefits in addition to the basic pay.

The proportion of variable remuneration to total remuneration generally increases in line with the seniority and responsibility of an employee.

The annual discretionary bonus is based on performance and is at a very minimum level commensurate to the profitability of the Company. There are no grants of shares or share-link instruments that form part of the remuneration. As such, the variable proportion of the remuneration of the senior management is never substantial within the organization.

The variable component of the incentives relates to non-financial benefits like use of club membership and company provided and chauffeur driven car for senior management and key personnel.

The Company does not adopt any exceptional use of guaranteed minimum bonuses regardless of employee's performance.

The structure of the remuneration has the following components:

- Base remuneration that is fixed for all salaried employees depending on various factors e.g. role in the company, seniority, risk exposure, and other bank industry competitive edge factors in recruiting, developing and maintaining a professional and highly qualified workforce, payable monthly and
- Variable pay, the amount of which is discretionary dependent on the company-wide performance as well as individual performance evaluation, payable in the form of a lump sum once a year.

Employee's Performance Measurements and the Award of Variable Remuneration

The performance evaluation will include several attributes such as job competency, quality of work, efficiency, accuracy, and achievement of targets, leadership, decision making, problem solving and other factors for work performance. Work attitude is also scored by including factors such as initiation, willingness to learn and adaptability, responsibility and commitment, self-discipline, customer service and teamwork. Interpersonal conduct is also considered by including factors like punctuality, integrity, communications and relationships. Incorporated in the performance valuation are other factors in respect of compliance to audit findings and other regulatory and statutory requirements.



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Table REMA: Remuneration policy (continued)

Employee's Performance Measurements and the Award of Base and Variable Remuneration (continued)

All employees will be evaluated annually by their immediate supervisors or department heads. Salaries review is conducted once a year, normally at year end together with the Company's annual staff performance appraisal.

Both fixed pay and variable pay, if any, are reviewed annually at the beginning of each year taking into consideration the overall performance of the Company as a whole, performance of the relevant business units; and contribution of individual employees to such performance. The total amount of variable remuneration is reduced or none at all in the event of deterioration in the financial performance of the Company. Historically, the Company has not been paying any variable pay and has been flexible to withhold all or part of the discretionary bonus due to the necessity to protect the financial soundness of the institution or business objectives have not been fully met or payment is not justified by the performance of the Company.

Non-Executive Director Remuneration

Non-executive directors are remunerated by way of minimal fees, including minimal travel allowances for attendance in face to face Board meetings held every quarter four times annually. Some resident directors who are members of the risk committees are paid a basic salary set at a low level for work done at committee levels.

The overall level of annual non-executive director fees is approved by the shareholders with reference to the market and within the bounds of the shareholder approval.

Deferral Arrangements

The early payment of deferred remuneration to senior management and key personnel is subject to approval by the Board or the Remuneration Committee with the necessary delegated authority. The rationale and justification for early payment of deferred remuneration are recorded in writing.

The severance pay is aligned with the performance achieved over time and designed in a way that does not reward failure.



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Table REMA: Remuneration policy (continued)

Deferral Arrangements (continued)

In the respect of hiring prospective employees where payment to compensate them for deferred remuneration forfeited on leaving their previous employer is required, the offer for such arrangement shall only be made under exceptional circumstances and subject to the following conditions:

- Deferral and pre-defined vesting conditions by reference to the Company's future performance;
- Approval by the Board or the Board's remuneration committee with necessary delegated authority in the case of senior management and key personnel;
- Rationale and justification being recorded and retained in writing.

Although the matter of deferred remuneration is not currently being considered by the Company, the same is included in the remuneration policy in the event that the Company will venture into this arrangement in the near future.

Template REM1: Remuneration awarded during financial year

Total value of remuneration in 2024

	2024		2023	
Total value of remuneration awards for the current financial year	Non-deferred (HK\$ '000)	Deferred (HK\$ '000)	Non-deferred (HK\$ '000)	Deferred (HK\$ '000)
(i)Senior Management and Key Personnel				
Number of employees	6		6	
Fixed remuneration				
● Cash-based	11,034	0	10,752	0
Variable remuneration				
● Cash-based	0	0	0	0
● Share Options	0	0	0	0
Total Remuneration	11,034	0	10,752	0

Our company has a small number of executives that individuals' remuneration could be easily deducted from disclosure of a breakdown of the figures, hence, it only discloses aggregate figures for senior management and key personnel.

Template REM2: Special payments

No senior management or key personnel had been awarded new sign-on awards or severance payments or paid guaranteed bonuses for the year ended 31 December 2024.

		(a)	(b)	(c)	(d)	(e)	(f)
Special payments		Guaranteed bonuses		Sign-on awards		Severance payments	
		Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
1	Senior management & key personnel	0	0	0	0	0	0

Template REM3: Deferred Remuneration
Total outstanding deferred remuneration in 2024

	(a)	(b)	(c)	(d)	(e)
	Total amount of outstanding deferred remuneration	Of which: amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior management and key personnel					
● Cash-based	0	0	0	0	0
● Share Options	0	0	0	0	0
Total	0	0	0	0	0

Total outstanding deferred remuneration in 2023

	(a)	(b)	(c)	(d)	(e)
	Total amount of outstanding deferred remuneration	Of which: amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior management and key personnel					
● Cash-based	0	0	0	0	0
● Share Options	0	0	0	0	0
Total	0	0	0	0	0

Glossary

Abbreviations	Descriptions
AT1	Additional Tier 1
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CEM	Current Exposure Method
CET1	Common Equity Tier 1
CIS	Collective Investment Scheme
CRM	Credit Risk Mitigation
CVA	Credit Valuation Adjustment
EAD	Exposure At Default
ECL	Expected credit losses
EPE	Expected Positive Exposure
IMM	Internal Models Method
PFE	Potential Future Exposure
PSE	Public Sector Entity
RWA	Risk Weighted Asset
SA-CCR	Standardized Approach (Counterparty Credit Risk)
SFT	Securities Financing Transaction
STC	Standardized (Credit Risk)
STM	Standardized (Market Risk)
STO	Standardized (Operational Risk)
VaR	Value-At-Risk