

Regulatory Disclosures

30 June 2018



CONTENTS	PAGES
KM1: Key prudential ratios	1
OV1: Overview of RWA	2
CC1: Composition of regulatory capital	3
CC2: Reconciliation of regulatory capital to balance sheet	8
CCA: Main features of regulatory capital instruments	10
CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer	12
LR1: Summary comparison of accounting assets against leverage ratio exposure measure	13
LR2: Leverage ratio	13
LIQ1: Liquidity Coverage Ratio – for category 1 institution	14
LIQ2: Net Stable Funding Ratio – for category 1 institution	16
CR1: Credit quality of exposures	19
CR2: Changes in defaulted loans and debt securities	19
CR3: Overview of recognised credit risk mitigation	20
CR4: Credit risk exposures and effects of recognised credit risk mitigation – for STC approach	21
CR5: Credit risk exposures by asset classes and by risk weights – for STC approach	22
CR6: Credit risk exposures by portfolio and PD ranges – for IRB approach	23
CR7: Effects on RWA of recognised credit derivative contracts used as recognised credit risk mitigation – for IRB approach	25
CR8: RWA flow statements of credit risk exposures under IRB approach	26
CR10: Specialised lending under supervisory slotting criteria approach and equities under simple risk-weight method – for IRB approach	27
CCR1: Analysis of counterparty default risk exposures (other than those to CCPs) by approaches	29
CCR2: CVA capital charge	29
CCR3: Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach	30
CCR4: Counterparty default risk exposures (other than those to CCPs) by portfolio and PD range – for IRB approach	31
CCR5: Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)	32
CCR6: Credit-related derivatives contracts	32
SEC1: Securitization exposures in banking book	33
SEC4: Securitization exposures in banking book and associated capital requirements – where AI acts as investor	34
MR1: Market risk under STM approach	35
MR2: RWA flow statements of market risk exposures under IMM approach	35
MR3: IMM approach values for market risk exposures	36
MR4: Comparison of VaR estimates with gains or losses	37

KM1: Key prudential ratios

		At 30 June 2018	At 31 March 2018	At 31 December 2017	At 30 September 2017	At 30 June 2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	34,722,552	34,165,305	33,571,462	33,227,202	32,255,843
2	Tier 1	44,037,442	43,480,195	42,886,352	42,542,092	41,570,733
3	Total capital	48,759,491	48,184,932	47,596,126	47,085,171	46,088,271
	RWA (amount)					
4	Total RWA	270,247,232	274,118,114	266,464,621	257,207,840	256,421,379
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	12.85%	12.46%	12.60%	12.92%	12.58%
6	Tier 1 ratio (%)	16.30%	15.86%	16.09%	16.54%	16.21%
7	Total capital ratio (%)	18.04%	17.58%	17.86%	18.31%	17.97%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	1.875%	1.875%	1.25%	1.25%	1.25%
9	Countercyclical capital buffer requirement (%)	0.98%	0.94%	0.61%	0.63%	0.66%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	-	-	-	-	-
11	Total AI-specific CET1 buffer requirements (%)	2.855%	2.815%	1.86%	1.88%	1.91%
12	CET1 available after meeting the AI's minimum capital requirements (%)	8.35%	7.96%	8.10%	8.42%	8.08%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	459,130,193	460,951,668	463,397,438	436,074,082	432,037,094
14	LR (%)	9.59%	9.43%	9.25%	9.76%	9.62%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	66,439,108	64,282,506	56,989,037	53,097,960	56,337,750
16	Total net cash outflows	49,016,908	45,569,882	36,037,902	32,181,633	35,686,782
17	LCR (%)	136.13%	142.76%	159.33%	168.97%	171.71%
	Applicable to category 2 institution only:					
17a	LMR (%)	N/A	N/A	N/A	N/A	N/A
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18	Total available stable funding	258,185,785	260,239,902	N/A	N/A	N/A
19	Total required stable funding	228,502,078	228,084,632	N/A	N/A	N/A
20	NSFR (%)	112.99%	114.10%	N/A	N/A	N/A
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

OV1: Overview of RWA

		RWA		Minimum capital requirements
		At 30 June 2018	At 31 March 2018	At 30 June 2018
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitization exposures	244,972,508	249,210,921	20,635,167
2	Of which STC approach	28,854,512	34,061,105	2,308,361
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	215,656,727	214,799,959	18,287,690
4	Of which supervisory slotting criteria approach	461,269	349,857	39,116
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	475,912	494,911	40,238
7	Of which SA-CCR	N/A	N/A	N/A
7a	Of which CEM	406,055	399,153	34,314
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	69,857	95,758	5,924
10	CVA risk	214,513	221,588	17,161
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA	N/A	N/A	N/A
13	CIS exposures - MBA	N/A	N/A	N/A
14	CIS exposures - FBA	N/A	N/A	N/A
14a	CIS exposures - combination of approaches	N/A	N/A	N/A
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	559,515	590,070	44,761
17	Of which SEC - IRBA	-	-	-
18	Of which SEC - ERBA	-	-	-
19	Of which SEC - SA	559,515	590,070	44,761
19a	Of which SEC - FBA	-	-	-
20	Market risk	934,638	1,013,825	74,771
21	Of which STM approach	185,725	158,825	14,858
22	Of which IMM approach	748,913	855,000	59,913
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	N/A	N/A	N/A
24	Operational risk	13,890,213	13,412,438	1,111,217
25	Amounts below the thresholds for deduction (subject to 250% RW)	15,250	15,250	1,220
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	3,809,463	3,778,949	304,757
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	171,525	234,698	13,722
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	3,637,938	3,544,251	291,035
27	Total	257,253,086	261,180,054	21,619,778

N/A: Not applicable until the respective policy frameworks take effect

CC1: Composition of regulatory capital

		At 30 Jun 2018	
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		HK\$'000	
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	3,144,517	(4)
2	Retained earnings	32,361,411	(5)
3	Disclosed reserves	8,774,633	(7)+(8)+ (9)+(10)
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	CET1 capital before regulatory deductions	44,280,561	
CET1 capital: regulatory deductions			
7	Valuation adjustments	20,735	Not applicable
8	Goodwill (net of associated deferred tax liabilities)	-	
9	Other intangible assets (net of associated deferred tax liabilities)	-	
10	Deferred tax assets (net of associated deferred tax liabilities)	209,900	(2)
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	1,343	(1)+(3)
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 capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	9,326,031	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	6,614,432	(6)+(7)
26b	Regulatory reserve for general banking risks	2,711,599	(9)
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	9,558,009	

CC1: Composition of regulatory capital (continued)

		At 30 June 2018	
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		HK\$'000	
29	CET1 capital	34,722,552	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	9,314,890	
31	of which: classified as equity under applicable accounting standards	9,314,890	(11)
32	of which: classified as liabilities under applicable accounting standards	-	
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
36	AT1 capital before regulatory deductions	9,314,890	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant capital 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	9,314,890	
45	Tier 1 capital (T1 = CET1 + AT1)	44,037,442	
	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	1,745,555	Not applicable
51	Tier 2 capital before regulatory deductions	1,745,555	
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments	-	
54	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
55	Significant capital investments in Tier 2 capital instruments issued by 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	(2,976,494)	
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	(2,976,494)	[(6)+(7)] *45%
57	Total regulatory adjustments to Tier 2 capital	(2,976,494)	
58	Tier 2 capital (T2)	4,722,049	
59	Total regulatory capital (TC = T1 + T2)	48,759,491	
60	Total RWA	270,247,232	

CC1: Composition of regulatory capital (continued)

		At 30 June 2018	
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		HK\$'000	
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	12.85%	
62	Tier 1 capital ratio	16.30%	
63	Total capital ratio	18.04%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	2.855%	
65	<i>of which: capital conservation buffer requirement</i>	1.875%	
66	<i>of which: bank specific countercyclical capital buffer requirement</i>	0.98%	
67	<i>of which: higher loss absorbency requirement</i>	-	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	8.35%	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant capital investments in CET1, AT1 and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	31,854	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	6,100	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	539,701	
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	368,176	
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)	3,045,740	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	1,377,379	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	<i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	Not applicable	Not applicable
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	Not applicable
82	<i>Current cap on AT1 capital instruments subject to phase-out arrangements</i>	-	
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	-	
84	<i>Current cap on Tier 2 capital instruments subject to phase-out arrangements</i>	-	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	-	

CC1: Composition of regulatory capital (continued)

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:

Row No.	Description	Hong Kong basis HK\$'000	Basel III basis HK\$'000
9	Other intangible assets (net of associated deferred tax liability) <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.	-	-
10	Deferred tax assets (net of associated deferred tax liabilities) <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 realised are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.	209,900	-
18	Insignificant capital 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 insignificant capital investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business . Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.	-	-

CC1: Composition of regulatory capital (continued)

Row No.	Description	Hong Kong basis HK\$'000	Basel III basis HK\$'000
19	Significant capital 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 capital investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.	-	-
39	Insignificant capital 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 capital 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.	-	-
54	Insignificant capital investments in Tier 2 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 capital investments in Tier 2 capital instruments 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.	-	-
Remarks: The amount of the 10% 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

CC2: Reconciliation of regulatory capital to balance sheet

	At 30 June 2018		Reference
	Balance sheet as in published financial statements HK\$'000	Under regulatory scope of consolidation HK\$'000	
ASSETS			
Cash and balances with banks and other financial institutions	49,663,695	49,663,695	
Placements with banks and other financial institutions maturing between one and twelve months	4,263,130	4,263,130	
Financial assets at fair value through profit or loss	10,979,467	10,979,467	
Derivative financial instruments	573,565	573,565	
- of which: debit valuation adjustments in respect of derivative contracts		685	(1)
Advances and other accounts	259,507,354	259,507,354	
Financial investments	102,356,781	102,356,781	
Interests in subsidiaries	-	6,100	
Investment properties	314,182	314,182	
Properties, plant and equipment	7,577,770	7,577,770	
Deferred tax assets	209,900	209,900	(2)
Other assets	1,351,242	1,350,664	
Total assets	436,797,086	436,802,608	
LIABILITIES			
Deposits and balances from banks and other financial institutions	20,308,202	20,308,202	
Financial liabilities at fair value through profit or loss	4,231,874	4,231,874	
Derivative financial instruments	386,940	386,940	
- of which: debit valuation adjustments in respect of derivative contracts		658	(3)
Deposits from customers	332,354,492	332,376,049	
Debt securities and certificates of deposit in issue	6,919,024	6,919,024	
Other accounts and provisions	17,743,378	17,743,148	
Current tax liabilities	517,819	517,819	
Deferred tax liabilities	732,533	724,101	
Total liabilities	383,194,262	383,207,157	

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

	At 30 June 2018		Reference
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	
	HK\$'000	HK\$'000	
EQUITY			
Share capital	3,144,517	3,144,517	(4)
Reserves	41,143,417	41,136,044	
- Retained earnings	32,314,942	32,361,411	(5)
- of which: cumulative fair value gains arising from the revaluation of investment properties		423,607	(6)
- Premises revaluation reserve	6,244,667	6,190,825	(7)
- Reserve for fair value changes through other comprehensive income	(352,082)	(352,082)	(8)
- Regulatory reserve	2,711,599	2,711,599	(9)
- Translation reserve	224,291	224,291	(10)
	<u>44,287,934</u>	<u>44,280,561</u>	
Additional equity instruments	9,314,890	9,314,890	(11)
Total equity	<u>53,602,824</u>	<u>53,595,451</u>	
Total liabilities and equity	<u>436,797,086</u>	<u>436,802,608</u>	

CCA: Main features of regulatory capital instruments

		CET1 Capital Ordinary shares	USD Non-Cumulative Subordinated Additional Tier 1 Capital Securities
1	Issuer	Nanyang Commercial Bank, Limited	Nanyang Commercial Bank, Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Not Applicable	XS1618163452
3	Governing law(s) of the instrument	Hong Kong Laws	The Capital Securities are governed by and shall be construed in accordance with English Law, except that the subordination provisions are governed by and shall be construed in accordance with Hong Kong law.
	<i>Regulatory treatment</i>		
4	Transitional Basel III rules [#]	Not Applicable	Not Applicable
5	Post-transitional Basel III rules [*]	Common Equity Tier 1	Additional Tier 1
6	Eligible at solo [*] /group/solo and group	Solo and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Additional Tier 1 capital instruments
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK\$3,145 million	HK\$9,315million
9	Par value of instrument	No par value (refer to Note 1 for details)	US\$1.2billion
10	Accounting classification	Shareholders' equity	Equity instruments
11	Original date of issuance	1 July 1948 (refer to Note 2 for details)	2 June 2017
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	Not Applicable
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	Not Applicable	First call date: 2 June 2022 (Redemptions in whole at 100%)
16	Subsequent call dates, if applicable	Not Applicable	any distribution payment date thereafter
	<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Floating	Fixed
18	Coupon rate and any related index	Not Applicable	Year 1-5: 5.00% per annum payable semi-annually in arrear; Year 5 onwards: resettable on year 5 and every 5 years thereafter at then prevailing 5-year US Treasury yield plus a fixed initial spread
19	Existence of a dividend stopper	No	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not Applicable	Not Applicable
25	If convertible, fully or partially	Not Applicable	Not Applicable
26	If convertible, conversion rate	Not Applicable	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable	Not Applicable
30	Write-down feature	No	Yes
31	If write-down, write-down trigger(s)	Not Applicable	Upon the occurrence of a Non-Viability Event
32	If write-down, full or partial	Not Applicable	Full or Partial
33	If write-down, permanent or temporary	Not Applicable	Permanent
34	If temporary write-down, description of write-up mechanism	Not Applicable	Not Applicable

CCA: Main features of regulatory capital instruments (continued)

		CET1 Capital Ordinary shares	USD Non-Cumulative Subordinated Additional Tier 1 Capital Securities
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Not Applicable	Depositors, bank's unsubordinated creditors, creditors of Tier 2 capital and all other subordinated indebtedness of the Bank stated to rank senior to the Capital Securities.
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	Not Applicable	Not Applicable

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*

Note 1 : Pursuant to the Hong Kong Companies Ordinance (Chapter 622) which has commenced operation on 3 March 2014, all shares issued by a company incorporated in Hong Kong before, on and after that commencement date shall have no par value and the relevant concept of authorised share capital is abolished, the balance of the share premium account as at 3 March 2014 has been transferred to share capital.

Note 2: Several issuances of ordinary shares have been made since the first issuance in 1948. The last issuance was in 2009.

CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer

Geographical breakdown by Jurisdiction (J)		At 30 June 2018			
		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	1.875%	102,260,867		
2	Norway	2.00%	937		
3	United Kingdom	0.50%	194,975		
4	Sum		102,456,779		
5	Total		195,817,492	0.98%	1,918,385

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

		Value under the LR framework
		At 30 June 2018
		HK\$'000
1	Total consolidated assets as per published financial statements	436,797,086
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	5,522
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
4	Adjustments for derivative contracts	284,363
5	Adjustment for SFTs (i.e. repos and similar secured lending)	83,258
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	31,611,032
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(93,717)
7	Other adjustments	(9,557,351)
8	Leverage ratio exposure measure	459,130,193

LR2: Leverage ratio

		At 30 June 2018	At 31 March 2018
		HK\$'000	HK\$'000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	431,566,864	429,725,855
2	Less: Asset amounts deducted in determining Tier 1 capital	(9,557,351)	(9,466,795)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	422,009,513	420,259,060
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)	459,253	452,905
5	Add-on amounts for PFE associated with all derivative contracts	398,675	374,377
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	857,928	827,282
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	7,670,387	7,817,800
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	83,258	56,124
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	7,753,645	7,873,924
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	117,379,149	124,557,661
18	Less: Adjustments for conversion to credit equivalent amounts	(85,768,117)	(89,231,799)
19	Off-balance sheet items	31,611,032	35,325,862
Capital and total exposures			
20	Tier 1 capital	44,037,442	43,480,195
20a	Total exposures before adjustments for specific and collective provisions	462,232,118	464,286,128
20b	Adjustments for specific and collective provisions	(3,101,925)	(3,334,460)
21	Total exposures after adjustments for specific and collective provisions	459,130,193	460,951,668
Leverage ratio			
22	Leverage ratio	9.59%	9.43%

LIQ1: Liquidity Coverage Ratio – for category 1 institution

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this template: ()		For the quarter ended 30 June 2018: 73 data points		For the quarter ended 31 March 2018: 72 data points	
Basis of disclosure: consolidated		UNWEIGHTED VALUE (Average)	WEIGHTED VALUE (Average)	UNWEIGHTED VALUE (Average)	WEIGHTED VALUE (Average)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
A. HQLA					
1	Total HQLA		66,439,108		64,282,506
B. CASH OUTFLOWS					
2	Retail deposits and small business funding, of which:	128,096,822	8,541,012	123,358,407	8,370,965
3	Stable retail deposits and stable small business funding	23,088,896	692,667	23,724,930	711,748
4	Less stable retail deposits and less stable small business funding	46,072,513	4,607,251	47,417,021	4,741,702
4a	Retail term deposits and small business term funding	58,935,413	3,241,094	52,216,456	2,917,515
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the AI, of which:	117,088,613	62,192,782	126,233,093	68,207,857
6	Operational deposits	34,888,149	8,558,667	34,296,370	8,409,266
7	Unsecured wholesale funding (other than small business funding) not covered in Row 6	82,032,790	53,466,441	90,878,036	58,739,904
8	Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period	167,674	167,674	1,058,687	1,058,687
9	Secured funding transactions (including securities swap transactions)		390,228		453,955
10	Additional requirements, of which:	33,803,969	7,821,650	32,177,989	7,368,796
11	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	4,372,239	4,372,239	4,124,146	4,124,146
12	Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions	-	-	-	-
13	Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)	29,431,730	3,449,411	28,053,843	3,244,650
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	2,046,343	2,046,343	3,059,141	3,059,141
15	Other contingent funding obligations (whether contractual or non-contractual)	100,701,642	3,045,947	104,353,920	3,110,911
16	TOTAL CASH OUTFLOWS		84,037,962		90,571,625
C. CASH INFLOWS					
17	Secured lending transactions (including securities swap transactions)	3,088,728	3,088,728	5,337,116	5,337,116
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	38,491,133	23,664,035	43,403,347	31,813,915
19	Other cash inflows	11,117,371	8,268,291	12,066,931	7,850,712
20	TOTAL CASH INFLOWS	52,697,232	35,021,054	60,807,394	45,001,743
D. LIQUIDITY COVERAGE RATIO			ADJUSTED VALUE		ADJUSTED VALUE
21	TOTAL HQLA		66,439,108		64,282,506
22	TOTAL NET CASH OUTFLOWS		49,016,908		45,569,882
23	LCR (%)		136.13%		142.76%

LIQ1: Liquidity Coverage Ratio – for category 1 institution (continued)

Notes:

The weighted amount of HQLA is to be calculated as the amount after applying the haircuts as required under the Banking (Liquidity) Rules.

The unweighted amounts of cash inflows and cash outflows are to be calculated as the principal amounts in the calculation of the LCR as required under the Banking (Liquidity) Rules.

The weighted amounts of cash inflows and cash outflows are to be calculated as the amounts after applying the inflow and outflow rates as required under the Banking (Liquidity) Rules.

The adjusted value of total HQLA and the total net cash outflows have taken into account any applicable ceiling as required under the Banking (Liquidity) Rules.

In the first half of 2018, the Group has maintained a healthy liquidity position. The LCR remained stable and there was no material change throughout the first half of 2018. The average LCR of the first and the second quarter were 142.76% and 136.13% respectively. The average HKD level 1 HQLA to HKD net cash outflow ratio in the first half of 2018 was 230.02%, well above the regulatory requirement of 20%. The ratios have maintained at stable and healthy levels.

The HQLA consists of cash, balances at central banks and high quality marketable securities issued or guaranteed by sovereigns, central banks, public sector entities or multilateral development banks and non-financial corporate debt securities. In the first half of 2018, the majority of the HQLA was composed of Level 1 HQLA.

The net cash outflow was mainly from retail and corporate customer deposit which are the Group's primary source of funds, together with deposit and balance from bank and other financial institution. To ensure stable, sufficient and diversified source of funds, the Group actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market. Other cash outflow, such as commitment, cash outflow under derivative contract and potential collateral requirement, were minimal to the LCR.

Majority of the Group's customer deposits are denominated in HKD, USD and RMB. As the supply of HKD denominated HQLA in the market is relatively limited, the Group swaps surplus HKD funding into USD and other foreign currencies, part of funding are deployed to investment in HQLA.

LIQ2: Net Stable Funding Ratio – for category 1 institution

At 30 June 2018 Basis of disclosure: consolidated		Unweighted value by residual maturity				Weighted amount HK\$'000
		No specified term to maturity HK\$'000	<6 months or repayable on demand HK\$'000	6 months to < 12 months HK\$'000	12 months or more HK\$'000	
A. Available stable funding (“ASF”) item						
1	Capital:	55,629,953	-	-	-	55,629,953
2	Regulatory capital	55,629,953	-	-	-	55,629,953
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	99,652,797	24,531,240	7,335,960	120,249,728
5	Stable deposits	-	22,962,702	-	-	21,814,567
6	Less stable deposits	-	76,690,095	24,531,240	7,335,960	98,435,161
7	Wholesale funding:	-	213,680,918	14,072,785	7,606,075	77,722,661
8	Operational deposits	-	35,839,535	-	-	17,919,768
9	Other wholesale funding	-	177,841,383	14,072,785	7,606,075	59,802,893
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	2,938,727	8,059,237	515,883	4,325,501	4,583,443
12	Net derivative liabilities	-	-	-	-	-
13	All other funding and liabilities not included in the above categories	2,938,727	8,059,237	515,883	4,325,501	4,583,443
14	Total ASF					258,185,785
B. Required stable funding (“RSF”) item						
15	Total HQLA for NSFR purposes		86,246,372			5,807,414
16	Deposits held at other financial institutions for operational purposes	-	143,796	-	-	71,898
17	Performing loans and securities:	1,979,372	124,532,563	36,836,243	178,286,103	211,939,306
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	57,895,757	2,179,944	9,671,942	19,446,277
20	Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:	1,979,372	56,559,309	29,018,643	122,657,344	148,107,713
21	With a risk-weight of less than or equal to 35% under the STC approach	-	1,117,823	72,072	3,112,359	2,617,981
22	Performing residential mortgages, of which:	-	768,270	769,145	28,083,327	22,103,980
23	With a risk-weight of less than or equal to 35% under the STC approach	-	397,011	394,244	12,677,778	8,636,183
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	9,309,227	4,868,511	17,873,490	22,281,336
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	9,062,236	1,351,203	270,506	281	9,174,159
27	Physical traded commodities, including gold	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
29	Net derivative assets	179,250	-	-	-	179,250
30	Total derivative liabilities before deduction of variation margin posted	385,709	-	-	-	N/A
31	All other assets not included in the above categories	8,497,277	1,351,203	270,506	281	8,994,909
32	Off-balance sheet items			117,379,149		1,509,301
33	Total RSF					228,502,078
34	Net Stable Funding Ratio (%)					112.99%

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

At 31 March 2018 Basis of disclosure: consolidated		Unweighted value by residual maturity				Weighted amount HK\$'000
		No specified term to maturity HK\$'000	<6 months or repayable on demand HK\$'000	6 months to < 12 months HK\$'000	12 months or more HK\$'000	
A. Available stable funding (“ASF”) item						
1	Capital:	55,441,278	-	-	-	55,441,278
2	Regulatory capital	55,441,278	-	-	-	55,441,278
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	99,861,754	20,480,848	8,023,861	117,516,838
5	Stable deposits	-	23,692,700	-	-	22,508,065
6	Less stable deposits	-	76,169,054	20,480,848	8,023,861	95,008,773
7	Wholesale funding:	-	205,551,594	25,119,110	7,432,157	82,522,423
8	Operational deposits	-	35,773,888	-	-	17,886,944
9	Other wholesale funding	-	169,777,706	25,119,110	7,432,157	64,635,479
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	3,034,795	6,902,865	603,094	4,457,816	4,759,363
12	Net derivative liabilities	-	-	-	-	-
13	All other funding and liabilities not included in the above categories	3,034,795	6,902,865	603,094	4,457,816	4,759,363
14	Total ASF					260,239,902
B. Required stable funding (“RSF”) item						
15	Total HQLA for NSFR purposes		86,140,830			5,054,693
16	Deposits held at other financial institutions for operational purposes	-	88,642	-	-	44,321
17	Performing loans and securities:	1,921,180	117,452,619	46,972,382	173,365,760	211,848,266
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	51,350,948	4,639,289	8,142,394	18,164,681
20	Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:	1,921,176	50,918,700	36,892,643	118,307,771	146,068,254
21	With a risk-weight of less than or equal to 35% under the STC approach	-	2,283,359	-	160,111	1,245,752
22	Performing residential mortgages, of which:	4	790,306	796,845	28,654,209	22,575,018
23	With a risk-weight of less than or equal to 35% under the STC approach	4	415,274	411,148	12,873,188	8,780,786
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	14,392,665	4,643,605	18,261,386	25,040,313
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	10,086,335	1,481,490	211,741	1,519	9,731,079
27	Physical traded commodities, including gold	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
29	Net derivative assets	206,346	-	-	-	206,346
30	Total derivative liabilities before deduction of variation margin posted	832,171	-	-	-	N/A
31	All other assets not included in the above categories	9,047,818	1,481,490	211,741	1,519	9,524,733
32	Off-balance sheet items			124,557,661		1,406,273
33	Total RSF					228,084,632
34	Net Stable Funding Ratio (%)					114.10%

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

Notes:

The above disclosures are made pursuant to the section 16FL and 103AB of Banking (Disclosure) Rules. The items disclosed are measured according to the methodology and instructions set out in the Stable Funding Position Return (MA(BS)26) and the requirements set out in Banking (Liquidity) Rules.

Net Stable Funding Ratio (“NSFR”) is defined as the amount of available stable funding (“ASF”) relative to the amount of required stable funding (“RSF”). The ratio is calculated after applying the respective ASF or RSF factors required under the Stable Funding Position Return (MA(BS)26). It requires banks to maintain a stable funding profile in relation to the composition of banks’ assets and off-balance sheet activities.

The Group has maintained a healthy liquidity position. The NSFR of the first quarter and the second quarter of 2018 were 114.10% and 112.99% respectively. The ratio remained stable and well above the regulatory requirement of 100% throughout the first half of 2018. The weighted amount of ASF items mainly consists of retail and corporate deposits which are the Group’s primary source of funds, together with regulatory capital. The weighted amount of RSF items mainly consists of loans to customers and investments in debt securities.

CR1: Credit quality of exposures

For exposures subject to the STC approach, defaulted exposures are exposures which are overdue for more than 90 days or have been rescheduled. For exposures subject to the IRB approach, defaulted exposures are exposures which fall within section 149 of the Banking (Capital) Rules.

		At 30 June 2018			
		Gross carrying amounts of		Allowances / impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Loans	960,522	315,598,625	2,896,413	313,662,734
2	Debt securities	-	98,706,632	837	98,705,795
3	Off-balance sheet exposures	-	117,379,149	93,717	117,285,432
4	Total	960,522	531,684,406	2,990,967	529,653,961

CR2: Changes in defaulted loans and debt securities

		HK\$'000
1	Defaulted loans and debt securities as at 31 December 2017	1,141,446
2	Loans and debt securities that have defaulted since the last reporting period	167,017
3	Returned to non-defaulted status	(197,968)
4	Amounts written off	(143,851)
5	Other changes	(6,122)
6	Defaulted loans and debt securities as at 30 June 2018	960,522

CR3: Overview of recognised credit risk mitigation

		At 30 June 2018				
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognised collateral	Exposures secured by recognised guarantees	Exposures secured by recognised credit derivative contracts
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Loans	228,855,119	84,807,615	38,382,387	46,425,228	-
2	Debt securities	95,237,120	3,468,675	-	3,468,675	-
3	Total	324,092,239	88,276,290	38,382,387	49,893,903	-
4	Of which defaulted	148,534	34,643	34,643	-	-

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

Exposure classes		At 30 June 2018					
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
1	Sovereign exposures	53,232,804	811	53,232,804	811	1,871,089	3.51%
2	PSE exposures	1,550,648	450,000	1,556,330	198,523	156,077	8.89%
2a	<i>Of which: domestic PSEs</i>	576,180	450,000	581,862	198,523	156,077	20.00%
2b	<i>Of which: foreign PSEs</i>	974,468	-	974,468	-	-	0.00%
3	Multilateral development bank exposures	3,810,574	-	3,810,574	-	-	0.00%
4	Bank exposures	15,807	-	15,807	-	3,161	20.00%
5	Securities firm exposures	-	-	-	-	-	N/A
6	Corporate exposures	12,290,018	4,538,350	12,119,224	501,781	12,621,005	100.00%
7	CIS exposures	2,996,063	-	2,996,063	-	2,996,063	100.00%
8	Cash items	-	-	-	-	-	N/A
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	N/A
10	Regulatory retail exposures	3,266,227	1,854,177	3,156,903	238,321	2,546,418	75.00%
11	Residential mortgage loans	16,029,870	7,047	15,935,205	-	7,967,602	50.00%
12	Other exposures which are not past due exposures	785,554	463,278	527,848	68,882	596,730	100.00%
13	Past due exposures	70,218	-	70,218	-	96,367	137.24%
14	Significant exposures to commercial entities	-	-	-	-	-	N/A
15	Total	94,047,783	7,313,663	93,420,976	1,008,318	28,854,512	30.56%

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

Risk Weight		At 30 June 2018										Total credit risk exposures amount (post CCF and post CRM)
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
1	Sovereign exposures	50,414,431	-	1,185,119	-	-	-	1,634,065	-	-	-	53,233,615
2	PSE exposures	974,468	-	780,385	-	-	-	-	-	-	-	1,754,853
2a	<i>Of which: domestic PSEs</i>	-	-	780,385	-	-	-	-	-	-	-	780,385
2b	<i>Of which: foreign PSEs</i>	974,468	-	-	-	-	-	-	-	-	-	974,468
3	Multilateral development bank exposures	3,810,574	-	-	-	-	-	-	-	-	-	3,810,574
4	Bank exposures	-	-	15,807	-	-	-	-	-	-	-	15,807
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	12,621,005	-	-	-	12,621,005
7	CIS exposures	-	-	-	-	-	-	2,996,063	-	-	-	2,996,063
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	-	-	-	-	-	3,395,224	-	-	-	-	3,395,224
11	Residential mortgage loans	-	-	-	-	15,935,205	-	-	-	-	-	15,935,205
12	Other exposures which are not past due exposures	-	-	-	-	-	-	596,730	-	-	-	596,730
13	Past due exposures	-	-	-	-	-	-	17,923	52,295	-	-	70,218
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	55,199,473	-	1,981,311	-	15,935,205	3,395,224	17,865,786	52,295	-	-	94,429,294

CR6: Credit risk exposures by portfolio and PD ranges – for IRB approach

FIRB approach	PD scale	At 30 June 2018											
		Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		HK\$'000	HK\$'000		HK\$'000				Years	HK\$'000		HK\$'000	HK\$'000
Portfolio (i) – Banks	0.00 to < 0.15	54,703,388	496,788	100.00%	56,613,588	0.07%	186	45.00%	2.5	18,467,427	32.62%	18,616	
	0.15 to < 0.25	2,874,922	761,115	60.58%	3,336,037	0.22%	20	45.00%	2.5	2,057,327	61.67%	3,303	
	0.25 to < 0.50	8,064,246	340,325	100.00%	8,404,572	0.39%	15	45.00%	2.5	6,550,397	77.94%	14,750	
	0.50 to < 0.75	7,711,564	495,750	96.77%	11,263,523	0.64%	24	45.00%	2.5	10,705,241	95.04%	32,210	
	0.75 to < 2.50	8,960,927	2,389,120	82.80%	11,009,223	1.23%	24	45.00%	2.5	11,583,889	105.22%	61,082	
	2.50 to < 10.00	101,212	25,000	0.00%	101,212	2.67%	1	45.00%	2.5	125,871	124.36%	1,216	
	10.00 to < 100.00	-	2,369,135	20.00%	473,827	10.54%	1	0.00%	2.5	-	0.00%	-	
100.00 (Default)	-	-	N/A	-	N/A	0	N/A	N/A	-	N/A	-		
	Sub-total	82,416,259	6,877,233	61.51%	91,201,982	0.37%	271	44.77%	2.5	49,490,152	54.26%	131,177	961,242
Portfolio (ii) – Corporate – small-and-medium sized corporates	0.00 to < 0.15	1,403,487	571,017	57.25%	2,168,210	0.11%	55	42.75%	2.5	517,455	23.87%	1,022	
	0.15 to < 0.25	217,430	384,688	10.81%	1,460,753	0.22%	55	35.89%	2.5	450,670	30.85%	1,153	
	0.25 to < 0.50	1,430,096	1,582,651	6.36%	3,419,931	0.39%	119	41.68%	2.5	1,608,777	47.04%	5,559	
	0.50 to < 0.75	1,991,951	2,774,486	16.15%	4,282,586	0.59%	200	40.77%	2.5	2,340,788	54.66%	10,315	
	0.75 to < 2.50	10,055,380	6,684,854	7.29%	7,899,179	1.29%	423	37.35%	2.5	5,434,327	68.80%	37,085	
	2.50 to < 10.00	3,201,749	909,968	2.52%	2,474,013	3.81%	169	38.70%	2.5	2,276,151	92.00%	36,001	
	10.00 to < 100.00	2,302,764	62,982	0.00%	2,233,225	10.68%	14	37.91%	2.5	2,871,357	128.57%	90,318	
100.00 (Default)	127,527	-	N/A	117,281	100.00%	9	43.47%	2.5	117,141	99.88%	75,748		
	Sub-total	20,730,384	12,970,646	11.00%	24,055,178	2.48%	1,044	39.19%	2.5	15,616,666	64.92%	257,201	381,591
Portfolio (iii) – Corporate – other (including purchased corporate receivables)	0.00 to < 0.15	32,215,020	6,012,121	62.96%	48,301,476	0.10%	212	44.33%	2.5	14,368,210	29.75%	20,278	
	0.15 to < 0.25	10,029,493	3,746,261	25.59%	13,799,063	0.22%	100	44.21%	2.5	6,870,116	49.79%	13,421	
	0.25 to < 0.50	12,768,923	5,382,662	18.98%	20,089,495	0.39%	197	43.68%	2.5	12,451,236	61.98%	34,221	
	0.50 to < 0.75	32,833,794	15,451,433	27.84%	30,049,971	0.60%	312	42.38%	2.5	21,677,898	72.14%	76,238	
	0.75 to < 2.50	63,172,412	39,638,462	23.30%	63,490,161	1.36%	875	35.99%	2.5	50,745,209	79.93%	298,706	
	2.50 to < 10.00	36,321,670	15,200,607	6.60%	26,397,361	3.64%	271	31.08%	2.5	25,879,921	98.04%	306,587	
	10.00 to < 100.00	2,669,755	918,812	13.01%	1,857,158	19.27%	46	37.64%	2.5	3,556,810	191.52%	146,622	
100.00 (Default)	753,842	-	N/A	753,842	100.00%	30	44.97%	2.5	598	0.08%	687,557		
	Sub-total	190,764,909	86,350,358	23.66%	204,738,527	1.60%	2,043	39.62%	2.5	135,549,998	66.21%	1,583,630	3,605,908
	Total (sum of all portfolios)	293,911,552	106,198,237	24.56%	319,995,687	1.31%	3,358	41.05%	2.5	200,656,816	62.71%	1,972,008	4,948,741

CR6: Credit risk exposures by portfolio and PD ranges – for IRB approach (continued)

Retail IRB approach	PD scale	At 30 June 2018											
		Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		HK\$'000	HK\$'000		HK\$'000			Years	HK\$'000		HK\$'000	HK\$'000	
Portfolio (iv) –Retail –Residential mortgage exposures (including both to individuals and to property-holding shell companies)	0.00 to < 0.15	8,775,744	-	100.00%	8,775,748	0.10%	5,812	11.71%	-	1,452,620	16.55%	1,029	-
	0.15 to < 0.25	3,179,497	-	N/A	3,179,497	0.22%	900	13.33%	-	522,397	16.43%	932	-
	0.25 to < 0.50	1,086,146	-	N/A	1,086,146	0.39%	377	14.70%	-	205,257	18.90%	615	-
	0.50 to < 0.75	466,973	-	N/A	466,973	0.53%	157	17.93%	-	93,578	20.04%	447	-
	0.75 to < 2.50	21,236	-	N/A	21,236	1.21%	24	13.73%	-	4,567	21.51%	34	-
	2.50 to < 10.00	41,563	-	N/A	41,563	5.66%	24	14.67%	-	21,413	51.52%	368	-
	10.00 to < 100.00	11,932	-	N/A	11,932	25.73%	7	11.40%	-	7,471	62.61%	328	-
	100.00 (Default)	2,547	-	N/A	2,547	100.00%	4	27.04%	-	8,608	337.97%	-	-
Sub-total	13,585,638	4	100.00%	13,585,642	0.23%	7,305	12.55%	-	2,315,911	17.05%	3,753	44,982	
Portfolio (v) –Retail – small business retail exposures	0.00 to < 0.15	282,502	407,406	29.72%	403,568	0.09%	658	8.19%	-	7,308	1.81%	30	-
	0.15 to < 0.25	135,283	60,705	30.89%	154,035	0.22%	170	8.01%	-	5,331	3.46%	28	-
	0.25 to < 0.50	250,619	70,619	30.43%	272,107	0.39%	238	7.79%	-	13,194	4.85%	83	-
	0.50 to < 0.75	259,635	97,658	31.69%	290,588	0.58%	231	8.32%	-	18,992	6.54%	143	-
	0.75 to < 2.50	370,709	145,644	28.05%	411,559	1.30%	327	10.32%	-	46,974	11.41%	555	-
	2.50 to < 10.00	85,244	20,189	35.71%	92,451	3.84%	98	9.31%	-	12,207	13.20%	313	-
	10.00 to < 100.00	6,469	-	N/A	6,469	31.97%	6	18.68%	-	3,133	48.43%	395	-
	100.00 (Default)	14,127	-	N/A	14,127	100.00%	31	26.77%	-	1,900	13.45%	9,446	-
Sub-total	1,404,588	802,221	29.96%	1,644,904	1.74%	1,759	8.93%	-	109,039	6.63%	10,993	11,564	
Portfolio (vi) –Other retail exposures to individuals	0.00 to < 0.15	299,405	729,489	0.00%	990,636	0.06%	594	12.65%	-	19,437	1.96%	69	-
	0.15 to < 0.25	180,203	1,513	0.00%	181,648	0.22%	430	13.27%	-	10,410	5.73%	53	-
	0.25 to < 0.50	2,243,213	15,034	0.00%	2,257,643	0.37%	1,468	12.29%	-	165,541	7.33%	1,015	-
	0.50 to < 0.75	4,069,529	70,009	99.99%	4,139,763	0.58%	1,671	29.39%	-	919,503	22.21%	6,682	-
	0.75 to < 2.50	2,015,630	1,800,471	2.97%	2,232,487	1.10%	1,137	39.13%	-	941,351	42.17%	10,108	-
	2.50 to < 10.00	3,005,181	130,000	100.00%	3,135,385	2.86%	783	47.02%	-	2,028,857	64.71%	41,273	-
	10.00 to < 100.00	14,551	-	N/A	14,551	30.68%	20	37.04%	-	13,524	92.94%	1,583	-
	100.00 (Default)	2,015	-	N/A	2,015	100.00%	7	51.61%	-	6,874	341.14%	847	-
Sub-total	11,829,727	2,746,516	9.23%	12,954,128	1.19%	6,110	30.86%	-	4,105,497	31.69%	61,630	80,588	
Total (sum of all portfolios)	26,819,953	3,548,741	13.92%	28,184,674	0.76%	15,174	20.76%	-	6,530,447	23.17%	76,376	137,134	

CR7: Effects on RWA of recognised credit derivative contracts used as recognised credit risk mitigation – for IRB approach

Up to the date of report, the Group has not used any recognised credit derivative contracts for credit risk mitigation. Therefore, pre-credit derivatives RWA was equal to actual RWA.

		At 30 June 2018	
		Pre-credit derivatives RWA	Actual RWA
		HK\$'000	HK\$'000
1	Corporate – Specialised lending under supervisory slotting criteria approach (project finance)	461,269	461,269
2	Corporate – Specialised lending under supervisory slotting criteria approach (object finance)	-	-
3	Corporate – Specialised lending under supervisory slotting criteria approach (commodities finance)	-	-
4	Corporate – Specialised lending under supervisory slotting criteria approach (income-producing real estate)	-	-
5	Corporate – Specialised lending (high-volatility commercial real estate)	-	-
6	Corporate – Small-and-medium sized corporates	15,616,666	15,616,666
7	Corporate – Other corporates	135,549,998	135,549,998
8	Sovereigns	-	-
9	Sovereign foreign public sector entities	-	-
10	Multilateral development banks	-	-
11	Bank exposures – Banks	49,490,152	49,490,152
12	Bank exposures – Securities firms	-	-
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	-	-
14	Retail – Small business retail exposures	109,039	109,039
15	Retail – Residential mortgages to individuals	2,231,574	2,231,574
16	Retail – Residential mortgages to property-holding shell companies	84,337	84,337
17	Retail – Qualifying revolving retail exposures (QRRE)	-	-
18	Retail – Other retail exposures to individuals	4,105,497	4,105,497
19	Equity – Equity exposures under market-based approach (simple risk-weight method)	-	-
20	Equity – Equity exposures under market-based approach (internal models method)	-	-
21	Equity – Equity exposures under PD/LGD approach (publicly traded equity exposures held for long-term investment)	-	-
22	Equity – Equity exposures under PD/LGD approach (privately owned equity exposures held for long-term investment)	-	-
23	Equity – Equity exposures under PD/LGD approach (other publicly traded equity exposures)	-	-
24	Equity – Equity exposures under PD/LGD approach (other equity exposures)	-	-
25	Equity – Equity exposures associated with equity investments in funds (CIS exposures)	-	-
26	Other – Cash items	-	-
27	Other – Other items	8,469,464	8,469,464
28	Total (under the IRB calculation approaches)	216,117,996	216,117,996

CR8: RWA flow statements of credit risk exposures under IRB approach

		HK\$'000
1	RWA as at 31 March 2018	215,149,816
2	Asset size	9,393,847
3	Asset quality	(5,868,824)
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(2,556,843)
8	Other	-
9	RWA as at 30 June 2018	216,117,996

CR10: Specialised lending under supervisory slotting criteria approach and equities under simple risk-weight method – for IRB approach

I. Specialised lending under supervisory slotting criteria approach – HVCRE

Supervisory Rating Grade	Remaining Maturity	At 30 June 2018					
		On-balance sheet exposure amount	Off-balance sheet exposure amount	SRW	EAD amount	RWA	Expected loss amount
		HK\$'000	HK\$'000		HK\$'000	HK\$'000	HK\$'000
Strong [^]	Less than 2.5 years	-	-	70%	-	-	-
Strong	Equal to or more than 2.5 years	-	-	95%	-	-	-
Good [^]	Less than 2.5 years	-	-	95%	-	-	-
Good	Equal to or more than 2.5 years	-	-	120%	-	-	-
Satisfactory		-	-	140%	-	-	-
Weak		-	-	250%	-	-	-
Default		-	-	0%	-	-	-
Total		-	-		-	-	-

[^] Use of preferential risk-weights.

CR10: Specialised lending under supervisory slotting criteria approach and equities under simple risk-weight method – for IRB approach (continued)

II. Specialised lending under supervisory slotting criteria approach – Other than HVCRE

Supervisory Rating Grade	Remaining Maturity	At 30 June 2018										
		On-balance sheet exposure amount	Off-balance sheet exposure amount	SRW	EAD amount					RWA	Expected loss amount	
					PF	OF	CF	IPRE	Total			
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Strong^	Less than 2.5 years	-	-	50%	-	-	-	-	-	-	-	-
Strong	Equal to or more than 2.5 years	160,064	-	70%	160,064	-	-	-	-	160,064	112,045	640
Good^	Less than 2.5 years	-	-	70%	-	-	-	-	-	-	-	-
Good	Equal to or more than 2.5 years	144,003	318,509	90%	144,003	-	-	-	-	144,003	129,603	1,152
Satisfactory		190,975	-	115%	190,975	-	-	-	-	190,975	219,621	5,348
Weak		-	-	250%	-	-	-	-	-	-	-	-
Default		-	-	0%	-	-	-	-	-	-	-	-
Total		495,042	318,509		495,042	-	-	-	-	495,042	461,269	7,140

^ Use of preferential risk-weights.

III. Equity exposures under the simple risk-weight method

Categories	At 30 June 2018				
	On-balance sheet exposure amount	Off-balance sheet exposure amount	SRW	EAD amount	RWA
				HK\$'000	HK\$'000
Publicly traded equity exposures	-	-	300%	-	-
All other equity exposures	-	-	400%	-	-
Total	-	-		-	-

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

		At 30 June 2018					
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
		HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000
1	SA-CCR (for derivative contracts)	-	-	-	1.4	-	-
1a	CEM	466,631	398,675	-	Not applicable	623,900	406,055
2	IMM (CCR) approach	-	-	-	Not applicable	-	-
3	Simple Approach (for SFTs)	-	-	-	-	-	-
4	Comprehensive Approach (for SFTs)	-	-	-	-	7,848,416	69,857
5	VaR (for SFTs)	-	-	-	-	-	-
6	Total	-	-	-	-	-	475,912

CCR2: CVA capital charge

		At 30 June 2018	
		EAD post CRM	RWA
		HK\$'000	HK\$'000
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	-	-
1	(i) VaR (after application of multiplication factor if applicable)	-	-
2	(ii) Stressed VaR (after application of multiplication factor if applicable)	-	-
3	Netting sets for which CVA capital charge is calculated by the standardised CVA method	865,308	214,513
4	Total	865,308	214,513

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

Risk Weight Exposure class		At 30 June 2018										Total default risk exposure HK\$'000
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	-	-	-	-	-	-	-	-	-
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	24,561	-	-	-	24,561
7	CIS exposure	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	332	-	-	-	-	332
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	-	-	-	-	-
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	Total	-	-	-	-	-	332	24,561	-	-	-	24,893

CCR4: Counterparty default risk exposures (other than those to CCPs) by portfolio and PD range – for IRB approach

FIRB approach	PD scale	At 30 June 2018						
		EAD post-CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density
		HK\$'000				Years	HK\$'000	
Portfolio (i) –Bank	0.00 to < 0.15	3,486,385	0.07%	23	6.46%	0.69	135,128	3.88%
	0.15 to < 0.25	1,128,203	0.22%	1	0.96%	0.50	8,765	0.78%
	0.25 to < 0.50	649,429	0.39%	3	3.98%	0.68	46,822	7.21%
	0.50 to < 0.75	1,564,941	0.61%	3	0.80%	0.54	27,067	1.73%
	0.75 to < 2.50	1,460,899	1.60%	5	2.07%	0.54	65,641	4.49%
	2.50 to < 10.00	-	N/A	0	N/A	N/A	-	N/A
	10.00 to < 100.00	-	N/A	0	N/A	N/A	-	N/A
	100.00 (Default)	-	N/A	0	N/A	N/A	-	N/A
	Sub-total	8,289,857	0.49%	35	3.67%	0.61	283,423	3.42%
Portfolio (ii) – Corporate	0.00 to < 0.15	-	N/A	0	N/A	N/A	-	N/A
	0.15 to < 0.25	3,813	0.22%	1	45.00%	2.5	1,762	46.21%
	0.25 to < 0.50	1,590	0.39%	1	45.00%	2.5	985	61.95%
	0.50 to < 0.75	6,441	0.57%	3	45.00%	2.5	4,655	72.27%
	0.75 to < 2.50	104,961	1.81%	21	45.00%	2.5	105,672	100.68%
	2.50 to < 10.00	40,761	3.49%	8	45.00%	2.5	54,606	133.97%
	10.00 to < 100.00	-	N/A	0	N/A	N/A	-	N/A
	100.00 (Default)	-	N/A	0	N/A	N/A	-	N/A
	Sub-total	157,566	2.14%	34	45.00%	2.5	167,680	106.42%
Total (sum of all portfolios)	8,447,423	0.52%	69	4.45%	0.64	451,103	5.34%	

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

	At 30 June 2018					
	Derivative contracts				SFTs	
	Fair value of recognised collateral received		Fair value of posted collateral		Fair value of recognised collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash - domestic currency	-	92,491	-	-	-	-
Cash - other currencies	-	220,885	-	57,708	2,743,371	4,927,016
Government bonds	-	-	-	-	1,062,072	-
Other bonds	-	-	-	-	3,800,339	2,921,400
Total	-	313,376	-	57,708	7,605,782	7,848,416

CCR6: Credit-related derivatives contracts

	At 30 June 2018	
	Protection bought	Protection sold
	HK\$'000	HK\$'000
Total notional amounts	-	-
Fair values	-	-
Positive fair value (asset)	-	-
Negative fair value (liability)	-	-

SEC1: Securitization exposures in banking book

		At 30 June 2018								
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
		Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Retail (total) – of which:	-	-	-	-	-	-	-	-	-
2	residential mortgage	-	-	-	-	-	-	-	-	-
3	credit card	-	-	-	-	-	-	-	-	-
4	other retail exposures	-	-	-	-	-	-	-	-	-
5	re-securitization exposures	-	-	-	-	-	-	-	-	-
6	Wholesale (total) – of which:	-	-	-	-	-	-	3,730,100	-	3,730,100
7	loans to corporates	-	-	-	-	-	-	3,730,100	-	3,730,100
8	commercial mortgage	-	-	-	-	-	-	-	-	-
9	lease and receivables	-	-	-	-	-	-	-	-	-
10	other wholesale	-	-	-	-	-	-	-	-	-
11	re-securitization exposures	-	-	-	-	-	-	-	-	-

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

		At 30 June 2018															
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	
Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWAs (by regulatory approach)				Capital charges after cap				
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC-IRBA	SEC-ERBA	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA	SEC-SA	SEC-FBA
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Total exposures	3,730,100	-	-	-	-	-	3,730,100	-	-	-	559,515	-	-	-	-	44,761
2	Traditional securitization	3,730,100	-	-	-	-	-	3,730,100	-	-	-	559,515	-	-	-	-	44,761
3	Of which securitization	3,730,100	-	-	-	-	-	3,730,100	-	-	-	559,515	-	-	-	-	44,761
4	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Of which wholesale	3,730,100	-	-	-	-	-	3,730,100	-	-	-	559,515	-	-	-	-	44,761
6	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

MR1: Market risk under STM approach

		At 30 June 2018
		RWA
		HK\$'000
Outright product exposures		
1	Interest rate exposures (general and specific risk)	171,050
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	-
4	Commodity exposures	14,675
Option exposures		
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitisation exposures	-
9	Total	185,725

MR2: RWA flow statements of market risk exposures under IMM approach

Movement in RWA was mainly driven by changes in exposure and risk level during the period.

		VaR	Stressed VaR	IRC	CRC	Other	Total RWA
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	RWA as at 31 March 2018	189,300	665,700	-	-	-	855,000
1a	Regulatory adjustment	(128,750)	(403,012)	-	-	-	(531,762)
1b	RWA as at 31 March 2018 (day-end)	60,550	262,688	-	-	-	323,238
2	Movement in risk levels	30,800	6,325	-	-	-	37,125
3	Model updates/changes	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-
7	Other	-	-	-	-	-	-
7a	RWA as at 30 June 2018 (day-end)	91,350	269,013	-	-	-	360,363
7b	Regulatory adjustment	131,963	256,587	-	-	-	388,550
8	RWA as at 30 June 2018	223,313	525,600	-	-	-	748,913

MR3: IMM approach values for market risk exposures

The maximum, minimum, average and period-end values were calculated for the reporting period from Jan 2018 to Jun 2018. Movement of Stressed VaR was driven by changes in exposure and risk level during the reporting period.

		At 30 June 2018
		HK\$'000
VaR (10 days – one-tailed 99% confidence interval)		
1	Maximum Value	9,915
2	Average Value	5,489
3	Minimum Value	3,411
4	Period End	7,308
Stressed VaR (10 days – one-tailed 99% confidence interval)		
5	Maximum Value	23,783
6	Average Value	15,932
7	Minimum Value	7,186
8	Period End	21,521
Incremental risk charge (IRC) (99.9% confidence interval)		
9	Maximum Value	-
10	Average Value	-
11	Minimum Value	-
12	Period End	-
Comprehensive risk charge (CRC) (99.9% confidence interval)		
13	Maximum Value	-
14	Average Value	-
15	Minimum Value	-
16	Period End	-
17	Floor	-

MR4: Comparison of VaR estimates with gains or losses

Below is the 250-day history for back-testing results of the Group's market risk under IMM approach. The Group adopts a uniformed VAR calculation model, and daily VaR is calculated at a 99% confidence level using two years of historical market data. During the period, there were 2 hypothetical losses exceeding the VaR for the Group as shown in the back-testing results (No exception was found for actual P&L). The exceptions were driven by unexpected market movement in foreign exchange and interest rates.

Actual P&L in back-testing does not include reserves, commissions and fees.

