

Regulatory Disclosures

30 June 2017



CONTENTS	PAGE
1. Key ratio	1
2. Overview of RWA	2
3. Credit risk for non-securitization exposures	3
4. Counterparty credit risk	15
5. Securitization exposures	20
6. Market risk	22
7. Capital disclosures	25
8. Countercyclical capital buffer (“CCyB”) ratio disclosures	35
9. Leverage ratio disclosures	36
10. Liquidity information disclosures	37

1. Key ratio

Capital ratio

	At 30 June 2017
	HK\$m
Total risk-weighted assets	941,605
CET1 capital	166,259
CET1 capital ratio (as a percentage of risk-weighted assets)	17.66%
Tier 1 capital	166,259
Tier 1 capital ratio (as a percentage of risk-weighted assets)	17.66%
Total capital	204,853
Total capital ratio (as a percentage of risk-weighted assets)	21.76%

Leverage ratio

	At 30 June 2017
	HK\$m
Tier 1 capital	166,259
Leverage ratio exposure	2,455,809
Leverage ratio	6.77%

2. Overview of RWA

OV1: Overview of RWA

		RWA		Minimum capital requirements
		At 30 June 2017	At 31 March 2017	At 30 June 2017
		HK\$m	HK\$m	HK\$m
1	Credit risk for non-securitization exposures	811,624	760,708	68,554
2	Of which STC approach	56,685	57,955	4,535
2a	Of which BSC approach	-	-	-
3	Of which IRB approach	754,939	702,753	64,019
4	Counterparty credit risk	15,765	16,742	1,302
5	Of which SA-CCR	-	-	-
5a	Of which CEM	9,126	9,746	769
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	13	16	1
13	Of which IRB(S) approach – ratings-based method	13	16	1
14	Of which IRB(S) approach – supervisory formula method	-	-	-
15	Of which STC(S) approach	-	-	-
16	Market risk	19,227	22,673	1,538
17	Of which STM approach	3,256	3,359	260
18	Of which IMM approach	15,971	19,314	1,278
19	Operational risk	71,814	71,807	5,745
20	Of which BIA approach	-	-	-
21	Of which STO approach	71,814	71,807	5,745
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)	3,670	3,586	293
24	Capital floor adjustment	-	-	-
24a	Deduction to RWA	26,312	25,247	2,105
24b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	162	172	13
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	26,150	25,075	2,092
25	Total	895,801	850,285	75,328

RWAs in this table are before the application of the 1.06 scaling factor following a clarification from the HKMA. Minimum capital requirement represents the amount of capital required to be held for that risk based on its RWAs after any applicable scaling factor multiplied by 8%. Comparative figures have been restated to conform with the current period's presentation.

3. Credit risk for non-securitization exposures

CR1: Credit quality of exposures

		Gross carrying amounts of		Allowances / impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
		HK\$'m	HK\$'m		
1	Loans	1,555	1,685,458	(3,447)	1,683,566
2	Debt securities	-	512,624	-	512,624
3	Off-balance sheet exposures	51	576,458	-	576,509
4	Total	1,606	2,774,540	(3,447)	2,772,699

The Group identifies the exposures as "default" if the exposure is past due for more than 90 days or the borrower is unlikely to pay in full for the credit obligations.

CR2: Changes in defaulted loans and debt securities

		HK\$'m
1	Defaulted loans and debt securities at 31 December 2016	1,520
2	Loans and debt securities that have defaulted since the last reporting period	349
3	Returned to non-defaulted status	(152)
4	Amounts written off	(227)
5	Other changes	65
6	Defaulted loans and debt securities at 30 June 2017	1,555

CR3: Overview of recognized credit risk mitigation

		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
		HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
1	Loans	1,288,479	395,087	67,160	327,927	-
2	Debt securities	470,699	41,925	-	41,925	-
3	Total	1,759,178	437,012	67,160	369,852	-
4	Of which defaulted	711	399	399	-	-

3. Credit risk for non-securitization exposures

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

	Exposure classes	Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	%
1	Sovereign exposures	484,893	1,028	484,892	206	4,027	1%
2	PSE exposures	35,688	3,863	36,360	3,027	2,326	6%
2a	Of which: domestic PSEs	4,671	3,863	5,343	3,027	1,674	20%
2b	Of which: foreign PSEs	31,017	-	31,017	-	652	2%
3	Multilateral development bank exposures	32,999	-	32,999	-	-	-
4	Bank exposures	4,504	6,889	4,504	3,334	2,980	38%
5	Securities firm exposures	-	3	-	-	-	-
6	Corporate exposures	35,572	24,753	32,926	5,289	31,322	82%
7	CIS exposures	-	-	-	-	-	-
8	Cash items	74	-	74	-	-	-
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	11,531	20,757	11,155	365	8,640	75%
11	Residential mortgage loans	1,533	2,496	860	-	472	55%
12	Other exposures which are not past due exposures	12,014	10,927	6,439	32	6,471	100%
13	Past due exposures	298	-	298	-	447	150%
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	Total	619,106	70,716	610,507	12,253	56,685	9%

3. Credit risk for non-securitization exposures

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

	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\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
1	Sovereign exposures	469,030	-	13,359	-	2,709	-	-	-	-	-	485,098
2	PSE exposures	27,752	-	11,635	-	-	-	-	-	-	-	39,387
2a	Of which: domestic PSEs	-	-	8,370	-	-	-	-	-	-	-	8,370
2b	Of which: foreign PSEs	27,752	-	3,265	-	-	-	-	-	-	-	31,017
3	Multilateral development bank exposures	32,999	-	-	-	-	-	-	-	-	-	32,999
4	Bank exposures	-	-	3,783	-	3,663	-	392	-	-	-	7,838
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	150	-	13,546	-	24,519	-	-	-	38,215
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	74	-	-	-	-	-	-	-	-	-	74
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	-	-	-	-	-	11,520	-	-	-	-	11,520
11	Residential mortgage loans	-	-	-	447	-	391	22	-	-	-	860
12	Other exposures which are not past due exposures	-	-	-	-	-	-	6,471	-	-	-	6,471
13	Past due exposures	-	-	-	-	-	-	-	298	-	-	298
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	529,855	-	28,927	447	19,918	11,911	31,404	298	-	-	622,760

3. Credit risk for non-securitization exposures

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

(a) FIRB approach

	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		HK\$m	HK\$m		HK\$m				Year	HK\$m	%	HK\$m	HK\$m
Portfolio (i) – Sovereign	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (ii) – Bank	0.00 to < 0.15	332,489	7,354	0.29	361,680	0.0005	299	0.45	2.50	97,924	27%	85	-
	0.15 to < 0.25	59,648	774	0.30	63,071	0.0022	61	0.45	2.50	37,417	59%	63	-
	0.25 to < 0.50	9,262	5,020	0.05	9,533	0.0039	41	0.45	2.50	7,744	81%	17	-
	0.50 to < 0.75	736	1,694	-	739	0.0052	8	0.01	2.50	9	1%	-	-
	0.75 to < 2.50	1,419	1,261	-	1,417	0.0092	12	0.42	2.50	1,174	83%	5	-
	2.50 to < 10.00	25	25	-	25	0.0267	1	0.45	-	39	156%	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	403,579	16,128	0.17	436,465	0.0009	422	0.45	2.50	144,307	33%	170	2,417	
Portfolio (iii) – Corporate – specialized lending (other than HVCRE) – FIRB/AIRB	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-	-

3. Credit risk for non-securitization exposures

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

(a) FIRB approach (continued)

	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		HK\$m	HK\$m		HK\$m				Year	HK\$m	%	HK\$m	HK\$m
Portfolio (iv) – Corporate – small-and-medium sized corporates	0.00 to < 0.15	13,422	1,616	0.24	12,823	0.0009	187	0.43	2.50	2,900	23%	5	
	0.15 to < 0.25	2,198	2,010	0.08	4,560	0.0022	166	0.41	2.50	1,571	34%	4	
	0.25 to < 0.50	5,487	4,776	0.25	11,143	0.0039	305	0.42	2.50	5,208	47%	18	
	0.50 to < 0.75	7,949	5,895	0.05	12,171	0.0060	430	0.42	2.50	6,944	57%	31	
	0.75 to < 2.50	28,355	15,006	0.02	20,843	0.0140	850	0.40	2.50	15,302	73%	115	
	2.50 to < 10.00	8,089	4,047	0.05	6,413	0.0384	419	0.35	2.50	5,474	85%	88	
	10.00 to < 100.00	488	258	-	443	0.1210	30	0.36	2.50	582	131%	20	
	100.00 (Default)	64	2	0.02	64	1.0000	3	0.37	2.50	210	328%	14	
Sub-total	66,052	33,610	0.08	68,460	0.0116	2,390	0.41	2.50	38,191	56%	295	628	
Portfolio (v) – Corporate – HVCRE – FIRB/AIRB	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-	
Portfolio (vi) – Corporate – other (including purchased corporate receivables)	0.00 to < 0.15	304,058	79,730	0.44	474,532	0.0009	602	0.45	2.50	140,231	30%	197	
	0.15 to < 0.25	31,321	15,827	0.44	88,474	0.0022	257	0.45	2.50	41,921	47%	87	
	0.25 to < 0.50	53,250	13,348	0.51	106,778	0.0039	351	0.39	2.50	63,789	60%	181	
	0.50 to < 0.75	190,957	78,073	0.25	92,930	0.0060	500	0.44	2.50	67,947	73%	242	
	0.75 to < 2.50	157,960	102,431	0.16	89,184	0.0138	853	0.42	2.50	84,486	95%	509	
	2.50 to < 10.00	65,543	50,960	0.05	37,452	0.0383	351	0.30	2.50	36,282	97%	442	
	10.00 to < 100.00	8,588	4,315	0.02	2,130	0.1210	53	0.40	2.50	3,888	183%	102	
	100.00 (Default)	1,597	-	-	1,030	1.0000	27	0.43	2.50	2,299	223%	440	
Sub-total	813,274	344,684	0.29	892,510	0.0062	2,994	0.43	2.50	440,843	49%	2,200	7,546	

3. Credit risk for non-securitization exposures

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

(a) FIRB approach (continued)

	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		HK\$m	HK\$m		HK\$m				Year	HK\$m	%	HK\$m	HK\$m
Portfolio (vii) – Equity – PD/LGD approach	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (viii) – Retail – QRRE	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (ix) – Retail – Residential mortgage exposures (including both to individuals and to property- holding shell companies)	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-	-

3. Credit risk for non-securitization exposures

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

(a) FIRB approach (continued)

	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		HK\$m	HK\$m		HK\$m				Year	HK\$m	%	HK\$m	HK\$m
Portfolio (x) – Retail – small business retail exposures	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (xi) – Other retail exposures to individuals	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Total (sum of all portfolios)		1,282,905	394,422	0.27	1,397,435	0.0048	5,806	0.44	2.50	623,341	45%	2,665	10,591

3. Credit risk for non-securitization exposures

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

(b) Retail IRB approach

	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		HK\$m	HK\$m		HK\$m				Year	HK\$m	%	HK\$m	HK\$m
Portfolio (i) – Sovereign	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (ii) – Bank	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (iii) – Corporate – specialized lending (other than HVCRE) – FIRB/AIRB	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-	-

3. Credit risk for non-securitization exposures

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

(b) Retail IRB approach (continued)

	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		HK\$m	HK\$m		HK\$m				Year	HK\$m	%	HK\$m	HK\$m
Portfolio (iv) – Corporate – small-and-medium sized corporates	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (v) – Corporate – HVCRE – FIRB/AIRB	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (vi) – Corporate – other (including purchased corporate receivables)	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-	-

3. Credit risk for non-securitization exposures

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

(b) Retail IRB approach (continued)

	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		HK\$m	HK\$m		HK\$m				Year	HK\$m	%	HK\$m	HK\$m
Portfolio (vii) – Equity – PD/LGD approach	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio (viii) – Retail – QRRE	0.00 to < 0.15	5,449	52,794	-	33,784	0.0010	699,686	0.90	1.00	1,881	6%	32	-
	0.15 to < 0.25	2,501	24,089	-	20,929	0.0023	599,316	0.91	1.00	2,232	11%	43	-
	0.25 to < 0.50	719	16,959	-	13,199	0.0034	445,297	0.89	1.00	1,940	15%	40	-
	0.50 to < 0.75	877	3,334	-	3,258	0.0058	87,738	0.92	1.00	746	23%	17	-
	0.75 to < 2.50	897	2,920	-	3,547	0.0117	106,725	0.92	1.00	1,387	39%	38	-
	2.50 to < 10.00	1,390	1,390	-	2,425	0.0546	43,364	0.94	1.00	2,883	119%	124	-
	10.00 to < 100.00	530	148	-	673	0.1695	12,992	0.95	1.00	1,464	218%	108	-
	100.00 (Default)	39	48	-	78	1.0000	1,635	0.88	1.00	859	1101%	-	-
Sub-total	12,402	101,682	-	77,893	0.0066	1,996,753	0.90	1.00	13,392	17%	402	215	
Portfolio (ix) – Retail – Residential mortgage exposures (including both to individuals and to property- holding shell companies)	0.00 to < 0.15	134,510	-	1.00	134,511	0.0010	83,167	0.11	4.94	20,950	16%	15	-
	0.15 to < 0.25	41,254	-	-	41,254	0.0022	13,482	0.11	5.00	6,210	15%	10	-
	0.25 to < 0.50	35,627	-	-	35,627	0.0039	12,383	0.12	5.00	5,511	15%	16	-
	0.50 to < 0.75	27,289	-	-	27,289	0.0057	9,889	0.12	5.00	4,364	16%	19	-
	0.75 to < 2.50	2,235	-	-	2,235	0.0108	1,174	0.11	4.97	364	16%	3	-
	2.50 to < 10.00	1,128	-	-	1,128	0.0444	654	0.12	4.98	403	36%	6	-
	10.00 to < 100.00	661	-	-	662	0.2301	396	0.12	4.96	439	66%	18	-
	100.00 (Default)	72	-	-	72	1.0000	101	0.12	3.98	101	140%	1	-
Sub-total	242,776	-	1.00	242,778	0.0034	121,246	0.11	4.96	38,342	16%	88	616	

3. Credit risk for non-securitization exposures

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

(b) Retail IRB approach (continued)

	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		HK\$m	HK\$m		HK\$m				Year	HK\$m	%	HK\$m	HK\$m
Portfolio (x) – Retail – small business retail exposures	0.00 to < 0.15	1,099	2,121	0.35	1,849	0.0009	1,683	0.13	1.67	56	3%	-	
	0.15 to < 0.25	457	295	0.37	565	0.0022	407	0.14	2.03	33	6%	-	
	0.25 to < 0.50	665	389	0.37	810	0.0039	536	0.14	2.19	71	9%	1	
	0.50 to < 0.75	671	374	0.38	813	0.0059	555	0.15	2.16	95	12%	1	
	0.75 to < 2.50	1,158	524	0.38	1,356	0.0127	947	0.18	2.14	275	20%	3	
	2.50 to < 10.00	324	89	0.44	363	0.0393	849	0.23	1.91	121	33%	3	
	10.00 to < 100.00	46	5	0.47	48	0.1772	56	0.20	1.42	20	42%	2	
	100.00 (Default)	13	-	1.20	14	1.0000	34	0.32	1.20	4	29%	10	
Sub-total	4,433	3,797	0.36	5,818	0.0111	5,067	0.16	1.97	675	12%	20	21	
Portfolio (xi) – Other retail exposures to individuals	0.00 to < 0.15	1,550	1,998	-	3,365	0.0007	2,518	0.16	1.14	107	3%	-	
	0.15 to < 0.25	823	28	0.39	847	0.0022	2,098	0.13	4.23	47	6%	-	
	0.25 to < 0.50	16,132	14	-	16,144	0.0035	12,333	0.12	4.92	1,151	7%	7	
	0.50 to < 0.75	13,674	5	-	13,679	0.0058	8,908	0.13	4.88	1,416	10%	11	
	0.75 to < 2.50	665	3,814	-	1,763	0.0104	76,865	0.38	1.54	726	41%	8	
	2.50 to < 10.00	842	-	-	842	0.0389	568	0.33	4.19	398	47%	10	
	10.00 to < 100.00	221	31	0.96	252	0.3248	1,280	0.28	3.76	186	74%	25	
	100.00 (Default)	105	2	-	106	1.0000	982	0.74	1.21	905	854%	22	
Sub-total	34,012	5,892	0.01	36,998	0.0102	105,552	0.15	4.35	4,936	13%	83	101	
Total (sum of all portfolios)		293,623	111,371	0.01	363,487	0.0049	2,228,618	0.29	4.00	57,345	16%	593	953

3. Credit risk for non-securitization exposures

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

		Pre-credit derivatives RWA	Actual RWA
		HK\$m	HK\$m
1	Corporate – Specialized lending under supervisory slotting criteria approach (project finance)	-	-
2	Corporate – Specialized lending under supervisory slotting criteria approach (object finance)	-	-
3	Corporate – Specialized lending under supervisory slotting criteria approach (commodities finance)	-	-
4	Corporate – Specialized lending under supervisory slotting criteria approach (income-producing real estate)	-	-
5	Corporate – Specialized lending (high-volatility commercial real estate)	-	-
6	Corporate – Small-and-medium sized corporates	38,191	38,191
7	Corporate – Other corporates	440,843	440,843
8	Sovereigns	-	-
9	Sovereign foreign public sector entities	-	-
10	Multilateral development banks	-	-
11	Bank exposures – Banks	143,348	143,348
12	Bank exposures – Securities firms	959	959
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	-	-
14	Retail – Small business retail exposures	675	675
15	Retail – Residential mortgages to individuals	37,369	37,369
16	Retail – Residential mortgages to property-holding shell companies	973	973
17	Retail – Qualifying revolving retail exposures (QRRE)	13,392	13,392
18	Retail – Other retail exposures to individuals	4,936	4,936
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	74,253	74,253
28	Total (under the IRB calculation approaches)	754,939	754,939

The Group did not use any recognized credit derivative contracts for credit risk mitigation.

3. Credit risk for non-securitization exposures

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

	HK\$m
1 RWA as at 31 March 2017	702,753
2 Asset size	42,009
3 Asset quality	6,398
4 Model updates	-
5 Methodology and policy	792
6 Acquisitions and disposals	-
7 Foreign exchange movements	2,987
8 Other	-
9 RWA as at 30 June 2017	754,939

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

There were no specialized lending under supervisory slotting criteria approach and the Group did not use simple risk-weight method to measure equities exposures as at 30 June 2017.

4. Counterparty credit risk

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

		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
		HK\$m	HK\$m	HK\$m		HK\$m	HK\$m
1	SA-CCR (for derivative contracts)	-	-		1.4	-	-
1a	CEM	11,537	17,691		-	29,040	9,126
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					-	-
4	Comprehensive Approach (for SFTs)					11,654	352
5	VaR (for SFTs)					-	-
6	Total						9,478

CCR2: CVA capital charge

		EAD post CRM	RWA
		HK\$m	HK\$m
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	-	-
1	(i) VaR (after application of multiplication factor if applicable)		-
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		-
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	29,144	6,172
4	Total	29,144	6,172

4. Counterparty credit risk

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

	Risk Weight Exposure class	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1	Sovereign exposures	15	-	4	-	2	-	10	-	-	-	31
2	PSE exposures	49	-	20	-	-	-	-	-	-	-	69
2a	Of which: domestic PSEs	-	-	4	-	-	-	-	-	-	-	4
2b	Of which: foreign PSEs	49	-	16	-	-	-	-	-	-	-	65
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	9	-	3	-	-	-	-	-	12
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	40	-	-	-	-	-	80	-	-	-	120
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	677	-	-	-	-	206	-	-	-	-	883
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	3,742	-	-	-	-	-	761	-	-	-	4,503
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	Total	4,523	-	33	-	5	206	851	-	-	-	5,618

4. Counterparty credit risk

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

FIRB approach

	PD scale	EAD post-RM	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density
		HK\$m				Year	HK\$m	%
Portfolio (i) – Sovereign	0.00 to < 0.15	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-
Portfolio (ii) – Bank	0.00 to < 0.15	28,908	0.0006	157	0.31	1.83	5,373	19%
	0.15 to < 0.25	1,493	0.0022	19	0.45	2.09	781	52%
	0.25 to < 0.50	78	0.0039	6	0.45	2.50	64	82%
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	151	0.0089	1	0.45	2.50	133	88%
	2.50 to < 10.00	-	0.0389	4	0.45	2.50	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
Sub-total	30,630	0.0007	187	0.31	1.85	6,351	21%	
Portfolio (iii) – Corporate	0.00 to < 0.15	2,204	0.0009	20	0.27	1.59	433	20%
	0.15 to < 0.25	705	0.0022	9	0.09	0.66	66	9%
	0.25 to < 0.50	23	0.0039	13	0.45	2.50	13	57%
	0.50 to < 0.75	385	0.0055	26	0.45	2.50	278	72%
	0.75 to < 2.50	764	0.0171	51	0.45	2.50	848	111%
	2.50 to < 10.00	365	0.0324	37	0.45	2.50	474	130%
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
Sub-total	4,446	0.0069	156	0.34	1.76	2,112	48%	
Portfolio (vi) – Retail	0.00 to < 0.15	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-
Total (sum of all portfolios)		35,076	0.0015	343	0.31	1.84	8,463	24%

4. Counterparty credit risk

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

	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Cash	-	8,511	-	2,815	8,125	3,129
Debt securities	-	-	-	-	1,479	8,328
Equity securities	-	-	-	-	1,729	-
Total	-	8,511	-	2,815	11,333	11,457

CCR6: Credit-related derivatives contracts

	Protection bought	Protection sold
	HK\$m	HK\$m
Notional amounts		
Index credit default swaps	390	586
Total notional amounts	390	586
Fair values		
Positive fair value (asset)	-	3
Negative fair value (liability)	3	-

CCR7: RWA flow statements of default risk exposures under IMM(CCR) approach

The Group did not use IMM(CCR) approach to measure default risk exposures as at 30 June 2017.

4. Counterparty credit risk

CCR8: Exposures to CCPs

		Exposure after CRM	RWA
		HK\$m	HK\$m
1	Exposures of the AI as clearing member or client to qualifying CCPs (total)		115
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 8), of which:	2,302	46
3	(i) OTC derivative transactions	1,890	38
4	(ii) Exchange-traded derivative contracts	412	8
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets subject to valid cross-product netting agreements	-	-
7	Initial margin	3,296	66
8	Default fund contributions	59	3
9	Exposures of the AI as clearing member or client to non-qualifying CCPs (total)		-
10	Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 15 to 16), of which:	-	-
11	(i) OTC derivative transactions	-	-
12	(ii) Exchange-traded derivative contracts	-	-
13	(iii) Securities financing transactions	-	-
14	(iv) Netting sets subject to valid cross-product netting agreements	-	-
15	Initial margin	-	-
16	Default fund contributions	-	-

5. Securitization exposures

SEC1: Securitization exposures in banking book

		Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1	Retail (total) – of which:	-	-	-	-	-	-	41	-	41
2	residential mortgage	-	-	-	-	-	-	41	-	41
3	re-securitization exposures	-	-	-	-	-	-	-	-	-
4	Wholesale (total) – of which:	-	-	-	-	-	-	-	-	-
5	loans to corporates	-	-	-	-	-	-	-	-	-
6	re-securitization exposures	-	-	-	-	-	-	-	-	-

SEC2: Securitization exposures in trading book

There were no securitization exposures in the trading book as at 30 June 2017.

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

There were no securitization exposures in the banking book and the associated capital requirements where the Group acts as an originator as at 30 June 2017.

5. Securitization exposures

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

		Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWAs (by regulatory approach)				Capital charges after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	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\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1	Total exposures	18	17	6	-	-	41	-	-	-	13	-	-	-	1	-	-	-
2	Traditional securitization	18	17	6	-	-	41	-	-	-	13	-	-	-	1	-	-	-
3	Of which securitization	18	17	6	-	-	41	-	-	-	13	-	-	-	1	-	-	-
4	Of which retail	18	17	6	-	-	41	-	-	-	13	-	-	-	1	-	-	-
5	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

6. Market risk

MR1: Market risk under STM approach

		RWA
		HK\$m
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	2,189
2	Equity exposures (general and specific risk)	491
3	Foreign exchange (including gold) exposures	-
4	Commodity exposures	558
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	18
7	Other approach	-
8	Securitization exposures	-
9	Total	3,256

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

		VaR	Stressed VaR	IRC	CRC	Other	Total RWA
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1	RWA as at 31 March 2017	5,173	14,141	-	-	-	19,314
1a	Regulatory adjustment	(3,578)	(10,458)	-	-	-	(14,036)
1b	RWA as at day-end of 31 March 2017	1,595	3,683	-	-	-	5,278
2	Movement in risk levels*	(180)	(387)	-	-	-	(567)
3	Model updates/changes	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-
7	Other	-	-	-	-	-	-
7a	RWA as at day-end of 30 June 2017	1,415	3,296	-	-	-	4,711
7b	Regulatory adjustment	3,358	7,902	-	-	-	11,260
8	RWA as at 30 June 2017	4,773	11,198	-	-	-	15,971

* Movements as a result of changes in positions and risk levels.

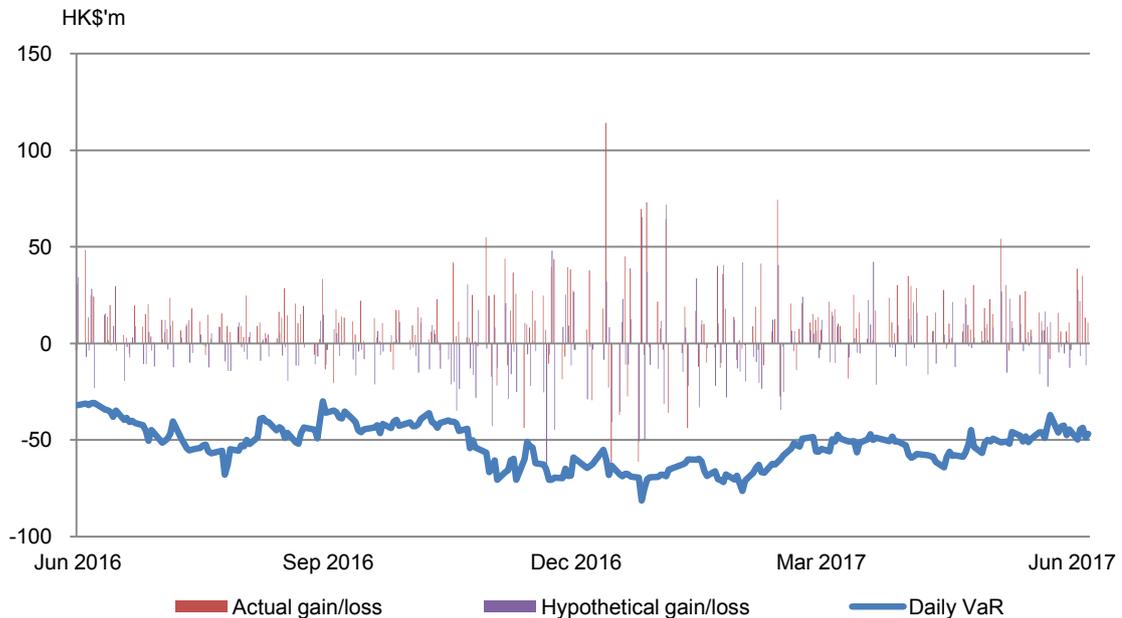
6. Market risk

MR3: IMM approach values for market risk exposures

		HK\$m
VaR (10 days – one-tailed 99% confidence interval)		
1	Maximum Value	165
2	Average Value	133
3	Minimum Value	97
4	Period End	113
Stressed VaR (10 days – one-tailed 99% confidence interval)		
5	Maximum Value	474
6	Average Value	338
7	Minimum Value	212
8	Period End	264
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	-

6. Market risk

MR4: Comparison of VaR estimates with gains or losses



Market risk regulatory capital charge is calculated under the Banking (Capital) (Amendment) Rules 2011 to incorporate capital charge for stressed VaR. Regulatory VaR and stressed VaR measures used for market risk regulatory capital purposes are calculated to a 99% confidence level and use a 10-day holding period. The stressed VaR uses the same methodology as the VaR model and is generated with inputs calibrated to the historical market data from a continuous 12-month period of significant financial stress relevant to the Group's portfolio.

The Group adopts a regulatory VaR model, using a historical simulation approach and two years of historical data, to capture general interest rate and foreign exchange risks over a 10-day holding period with a 99% confidence level. The Group adopts back-testing to measure the accuracy of VaR model results. Actual and hypothetical profit and loss (P&L) are compared against the corresponding 99% one-day regulatory VaR over the recent 250 business days. The numbers of exception (actual or hypothetical P&L exceeds the VaR) determines the value of VaR multiplication factor.

Actual P&Ls are the P&Ls in respect to trading activities within the scope of regulatory VaR model, which includes intraday P&Ls; excludes commissions, fees and reserves. Hypothetical P&Ls are the hypothetical changes in portfolio value assuming unchanged end-of-day position.

One exception is noted in hypothetical P&L back-testing (excess amount: HK\$6.3 million) at 13 December 2016 as shown above. The exception was driven by unexpected market movements in interest rates.

7. Capital disclosures

Regulatory capital

		At 30 June 2017		
		Component of regulatory capital reported by bank	Amounts subject to pre-Basel III treatment*	Cross reference to regulatory scope consolidated balance sheet
		HK\$m	HK\$m	
CET1 capital: instruments and reserves				
1	Directly issued qualifying CET1 capital instruments plus any related share premium	43,043		(5)
2	Retained earnings	137,197		(6)
3	Disclosed reserves	43,880		(8)+(9)+ (10)+(11)
4	<i>Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)</i>	Not applicable		
	<i>Public sector capital injections grandfathered until 1 January 2018</i>	Not applicable		
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-		
6	CET1 capital before regulatory deductions	224,120		
CET1 capital: regulatory deductions				
7	Valuation adjustments	74		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	22		(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	110		(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	57,655		
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	47,546		(7)+(8)
26b	Regulatory reserve for general banking risks	10,109		(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	57,861		
29	CET1 capital	166,259		

7. Capital disclosures

Regulatory capital (continued)

		At 30 June 2017		
		Component of regulatory capital reported by bank	Amounts subject to pre-BaseI III treatment*	Cross reference to regulatory scope consolidated balance sheet
		HK\$m	HK\$m	
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	<i>Capital instruments subject to phase out arrangements from AT1 capital</i>	-		
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-		
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>	-		
36	AT1 capital before regulatory deductions	-		
AT1 capital: regulatory deductions				
37	Investments in own AT1 capital instruments	-		
38	Reciprocal cross-holdings in AT1 capital instruments	-		
39	Insignificant 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-BaseI 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)	166,259		
Tier 2 capital: instruments and provisions				
46	Qualifying Tier 2 capital instruments plus any related share premium	-		
47	<i>Capital instruments subject to phase out arrangements from Tier 2 capital</i>	11,576		(4)
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-		
49	<i>of which: capital instruments issued by subsidiaries subject to phase out arrangements</i>	-		
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	5,622		Not applicable
51	Tier 2 capital before regulatory deductions	17,198		

7. Capital disclosures

Regulatory capital (continued)

		At 30 June 2017		
		Component of regulatory capital reported by bank	Amounts subject to pre-Basel III treatment*	Cross reference to regulatory scope consolidated balance sheet
		HK\$m	HK\$m	
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	(21,396)		
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	(21,396)		[(7)+(8)] *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	(21,396)		
58	Tier 2 capital	38,594		
59	Total capital (Total capital = Tier 1 + Tier 2)	204,853		

7. Capital disclosures

Regulatory capital (continued)

		At 30 June 2017	
		Component of regulatory capital reported by bank	Amounts subject to pre-BaseI III treatment*
		HK\$m	HK\$m
59a	Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-BaseI 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	941,605	
Capital ratios (as a percentage of risk weighted assets)			
61	CET1 capital ratio	17.66%	
62	Tier 1 capital ratio	17.66%	
63	Total capital ratio	21.76%	
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)	7.453%	
65	of which: capital conservation buffer requirement	1.250%	
66	of which: bank specific countercyclical buffer requirement	0.953%	
67	of which: G-SIB or D-SIB buffer requirement	0.750%	
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	11.66%	
National minima (if different from BaseI 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	2,231	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	3,293	
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)	929	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	767	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	8,263	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	4,855	
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	13,021	
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.

7. Capital disclosures

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	Basel III basis
		HK\$m	HK\$m
9	Other intangible assets (net of associated deferred tax liability)	-	-
	<p><u>Explanation</u></p> <p>As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights (MSRs) may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.</p>		
10	Deferred tax assets net of deferred tax liabilities	22	-
	<p><u>Explanation</u></p> <p>As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs 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.</p> <p>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.</p>		
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)	-	-
	<p><u>Explanation</u></p> <p>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.</p> <p>Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</p>		

7. Capital disclosures

Regulatory capital (continued)

Row No.	Description	Hong Kong basis	Basel III basis
		HK\$m	HK\$m
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)	-	-
	<p><u>Explanation</u></p> <p>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.</p> <p>Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</p>		
39	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
	<p><u>Explanation</u></p> <p>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.</p>		
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)	-	-
	<p><u>Explanation</u></p> <p>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.</p>		
<p>Remarks:</p> <p>The amount of the 10% / 15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the Banking (Capital) Rules.</p>			

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

7. Capital disclosures

Reconciliation of regulatory scope consolidated balance sheet to capital components

	At 30 June 2017		Cross reference to definition of capital components
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	
	HK\$m	HK\$m	
ASSETS			
Cash and balances with banks and other financial institutions	399,458	399,370	
Placements with banks and other financial institutions maturing between one and twelve months	81,856	81,483	
Financial assets at fair value through profit or loss	122,223	121,932	
Derivative financial instruments	29,880	29,880	
- of which: <i>debit valuation adjustments in respect of derivative contracts</i>		43	(1)
Hong Kong SAR Government certificates of indebtedness	135,800	135,800	
Advances and other accounts	1,134,104	1,134,104	
Investment in securities	513,770	513,763	
Interests in subsidiaries	-	745	
Interests in associates and joint ventures	352	352	
Investment properties	19,347	19,340	
Properties, plant and equipment	46,702	46,322	
Deferred tax assets	23	22	(2)
Other assets	36,573	36,495	
Total assets	2,520,088	2,519,608	
LIABILITIES			
Hong Kong SAR currency notes in circulation	135,800	135,800	
Deposits and balances from banks and other financial institutions	302,903	302,903	
Financial liabilities at fair value through profit or loss	19,329	19,329	
Derivative financial instruments	29,011	29,011	
- of which: <i>debit valuation adjustments in respect of derivative contracts</i>		(67)	(3)
Deposits from customers	1,656,465	1,656,812	
Debt securities and certificates of deposit in issue	9,251	9,251	
Other accounts and provisions	113,064	113,022	
Current tax liabilities	4,532	4,510	
Deferred tax liabilities	5,901	5,751	
Subordinated liabilities	19,099	19,099	
- of which: <i>eligible for inclusion in regulatory capital subject to phase out arrangements</i>		11,576	(4)
Total liabilities	2,295,355	2,295,488	

7. Capital disclosures

Reconciliation of regulatory scope consolidated balance sheet to capital components (continued)

	At 30 June 2017		Cross reference to definition of capital components
	Balance sheet as in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m	
EQUITY			
Share capital	43,043	43,043	(5)
Reserves	181,446	181,077	
- Retained earnings	136,622	137,197	(6)
- of which: cumulative fair value gains arising from the revaluation of investment properties		12,460	(7)
- Premises revaluation reserve	36,029	35,086	(8)
- Reserve for fair value changes of available-for-sale securities	(685)	(683)	(9)
- Regulatory reserve	10,109	10,109	(10)
- Translation reserve	(629)	(632)	(11)
Capital and reserves attributable to the equity holders of the Bank	224,489	224,120	
Non-controlling interests	244	-	
Total equity	224,733	224,120	
Total liabilities and equity	2,520,088	2,519,608	

7. Capital disclosures

Capital instruments

Main features of issued capital instruments		CET1 Capital Ordinary shares	Tier 2 Capital Subordinated notes
1	Issuer	Bank of China (Hong Kong) Limited	Bank of China (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable	Rule 144A: CUSIP - 061199AA3 ISIN - US061199AA35 Regulation S: CUSIP - Y1391CAJ0 ISIN - USY1391CAJ00
3	Governing law(s) of the instrument	Hong Kong law	New York law (other than the provisions of the indenture relating to subordination, which are governed by Hong Kong law)
<i>Regulatory treatment</i>			
4	Transitional Basel III rules [#]	Not applicable	Tier 2
5	Post-transitional Basel III rules [†]	Common Equity Tier 1	Ineligible
6	Eligible at solo*/group/group & solo	Solo and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Other Tier 2 instruments
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK\$43,043m (as of 30 June 2017)	HK\$11,576m (as of 30 June 2017)
9	Par value of instrument	No par value (refer to Note 1 for details)	USD2,500m in total
10	Accounting classification	Shareholders' equity	Liability - amortised cost
11	Original date of issuance	1 Oct 2001 (refer to Note 2 for details)	11 Feb 2010
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	11 Feb 2020 (unless previously redeemed or purchased and cancelled with the prior written approval of the HKMA)
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	Not applicable	Early redemption for tax reasons; purchases of Notes by the issuer (please refer to "Description of the Notes" in Offering Memorandum dated 12 April 2010 for further details on call dates and redemption amounts)
16	Subsequent call dates, if applicable	Not applicable	Ditto
<i>Coupons / dividends</i>			
17	Fixed or floating dividend/coupon	Floating	Fixed
18	Coupon rate and any related index	Not applicable	5.55%
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
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	No
31	If write-down, write-down trigger(s)	Not applicable	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable

7. Capital disclosures

Capital instruments (continued)

		CET1 Capital Ordinary shares	Tier 2 Capital Subordinated notes
Main features of issued capital instruments			
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated notes mentioned in the second column of this main features table	Upon the occurrence of a Subordination Event (Refer to Note 3 for details), subordinated to the claims of depositors and all other unsubordinated creditors of the issuer
36	Non-compliant transitioned features	No	Yes
37	If yes, specify non-compliant features	Not applicable	Does not contain provision to be written down, or converted into ordinary shares, at the point of non-viability
Full terms and conditions of issued capital instruments		Click here to download	Click here to download

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.

Note 2:

- The authorised share capital of Bank of China (Hong Kong) Limited (“BOCHK”), comprising 4 million ordinary shares of HK\$100 each, was subdivided into 400 million ordinary shares of HK\$1 each pursuant to shareholders written resolution of BOCHK passed on 3 Sep 2001.
- On 30 Sep 2001, 400 million shares in the capital of BOCHK were transferred from Bank of China Limited to BOC Hong Kong (Holdings) Limited (“BOCHK Holdings”) pursuant to Supplemental Merger Agreement.
- BOCHK then issued a total of 42,642,840,858 ordinary shares at par value of HK\$1 each to BOCHK Holdings on 1 Oct 2001. Hence, the total issued and paid-up share capital of BOCHK was HK\$43,042,840,858 since 2001.
- The concepts of par value for shares and authorised share capital have been abolished following the commencement of the Hong Kong Companies Ordinance (Chapter 622) as mentioned in Note 1.

Note 3: “Subordination Event” shall occur if an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution or similar proceeding of the issuer in Hong Kong (except for the purposes of a reconstruction, amalgamation or reorganisation, the terms of which have previously been approved by a resolution of the noteholders passed at a meeting duly convened and held in accordance with the indenture by a majority of at least 66²/₃ of the votes cast).

8. Countercyclical capital buffer (“CCyB”) ratio disclosures

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

Jurisdiction (J)		At 30 June 2017			
		Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio of AI	CCyB ratio of AI	CCyB amount of AI
		%	HK\$m	%	HK\$m
1	Hong Kong SAR	1.250%	482,572		
2	Mainland China	0.000%	67,103		
3	Australia	0.000%	1,973		
4	Bangladesh	0.000%	37		
5	Belgium	0.000%	45		
6	Bermuda	0.000%	236		
7	Brunei	0.000%	2		
8	Cambodia	0.000%	178		
9	Canada	0.000%	59		
10	Cayman Islands	0.000%	5,043		
11	Chinese Taipei	0.000%	4,260		
12	France	0.000%	876		
13	Germany	0.000%	340		
14	India	0.000%	362		
15	Indonesia	0.000%	837		
16	Ireland	0.000%	623		
17	Japan	0.000%	1,326		
18	Jersey	0.000%	173		
19	Luxembourg	0.000%	1,078		
20	Macau SAR	0.000%	1,142		
21	Malaysia	0.000%	10,655		
22	Maldives	0.000%	160		
23	Marshall Islands	0.000%	2		
24	Myanmar	0.000%	583		
25	Netherlands	0.000%	159		
26	New Zealand	0.000%	156		
27	Panama	0.000%	1,748		
28	Philippines	0.000%	888		
29	Singapore	0.000%	10,368		
30	South Korea	0.000%	312		
31	Switzerland	0.000%	54		
32	Thailand	0.000%	8,427		
33	United Kingdom	0.000%	2,637		
34	United States	0.000%	19,127		
35	West Indies UK	0.000%	9,505		
Total			633,046	0.953%	6,032

9. Leverage ratio disclosures

Leverage ratio

		At 30 June 2017
		HK\$m
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	2,353,869
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(57,794)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	2,296,075
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	11,512
5	Add-on amounts for PFE associated with all derivatives transactions	19,439
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	(197)
8	Less: Exempted CCP leg of client-cleared trade exposures	-
9	Adjusted effective notional amount of written credit derivatives	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives	-
11	Total derivative exposures	30,754
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	3,129
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-
14	CCR exposure for SFT assets	1
15	Agent transaction exposures	-
16	Total securities financing transaction exposures	3,130
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	576,509
18	Less: Adjustments for conversion to credit equivalent amounts	(450,659)
19	Off-balance sheet items	125,850
Capital and total exposures		
20	Tier 1 capital	166,259
21	Total exposures	2,455,809
Leverage ratio		
22	Basel III leverage ratio	6.77%

Summary comparison table

		At 30 June 2017
		HK\$m
1	Total consolidated assets as per published financial statements	2,520,088
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(480)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	874
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	1
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	125,850
7	Other adjustments	(190,524)
	<i>of which: Hong Kong SAR Government certificates of indebtedness</i>	<i>(135,800)</i>
8	Leverage ratio exposure	2,455,809

10. Liquidity information disclosures

Liquidity coverage ratio

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this table Basis of disclosure: consolidated	For the quarter ended 30 June 2017: 71 data points		For the quarter ended 31 March 2017: 73 data points	
	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
	HK\$m	HK\$m	HK\$m	HK\$m
A. HIGH QUALITY LIQUID ASSETS				
1 Total high quality liquid assets (HQLA)		401,086		430,490
B. CASH OUTFLOWS				
2 Retail deposits and small business funding, of which:	818,414	53,969	810,832	53,575
3 <i>Stable retail deposits and stable small business funding</i>	295,159	8,855	296,964	8,909
4 <i>Less stable retail deposits and less stable small business funding</i>	375,752	37,575	376,234	37,623
5 <i>Retail term deposits and small business term funding</i>	147,503	7,539	137,634	7,043
6 Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	904,946	443,508	817,828	386,680
7 <i>Operational deposits</i>	288,253	70,912	322,770	79,519
8 <i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>	612,432	368,335	495,026	307,129
9 <i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>	4,261	4,261	32	32
10 Secured funding transactions (including securities swap transactions)		4,434		6,075
11 Additional requirements, of which:	339,217	62,905	348,764	65,307
12 <i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	32,271	32,271	34,948	34,948
13 <i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	-	-	-	-
14 <i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	306,946	30,634	313,816	30,359
15 Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	53,624	53,624	51,834	51,834
16 Other contingent funding obligations (whether contractual or non-contractual)	272,672	3,529	281,479	3,805
17 TOTAL CASH OUTFLOWS		621,969		567,276
C. CASH INFLOWS				
18 Secured lending transactions (including securities swap transactions)	736	492	2,498	1,665
19 Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions	297,298	242,930	205,397	155,328
20 Other cash inflows	54,390	53,960	54,534	54,205
21 TOTAL CASH INFLOWS	352,424	297,382	262,429	211,198
D. LIQUIDITY COVERAGE RATIO				
22 TOTAL HQLA		401,086		430,490
23 TOTAL NET CASH OUTFLOWS		324,587		356,078
24 LCR (%)		123.88%		121.41%

10. Liquidity information disclosures

Liquidity coverage ratio (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.

The Group's average LCR of the first and second quarter in 2017 were 121.41% and 123.88% respectively, continuously maintained at stable and healthy levels.

The HQLA consists of cash, balances at central banks and high quality marketable securities issued or guaranteed by sovereigns, central banks, public sector entities or multilateral development banks and non-financial corporate debt securities. In the first half of 2017, 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 or by issuing debts in the capital 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.