Regulatory Disclosures
31 December 2018

NCB 南洋商業銀行

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KM1: Key prudential ratios

		At 31 December 2018	At 30 September 2018	At 30 June 2018	At 31 March 2018	At 31 December 2017
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	36,556,933	35,419,927	34,722,552	34,165,305	33,571,462
2	Tier 1	45,871,823	44,734,817	44,037,442	43,480,195	42,886,352
3	Total capital	50,626,038	49,323,691	48,759,491	48,184,932	47,596,126
	RWA (amount)					
4	Total RWA	270,692,288	252,454,668	270,247,232	274,118,114	266,464,621
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	13.50%	14.03%	12.85%	12.46%	12.60%
6	Tier 1 ratio (%)	16.95%	17.72%	16.30%	15.86%	16.09%
7	Total capital ratio (%)	18.70%	19.54%	18.04%	17.58%	17.86%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	1.875%	1.875%	1.875%	1.875%	1.25%
9	Countercyclical capital buffer requirement (%)	1.01%	0.99%	0.98%	0.94%	0.61%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	-	-	-	-	-
11	Total AI-specific CET1 buffer requirements (%)	2.885%	2.865%	2.855%	2.815%	1.86%
12	CET1 available after meeting the AI's minimum capital requirements (%)	9.00%	9.53%	8.35%	7.96%	8.10%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	488,062,361	445,898,969	459,130,193	460,951,668	463,397,438
14	LR (%)	9.40%	10.03%	9.59%	9.43%	9.25%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)*	61,520,887	62,621,990	65,859,148	64,062,868	54,812,598
16	Total net cash outflows	42,025,704	41,968,143	49,016,908	45,569,882	36,037,902
17	LCR (%)*	147.72%	151.82%	134.79%	142.25%	153.29%
	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	276,806,639	263,204,451	258,185,785	260,239,902	N/A
19	Total required stable funding	238,184,328	230,832,203	228,502,078	228,084,632	N/A
20	NSFR (%)	116.22%	114.02%	112.99%	114.10%	N/A
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

* Comparative figures have been restated

KM1: Key prudential ratios(continued)

Remark: The following relates to certain changes made as a result of changes made to the regulatory reporting treatment of the Group's exposures to certain financial investments and non-bank financial institutions. The relevant information are:

	At 30 September 2017
	HK$'000
Total risk weighted assets	257,207,840
CET1 capital	33,227,202
CET1 capital ratio (as a percentage of risk weighted assets)	12.92%
Tier 1 capital	42,542,092
Tier 1 capital ratio (as a percentage of risk weighted assets)	16.54%
Total capital	47,085,171
Total capital ratio (as a percentage of risk weighted assets)	18.31%

	At 31 March 2017
	HK$'000
Total risk weighted assets	221,814,348
CET1 capital	31,526,952
CET1 capital ratio (as a percentage of risk weighted assets)	14.21%
Tier 1 capital	31,526,952
Tier 1 capital ratio (as a percentage of risk weighted assets)	14.21%
Total capital	35,708,057
Total capital ratio (as a percentage of risk weighted assets)	16.10%

OVA: Overview of risk management

The Group is exposed to financial risks as a result of engaging in a variety of banking business activities. The principal types of risk inherent in the Group's businesses are credit risk, interest rate risk, market risk, liquidity risk, operational risk, reputation risk, legal and compliance risk, strategic risk and technology risk.

The Group's risk management objective is to enhance shareholder value by maintaining risk exposures within acceptable levels.

The Bank's Board of Directors (the "Board") holds the ultimate responsibility for the Group's overall risk management. It establishes a sound risk culture and determines the risk management strategies and the risk management structure.

To achieve the Group's goals in risk management, the Board sets up the Risk Management Committee, which comprises of Independent Non-executive Directors, to oversee the Group's various types of risks, review and approve the high-level risk management policies. Also, Credit Approval Committee is set up under the Risk Management Committee to review or approve credit applications and credit management related matters exceeding the Chief Executive's authority or as required by the policy and monitoring the credit activities of the Group.

According to the risk management strategies established by the Board, risk management policies and controls are devised and reviewed regularly by relevant departments and respective management committees set up by the Chief Executive.

The risk management units develop policies and procedures for identifying, measuring, evaluating, monitoring, controlling and reporting credit risk, market risk, operational risk, reputation risk, legal and compliance risk, interest rate risk, liquidity risk, strategic risk and technology risk; set appropriate risk limits; and continually monitor risks.

The Audit Department conducts independent reviews on the adequacy and effectiveness of risk management policies and controls to ensure that the Group is operating according to the established policies, procedures and limits.

Independence is crucial to effective risk management. To ensure the independence of the risk management units and the Audit Department, risk management units and Chief Risk Officer report directly to the Risk Management Committee and the Audit Department reports directly to the Audit Committee respectively. Both committees are specialised committees set up by the Board and all members are directors of the Bank.

Risk management culture is the common belief within the organization about risk management philosophy, vision, values and the code of conduct.

OVA: Overview of risk management (continued)

The Group upholds high standards of ethics so as to ensure its affairs are conducted in a high degree of integrity. The Group develops codes of conduct. Sound management systems are also in place to enforce them effectively. The standards of conduct are laid down in risk management policies, and other operating principles and guidelines. All staff is required to follow them when conducting business.

All staff is required to perform their risk management responsibility. The Board establishes strong risk culture and encourages communication and discussion on issues of risk management and risk taking. All staff continues enhancing and strengthening their knowledge and skills in risk management. The Group makes use of appropriate training, remuneration, incentive, reward and penalty schemes to guide and drive staff to conduct business in a responsible, honest, practical and proper manner.

Risk management policies, procedures and rating systems are formulated to identify, measure, evaluate, monitor, control and report the credit risk. These policies and procedures stipulate delegated credit authorities, credit underwriting standards, credit monitoring criteria, internal rating structure, problem loan management and impairment policy. They are reviewed and enhanced on an ongoing basis for catering business environment changes, regulatory requirements changes and market best practices in risk management processes. In addition, sound and robust IT and risk measurement system can provide comprehensive, timely and accurate data to ensure effective risk information can be submitted to relevant staff and senior management on time.

In order to support the Board and senior management to better fulfill the risk management responsibilities, periodic or ad hoc risk reports of each major risk types, covering the trend, limit usage and significant issues, are submitted to the Board, sub-committee and senior management.

Stress testing is a risk management tool for assessing the potential vulnerability under stressed circumstances/scenarios arising from extreme but plausible market or macroeconomic movements. The Bank uses stress testing to strengthen the risk management. The stress tests are conducted on a regular basis or ad hoc basis by the Group's various risk management units in accordance with the principles stated in the HKMA Supervisory Policy Manual "Stress-testing".

NCB became the wholly subsidiary of China Cinda Asset Management Co Ltd (China Cinda) in May 2016. Being a member of China Cinda Group, synergic operation among the China Cinda Group is one of the major business model of the Group with the target in the expansion and integration of businesses both in Hong Kong and the PRC. Under this strategy, NCB (China) position in the PRC will be strengthened.

In order to manage, monitor and mitigate the risks arise from the business model, the Group uses:
Risk management synergy: with strong support from China Cinda through sharing its experience in risk management, the Group will be able to further improve its own risk management capacities, such as familiarity with the PRC industries, disposal of distressed assets.

OVA: Overview of risk management (continued)

Comprehensive risk management mechanisms: different risk-related management activities on a group basis being captured, including the formulation of major policies, risk assessment, setting up control limits, and ongoing monitoring. The mechanisms ensure compliance with the Group's policies, and legal and regulatory requirements in Hong Kong and the PRC.

Group-wide risk appetite: Prudent risk culture is emphasized through-out the Group. NCB (China) also has an independent Risk Management Department to fulfill its day-to-day management function. Two Bank's risk management units have frequent communication on risk issues and regulatory requirements. Regular risk reports from NCB (China) are also submitted to the Bank for closely monitoring the development of the China business.

To further strengthen the one-bank risk management, the Group adopts various measures including but not limited to the following measures:

- Credit Approval Committee is set up to approve/provide approval advice on credit applications exceeding the Chief Executive's authority of both banks;
- The Bank's Chief Executive is also a director of NCB (China) and a member of the Audit Committee of NCB (China) to supervise the internal control of NCB (China);
- The Chief Risk Officer of NCB (China) is also a member of the Bank's risk management related committees to strengthen the internal communication regarding risks within the Group;
- Key Risk Indicators are set for and implemented in NCB (China); and
- Trainings and site visits are arranged within the Group for advanced communication of regulatory requirements.

OV1: Overview of RWA

		RWA		Minimum capital requirements
		At 31 December 2018	At 30 September 2018	At 31 December 2018
		HK$'000	HK$'000	HK$'000
1	Credit risk for non-securitization exposures	244,742,721	227,196,028	20,639,779
2	Of which STC approach	23,834,269	26,741,676	1,906,742
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	220,104,841	199,840,769	18,664,891
4	Of which supervisory slotting criteria approach	803,611	613,583	68,146
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	693,425	641,456	58,684
7	Of which SA-CCR	N/A	N/A	N/A
7a	Of which CEM	530,373	637,199	44,857
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	163,052	4,257	13,827
10	CVA risk	323,200	348,800	25,856
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	327,351	345,717	26,188
17	Of which SEC - IRBA	-	-	-
18	Of which SEC - ERBA	-	-	-
19	Of which SEC - SA	327,351	345,717	26,188
19a	Of which SEC - FBA	-	-	-
20	Market risk	847,525	1,378,163	67,802
21	Of which STM approach	12,213	192,825	977
22	Of which IMM approach	835,312	1,185,338	66,825
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	14,274,213	14,275,975	1,141,937
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	3,826,025	3,810,641	306,082
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	107,457	179,499	8,597
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	3,718,568	3,631,142	297,485
27	**Total**	**257,397,660**	**240,390,748**	**21,655,384**

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

OV1: Overview of RWA (continued)

Remark: The following relates to certain changes made as a result of changes made to the regulatory reporting treatment of the Group's exposures to certain financial investments and non-bank financial institutions. The relevant information are:

OV1: Overview of RWA (continued)

		RWA		Minimum capital requirements
		At 30 September 2018	At 30 June 2018	At 30 September 2018
		HK$'000	HK$'000	HK$'000
1	Credit risk for non-securitization exposures	227,196,028	244,972,508	19,137,863
2	Of which STC approach	26,741,676	28,854,512	2,139,334
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	199,840,769	215,656,727	16,946,497
4	Of which supervisory slotting criteria approach	613,583	461,269	52,032
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	641,456	475,912	54,249
7	Of which SA-CCR	N/A	N/A	N/A
7a	Of which CEM	637,199	406,055	53,888
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	4,257	69,857	361
10	CVA risk	348,800	214,513	27,904
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	345,717	559,515	27,657
17	Of which SEC - IRBA	-	-	-
18	Of which SEC - ERBA	-	-	-
19	Of which SEC - SA	345,717	559,515	27,657
19a	Of which SEC - FBA	-	-	-
20	Market risk	1,378,163	934,638	110,253
21	Of which STM approach	192,825	185,725	15,426
22	Of which IMM approach	1,185,338	748,913	94,827
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	14,275,975	13,890,213	1,142,078
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	3,810,641	3,809,463	304,851
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	179,499	171,525	14,360
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	3,631,142	3,637,938	290,491
27	**Total**	**240,390,748**	**257,253,086**	**20,196,373**

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

OV1: Overview of RWA (continued)

		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

OV1: Overview of RWA (continued)

		RWA		Minimum capital requirements
		At 31 March 2018	At 31 December 2017	At 31 March 2018
		HK$'000	HK$'000	HK$'000
1	Credit risk for non-securitization exposures	249,210,921	239,808,105	20,969,592
2	Of which STC approach	34,061,105	39,212,502	2,724,888
2a	Of which BSC approach	-	-	-
3	Of which IRB approach	215,149,816	200,595,603	18,244,704
4	Counterparty credit risk	716,499	431,880	59,645
5	Of which SA-CCR	-	-	-
5a	Of which CEM	399,153	166,557	33,798
6	Of which IMM(CCR) approach	-	-	-
7	Equity exposures in banking book under the market-based approach	-	-	-
8	CIS exposures – LTA	-	-	-
9	CIS exposures – MBA	-	-	-
10	CIS exposures – FBA	-	-	-
11	Settlement risk	-	-	-
12	Securitization exposures in banking book *	590,070	3,776,502	47,206
13	Of which SEC – IRBA	-	N/A	-
14	Of which SEC – ERBA	-	N/A	-
15	Of which SEC – SA	590,070	N/A	47,206
15a	Of which SEC – FBA	-	N/A	-
16	Market risk	1,013,825	1,071,513	81,106
17	Of which STM approach	158,825	279,738	12,706
18	Of which IMM approach	855,000	791,775	68,400
19	Operational risk	13,412,438	12,940,963	1,072,995
20	Of which BIA approach	-	-	-
21	Of which STO approach	13,412,438	12,940,963	1,072,995
21a	Of which ASA approach	-	-	-
22	Of which AMA approach	N/A	N/A	N/A
23	Amounts below the thresholds for deduction (subject to 250% RW)	15,250	15,250	1,220
24	Capital floor adjustment	-	-	-
24a	Deduction to RWA	3,778,949	3,634,976	302,316
24b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	234,698	97,543	18,776
24c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	3,544,251	3,537,433	283,540
25	Total	261,180,054	254,409,237	21,929,448

N/A: Not applicable in the case of Hong Kong

* The revised securitization framework has come into effect on 1 January 2018. The Group adopted the standardized (securitization) approach to calculate the credit risk for securitization exposures as at 31 December 2017.

OV1: Overview of RWA (continued)

		RWA		Minimum capital requirements
		At 31 December 2017	At 30 September 2017	At 31 December 2017
		HK$'000	HK$'000	HK$'000
1	Credit risk for non-securitization exposures	239,808,105	230,567,827	20,147,507
2	Of which STC approach	39,212,502	33,859,341	3,137,000
2a	Of which BSC approach	-	-	-
3	Of which IRB approach	200,595,603	196,708,486	17,010,507
4	Counterparty credit risk	431,880	685,118	36,122
5	Of which SA-CCR	-	-	-
5a	Of which CEM	166,557	386,019	14,090
6	Of which IMM(CCR) approach	-	-	-
7	Equity exposures in banking book under the market-based approach	-	-	-
8	CIS exposures – LTA	-	-	-
9	CIS exposures – MBA	-	-	-
10	CIS exposures – FBA	-	-	-
11	Settlement risk	-	-	-
12	Securitization exposures in banking book	3,776,502	3,720,271	302,120
13	Of which IRB(S) approach – ratings-based method	-	-	-
14	Of which IRB(S) approach – supervisory formula method	-	-	-
15	Of which STC(S) approach	3,776,502	3,720,271	302,120
16	Market risk	1,071,513	862,325	85,721
17	Of which STM approach	279,738	220,587	22,379
18	Of which IMM approach	791,775	641,738	63,342
19	Operational risk	12,940,963	13,041,750	1,035,277
20	Of which BIA approach	-	-	-
21	Of which STO approach	12,940,963	13,041,750	1,035,277
21a	Of which ASA approach	-	-	-
22	Of which AMA approach	N/A	N/A	N/A
23	Amounts below the thresholds for deduction (subject to 250% RW)	15,250	15,250	1,220
24	Capital floor adjustment	-	-	-
24a	Deduction to RWA	3,634,976	3,516,199	290,798
24b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	97,543	70,844	7,803
24c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	3,537,433	3,445,355	282,995
25	**Total**	**254,409,237**	**245,376,342**	**21,317,169**

N/A: Not applicable in the case of Hong Kong

OV1: Overview of RWA (continued)

		RWA		Minimum capital requirements
		At 30 September 2017	At 30 June 2017	At 30 September 2017
		HK$'000	HK$'000	HK$'000
1	Credit risk for non-securitization exposures	230,567,827	230,640,600	19,389,627
2	Of which STC approach	33,859,341	30,703,384	2,708,747
2a	Of which BSC approach	-	-	-
3	Of which IRB approach	196,708,486	199,937,216	16,680,880
4	Counterparty credit risk	685,118	242,049	57,129
5	Of which SA-CCR	-	-	-
5a	Of which CEM	386,019	144,914	32,705
6	Of which IMM(CCR) approach	-	-	-
7	Equity exposures in banking book under the market-based approach	-	-	-
8	CIS exposures – LTA	-	-	-
9	CIS exposures – MBA	-	-	-
10	CIS exposures – FBA	-	-	-
11	Settlement risk	-	-	-
12	Securitization exposures in banking book	3,720,271	3,556,848	297,622
13	Of which IRB(S) approach – ratings-based method	-	-	-
14	Of which IRB(S) approach – supervisory formula method	-	-	-
15	Of which STC(S) approach	3,720,271	3,556,848	297,622
16	Market risk	862,325	548,175	68,986
17	Of which STM approach	220,587	7,725	17,647
18	Of which IMM approach	641,738	540,450	51,339
19	Operational risk	13,041,750	12,896,788	1,043,340
20	Of which BIA approach	-	-	-
21	Of which STO approach	13,041,750	12,896,788	1,043,340
21a	Of which ASA approach	-	-	-
22	Of which AMA approach	N/A	N/A	N/A
23	Amounts below the thresholds for deduction (subject to 250% RW)	15,250	15,250	1,220
24	Capital floor adjustment	-	-	-
24a	Deduction to RWA	3,516,199	3,483,491	281,296
24b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	70,844	41,163	5,668
24c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	3,445,355	3,442,328	275,628
25	Total	245,376,342	244,416,219	20,576,628

N/A: Not applicable in the case of Hong Kong

OV1: Overview of RWA (continued)

		RWA		Minimum capital requirements
		At 30 June 2017	At 31 March 2017	At 30 June 2017
		HK$'000	HK$'000	HK$'000
1	Credit risk for non-securitization exposures	230,640,600	197,571,585	19,410,947
2	Of which STC approach	30,703,384	26,914,004	2,456,271
2a	Of which BSC approach	-	-	-
3	Of which IRB approach	199,937,216	170,657,581	16,954,676
4	Counterparty credit risk	242,049	483,120	20,078
5	Of which SA-CCR	-	-	-
5a	Of which CEM	144,914	312,510	12,251
6	Of which IMM(CCR) approach	-	-	-
7	Equity exposures in banking book under the market-based approach	-	-	-
8	CIS exposures – LTA	-	-	-
9	CIS exposures – MBA	-	-	-
10	CIS exposures – FBA	-	-	-
11	Settlement risk	-	-	-
12	Securitization exposures in banking book	3,556,848	3,483,701	284,548
13	Of which IRB(S) approach – ratings-based method	-	-	-
14	Of which IRB(S) approach – supervisory formula method	-	-	-
15	Of which STC(S) approach	3,556,848	3,483,701	284,548
16	Market risk	548,175	675,150	43,854
17	Of which STM approach	7,725	3,675	618
18	Of which IMM approach	540,450	671,475	43,236
19	Operational risk	12,896,788	12,712,000	1,031,743
20	Of which BIA approach	-	-	-
21	Of which STO approach	12,896,788	12,712,000	1,031,743
21a	Of which ASA approach	-	-	-
22	Of which AMA approach	N/A	N/A	N/A
23	Amounts below the thresholds for deduction (subject to 250% RW)	15,250	15,250	1,220
24	Capital floor adjustment	-	-	-
24a	Deduction to RWA	3,483,491	3,385,780	278,679
24b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	41,163	69,400	3,293
24c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	3,442,328	3,316,380	275,386
25	**Total**	**244,416,219**	**211,555,026**	**20,513,711**

N/A: Not applicable in the case of Hong Kong

OV1: Overview of RWA (continued)

		RWA		Minimum capital requirements
		31 March 2017	31 December 2016	31 March 2017
		HK$'000	HK$'000	HK$'000
1	Credit risk for non-securitization exposures	197,571,585	194,372,239	16,624,883
2	Of which STC approach	26,914,004	21,860,991	2,153,120
2a	Of which BSC approach	-	-	-
3	Of which IRB approach	170,657,581	172,511,248	14,471,763
4	Counterparty credit risk	483,120	654,519	40,239
5	Of which SA-CCR	-	-	-
5a	Of which CEM	312,510	425,307	26,480
6	Of which IMM(CCR) approach	-	-	-
7	Equity exposures in banking book under the market-based approach	-	-	-
8	CIS exposures – LTA	-	-	-
9	CIS exposures – MBA	-	-	-
10	CIS exposures – FBA	-	-	-
11	Settlement risk	-	-	-
12	Securitization exposures in banking book	3,483,701	3,419,061	278,696
13	Of which IRB(S) approach – ratings-based method	-	-	-
14	Of which IRB(S) approach – supervisory formula method	-	-	-
15	Of which STC(S) approach	3,483,701	3,419,061	278,696
16	Market risk	675,150	745,725	54,012
17	Of which STM approach	3,675	-	294
18	Of which IMM approach	671,475	745,725	53,718
19	Operational risk	12,712,000	12,629,713	1,016,960
20	Of which BIA approach	-	-	-
21	Of which STO approach	12,712,000	12,629,713	1,016,960
21a	Of which ASA approach	-	-	-
22	Of which AMA approach	N/A	N/A	N/A
23	Amounts below the thresholds for deduction (subject to 250% RW)	15,250	15,250	1,220
24	Capital floor adjustment	-	-	-
24a	Deduction to RWA	3,385,780	3,349,058	270,862
24b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	69,400	34,661	5,552
24c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	3,316,380	3,314,397	265,310
25	Total	211,555,026	208,487,449	17,745,148

N/A: Not applicable in the case of Hong Kong

PV1: Prudent valuation adjustments

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1	Close-out uncertainty, of which:	-	-	-	16,962	-	16,962		16,962
2	*Mid-market value*	-	-	-	-	-	-	-	-
3	*Close-out costs*	-	-	-	-	-	-	-	-
4	*Concentration*	-	-	-	16,962	-	16,962	-	16,962
5	Early termination	-	-	-	-	-	-	-	-
6	Model risk	-	-	-	-	-	-	-	-
7	Operational risks	-	-	-	-	-	-	-	-
8	Investing and funding costs						-	-	-
9	Unearned credit spreads						-	-	-
10	Future administrative costs	-	-	-	-	-	-	-	-
11	Other adjustments	-	-	-	-	-	-	-	-
12	**Total adjustments**	-	-	-	16,962	-	16,962	-	16,962

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

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets							
Cash and balances with banks and other financial institutions	56,653,163	56,653,163	50,825,788	5,827,375	-	-	-
Placements with banks and other financial institutions maturing between one and twelve months	18,207,637	18,207,637	18,207,637	-	-	-	-
Financial assets at fair value through profit or loss	8,679,486	8,679,486	3,872,117	-	-	4,807,369	-
Derivative financial instruments	654,721	654,721	-	629,878	-	614,654	-
Advances and other accounts	252,930,869	252,930,869	252,930,869	-	-	-	-
Financial investments	118,150,153	118,150,153	116,015,997	6,132,530	2,117,194	-	16,962
Interests in subsidiaries	-	6,100	6,100	-	-	-	-
Investment properties	331,942	331,942	331,942	-	-	-	-
Properties, plant and equipment	7,808,591	7,808,591	7,808,591	-	-	-	-
Current tax assets	149,773	149,773	149,773				
Deferred tax assets	46,836	46,836	-	-	-	-	46,836
Other assets	2,408,534	2,407,956	2,407,956	-	-	-	-
Total assets	**466,021,705**	**466,027,227**	**452,556,770**	**12,589,783**	**2,117,194**	**5,422,023**	**63,798**

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

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Liabilities							
Deposits and balances from banks and other financial institutions	29,099,298	29,099,298	-	-	-	-	29,099,298
Financial liabilities at fair value through profit or loss	4,803,277	4,803,277	-	-	-	4,803,277	-
Derivative financial instruments	353,927	353,927	-	89,868	-	346,355	5,991
Deposits from customers	344,204,939	344,226,624	-	-	-	-	344,226,624
Debt securities and certificates of deposit in issue	12,192,974	12,192,974	-	-	-	-	12,192,974
Other accounts and provisions	19,096,338	19,096,090	-	-	-	-	19,096,090
Current tax liabilities	300,825	300,825	90,530	-	-	-	210,295
Deferred tax liabilities	775,324	766,963	-	-	-	-	766,963
Total liabilities	**410,826,902**	**410,839,978**	**90,530**	**89,868**	**-**	**5,149,632**	**405,598,235**

Some balance sheet items attract capital charge according to the risk frameworks for more than one risk category. This results in variance between value in column (b) and the sum of values in columns (c) to (g).

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

Remark: The following relates to certain changes made as a result of changes made to the regulatory reporting treatment of the Group's exposures to certain financial investments. The relevant information are:

	31 December 2017						
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
			Carrying values of items:				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets							
Cash and balances with banks and other financial institutions	67,735,761	67,735,761	52,518,785	15,216,976	-	-	-
Placements with banks and other financial institutions maturing between one and twelve months	6,114,423	6,114,423	5,211,635	902,788	-	-	-
Financial assets at fair value through profit or loss	4,142,283	4,142,283	-	-	-	4,142,283	-
Derivative financial instruments	400,843	400,843	-	395,180	-	400,843	-
Advances and other accounts	234,696,791	234,696,791	234,696,791	-	-	-	-
Financial investments	111,250,900	111,250,900	107,486,777	3,236,119	3,753,086	-	11,037
Interests in subsidiaries	-	6,100	6,100	-	-	-	-
Investment properties	302,702	302,702	302,702	-	-	-	-
Properties, plant and equipment	7,386,981	7,386,981	7,386,981	-	-	-	-
Deferred tax assets	222,516	222,516	-	-	-	-	222,516
Other assets	2,808,938	2,808,360	2,808,360	-	-	-	-
Total assets	**435,062,138**	**435,067,660**	**410,418,131**	**19,751,063**	**3,753,086**	**4,543,126**	**233,553**

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

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
			Carrying values of items:				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Liabilities							
Deposits and balances from banks and other financial institutions	27,735,507	27,735,507	-	-	-	-	-
Financial liabilities at fair value through profit or loss	4,345,543	4,345,543	-	-	-	4,345,543	-
Derivative financial instruments	397,796	397,796	-	103,610	-	397,796	-
Deposits from customers	325,415,639	325,437,780	-	-	-	-	-
Debt securities and certificates of deposit in issue	6,781,208	6,781,208	-	-	-	-	-
Other accounts and provisions	17,145,204	17,144,371	-	-	-	-	-
Current tax liabilities	362,383	362,383	-	-	-	-	-
Deferred tax liabilities	789,778	781,407	-	-	-	-	-
Total liabilities	**382,973,058**	**382,985,995**	**-**	**103,610**	**-**	**4,743,339**	**-**

Some balance sheet items attract capital charge according to the risk frameworks for more than one risk category. This results in variance between value in column (b) and the sum of values in columns (c) to (g).

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

		(a)	(b)	(c)	(d)	(e)
		Total	Items subject to:			
			credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	**472,685,770**	**452,556,770**	**2,117,194**	**12,589,783**	**5,422,023**
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	5,330,030	90,530	-	89,868	5,149,632
3	Total net amount under regulatory scope of consolidation	467,355,740	452,466,240	2,117,194	12,499,915	272,391
4	Off-balance sheet amounts	26,798,300	26,798,300	-	-	-
5	Differences due to consideration of partial write-offs	13,479	13,479	-	-	-
6	Differences due to consideration of internal estimated EAD under retail IRB approach	1,295,174	1,295,174	-	-	-
7	Differences due to consideration of provisions	3,150,016	3,084,877	65,139	-	-
8	Differences due to application of haircut in SFTs	244,026	-	-	244,026	-
9	Potential exposures of OTC derivative transactions	554,854	-	-	554,854	-
10	Other differences not classified above	3,826	3,826	-	-	-
N	**Exposure amounts considered for regulatory purposes**	**499,415,415**	**483,661,896**	**2,182,333**	**13,298,795**	**272,391**

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

Remark: The following relates to certain changes made as a result of changes made to the regulatory reporting treatment of the Group's exposures to certain financial investments. The relevant information are:

		31 December 2017				
		(a)	(b)	(c)	(d)	(e)
		Total	Items subject to:			
			credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	**438,465,406**	**410,418,131**	**3,753,086**	**19,751,063**	**4,543,126**
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	4,846,949	-	-	103,610	4,743,339
3	Total net amount under regulatory scope of consolidation	433,618,457	410,418,131	3,753,086	19,647,453	(200,213)
4	Off-balance sheet amounts	31,339,328	31,339,328	-	-	-
5	Differences due to consideration of partial write-offs	51,120	51,120	-	-	-
6	Differences due to consideration of internal estimated EAD under retail IRB approach	801,556	801,556	-	-	-
7	Differences due to consideration of provisions	2,060,230	2,036,814	23,416	-	-
8	Differences due to application of haircut in SFTs	76,538	-	-	76,538	-
9	Potential exposures of OTC derivative transactions	251,037	-	-	251,037	-
10	Other differences not classified above	43,708	60	-	-	43,648
N	**Exposure amounts considered for regulatory purposes**	**468,241,974**	**444,647,009**	**3,776,502**	**19,975,028**	**(156,565)**

LIA: Explanations of differences between accounting and regulatory exposure amounts

Template LI1 shows the differences between the accounting scope of consolidation and the scope of regulatory consolidation, with a breakdown into regulatory risk categories of every item of the assets and liabilities reported in financial statements. The accounting scope of consolidation includes subsidiaries, namely Nanyang Commercial Bank Trustee Limited, Kwong Li Nam Investment Agency Limited and Nanyang Commercial Bank (Nominees) Limited, which are outside the regulatory scope of consolidation.

Template LI2 illustrates the differences between accounting values and amounts considered for regulatory purposes. The main driver for the differences relates to the inclusion of off-balance sheet exposures (after application of the CCFs) for regulatory purposes.

The Group uses the valuation methodologies which can be classified into marking-to-market and marking-to-model. Marking-to-market is valuation of positions by adopting readily available and observable quoted market prices in an actively traded principal market. If market quotation is not available, marking-to-model should be adopted. Marking-to-model is valuation which has to be benchmarked, extrapolated or otherwise derived from market data inputs.

For marking-to-market, the Group uses the bid/offer close-out price for the fair value of financial instrument. If the market for assets or liabilities is not active, the Group uses valuation techniques, including the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Group has an established governance structure and controls framework to ensure that fair values are either determined or validated by control units independent of the front offices. Control units have overall responsibility for independent verification of valuation results from front line businesses and all other significant fair value measurements. Specific controls include verification of observable pricing inputs. Significant valuation issues are reported to the Management.

The independent price verification is the process of comparing the pricing inputs used in the valuation process to a corresponding set of independently verifiable external observable market prices and parameters. If the effects of price variances fall within the preset tolerances, the pricing inputs are considered as reliable and appropriate.

For Prudent Valuation, by considering asset quality and market share of trading positions, the Group performs liquidity risk valuation adjustment in accordance with risk management, and regulatory and financial reporting purposes for less liquid product positions. The Group also reviews the appropriateness of the valuation adjustment regularly.

CC1: Composition of regulatory capital

		At 31 December 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	33,911,997	(5)
3	Disclosed reserves	8,815,845	(7)+(8)+ (9)+(10)
4	*Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)*	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**	**45,872,359**	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	16,962	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)	46,836	(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	12,417	(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	-	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	6,761,032	(6)+(7)
26b	Regulatory reserve for general banking risks	2,478,179	(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**	**9,315,426**	

CC1: Composition of regulatory capital (continued)

		At 31 December 2018	
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		HK$'000	
29	**CET1 capital**	**36,556,933**	
	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	*Capital instruments subject to phase-out arrangements from AT1 capital*	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements*	-	
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)**	**45,871,823**	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	*Capital instruments subject to phase-out arrangements from Tier 2 capital*	-	
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	*of which: capital instruments issued by subsidiaries subject to phase-out arrangements*	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,711,751	Not applicable
51	**Tier 2 capital before regulatory deductions**	**1,711,751**	
	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	-	
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	(3,042,464)	[(6)+(7)] *45%
57	**Total regulatory adjustments to Tier 2 capital**	**(3,042,464)**	
58	**Tier 2 capital (T2)**	**4,754,215**	
59	**Total regulatory capital (TC = T1 + T2)**	**50,626,038**	
60	**Total RWA**	**270,692,288**	

CC1: Composition of regulatory capital (continued)

		At 31 December 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**	13.50%	
62	**Tier 1 capital ratio**	16.95%	
63	**Total capital ratio**	18.70%	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)**	2.885%	
65	*of which: capital conservation buffer requirement*	1.875%	
66	*of which: bank specific countercyclical capital buffer requirement*	1.01%	
67	*of which: higher loss absorbency requirement*	-	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	9.00%	
	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	31,833	
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)	409,977	
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	302,520	
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)	2,697,397	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	1,409,231	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	*Current cap on CET1 capital instruments subject to phase-out arrangements*	Not applicable	Not applicable
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	Not applicable	Not applicable
82	*Current cap on AT1 capital instruments subject to phase-out arrangements*	-	
83	*Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)*	-	
84	*Current cap on Tier 2 capital instruments subject to phase-out arrangements*	-	
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	-	

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)**	-	-
	Explanation 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)**	46,836	-
	Explanation 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.		
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)**	-	-
	Explanation 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)**	-	-
	Explanation 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)**	-	-
	Explanation 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)**	-	-
	Explanation 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

CC1: Composition of regulatory capital (continued)

Remark: The following relates to certain changes made as a result of changes made to the regulatory reporting treatment of the Group's exposures to certain financial investments and non-bank financial institutions. The relevant information are:

		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	*Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)*	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	*Capital instruments subject to phase-out arrangements from AT1 capital*	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements*	-	
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	*Capital instruments subject to phase-out arrangements from Tier 2 capital*	-	
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	*of which: capital instruments issued by subsidiaries subject to phase-out arrangements*	-	
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	*of which: capital conservation buffer requirement*	1.875%	
66	*of which: bank specific countercyclical capital buffer requirement*	0.98%	
67	*of which: higher loss absorbency requirement*	-	
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	*Current cap on CET1 capital instruments subject to phase-out arrangements*	Not applicable	Not applicable
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	Not applicable	Not applicable
82	*Current cap on AT1 capital instruments subject to phase-out arrangements*	-	
83	*Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)*	-	
84	*Current cap on Tier 2 capital instruments subject to phase-out arrangements*	-	
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	-	

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)**	-	-
	Explanation 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)**	209,900	-
	Explanation 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.		
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)**	-	-
	Explanation 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)**	-	-
	Explanation 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)**	-	-
	Explanation 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)**	-	-
	Explanation 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

CC1: Composition of regulatory capital (continued)

		At 31 December 2017		
		Component of regulatory capital reported by bank HK$'000	Amounts subject to pre-Basel III treatment* HK$'000	Cross reference to regulatory scope consolidated balance sheet
	CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	3,144,517		(4)
2	Retained earnings	31,153,712		(5)
3	Disclosed reserves	8,468,546		(7)+(8)+ (9)+(10)
4	*Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)*	Not applicable		
	Public sector capital injections grandfathered until 1 January 2018	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**	**42,766,775**		
	CET1 capital: regulatory deductions			
7	Valuation adjustments	11,037		Not applicable
8	Goodwill (net of associated deferred tax liability)	-		
9	Other intangible assets (net of associated deferred tax liability)	-		
10	Deferred tax assets net of deferred tax liabilities	222,516		(2)
11	Cash flow hedge reserve	-		
12	Excess of total EL amount over total eligible provisions under the IRB approach	-		
13	Gain-on-sale arising from securitization transactions	-		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	277		(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 (amount above 10% threshold)	Not applicable		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable		
22	Amount exceeding the 15% threshold	Not applicable		
23	of which: significant investments in the common stock of financial sector entities	Not applicable		
24	of which: mortgage servicing rights	Not applicable		
25	of which: deferred tax assets arising from temporary differences	Not applicable		
26	National specific regulatory adjustments applied to CET1 capital	8,961,483		
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	6,431,695		(6)+(7)
26b	Regulatory reserve for general banking risks	2,529,788		(9)
26c	Securitization exposures specified in a notice given by the Monetary Authority	-		
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**	**9,195,313**		
29	**CET1 capital**	**33,571,462**		

CC1: Composition of regulatory capital (continued)

		At 31 December 2017		
		Component of regulatory capital reported by bank HK$'000	**Amounts subject to pre-Basel III treatment* HK$'000**	**Cross reference to regulatory scope consolidated balance sheet**
	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	*Capital instruments subject to phase out arrangements from AT1 capital*	-		
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-		
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements*			
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	-		
41a	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 1 capital	-		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
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 (Tier 1 = CET1 + AT1)**	**42,886,352**		
	Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	-		
47	*Capital instruments subject to phase out arrangements from Tier 2 capital*	-		
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	*of which: capital instruments issued by subsidiaries subject to phase out arrangements*	-		
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,815,512		Not applicable
51	**Tier 2 capital before regulatory deductions**	**1,815,512**		

CC1: Composition of regulatory capital (continued)

		At 31 December 2017		
		Component of regulatory capital reported by bank HK$'000	Amounts subject to pre-Basel III treatment* HK$'000	Cross reference to regulatory scope consolidated balance sheet
	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	-		
56	National specific regulatory adjustments applied to Tier 2 capital	(2,894,262)		
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	(2,894,262)		[(6)+(7)] *45%
56b	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	-		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
57	**Total regulatory deductions to Tier 2 capital**	**(2,894,262)**		
58	**Tier 2 capital**	**4,709,774**		
59	**Total capital (Total capital = Tier 1 + Tier 2)**	**47,596,126**		

CC1: Composition of regulatory capital (continued)

		At 31 December 2017	
		Component of regulatory capital reported by bank HK$'000	Amounts subject to pre-Basel III treatment* HK$'000
59a	Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment	-	
i	of which: Mortgage servicing rights	-	
ii	of which: Defined benefit pension fund net assets	-	
iii	of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments	-	
iv	of which: Capital investment in a connected company which is a commercial entity	-	
v	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
vi	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
60	**Total risk weighted assets**	**266,464,621**	
	Capital ratios (as a percentage of risk weighted assets)		
61	CET1 capital ratio	12.60%	
62	Tier 1 capital ratio	16.09%	
63	Total capital ratio	17.86%	
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	6.36%	
65	*of which: capital conservation buffer requirement*	1.25%	
66	*of which: bank specific countercyclical buffer requirement*	0.61%	
67	*of which: G-SIB or D-SIB buffer requirement*	-	
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR	8.10%	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	Not applicable	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	15,156	
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 related tax liability)	Not applicable	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	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 basic approach and the standardised (credit risk) approach (prior to application of cap)	635,184	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardised (credit risk) approach	537,641	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	1,871,724	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	1,277,871	
	Capital instruments subject to phase-out arrangements		
80	*Current cap on CET1 capital instruments subject to phase out arrangements*	Not applicable	
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	Not applicable	
82	*Current cap on AT1 capital instruments subject to phase out arrangements*	-	
83	*Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)*	-	
84	*Current cap on Tier 2 capital instruments subject to phase out arrangements*	-	
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	-	

* This refers to the position under the Banking (Capital) Rules in force on 31 December 2012.

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)**	-	-
	Explanation 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 deferred tax liabilities**	222,516	-
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs that rely on future profitability 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 and other credit exposures to connected companies) under Basel III.		
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)**	-	-
	Explanation 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 Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

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)**	-	-
	Explanation 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 Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
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)**	-	-
	Explanation 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)**	-	-
	Explanation 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% / 15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the Banking (Capital) Rules.			

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

CC1: Composition of regulatory capital (continued)

		At 30 June 2017		
		Component of regulatory capital reported by bank HK$'000	Amounts subject to pre-Basel III treatment* HK$'000	Cross reference to regulatory scope consolidated balance sheet
	CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	3,144,517		(4)
2	Retained earnings	29,938,308		(5)
3	Disclosed reserves	7,828,173		(7)+(8)+ (9)+(10)+(11)
4	*Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)*	Not applicable		
	Public sector capital injections grandfathered until 1 January 2018	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**	**40,910,998**		
	CET1 capital: regulatory deductions			
7	Valuation adjustments	10,079		Not applicable
8	Goodwill (net of associated deferred tax liability)	-		
9	Other intangible assets (net of associated deferred tax liability)	-		
10	Deferred tax assets net of deferred tax liabilities	130,573		(2)
11	Cash flow hedge reserve	(13,737)		(10)
12	Excess of total EL amount over total eligible provisions under the IRB approach	-		
13	Gain-on-sale arising from securitization transactions	-		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	240		(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 (amount above 10% threshold)	Not applicable		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable		
22	Amount exceeding the 15% threshold	Not applicable		
23	of which: significant investments in the common stock of financial sector entities	Not applicable		
24	of which: mortgage servicing rights	Not applicable		
25	of which: deferred tax assets arising from temporary differences	Not applicable		
26	National specific regulatory adjustments applied to CET1 capital	8,528,000		
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	6,258,778		(6)+(7)
26b	Regulatory reserve for general banking risks	2,269,222		(9)
26c	Securitization exposures specified in a notice given by the Monetary Authority	-		
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**	**8,655,155**		
29	**CET1 capital**	**32,255,843**		

CC1: Composition of regulatory capital (continued)

		At 30 June 2017		
		Component of regulatory capital reported by bank HK$'000	Amounts subject to pre-Basel III treatment* HK$'000	Cross reference to regulatory scope consolidated balance sheet
	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		(12)
32	of which: classified as liabilities under applicable accounting standards	-		
33	*Capital instruments subject to phase out arrangements from AT1 capital*	-		
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-		
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements*	-		
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	-		
41a	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 1 capital	-		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
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 (Tier 1 = CET1 + AT1)**	**41,570,733**		
	Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	-		
47	*Capital instruments subject to phase out arrangements from Tier 2 capital*	-		
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	*of which: capital instruments issued by subsidiaries subject to phase out arrangements*	-		
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,701,088		Not applicable
51	**Tier 2 capital before regulatory deductions**	**1,701,088**		

CC1: Composition of regulatory capital (continued)

		At 30 June 2017		
		Component of regulatory capital reported by bank HK$'000	Amounts subject to pre-Basel III treatment* HK$'000	Cross reference to regulatory scope consolidated balance sheet
	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	-		
56	National specific regulatory adjustments applied to Tier 2 capital	(2,816,450)		
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	(2,816,450)		[(6)+(7)] *45%
56b	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	-		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
57	**Total regulatory deductions to Tier 2 capital**	**(2,816,450)**		
58	**Tier 2 capital**	**4,517,538**		
59	**Total capital (Total capital = Tier 1 + Tier 2)**	**46,088,271**		

CC1: Composition of regulatory capital (continued)

		At 30 June 2017	
		Component of regulatory capital reported by bank HK$'000	**Amounts subject to pre-Basel III treatment* HK$'000**
59a	Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment	-	
i	of which: Mortgage servicing rights	-	
ii	of which: Defined benefit pension fund net assets	-	
iii	of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments	-	
iv	of which: Capital investment in a connected company which is a commercial entity	-	
v	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
vi	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
60	**Total risk weighted assets**	**256,421,379**	
	Capital ratios (as a percentage of risk weighted assets)		
61	CET1 capital ratio	12.58%	
62	Tier 1 capital ratio	16.21%	
63	Total capital ratio	17.97%	
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	6.41%	
65	*of which: capital conservation buffer requirement*	1.25%	
66	*of which: bank specific countercyclical buffer requirement*	0.66%	
67	*of which: G-SIB or D-SIB buffer requirement*	0%	
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR	8.08%	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	Not applicable	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	15,057	
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 related tax liability)	Not applicable	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	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 basic approach and the standardised (credit risk) approach (prior to application of cap)	469,704	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardised (credit risk) approach	428,541	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	1,670,121	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	1,272,547	
	Capital instruments subject to phase-out arrangements		
80	*Current cap on CET1 capital instruments subject to phase out arrangements*	Not applicable	
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	Not applicable	
82	*Current cap on AT1 capital instruments subject to phase out arrangements*	-	
83	*Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)*	-	
84	*Current cap on Tier 2 capital instruments subject to phase out arrangements*	-	
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	-	

* This refers to the position under the Banking (Capital) Rules in force on 31 December 2012.

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)**	-	-
	Explanation 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 deferred tax liabilities**	130,573	-
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs that rely on future profitability 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 and other credit exposures to connected companies) under Basel III.		
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)**	-	-
	Explanation 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 Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

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)**	-	-
	Explanation 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 Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
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)**	-	-
	Explanation 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)**	-	-
	Explanation 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% / 15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the Banking (Capital) Rules.

Abbreviations:

CET1: Common Equity Tier 1
AT1: Additional Tier 1

CC1: Composition of regulatory capital (continued)

		At 31 December 2016		
		Component of regulatory capital reported by bank HK$'000	**Amounts subject to pre-Basel III treatment* HK$'000**	**Cross reference to regulatory scope consolidated balance sheet**
	CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	3,144,517		(4)
2	Retained earnings	28,648,761		(5)
3	Disclosed reserves	6,885,557		(7)+(8)+(9)+(10)+(11)
4	*Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)*	Not applicable		
	Public sector capital injections grandfathered until 1 January 2018	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**	**38,678,835**		
	CET1 capital: regulatory deductions			
7	Valuation adjustments	18,800		Not applicable
8	Goodwill (net of associated deferred tax liability)	0		
9	Other intangible assets (net of associated deferred tax liability)	0		
10	Deferred tax assets net of deferred tax liabilities	100,652		(2)
11	Cash flow hedge reserve	(48,098)		(9)
12	Excess of total EL amount over total eligible provisions under the IRB approach	-		
13	Gain-on-sale arising from securitization transactions	-		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	2,983		(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 (amount above 10% threshold)	Not applicable		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable		
22	Amount exceeding the 15% threshold	Not applicable		
23	of which: significant investments in the common stock of financial sector entities	Not applicable		
24	of which: mortgage servicing rights	Not applicable		
25	of which: deferred tax assets arising from temporary differences	Not applicable		
26	National specific regulatory adjustments applied to CET1 capital	8,037,399		
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	6,026,176		(6)+(7)
26b	Regulatory reserve for general banking risks	2,011,223		(10)
26c	Securitization exposures specified in a notice given by the Monetary Authority	-		
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**	**8,111,736**		
29	**CET1 capital**	**30,567,099**		

CC1: Composition of regulatory capital (continued)

		At 31 December 2016		
		Component of regulatory capital reported by bank HK$'000	Amounts subject to pre-Basel III treatment* HK$'000	Cross reference to regulatory scope consolidated balance sheet
	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	-		
33	*Capital instruments subject to phase out arrangements from AT1 capital*	-		
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-		
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements*	-		
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 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	-		
41a	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 1 capital	-		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
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 (Tier 1 = CET1 + AT1)**	**30,567,099**		
	Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	-		
47	*Capital instruments subject to phase out arrangements from Tier 2 capital*	-		
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	*of which: capital instruments issued by subsidiaries subject to phase out arrangements*	-		
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,416,318		Not applicable
51	**Tier 2 capital before regulatory deductions**	**1,416,318**		

CC1: Composition of regulatory capital (continued)

		At 31 December 2016		
		Component of regulatory capital reported by bank HK$'000	Amounts subject to pre-Basel III treatment* HK$'000	Cross reference to regulatory scope consolidated balance sheet
	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	-		
56	National specific regulatory adjustments applied to Tier 2 capital	(2,711,779)		
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	(2,711,779)		[(6)+(7)] *45%
56b	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	-		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
57	**Total regulatory deductions to Tier 2 capital**	**(2,711,779)**		
58	**Tier 2 capital**	**4,128,097**		
59	**Total capital (Total capital = Tier 1 + Tier 2)**	**34,695,196**		

CC1: Composition of regulatory capital (continued)

		At 31 December 2016	
		Component of regulatory capital reported by bank HK$'000	**Amounts subject to pre-Basel III treatment* HK$'000**
59a	Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment	-	
i	of which: Mortgage servicing rights	-	
ii	of which: Defined benefit pension fund net assets	-	
iii	of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments	-	
iv	of which: Capital investment in a connected company which is a commercial entity	-	
v	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
vi	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
60	**Total risk weighted assets**	**218,864,769**	
	Capital ratios (as a percentage of risk weighted assets)		
61	CET1 capital ratio	13.97%	
62	Tier 1 capital ratio	13.97%	
63	Total capital ratio	15.85%	
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	5.45%	
65	*of which: capital conservation buffer requirement*	0.625%	
66	*of which: bank specific countercyclical buffer requirement*	0.32%	
67	*of which: G-SIB or D-SIB buffer requirement*	0%	
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR	7.85%	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	Not applicable	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	13,381	
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 related tax liability)	Not applicable	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	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 basic approach and the standardized (credit risk) approach (prior to application of cap)	350,982	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	316,322	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	1,459,902	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	1,099,996	
	Capital instruments subject to phase-out arrangements		
80	*Current cap on CET1 capital instruments subject to phase out arrangements*	Not applicable	
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	Not applicable	
82	*Current cap on AT1 capital instruments subject to phase out arrangements*	-	
83	*Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)*	-	
84	*Current cap on Tier 2 capital instruments subject to phase out arrangements*	-	
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	-	

* This refers to the position under the Banking (Capital) Rules in force on 31 December 2012.

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)**	-	-
	Explanation 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 deferred tax liabilities**	100,652	-
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs that rely on future profitability of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities and other credit exposures to connected companies) under Basel III.		
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)**	-	-
	Explanation 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 Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

CC1: Composition of regulatory capital (continued)

<table>
<tr><th>Row No.</th><th>Description</th><th>Hong Kong basis HK$'000</th><th>Basel III basis HK$'000</th></tr>
<tr><td rowspan="2">19</td><td>Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</td><td>-</td><td>-</td></tr>
<tr><td colspan="3"><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 Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business.

Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</td></tr>
<tr><td rowspan="2">39</td><td>Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</td><td>-</td><td>-</td></tr>
<tr><td colspan="3"><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.</td></tr>
<tr><td rowspan="2">54</td><td>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)</td><td>-</td><td>-</td></tr>
<tr><td colspan="3"><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.</td></tr>
<tr><td colspan="4">Remarks:
The amount of the 10% / 15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the Banking (Capital) Rules.</td></tr>
</table>

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

CC1: Composition of regulatory capital (continued)

		At 30 June 2016		
		Component of regulatory capital reported by bank HK$'000	Amounts subject to pre-Basel III treatment* HK$'000	Cross reference to regulatory scope consolidated balance sheet
	CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	3,144,517		(3)
2	Retained earnings	26,930,754		(4)
3	Disclosed reserves	8,102,133		(6)+(7)+ (8)+(9)
4	*Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)*	Not applicable		
	Public sector capital injections grandfathered until 1 January 2018	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**	**38,177,404**		
	CET1 capital: regulatory deductions			
7	Valuation adjustments	10,054		Not applicable
8	Goodwill (net of associated deferred tax liability)	-		
9	Other intangible assets (net of associated deferred tax liability)	-		
10	Deferred tax assets net of deferred tax liabilities	-		
11	Cash flow hedge reserve	-		
12	Excess of total EL amount over total eligible provisions under the IRB approach	-		
13	Gain-on-sale arising from securitization transactions	-		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	1,032		(1)+(2)
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 (amount above 10% threshold)	Not applicable		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable		
22	Amount exceeding the 15% threshold	Not applicable		
23	of which: significant investments in the common stock of financial sector entities	Not applicable		
24	of which: mortgage servicing rights	Not applicable		
25	of which: deferred tax assets arising from temporary differences	Not applicable		
26	National specific regulatory adjustments applied to CET1 capital	8,269,660		
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	6,025,842		(5)+(6)
26b	Regulatory reserve for general banking risks	2,243,818		(8)
26c	Securitization exposures specified in a notice given by the Monetary Authority	-		
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**	**8,280,746**		
29	**CET1 capital**	**29,896,658**		

CC1: Composition of regulatory capital (continued)

		At 30 June 2016		
		Component of regulatory capital reported by bank HK$'000	**Amounts subject to pre-Basel III treatment*** HK$'000	**Cross reference to regulatory scope consolidated balance sheet**
	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	-		
33	*Capital instruments subject to phase out arrangements from AT1 capital*	-		
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-		
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements*	-		
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 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	-		
41a	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 1 capital	-		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
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 (Tier 1 = CET1 + AT1)**	**29,896,658**		
	Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	-		
47	*Capital instruments subject to phase out arrangements from Tier 2 capital*	-		
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	*of which: capital instruments issued by subsidiaries subject to phase out arrangements*	-		
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,147,671		Not applicable
51	**Tier 2 capital before regulatory deductions**	**1,147,671**		

CC1: Composition of regulatory capital (continued)

		At 30 June 2016		
		Component of regulatory capital reported by bank HK$'000	Amounts subject to pre-Basel III treatment* HK$'000	Cross reference to regulatory scope consolidated balance sheet
	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	-		
56	National specific regulatory adjustments applied to Tier 2 capital	(2,711,629)		
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	(2,711,629)		[(5)+(6)] *45%
56b	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	-		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
57	**Total regulatory deductions to Tier 2 capital**	**(2,711,629)**		
58	**Tier 2 capital**	**3,859,300**		
59	**Total capital (Total capital = Tier 1 + Tier 2)**	**33,755,958**		

CC1: Composition of regulatory capital (continued)

		At 30 June 2016	
		Component of regulatory capital reported by bank HK$'000	**Amounts subject to pre-Basel III treatment* HK$'000**
59a	Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment	-	
i	of which: Mortgage servicing rights	-	
ii	of which: Defined benefit pension fund net assets	-	
iii	of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments	-	
iv	of which: Capital investment in a connected company which is a commercial entity	-	
v	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
vi	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
60	**Total risk weighted assets**	**182,372,985**	
	Capital ratios (as a percentage of risk weighted assets)		
61	CET1 capital ratio	16.39%	
62	Tier 1 capital ratio	16.39%	
63	Total capital ratio	18.51%	
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	5.43%	
65	*of which: capital conservation buffer requirement*	0.625%	
66	*of which: bank specific countercyclical buffer requirement*	0.31%	
67	*of which: G-SIB or D-SIB buffer requirement*	0%	
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR	10.39%	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	Not applicable	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	13,381	
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 related tax liability)	Not applicable	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	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 basic approach and the standardized (credit risk) approach (prior to application of cap)	329,899	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	220,203	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	2,025,824	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	927,468	
	Capital instruments subject to phase-out arrangements		
80	*Current cap on CET1 capital instruments subject to phase out arrangements*	Not applicable	
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	Not applicable	
82	*Current cap on AT1 capital instruments subject to phase out arrangements*	-	
83	*Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)*	-	
84	*Current cap on Tier 2 capital instruments subject to phase out arrangements*	-	
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	-	

* This refers to the position under the Banking (Capital) Rules in force on 31 December 2012.

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)**	-	-
	Explanation 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 deferred tax liabilities**	-	-
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs that rely on future profitability of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities and other credit exposures to connected companies) under Basel III.		
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)**	-	-
	Explanation 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 Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

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)**	-	-
	Explanation 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 Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
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)**	-	-
	Explanation 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)**	-	-
	Explanation 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% / 15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the Banking (Capital) Rules.			

Abbreviations:

CET1: Common Equity Tier 1
AT1: Additional Tier 1

CC1: Composition of regulatory capital (continued)

		At 31 December 2015		
		Component of regulatory capital reported by bank HK$'000	Amounts subject to pre-Basel III treatment* HK$'000	Cross reference to regulatory scope consolidated balance sheet
	CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	3,144,517		(4)
2	Retained earnings	25,495,966		(5)
3	Disclosed reserves	8,451,135		(7)+(8)+(9)+(10)
4	*Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)*	Not applicable		
	Public sector capital injections grandfathered until 1 January 2018	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**	**37,091,618**		
	CET1 capital: regulatory deductions			
7	Valuation adjustments	8,617		Not applicable
8	Goodwill (net of associated deferred tax liability)	-		
9	Other intangible assets (net of associated deferred tax liability)	-		
10	Deferred tax assets net of deferred tax liabilities	5,962		(2)
11	Cash flow hedge reserve	-		
12	Excess of total EL amount over total eligible provisions under the IRB approach	-		
13	Gain-on-sale arising from securitization transactions	-		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	537		(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 (amount above 10% threshold)	Not applicable		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable		
22	Amount exceeding the 15% threshold	Not applicable		
23	of which: significant investments in the common stock of financial sector entities	Not applicable		
24	of which: mortgage servicing rights	Not applicable		
25	of which: deferred tax assets arising from temporary differences	Not applicable		
26	National specific regulatory adjustments applied to CET1 capital	8,446,278		
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	6,190,605		(6)+(7)
26b	Regulatory reserve for general banking risks	2,255,673		(9)
26c	Securitization exposures specified in a notice given by the Monetary Authority	-		
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**	**8,461,394**		
29	**CET1 capital**	**28,630,224**		

CC1: Composition of regulatory capital (continued)

		At 31 December 2015		
		Component of regulatory capital reported by bank **HK$'000**	**Amounts subject to pre-Basel III treatment*** **HK$'000**	**Cross reference to regulatory scope consolidated balance sheet**
	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	-		
33	*Capital instruments subject to phase out arrangements from AT1 capital*	-		
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-		
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements*	-		
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 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	-		
41a	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 1 capital	-		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
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 (Tier 1 = CET1 + AT1)**	**28,630,224**		
	Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	-		
47	*Capital instruments subject to phase out arrangements from Tier 2 capital*	-		
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	*of which: capital instruments issued by subsidiaries subject to phase out arrangements*	-		
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,116,112		Not applicable
51	**Tier 2 capital before regulatory deductions**	**1,116,112**		

CC1: Composition of regulatory capital (continued)

		At 31 December 2015		
		Component of regulatory capital reported by bank HK$'000	Amounts subject to pre-Basel III treatment* HK$'000	Cross reference to regulatory scope consolidated balance sheet
	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	-		
56	National specific regulatory adjustments applied to Tier 2 capital	(2,785,772)		
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	(2,785,772)		[(6)+(7)] *45%
56b	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	-		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
57	**Total regulatory deductions to Tier 2 capital**	(2,785,772)		
58	**Tier 2 capital**	**3,901,884**		
59	**Total capital (Total capital = Tier 1 + Tier 2)**	**32,532,108**		

CC1: Composition of regulatory capital (continued)

		At 31 December 2015	
		Component of regulatory capital reported by bank HK$'000	Amounts subject to pre-Basel III treatment* HK$'000
59a	Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment	-	
i	of which: Mortgage servicing rights	-	
ii	of which: Defined benefit pension fund net assets	-	
iii	of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments	-	
iv	of which: Capital investment in a connected company which is a commercial entity	-	
v	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
vi	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
60	**Total risk weighted assets**	**176,976,127**	
	Capital ratios (as a percentage of risk weighted assets)		
61	CET1 capital ratio	16.18%	
62	Tier 1 capital ratio	16.18%	
63	Total capital ratio	18.38%	
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	4.50%	
65	*of which: capital conservation buffer requirement*	-	
66	*of which: bank specific countercyclical buffer requirement*	-	
67	*of which: G-SIB or D-SIB buffer requirement*	-	
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR	10.18%	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	Not applicable	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	4,613	
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 related tax liability)	Not applicable	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	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 basic approach and the standardized (credit risk) approach (prior to application of cap)	328,398	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	213,408	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	2,075,662	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	902,704	
	Capital instruments subject to phase-out arrangements		
80	*Current cap on CET1 capital instruments subject to phase out arrangements*	Not applicable	
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	Not applicable	
82	*Current cap on AT1 capital instruments subject to phase out arrangements*	-	
83	*Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)*	-	
84	*Current cap on Tier 2 capital instruments subject to phase out arrangements*	-	
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	-	

* This refers to the position under the Banking (Capital) Rules in force on 31 December 2012.

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)**	-	-
	Explanation 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 deferred tax liabilities**	5,962	-
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs that rely on future profitability of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities and other credit exposures to connected companies) under Basel III.		
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)**	-	-
	Explanation 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 Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

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 Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
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% / 15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the Banking (Capital) Rules.

<u>Abbreviations:</u>

CET1: Common Equity Tier 1
AT1: Additional Tier 1

CC1: Composition of regulatory capital (continued)

		At 31 December 2014		
		Component of regulatory capital reported by bank HK$'000	**Amounts subject to pre-Basel III treatment* HK$'000**	**Cross reference to regulatory scope consolidated balance sheet**
	CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	3,144,517		(4)
2	Retained earnings	22,764,425		(5)
3	Disclosed reserves	8,978,910		(7)+(8)+(9)+(10)
4	*Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)*	Not applicable		
	Public sector capital injections grandfathered until 1 January 2018	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**	**34,887,852**		
	CET1 capital: regulatory deductions			
7	Valuation adjustments	3,465		Not applicable
8	Goodwill (net of associated deferred tax liability)	-		
9	Other intangible assets (net of associated deferred tax liability)	-		
10	Deferred tax assets net of deferred tax liabilities	152,171		(2)
11	Cash flow hedge reserve	-		
12	Excess of total EL amount over total eligible provisions under the IRB approach	-		
13	Gain-on-sale arising from securitization transactions	-		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	877		(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 (amount above 10% threshold)	Not applicable		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable		
22	Amount exceeding the 15% threshold	Not applicable		
23	of which: significant investments in the common stock of financial sector entities	Not applicable		
24	of which: mortgage servicing rights	Not applicable		
25	of which: deferred tax assets arising from temporary differences	Not applicable		
26	National specific regulatory adjustments applied to CET1 capital	9,093,414		
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	6,919,824		(6)+(7)
26b	Regulatory reserve for general banking risks	2,173,590		(9)
26c	Securitization exposures specified in a notice given by the Monetary Authority	-		
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**	**9,249,927**		
29	**CET1 capital**	**25,637,925**		

CC1: Composition of regulatory capital (continued)

		At 31 December 2014		
		Component of regulatory capital reported by bank HK$'000	Amounts subject to pre-Basel III treatment* HK$'000	Cross reference to regulatory scope consolidated balance sheet
	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	-		
33	*Capital instruments subject to phase out arrangements from AT1 capital*	-		
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-		
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements*	-		
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 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	-		
41a	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period remain subject to deduction from Tier 1 capital	-		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
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 (Tier 1 = CET1 + AT1)**	**25,637,925**		
	Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	-		
47	Capital instruments subject to phase out arrangements from Tier 2 capital	-		
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	*of which: capital instruments issued by subsidiaries subject to phase out arrangements*	-		
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,155,025		Not applicable
51	**Tier 2 capital before regulatory deductions**	**1,155,025**		

CC1: Composition of regulatory capital (continued)

		At 31 December 2014		
		Component of regulatory capital reported by bank HK$'000	Amounts subject to pre-Basel III treatment* HK$'000	Cross reference to regulatory scope consolidated balance sheet
	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	-		
56	National specific regulatory adjustments applied to Tier 2 capital	(3,113,921)		
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	(3,113,921)		((6)+(7)) *45%
56b	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	-		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
57	**Total regulatory deductions to Tier 2 capital**	**(3,113,921)**		
58	**Tier 2 capital**	**4,268,946**		
59	**Total capital (Total capital = Tier 1 + Tier 2)**	**29,906,871**		

CC1: Composition of regulatory capital (continued)

		At 31 December 2014	
		Component of regulatory capital reported by bank HK$'000	**Amounts subject to pre-Basel III treatment* HK$'000**
59a	Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment	-	
i	of which: Mortgage servicing rights	-	
ii	of which: Defined benefit pension fund net assets	-	
iii	of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments	-	
iv	of which: Capital investment in a connected company which is a commercial entity	-	
v	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
vi	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
60	**Total risk weighted assets**	**180,738,852**	
	Capital ratios (as a percentage of risk weighted assets)		
61	CET1 capital ratio	14.19%	
62	Tier 1 capital ratio	14.19%	
63	Total capital ratio	16.55%	
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	4.00%	
65	*of which: capital conservation buffer requirement*	-	
66	*of which: bank specific countercyclical buffer requirement*	-	
67	*of which: G-SIB or D-SIB buffer requirement*	-	
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR	8.55%	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	Not applicable	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	3,896	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	77,970	
74	Mortgage servicing rights (net of related tax liability)	Not applicable	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	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 basic approach and the standardized (credit risk) approach (prior to application of cap)	361,331	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	227,693	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	2,250,316	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	927,332	
	Capital instruments subject to phase-out arrangements		
80	*Current cap on CET1 capital instruments subject to phase out arrangements*	Not applicable	
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	Not applicable	
82	*Current cap on AT1 capital instruments subject to phase out arrangements*	-	
83	*Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)*	-	
84	*Current cap on Tier 2 capital instruments subject to phase out arrangements*	-	
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	-	

* This refers to the position under the Banking (Capital) Rules in force on 31 December 2012.

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)**	-	-
	Explanation 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 deferred tax liabilities**	152,171	-
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs that rely on future profitability of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities and other credit exposures to connected companies) under Basel III.		
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)**	-	-
	Explanation 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 Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

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)**	-	-
	Explanation 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 Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
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)**	-	-
	Explanation 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)**	-	-
	Explanation 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% / 15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the Banking (Capital) Rules.			

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

CC1: Composition of regulatory capital (continued)

		At 30 June 2014		
		Component of regulatory capital reported by bank HK$'000	Amounts subject to pre-Basel III treatment* HK$'000	Cross reference to regulatory scope consolidated balance sheet
	CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	3,144,517		(4)
2	Retained earnings	21,663,580		(5)
3	Disclosed reserves	8,608,426		(7)+(8)+ (9)+(10)
4	*Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)*	Not applicable		
	Public sector capital injections grandfathered until 1 January 2018	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**	**33,416,523**		
	CET1 capital: regulatory deductions			
7	Valuation adjustments	-		Not applicable
8	Goodwill (net of associated deferred tax liability)	-		
9	Other intangible assets (net of associated deferred tax liability)	-		
10	Deferred tax assets net of deferred tax liabilities	123,198		(2)
11	Cash flow hedge reserve	-		
12	Excess of total EL amount over total eligible provisions under the IRB approach	-		
13	Gain-on-sale arising from securitization transactions	-		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	909		(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 (amount above 10% threshold)	Not applicable		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable		
22	Amount exceeding the 15% threshold	Not applicable		
23	of which: significant investments in the common stock of financial sector entities	Not applicable		
24	of which: mortgage servicing rights	Not applicable		
25	of which: deferred tax assets arising from temporary differences	Not applicable		
26	National specific regulatory adjustments applied to CET1 capital	8,641,047		
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	6,668,365		(6)+(7)
26b	Regulatory reserve for general banking risks	1,972,682		(9)
26c	Securitization exposures specified in a notice given by the Monetary Authority	-		
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**	**8,765,154**		
29	**CET1 capital**	**24,651,369**		

CC1: Composition of regulatory capital (continued)

		At 30 June 2014		
		Component of regulatory capital reported by bank HK$'000	Amounts subject to pre-Basel III treatment* HK$'000	Cross reference to regulatory scope consolidated balance sheet
	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	-		
33	*Capital instruments subject to phase out arrangements from AT1 capital*	-		
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-		
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements*	-		
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 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	-		
41a	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period remain subject to deduction from Tier 1 capital	-		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
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 (Tier 1 = CET1 + AT1)**	**24,651,369**		
	Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	-		
47	Capital instruments subject to phase out arrangements from Tier 2 capital	-		
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	*of which: capital instruments issued by subsidiaries subject to phase out arrangements*	-		
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,197,893		Not applicable
51	**Tier 2 capital before regulatory deductions**	**1,197,893**		

CC1: Composition of regulatory capital (continued)

		At 30 June 2014		
		Component of regulatory capital reported by bank HK$'000	Amounts subject to pre-Basel III treatment* HK$'000	Cross reference to regulatory scope consolidated balance sheet
	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	-		
56	National specific regulatory adjustments applied to Tier 2 capital	(3,000,764)		
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	(3,000,764)		((6)+(7))*45%
56b	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	-		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
57	**Total regulatory deductions to Tier 2 capital**	**(3,000,764)**		
58	**Tier 2 capital**	**4,198,657**		
59	**Total capital (Total capital = Tier 1 + Tier 2)**	**28,850,026**		

CC1: Composition of regulatory capital (continued)

		At 30 June 2014	
		Component of regulatory capital reported by bank HK$'000	Amounts subject to pre-Basel III treatment* HK$'000
59a	Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment	-	
i	of which: Mortgage servicing rights	-	
ii	of which: Defined benefit pension fund net assets	-	
iii	of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments	-	
iv	of which: Capital investment in a connected company which is a commercial entity	-	
v	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
vi	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
60	**Total risk weighted assets**	**187,649,730**	
	Capital ratios (as a percentage of risk weighted assets)		
61	CET1 capital ratio	13.14%	
62	Tier 1 capital ratio	13.14%	
63	Total capital ratio	15.37%	
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	4.00%	
65	*of which: capital conservation buffer requirement*	-	
66	*of which: bank specific countercyclical buffer requirement*	-	
67	*of which: G-SIB or D-SIB buffer requirement*	-	
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR	7.37%	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	Not applicable	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	2,946	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	77,970	
74	Mortgage servicing rights (net of related tax liability)	Not applicable	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	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 basic approach and the standardized (credit risk) approach (prior to application of cap)	320,348	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	227,206	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	1,953,303	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	970,687	
	Capital instruments subject to phase-out arrangements		
80	*Current cap on CET1 capital instruments subject to phase out arrangements*	Not applicable	
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	Not applicable	
82	*Current cap on AT1 capital instruments subject to phase out arrangements*	-	
83	*Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)*	-	
84	*Current cap on Tier 2 capital instruments subject to phase out arrangements*	-	
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	-	

* This refers to the position under the Banking (Capital) Rules in force on 31 December 2012.

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)**	-	-
	Explanation 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 deferred tax liabilities**	123,198	-
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs that rely on future profitability of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities and other credit exposures to connected companies) under Basel III.		
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)**	-	-
	Explanation 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 Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

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)**	-	-
	Explanation 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 Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
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)**	-	-
	Explanation 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)**	-	-
	Explanation 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% / 15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the Banking (Capital) Rules.			

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

CC2: Reconciliation of regulatory capital to balance sheet

	At 31 December 2018		
	Balance sheet as in published financial statements	**Under regulatory scope of consolidation**	**Reference**
	HK$'000	**HK$'000**	
ASSETS			
Cash and balances with banks and other financial institutions	**56,653,163**	**56,653,163**	
Placements with banks and other financial institutions maturing between one and twelve months	**18,207,637**	**18,207,637**	
Financial assets at fair value through profit or loss	**8,679,486**	**8,679,486**	
Derivative financial instruments	**654,721**	**654,721**	
- of which: debit valuation adjustments in respect of derivative contracts		*10,941*	(1)
Advances and other accounts	**252,930,869**	**252,930,869**	
Financial investments	**118,150,153**	**118,150,153**	
Interests in subsidiaries	**-**	**6,100**	
Investment properties	**331,942**	**331,942**	
Properties, plant and equipment	**7,808,591**	**7,808,591**	
Current tax assets	**149,773**	**149,773**	
Deferred tax assets	**46,836**	**46,836**	(2)
Other assets	**2,408,534**	**2,407,956**	
Total assets	**466,021,705**	**466,027,227**	
LIABILITIES			
Deposits and balances from banks and other financial institutions	**29,099,298**	**29,099,298**	
Financial liabilities at fair value through profit or loss	**4,803,277**	**4,803,277**	
Derivative financial instruments	**353,927**	**353,927**	
- of which: debit valuation adjustments in respect of derivative contracts		*1,476*	(3)
Deposits from customers	**344,204,939**	**344,226,624**	
Debt securities and certificates of deposit in issue	**12,192,974**	**12,192,974**	
Other accounts and provisions	**19,096,338**	**19,096,090**	
Current tax liabilities	**300,825**	**300,825**	
Deferred tax liabilities	**775,324**	**766,963**	
Total liabilities	**410,826,902**	**410,839,978**	

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

	At 31 December 2018		
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	HK$'000	HK$'000	
EQUITY			
Share capital	**3,144,517**	**3,144,517**	(4)
Reserves	**42,735,396**	**42,727,842**	
- Retained earnings	**33,865,639**	**33,911,997**	(5)
- of which: cumulative fair value gains arising from the revaluation of investment properties		*440,531*	(6)
- Premises revaluation reserve	**6,374,413**	**6,320,501**	(7)
- Reserve for fair value changes through other comprehensive income	**176,761**	**176,761**	(8)
- Regulatory reserve	**2,478,179**	**2,478,179**	(9)
- Translation reserve	**(159,596)**	**(159,596)**	(10)
	45,879,913	**45,872,359**	
Additional equity instruments	**9,314,890**	**9,314,890**	(11)
Total equity	**55,194,803**	**55,187,249**	
Total liabilities and equity	**466,021,705**	**466,027,227**	

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.
	Regulatory treatment		
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
	Coupons / dividends		
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

		At 31 December 2018			
Geographical breakdown by Jurisdiction (J)		Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
		%	HK$'000	%	HK$'000
1	Hong Kong SAR	1.875%	99,664,229		
2	Norway	2.00%	905		
3	United Kingdom	1.00%	45,348		
4	Sum		99,710,482		
5	**Total**		185,588,971	1.01%	1,869,175

Remark: The following relates to certain changes made as a result of changes made to the regulatory reporting treatment of the Group's exposures to certain financial investments and non-bank financial institutions. The relevant information are:

		At 30 June 2018			
Geographical breakdown by Jurisdiction (J)		Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
		%	HK$'000	%	HK$'000
1	Hong Kong SAR	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

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

Remark: The following relates to certain changes made as a result of changes made to the regulatory reporting treatment of the Group's exposures to certain financial investments and non-bank financial institutions. The relevant information are:

Geographical breakdown of risk-weighted amounts (RWA) in relation to private sector credit exposures

		At 31 December 2017			
	Jurisdiction (J)	Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio	CCyB ratio	CCyB amount
		%	HK$'000	%	HK$'000
1	Hong Kong SAR	1.25%	96,726,770		
2	Mainland China	-	93,462,873		
3	Australia	-	190,822		
4	Bangladesh	-	378		
5	Bermuda	-	75,061		
6	Canada	-	64,540		
7	Cayman Islands	-	1,180,221		
8	Chinese Taipei	-	195,225		
9	France	-	1,559		
10	Germany	-	7,915		
11	India	-	5,313		
12	Indonesia	-	1,686		
13	Italy	-	3,515		
14	Japan	-	9,141		
15	Macau SAR	-	2,114,693		
16	Malaysia	-	3,993		
17	Netherlands	-	291		
18	New Zealand	-	11,033		
19	Norway	2.00%	965		
20	Panama	-	9,128		
21	Singapore	-	1,230,819		
22	South Africa	-	772		
23	South Korea	-	250,131		
24	Switzerland	-	9,588		
25	United Arab Emirates	-	138,613		
26	United Kingdom	-	237,361		
27.	United States	-	472,596		
28.	West Indies UK	-	1,207,080		
	Total		197,612,082	0.61%	1,209,104

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

Geographical breakdown of risk-weighted amounts (RWA) in relation to private sector credit exposures

		At 30 June 2017			
Jurisdiction (J)		Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio	CCyB ratio	CCyB amount
		%	HK$'000	%	HK$'000
1	Hong Kong SAR	1.25%	90,185,258		
2	Mainland China	-	76,069,750		
3	Australia	-	255,453		
4	Bangladesh	-	382		
5	Bermuda	-	55,986		
6	Canada	-	66,574		
7	Cayman Islands	-	808,825		
8	Chinese Taipei	-	160,778		
9	France	-	1,523		
10	Germany	-	8,030		
11	India	-	5,287		
12	Indonesia	-	1,715		
13	Italy	-	3,541		
14	Japan	-	9,996		
15	Macau SAR	-	53,141		
16	Malaysia	-	3,369		
17	Netherlands	-	303		
18	New Zealand	-	11,098		
19	Norway	1.5%	981		
20	Panama	-	217,798		
21	Singapore	-	1,204,772		
22	South Africa	-	788		
23	South Korea	-	165,329		
24	Switzerland	-	9,716		
25	United Arab Emirates	-	327,741		
26	United Kingdom	-	247,079		
27.	United States	-	475,964		
28.	West Indies UK	-	1,133,818		
	Total		171,484,995	0.66%	1,127,331

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

Geographical breakdown of risk-weighted amounts (RWA) in relation to private sector credit exposures

		At 31 December 2016			
	Jurisdiction (J)	Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio	CCyB ratio	CCyB amount
		%	HK$'000	%	HK$'000
1	Hong Kong SAR	0.625%	80,154,736		
2	Mainland China	-	71,315,247		
3	Australia	-	302,912		
4	Bangladesh	-	386		
5	Bermuda	-	34,248		
6	Canada	-	60,965		
7	Cayman Islands	-	832,400		
8	Chinese Taipei	-	139,546		
9	France	-	1,828		
10	Germany	-	8,115		
11	Ghana	-	275,639		
12	India	-	5,356		
13	Indonesia	-	1,742		
14	Italy	-	3,550		
15	Japan	-	10,037		
16	Macau SAR	-	61,064		
17	Malaysia	-	4,434		
18	Netherlands	-	316		
19	New Zealand	-	11,140		
20	Norway	1.5%	1,008		
21	Panama	-	274,201		
22	Singapore	-	893,896		
23	South Africa	-	800		
24	South Korea	-	84,669		
25	Switzerland	-	9,795		
26	United Arab Emirates	-	240,428		
27	United Kingdom	-	230,055		
28.	United States	-	553,973		
29	West Indies UK	-	1,008,193		
	Total		156,520,679	0.32%	500,982

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

Geographical breakdown of risk-weighted amounts (RWA) in relation to private sector credit exposures

		At 30 June 2016			
	Jurisdiction (J)	Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio	CCyB ratio	CCyB amount
		%	HK$'000	%	HK$'000
1	Hong Kong SAR	0.625%	62,529,948		
2	Mainland China	-	57,552,632		
3	Australia	-	89,869		
4	Bangladesh	-	392		
5	Bermuda	-	84,753		
6	Brunei	-	511		
7	Canada	-	64,337		
8	Chinese Taipei	-	140,868		
9	France	-	4,319		
10	Germany	-	8,269		
11	Ghana	-	276,856		
12	India	-	1,737		
13	Indonesia	-	1,836		
14	Italy	-	3,597		
15	Japan	-	10,787		
16	Macau SAR	-	43,182		
17	Malaysia	-	4,594		
18	Netherlands	-	354		
19	New Zealand	-	11,466		
20	Norway	1.5%	1,029		
21	Panama	-	186,378		
22	Singapore	-	1,138,766		
23	South Africa	-	820		
24	South Korea	-	14,569		
25	Sweden	1.5%	1,786		
26	Switzerland	-	28,331		
27	United Kingdom	-	205,614		
28.	United States	-	2,944,596		
29.	West Indies UK	-	990,952		
	Total		126,343,148	0.31%	390,854

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

		Value under the LR framework
		At 31 December 2018
		HK$'000
1	Total consolidated assets as per published financial statements	466,021,705
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	437,168
5	Adjustment for SFTs (i.e. repos and similar secured lending)	357,107
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	30,754,529
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(199,720)
7	Other adjustments	(9,313,950)
8	**Leverage ratio exposure measure**	**488,062,361**

LR2: Leverage ratio

		At 31 December 2018	At 30 September 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)	456,736,817	426,214,754
2	Less: Asset amounts deducted in determining Tier 1 capital	(9,313,950)	(9,556,481)
3	**Total on-balance sheet exposures (excluding derivative contracts and SFTs)**	**447,422,867**	**416,658,273**
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)	537,035	611,294
5	Add-on amounts for PFE associated with all derivative contracts	554,854	601,582
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	-	(4,851)
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**	**1,091,889**	**1,208,025**
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	11,602,798	3,450,896
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	357,107	21,712
15	Agent transaction exposures	-	-
16	**Total exposures arising from SFTs**	**11,959,905**	**3,472,608**
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	113,158,400	109,318,247
18	Less: Adjustments for conversion to credit equivalent amounts	(82,403,871)	(81,654,158)
19	**Off-balance sheet items**	**30,754,529**	**27,664,089**
Capital and total exposures			
20	**Tier 1 capital**	**45,871,823**	**44,734,817**
20a	**Total exposures before adjustments for specific and collective provisions**	**491,229,190**	**449,002,995**
20b	**Adjustments for specific and collective provisions**	**(3,166,829)**	**(3,104,026)**
21	**Total exposures after adjustments for specific and collective provisions**	**488,062,361**	**445,898,969**
Leverage ratio			
22	**Leverage ratio**	**9.40%**	**10.03%**

LIQA: Liquidity risk management

(i) On- and off-balance sheet items, broken down into maturity buckets and the resultant liquidity gaps.

At 31 December 2018 **Basis of disclosure: consolidated**		**Total amount**	**Amount by contractual maturity**					No specified term to maturity/Overdue
			up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	
			HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1	Deposits from non-bank customers	344,225,515	171,770,130	75,034,875	80,507,459	16,367,592	545,459	
2	Due to MA & Overseas central banks	-	-	-	-	-	-	
3	Due to banks	22,767,425	6,979,125	7,174,736	8,613,564	-	-	-
4	Debt securities, prescribed instruments and structured financial instruments issued and outstanding	12,192,974	172,673	317,419	2,150,965	9,551,917	-	-
5	Other liabilities and Capital	81,758,489	13,242,475	4,690,166	3,805,327	10,913,088	37,153	49,070,280
6	**Total On-balance sheet liabilities**	**460,944,403**	**192,164,403**	**87,217,196**	**95,077,315**	**36,832,597**	**582,612**	**49,070,280**
7	**Total Off-balance sheet obligations**	**64,834,438**	**5,768,815**	**15,613,757**	**29,698,150**	**12,715,962**	**1,037,754**	**-**
8	Cash	613,575	613,575	-	-	-	-	
9	Due from MA & Overseas central banks	18,342,155	18,342,155	-	-	-	-	-
10	Due from banks	50,876,287	32,667,034	8,518,424	9,690,829	-	-	-
11	Debt securities, prescribed instruments and structured financial instruments held (net of short positions)	114,850,015	73,459,613	3,631,270	20,355,426	17,403,706	-	-
12	Loans and advances to non-bank customers, Acceptances and bills of exchange held	259,614,759	22,894,307	20,371,989	55,624,585	115,644,075	43,561,536	1,518,267
13	Other assets	19,745,562	7,597,526	325,924	1,984,687	910,009	-	8,927,416
14	**Total On-balance sheet assets**	**464,042,353**	**155,574,210**	**32,847,607**	**87,655,527**	**133,957,790**	**43,561,536**	**10,445,683**
15	**Total Off-balance sheet claims**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
16	**Contractual Maturity Mismatch**		**(42,359,008)**	**(69,983,346)**	**(37,119,938)**	**84,409,231**	**41,941,170**	
17	**Cumulative Contractual Maturity Mismatch**		**(42,359,008)**	**(112,342,354)**	**(149,462,292)**	**(65,053,061)**	**(23,111,891)**	

LIQ1: Liquidity Coverage Ratio – for category 1 institution

		For the quarter ended 31 December 2018: 75 data points		For the quarter ended 30 September 2018: 76 data points	
Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this template:					
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*		**61,520,887**		**62,621,990**
B.	**CASH OUTFLOWS**				
2	Retail deposits and small business funding, of which:	134,368,801	8,846,973	132,459,597	8,696,475
3	*Stable retail deposits and stable small business funding*	*23,475,562*	*704,267*	*23,222,778*	*696,683*
4	*Less stable retail deposits and less stable small business funding*	*45,620,628*	*4,562,065*	*45,013,473*	*4,501,347*
4a	*Retail term deposits and small business term funding*	*65,272,611*	*3,580,641*	*64,223,346*	*3,498,445*
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the AI, of which:	100,564,202	51,617,044	106,130,389	56,752,089
6	*Operational deposits*	*33,191,248*	*8,126,859*	*34,730,196*	*8,513,317*
7	*Unsecured wholesale funding (other than small business funding) not covered in Row 6*	*66,900,742*	*43,017,973*	*70,931,929*	*47,770,508*
8	*Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period*	*472,212*	*472,212*	*468,264*	*468,264*
9	Secured funding transactions (including securities swap transactions)		252,754		296,292
10	Additional requirements, of which:	38,737,875	9,854,910	36,776,091	9,205,400
11	*Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements*	*5,293,998*	*5,293,998*	*5,486,586*	*5,486,586*
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)*	*33,443,877*	*4,560,912*	*31,289,505*	*3,718,814*
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	3,135,055	3,135,055	2,941,854	2,941,854
15	Other contingent funding obligations (whether contractual or non-contractual)	85,353,866	2,151,617	86,825,299	2,354,494
16	**TOTAL CASH OUTFLOWS**		**75,858,353**		80,246,604
C.	**CASH INFLOWS**				
17	Secured lending transactions (including securities swap transactions)	2,041,281	2,041,281	1,169,209	1,169,209
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	48,512,024	28,161,186	50,897,287	31,555,699
19	Other cash inflows	3,681,516	3,630,182	5,715,415	5,553,553
20	**TOTAL CASH INFLOWS**	**54,234,821**	**33,832,649**	**57,781,911**	**38,278,461**
D.	**LIQUIDITY COVERAGE RATIO**		ADJUSTED VALUE		ADJUSTED VALUE
21	**TOTAL HQLA***		**61,520,887**		**62,621,990**
22	**TOTAL NET CASH OUTFLOWS**		**42,025,704**		**41,968,143**
23	**LCR (%)***		**147.72%**		**151.82%**

* Comparative figures have been restated

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 second half of 2018, the Group has maintained a healthy liquidity position. The LCR remained stable and there was no material change throughout the second half of 2018. The average LCR of the third and the fourth quarter were 151.82% and 147.72% respectively. The average HKD level 1 HQLA to HKD net cash outflow ratio in the second half of 2018 was 167.86%, 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 second 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 31 December 2018 Basis of disclosure: consolidated		Unweighted value by residual maturity: No specified term to maturity	Unweighted value by residual maturity: <6 months or repayable on demand	Unweighted value by residual maturity: 6 months to < 12 months	Unweighted value by residual maturity: 12 months or more	Weighted amount
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
A.	**Available stable funding ("ASF") item**					
1	Capital:	57,097,792	-	-	-	57,097,792
2	*Regulatory capital*	*57,097,792*	-	-	-	*57,097,792*
2a	*Minority interests not covered by row 2*	-	-	-	-	-
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and small business funding:	-	116,557,268	15,924,279	6,847,866	127,261,639
5	*Stable deposits*		*23,607,595*	-	-	*22,427,216*
6	*Less stable deposits*		*92,949,673*	*15,924,279*	*6,847,866*	*104,834,423*
7	Wholesale funding:	-	211,300,843	25,115,737	8,058,075	81,352,064
8	*Operational deposits*		*33,266,700*	-	-	*16,633,350*
9	*Other wholesale funding*	-	*178,034,143*	*25,115,737*	*8,058,075*	*64,718,714*
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	3,252,938	11,354,942	1,552,525	10,318,881	11,095,144
12	*Net derivative liabilities*	-				
13	*All other funding and liabilities not included in the above categories*	*3,252,938*	*11,354,942*	*1,552,525*	*10,318,881*	*11,095,144*
14	**Total ASF**					**276,806,639**
B.	**Required stable funding ("RSF") item**					
15	Total HQLA for NSFR purposes	96,681,048				5,421,908
16	Deposits held at other financial institutions for operational purposes	-	236,604	-	-	118,302
17	Performing loans and securities:	2,027,003	115,513,731	60,701,326	180,010,577	220,950,999
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*	-	*59,208,753*	*12,159,570*	*8,636,114*	*23,597,212*
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:*	*1,941,168*	*50,361,121*	*31,061,052*	*124,036,559*	*147,792,154*
21	*With a risk-weight of less than or equal to 35% under the STC approach*	-	*250,035*	-	-	*125,017*
22	*Performing residential mortgages, of which:*	*8*	*738,664*	*740,495*	*27,338,367*	*21,516,373*
23	*With a risk-weight of less than or equal to 35% under the STC approach*	*8*	*383,371*	*379,457*	*12,304,118*	*8,379,096*
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	85,827	5,205,193	16,740,209	19,999,537	28,045,260
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	9,599,992	2,587,432	286,019	1,613	9,914,548
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*	*298,289*				*298,289*
30	*Total derivative liabilities before deduction of variation margin posted*	*264,060*				*N/A*
31	*All other assets not included in the above categories*	*9,037,643*	*2,587,432*	*286,019*	*1,613*	*9,616,259*
32	Off-balance sheet items		113,158,400			1,778,571
33	**Total RSF**					**238,184,328**
34	**Net Stable Funding Ratio (%)**					**116.22%**

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

At 30 September 2018 Basis of disclosure: consolidated		Unweighted value by residual maturity				
		No specified term to maturity	**<6 months or repayable on demand**	**6 months to < 12 months**	**12 months or more**	**Weighted amount**
		HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
A.	**Available stable funding ("ASF") item**					
1	Capital:	56,186,127	-	-	-	56,186,127
2	*Regulatory capital*	*56,186,127*	-	-	-	*56,186,127*
2a	*Minority interests not covered by row 2*	-	-	-	-	-
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and small business funding:	-	111,318,344	21,263,718	4,803,525	125,336,597
5	*Stable deposits*		*24,184,320*	-	-	*22,975,104*
6	*Less stable deposits*		*87,134,024*	*21,263,718*	*4,803,525*	*102,361,493*
7	Wholesale funding:	-	191,795,820	21,482,493	7,612,804	76,322,449
8	*Operational deposits*		*34,087,284*	-	-	*17,043,642*
9	*Other wholesale funding*	-	*157,708,536*	*21,482,493*	*7,612,804*	*59,278,807*
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	3,235,451	5,722,321	1,774,325	4,472,115	5,359,278
12	*Net derivative liabilities*	-				
13	*All other funding and liabilities not included in the above categories*	*3,235,451*	*5,722,321*	*1,774,325*	*4,472,115*	*5,359,278*
14	**Total ASF**					**263,204,451**
B.	**Required stable funding ("RSF") item**					
15	Total HQLA for NSFR purposes	84,992,112				5,430,124
16	Deposits held at other financial institutions for operational purposes	-	346,524	-	-	173,262
17	Performing loans and securities:	1,904,698	99,738,152	54,063,386	177,142,694	214,619,605
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*	-	*36,758,520*	*10,182,519*	*7,922,863*	*18,527,900*
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:*	*1,904,698*	*57,480,000*	*28,197,860*	*123,121,079*	*148,809,669*
21	*With a risk-weight of less than or equal to 35% under the STC approach*	-	*500,184*	*798,930*	*1,505,857*	*1,628,364*
22	*Performing residential mortgages, of which:*	-	*750,560*	*745,566*	*27,509,621*	*21,638,019*
23	*With a risk-weight of less than or equal to 35% under the STC approach*	-	*399,571*	*386,102*	*12,466,111*	*8,495,809*
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	4,749,072	14,937,441	18,589,131	25,644,017
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	9,732,963	1,736,521	278,763	941	9,042,850
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*	*268,126*				*268,126*
30	*Total derivative liabilities before deduction of variation margin posted*	*1,189,872*				*N/A*
31	*All other assets not included in the above categories*	*8,274,965*	*1,736,521*	*278,763*	*941*	*8,774,724*
32	Off-balance sheet items		109,318,247			1,566,362
33	**Total RSF**					**230,832,203**
34	**Net Stable Funding Ratio (%)**					**114.02%**

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, second, third and fourth quarters were 114.10%, 112.99%, 114.02% and 116.22% respectively. The ratio remained stable and well above the regulatory requirement of 100% throughout the year. 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.

CRA: General information about credit risk

Credit risk is the risk of loss that a customer or counterparty is unable to or unwilling to meet its contractual obligations. Credit Risk exists in the trading book and banking book, as well as from on- and off-balance sheet transactions of the Group. It arises principally from lending, trade finance and treasury businesses.

The Group has formulated a comprehensive set of credit risk management policies and procedures, and appropriate credit risk limits to manage and control credit risk that may arise. These policies, procedures and credit risk limits are regularly reviewed and updated to cope with changes in market conditions and business strategies.

The Group’s organization structure establishes a clear set of authority and responsibility for monitoring compliance with policies, procedures and limits.

Structure and organization of credit risk management as well as the responsibilities of relevant units can be referred to OVA.

Credit risk management information reports and ad hoc reports will be submitted to Board of Directors, Risk Management Committee and senior management to facilitate their continuous monitoring of credit management related matters.

In addition, the Group identifies credit concentration risk by industry, geography, customer and counterparty. The risk management units monitor changes to counterparty credit risk, quality of the credit portfolio and credit risk concentrations, and report regularly to the Group management.

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 31 December 2018			
		Gross carrying amounts of			
		Defaulted exposures	Non-defaulted exposures	Allowances / impairments	Net values
		HK$'000	HK$'000	HK$'000	HK$'000
1	Loans	1,602,529	326,631,275	2,901,344	325,332,460
2	Debt securities	182,908	116,001,752	183,534	116,001,126
3	Off-balance sheet exposures	373,941	112,784,459	199,720	112,958,680
4	**Total**	**2,159,378**	**555,417,486**	**3,284,598**	**554,292,266**

Remark: The following relates to certain changes made as a result of changes made to the regulatory reporting treatment of the Group's exposures to certain financial investments. The relevant information are:

		At 31 December 2017			
		Gross carrying amounts of			
		Defaulted exposures	Non-defaulted exposures	Allowances / impairments	Net values
		HK$'000	HK$'000	HK$'000	HK$'000
1	Loans	1,141,446	310,324,990	819,789	310,646,647
2	Debt securities	-	90,052,139	-	90,052,139
3	Off-balance sheet exposures	5,783	123,049,239	-	123,055,022
4	**Total**	**1,147,229**	**523,426,368**	**819,789**	**523,753,808**

		At 30 June 2017			
		Gross carrying amounts of			
		Defaulted exposures	Non-defaulted exposures	Allowances / impairments	Net values
		HK$'000	HK$'000	HK$'000	HK$'000
1	Loans	1,006,598	303,375,498	736,706	303,645,390
2	Debt securities	-	77,381,926	-	77,381,926
3	Off-balance sheet exposures	32,346	129,674,171	-	129,706,517
4	**Total**	**1,038,944**	**510,431,595**	**736,706**	**510,733,833**

CR2: Changes in defaulted loans and debt securities

		HK$'000
1	**Defaulted loans and debt securities as at 30 June 2018**	960,522
2	Loans and debt securities that have defaulted since the last reporting period	1,787,170
3	Returned to non-defaulted status	(165,886)
4	Amounts written off	(770,009)
5	Other changes	(26,360)
6	**Defaulted loans and debt securities as at 31 December 2018**	**1,785,437**

CRB: Additional disclosure related to credit quality of exposures

Advances with a specific repayment date are classified as overdue when the principal or interest is past due and remains unpaid. Advances repayable by regular instalments are classified as overdue when an instalment payment is past due and remains unpaid. Advances repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction or when the advances have continuously exceeded the approved limit that was advised to the borrower.

Advances are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred. Credit-impaired advances are classified as Stage 3. The Group identifies the advances as impaired if the exposure is past due for more than 90 days or the borrower is unlikely to pay in full for the credit obligations to the Group.

Exposures which are past due for more than 90 days are classified as Stage 3 exposure and thus being classified as impaired.

HKFRS 9 introduces a new impairment model that requires the recognition of ECL for financial instrument held at amortized cost and fair value through other comprehensive income. Under HKFRS 9, ECL is assessed in three stages and the financial assets and commitments are classified in one of the three stages.

Stage 1: if the financial instrument is not credit-impaired upon origination and the credit risk on the financial instrument has not increased significantly since initial recognition, the loss allowance is measured at an amount up to 12-month ECL;

Stage 2: if the financial instrument is not credit-impaired upon origination but the credit risk on the financial instrument has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime ECL;

Stage 3: if the financial instrument is credit-impaired, with one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, the loss allowance is also measured at an amount equal to the lifetime ECL.

The Group leverages the parameters implemented under Internal Ratings-Based ("IRB") models and internal models where feasible and available to assess ECL. For the portfolios without models, all other reasonable and supportable information such as historical information, relevant loss experience or proxies are utilized. The measurement of ECL is the product of the financial instrument's probability of default ("PD"), loss given default ("LGD") and exposures at default ("EAD") discounted at the effective interest rate to the reporting date.

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

ECL is measured at an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The Group adopts three economic scenarios in the ECL measurement to meet the requirements of HKFRS 9. The “Base case” scenario represents a most likely outcome and the other two scenarios, referred to as “Upside” scenario and “Downside” scenario, represent less likely outcomes which are more optimistic or more pessimistic compared to Base case scenario.

The Base case scenario is made reference to macroeconomics forecast subscribed from external economic research agency. For the Upside scenario and Downside scenarios, the Group makes reference to the historical macroeconomics data.

The macroeconomic factors in the major operate countries/regions such as HK GDP growth rate, HK Inflation, HK unemployment rate, HK Property price growth, China GDP growth rate and China unemployment rate are applied in the economic scenarios. These macroeconomic factors are considered to be important to the Group’s ECL in statistical analysis and business opinion.

The probability assigned for each scenario reflects the Group’s view for the economic environment, which implements the Group’s prudent and consistent credit strategy of ensuring the adequacy of impairment allowance. A higher probability is assigned to the Base case scenario to reflect the most likely outcome and a lower probability is assigned to the Upside and Downside scenarios to reflect the less likely outcomes. The probabilities assigned are updated each quarter.

Rescheduled advances are those advances that have restructured or renegotiated because of deterioration in the financial position of the borrower or of the inability of the borrower to meet the original repayment schedule.

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

The table below provides a breakdown of exposures by geographical area, industry and residual maturity.

Geographical area	Residual maturity	Exposures by industry: Banks	Other financial institutions	Real estates	Wholesale, retail and trades	Individuals	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	Within 1 year	40,832,385	16,366,785	15,075,087	26,613,933	9,556,711	56,814,621	165,259,522
	1 to 5 years	30,212,433	11,943,006	37,081,850	5,575,044	5,016,903	41,632,879	131,462,115
	Over 5 years	-	114,152	9,429,879	2,573,853	17,580,770	5,330,845	35,029,499
	Sub-total	71,044,818	28,423,943	61,586,816	34,762,830	32,154,384	103,778,345	331,751,136
Mainland of China	Within 1 year	38,035,517	5,486,585	4,968,425	23,600,811	1,485,331	59,365,111	132,941,780
	1 to 5 years	6,311,699	5,128,154	13,050,923	6,366,853	864,902	30,023,981	61,746,512
	Over 5 years	304,263	288,857	7,083,881	586,318	16,480,843	6,393,274	31,137,436
	Sub-total	44,651,479	10,903,596	25,103,229	30,553,982	18,831,076	95,782,366	225,825,728
Total		**115,696,297**	**39,327,539**	**86,690,045**	**65,316,812**	**50,985,460**	**199,560,711**	**557,576,864**

The table below provides a breakdown of impaired exposures, related allowances and write-offs by geographical area and industry.

Geographical area	Industry	Impaired exposures	Impairment allowances – Stage 3	Partial write-offs
		HK$'000	HK'$000	HK'$000
Hong Kong	Banks	-	-	-
	Other financial institutions	-	-	-
	Real estates	-	-	-
	Wholesale, retail and trades	243,609	241,595	-
	Individuals	918	916	-
	Others	324,341	271,005	13,479
	Sub-total	568,868	513,516	13,479
Mainland of China	Banks	-	-	-
	Other financial institutions	-	-	-
	Real estates	-	-	-
	Wholesale, retail and trades	390,678	386,260	-
	Individuals	73,977	22,619	-
	Others	690,702	516,799	-
	Sub-total	1,155,357	925,678	-
Total		**1,724,225**	**1,439,194**	**13,479**

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

The table below provides aging analysis of accounting past due exposures.

Overdue for:	Exposures
	HKD$'000
Up to 1 month	291,189
3 months or less but over 1 month	93,871
6 months or less but over 3 months	349,868
1 year or less but over 6 months	43,151
Over 1 year	609,170
Total	**1,387,249**

The table below provides a breakdown of restructured exposures between impaired and not impaired exposures.

	Impaired HKD$'000	Not impaired HKD$'000	Total HKD$'000
Restructured exposures	249,884	5,732	255,616

Remark: The following relates to certain changes made as a result of changes made to the regulatory reporting treatment of the Group's exposures to certain financial investments. The relevant information are:

The table below provides a breakdown of exposures by geographical area, industry and residual maturity.

		31 December 2017						
		Exposures by industry						
Geographical area	Residual maturity	Banks	Other financial institutions	Real estate	Wholesale, retail and trades	Individuals	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	Within 1 year	42,439,434	9,156,623	13,930,276	30,943,988	6,602,222	47,893,178	150,965,721
	1 to 5 years	18,860,902	10,364,579	26,291,758	5,880,146	4,211,596	47,872,198	113,481,179
	Over 5 years	-	242,084	7,231,114	2,981,575	17,088,569	5,270,030	32,813,372
	Sub-total	61,300,336	19,763,286	47,453,148	39,805,709	27,902,387	101,035,406	297,260,272
Mainland of China	Within 1 year	36,676,443	4,653,975	3,682,215	25,148,234	1,845,772	73,865,329	145,871,968
	1 to 5 years	6,594,812	1,097,787	15,959,412	6,002,514	723,279	24,156,149	54,533,953
	Over 5 years	-	30,756	6,294,203	117,765	15,574,230	4,890,450	26,907,404
	Sub-total	43,271,255	5,782,518	25,935,830	31,268,513	18,143,281	102,911,928	227,313,325
Total		**104,571,591**	**25,545,804**	**73,388,978**	**71,074,222**	**46,045,668**	**203,947,334**	**524,573,597**

CRC: Qualitative disclosures related to credit risk mitigation

The netting should only be applied where there is a legal right to do so. In accordance with the Banking Capital Rules section 209, the Bank adopts the netting approach which is consistent with the Banking Capital Rules for capital adequacy purposes, and only those OTC derivative transactions subject to valid bilateral netting agreements are eligible to net amounts owed by the Bank.

The Group utilizes collateral or guarantees, among other instruments, to mitigate credit risks. The management of collateral or guarantees has been documented in the credit risk management policies and procedures which include collateral acceptance criteria, validity of collateral, loan-to-value ratio, haircut ratio, valuation and insurance requirements, etc.

The collateral is revalued on a regular basis, though the frequency and the method used varies with the type of collateral involved and the nature and the risk of the underlying credit. The Bank established a mechanism to update the value of its main type of collateral, real estate properties, with the use of public indices on a portfolio basis. Collateral is insured with the Bank as the beneficiary.

The credit and market risk concentrations within the credit risk mitigation used by the Bank are under a low level.

CR3: Overview of recognised credit risk mitigation

		At 31 December 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	232,190,561	93,141,899	36,342,806	56,799,093	-
2	Debt securities	111,340,349	4,660,777	-	4,660,777	-
3	**Total**	**343,530,910**	**97,802,676**	**36,342,806**	**61,459,870**	**-**
4	Of which defaulted	285,814	67,991	67,991	-	-

Remark: The following relates to certain changes made as a result of changes made to the regulatory reporting treatment of the Group's exposures to certain financial investments and non-bank financial institutions. The relevant information are:

		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	-	-

		At 31 December 2017				
		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	235,532,410	75,114,237	33,231,683	41,882,554	-
2	Debt securities	86,426,920	3,625,219	-	3,625,219	-
3	**Total**	**321,959,330**	**78,739,456**	**33,231,683**	**45,507,773**	**-**
4	Of which defaulted	240,180	82,865	82,865	-	-

CR3: Overview of recognised credit risk mitigation (continued)

		At 30 June 2017				
		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	236,510,890	67,134,500	26,461,851	40,672,649	-
2	Debt securities	74,205,620	3,176,306	-	3,176,306	-
3	**Total**	**310,716,510**	**70,310,806**	**26,461,851**	**43,848,955**	**-**
4	Of which defaulted	207,155	62,909	62,909	-	-

CRD: Qualitative disclosures on use of ECAI ratings under STC approach

The Group adopts STC approach to determine the risk weights of the credit exposures that was approved by the HKMA to be exempted from FIRB approach. ECAI ratings are used as part of the determination of risk weights for the following classes of exposure:

- Sovereigns
- Public sector entities
- Banks
- Corporates

The Group performs the ECAI issuer ratings mapping to its exposures in banking book in accordance with Part 4 of the Banking (Capital) Rules. The ECAIs recognised by the Group include Standard & Poor's, Moody's and Fitch.

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

STC approach

		At 31 December 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	
	Exposure classes	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**RWA density**
1	Sovereign exposures	66,037,879	811	66,037,879	811	1,786,878	2.71%
2	PSE exposures	1,244,116	628,000	1,250,471	162,258	84,523	5.98%
2a	*Of which: domestic PSEs*	*254,004*	*628,000*	*260,359*	*162,258*	*84,523*	*20.00%*
2b	*Of which: foreign PSEs*	*990,112*	-	*990,112*	-	-	-
3	Multilateral development bank exposures	3,885,355	-	3,885,355	-	-	-
4	Bank exposures	18,535	-	18,535	-	3,707	20.00%
5	Securities firm exposures	-	-	-	-	-	N/A
6	Corporate exposures	9,922,374	5,663,620	9,619,411	872,915	10,492,326	100.00%
7	CIS exposures	-	-	-	-	-	N/A
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	3,371,874	1,917,839	3,273,317	269,611	2,657,197	75.00%
11	Residential mortgage loans	15,737,282	6,516	15,650,423	-	7,825,213	50.00%
12	Other exposures which are not past due exposures	1,012,981	536,546	776,135	82,204	858,339	100.00%
13	Past due exposures	103,385	-	103,385	-	126,086	121.96%
14	Significant exposures to commercial entities	-	-	-	-	-	N/A
15	**Total**	**101,333,781**	**8,753,332**	**100,614,911**	**1,387,799**	**23,834,269**	**23.37%**

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

Remark: The following relates to certain changes made as a result of changes made to the regulatory reporting treatment of the Group's exposures to certain financial investments and non-bank financial institutions. The relevant information are:

STC approach

		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	
	Exposure classes	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	RWA density
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	*Of which: domestic PSEs*	*576,180*	*450,000*	*581,862*	*198,523*	*156,077*	*20.00%*
2b	*Of which: foreign PSEs*	*974,468*	-	*974,468*	-	-	-
3	Multilateral development bank exposures	3,810,574	-	3,810,574	-	-	-
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%**

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

STC approach

		At 31 December 2017					
		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	
	Exposure classes	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	RWA density
1	Sovereign exposures	63,060,197	811	63,060,197	811	1,881,914	2.98%
2	PSE exposures	193,676	432,400	199,192	190,691	77,977	20.00%
2a	Of which: domestic PSEs	193,676	432,400	199,192	190,691	77,977	20.00%
2b	Of which: foreign PSEs	-	-	-	-	-	N/A
3	Multilateral development bank exposures	-	-	-	-	-	N/A
4	Bank exposures	10,392	-	10,392	-	2,078	20.00%
5	Securities firm exposures	-	-	-	-	-	N/A
6	Corporate exposures	8,589,841	4,065,905	8,589,841	424,492	9,014,333	100.00%
7	CIS exposures	17,430,519	-	17,430,519	-	17,430,519	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	2,919,013	1,604,094	2,827,524	175,125	2,251,986	75.00%
11	Residential mortgage loans	16,067,314	8,983	16,060,223	-	8,030,112	50.00%
12	Other exposures which are not past due exposures	616,089	288,443	368,571	52,823	421,394	100.00%
13	Past due exposures	77,448	-	77,448	-	102,189	131.95%
14	Significant exposures to commercial entities	-	-	-	-	-	N/A
15	**Total**	**108,964,489**	**6,400,636**	**108,623,907**	**843,942**	**39,212,502**	**35.82%**

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

STC approach

		At 30 June 2017					
		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	
	Exposure classes	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	RWA density
1	Sovereign exposures	48,426,100	811	48,426,100	811	2,280,194	4.71%
2	PSE exposures	359,971	405,200	364,793	177,376	85,415	15.75%
2a	Of which: domestic PSEs	244,879	405,200	249,701	177,376	85,415	20.00%
2b	Of which: foreign PSEs	115,092	-	115,092	-	-	-
3	Multilateral development bank exposures	73,098	-	73,098	-	-	-
4	Bank exposures	19,223	-	19,223	-	3,845	20.00%
5	Securities firm exposures	-	-	-	-	-	N/A
6	Corporate exposures	4,465,067	2,411,388	4,453,756	136,881	4,590,637	100.00%
7	CIS exposures	13,536,196	-	13,536,196	-	13,536,196	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	2,455,246	1,430,350	2,388,790	149,958	1,904,061	75.00%
11	Residential mortgage loans	15,587,336	9,552	15,582,514	-	7,791,257	50.00%
12	Other exposures which are not past due exposures	521,486	240,373	360,277	41,394	401,671	100.00%
13	Past due exposures	86,728	-	86,728	-	110,108	126.96%
14	Significant exposures to commercial entities	-	-	-	-	-	N/A
15	**Total**	**85,530,451**	**4,497,674**	**85,291,475**	**506,420**	**30,703,384**	**35.79%**

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

STC approach

	Exposure class \ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
		At 31 December 2018										
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	
1	Sovereign exposures	63,253,384	-	1,248,035	-	-	-	1,537,271	-	-	-	66,038,690
2	PSE exposures	990,112	-	422,617	-	-	-	-	-	-	-	1,412,729
2a	*Of which: domestic PSEs*	-	-	*422,617*	-	-	-	-	-	-	-	*422,617*
2b	*Of which: foreign PSEs*	*990,112*	-	-	-	-	-	-	-	-	-	*990,112*
3	Multilateral development bank exposures	3,885,355	-	-	-	-	-	-	-	-	-	3,885,355
4	Bank exposures	-	-	18,535	-	-	-	-	-	-	-	18,535
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	10,492,326	-	-	-	10,492,326
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	-	-	-	-	-	3,542,928	-	-	-	-	3,542,928
11	Residential mortgage loans	-	-	-	-	15,650,423		-	-	-	-	15,650,423
12	Other exposures which are not past due exposures	-	-	-	-	-	-	858,339	-	-	-	858,339
13	Past due exposures	-	-	-	-	-	-	57,984	45,401	-	-	103,385
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	**Total**	**68,128,851**	**-**	**1,689,187**	**-**	**15,650,423**	**3,542,928**	**12,945,920**	**45,401**	**-**	**-**	**102,002,710**

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

Remark: The following relates to certain changes made as a result of changes made to the regulatory reporting treatment of the Group's exposures to certain financial investments and non-bank financial institutions. The relevant information are:

STC approach

		At 30 June 2018										
	Risk Weight / Exposure class	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
		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	*Of which: domestic PSEs*	-	-	*780,385*	-	-	-	-	-	-	-	*780,385*
2b	*Of which: foreign PSEs*	*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**

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

STC approach

		At 31 December 2017										
	Risk Weight / Exposure class	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1	Sovereign exposures	60,389,457	-	987,047	-	-	-	1,684,504	-	-	-	63,061,008
2	PSE exposures	-	-	389,883	-	-	-	-	-	-	-	389,883
2a	Of which: domestic PSEs	-	-	389,883	-	-	-	-	-	-	-	389,883
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	10,392	-	-	-	-	-	-	-	10,392
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	9,014,333	-	-	-	9,014,333
7	CIS exposures	-	-	-	-	-	-	17,430,519	-	-	-	17,430,519
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	-	-	-	-	-	3,002,649	-	-	-	-	3,002,649
11	Residential mortgage loans	-	-	-	-	16,060,223	-	-	-	-	-	16,060,223
12	Other exposures which are not past due exposures	-	-	-	-	-	-	421,394	-	-	-	421,394
13	Past due exposures	-	-	-	-	-	-	27,965	49,483	-	-	77,448
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	**Total**	**60,389,457**	**-**	**1,387,322**	**-**	**16,060,223**	**3,002,649**	**28,578,715**	**49,483**	**-**	**-**	**109,467,849**

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

STC approach

	Exposure class \ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
		At 30 June 2017										
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	
1	Sovereign exposures	45,379,464	-	959,066	-	-	-	2,088,381	-	-	-	**48,426,911**
2	PSE exposures	115,092	-	427,077	-	-	-	-	-	-	-	**542,169**
2a	Of which: domestic PSEs	-	-	427,077	-	-	-	-	-	-	-	**427,077**
2b	Of which: foreign PSEs	115,092	-	-	-	-	-	-	-	-	-	**115,092**
3	Multilateral development bank exposures	73,098	-	-	-	-	-	-	-	-	-	**73,098**
4	Bank exposures	-	-	19,223	-	-	-	-	-	-	-	**19,223**
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	**-**
6	Corporate exposures	-	-	-	-	-	-	4,590,637	-	-	-	**4,590,637**
7	CIS exposures	-	-	-	-	-	-	13,536,196	-	-	-	**13,536,196**
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	-	-	-	-	-	2,538,748	-	-	-	-	**2,538,748**
11	Residential mortgage loans	-	-	-	-	15,582,514	-	-	-	-	-	**15,582,514**
12	Other exposures which are not past due exposures	-	-	-	-	-	-	401,671	-	-	-	**401,671**
13	Past due exposures	-	-	-	-	-	-	39,968	46,760	-	-	**86,728**
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	**-**
15	**Total**	**45,567,654**	**-**	**1,405,366**	**-**	**15,582,514**	**2,538,748**	**20,656,853**	**46,760**	**-**	**-**	**85,797,895**

CRE: Qualitative disclosures related to internal models for measuring credit risk under IRB approach

The Group adopts the FIRB approach to calculate the regulatory capital requirements for most of the corporate and bank exposures, and adopts the supervisory slotting criteria approach to project finance exposures under specialised lending. The Group adopts retail IRB approach for retail exposures to individuals and small business.

The table below shows the Group's different capital calculation approaches to each asset class and sub-classes of exposures (other than securitization exposures):

Asset class	Exposure sub-class	Capital calculation approach
Corporate exposures	Specialised lending under supervisory slotting criteria approach (project finance)	Supervisory Slotting Criteria Approach
	Small-and-medium sized corporates	FIRB Approach
	Other corporates	
Sovereign exposures	Sovereigns	Standardised (credit risk) Approach
	Sovereign foreign public sector entities	
	Multilateral development banks	
Bank exposures	Banks	FIRB Approach
	Securities firms	
	Public sector entities (excluding sovereign foreign public sector entities)	Standardised (credit risk) Approach
Retail exposures	Residential mortgages to individuals	Retail IRB Approach
	Residential mortgages to property-holding shell companies	
	Qualifying revolving retail	
	Other retail to individuals	
	Small business retail	
Equity exposures	-	Standardised (credit risk) Approach
Other exposures	Cash items	Specific Risk-weight Approach
	Other items	

CRE: Qualitative disclosures related to internal models for measuring credit risk under IRB approach (continued)

The tables below show, by portfolio type, the portion of EAD (after CRM) and RWAs within the Group covered by the STC approach, FIRB, Retail IRB and other IRB calculation approaches.

Portfolio		At 31 December 2018				
		Portion of EAD (after CRM) in each portfolio				
		FIRB approach	Supervisory Slotting Criteria Approach	Retail IRB Approach	Specific Risk-weight Approach	STC approach
Sovereign, Bank, Corporate	Sovereign	-	-	-	-	100.00%
	PSE	-	-	-	-	100.00%
	Multilateral development bank	-	-	-	-	100.00%
	Bank	99.98%	-	-	-	0.02%
	Corporate	95.24%	0.39%	-	-	4.37%
Retail	Residential mortgages	-	-	45.53%	-	54.47%
	Small business retail	-	-	100.00%	-	-
	Other retail to individuals	-	-	80.85%	-	19.15%
Other		-	-	-	91.94%	8.06%
Total		**70.25%**	**0.19%**	**6.14%**	**2.29%**	**21.13%**

Portfolio		At 31 December 2018				
		Percentage of RWA in each portfolio				
		FIRB approach	Supervisory Slotting Criteria Approach	Retail IRB Approach	Specific Risk-weight Approach	STC approach
Sovereign, Bank, Corporate	Sovereign	-	-	-	-	100.00%
	PSE	-	-	-	-	100.00%
	Multilateral development bank	-	-	-	-	-
	Bank	99.99%	-	-	-	0.01%
	Corporate	92.80%	0.51%	-	-	6.69%
Retail	Residential mortgages	-	-	22.90%	-	77.10%
	Small business retail	-	-	100.00%	-	-
	Other retail to individuals	-	-	63.33%	-	36.67%
Other		-	-	-	89.72%	10.28%
Total		**83.50%**	**0.33%**	**2.87%**	**3.56%**	**9.74%**

The Group uses IRB models to provide own estimated probability of default (“PD”) for its corporate, bank and retail borrowers, and loss given default (“LGD”) and exposure at default (“EAD”) for retail exposures under retail IRB approach. Besides using PD estimates for regulatory capital calculation in corporate and bank exposures, the Group uses the PD together with the LGD and EAD estimates in the credit approval, credit monitoring, reporting and analysis of credit risk information, etc., for the purpose of strengthening the daily management on all credit related matters.

Model acceptance standards are established to ensure the discriminatory power, accuracy and stability of the rating systems meet regulatory and management requirements. Review of a rating model will be triggered if the performance of the model deteriorates materially against pre-determined tolerance limit.

CRE: Qualitative disclosures related to internal models for measuring credit risk under IRB approach (continued)

The performance of internal rating system is put under ongoing periodic monitoring. The Management periodically reviews the performance and predictive ability of the internal rating system. The effectiveness of the internal rating system and processes are reviewed by independent control functions. The model development and maintenance unit is responsible for developing of new internal rating models, and conducting assessment on the discriminatory power, accuracy and stability of the existing rating systems while the validation unit is responsible for performing comprehensive review of the internal rating system. Internal audit reviews the internal rating system and the operations of the related credit risk control units. The results of the review are reported to the Board and the Management regularly.

A model validation team which is independent from the model development unit and rating assignment units, conducts periodic model validations using both qualitative and quantitative analysis.

For newly-developed or revised IRB models, independent validation has to be conducted before the model is submitted for the approval by the Credit and Loans Management Committee and Risk Management Committee of the Board.

There is no change of internal models over the current reporting period.

Description of internal credit risk models

The Group’s internal credit risk models can be classified into wholesale and retail models.

CRE: Qualitative disclosures related to internal models for measuring credit risk under IRB approach (continued)

IRB models - Wholesale

Probability of Default ("PD") models

- PD represents the likelihood of a default event in a one-year horizon.

Portfolio	Model type	Number of models	Model Scope	Key Model Characteristics	Regulatory floors applied
Corporates	PD	6	Segmented mainly by the counterparty type (real estate developer, real estate investor, general corporate) and product nature (object finance, project finance). Among the general corporates, models are segmented by the total revenue size (large corporate, mid-market corporate).	Model estimates based on both quantitative and qualitative inputs (such as variables of latest financial performance, management quality, industry risks, group connection and negative warning signals).	PD >=0.03%
Financial institutions	PD	3	Segmented by the counterparty type (banks, insurance companies and securities firms).	Model estimates are based on both quantitative and qualitative inputs (such as variables of latest financial performance, management quality, industry risks, group connection and negative warning signals).	PD >= 0.03%

CRE: Qualitative disclosures related to internal models for measuring credit risk under IRB approach (continued)

IRB models - Retail

The Group uses statistical models to provide own estimated probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") for retail exposures under retail IRB approach.

The estimates for retail IRB portfolios are pooled by nature of obligors, facility types, collateral types and delinquency status into different PD, EAD and LGD pools. This pooling process provides the basis of accurate and consistent estimation for PD, LGD and EAD at the pool level for exposures arising from residential mortgages to both individuals and property-holding shell companies, other retail exposures to individuals and small business retail exposures.

Probability of Default ("PD") models

- The Group uses internal rating system to assess the borrower's likelihood of default for all IRB portfolios. PD estimates the risk of borrower default over a one-year period.

Loss given Default ("LGD") models

- LGD estimates the potential loss of each credit exposure if the obligor defaults. Under retail IRB approach, LGD is the economic loss, considering the direct and indirect costs induced during the recovery period and the time value of money of recoveries adjusted by the discount rates.

Exposure at Default ("EAD") models

- EAD estimates the additional drawn down on the undrawn facility (if any) after the facility defaulted.
- The EAD of on-balance sheet exposure is the outstanding balance of the facility. The EAD of off-balance sheet exposure is determined by the credit equivalent amount, i.e. the undrawn limit multiplied by the credit conversion factor.

CRE: Qualitative disclosures related to internal models for measuring credit risk under IRB approach (continued)

Portfolio	Model Type	Number of Models	Model Scope	Key Model Characteristics	Regulatory floors applied
Residential Mortgages	PD	1	Models are applicable to residential mortgage loans to individuals and property-holding shell companies.	The PD estimate is mainly calibrated from scores of the following two scorecards: Application scorecard (key drivers include personal and application details) and Behavioural scorecard (key drivers include account performance)	PD >= 0.03%
	LGD	1		The model segments the portfolio with different level of LGD estimates with respect to the segmentation factors such as collateral type and loan-to-value level.	LGD >= 10%
	EAD	1		Current exposure is used to estimate the EAD. For accounts denominated in foreign currency, an FX adjustment is applied to cater for the potential increase in EAD due to foreign currency appreciation against Hong Kong Dollar.	Nil
Other Retail Exposures to Individuals	PD	1	Models are applicable to retail loans to individuals other than residential mortgages.	PD estimates are assigned to accounts with time on book no more than 6 months by product type. PD estimates are assigned to accounts with time on book more than 6 months according to the scores generated by the two scorecards – Revolving and Instalment behavioural scorecards.	PD >= 0.03%
	LGD	1		For accounts with single collateral, the model segments the portfolio into various pools with respect to the drivers such as collateral type and loan-to-value level. For other accounts, the model segments the portfolio into various pools such as tax loans, temporary overdrafts, other unsecured products and multiple collateralized accounts.	Nil
	EAD	1		For revolving products, utilization ratio is adopted to anticipate the exposure changes when the accounts are leading up to default. For reducing balance products, current exposure is used to estimate the EAD. For accounts denominated in foreign currency, an FX adjustment is applied to cater for the potential increase in EAD due to foreign currency appreciation against Hong Kong Dollar.	Nil

CRE: Qualitative disclosures related to internal models for measuring credit risk under IRB approach (continued)

Portfolio	Model Type	Number of Models	Model Scope	Key Model Characteristics	Regulatory floors applied
Small Business Retail	PD	1	Models are applicable to small business retail which is defined by group exposures smaller than HKD 10 million and annual individual turnover smaller than HKD 50 million.	The PD estimate is mainly calibrated from scores of the following two scorecards: Application scorecard (key risk drivers include financial and non-financial factors) and Behavioural scorecard (key risk drivers include customer performance information)	PD >= 0.03%
	LGD	1		The model is a segmentation model based on segmentation factors such as product type, degree of collateralization, industry type. Each exposure will be slotted into one of the LGD pools by the segmentation factors.	Nil
	EAD	1		An exposure is assigned to the EAD pool according to the key factors such as product type, industry type and utilization ratio.	Nil

CRE: Qualitative disclosures related to internal models for measuring credit risk under IRB approach (continued)

Remark: The following relates to certain changes made as a result of changes made to the regulatory reporting treatment of the Group's exposures to certain financial investments and non-bank financial institutions. The relevant information are:

The tables below show, by portfolio type, the portion of EAD (after CRM) and RWAs within the Group covered by the STC approach, FIRB, Retail IRB and other IRB calculation approaches.

Portfolio		At 31 December 2017				
		Portion of EAD (after CRM) in each portfolio				
		FIRB approach	Supervisory Slotting Criteria Approach	Retail IRB Approach	Specific Risk-weight Approach	STC approach
Sovereign, Bank, Corporate	Sovereign	-	-	-	-	100.00%
	PSE	-	-	-	-	100.00%
	Bank	99.99%	-	-	-	0.01%
	Corporate	95.56%	0.20%	-	-	4.24%
Retail	Residential mortgages	-	-	46.48%	-	53.52%
	Small business retail	-	-	100.00%	-	-
	Other retail to individuals	-	-	79.56%	-	20.44%
Other		-	-	-	37.86%	62.14%
Total		**66.65%**	**0.10%**	**6.15%**	**2.46%**	**24.64%**

Portfolio		At 31 December 2017				
		Percentage of RWA in each portfolio				
		FIRB approach	Supervisory Slotting Criteria Approach	Retail IRB Approach	Specific Risk-weight Approach	STC approach
Sovereign, Bank, Corporate	Sovereign	-	-	-	-	100.00%
	PSE	-	-	-	-	100.00%
	Bank	100.00%	-	-	-	-
	Corporate	93.69%	0.27%	-	-	6.04%
Retail	Residential mortgages	-	-	22.30%	-	77.70%
	Small business retail	-	-	100.00%	-	-
	Other retail to individuals	-	-	63.31%	-	36.69%
Other		-	-	-	31.33%	68.67%
Total		**77.42%**	**0.17%**	**2.63%**	**3.42%**	**16.36%**

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

FIRB approach		At 31 December 2018											
	PD scale	Original on-balance sheet gross exposure HK$'000	Off- balance sheet exposures pre-CCF HK$'000	Average CCF	EAD post-CRM and post-CCF HK$'000	Average PD	Number of obligors	Average LGD	Average maturity Years	RWA HK$'000	RWA density	EL HK$'000	Provisions HK$'000
Portfolio (i) –	0.00 to < 0.15	65,736,405	193,187	100.00%	66,508,307	0.07%	184	45.00%	2.5	20,399,736	30.67%	19,878	
Banks	0.15 to < 0.25	10,280,190	-	N/A	10,280,190	0.22%	24	45.00%	2.5	6,340,628	61.68%	10,177	
	0.25 to < 0.50	9,945,326	1,367	100.00%	9,946,693	0.39%	22	45.00%	2.5	8,056,664	81.00%	17,457	
	0.50 to < 0.75	9,687,193	16,000	-	12,677,007	0.65%	19	45.00%	2.5	12,154,282	95.88%	37,245	
	0.75 to < 2.50	10,341,305	515,873	19.03%	10,439,480	1.36%	23	45.00%	2.5	11,389,524	109.10%	63,876	
	2.50 to < 10.00	382,323	-	N/A	382,323	2.67%	1	45.00%	2.5	475,468	124.36%	4,592	
	10.00 to < 100.00	-	1,138,342	20.00%	227,669	10.54%	1	-	2.5	-	-	-	
	100.00 (Default)	-	-	N/A	-	N/A	-	N/A	N/A	-	N/A	-	
	Sub-total	106,372,742	1,864,769	27.91%	110,461,669	0.33%	274	44.91%	2.5	58,816,302	53.25%	153,225	1,056,134
Portfolio (ii) –	0.00 to < 0.15	1,759,674	208,187	14.78%	3,888,347	0.12%	78	43.92%	2.5	998,476	25.68%	2,043	
Corporate –	0.15 to < 0.25	287,464	464,149	3.29%	1,374,722	0.22%	66	41.40%	2.5	465,339	33.85%	1,252	
small-and-	0.25 to < 0.50	2,288,547	1,537,525	2.96%	4,274,589	0.39%	147	40.36%	2.5	2,008,230	46.98%	6,728	
medium sized	0.50 to < 0.75	2,232,111	2,696,241	12.34%	6,535,449	0.57%	228	41.90%	2.5	3,681,695	56.33%	15,716	
corporates	0.75 to < 2.50	10,843,586	6,875,964	6.89%	7,979,910	1.25%	497	36.83%	2.5	5,228,702	65.52%	36,465	
	2.50 to < 10.00	5,511,545	1,120,215	7.08%	4,478,539	3.32%	190	35.11%	2.5	3,759,649	83.95%	52,016	
	10.00 to < 100.00	842,617	67,388	-	750,732	10.69%	14	35.15%	2.5	910,673	121.30%	28,213	
	100.00 (Default)	87,070	-	N/A	80,800	100.00%	7	43.76%	2.5	81,414	100.76%	47,793	
	Sub-total	23,852,614	12,969,669	7.53%	29,363,088	1.61%	1,227	39.34%	2.5	17,134,178	58.35%	190,226	357,533
Portfolio (iii) –	0.00 to < 0.15	36,401,420	9,091,152	28.87%	52,280,874	0.10%	215	44.46%	2.5	15,831,868	30.28%	22,445	
Corporate – other	0.15 to < 0.25	8,294,529	1,681,184	26.56%	13,785,777	0.22%	105	44.60%	2.5	6,665,610	48.35%	13,526	
(including	0.25 to < 0.50	12,429,697	5,493,051	36.43%	18,623,455	0.39%	165	43.23%	2.5	11,567,196	62.11%	31,399	
purchased	0.50 to < 0.75	30,366,956	14,858,046	41.04%	29,274,338	0.59%	271	43.02%	2.5	21,224,010	72.50%	75,143	
corporate	0.75 to < 2.50	63,323,890	38,692,412	24.83%	64,119,502	1.32%	800	38.18%	2.5	54,610,987	85.17%	317,738	
receivables)	2.50 to < 10.00	29,330,153	13,853,109	17.07%	17,664,325	3.85%	204	26.62%	2.5	14,668,394	83.04%	182,023	
	10.00 to < 100.00	2,634,551	328,945	0.11%	2,073,863	14.17%	30	32.05%	2.5	3,233,592	155.92%	103,818	
	100.00 (Default)	1,577,983	373,941	-	1,577,983	100.00%	35	45.00%	2.5	612,922	38.84%	1,368,683	
	Sub-total	184,359,179	84,371,840	27.43%	199,400,117	1.87%	1,825	40.42%	2.5	128,414,579	64.40%	2,114,775	3,677,962
Total (sum of all portfolios)		**314,584,535**	**99,206,278**	**24.84%**	**339,224,874**	**1.35%**	**3,326**	**41.79%**	**2.5**	**204,365,059**	**60.24%**	**2,458,226**	**5,091,629**

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

Retail IRB approach		At 31 December 2018											
	PD scale	Original on-balance sheet gross exposure HK$'000	Off-balance sheet exposures pre-CCF HK$'000	Average CCF	EAD post-CRM and post-CCF HK$'000	Average PD	Number of obligors	Average LGD	Average maturity Years	RWA HK$'000	RWA density	EL HK$'000	Provisions HK$'000
Portfolio (iv) –Retail –Residential mortgage exposures (including both to individuals and to property-holding shell companies)	0.00 to < 0.15	8,274,770	-	N/A	8,274,770	0.10%	5,526	11.68%		1,392,449	16.83%	968	
	0.15 to < 0.25	3,060,056	-	N/A	3,060,056	0.22%	848	12.81%		521,615	17.05%	862	
	0.25 to < 0.50	1,183,280	-	N/A	1,183,280	0.39%	360	14.61%		251,223	21.23%	663	
	0.50 to < 0.75	467,851	-	N/A	467,851	0.53%	165	18.89%		100,656	21.51%	464	
	0.75 to < 2.50	31,670	-	N/A	31,670	1.19%	27	16.92%		7,430	23.46%	60	
	2.50 to < 10.00	22,848	-	N/A	22,848	6.40%	18	19.45%		16,900	73.97%	308	
	10.00 to < 100.00	36,521	-	N/A	36,521	27.45%	15	14.69%		30,387	83.20%	1,489	
	100.00 (Default)	3,135	-	N/A	3,135	100.00%	5	10.00%		3,918	124.98%	-	
	Sub-total	13,080,131	-	N/A	13,080,131	0.28%	6,964	12.50%		2,324,578	17.77%	4,814	41,743
Portfolio (v) –Retail – small business retail exposures	0.00 to < 0.15	301,034	431,976	29.37%	427,908	0.09%	663	8.17%		7,987	1.87%	31	
	0.15 to < 0.25	144,501	78,776	31.78%	169,536	0.22%	198	7.50%		5,494	3.24%	28	
	0.25 to < 0.50	258,720	89,005	33.17%	288,246	0.39%	219	8.60%		15,427	5.35%	97	
	0.50 to < 0.75	242,284	69,119	31.83%	264,284	0.59%	215	8.62%		17,957	6.79%	135	
	0.75 to < 2.50	336,707	87,564	22.95%	356,802	1.20%	255	9.66%		37,707	10.57%	449	
	2.50 to < 10.00	92,719	39,582	43.70%	110,016	3.82%	125	9.41%		14,651	13.32%	372	
	10.00 to < 100.00	4,612	2,300	30.47%	5,313	22.05%	6	6.14%		691	13.01%	67	
	100.00 (Default)	10,684	-	N/A	10,684	100.00%	24	25.06%		2,397	22.44%	6,612	
	Sub-total	1,391,261	798,322	30.25%	1,632,789	1.46%	1,705	8.76%		102,311	6.27%	7,791	8,449
Portfolio (vi) –Other retail exposures to individuals	0.00 to < 0.15	325,901	803,058	-	1,084,122	0.05%	636	13.36%		21,500	1.98%	75	
	0.15 to < 0.25	181,032	3,734	-	183,903	0.22%	408	13.13%		10,425	5.67%	53	
	0.25 to < 0.50	2,676,585	8,585	-	2,683,581	0.36%	1,703	12.51%		197,113	7.35%	1,198	
	0.50 to < 0.75	4,414,333	50,857	98.32%	4,465,227	0.58%	1,564	29.42%		992,135	22.22%	7,207	
	0.75 to < 2.50	2,296,186	3,111,595	2.28%	2,893,019	1.04%	1,852	30.03%		925,189	31.98%	9,848	
	2.50 to < 10.00	3,425,666	150,116	99.92%	3,575,819	2.97%	865	48.01%		2,379,393	66.54%	50,536	
	10.00 to < 100.00	66,816	-	N/A	66,816	32.22%	24	18.85%		31,343	46.91%	3,772	
	100.00 (Default)	5,384	-	N/A	5,384	100.00%	7	56.23%		31,332	581.95%	907	
	Sub-total	13,391,903	4,127,945	6.56%	14,957,871	1.33%	7,059	29.55%		4,588,430	30.68%	73,596	83,299
Total (sum of all portfolios)		**27,863,295**	**4,926,267**	**10.40%**	**29,670,791**	**0.88%**	**15,728**	**20.89%**		**7,015,319**	**23.64%**	**86,201**	**133,491**

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

Remark: The following relates to certain changes made as a result of changes made to the regulatory reporting treatment of the Group's exposures to certain financial investments and non-bank financial institutions. The relevant information are:

FIRB approach		At 30 June 2018											
	PD scale	Original on-balance sheet gross exposure HK$'000	Off- balance sheet exposures pre-CCF HK$'000	Average CCF	EAD post-CRM and post-CCF HK$'000	Average PD	Number of obligors	Average LGD	Average maturity Years	RWA HK$'000	RWA density	EL HK$'000	Provisions HK$'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	-	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	-	2.5	-	-	-	
	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	-	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		At 30 June 2018											
	PD scale	Original on-balance sheet gross exposure HK$'000	Off-balance sheet exposures pre-CCF HK$'000	Average CCF	EAD post-CRM and post-CCF HK$'000	Average PD	Number of obligors	Average LGD	Average maturity Years	RWA HK$'000	RWA density	EL HK$'000	Provisions HK$'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	4	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	-	990,636	0.06%	594	12.65%		19,437	1.96%	69	
	0.15 to < 0.25	180,203	1,513	-	181,648	0.22%	430	13.27%		10,410	5.73%	53	
	0.25 to < 0.50	2,243,213	15,034	-	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**

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

FIRB approach		At 31 December 2017											
	PD scale	Original on-balance sheet gross exposure HK$'000	Off-balance sheet exposures pre-CCF HK$'000	Average CCF	EAD post-CRM and post-CCF HK$'000	Average PD	Number of obligors	Average LGD	Average maturity Years	RWA HK$'000	RWA density	EL HK$'000	Provisions HK$'000
Portfolio (i) – Bank	0.00 to < 0.15	52,252,588	1,171,434	100.00%	56,109,693	0.07%	171	44.97%	2.5	17,335,651	30.90%	16,611	
	0.15 to < 0.25	10,816,197	1,535,287	98.02%	12,590,669	0.22%	35	45.00%	2.5	7,766,789	61.69%	12,465	
	0.25 to < 0.50	11,491,976	2,979,402	100.00%	14,915,226	0.39%	35	45.00%	2.5	12,173,254	81.62%	26,175	
	0.50 to < 0.75	2,146,300	1,206,174	98.69%	3,788,496	0.64%	17	45.00%	2.5	3,695,884	97.56%	10,877	
	0.75 to < 2.50	2,237,797	2,759,300	100.00%	5,061,809	0.95%	12	45.00%	2.5	4,772,609	94.29%	21,622	
	2.50 to < 10.00	-	25,000	-	-	N/A	-	N/A	N/A	-	N/A	-	
	10.00 to < 100.00	-	1,677,931	20.00%	335,586	18.00%	1	-	2.5	-	-	-	
	100.00 (Default)	-	-	N/A	-	N/A	-	N/A	N/A	-	N/A	-	
	Sub-total	78,944,858	11,354,528	87.55%	92,801,479	0.28%	271	44.82%	2.5	45,744,187	49.29%	87,750	716,076
Portfolio (ii) – Corporate – small-and-medium sized corporates	0.00 to < 0.15	1,778,669	417,132	21.92%	1,549,089	0.10%	81	42.95%	2.5	355,346	22.94%	690	
	0.15 to < 0.25	1,092,375	467,754	6.20%	2,050,455	0.22%	80	42.83%	2.5	769,928	37.55%	1,932	
	0.25 to < 0.50	1,972,345	1,222,104	7.86%	4,282,505	0.39%	150	42.48%	2.5	2,003,980	46.79%	7,095	
	0.50 to < 0.75	4,228,440	2,795,783	14.60%	5,996,567	0.57%	241	38.95%	2.5	3,067,097	51.15%	13,327	
	0.75 to < 2.50	10,375,182	8,111,908	13.31%	8,809,854	1.43%	524	39.78%	2.5	6,590,931	74.81%	49,891	
	2.50 to < 10.00	4,561,161	1,176,061	4.08%	2,827,625	4.30%	206	31.51%	2.5	2,170,142	76.75%	36,684	
	10.00 to < 100.00	2,351,391	391,368	60.21%	2,589,166	11.12%	23	36.18%	2.5	3,189,404	123.18%	105,411	
	100.00 (Default)	92,179	3,037	-	92,179	100.00%	8	41.55%	2.5	183,795	199.39%	35,480	
	Sub-total	26,451,742	14,585,147	13.63%	28,197,440	2.43%	1,313	39.26%	2.5	18,330,623	65.01%	250,510	323,101
Portfolio (iii) – Corporate – other (including purchased corporate receivables)	0.00 to < 0.15	21,162,077	4,188,342	52.89%	33,223,453	0.09%	153	44.47%	2.5	9,769,257	29.40%	13,507	
	0.15 to < 0.25	8,015,175	3,156,404	18.50%	11,510,939	0.22%	71	44.75%	2.5	5,464,144	47.47%	11,333	
	0.25 to < 0.50	13,384,227	7,122,318	8.16%	21,818,937	0.39%	175	42.94%	2.5	13,068,532	59.90%	36,538	
	0.50 to < 0.75	26,437,706	15,952,576	19.07%	22,335,094	0.60%	265	42.93%	2.5	16,445,630	73.63%	57,507	
	0.75 to < 2.50	58,515,546	41,276,015	22.42%	62,206,569	1.39%	759	37.39%	2.5	52,055,533	83.68%	315,651	
	2.50 to < 10.00	28,439,587	14,470,301	11.86%	21,221,840	3.57%	222	33.62%	2.5	22,391,507	105.51%	262,550	
	10.00 to < 100.00	3,810,499	1,165,217	54.40%	1,799,229	15.64%	36	25.29%	2.5	2,221,702	123.48%	73,654	
	100.00 (Default)	976,139	2,746	19.48%	976,674	100.00%	37	44.74%	2.5	181,541	18.59%	797,532	
	Sub-total	160,740,956	87,333,919	20.64%	175,092,735	1.80%	1,718	40.08%	2.5	121,597,846	69.45%	1,568,272	2,705,783
Total (sum of all portfolios)		**266,137,556**	**113,273,594**	**26.44%**	**296,091,654**	**1.38%**	**3,302**	**41.48%**	**2.5**	**185,672,656**	**62.71%**	**1,906,532**	**3,744,960**

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

Retail IRB approach		At 31 December 2017											
	PD scale	Original on-balance sheet gross exposure HK$'000	Off-balance sheet exposures pre-CCF HK$'000	Average CCF	EAD post-CRM and post-CCF HK$'000	Average PD	Number of obligors	Average LGD	Average maturity Years	RWA HK$'000	RWA density	EL HK$'000	Provisions HK$'000
Portfolio (iv) – Retail – Residential mortgage exposures (including both to individuals and to property-holding shell companies)	0.00 to < 0.15	8,748,204	4	100.00%	8,748,208	0.09%	6,000	11.90%		1,419,651	16.23%	970	
	0.15 to < 0.25	2,684,531	-	N/A	2,684,531	0.22%	685	12.48%		412,407	15.36%	737	
	0.25 to < 0.50	1,758,329	-	N/A	1,758,329	0.39%	624	12.93%		280,064	15.93%	882	
	0.50 to < 0.75	646,905	-	N/A	646,905	0.55%	229	18.89%		132,964	20.55%	670	
	0.75 to < 2.50	35,060	-	N/A	35,060	1.55%	26	18.03%		8,666	24.72%	66	
	2.50 to < 10.00	48,527	-	N/A	48,527	5.02%	21	11.33%		18,230	37.57%	295	
	10.00 to < 100.00	19,724	-	N/A	19,724	22.80%	13	14.39%		15,815	80.18%	703	
	100.00 (Default)	5,740	-	N/A	5,740	100.00%	9	23.65%		16,972	295.68%	-	
	Sub-total	13,947,020	4	100.00%	13,947,024	0.27%	7,607	12.48%		2,304,769	16.53%	4,323	36,079
Portfolio (v) – Retail – small business retail exposures	0.00 to < 0.15	323,945	480,900	29.98%	468,142	0.09%	739	8.02%		8,583	1.83%	34	
	0.15 to < 0.25	135,314	48,875	30.17%	150,061	0.22%	169	8.93%		5,790	3.86%	30	
	0.25 to < 0.50	200,651	63,196	34.51%	222,460	0.39%	234	7.91%		10,942	4.92%	69	
	0.50 to < 0.75	277,841	118,049	30.07%	313,342	0.59%	278	8.22%		20,427	6.52%	155	
	0.75 to < 2.50	334,969	123,576	28.97%	370,775	1.34%	309	11.41%		46,700	12.60%	550	
	2.50 to < 10.00	133,966	17,991	29.90%	139,346	4.14%	140	10.63%		21,110	15.15%	568	
	10.00 to < 100.00	2,836	167	30.47%	2,887	10.54%	4	6.86%		338	11.71%	21	
	100.00 (Default)	17,740	-	N/A	17,740	100.00%	38	21.16%		3,848	21.69%	9,644	
	Sub-total	1,427,262	852,754	30.20%	1,684,753	1.91%	1,911	9.22%		117,738	6.99%	11,071	11,487
Portfolio (vi) –Other retail exposures to individuals	0.00 to < 0.15	319,492	777,219	-	1,055,172	0.05%	597	13.11%		20,563	1.95%	75	
	0.15 to < 0.25	146,660	926	-	147,394	0.22%	378	12.47%		7,941	5.39%	41	
	0.25 to < 0.50	2,017,597	155	-	2,017,727	0.37%	1,361	12.18%		147,383	7.30%	906	
	0.50 to < 0.75	3,405,282	80,019	99.98%	3,485,468	0.60%	1,495	22.94%		617,547	17.72%	4,580	
	0.75 to < 2.50	1,934,047	1,471,070	2.10%	2,029,317	1.15%	1,120	41.25%		911,383	44.91%	9,966	
	2.50 to < 10.00	2,802,923	130,310	99.76%	2,933,393	2.86%	759	53.21%		2,154,263	73.44%	44,503	
	10.00 to < 100.00	14,006	-	N/A	14,006	26.99%	21	52.61%		17,943	128.11%	1,932	
	100.00 (Default)	1,914	-	N/A	1,914	100.00%	4	34.03%		8,143	425.44%	-	
	Sub-total	10,641,921	2,459,699	9.79%	11,684,391	1.22%	5,735	30.88%		3,885,166	33.25%	62,003	60,818
Total (sum of all portfolios)		**26,016,203**	**3,312,457**	**15.05%**	**27,316,168**	**0.78%**	**15,253**	**20.15%**		**6,307,673**	**23.09%**	**77,397**	**108,384**

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

FIRB approach	PD scale	At 30 June 2017 Original on-balance sheet gross exposure HK$'000	Off-balance sheet exposures pre-CCF HK$'000	Average CCF	EAD post-CRM and post-CCF HK$'000	Average PD	Number of obligors	Average LGD	Average maturity Years	RWA HK$'000	RWA density	EL HK$'000	Provisions HK$'000
Portfolio (ii) – Bank	0.00 to < 0.15	58,377,031	2,649,762	98.81%	63,683,487	0.06%	182	44.85%	2.50	19,160,664	30.09%	17,985	
	0.15 to < 0.25	17,225,284	1,981,546	100.00%	19,467,048	0.22%	39	45.00%	2.50	11,994,955	61.62%	19,273	
	0.25 to < 0.50	17,449,908	4,245,358	100.00%	22,370,184	0.39%	44	45.00%	2.50	18,156,674	81.16%	39,260	
	0.50 to < 0.75	2,347,987	770,946	97.54%	3,099,933	0.59%	10	45.00%	2.50	2,761,094	89.07%	8,263	
	0.75 to < 2.50	7,791,943	1,305,588	99.23%	9,153,424	1.07%	24	45.00%	2.50	8,964,211	97.93%	44,275	
	2.50 to < 10.00	-	25,000	-	-	N/A	-	N/A	N/A	-	N/A	-	
	10.00 to < 100.00	-	2,301,286	20.00%	460,257	18.00%	1	-	2.50	-	-	-	
	100.00 (Default)	-	-	N/A	-	N/A	-	N/A	N/A	-	N/A	-	
	Sub-total	103,192,153	13,279,486	85.49%	118,234,333	0.31%	300	44.75%	2.50	61,037,598	51.62%	129,056	886,431
Portfolio (iv) – Corporate – small-and-medium sized corporates	0.00 to < 0.15	1,050,869	490,545	11.32%	1,343,941	0.09%	66	42.72%	2.50	298,034	22.18%	535	
	0.15 to < 0.25	1,518,250	399,111	2.64%	2,326,769	0.22%	65	43.64%	2.50	887,015	38.12%	2,234	
	0.25 to < 0.50	1,712,211	1,229,394	7.38%	2,492,623	0.39%	136	40.83%	2.50	1,127,619	45.24%	3,970	
	0.50 to < 0.75	2,150,227	2,486,605	5.85%	2,458,885	0.60%	224	39.80%	2.50	1,336,601	54.36%	5,871	
	0.75 to < 2.50	8,288,672	6,811,068	5.65%	6,379,029	1.25%	472	37.73%	2.50	4,234,966	66.39%	29,676	
	2.50 to < 10.00	5,008,413	1,124,606	6.65%	3,128,426	4.33%	190	32.45%	2.50	2,517,702	80.48%	42,669	
	10.00 to < 100.00	1,025,176	355,975	63.49%	1,320,253	12.40%	24	43.12%	2.50	2,028,555	153.65%	70,400	
	100.00 (Default)	74,418	2,301	-	74,418	100.00%	3	41.83%	2.50	195,095	262.16%	16,596	
	Sub-total	20,828,236	12,899,605	7.66%	19,524,344	2.48%	1,180	38.97%	2.50	12,625,587	64.67%	171,951	199,954
Portfolio (vi) – Corporate – other (including purchased corporate receivables)	0.00 to < 0.15	21,859,823	5,980,486	32.80%	32,372,455	0.09%	166	44.49%	2.50	9,247,081	28.56%	12,900	
	0.15 to < 0.25	8,002,869	3,089,768	22.43%	15,024,143	0.22%	82	44.08%	2.50	7,352,488	48.94%	14,568	
	0.25 to < 0.50	13,989,332	9,172,986	14.56%	19,531,114	0.39%	184	43.97%	2.50	12,052,826	61.71%	33,490	
	0.50 to < 0.75	26,534,866	16,185,770	20.04%	23,551,745	0.62%	303	40.09%	2.50	16,120,858	68.45%	58,657	
	0.75 to < 2.50	36,042,546	41,326,538	18.10%	40,598,667	1.37%	808	39.85%	2.50	36,189,754	89.14%	219,702	
	2.50 to < 10.00	36,264,811	19,002,453	11.10%	28,117,184	4.08%	266	31.46%	2.50	28,036,834	99.71%	346,000	
	10.00 to < 100.00	2,090,764	697,121	4.41%	1,241,103	15.29%	36	43.46%	2.50	2,623,572	211.39%	82,914	
	100.00 (Default)	1,025,952	30,044	1.77%	832,616	100.00%	49	44.98%	2.50	39,651	4.76%	733,076	
	Sub-total	145,810,963	95,485,166	17.65%	161,269,027	1.87%	1,894	40.30%	2.50	111,663,064	69.24%	1,501,307	2,357,866
Total (sum of all portfolios)		**269,831,352**	**121,664,257**	**24.00%**	**299,027,704**	**1.29%**	**3,374**	**41.97%**	**2.50**	**185,326,249**	**61.98%**	**1,802,314**	**3,444,251**

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

Retail IRB approach		At 30 June 2017											
	PD scale	Original on-balance sheet gross exposure HK$'000	Off-balance sheet exposures pre-CCF HK$'000	Average CCF	EAD post-CRM and post-CCF HK$'000	Average PD	Number of obligors	Average LGD	Average maturity Years	RWA HK$'000	RWA density	EL HK$'000	Provisions HK$'000
Portfolio (ix) – Retail – Residential mortgage exposures (including both to individuals and to property-holding shell companies)	0.00 to < 0.15	9,033,728	4	100.00%	9,033,732	0.09%	6,347	11.81%		1,383,885	15.32%	1,002	
	0.15 to < 0.25	2,494,521	-	N/A	2,494,521	0.22%	659	12.54%		377,929	15.15%	687	
	0.25 to < 0.50	2,036,629	-	N/A	2,036,629	0.39%	657	12.72%		313,109	15.37%	1,007	
	0.50 to < 0.75	671,707	-	N/A	671,707	0.56%	245	20.16%		138,727	20.65%	749	
	0.75 to < 2.50	27,584	-	N/A	27,584	1.08%	24	10.86%		4,378	15.87%	33	
	2.50 to < 10.00	23,996	-	N/A	23,996	4.58%	21	11.86%		9,058	37.75%	141	
	10.00 to < 100.00	8,864	-	N/A	8,864	17.63%	10	11.30%		5,137	57.95%	173	
	100.00 (Default)	8,688	-	N/A	8,688	100.00%	7	26.37%		28,642	329.67%	-	
	Sub-total	14,305,717	4	100.00%	14,305,721	0.26%	7,970	12.46%		2,260,865	15.80%	3,792	32,834
Portfolio (x) – Retail – small business retail exposures	0.00 to < 0.15	312,814	492,998	31.53%	468,273	0.09%	774	8.87%		9,873	2.11%	41	
	0.15 to < 0.25	125,019	67,346	31.28%	146,083	0.22%	181	8.41%		5,305	3.63%	27	
	0.25 to < 0.50	208,337	93,886	32.39%	238,742	0.39%	265	8.59%		12,764	5.35%	79	
	0.50 to < 0.75	256,655	140,812	30.91%	300,181	0.60%	289	9.47%		22,577	7.52%	173	
	0.75 to < 2.50	376,625	141,651	28.00%	416,280	1.30%	398	10.60%		48,388	11.62%	567	
	2.50 to < 10.00	103,761	22,438	34.66%	111,540	3.89%	142	9.90%		15,709	14.08%	416	
	10.00 to < 100.00	2,903	3,607	31.72%	4,047	10.54%	5	15.37%		1,063	26.27%	65	
	100.00 (Default)	32,413	-	N/A	32,413	100.00%	50	17.04%		8,079	24.93%	12,465	
	Sub-total	1,418,527	962,738	31.06%	1,717,559	2.68%	2,104	9.55%		123,758	7.21%	13,833	14,262
Portfolio (xi) –Other retail exposures to individuals	0.00 to < 0.15	204,044	707,899	-	874,260	0.05%	600	13.58%		17,869	2.04%	64	
	0.15 to < 0.25	153,021	680	-	153,598	0.22%	412	13.78%		9,139	5.95%	46	
	0.25 to < 0.50	1,832,580	444	-	1,832,979	0.36%	1,388	12.85%		139,693	7.62%	855	
	0.50 to < 0.75	3,852,706	51,928	96.29%	3,904,508	0.59%	1,451	25.97%		770,782	19.74%	5,633	
	0.75 to < 2.50	1,868,930	1,608,371	3.36%	2,099,665	1.11%	1,091	40.93%		925,790	44.09%	9,928	
	2.50 to < 10.00	2,408,055	140,033	99.98%	2,548,529	2.91%	709	49.62%		1,746,476	68.53%	36,097	
	10.00 to < 100.00	14,982	-	N/A	14,982	26.18%	12	54.67%		19,517	130.27%	2,211	
	100.00 (Default)	1,030	-	N/A	1,030	100.00%	2	46.19%		5,945	577.18%	-	
	Sub-total	10,335,348	2,509,355	9.73%	11,429,551	1.16%	5,665	30.82%		3,635,211	31.81%	54,834	52,793
Total (sum of all portfolios)		**26,059,592**	**3,472,097**	**15.64%**	**27,452,831**	**0.79%**	**15,739**	**19.92%**		**6,019,834**	**21.93%**	**72,459**	**99,889**

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 31 December 2018	
		Pre-credit derivatives RWA	**Actual RWA**
		HK$'000	**HK$'000**
1	Corporate – Specialised lending under supervisory slotting criteria approach (project finance)	803,611	803,611
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	17,134,178	17,134,178
7	Corporate – Other corporates	128,414,579	128,414,579
8	Sovereigns	-	-
9	Sovereign foreign public sector entities	-	-
10	Multilateral development banks	-	-
11	Bank exposures – Banks	58,816,302	58,816,302
12	Bank exposures – Securities firms	-	-
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	-	-
14	Retail – Small business retail exposures	102,311	102,311
15	Retail – Residential mortgages to individuals	2,248,015	2,248,015
16	Retail – Residential mortgages to property-holding shell companies	76,563	76,563
17	Retail – Qualifying revolving retail exposures (QRRE)	-	-
18	Retail – Other retail exposures to individuals	4,588,430	4,588,430
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	8,724,463	8,724,463
28	**Total (under the IRB calculation approaches)**	**220,908,452**	**220,908,452**

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

Remark: The following relates to certain changes made as a result of changes made to the regulatory reporting treatment of the Group's exposures to certain financial investments and non-bank financial institutions. The relevant information are:

		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**

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

		At 31 December 2017	
		Pre-credit derivatives RWA	Actual RWA
		HK$'000	HK$'000
1	Corporate – Specialised lending under supervisory slotting criteria approach (project finance)	417,286	417,286
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	18,330,623	18,330,623
7	Corporate – Other corporates	121,597,846	121,597,846
8	Sovereigns	-	-
9	Sovereign foreign public sector entities	-	-
10	Multilateral development banks	-	-
11	Bank exposures – Banks	45,269,214	45,269,214
12	Bank exposures – Securities firms	474,973	474,973
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	-	-
14	Retail – Small business retail exposures	117,738	117,738
15	Retail – Residential mortgages to individuals	2,218,680	2,218,680
16	Retail – Residential mortgages to property-holding shell companies	86,089	86,089
17	Retail – Qualifying revolving retail exposures (QRRE)	-	-
18	Retail – Other retail exposures to individuals	3,885,166	3,885,166
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	8,197,988	8,197,988
28	**Total (under the IRB calculation approaches)**	**200,595,603**	**200,595,603**

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

		At 30 June 2017	
		Pre-credit derivatives RWA	Actual RWA
		HK$'000	HK$'000
1	Corporate – Specialised lending under supervisory slotting criteria approach (project finance)	375,999	375,999
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	12,625,587	12,625,587
7	Corporate – Other corporates	111,663,064	111,663,064
8	Sovereigns	-	-
9	Sovereign foreign public sector entities	-	-
10	Multilateral development banks	-	-
11	Bank exposures – Banks	60,680,530	60,680,530
12	Bank exposures – Securities firms	357,068	357,068
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	-	-
14	Retail – Small business retail exposures	123,758	123,758
15	Retail – Residential mortgages to individuals	2,161,924	2,161,924
16	Retail – Residential mortgages to property-holding shell companies	98,941	98,941
17	Retail – Qualifying revolving retail exposures (QRRE)	-	-
18	Retail – Other retail exposures to individuals	3,635,211	3,635,211
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	8,215,134	8,215,134
28	Total (under the IRB calculation approaches)	**199,937,216**	**199,937,216**

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

		HK$'000
1	**RWA as at 30 September 2018**	**200,454,352**
2	Asset size	23,881,097
3	Asset quality	(3,368,896)
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(58,101)
8	Other	-
9	**RWA as at 31 December 2018**	**220,908,452**

Remark: The following relates to certain changes made as a result of changes made to the regulatory reporting treatment of the Group's exposures to certain financial investments and non-bank financial institutions. The relevant information are:

		HK$'000
1	**RWA as at 30 June 2018**	**216,117,996**
2	Asset size	(11,485,817)
3	Asset quality	(2,640,246)
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(1,537,581)
8	Other	-
9	**RWA as at 30 September 2018**	**200,454,352**

		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**

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

		HK$'000
1	**RWA as at 31 December 2017**	200,595,603
2	Asset size	12,599,957
3	Asset quality	20,601
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	1,933,655
8	Other	-
9	**RWA as at 31 March 2018**	215,149,816

		HK$'000
1	**RWA as at 30 September 2017**	**196,708,486**
2	Asset size	1,356,536
3	Asset quality	1,676,760
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	853,821
8	Other	-
9	**RWA as at 31 December 2017**	**200,595,603**

		HK$'000
1	**RWA as at 30 June 2017**	**199,937,216**
2	Asset size	(3,361,698)
3	Asset quality	(770,207)
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	903,175
8	Other	-
9	**RWA as at 30 September 2017**	**196,708,486**

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

		HK$'000
1	**RWA as at 31 March 2017**	**170,657,581**
2	Asset size	25,120,691
3	Asset quality	3,310,619
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	848,325
8	Other	-
9	**RWA as at 30 June 2017**	**199,937,216**

		HK$'000
1	**RWA as at 31 December 2016**	**172,511,248**
2	Asset size	(2,550,121)
3	Asset quality	(28,817)
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	725,271
8	Other	-
9	**RWA as at 31 March 2017**	**170,657,581**

CR9: Back-testing of PD per portfolio – for IRB approach

(a)	(b)	(c)(i)	(c)(ii)	(c)(iii)	(d)	(e)	(f)		(g)	(h)	(i)
Portfolio X	PD Range	External rating equivalent Moody's	External rating equivalent S&P	External rating equivalent Fitch	Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	Of which: new defaulted obligors in the year	Average historical annual default rate
							Beginning of the year	End of the year			
Portfolio (i) – Bank	0.00 to < 0.15	Aaa, Aa1, Aa2, Aa3, A1, A2, A3, Baa1	AAA, AA+, AA, AA-, A+, A, A-, BBB+	AAA, AA+, AA, AA-, A+, A, A-, BBB+	0.07%	0.07%	171	184	-	-	-
	0.15 to < 0.25	Baa2	BBB	BBB	0.22%	0.22%	35	24	-	-	-
	0.25 to < 0.50	Baa3	BBB-	BBB-	0.39%	0.39%	35	22	-	-	-
	0.50 to < 0.75	Ba1	BB+	BB+	0.64%	0.63%	17	19	-	-	-
	0.75 to < 2.50	Ba2, Ba3	BB, BB-	BB, BB-	0.95%	0.97%	12	23	-	-	-
	2.50 to <10.00	B1, B2, B3	B+, B, B-	B+, B, B-	N/A	N/A	-	1	-	-	-
	10.00 to < 100.00	B3, Caa1, Caa2, Caa3, Ca, C	B-, CCC+, CCC, CCC-, CC, C	B-, CCC, CC, C	18.00%	18.00%	1	1	-	-	-
Portfolio (ii) –Corporate – small-and-medium sized corporates	0.00 to < 0.15	Aaa, Aa1, Aa2, Aa3, A1, A2, A3, Baa1	AAA, AA+, AA, AA-, A+, A, A-, BBB+	AAA, AA+, AA, AA-, A+, A, A-, BBB+	0.10%	0.11%	81	78	-	-	-
	0.15 to < 0.25	Baa2	BBB	BBB	0.22%	0.22%	80	66	-	-	-
	0.25 to < 0.50	Baa3	BBB-	BBB-	0.39%	0.39%	150	147	-	-	0.21%
	0.50 to < 0.75	Ba1	BB+	BB+	0.57%	0.58%	241	228	-	-	-
	0.75 to < 2.50	Ba2, Ba3	BB, BB-	BB, BB-	1.43%	1.37%	524	497	2		0.82%
	2.50 to <10.00	B1, B2, B3	B+, B, B-	B+, B, B-	4.30%	4.01%	206	190	-	-	0.60%
	10.00 to < 100.00	B3, Caa1, Caa2, Caa3, Ca, C	B-, CCC+, CCC, CCC-, CC, C	B-, CCC, CC, C	11.12%	13.66%	23	14	2	1	11.80%
Portfolio (iii) – Corporate – other (including purchased corporate receivables)	0.00 to < 0.15	Aaa, Aa1, Aa2, Aa3, A1, A2, A3, Baa1	AAA, AA+, AA, AA-, A+, A, A-, BBB+	AAA, AA+, AA, AA-, A+, A, A-, BBB+	0.09%	0.10%	153	215	-	-	0.15%
	0.15 to < 0.25	Baa2	BBB	BBB	0.22%	0.22%	71	105	1	-	0.35%
	0.25 to < 0.50	Baa3	BBB-	BBB-	0.39%	0.39%	175	165	-	-	-
	0.50 to < 0.75	Ba1	BB+	BB+	0.60%	0.59%	265	271	1	-	0.09%
	0.75 to < 2.50	Ba2, Ba3	BB, BB-	BB, BB-	1.39%	1.38%	759	800	5	1	0.58%
	2.50 to <10.00	B1, B2, B3	B+, B, B-	B+, B, B-	3.57%	4.01%	222	204	2	-	1.61%
	10.00 to < 100.00	B3, Caa1, Caa2, Caa3, Ca, C	B-, CCC+, CCC, CCC-, CC, C	B-, CCC, CC, C	15.64%	15.23%	36	30	9	2	20.64%

CR9: Back-testing of PD per portfolio – for IRB approach (Continued)

(a)	(b)	(c)(i)	(c)(ii)	(c)(iii)	(d)	(e)	(f)		(g)	(h)	(i)
Portfolio X	PD Range	External rating equivalent Moody's	External rating equivalent S&P	External rating equivalent Fitch	Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	Of which: new defaulted obligors in the year	Average historical annual default rate
							Beginning of the year	End of the year			
Portfolio (iv) –Retail – Residential mortgage exposures (including both to individuals and to property-holding shell companies)	0.00 to < 0.15	N/A	N/A	N/A	0.09%	0.08%	6,000	5,526	3	-	0.04%
	0.15 to < 0.25	N/A	N/A	N/A	0.22%	0.22%	685	848	-	-	-
	0.25 to < 0.50	N/A	N/A	N/A	0.39%	0.39%	624	360	-	-	0.02%
	0.50 to < 0.75	N/A	N/A	N/A	0.55%	0.55%	229	165	-	-	-
	0.75 to < 2.50	N/A	N/A	N/A	1.15%	1.20%	26	27	1	-	0.96%
	2.50 to <10.00	N/A	N/A	N/A	5.02%	5.30%	21	18	-	-	0.35%
	10.00 to < 100.00	N/A	N/A	N/A	22.80%	19.94%	13	15	-	-	4.08%
Portfolio (v) – Retail – small business retail exposures	0.00 to < 0.15	N/A	N/A	N/A	0.09%	0.09%	739	663	-	-	0.07%
	0.15 to < 0.25	N/A	N/A	N/A	0.22%	0.22%	169	198	2	-	0.81%
	0.25 to < 0.50	N/A	N/A	N/A	0.39%	0.39%	234	219	-	-	0.08%
	0.50 to < 0.75	N/A	N/A	N/A	0.59%	0.60%	278	215	-	-	0.06%
	0.75 to < 2.50	N/A	N/A	N/A	1.34%	1.28%	309	255	-	-	1.08%
	2.50 to <10.00	N/A	N/A	N/A	4.14%	4.62%	140	125	1	-	3.03%
	10.00 to < 100.00	N/A	N/A	N/A	10.54%	10.54%	4	6	-	-	5.53%
Portfolio (vi) –Other retail exposures to individuals	0.00 to < 0.15	N/A	N/A	N/A	0.05%	0.06%	597	636	-	-	0.05%
	0.15 to < 0.25	N/A	N/A	N/A	0.22%	0.22%	378	408	-	-	-
	0.25 to < 0.50	N/A	N/A	N/A	0.37%	0.37%	1,361	1,703	-	-	0.07%
	0.50 to < 0.75	N/A	N/A	N/A	0.60%	0.58%	1,495	1,564	2	-	0.17%
	0.75 to < 2.50	N/A	N/A	N/A	1.15%	1.13%	1,120	1,852	1	-	0.24%
	2.50 to <10.00	N/A	N/A	N/A	2.86%	2.99%	759	865	3	1	0.63%
	10.00 to < 100.00	N/A	N/A	N/A	26.99%	24.14%	21	24	1	-	1.19%

All Portfolio in the scope of regulatory consolidation have been considered for back-testing purpose.

CR9: Back-testing of PD per portfolio – for IRB approach (Continued)

Remark: The following relates to certain changes made as a result of changes made to the regulatory reporting treatment of the Group's exposures to certain financial investments and non-bank financial institutions. The relevant information are:

CR9: Back-testing of PD per portfolio – for IRB approach (Continued)

2017

(a)	(b)	(c)(i)	(c)(ii)	(c)(iii)	(d)	(e)	(f)		(g)	(h)	(i)
Portfolio X	PD Range	External rating equivalent Moody's	External rating equivalent S&P	External rating equivalent Fitch	Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	Of which: new defaulted obligors in the year	Average historical annual default rate
							Beginning of the year	End of the year			
Portfolio (i) – Bank	0.00 to < 0.15	Aaa, Aa1, Aa2, Aa3, A1, A2, A3, Baa1	AAA, AA+, AA, AA-, A+, A, A-, BBB+	AAA, AA+, AA, AA-, A+, A, A-, BBB+	0.07%	0.07%	258	171	-	-	-
	0.15 to < 0.25	Baa2	BBB	BBB	0.22%	0.22%	10	35	-	-	-
	0.25 to < 0.50	Baa3	BBB-	BBB-	0.39%	0.39%	26	35	-	-	-
	0.50 to < 0.75	Ba1	BB+	BB+	0.56%	0.55%	11	17	-	-	-
	0.75 to < 2.50	Ba2, Ba3	BB, BB-	BB, BB-	1.07%	1.08%	17	12	-	-	-
	2.50 to <10.00	B1, B2, B3	B+, B, B-	B+, B, B-	N/A	N/A	-	-	-	-	-
	10.00 to < 100.00	B3, Caa1, Caa2, Caa3, Ca, C	B-, CCC+, CCC, CCC-, CC, C	B-, CCC, CC, C	18.00%	18.00%	1	1	-	-	-
Portfolio (ii) –Corporate – small-and-medium sized corporates	0.00 to < 0.15	Aaa, Aa1, Aa2, Aa3, A1, A2, A3, Baa1	AAA, AA+, AA, AA-, A+, A, A-, BBB+	AAA, AA+, AA, AA-, A+, A, A-, BBB+	0.10%	0.11%	75	81	-	-	-
	0.15 to < 0.25	Baa2	BBB	BBB	0.22%	0.22%	79	80	-	-	-
	0.25 to < 0.50	Baa3	BBB-	BBB-	0.39%	0.39%	154	150	-	-	0.28%
	0.50 to < 0.75	Ba1	BB+	BB+	0.61%	0.59%	249	241	-	-	-
	0.75 to < 2.50	Ba2, Ba3	BB, BB-	BB, BB-	1.42%	1.41%	533	524	3	-	0.97%
	2.50 to <10.00	B1, B2, B3	B+, B, B-	B+, B, B-	3.85%	4.01%	198	206	2	-	0.80%
	10.00 to < 100.00	B3, Caa1, Caa2, Caa3, Ca, C	B-, CCC+, CCC, CCC-, CC, C	B-, CCC, CC, C	17.06%	19.03%	27	23	3	-	12.83%
Portfolio (iii) – Corporate – other (including purchased corporate receivables)	0.00 to < 0.15	Aaa, Aa1, Aa2, Aa3, A1, A2, A3, Baa1	AAA, AA+, AA, AA-, A+, A, A-, BBB+	AAA, AA+, AA, AA-, A+, A, A-, BBB+	0.09%	0.10%	147	153	-	-	0.20%
	0.15 to < 0.25	Baa2	BBB	BBB	0.22%	0.22%	70	71	-	-	-
	0.25 to < 0.50	Baa3	BBB-	BBB-	0.39%	0.39%	152	175	-	-	-
	0.50 to < 0.75	Ba1	BB+	BB+	0.60%	0.60%	311	265	-	-	-
	0.75 to < 2.50	Ba2, Ba3	BB, BB-	BB, BB-	1.38%	1.39%	798	759	4	-	0.56%
	2.50 to <10.00	B1, B2, B3	B+, B, B-	B+, B, B-	3.90%	4.24%	244	222	4	-	1.85%
	10.00 to < 100.00	B3, Caa1, Caa2, Caa3, Ca, C	B-, CCC+, CCC, CCC-, CC, C	B-, CCC, CC, C	15.36%	17.52%	36	36	5	3	19.19%

CR9: Back-testing of PD per portfolio – for IRB approach (Continued)

2017											
(a)	(b)	(c)(i)	(c)(ii)	(c)(iii)	(d)	(e)	(f)		(g)	(h)	(i)
Portfolio X	PD Range	External rating equivalent Moody's	External rating equivalent S&P	External rating equivalent Fitch	Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	Of which: new defaulted obligors in the year	Average historical annual default rate
							Beginning of the year	End of the year			
Portfolio (iv) –Retail – Residential mortgage exposures (including both to individuals and to property-holding shell companies)	0.00 to < 0.15	N/A	N/A	N/A	0.09%	0.08%	6,649	6,000	5	-	0.03%
	0.15 to < 0.25	N/A	N/A	N/A	0.22%	0.22%	585	685	-	-	-
	0.25 to < 0.50	N/A	N/A	N/A	0.39%	0.39%	478	624	-	-	0.02%
	0.50 to < 0.75	N/A	N/A	N/A	0.54%	0.54%	463	229	-	-	-
	0.75 to < 2.50	N/A	N/A	N/A	1.07%	1.11%	49	26	-	-	-
	2.50 to <10.00	N/A	N/A	N/A	6.24%	5.22%	28	21	-	-	0.46%
	10.00 to < 100.00	N/A	N/A	N/A	23.26%	21.87%	12	13	1	-	5.44%
Portfolio (v) – Retail – small business retail exposures	0.00 to < 0.15	N/A	N/A	N/A	0.09%	0.09%	804	739	-	-	0.09%
	0.15 to < 0.25	N/A	N/A	N/A	0.22%	0.22%	183	169	-	-	0.68%
	0.25 to < 0.50	N/A	N/A	N/A	0.39%	0.39%	277	234	-	-	0.11%
	0.50 to < 0.75	N/A	N/A	N/A	0.60%	0.59%	308	278	-	-	0.08%
	0.75 to < 2.50	N/A	N/A	N/A	1.33%	1.29%	459	309	-	-	1.44%
	2.50 to <10.00	N/A	N/A	N/A	4.29%	4.81%	141	140	7	3	3.80%
	10.00 to < 100.00	N/A	N/A	N/A	23.69%	27.04%	13	4	-	-	7.38%
Portfolio (vi) –Other retail exposures to individuals	0.00 to < 0.15	N/A	N/A	N/A	0.05%	0.06%	601	597	-	-	0.07%
	0.15 to < 0.25	N/A	N/A	N/A	0.22%	0.22%	345	378	-	-	-
	0.25 to < 0.50	N/A	N/A	N/A	0.36%	0.36%	1,193	1,361	1	-	0.09%
	0.50 to < 0.75	N/A	N/A	N/A	0.56%	0.58%	1,618	1,495	-	-	0.19%
	0.75 to < 2.50	N/A	N/A	N/A	1.05%	1.13%	914	1,120	-	-	0.28%
	2.50 to <10.00	N/A	N/A	N/A	3.04%	3.29%	516	759	1	-	0.71%
	10.00 to < 100.00	N/A	N/A	N/A	31.63%	26.46%	16	21	-	-	-

All Portfolio in the scope of regulatory consolidation have been considered for back-testing purpose.

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

		At 31 December 2018					
		On-balance sheet exposure amount	Off-balance sheet exposure amount		EAD amount	RWA	Expected loss amount
Supervisory Rating Grade	**Remaining Maturity**	**HK$'000**	**HK$'000**	**SRW**	**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

		At 31 December 2018									
					EAD amount						
		On-balance sheet exposure amount	Off-balance sheet exposure amount		PF	OF	CF	IPRE	Total	RWA	Expected loss amount
Supervisory Rating Grade	**Remaining Maturity**	**HK$'000**	**HK$'000**	**SRW**	**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	153,809	-	70%	153,809	-	-	-	153,809	107,666	615
Good^	Less than 2.5 years	-	-	70%	-	-	-	-	-	-	-
Good	Equal to or more than 2.5 years	568,880	272,522	90%	773,272	-	-	-	773,272	695,945	6,186
Satisfactory		-	-	115%	-	-	-	-	-	-	-
Weak		-	-	250%	-	-	-	-	-	-	-
Default		-	-	0%	-	-	-	-	-	-	-
Total		**722,689**	**272,522**		**927,081**	**-**	**-**	**-**	**927,081**	**803,611**	**6,801**

^ Use of preferential risk-weights.

III. Equity exposures under the simple risk-weight method

	At 31 December 2018				
Categories	**On-balance sheet exposure amount**	**Off-balance sheet exposure amount**		**EAD amount**	**RWA**
	HK$'000	**HK$'000**	**SRW**	**HK$'000**	**HK$'000**
Publicly traded equity exposures	-	-	300%	-	-
All other equity exposures	-	-	400%	-	-
Total	**-**	**-**		**-**	**-**

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

The Bank risk management objective with respect to counterparty credit risk is to ensure that the relevant business is well managed and controlled under the Bank existing risk management framework. The Bank policies have defined the counterparty credit risks in the Bank, transaction categories that give rise to counterparty credit risks, relevant risk factors and laid out the Bank risk assessment methodology and mitigation measures.

To avoid concentration risk, the Bank has set a triggering threshold for reviewing the Bank counterparty credit risk portfolio. Such triggering threshold is set as a percentage of the counterparty pre-settlement risk exposure over the Bank-level capital base. If the triggering threshold is exceeded, Risk Management Department will review and assess the counterparty credit risk portfolio and report to the Credit Management Committee for taking any necessary action(s). The Bank reviews the triggering threshold level on an annual basis based on the Bank trading activities and business development.

Based on the credit risk assessment results of the counterparties, the Bank will determine and apply appropriate risk mitigating/credit enhanced measures to mitigate the counterparty risk exposures. These measures generally include: netting, collection of collateral/guarantee and margin deposit.

When conducting the credit assessment, the Bank will also assess if there is any general or specific wrong way risk with the counterparty. The Bank in principle does not conduct any transaction that would give arise to specific wrong way risk. The Bank will also identify any general wrong way risk by conducting stress testing on a regular basis. The Bank will further assess the risks with these identified counterparties and take further mitigating or controlling action(s) when necessary.

Currently, the GMRA, ISDA master agreements and CSA signed between the Bank and its counterparties do not contain any credit rating downgrade clause.

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

		At 31 December 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	540,011	554,854		Not applicable	852,059	530,373
2	IMM (CCR) approach			-	Not applicable	-	-
3	Simple Approach (for SFTs)					-	-
4	Comprehensive Approach (for SFTs)					12,203,930	163,052
5	VaR (for SFTs)					-	-
6	**Total**						**693,425**

CCR2: CVA capital charge

		At 31 December 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	1,094,866	323,200
4	**Total**	**1,094,866**	**323,200**

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

STC approach

		At 31 December 2018										
	Risk Weight / Exposure class	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	24,453	-	-	-	24,453
7	CIS exposure	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	391	-	-	-	-	391
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	-	-	-	-	-
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	**Total**	**-**	**-**	**-**	**-**	**-**	**391**	**24,453**	**-**	**-**	**-**	**24,844**

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

FIRB approach	PD scale	At 31 December 2018						
		EAD post-CRM HK$'000	Average PD	Number of obligors	Average LGD	Average maturity Years	RWA HK$'000	RWA density
Portfolio (i) –Bank	0.00 to < 0.15	6,900,141	0.07%	20	6.39%	0.62	222,668	3.23%
	0.15 to < 0.25	1,039,482	0.22%	1	-	0.50	-	-
	0.25 to < 0.50	1,769,850	0.39%	3	2.63%	0.59	78,389	4.43%
	0.50 to < 0.75	299,173	0.64%	3	10.75%	0.90	62,486	20.89%
	0.75 to < 2.50	2,780,542	1.22%	6	1.77%	0.51	91,282	3.28%
	2.50 to < 10.00	-	N/A	-	N/A	N/A	-	N/A
	10.00 to < 100.00	-	N/A	-	N/A	N/A	-	N/A
	100.00 (Default)	-	N/A	-	N/A	N/A	-	N/A
	Sub-total	12,789,188	0.39%	33	4.45%	0.59	454,825	3.56%
Portfolio (ii) – Corporate	0.00 to < 0.15	-	N/A	-	N/A	N/A	-	N/A
	0.15 to < 0.25	-	N/A	-	N/A	N/A	-	N/A
	0.25 to < 0.50	1,249	0.39%	2	45.00%	2.5	774	61.97%
	0.50 to < 0.75	-	N/A	-	N/A	N/A	-	N/A
	0.75 to < 2.50	190,767	1.05%	18	45.00%	2.5	148,682	77.94%
	2.50 to < 10.00	49,941	3.08%	10	45.00%	2.5	64,397	128.95%
	10.00 to < 100.00	-	N/A	-	N/A	N/A	-	N/A
	100.00 (Default)	-	N/A	-	N/A	N/A	-	N/A
	Sub-total	241,957	1.46%	30	45.00%	2.5	213,853	88.38%
Total (sum of all portfolios)		**13,031,145**	**0.41%**	**63**	**5.20%**	**0.63**	**668,678**	**5.13%**

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

	At 31 December 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	-	87,847	-	-	-	-
Cash - other currencies	-	224,700	-	40,433	5,729,152	5,827,375
Government bonds	-	-	-	-	1,609,381	-
Other bonds	-	-	-	-	4,184,286	6,376,555
Total	-	**312,547**	**-**	**40,433**	**11,522,819**	**12,203,930**

CCR6: Credit-related derivatives contracts

	At 31 December 2018	
	Protection bought	Protection sold
	HK$'000	HK$'000
Total notional amounts	-	-
Fair values		
Positive fair value (asset)	-	-
Negative fair value (liability)	-	-

SECA: Qualitative disclosures related to securitization exposures

The Group adopts the securitization standardized approach to calculate the credit risk for securitization exposures as an investing institution. The securitization exposures held by the Group were all unrated. There were no securitization exposures in trading book and re-securitization exposures in both banking book and trading book as at 31 December 2018.

The Group monitors the risks inherent in its securitization assets on an ongoing basis. Assessment of the underlying assets is used for managing credit risk associated with the investment.

The Group's securitization exposures are measured in accordance with the accounting policy described in Notes 2.8 "Financial assets", 2.11 "Recognition and derecognition of financial instruments", and 2.14 "Impairment of financial assets" of the 2018 consolidated financial statements. For those investments not measured at fair value, further details on their valuation are outlined in Note 6.2 "Financial instruments not measured at fair value" of the 2018 consolidated financial statements.

Remark: The following relates to certain changes made as a result of changes made to the regulatory reporting treatment of the Group's exposures to certain financial investments. The relevant information are:

The Group adopts the standardized (securitization) approach to calculate the credit risk for securitization exposures as an investing institution. The securitization exposures held by the Group were all unrated. Since the Group held the most senior tranche in the securitization transactions and knew the current composition of the pool of underlying exposures, risk-weights are determined by applying the look-through treatment in accordance to section 238 of the Banking (Capital) Rules.

The Group monitors the risks inherent in its securitization assets on an ongoing basis. Assessment of the underlying assets is used for managing credit risk associated with the investment.

The Group's securitization exposures are measured in accordance with the accounting policy described in Notes 2.8"Financial assets", 2.11 "Recognition and derecognition of financial instruments", and 2.14 "Impairment of financial assets" of the 2017 consolidated financial statements. For those investments not measured at fair value, further details on their valuation are outlined in Note 5.2 "Financial instruments not measured at fair value" of the 2017 consolidated financial statements.

SEC1: Securitization exposures in banking book

		At 31 December 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:	-	-	-	-	-	-	**2,182,340**	**-**	**2,182,340**
7	loans to corporates	-	-	-	-	-	-	2,182,340	-	2,182,340
8	commercial mortgage	-	-	-	-	-	-	-	-	-
9	lease and receivables	-	-	-	-	-	-	-	-	-
10	other wholesale	-	-	-	-	-	-	-	-	-
11	re-securitization exposures	-	-	-	-	-	-	-	-	-

SEC1: Securitization exposures in banking book (continued)

Remark: The following relates to certain changes made as a result of changes made to the regulatory reporting treatment of the Group's exposures to certain financial investments. The relevant information are:

		At 31 December 2017								
		(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:	-	-	-	-	-	-	**3,776,502**	-	**3,776,502**
7	loans to corporates	-	-	-	-	-	-	3,776,502	-	3,776,502
8	commercial mortgage	-	-	-	-	-	-	-	-	-
9	lease and receivables	-	-	-	-	-	-	-	-	-
10	other wholesale	-	-	-	-	-	-	-	-	-
11	re-securitization exposures	-	-	-	-	-	-	-	-	-

SEC1: Securitization exposures in banking book (continued)

		At 30 June 2017								
		(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:	-	-	-	-	-	-	**3,556,848**	-	**3,556,848**
7	loans to corporates	-	-	-	-	-	-	3,556,848	-	3,556,848
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 31 December 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	2,182,340	-	-	-	-	-	-	2,182,340	-	-	-	327,351	-	-	-	26,188	-
2	Traditional securitization	2,182,340	-	-	-	-	-	-	2,182,340	-	-	-	327,351	-	-	-	26,188	-
3	Of which securitization	2,182,340	-	-	-	-	-	-	2,182,340	-	-	-	327,351	-	-	-	26,188	-
4	*Of which retail*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	*Of which wholesale*	*2,182,340*	-	-	-	-	-	-	*2,182,340*	-	-	-	*327,351*	-	-	-	*26,188*	-
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*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

Remark: The following relates to certain changes made as a result of changes made to the regulatory reporting treatment of the Group's exposures to certain financial investments. The relevant information are:

		At 31 December 2017																
		(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	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%
		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	-	-	3,776,502	-	-	-	-	3,776,502	-	-	-	3.776.502	-	-	-	302,120	-
2	Traditional securitization	-	-	3,776,502	-	-	-	-	3,776,502	-	-	-	3.776.502	-	-	-	302,120	-
3	Of which securitization	-	-	3,776,502	-	-	-	-	3,776,502	-	-	-	3.776.502	-	-	-	302,120	-
4	*Of which retail*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	*Of which wholesale*	-	-	*3,776,502*	-	-	-	-	*3,776,502*	-	-	-	*3.776.502*	-	-	-	302,120	-
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*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

		At 30 June 2017																
		(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	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%
		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	-	-	3,556,848	-	-	-	-	3,556,848	-	-	-	3,556,848	-	-	-	284,548	-
2	Traditional securitization	-	-	3,556,848	-	-	-	-	3,556,848	-	-	-	3,556,848	-	-	-	284,548	-
3	Of which securitization	-	-	3,556,848	-	-	-	-	3,556,848	-	-	-	3,556,848	-	-	-	284,548	-
4	*Of which retail*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	*Of which wholesale*	-	-	3,556,848	-	-	-	-	3,556,848	-	-	-	3,556,848	-	-	-	284,548	-
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*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

MRA: Qualitative disclosures related to market risk

Market risk refers to the risk of loss arising from movements in the value of foreign exchange, interest rate, equity and commodity positions held by the Group due to the volatility of financial market price (foreign exchange rate, interest rate, equity price, commodity price). The Group adopts a moderate market risk appetite to achieve a balance between risk and return.

The Group's objective in managing market risk is to secure healthy growth of the treasury business, by effective management of potential market risk in the Group's business, according to the Group's overall risk appetite and strategy of treasury business on the basis of a well-established risk management regime and related management measures.

Market risk is managed across the Group at portfolio level within the limits and on a day to day basis. Daily risk limits are set up in hierarchy-based and portfolio-based respectively and reviewed regularly to effectively monitor the corresponding risk factor.

In accordance with the Group's corporate governance principles in respect of risk management, the Board and Risk Management Committee, Senior Management and functional units perform their duties and responsibilities to manage the Group's market risk. The risk management units are responsible for assisting Senior Management to perform their day-to-day duties, independently monitoring the market risk profile and compliance of management policies and limits of the Group, to ensure that the aggregate and individual market risks are within acceptable levels. Independent units are assigned to monitor the risk exposure against risk limits on a daily basis, together with profit and loss reports submitted to Senior Management on a regular basis, while limit excess will be reported to Senior Management at once when it occurs. NCB (China) sets up independent risk monitoring teams to monitor daily market risk and limit compliance, and submit management information and reports to the Bank on a regular basis.

The Group sets up market risk indicators and limits to identify, measure, monitor and control market risk. To meet management requirements, major risk indicators and limits are classified into four levels, subject to review regularly based on current situation, and are approved by the Risk Management Committee, Asset and Liability Management Committee or Senior Management respectively. Major risk indicators and limits which include but not limited to VAR (Value-at-Risk), Stop Loss, Open Position, Stress Testing and Sensitivity Analysis (Basis Point Value) are monitored daily, and are also reported regularly to Senior Management. Treasury business units are required to conduct their business within approved market risk indicators and limits.

MRB: Additional qualitative disclosures for AI using IMM approach

The Group uses the internal models ("IMM") approach to calculate the general market risk capital charge for foreign exchange and interest rate exposures and, with the approval from the HKMA, exclude its structural FX positions pursuant to section 317C of the Banking (Capital) Rules in the calculation of the market risk capital charge. The Group adopts the standardised (market risk) ("STM") approach to calculate the market risk capital charge for the remaining exposures.

The Group adopts a uniformed VAR calculation model, using a historical simulation approach and two years of historical market data, to calculate the VAR of the Group and the Bank with 99% confidence level. Instruments are valued using a full revaluation approach when calculating VAR. Absolute return is used for movement in interest rate risk factor while relative return is used for foreign exchange and commodity risk factor. VAR and stressed VAR are computed on a daily basis and the data is updated daily.

For both management purposes and regulatory purposes, the Group uses the same single VAR model. 1-day VAR is used for management purposes while 10-day VAR is used for regulatory purposes. The stressed VAR is generated with inputs calibrated to the historical market data from a continuous 12-month period in year 2008 which is significant financial stress relevant to the Group's portfolio.

The Group uses back-testing to validate the accuracy and reliability of VAR model by comparing daily VAR with daily actual profit & loss and hypothetical profit & loss respectively. Back-testing results for calculating the market risk capital charge does not apply to stressed VAR. For details please refer to template MR4.

MR1: Market risk under STM approach

		At 31 December 2018
		RWA
		HK$'000
Outright product exposures		
1	Interest rate exposures (general and specific risk)	12,213
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	-
4	Commodity exposures	-
Option exposures		
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitisation exposures	-
9	**Total**	**12,213**

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 30 September 2018**	338,400	846,938	-	-	-	1,185,338
1a	Regulatory adjustment	(201,925)	(494,088)	-	-	-	(696,013)
1b	**RWA as at 30 September 2018 (day-end)**	136,475	352,850	-	-	-	489,325
2	Movement in risk levels	(118,050)	(282,487)	-	-	-	(400,537)
3	Model updates/changes	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-
7	Other	-	-	-	-	-	-
7a	**RWA as at 31 December 2018 (day-end)**	18,425	70,363	-	-	-	88,788
7b	Regulatory adjustment	142,750	603,774	-	-	-	746,524
8	**RWA as at 31 December 2018**	161,175	674,137	-	-	-	835,312

MR3: IMM approach values for market risk exposures

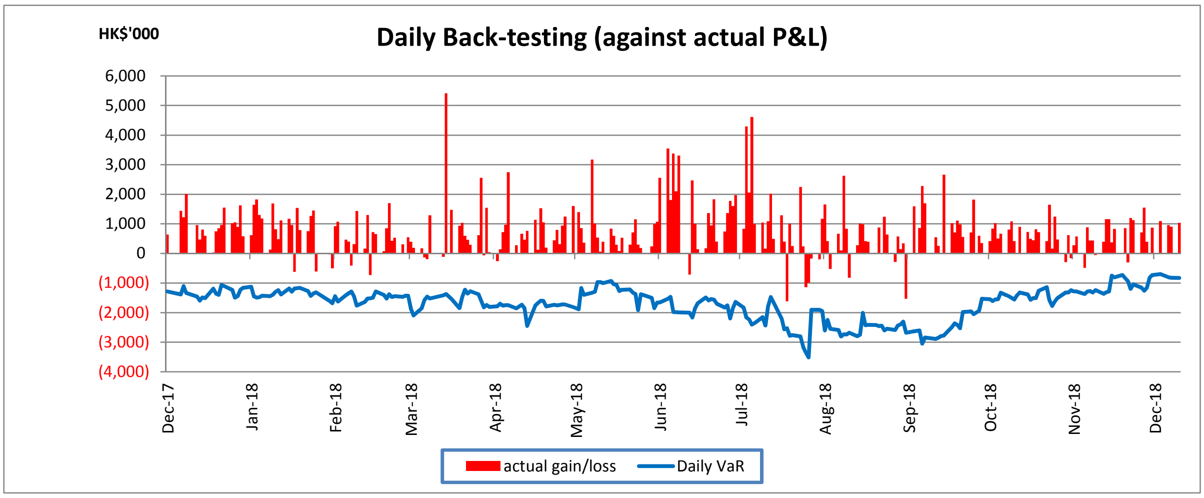
The maximum, minimum, average and period-end values were calculated for the reporting period from Jul 2018 to Dec 2018. Movement of Stressed VaR was driven by changes in exposure and risk level during the reporting period.

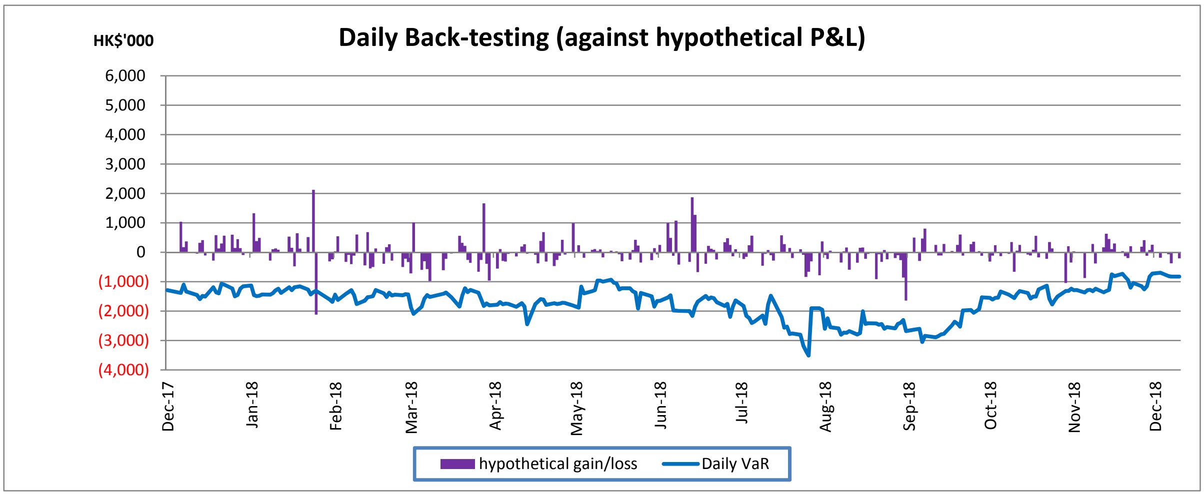
		At 31 December 2018
		HK$'000
VaR (10 days – one-tailed 99% confidence interval)		
1	Maximum Value	12,464
2	Average Value	6,727
3	Minimum Value	1,151
4	Period End	1,474
Stressed VaR (10 days – one-tailed 99% confidence interval)		
5	Maximum Value	32,653
6	Average Value	20,502
7	Minimum Value	5,205
8	Period End	5,629
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 was 1 hypothetical loss exceeding the VaR for the Group as shown in the back-testing results (No exception was found for actual P&L). The exception was driven by unexpected market movement in foreign exchange and interest rates.

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





IRRBB: Interest rate exposures in banking book (related to financial year end before 30 June 2019)

Interest rate risk in Banking Book (IRRBB) means the risks to a bank's earnings and economic value arising from movements in interest rate and term structures of the bank's asset and liability positions. The Group's interest rate risk exposures are mainly structural. The major types of interest rate risk from structural positions are (1) Repricing risk, (2) Basis risk, (3) Yield curve risk and (4) Option risk.

When measuring repricing risk, basis risk and yield curve risk, we assume a static balance sheet without any behavior assumptions on loan repayments and deposits without a fixed maturity. At the meantime we separately measure the negative impact on earnings for mortgage loan prepayment and deposits without a fixed maturity.

Under the stress test scenario for mortgage loan prepayment, it is assumed certain mortgage loans with large spread will be fully prepaid and refinanced with a lower spread.

Under the stress test scenario for behavior of deposits without fixed maturity, it is assumed certain portion of deposits without fixed maturity will be changed to time deposits when the spread of time deposit rate over savings rate widened.

Repricing risk is measured by weekly and other risks by monthly.

	Impact on net interest income over the next twelve months at 31 December		**Impact on reserves at 31 December**	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK Dollar	345,717	347,955	(386,819)	(203,225)
US Dollar	28,847	(4,340)	(242,979)	(294,617)
Renminbi	(22,261)	(62,200)	(761,718)	(463,945)

REMA: Remuneration policy

Remuneration and Incentive Mechanism

The Remuneration and Incentive Mechanism of the Group is based on the principles of “effective motivation” and “sound remuneration management”. It links remuneration with performance and risk factors closely. It serves to encourage staff to enhance their performance, and at the same time, to strengthen their awareness of risk so as to achieve sound remuneration management.

The Remuneration and Incentive Policy of the Group is generally in line with the broad principles set out in the HKMA’s “Guideline on a Sound Remuneration System” and applicable to Nanyang Commercial Bank Limited and all of its subsidiaries.

- **“Senior Management” and “Key Personnel”**

  The following groups of employees have been identified as the “Senior Management” and “Key Personnel” as defined in the HKMA’s “Guideline on a Sound Remuneration System”:

  - “Senior Management”: The senior executives directly managed by the Board who are responsible for oversight of the firm-wide strategy or material business lines, including Managing Director, Chief Executive, Deputy Chief Executives, Management Committee Members, Chief Strategy Officer, Chief Financial Officer, Chief Risk Officer, Chief Information Officer, Chief Human Resources Officer, Board Secretary and General Manager of Audit Department.
  - “Key Personnel”: The employees whose individual business activities involve the assumption of material risk which may have significant impact on risk exposure, or whose individual responsibilities are directly and materially linked to the risk management, or those who have direct influence to the profit, including heads of material business lines, heads of major subsidiaries, General Manager of Financial Market Department, Head of Treasury Division, General Manager of Risk Management Department, General Manager of Credit Management Department, General Manager of Basel Management Department, General Manager of Finance Department, as well as General Manager of Information Technology Department.

- **Determination of the Remuneration Policy**

  To fulfill the above-mentioned principles and to facilitate effective risk management within the framework of the Remuneration Policy of the Group, Human Resources Department is responsible for proposing the Remuneration Policy of the Group and will seek consultation of the risk control units including risk management, financial management and compliance if necessary, in order to balance the needs for staff motivations, sound remuneration and prudent risk management. In 2018, the proposed Remuneration Policy submitted to the Nomination and Remuneration Committee for review and thereafter to the Board of Directors for approval. The Nomination and Remuneration Committee and the Board of Directors will seek opinions from other Board Committees (e.g. Risk Management Committee, Audit Committee, etc.) where they consider necessary under the circumstances.

REMA: Remuneration policy (continued)

Remuneration and Incentive Mechanism (continued)

- **Key Features of the Remuneration and Incentive Mechanism**

1. Performance Management Mechanism

The Group has put in place a performance management mechanism to formalise the performance management at the levels of the Group, units and individuals. The annual targets of the Group will be cascaded down under the framework of balanced scorecard whereby the performance of the Senior Management and different units (including business units, risk control units and other units) would be assessed from the perspectives of financial, building blocks/key tasks, risk management and compliance. For individual staff at different levels, annual targets of the Group will be tied to their job requirements through the performance management mechanism. Performance of individuals will be appraised on their achievement against targets, their contribution towards performance of their units and fulfilment of risk management duties and compliance, etc. Not only is target accomplishment taken into account, but the risk exposure involved during the course of work could also be evaluated and managed, ensuring security and normal operation of the Group.

2. Risk Adjustment of Remuneration

To put the principle of aligning performance and remuneration with risk into practice, based on the risk adjustment method of the Group, the key risk modifiers of the bank have been incorporated into the performance management mechanism of the Group. Risk adjustment focuses on major issues such as risk compliance, internal control audit, risk management, liability and liquidity management. The size of the variable remuneration pool of the Bank is subject to the risk adjusted performance results approved by the Board and is subject to its discretion. This ensures the Bank to fix the Bank's variable remuneration pool after considering risk exposures and changes and to maintain effective risk management through the remuneration mechanism.

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REMA: Remuneration policy (continued)

Remuneration and Incentive Mechanism (continued)

- **Key Features of the Remuneration and Incentive Mechanism (continued)**

3. Performance-based and Risk-adjusted Remuneration Management

The remuneration of staff is composed of “fixed remuneration” and “variable remuneration”. The proportion of one to the other for individual staff members depends on job grades, roles, responsibilities and functions of the staff with the prerequisite that balance has to be struck between the fixed and variable portion. Generally speaking, the higher the job grades and/or the greater the responsibilities, the higher will be the proportion of variable remuneration so as to encourage the staff to follow the philosophy of prudent risk management and sound long-term financial stability. Variable remuneration will be granted to staff members in form of cash.

Every year, the Group will conduct periodic review on the fixed remuneration of the staff with reference to various factors like remuneration strategy, market pay trend and staff salary level, and will determine the remuneration based on the affordability of the Group as well as the performance of the Group, units and individuals. As mentioned above, performance assessment criteria include quantitative and qualitative factors, as well as financial and non-financial indicators.

According to the Bank Bonus Funding Policy, the size of the variable remuneration pool of the Bank is determined by the Board on the basis of the financial performance of the Bank and the achievement of non-financial strategic business targets under the long-term development of the Bank. Thorough consideration is also made to the risk factors in the determination process. The size of the pool is subject to the Board’s approval and the Board can make discretionary adjustment to it if deemed appropriate under prevailing circumstances. When the Bank’s performance is relatively weak, no variable remuneration will be paid out that year in principle. However, the Board reserves the rights to exercise its discretion.

As far as individual units and individual staff are concerned, allocation of the variable remuneration is closely linked to the performance of the units, and that of each individual staff as well as the unit he/she is attaching to, and the assessment of which should include risk modifiers. The performance and remuneration arrangement of risk control personnel are determined by the achievement of their core job responsibilities, independent from the business they oversee; for front-line risk controllers, a cross-departmental reporting and performance management system is applied to ensure the suitability of performance-based remuneration. Within the acceptable risk level of the Group, the better the performance of the unit and the individual staff, the higher will be the variable remuneration for the individual staff.

REMA: Remuneration policy (continued)

Remuneration and Incentive Mechanism (continued)

- **Key Features of the Remuneration and Incentive Mechanism (continued)**

4. Linking the payout of the variable remuneration with the time horizon of the risk to reflect the long-term value creation of the Group

To work out the principle of aligning remuneration with the time horizon of risk and to ensure that sufficient time is allowed to ascertain the associated risk and its impact before the actual payout, payout of the variable remuneration of staff is required to be deferred in cash if such amount reaches certain prescribed threshold. The higher amount of the variable remuneration received by the staff, the higher will be the proportion of deferral. Deferral period lasts for 3 years.

The vesting of the deferred variable remuneration is linked with the long term value creation of the Group. The vesting conditions are closely linked to the annual performance of the Group in the next 3 years and the individual behaviour of the staff concerned. When the Group's performance has met the threshold requirement, the deferred variable remuneration would be vested following the corresponding schedule. However, if a staff is found to have committed fraud, or any financial or non-financial factors used in performance measurement or variable pay determination are later proven to have been manifestly worse than originally understood in a particular year, or individual behaviour / management style pose negative impacts to the business unit and even the Group, including but not limited to improper or inadequate risk management, etc., the unvested portion of the deferred variable remuneration of the relevant staff would be forfeited.

5. Annual Review of Remuneration Policy

The Remuneration Policy of the Group is subject to annual review with reference to changes on external regulatory requirements, market conditions, organizational structure and risk management requirements, etc.

- **Disclosure on remuneration**

The Group has fully complied with the guideline in Part 3 of the "Guideline on a Sound Remuneration System" issued by the HKMA to disclosure information in relation to our remuneration and incentive mechanism.

REM1: Remuneration awarded during financial year

			(a)	(b)
Remuneration amount and quantitative information			Senior management	Key personnel
			HK$'000	HK$'000
1	Fixed remuneration	Number of employees	13	15
2		Total fixed remuneration	31,190	25,255
3		Of which: cash-based	26,885	22,920
4		Of which: deferred	-	-
5		Of which: shares or other share-linked instruments	-	-
6		Of which: deferred	-	-
7		Of which: other forms	4,305	2,335
8		Of which: deferred	-	-
9	Variable remuneration	Number of employees	13	15
10		Total variable remuneration	17,793	14,907
11		Of which: cash-based	17,793	14,907
12		Of which: deferred	8,490	5,232
13		Of which: shares or other share-linked instruments	-	-
14		Of which: deferred	-	-
15		Of which: other forms	-	-
16		Of which: deferred	-	-
17	**Total remuneration**		**48,983**	**40,162**

REM2: Special payments

Special payments		(a)	(b)	(c)	(d)	(e)	(f)
		Guaranteed bonuses		Sign-on awards		Severance payments	
		Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
			HK$'000		HK$'000		HK$'000
1	Senior management	-	-	-	-	-	-
2	Key personnel	-	-	-	-	-	-

REM3: Deferred remuneration

		(a)	(b)	(c)	(d)	(e)
Deferred and retained remuneration		Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1	Senior management	16,281	-	-	-	5,900
2	Cash	16,281	-	-	-	5,900
3	Shares	-	-	-	-	-
4	Cash-linked instruments	-	-	-	-	-
5	Other	-	-	-	-	-
6	Key personnel	6,100	-	-	-	807
7	Cash	6,100	-	-	-	807
8	Shares	-	-	-	-	-
9	Cash-linked instruments	-	-	-	-	-
10	Other	-	-	-	-	-
11	**Total**	**22,381**	-	-	-	**6,707**