



PAO BANK LIMITED

REGULATORY DISCLOSURE STATEMENT (Unaudited)

AS AT 30 JUNE 2024

PAO BANK LIMITED

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1. Introduction

General information

The information contained in this document is for PAO BANK LIMITED (“the Bank”), and prepared in accordance with the Banking (Disclosure) Rules (“BDR”) and disclosure templates issued by the Hong Kong Monetary Authority (“HKMA”).

Basis of preparation

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

Credit risk: Standardized (Credit Risk) Approach;

Market risk: Standardized (Market Risk) Approach;

Operational Risk: Transitional arrangements pursuant to section 341 of BCR on 30 June 2023 and Basic Indicator Approach after 30 Jun 2023.

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2. Key prudential ratios

2.1 KM1: Key prudential ratios

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

		(a)	(b)	(c)	(d)	(e)
		At 30 Jun 2024	At 31 Mar 2024	At 31 Dec 2023	At 30 Sep 2023	At 30 Jun 2023
HK\$'000						
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	797,762	497,579	546,433	593,786	626,890
2	Tier 1	797,762	497,579	546,433	593,786	626,890
3	Total capital	811,582	505,879	554,635	601,590	633,133
	RWA (amount)					
4	Total RWA	1,297,311	835,412	820,598	772,903	632,966
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	61.5%	59.6%	66.6%	76.8%	99.0%
6	Tier 1 ratio (%)	61.5%	59.6%	66.6%	76.8%	99.0%
7	Total capital ratio (%)	62.6%	60.6%	67.6%	77.8%	100.0%
	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 (%)	0.999%	0.998%	1.000%	0.998%	0.997%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	NA	NA	NA	NA	NA
11	Total AI-specific CET1 buffer requirements (%)	3.499%	3.498%	3.500%	3.498%	3.497%
12	CET1 available after meeting the AI's minimum capital requirements (%)	54.6%	52.6%	59.6%	69.8%	92.0%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	5,105,869	3,237,149	3,183,532	3,129,120	2,943,100
14	LR (%)	15.6%	15.4%	17.2%	19.0%	21.3%
	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 (%)	97.8%	68.3%	74.1%	85.1%	78.5%
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18	Total available stable funding	NA	NA	NA	NA	NA
19	Total required stable funding	NA	NA	NA	NA	NA
20	NSFR (%)	NA	NA	NA	NA	NA
	Applicable to category 2A institution only:					
20a	CFR (%)	NA	NA	NA	NA	NA

The capital ratios and LMR remained well above the minimum regulatory requirements. Increase in regulatory capital ratios and total leverage ratio were mainly due to capital injection in April 2024 and higher total RWA.

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3. Overview of risk-weighted amount

3.1 OV1: Overview of risk-weighted amount (“RWA”)

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

HK\$'000		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30 Jun 2024	31 Mar 2024	30 Jun 2024
1	Credit risk for non-securitization exposures	1,105,565	663,994	88,445
2	Of which STC approach	1,105,565	663,994	88,445
2a	Of which BSC approach	–	–	–
3	Of which foundation IRB approach	–	–	–
4	Of which supervisory slotting criteria approach	–	–	–
5	Of which advanced IRB approach	–	–	–
6	Counterparty default risk and default fund contributions	–	–	–
7	Of which SA-CCR approach	–	–	–
7a	Of which CEM	–	–	–
8	Of which IMM(CCR) approach	–	–	–
9	Of which others	–	–	–
10	CVA risk	–	–	–
11	Equity positions in banking book under the simple risk-weight method and internal models method	–	–	–
12	Collective investment scheme (“CIS”) exposures – LTA	NA	NA	NA
13	CIS exposures – MBA	NA	NA	NA
14	CIS exposures – FBA	NA	NA	NA
14a	CIS exposures – combination of approaches	NA	NA	NA
15	Settlement risk	–	–	–
16	Securitization exposures in banking book	–	–	–
17	Of which SEC-IRBA	–	–	–
18	Of which SEC-ERBA (including IAA)	–	–	–
19	Of which SEC-SA	–	–	–
19a	Of which SEC-FBA	–	–	–
20	Market risk	26,888	27,675	2,151
21	Of which STM approach	26,888	27,675	2,151
22	Of which IMM approach	–	–	–
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	NA	NA	NA
24	Operational risk	166,900	146,875	13,352
24a	Sovereign concentration risk	NA	NA	NA
25	Amounts below the thresholds for deduction (subject to 250% RW)	–	–	–
26	Capital floor adjustment	–	–	–
26a	Deduction to RWA	2,042	3,132	163
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	2,042	3,132	163
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	–	–	–
27	Total	1,297,311	835,412	103,785

Increase in total RWA was mainly due to 1) the increase in credit risk RWA on banking exposures driven by capital injection and the increase in customer deposits, along with higher customer loan exposure; and 2) the increase in operational risk RWA due to a continuous increase in gross income.

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4. Composition of regulatory capital

4.1 CC1: Composition of regulatory capital

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

		(a)	(b)
		Amount	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
As at 30 Jun 2024 HK\$'000			
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	1,850,000	(3)
2	Retained earnings	(964,006)	(4)
3	Disclosed reserves	24,796	(5)
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	NA	NA
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	–	
6	CET1 capital before regulatory deductions	910,790	
CET1 capital: regulatory deductions			
7	Valuation adjustments	–	
8	Goodwill (net of associated deferred tax liabilities)	–	
9	Other intangible assets (net of associated deferred tax liabilities)	113,028	(2)
10	Deferred tax assets (net of associated deferred tax liabilities)	–	
11	Cash flow hedge reserve	–	
12	Excess of total EL amount over total eligible provisions under the IRB approach	–	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	–	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	–	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	–	
17	Reciprocal cross-holdings in CET1 capital instruments	–	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	

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4. Composition of regulatory capital (Continued)

4.1 CC1: Composition of regulatory capital (Continued)

		(a)	(b)
		Amount	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
As at 30 Jun 2024 HK\$'000			
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	NA	NA
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	NA	NA
22	Amount exceeding the 15% threshold	NA	NA
23	of which: significant investments in the ordinary share of financial sector entities	NA	NA
24	of which: mortgage servicing rights	NA	NA
25	of which: deferred tax assets arising from temporary differences	NA	NA
26	National specific regulatory adjustments applied to CET1 capital	–	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	–	
26b	Regulatory reserve for general banking risks	–	
26c	Securitization exposures specified in a notice given by the MA	–	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	–	
26e	Capital shortfall of regulated non-bank subsidiaries	–	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	–	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	–	
28	Total regulatory deductions to CET1 capital	113,028	
29	CET1 capital	797,762	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	–	
31	of which: classified as equity under applicable accounting standards	–	
32	of which: classified as liabilities under applicable accounting standards	–	

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4. Composition of regulatory capital (Continued)

4.1 CC1: Composition of regulatory capital (Continued)

		(a)	(b)
As at 30 Jun 2024 HK\$'000		Amount	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	–	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	–	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	–	
36	AT1 capital before regulatory deductions	–	
AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	–	
38	Reciprocal cross-holdings in AT1 capital instruments	–	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	–	
41	National specific regulatory adjustments applied to AT1 capital	–	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	–	
43	Total regulatory deductions to AT1 capital	–	
44	AT1 capital	–	
45	Tier 1 capital (T1 = CET1 + AT1)	797,762	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	–	
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	–	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	–	
49	<i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	–	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	13,820	
51	Tier 2 capital before regulatory deductions	13,820	

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4. Composition of regulatory capital (Continued)

4.1 CC1: Composition of regulatory capital (Continued)

		(a)	(b)
As at 30 Jun 2024 HK\$'000		Amount	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	–	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	–	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	–	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as “section 2 institution” under §2(1) of Schedule 4F to BCR only)	–	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
56	National specific regulatory adjustments applied to Tier 2 capital	–	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	–	
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	–	
57	Total regulatory adjustments to Tier 2 capital	–	
58	Tier 2 capital (T2)	13,820	
59	Total regulatory capital (TC = T1 + T2)	811,582	
60	Total RWA	1,297,311	
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	61.5%	
62	Tier 1 capital ratio	61.5%	
63	Total capital ratio	62.6%	

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4. Composition of regulatory capital (Continued)

4.1 CC1: Composition of regulatory capital (Continued)

		(a)	(b)
As at 30 Jun 2024 HK\$'000		Amount	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	3.499%	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: bank specific countercyclical capital buffer requirement	0.999%	
67	of which: higher loss absorbency requirement	0%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	54.6%	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	NA	NA
70	National Tier 1 minimum ratio	NA	NA
71	National Total capital minimum ratio	NA	NA
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	–	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	–	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	NA	NA
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	NA	NA
Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	15,862	(1)
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	13,820	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	–	

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4. Composition of regulatory capital (Continued)

4.1 CC1: Composition of regulatory capital (Continued)

		(a)	(b)
As at 30 Jun 2024 HK\$'000		Amount	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	–	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	<i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	NA	NA
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	NA	NA
82	<i>Current cap on AT1 capital instruments subject to phase-out arrangements</i>	–	
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	–	
84	<i>Current cap on Tier 2 capital instruments subject to phase-out arrangements</i>	–	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	–	

Notes to the Template

Description	Hong Kong basis	Basel III basis
9 Other intangible assets (net of associated deferred tax liabilities)	113,028	113,028
<p><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.</p>		

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4. Composition of regulatory capital (Continued)

4.2 CC2: Reconciliation of regulatory capital to balance sheet

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

	(a)	(b)	(c)
As at 30 Jun 2024 HK\$'000	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
Assets			
Balances with banks and central bank	210,795	210,795	
Placements with and advances to banks	334,027	334,027	
Of which: Collective provision reflected in regulatory capital	–	(17)	(1)
Investment securities	1,905,834	1,905,834	
Of which: Collective provision reflected in regulatory capital	–	–	(1)
Loans and advances to customers	2,632,384	2,632,384	
Of which: Collective provision reflected in regulatory capital	–	(15,845)	(1)
Of which: Specific provision reflected in regulatory capital	–	(13,140)	
Amounts due from related companies	224	224	
Property, plant and equipment	2,820	2,820	
Intangible assets	113,028	113,028	(2)
Right-of-use asset	4,848	4,848	
Other assets	13,296	13,296	
Total assets	5,217,256	5,217,256	
Liabilities			
Repurchase agreements at amortised cost	0	0	
Deposits from customers	4,223,668	4,223,668	
Amounts due to related companies	32,932	32,932	
Other payables and accruals	41,146	41,146	
Lease liability	8,720	8,720	
Total liabilities	4,306,466	4,306,466	
Shareholders' equity			
Share capital	1,850,000	1,850,000	(3)
Accumulated losses	(964,006)	(964,006)	(4)
Other reserves	24,796	24,796	(5)
Total shareholders' equity	910,790	910,790	
Total equity and liabilities	5,217,256	5,217,256	

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4. Composition of regulatory capital (Continued)

4.3 CCA: Main features of regulatory capital instruments

As at 30 Jun 2024		CET1 Capital Ordinary Shares
1	Issuer	PAO Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules ¹	N/A
5	Post-transitional Basel III rules ²	CET1
6	Eligible at solo / group / solo and group	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	HK\$ 1,850 Million
9	Par value of instrument	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1 share issued on 7 Dec 2018
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend / coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A

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

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

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4. Composition of regulatory capital (Continued)

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

As at 30 Jun 2024		CET1 Capital Ordinary Shares
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

5. Macroprudential supervisory measures

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

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

As at 30 Jun 2024 HK\$’000	Geographical breakdown by Jurisdiction (J)	(a)	(c)	(d)	(e)
		Applicable JCCyB ratio in effect (%)	RWA used in computation of CCyB ratio	AI-specific CCyB ratio (%)	CCyB amount
1	Hong Kong SAR	1.000%	468,008		
2	Sum of above		468,008		
3	Total		468,631	0.999%	4,681

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6. Leverage ratio

6.1 LR1: Summary comparison of accounting assets against leverage ratio (“LR”) exposure measure

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

As at 30 Jun 2024 HK\$’000		(a)
	Item	Value under the LR framework
1	Total consolidated assets as per published financial statements (before adjustments for specific and collective provisions per 6a below)	5,246,258
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	–
4	Adjustments for derivative contracts	–
5	Adjustment for SFTs (i.e. repos and similar secured lending)	–
6	Adjustment for off-balance sheet (“OBS”) items (i.e. conversion to credit equivalent amounts of OBS exposures)	1,641
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(29,002)
7	Other adjustments	(113,028)
8	Leverage ratio exposure measure	5,105,869

6.2 LR2: Leverage ratio (“LR”)

The table below provides a detailed breakdown of the components of the LR denominator as at 30 Jun 2024.

HK\$’000		(a) As at 30 Jun 2024	(b) As at 31 Mar 2024
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	5,246,258	3,375,795
2	Less: Asset amounts deducted in determining Tier 1 capital	(113,028)	(116,831)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	5,133,230	3,258,964
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	–	–
5	Add-on amounts for PFE associated with all derivative contracts	–	–

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6. Leverage ratio (Continued)

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

HK\$'000		(a)	(b)
		As at 30 Jun 2024	As at 31 Mar 2024
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	–	–
8	Less: Exempted CCP leg of client-cleared trade exposures	–	–
9	Adjusted effective notional amount of written credit derivative contracts	–	–
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	–	–
11	Total exposures arising from derivative contracts	–	–
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	–	–
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	–	–
15	Agent transaction exposures	–	–
16	Total exposures arising from SFTs	–	–
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	16,409	11,262
18	Less: Adjustments for conversion to credit equivalent amounts	(14,768)	(10,136)
19	Off-balance sheet items	1,641	1,126
Capital and total exposures			
20	Tier 1 capital	797,762	497,579
20a	Total exposures before adjustments for specific and collective provisions	5,134,871	3,260,090
20b	Adjustments for specific and collective provisions	(29,002)	(22,941)
21	Total exposures after adjustments for specific and collective provisions	5,105,869	3,237,149
Leverage ratio			
22	Leverage ratio	15.6%	15.4%

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7. Credit risk for non-securitization exposures

7.1 CR1: Credit quality of exposures

		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of		Allowances / impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
	As at 30 Jun 2024 HK\$'000							
1	Loans	139,640	2,856,108	29,002	13,140	15,862	–	2,966,746
2	Debt securities	–	1,905,834	–	–	–	–	1,905,834
3	Off-balance sheet exposures	–	–	–	–	–	–	–
4	Total	139,640	4,761,942	29,002	13,140	15,862	–	4,872,580

7.2 CR2: Changes in defaulted loans and debt securities

As at 30 Jun 2024 HK\$'000		(a) Amount
1	Defaulted loans and debt securities at end of the previous reporting period	67,756
2	Loans and debt securities that have defaulted since the last reporting period	87,701
3	Returned to non-defaulted status	–
4	Amounts written off	(10,318)
5	Other changes*	(5,499)
6	Defaulted loans and debt securities at end of the current reporting period	139,640

* Other changes included repayments from non-performing loans.

7.3 CR3: Overview of recognized credit risk mitigation

		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
	As at 30 Jun 2024 HK\$'000					
1	Loans	900,690	2,066,056	–	2,066,056	–
2	Debt securities	1,905,834	–	–	–	–
3	Total	2,806,524	2,066,056	–	2,066,056	–
4	Of which defaulted	164	126,336	–	126,336	–

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

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

The following table illustrate the effect of any recognized CRM (including recognized collateral under both comprehensive and simple approaches) on the calculation of credit risk capital requirements under STC approach as of 30 June 2024.

As at 30 Jun 2024 HK\$'000		(a)	(b)	(c)	(d)	(e)		(f)
Exposure classes		Exposures pre-CCF and pre-CRM	Exposures post-CCF and post-CRM	Exposures pre-CCF and post-CRM	Off-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures	682,746	–	2,748,802	–	–	–	0%
2	PSE exposures	–	–	–	–	–	–	–
2a	Of which: domestic PSEs	–	–	–	–	–	–	–
2b	Of which: foreign PSEs	–	–	–	–	–	–	–
3	Multilateral development bank exposures	–	–	–	–	–	–	–
4	Bank exposures	1,767,926	–	1,767,926	–	–	636,934	36%
5	Securities firm exposures	–	–	–	–	–	–	–
6	Corporate exposures	157,824	–	42,764	–	–	42,764	100%
7	CIS exposures	–	–	–	–	–	–	–
8	Cash items	–	–	–	–	–	–	–
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis							
10	Regulatory retail exposures	2,363,904	16,409	539,244	–	–	404,433	75%
11	Residential mortgage loans	–	–	–	–	–	–	–
12	Other exposures which are not past due exposures	21,188	–	21,188	–	–	21,188	100%
13	Past due exposures	126,500	–	164	–	–	246	150%
14	Significant exposures to commercial entities	–	–	–	–	–	–	–
15	Total	5,120,088	16,409	5,120,088	–	–	1,105,565	22%

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

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

The following table present a breakdown of credit risk exposures under STC approach by asset classes and by risk weights as of 30 June 2024.

As at 30 Jun 2024 HK\$'000		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)				
Risk Weight												Total credit risk exposures amount (post CCF and post CRM)				
1	2	2a	2b	3	4	5	6	7	8	9	10	11	12	13	14	15
Exposure class		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others					
Sovereign exposures	2,748,802															
PSE exposures																
Of which: domestic PSEs																
Of which: foreign PSEs																
Multilateral development bank exposures																
Bank exposures				823,433		944,493										1,767,926
Securities firm exposures																
Corporate exposures								42,764								42,764
CIS exposures																
Cash items																
Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis																
Regulatory retail exposures							539,244									539,244
Residential mortgage loans																
Other exposures which are not past due exposures								21,188								21,188
Past due exposures									164							164
Significant exposures to commercial entities																
Total	2,748,802			823,433		944,493	539,244	63,952	164							5,120,088

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8. Counterparty credit risk

There were no counterparty default risk exposures and credit-related derivative contracts as at 30 June 2024.

9. Securitization exposures

There were no securitization exposures as at 30 June 2024.

10. Market risk

10.1 MR1: Market risk under STM approach

The table below provides the components of the market risk capital requirements calculated using the STM approach as at 30 June 2024:

As at 30 Jun 2024 HK\$'000		(a)
		RWA
Outright product exposures		
1	Interest rate exposures (general and specific risk)	–
2	Equity exposures (general and specific risk)	–
3	Foreign exchange (including gold) exposures	26,888
4	Commodity exposures	–
Option exposures		
5	Simplified approach	–
6	Delta-plus approach	–
7	Other approach	–
8	Securitization exposures	–
9	Total	26,888

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

As at 30 Jun 2024 HK\$'000	Contractual amount	RWA
Direct credit substitutes	–	–
Transaction-related contingencies	–	–
Trade-related contingencies	–	–
Note issuance and revolving underwriting facilities	–	–
Forward asset purchases, amounts owing on partly paid-up shares and securities, forward forward deposits placed and asset sales with recourse	–	–
Other commitments		
– Which are unconditionally cancellable	16,409	–
– With an original maturity of not more than one year	–	–
– With an original maturity of more than one year	–	–
	16,409	–

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12. International claims

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

As at 30 Jun 2024 HK\$'000	Banks	Official sector	Non-bank private sector		Total
			Non-bank financial institution	Non-financial private sector	
Offshore centres					
of which Caymen Islands	–	–	964,008	–	964,008
Developing Asia-Pacific					
of which China	1,031,082	–	–	29	1,031,111
	1,031,082	–	964,008	29	1,995,119

13. Loans and advances – Sector information

(a) Sector information

As at 30 Jun 2024 HK\$'000	Outstanding balance	Balance covered by collateral/ other security
Gross loans and advances to customers in Hong Kong (after recognized risk transfer) and for use in Hong Kong	2,649,998	–
Industrial, commercial and financial		
– Property development	1,728	–
– Wholesale and retail trade	1,752,485	–
– Manufacturing	92,887	–
– Transport and transport equipment	140,715	–
– Recreational activities	24,622	–
– Information technology	60,798	–
– Others	481,736	–
Individuals		
– Others	95,027	–
	2,649,998	–

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13. Loans and advances – Sector information (Continued)

(a) Sector information (Continued)

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

As at 30 Jun 2024 HK\$'000	Impaired advances to customers	Overdue > 3 months advances to customers	Stage 3 expected credit loss provision	Stage 1 & 2 expected credit loss provision	Provision charge
Gross loans and advances for use in Hong Kong					
– Wholesales and retail trade	98,083	97,351	7,605	10,203	14,909
– Others	22,282	22,282	2,334	2,884	4,804
	120,365	119,633	9,939	13,087	19,713

(b) Geographical information

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

As at 30 Jun 2024 HK\$'000	Gross loans and advances to customers	Impaired loans and advances to customers	Overdue loans and advances to customers > 3 months	Specific provisions	Collective provisions
Hong Kong	2,649,998	138,108	134,699	11,608	15,845
	2,649,998	138,108	134,699	11,608	15,845

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14. Overdue and rescheduled assets

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

As at 30 Jun 2024 HK\$'000		% of gross loans and advances to customers
Balances which have been overdue for:		
– 6 months or less but over 3 months	49,948	1.88
– 1 year or less but over 6 months	43,133	1.63
– over 1 year	41,618	1.57
	134,699	5.08
Current market value of collateral	–	
Covered portion by collateral	–	
Uncovered portion by collateral	134,699	
Credit impairment allowances	10,797	

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

- (b) There were no rescheduled assets as at 30 June 2024.
- (c) There were no repossessed assets held as at 30 June 2024.
- (d) There were no advances to bank which were overdue for over 3 months.

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15. Non-bank mainland exposures

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

As at 30 Jun 2024 HK\$'000 Types of Counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total exposures
1. Central government, central government-owned entities and their subsidiaries and Joint Ventures	–	–	–
2. Local governments, local government-owned entities and their subsidiaries and JVs	–	–	–
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	29	–	29
4. Other entities of central government not reported in item 1 above	–	–	–
5. Other entities of local governments not reported in item 2 above	–	–	–
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	–	–	–
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	–	–	–
Total	29	–	29
Total assets after provisions	5,233,129		
On-balance sheet exposures as % of total assets	0.00%		

16. Foreign currency exposures

As at 30 Jun 2024 Equivalent in HK\$'000	USD	CNY	Total
Spot assets	1,476,548	115	1,476,663
Spot liabilities	(1,449,028)	(27,003)	(1,476,031)
Forward purchases	–	–	–
Forward sales	–	–	–
Net options position	–	–	–
Net (short) / long position	27,520	(26,888)	632

The Bank had no structural position as of 30 June 2024.

17. Abbreviations

Abbreviations	Brief Description
AT1	Additional Tier 1
BSC	Basic Approach
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CEM	Current Exposure Method
CET1	Common Equity Tier 1
CFR	Core Funding Ratio
CIS	Collective Investment Scheme
CRM	Credit Risk Mitigation
CVA	Credit Valuation Adjustment
D-SIB	Domestic Systemically Important Authorized Institution
DTAs	Deferred Tax Assets
EL	Expected Loss
FBA	Fall-Back Approach
G-SIB	Global Systemically Important Authorized Institution
HQLA	High Quality Liquid Assets
IAA	Internal Assessment Approach
IMM	Internal Models Method
IMM (CCR)	Internal Models Method (Counterparty Credit Risk)
IRB	Internal Ratings-Based
JCCyB	Jurisdictional Countercyclical Capital Buffer
LAC	Loss-absorbing Capacity
LCR	Liquidity Coverage Ratio
LMR	Liquidity Maintenance Ratio
LR	Leverage Ratio
LTA	Look Through Approach
MBA	Mandate-based Approach
MSRs	Mortgage Servicing Rights
NA	Not Applicable
NSFR	Net Stable Funding Ratio
PFE	Potential Future Exposure
RWA	Risk Weighted Assets
SA-CCR	Standardized Approach (Counterparty Credit Risk)
SEC-ERBA	Securitization External Ratings-Based Approach
SEC-FBA	Securitization Fall-back Approach

17. Abbreviations (Continued)

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