

Regulatory Disclosures

30 June 2018



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1. Key prudential ratios and overview of RWA

KM1: Key prudential ratios

	(a)	(b)	(c)	(d)	(e)
	At 30 June 2018	At 31 March 2018	At 31 December 2017	At 30 September 2017	At 30 June 2017
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Regulatory capital					
1 Common Equity Tier 1 (CET1)	176,702	174,287	170,012	171,171	166,259
2 Tier 1	176,702	174,287	170,012	171,171	166,259
3 Total capital	213,839	210,552	209,828	210,279	204,853
RWA					
4 Total RWA	1,063,065	1,087,903	1,029,152	997,573	941,605
Risk-based regulatory capital ratios (as a percentage of RWA)					
5 CET1 ratio (%)	16.62%	16.02%	16.52%	17.16%	17.66%
6 Tier 1 ratio (%)	16.62%	16.02%	16.52%	17.16%	17.66%
7 Total capital ratio (%)	20.12%	19.35%	20.39%	21.08%	21.76%
Additional CET1 buffer requirements (as a percentage of RWA)					
8 Capital conservation buffer requirement (%)	1.875%	1.875%	1.250%	1.250%	1.250%
9 Countercyclical capital buffer requirement (%)	1.403%	1.361%	0.934%	0.936%	0.953%
10 Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	1.125%	1.125%	0.750%	0.750%	0.750%
11 Total AI-specific CET1 buffer requirements (%)	4.403%	4.361%	2.934%	2.936%	2.953%
12 CET1 available after meeting the AI's minimum capital requirements (%)	10.62%	10.02%	10.52%	11.16%	11.66%
Basel III leverage ratio					
13 Total leverage ratio (LR) exposure measure	2,558,199	2,637,364	2,461,068	2,390,838	2,455,809
14 LR (%)	6.91%	6.61%	6.91%	7.16%	6.77%
Liquidity Coverage Ratio (LCR)/Liquidity Maintenance Ratio (LMR)					
Applicable to category 1 institution only:					
15 Total high quality liquid assets (HQLA)	551,312	514,025	493,698	435,351	401,086
16 Total net cash outflows	394,615	383,880	371,435	360,117	324,587
17 LCR (%)	142.58%	134.33%	135.64%	121.12%	123.88%
Applicable to category 2 institution only:					
17a LMR (%)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Net Stable Funding Ratio (NSFR)/Core Funding Ratio (CFR)					
Applicable to category 1 institution only:					
18 Total available stable funding	1,484,704	1,483,608	-	-	-
19 Total required stable funding	1,263,811	1,246,981	-	-	-
20 NSFR (%)	117.48%	118.98%	-	-	-
Applicable to category 2A institution only:					
20a CFR (%)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

1. Key prudential ratios and overview of RWA (continued)

OV1: Overview of RWA

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		At 30 June 2018	At 31 March 2018	At 30 June 2018
		HK\$m	HK\$m	HK\$m
1	Credit risk for non-securitization exposures	920,911	942,007	77,662
2	Of which STC approach	89,681	93,131	7,174
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	831,230	848,876	70,488
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	12,766	12,304	1,074
7	Of which SA-CCR	Not applicable	Not applicable	Not applicable
7a	Of which CEM	12,312	11,244	1,037
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	454	1,060	37
10	CVA risk	7,171	7,758	574
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA	Not applicable	Not applicable	Not applicable
13	CIS exposures – MBA	Not applicable	Not applicable	Not applicable
14	CIS exposures – FBA	Not applicable	Not applicable	Not applicable
14a	CIS exposures – combination of approaches	Not applicable	Not applicable	Not applicable
15	Settlement risk	3	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	14,669	17,800	1,173
21	Of which STM approach	2,891	4,766	231
22	Of which IMM approach	11,778	13,034	942
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	Not applicable	Not applicable	Not applicable
24	Operational risk	81,300	79,495	6,504
25	Amounts below the thresholds for deduction (subject to 250% RW)	3,945	3,895	316
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	28,228	26,931	2,258
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	271	225	22
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	27,957	26,706	2,236
27	Total	1,012,537	1,036,328	85,045

In this table, RWAs for credit risk calculated under the IRB approach are before the application of the 1.06 scaling factor.

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%.

2. Composition of regulatory capital

CC1: Composition of regulatory capital

		At 30 June 2018	
		(a)	(b)
		HK\$'m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	43,043	(6)
2	Retained earnings	150,453	(7)
3	Disclosed reserves	44,667	(9)+(10)+(11)+(12)+(13)
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	CET1 capital before regulatory adjustments	238,163	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	18	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)	107	(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	(241)	(1)+(3)+(5)
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	61,577	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	50,831	(8)+(9)
26b	Regulatory reserve for general banking risks	10,746	(12)
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)	-	

2. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

		At 30 June 2018	
		(a)	(b)
		HK\$m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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	61,461	
29	CET1 capital	176,702	
	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	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	Total regulatory deductions to AT1 capital	-	
44	AT1 capital	-	
45	Tier 1 capital (T1 = CET1 + AT1)	176,702	
	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>	7,717	(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 provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	6,546	Not applicable
51	Tier 2 capital before regulatory deductions	14,263	
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments	-	

2. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

		At 30 June 2018	
		(a)	(b)
		HK\$m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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	(22,874)	
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	(22,874)	[(8)+(9)]*45%
57	Total regulatory adjustments to Tier 2 capital	(22,874)	
58	Tier 2 capital (T2)	37,137	
59	Total regulatory capital (TC = T1 + T2)	213,839	
60	Total RWA	1,063,065	
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	16.62%	
62	Tier 1 capital ratio	16.62%	
63	Total capital ratio	20.12%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	4.403%	
65	of which: capital conservation buffer requirement	1.875%	
66	of which: bank specific countercyclical capital buffer requirement	1.403%	
67	of which: higher loss absorbency requirement	1.125%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	10.62%	
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	1,666	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	3,478	
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

2. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

		At 30 June 2018	
		(a)	(b)
		HK\$m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	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)	1,461	
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	1,190	
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)	9,491	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	5,356	
	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	10,417	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-	

2. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

Notes to the Template

Row No.	Description	Hong Kong basis	Basel III basis
		HK\$'m	HK\$'m
9	Other intangible assets (net of associated deferred tax liabilities)	-	-
	<u>Explanation</u> As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
10	Deferred tax assets (net of associated deferred tax liabilities)	107	-
	<u>Explanation</u> As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities 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)	-	-
	<u>Explanation</u> For the purpose of determining the total amount of insignificant capital investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
	<u>Explanation</u> For the purpose of determining the total amount of significant capital investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

2. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

Row No.	Description	Hong Kong basis	Basel III basis
		HK\$m	HK\$m
39	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
	<u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant capital investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
54	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
	<u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant capital investments in Tier 2 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
Remarks: The amount of the 10% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.			

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

2. Composition of regulatory capital (continued)

CC2: Reconciliation of regulatory capital to balance sheet

	(a)	(b)	(c)
	Balance sheet as in published financial statements as at 30 June 2018	Under regulatory scope of consolidation as at 30 June 2018	Reference
	HK\$'m	HK\$'m	
ASSETS			
Cash and balances and placements with banks and other financial institutions	374,503	373,983	
Financial assets at fair value through profit or loss	39,359	39,185	
Derivative financial instruments	39,940	39,940	
- of which: <i>debit valuation adjustments in respect of derivative contracts</i>		18	(1)
Hong Kong SAR Government certificates of indebtedness	153,370	153,370	
Advances and other accounts	1,268,073	1,268,057	
Investment in securities	663,616	663,609	
Interests in subsidiaries	-	742	
Interests in associates and joint ventures	455	455	
Investment properties	21,050	20,999	
Properties, plant and equipment	48,030	47,610	
Deferred tax assets	107	107	(2)
Other assets	31,804	31,702	
Total assets	2,640,307	2,639,759	
LIABILITIES			
Hong Kong SAR currency notes in circulation	153,370	153,370	
Deposits and balances from banks and other financial institutions	237,183	237,183	
Financial liabilities at fair value through profit or loss	15,912	15,912	
Derivative financial instruments	31,535	31,535	
- of which: <i>debit valuation adjustments in respect of derivative contracts</i>		(74)	(3)
Deposits from customers	1,861,940	1,862,516	
Debt securities and certificates of deposit in issue	15,577	15,577	
Other accounts and provisions	54,083	53,974	
Current tax liabilities	5,533	5,481	
Deferred tax liabilities	5,536	5,374	
Subordinated liabilities	20,674	20,674	
- of which: <i>eligible for inclusion in regulatory capital subject to phase out arrangements</i>		7,717	(4)
- of which: <i>gains and losses due to changes in own credit risk on fair valued liabilities</i>		333	(5)
Total liabilities	2,401,343	2,401,596	
EQUITY			
Share capital	43,043	43,043	(6)
Reserves	195,662	195,120	
- Retained earnings	149,981	150,453	(7)
- of which: <i>cumulative fair value gains arising from the revaluation of investment properties</i>		13,676	(8)
- Premises revaluation reserve	38,160	37,155	(9)
- Reserve for fair value changes	(2,405)	(2,404)	(10)
- Reserve for own credit risk	7	7	(11)
- Regulatory reserve	10,746	10,746	(12)
- Translation reserve	(827)	(837)	(13)
Capital and reserves attributable to equity holders of the Bank	238,705	238,163	
Non-controlling interests	259	-	
Total equity	238,964	238,163	
Total liabilities and equity	2,640,307	2,639,759	

2. Composition of regulatory capital (continued)

CCA: Main features of regulatory capital instruments

Main features of issued capital instruments		(a)	
		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 (e.g. 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 ¹	Not applicable	Tier 2
5	Post-transitional Basel III rules ²	Common Equity Tier 1	Ineligible
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	Other Tier 2 instruments
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK\$43,043m (as of 30 June 2018)	HK\$7,717m (as of 30 June 2018)
9	Par value of instrument	No par value (refer to Note 1 for details)	USD2,500m in total
10	Accounting classification	Shareholders' equity	Liability - fair value option
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	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
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

2. Composition of regulatory capital (continued)

CCA: Main features of regulatory capital instruments (continued)

		(a)	
		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 in the insolvency creditor hierarchy of the legal entity concerned)	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:

¹ Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

² 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 66 2/3% of the votes cast).

3. Macroprudential supervisory measures

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

		At 30 June 2018			
		(a)	(c)	(d)	(e)
		Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
		%	HK\$m	%	HK\$m
1	Hong Kong SAR	1.875%	541,651		
2	United Kingdom	0.500%	4,294		
	Sum		545,945		
	Total		725,419	1.403%	14,915

4. Leverage ratio

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

		At 30 June 2018
		(a)
		Value under the LR framework
		HK\$m
1	Total consolidated assets as per published financial statements	2,640,307
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(548)
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	(8,874)
5	Adjustment for SFTs (i.e. repos and similar secured lending)	49
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	142,676
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(323)
7	Other adjustments	(215,088)
	<i>of which: Hong Kong SAR Government certificates of indebtedness</i>	<i>(153,370)</i>
8	Leverage ratio exposure measure	2,558,199

4. Leverage ratio (continued)

LR2: Leverage ratio

		At 30 June 2018	At 31 March 2018
		(a)	(b)
		HK\$'m	HK\$'m
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	2,435,839	2,473,340
2	Less: Asset amounts deducted in determining Tier 1 capital	(61,720)	(58,880)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	2,374,119	2,414,460
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)	11,299	17,752
5	Add-on amounts for PFE associated with all derivative contracts	20,042	22,684
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	(282)	(138)
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	31,059	40,298
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	16,211	32,868
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	49	346
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	16,260	33,214
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	651,615	652,244
18	Less: Adjustments for conversion to credit equivalent amounts	(508,939)	(496,967)
19	Off-balance sheet items	142,676	155,277
Capital and total exposures			
20	Tier 1 capital	176,702	174,287
20a	Total exposures before adjustments for specific and collective provisions	2,564,114	2,643,249
20b	Adjustments for specific and collective provisions	(5,915)	(5,885)
21	Total exposures after adjustments for specific and collective provisions	2,558,199	2,637,364
Leverage ratio			
22	Leverage ratio	6.91%	6.61%

5. Liquidity

LIQ1: Liquidity Coverage Ratio – for category 1 institution

Number of data points used in calculating the average value of the LCR and related components set out in this template		For the quarter ended 30 June 2018: 73 data points		For the quarter ended 31 March 2018: 72 data points	
Basis of disclosure: consolidated		(a) Unweighted value (average) HK\$m	(b) Weighted value (average) HK\$m	(a) Unweighted value (average) HK\$m	(b) Weighted value (average) HK\$m
A. HQLA					
1	Total HQLA		551,312		514,025
B. Cash Outflows					
2	Retail deposits and small business funding, of which:				
3	Stable retail deposits and stable small business funding	965,835	62,541	950,606	62,693
4	Less stable retail deposits and less stable small business funding	333,504	10,005	324,257	9,728
4a	Retail term deposits and small business term funding	412,921	41,292	428,364	42,831
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the AI, of which:	219,410	11,244	197,985	10,134
6	Operational deposits	986,229	460,216	956,637	446,510
7	Unsecured wholesale funding (other than small business funding) not covered in row 6	313,063	76,941	295,320	72,541
8	Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period	672,730	382,839	657,555	370,207
9	Secured funding transactions (including securities swap transactions)	436	436	3,762	3,762
10	Additional requirements, of which:		1,420		8,707
11	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	407,078	77,247	400,100	74,084
12	Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions	39,004	39,004	38,783	38,783
13	Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)	-	-	-	-
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	368,074	38,243	361,317	35,301
15	Other contingent funding obligations (whether contractual or non-contractual)	28,645	28,645	37,902	37,902
16	Total Cash Outflows	275,176	5,390	282,243	5,477
C. Cash Inflows			635,459		635,373
17	Secured lending transactions (including securities swap transactions)				
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	2,763	1,935	4,606	1,410
19	Other cash inflows	257,868	185,421	259,526	192,670
20	Total Cash Inflows	54,301	53,488	58,238	57,413
D. Liquidity Coverage Ratio		314,932	240,844	322,370	251,493
21	Total HQLA	Adjusted value		Adjusted value	
22	Total Net Cash Outflows		551,312		514,025
23	LCR (%)		394,615		383,880
			142.58%		134.33%

5. Liquidity (continued)

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.

The Group's average LCR of the first and second quarter in 2018 were 134.33% and 142.58% 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. 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.

5. Liquidity (continued)

LIQ2: Net Stable Funding Ratio – for category 1 institution

For the quarter ended 30 June 2018 (HK\$m)		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: consolidated		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
A. Available stable funding (“ASF”) item						
1	Capital:	242,364	-	-	20,612	262,976
2	Regulatory capital	242,364	-	-	-	242,364
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	20,612	20,612
4	Retail deposits and small business funding:	-	918,558	46,236	800	886,079
5	Stable deposits	-	339,297	-	-	322,332
6	Less stable deposits	-	579,261	46,236	800	563,747
7	Wholesale funding:	-	1,129,618	14,428	794	324,802
8	Operational deposits	-	302,882	-	-	151,441
9	Other wholesale funding	-	826,736	14,428	794	173,361
10	Liabilities with matching interdependent assets	153,370	-	-	-	-
11	Other liabilities:	47,872	49,681	2,110	9,792	10,847
12	Net derivative liabilities	-	-	-	-	-
13	All other funding and liabilities not included in the above categories	47,872	49,681	2,110	9,792	10,847
14	Total ASF	-	-	-	-	1,484,704
B. Required stable funding (“RSF”) item						
15	Total HQLA for NSFR purposes	648,433				70,071
16	Deposits held at other financial institutions for operational purposes	-	2,401	-	-	1,201
17	Performing loans and securities:	20,682	492,198	189,282	992,386	1,069,044
18	Performing loans to financial institutions secured by Level 1 HQLA	-	4,281	-	-	428
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	27	236,172	32,588	30,984	82,731
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:	20,228	221,976	121,587	596,856	691,510
21	With a risk-weight of less than or equal to 35% under the STC approach	2	11,888	595	5,271	6,001
22	Performing residential mortgages, of which:	-	7,201	6,291	242,318	164,420
23	With a risk-weight of less than or equal to 35% under the STC approach	-	7,192	6,281	241,480	163,699
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	427	22,568	28,816	122,228	129,955
25	Assets with matching interdependent liabilities	153,370	-	-	-	-
26	Other assets:	121,052	42,514	846	807	104,557
27	Physical traded commodities, including gold	4,642	-	-	-	3,946
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	3,974	-	-	-	3,378
29	Net derivative assets	2,848	-	-	-	2,848
30	Total derivative liabilities before deduction of variation margin posted	30,630	-	-	-	-
31	All other assets not included in the above categories	78,958	42,514	846	807	94,385
32	Off-balance sheet items	-	655,000			18,938
33	Total RSF	-	-	-	-	1,263,811
34	Net Stable Funding Ratio (%)	-	-	-	-	117.48%

5. Liquidity (continued)

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

For the quarter ended 31 March 2018 (HK\$m)		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: consolidated		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
A. Available stable funding (“ASF”) item						
1	Capital:	237,442	-	-	20,506	257,948
2	Regulatory capital	237,442	-	-	-	237,442
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	20,506	20,506
4	Retail deposits and small business funding:	-	913,122	48,532	154	880,962
5	Stable deposits		306,377	-	-	291,059
6	Less stable deposits		606,745	48,532	154	589,903
7	Wholesale funding:	-	1,177,643	13,994	2,181	333,136
8	Operational deposits		297,651	-	-	148,825
9	Other wholesale funding	-	879,992	13,994	2,181	184,311
10	Liabilities with matching interdependent assets	158,570	-	-	-	-
11	Other liabilities:	47,739	55,144	3,331	9,896	11,562
12	Net derivative liabilities	2,358				
13	All other funding and liabilities not included in the above categories	45,381	55,144	3,331	9,896	11,562
14	Total ASF					1,483,608
B. Required stable funding (“RSF”) item						
15	Total HQLA for NSFR purposes	648,648				56,024
16	Deposits held at other financial institutions for operational purposes	-	967	-	-	483
17	Performing loans and securities:	20,257	551,532	201,457	973,828	1,073,004
18	Performing loans to financial institutions secured by Level 1 HQLA	-	9,057	-	-	906
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	17	274,024	35,518	30,487	89,366
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:	19,868	235,552	127,648	570,954	678,090
21	With a risk-weight of less than or equal to 35% under the STC approach	8	11,673	491	6,731	6,158
22	Performing residential mortgages, of which:	-	7,212	6,374	239,632	162,676
23	With a risk-weight of less than or equal to 35% under the STC approach	-	7,207	6,369	239,017	162,149
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	372	25,687	31,917	132,755	141,966
25	Assets with matching interdependent liabilities	158,570	-	-	-	-
26	Other assets:	113,510	41,580	873	861	98,542
27	Physical traded commodities, including gold	3,199				2,719
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	3,460				2,941
29	Net derivative assets	-				-
30	Total derivative liabilities before deduction of variation margin posted	29,989				-
31	All other assets not included in the above categories	76,862	41,580	873	861	92,882
32	Off-balance sheet items		654,083			18,928
33	Total RSF					1,246,981
34	Net Stable Funding Ratio (%)					118.98%

6. Credit risk for non-securitization exposures

CR1: Credit quality of exposures

		At 30 June 2018			
		(a)	(b)	(c)	(d)
		Gross carrying amounts of		Allowances/ impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
		HK\$m	HK\$m	HK\$m	HK\$m
1	Loans	1,635	1,622,581	(5,232)	1,618,984
2	Debt securities	43	666,311	(49)	666,305
3	Off-balance sheet exposures	63	651,552	(321)	651,294
4	Total	1,741	2,940,444	(5,602)	2,936,583

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 to the Group.

CR2: Changes in defaulted loans and debt securities

		(a)
		HK\$m
1	Defaulted loans and debt securities at 31 December 2017	1,659
2	Loans and debt securities that have defaulted since the last reporting period	755
3	Returned to non-defaulted status	(481)
4	Amounts written off	(199)
5	Other changes	(56)
6	Defaulted loans and debt securities at 30 June 2018	1,678

CR3: Overview of recognized credit risk mitigation

		At 30 June 2018				
		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1	Loans	1,195,617	423,367	67,338	356,029	-
2	Debt securities	636,966	29,339	-	29,339	-
3	Total	1,832,583	452,706	67,338	385,368	-
4	Of which defaulted	315	414	414	-	-

6. Credit risk for non-securitization exposures (continued)

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

		At 30 June 2018					
		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Exposure classes	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	429,519	925	429,519	185	7,340	2
2	PSE exposures	38,119	3,025	39,132	3,024	2,218	5
2a	Of which: domestic PSEs	3,510	3,025	4,523	3,024	1,509	20
2b	Of which: foreign PSEs	34,609	-	34,609	-	709	2
3	Multilateral development bank exposures	34,839	-	34,839	-	-	-
4	Bank exposures	11,449	15,403	11,449	7,654	8,561	45
5	Securities firm exposures	1	7	1	-	1	50
6	Corporate exposures	52,668	24,520	51,493	6,985	53,205	91
7	CIS exposures	-	-	-	-	-	-
8	Cash items	421	-	421	-	-	-
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	12,361	22,003	11,853	694	9,411	75
11	Residential mortgage loans	2,200	3,327	1,185	-	608	51
12	Other exposures which are not past due exposures	16,561	12,205	7,974	142	8,116	100
13	Past due exposures	147	-	147	-	221	150
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	Total	598,285	81,415	588,013	18,684	89,681	15

6. Credit risk for non-securitization exposures (continued)

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

Risk Weight <	
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Compared with 31 December 2017, the total sovereign exposure has raised around 28%, mainly due to increase in government bond investment.

6. Credit risk for non-securitization exposures (continued)

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

(a) FIRB approach

At 30 June 2018													
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	
	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	
PD scale	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	359,486	7,610	23	384,479	0.06	308	45	2.50	118,148	31	112	
	0.15 to < 0.25	33,223	2,313	2	36,957	0.22	47	45	2.50	20,903	57	37	
	0.25 to < 0.50	19,071	3,831	-	19,657	0.39	35	44	2.50	15,839	81	34	
	0.50 to < 0.75	5,285	2,054	-	5,288	0.61	15	39	2.50	4,202	79	12	
	0.75 to < 2.50	520	1,714	-	520	1.27	11	42	2.50	592	114	3	
	2.50 to < 10.00	218	280	-	218	2.67	3	6	2.50	45	21	-	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	417,803	17,802	10	447,119	0.10	419	45	2.50	159,729	36	198	2,730
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	-	-	-	-	-	-	-	-	-	-	-	-

6. Credit risk for non-securitization exposures (continued)

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

(a) FIRB approach (continued)

At 30 June 2018													
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	
	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	
PD scale	HK\$m	HK\$m	%	HK\$m	%		%	Year	HK\$m	%	HK\$m	HK\$m	
%	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	12,574	1,524	29	14,189	0.08	185	43	2.50	3,164	22	5	
	0.15 to < 0.25	884	1,557	9	2,921	0.22	141	42	2.50	1,057	36	3	
	0.25 to < 0.50	6,175	5,695	26	11,090	0.39	324	42	2.50	5,195	47	18	
	0.50 to < 0.75	9,197	6,242	7	11,801	0.59	417	42	2.50	6,731	57	29	
	0.75 to < 2.50	28,989	13,630	7	22,351	1.35	830	40	2.50	16,201	72	120	
	2.50 to < 10.00	8,394	4,360	1	5,195	4.11	354	36	2.50	4,635	89	77	
	10.00 to < 100.00	313	154	-	242	12.34	23	39	2.50	348	144	12	
	100.00 (Default)	6	-	-	6	100.00	1	35	2.50	28	438	-	
	Sub-total	66,532	33,162	12	67,795	1.01	2,275	41	2.50	37,359	55	264	608
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	308,285	125,084	38	502,732	0.10	664	45	2.50	148,248	29	213	
	0.15 to < 0.25	36,641	13,367	37	100,747	0.22	259	44	2.50	46,307	46	98	
	0.25 to < 0.50	54,635	22,217	44	98,783	0.39	318	44	2.50	60,771	62	171	
	0.50 to < 0.75	215,868	74,262	28	108,994	0.58	467	44	2.50	79,256	73	278	
	0.75 to < 2.50	214,831	108,896	13	130,323	1.21	905	42	2.50	120,429	92	663	
	2.50 to < 10.00	55,337	42,419	8	32,953	3.89	332	29	2.50	30,109	91	391	
	10.00 to < 100.00	3,676	5,182	-	1,143	10.64	29	24	2.50	1,197	105	29	
	100.00 (Default)	1,603	9	-	1,090	100.00	23	43	2.50	2,301	211	619	
	Sub-total	890,876	391,436	28	976,765	0.59	2,997	44	2.50	488,618	50	2,462	8,611

6. Credit risk for non-securitization exposures (continued)

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

(a) FIRB approach (continued)

At 30 June 2018												
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
	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
PD scale	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	-	-	-	-	-	-	-	-	-	-	-

6. Credit risk for non-securitization exposures (continued)

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

(a) FIRB approach (continued)

At 30 June 2018												
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
	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
PD scale	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)	1,375,211	442,400	26	1,491,679	0.46	5,691	44	2.50	685,706	46	2,924	11,949

6. Credit risk for non-securitization exposures (continued)

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

(b) Retail IRB approach

		At 30 June 2018											
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
		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
PD scale		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	-	-	-	-	-	-	-		-	-	-	-

6. Credit risk for non-securitization exposures (continued)

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

(b) Retail IRB approach (continued)

		At 30 June 2018											
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
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	-	-	-	-	-	-	-		-	-	-	-

6. Credit risk for non-securitization exposures (continued)

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

(b) Retail IRB approach (continued)

		At 30 June 2018											
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
		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
PD scale		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	5,904	56,761	-	36,488	0.10	735,362	90		2,035	6	34	
	0.15 to < 0.25	2,670	25,261	-	22,152	0.23	618,035	91		2,369	11	46	
	0.25 to < 0.50	757	17,529	-	13,797	0.34	444,180	89		2,021	15	42	
	0.50 to < 0.75	979	3,346	-	3,445	0.58	88,780	92		792	23	18	
	0.75 to < 2.50	964	3,109	-	3,834	1.15	114,058	92		1,486	39	41	
	2.50 to < 10.00	1,426	1,356	-	2,440	5.45	42,681	94		2,904	119	125	
	10.00 to < 100.00	544	158	-	696	16.96	12,735	95		1,512	217	111	
	100.00 (Default)	46	51	-	87	100.00	1,658	88		553	637	32	
	Sub-total	13,290	107,571	-	82,939	0.65	2,057,489	90		13,672	16	449	254
Portfolio (ix) – Retail – Residential mortgage exposures (including both to individuals and to property-holding shell companies)	0.00 to < 0.15	145,062	-	100	145,062	0.10	81,858	11		25,191	17	16	
	0.15 to < 0.25	56,217	-	-	56,217	0.22	17,256	11		9,492	17	14	
	0.25 to < 0.50	27,828	-	-	27,828	0.39	9,936	12		5,262	19	13	
	0.50 to < 0.75	23,980	-	-	23,980	0.55	8,467	12		4,327	18	15	
	0.75 to < 2.50	1,439	-	-	1,439	1.27	911	11		305	21	2	
	2.50 to < 10.00	1,073	-	-	1,073	4.50	620	12		380	35	6	
	10.00 to < 100.00	664	-	-	664	22.71	388	12		432	65	18	
	100.00 (Default)	97	-	-	97	100.00	83	11		130	134	1	
	Sub-total	256,360	-	100	256,360	0.32	119,519	11		45,519	18	85	741

6. Credit risk for non-securitization exposures (continued)

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

(b) Retail IRB approach (continued)

At 30 June 2018												
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
	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
PD scale	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	1,148	1,975	35	1,843	0.09	1,585	13	54	3	-	
	0.15 to < 0.25	435	272	35	531	0.22	375	13	29	5	-	
	0.25 to < 0.50	641	352	40	783	0.39	474	14	66	8	-	
	0.50 to < 0.75	661	379	42	820	0.58	524	15	94	11	1	
	0.75 to < 2.50	1,008	448	36	1,170	1.29	862	18	240	20	3	
	2.50 to < 10.00	233	58	41	257	3.67	442	22	81	31	2	
	10.00 to < 100.00	15	3	92	17	18.88	68	32	13	74	1	
	100.00 (Default)	13	-	112	13	100.00	56	76	8	63	11	
	Sub-total	4,154	3,487	37	5,434	0.95	4,386	15	585	11	18	20
Portfolio (xi) – Other retail exposures to individuals	0.00 to < 0.15	1,809	2,888	1	4,467	0.06	2,731	19	165	4	1	
	0.15 to < 0.25	2,977	21	-	2,994	0.22	4,596	12	160	5	1	
	0.25 to < 0.50	21,577	17	-	21,590	0.35	13,510	12	1,537	7	9	
	0.50 to < 0.75	10,702	9	-	10,712	0.56	7,261	17	1,389	13	10	
	0.75 to < 2.50	7,710	13,799	2	9,487	1.05	69,924	22	2,289	24	26	
	2.50 to < 10.00	693	2	-	694	4.64	783	13	129	19	4	
	10.00 to < 100.00	194	3	-	195	18.62	1,258	37	170	87	20	
	100.00 (Default)	118	3	-	120	100.00	1,043	85	110	92	102	
	Sub-total	45,780	16,742	2	50,259	0.86	101,106	16	5,949	12	173	203
Total (sum of all portfolios)	319,584	127,800	1	394,992	0.47	2,282,500	29		65,725	17	725	1,218

6. Credit risk for non-securitization exposures (continued)

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

		At 30 June 2018	
		(a)	(b)
		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	37,359	37,359
7	Corporate – Other corporates	488,618	488,618
8	Sovereigns	-	-
9	Sovereign foreign public sector entities	-	-
10	Multilateral development banks	-	-
11	Bank exposures – Banks	154,339	154,339
12	Bank exposures – Securities firms	5,390	5,390
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	-	-
14	Retail – Small business retail exposures	585	585
15	Retail – Residential mortgages to individuals	44,659	44,659
16	Retail – Residential mortgages to property-holding shell companies	860	860
17	Retail – Qualifying revolving retail exposures (QRRE)	13,672	13,672
18	Retail – Other retail exposures to individuals	5,949	5,949
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	1	1
27	Other – Other items	79,798	79,798
28	Total (under the IRB calculation approaches)	831,230	831,230

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

6. Credit risk for non-securitization exposures (continued)

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

		(a)
		HK\$m
1	RWA as at 31 March 2018	848,876
2	Asset size	(5,891)
3	Asset quality	(8,011)
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(3,744)
8	Other	-
9	RWA as at 30 June 2018	831,230

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

There were no specialised lending under supervisory slotting criteria approach and the Group did not use simple risk-weight method to measure equities exposures as at 30 June 2018.

7. Counterparty credit risk

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

		At 30 June 2018					
		(a)	(b)	(c)	(d)	(e)	(f)
		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	15,687	19,472		-	34,891	12,312
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					-	-
4	Comprehensive Approach (for SFTs)					16,317	130
5	VaR (for SFTs)					-	-
6	Total						12,442

Compared with 31 December 2017, the 33% increase in CEM's RWA and 63% decrease in SFTs' RWA were mainly driven by change in outstanding transactions.

CCR2: CVA capital charge

		At 30 June 2018	
		(a)	(b)
		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	35,011	7,171
4	Total	35,011	7,171

7. Counterparty credit risk (continued)

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

		At 30 June 2018										
		(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)	(i)
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
	Risk Weight Exposure class											
1	Sovereign exposures	80	-	-	-	-	-	-	-	-	-	80
2	PSE exposures	-	-	2	-	-	-	-	-	-	-	2
2a	Of which: domestic PSEs	-	-	2	-	-	-	-	-	-	-	2
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	2	-	-	-	-	-	-	-	-	-	2
4	Bank exposures	3	-	30	-	13	-	-	-	-	-	46
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	48	-	-	-	-	-	201	-	-	-	249
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	641	-	-	-	-	430	-	-	-	-	1,071
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	4,349	-	-	-	-	-	997	-	-	-	5,346
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	Total	5,123	-	32	-	13	430	1,198	-	-	-	6,796

7. Counterparty credit risk (continued)

CCR4: Counterparty default risk exposures (other than those to CCPs) by portfolio and

PD range – for IRB approach

FIRB approach

	PD scale	At 30 June 2018						
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		EAD post-CRM	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	36,044	0.06	130	25	1.68	6,099	17
	0.15 to < 0.25	1,502	0.22	13	40	2.40	765	51
	0.25 to < 0.50	995	0.39	13	45	2.50	809	81
	0.50 to < 0.75	288	0.51	4	45	2.50	222	77
	0.75 to < 2.50	222	1.16	3	45	2.50	218	98
	2.50 to < 10.00	-	5.12	3	45	2.50	1	149
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	39,051	0.09	166	26	1.74	8,114	21
Portfolio (iii) – Corporate	0.00 to < 0.15	3,151	0.11	18	28	1.72	710	23
	0.15 to < 0.25	29	0.22	12	45	2.50	13	46
	0.25 to < 0.50	89	0.39	17	45	2.50	56	62
	0.50 to < 0.75	213	0.56	26	45	2.50	150	70
	0.75 to < 2.50	1,290	1.18	50	39	2.20	1,110	86
	2.50 to < 10.00	585	3.04	31	45	2.50	749	128
	10.00 to < 100.00	4	10.54	1	45	2.50	7	197
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	5,361	0.72	155	34	1.97	2,795	52
Portfolio (iv) – 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)		44,412	0.16	321	27	1.77	10,909	25

7. Counterparty credit risk (continued)

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

	At 30 June 2018					
	(a)	(b)	(c)	(d)	(e)	(f)
	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Cash	-	14,110	-	1,618	4,246	11,950
Debt securities	-	-	-	-	9,224	4,299
Equity securities	-	-	-	-	3,101	-
Total	-	14,110	-	1,618	16,571	16,249

CCR6: Credit-related derivatives contracts

	At 30 June 2018	
	(a)	(b)
	Protection bought	Protection sold
	HK\$m	HK\$m
Notional amounts		
Index credit default swaps	392	-
Total notional amounts	392	-
Fair values		
Positive fair value (asset)	-	-
Negative fair value (liability)	(2)	-

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 2018.

7. Counterparty credit risk (continued)

CCR8: Exposures to CCPs

		At 30 June 2018	
		(a)	(b)
		Exposure after CRM	RWA
		HK\$m	HK\$m
1	Exposures of the AI as clearing member or client to qualifying CCPs (total)		324
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 8), of which:	6,201	295
3	(i) OTC derivative transactions	5,384	279
4	(ii) Exchange-traded derivative contracts	817	16
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets subject to valid cross-product netting agreements	-	-
7	Initial margin	1,166	23
8	Default fund contributions	141	6
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	-	-

8. Securitization exposures

SEC1: Securitization exposures in banking book

There were no securitisation exposures in the banking book as at 30 June 2018.

SEC2: Securitization exposures in trading book

There were no securitisation exposures in the trading book as at 30 June 2018.

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

There were no securitisation exposures in the banking book and the associated capital requirements where the Group acts as an originator as at 30 June 2018.

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

There were no securitisation exposures in the banking book and the associated capital requirements where the Group acts as an investor as at 30 June 2018.

9. Market risk

MR1: Market risk under STM approach

		At 30 June 2018
		(a)
		RWA
		HK\$m
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	1,946
2	Equity exposures (general and specific risk)	682
3	Foreign exchange (including gold) exposures	-
4	Commodity exposures	236
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	27
7	Other approach	-
8	Securitization exposures	-
9	Total	2,891

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

		(a)	(b)	(c)	(d)	(e)	(f)
		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 2018	3,535	9,499	-	-	-	13,034
1a	<i>Regulatory adjustment</i>	(2,044)	(6,176)	-	-	-	(8,220)
1b	RWA as at day-end of 31 March 2018	1,491	3,323	-	-	-	4,814
2	Movement in risk levels*	(427)	(596)	-	-	-	(1,023)
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 2018	1,064	2,727	-	-	-	3,791
7b	<i>Regulatory adjustment</i>	2,390	5,597	-	-	-	7,987
8	RWA as at 30 June 2018	3,454	8,324	-	-	-	11,778

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

9. Market risk (continued)

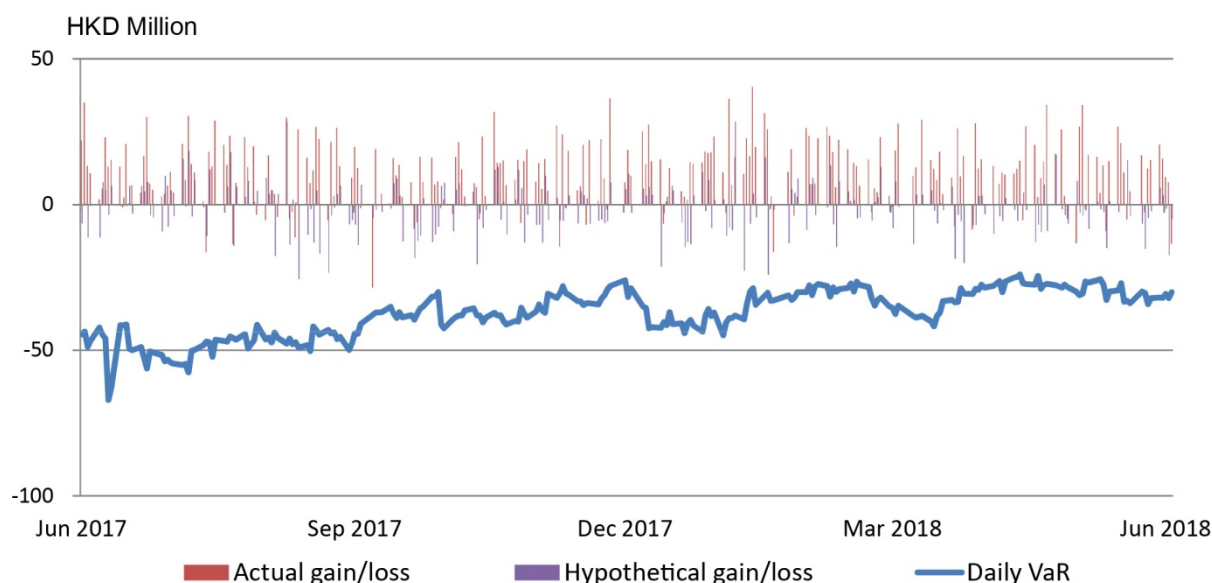
MR3: IMM approach values for market risk exposures

		(a)
		HK\$m
VaR (10 days – one-tailed 99% confidence interval)		
1	Maximum Value	123
2	Average Value	93
3	Minimum Value	69
4	Period End	85
Stressed VaR (10 days – one-tailed 99% confidence interval)		
5	Maximum Value	313
6	Average Value	237
7	Minimum Value	184
8	Period End	218
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	-

* The above values cover the period between January 2018 and June 2018.

9. Market risk (continued)

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 for determining market risk capital requirements are calculated at a 99% confidence level for 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 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.

There were no back-testing exceptions against both actual and hypothetical P&Ls over the recent 250 business days.