

Regulatory Disclosures

30 June 2019



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1. Key prudential ratios and overview of RWA

KM1: Key prudential ratios

		(a)	(b)	(c)	(d)	(e)
		At 30 June 2019	At 31 March 2019	At 31 December 2018	At 30 September 2018	At 30 June 2018
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
	Regulatory capital					
1	Common Equity Tier 1 (CET1)	193,987	185,025	180,202	178,953	176,702
2	Tier 1	217,450	208,502	203,678	202,430	176,702
3	Total capital	250,015	240,595	238,071	236,646	213,839
	RWA					
4	Total RWA	1,086,888	1,070,971	1,030,815	1,032,355	1,063,065
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	17.85%	17.28%	17.48%	17.33%	16.62%
6	Tier 1 ratio (%)	20.01%	19.47%	19.76%	19.61%	16.62%
7	Total capital ratio (%)	23.00%	22.47%	23.10%	22.92%	20.12%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.500%	2.500%	1.875%	1.875%	1.875%
9	Countercyclical capital buffer requirement (%)	1.907%	1.912%	1.418%	1.394%	1.403%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	1.500%	1.500%	1.125%	1.125%	1.125%
11	Total AI-specific CET1 buffer requirements (%)	5.907%	5.912%	4.418%	4.394%	4.403%
12	CET1 available after meeting the AI's minimum capital requirements (%)	13.35%	12.78%	12.98%	12.83%	10.62%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	2,756,823	2,691,882	2,733,653	2,631,057	2,558,199
14	LR (%)	7.89%	7.75%	7.45%	7.69%	6.91%
	Liquidity Coverage Ratio (LCR)/Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	652,196	588,804	492,674	555,702	551,312
16	Total net cash outflows	431,814	343,513	314,666	405,974	394,615
17	LCR (%)	151.47%	178.67%	159.05%	137.27%	142.58%
	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	1,604,533	1,591,465	1,541,356	1,522,120	1,484,704
19	Total required stable funding	1,358,331	1,325,423	1,239,852	1,251,246	1,263,811
20	NSFR (%)	118.13%	120.07%	124.32%	121.65%	117.48%
	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 2019	At 31 March 2019	At 30 June 2019
		HK\$m	HK\$m	HK\$m
1	Credit risk for non-securitization exposures	937,631	919,254	79,098
2	Of which STC approach	86,034	85,772	6,883
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	851,228	833,481	72,184
4	Of which supervisory slotting criteria approach	369	1	31
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	10,986	11,226	924
7	Of which SA-CCR	Not applicable	Not applicable	Not applicable
7a	Of which CEM	10,506	10,961	885
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	480	265	39
10	CVA risk	6,604	6,682	528
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	98	-	8
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	14,150	17,500	1,132
21	Of which STM approach	3,706	5,034	296
22	Of which IMM approach	10,444	12,466	836
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	90,135	89,437	7,211
24a	Sovereign concentration risk	Not applicable	Not applicable	Not applicable
25	Amounts below the thresholds for deduction (subject to 250% RW)	4,981	4,770	399
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	29,368	28,508	2,349
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	309	299	24
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	29,059	28,209	2,325
27	Total	1,035,217	1,020,361	86,951

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 2019	
		(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	(10)
2	Retained earnings	165,024	(11)
3	Disclosed reserves	49,533	(13)+(14)+(15)+(16)+(17)
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	CET1 capital before regulatory deductions	257,600	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	46	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)	63	(6)
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	(214)	(2)+(7)+(9)
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	6	(3)
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	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	63,712	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	52,835	(12)+(13)
26b	Regulatory reserve for general banking risks	10,877	(16)
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 2019	
		(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	63,613	
29	CET1 capital	193,987	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	23,476	
31	of which: classified as equity under applicable accounting standards	23,476	(18)
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	23,476	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	13	(4)
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	Total regulatory deductions to AT1 capital	13	
44	AT1 capital	23,463	
45	Tier 1 capital (T1 = CET1 + AT1)	217,450	
	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>	2,505	(8)
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	6,629	Not applicable
51	Tier 2 capital before regulatory deductions	9,134	
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	

2. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

		At 30 June 2019	
		(a)	(b)
		HK\$m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	345	(1)+(5)
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	-	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments applied to Tier 2 capital	(23,776)	
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	(23,776)	[(12)+(13)]*45%
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	-	
57	Total regulatory adjustments to Tier 2 capital	(23,431)	
58	Tier 2 capital (T2)	32,565	
59	Total regulatory capital (TC = T1 + T2)	250,015	
60	Total RWA	1,086,888	
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	17.85%	
62	Tier 1 capital ratio	20.01%	
63	Total capital ratio	23.00%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	5.907%	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: bank specific countercyclical capital buffer requirement	1.907%	
67	of which: higher loss absorbency requirement	1.500%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	13.35%	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	19,399	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	1,993	
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 2019	
		(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	1,152	
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)	10,188	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	5,477	
	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	7,813	
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)	-	-
	Explanation As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
10	Deferred tax assets (net of associated deferred tax liabilities)	63	-
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be 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 LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	6	-
	Explanation For the purpose of determining the total amount of insignificant LAC 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 LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
	Explanation For the purpose of determining the total amount of significant LAC 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 LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	13	-
	<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 LAC 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 LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	345	-
	<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 LAC investments in Tier 2 capital instruments and non-capital LAC liabilities 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 and 5% 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 2019 HK\$m	Under regulatory scope of consolidation as at 30 June 2019 HK\$m	Reference
ASSETS			
Cash and balances and placements with banks and other financial institutions	384,539	383,942	
Financial assets at fair value through profit or loss	44,048	43,823	
- of which: insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities (amount above 10% threshold and, where applicable, 5% threshold)		14	(1)
Derivative financial instruments	28,954	28,954	
- of which: debit valuation adjustments in respect of derivative contracts		24	(2)
Hong Kong SAR Government certificates of indebtedness	163,860	163,860	
Advances and other accounts	1,369,572	1,369,568	
Investment in securities	737,196	737,189	
- of which: insignificant LAC investments in CET1 capital instruments issued by financial sector entities (amount above 10% threshold)		6	(3)
- of which: insignificant LAC investments in AT1 capital instruments issued by financial sector entities (amount above 10% threshold)		13	(4)
- of which: insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities (amount above 10% threshold and, where applicable, 5% threshold)		331	(5)
Interests in subsidiaries	-	803	
Interests in associates and joint ventures	535	535	
Investment properties	20,943	20,899	
Properties, plant and equipment	51,349	50,791	
Current tax assets	43	43	
Deferred tax assets	63	63	(6)
Other assets	44,579	44,456	
Total assets	2,845,681	2,844,926	
LIABILITIES			
Hong Kong SAR currency notes in circulation	163,860	163,860	
Deposits and balances from banks and other financial institutions	242,962	242,962	
Financial liabilities at fair value through profit or loss	19,075	19,075	
Derivative financial instruments	33,239	33,239	
- of which: debit valuation adjustments in respect of derivative contracts		(18)	(7)
Deposits from customers	2,025,695	2,026,225	
Debt securities and certificates of deposit in issue	792	792	
Other accounts and provisions	53,382	53,129	
Current tax liabilities	5,354	5,316	
Deferred tax liabilities	6,240	6,084	
Subordinated liabilities	13,168	13,168	
- of which: eligible for inclusion in regulatory capital subject to phase out arrangements		2,505	(8)
- of which: gains and losses due to changes in own credit risk on fair valued liabilities		256	(9)
Total liabilities	2,563,767	2,563,850	

2. Composition of regulatory capital (continued)

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

	(a)	(b)	(c)
	Balance sheet as in published financial statements as at 30 June 2019 HK\$m	Under regulatory scope of consolidation as at 30 June 2019 HK\$m	Reference
EQUITY			
Share capital	43,043	43,043	(10)
Reserves	215,137	214,557	
- Retained earnings	164,598	165,024	(11)
- of which: cumulative fair value gains arising from the revaluation of investment properties		14,334	(12)
- Premises revaluation reserve	39,508	38,501	(13)
- Reserve for fair value changes	871	873	(14)
- Reserve for own credit risk	(36)	(36)	(15)
- Regulatory reserve	10,877	10,877	(16)
- Translation reserve	(681)	(682)	(17)
Capital and reserves attributable to equity holders of the Bank	258,180	257,600	
Other equity instruments of the Bank	23,476	23,476	(18)
Non-controlling interests	258	-	
Total equity	281,914	281,076	
Total liabilities and equity	2,845,681	2,844,926	

2. Composition of regulatory capital (continued)

CCA: Main features of regulatory capital instruments

Main features of regulatory capital instruments		(a)		
		CET1 Capital Ordinary shares	Additional Tier 1 Capital Subordinated capital securities	Tier 2 Capital Subordinated notes
1	Issuer	Bank of China (Hong Kong) Limited	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 - 06428JAA7 ISIN - US06428JAA79 Regulation S: CUSIP - 06428YAA4 ISIN - US06428YAA47	Rule 144A: CUSIP - 061199AA3 ISIN - US061199AA35 Regulation S: CUSIP - Y1391CAJ0 ISIN - USY1391CAJ00
3	Governing law(s) of the instrument	Hong Kong law	English law, except that the provisions of the Capital Securities relating to subordination shall be governed by 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	Not applicable	Tier 2
5	Post-transitional Basel III rules ²	Common Equity Tier 1	Additional Tier 1	Ineligible
6	Eligible at solo*/group/solo and group	Solo and Group	Solo and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Perpetual debt instruments	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 2019)	HK\$23,476m (as of 30 June 2019)	HK\$2,505m (as of 30 June 2019)
9	Par value of instrument	No par value (refer to Note 1 for details)	USD3,000m	USD1,623m
10	Accounting classification	Shareholders' equity	Shareholders' equity	Liability - fair value option
11	Original date of issuance	1 October 2001 (refer to Note 2 for details)	14 September 2018	11 February 2010
12	Perpetual or dated	Perpetual	Perpetual	Dated
13	Original maturity date	No maturity date	No maturity date	11 February 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	Yes
15	Optional call date, contingent call dates and redemption amount	Not applicable	First call date: 14 September 2023 The issuer may redeem all but not some only of the Capital Securities then outstanding Also early redemption for tax reasons; tax deduction reasons; capital event; at the option of the issuer etc (please refer to "Terms & Conditions of the Capital Securities" at p.100 of the Supplemental Offering Circular dated 11 September 2018 for further details on call dates and redemption amounts)	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	Any distribution payment date after the first call date	Ditto

2. Composition of regulatory capital (continued)

CCA: Main features of regulatory capital instruments (continued)

		(a)		
		CET1 Capital Ordinary shares	Additional Tier 1 Capital Subordinated capital securities	Tier 2 Capital Subordinated notes
Main features of regulatory capital instruments				
	<i>Coupons/dividends</i>			
17	Fixed or floating dividend/coupon	Floating	Fixed	Fixed
18	Coupon rate and any related index	Not applicable	Years 1-5: 5.90% per annum payable semi-annually in arrear; Year 5 onwards: resettable on year 5 and every 5 years thereafter at the then prevailing 5-year US Treasury rate plus 3.036% p.a.	5.55%
19	Existence of a dividend stopper	No	Yes	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Mandatory
21	Existence of step-up or other incentive to redeem	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible (refer to Note 3 for details)	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable
30	Write-down feature	No	Yes	No
31	If write-down, write-down trigger(s)	Not applicable	Upon the occurrence of a Non-Viability Event	Not applicable
32	If write-down, full or partial	Not applicable	Full or Partial	Not applicable
33	If write-down, permanent or temporary	Not applicable	Permanent	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable
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 capital securities mentioned in the second and third columns of this main features table	(i) Subordinate to (a) all unsubordinated creditors of the issuer (including its depositors), (b) creditors in respect of Tier 2 Capital Securities, and (c) all other subordinated creditors whose claims are stated to rank senior to the Capital Securities; (ii) Pari passu to parity obligations; and (iii) Senior to junior obligations (Please refer to Condition 3(B) of the "Terms & Conditions of the Capital Securities")	Upon the occurrence of a Subordination Event (refer to Note 4 for details), subordinated to the claims of depositors and all other unsubordinated creditors of the issuer
36	Non-compliant transitioned features	No	No	Yes

2. Composition of regulatory capital (continued)

CCA: Main features of regulatory capital instruments (continued)

		(a)		
		CET1 Capital Ordinary shares	Additional Tier 1 Capital Subordinated capital securities	Tier 2 Capital Subordinated notes
Main features of regulatory capital instruments				
37	If yes, specify non-compliant features	Not applicable	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 regulatory capital instruments		Click here to download	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 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 September 2001.
- On 30 September 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 October 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:

Contractually, the Additional Tier 1 capital securities are non-convertible.

Note 4:

"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 2019			
	Geographical breakdown by Jurisdiction (J)	(a)	(c)	(d)	(e)
		Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
		%	HK\$m	%	HK\$m
1	Hong Kong SAR	2.500%	576,793		
2	United Kingdom	1.000%	3,855		
	Sum		580,648		
	Total		758,108	1.907%	20,727

4. Leverage ratio

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

		At 30 June 2019
	Item	(a)
		Value under the LR framework
		HK\$m
1	Total consolidated assets as per published financial statements	2,845,681
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(755)
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	(2,605)
5	Adjustment for SFTs (i.e. repos and similar secured lending)	169
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	142,518
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(460)
7	Other adjustments	(227,725)
	<i>of which: Hong Kong SAR Government certificates of indebtedness</i>	<i>(163,860)</i>
8	Leverage ratio exposure measure	2,756,823

4. Leverage ratio (continued)

LR2: Leverage ratio

		At 30 June 2019	At 31 March 2019
		(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)	2,594,650	2,545,665
2	Less: Asset amounts deducted in determining Tier 1 capital	(63,865)	(61,847)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	2,530,785	2,483,818
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)	10,701	12,963
5	Add-on amounts for PFE associated with all derivative contracts	20,988	19,500
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	(5,340)	(2,022)
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	26,349	30,441
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	63,724	47,100
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	169	155
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	63,893	47,255
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	633,318	624,329
18	Less: Adjustments for conversion to credit equivalent amounts	(490,800)	(487,685)
19	Off-balance sheet items	142,518	136,644
Capital and total exposures			
20	Tier 1 capital	217,450	208,502
20a	Total exposures before adjustments for specific and collective provisions	2,763,545	2,698,158
20b	Adjustments for specific and collective provisions	(6,722)	(6,276)
21	Total exposures after adjustments for specific and collective provisions	2,756,823	2,691,882
Leverage ratio			
22	Leverage ratio	7.89%	7.75%

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: (71)		For the quarter ended 30 June 2019	
		(a)	(b)
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)
		HK\$m	HK\$m
A. HQLA			
1	Total HQLA		652,196
B. Cash Outflows			
2	Retail deposits and small business funding, of which:	1,017,345	64,226
3	<i>Stable retail deposits and stable small business funding</i>	355,987	10,679
4	<i>Less stable retail deposits and less stable small business funding</i>	403,525	40,353
4a	<i>Retail term deposits and small business term funding</i>	257,833	13,194
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	977,991	442,280
6	<i>Operational deposits</i>	324,263	79,789
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	653,168	361,931
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	560	560
9	Secured funding transactions (including securities swap transactions)		284
10	Additional requirements, of which:	381,813	61,333
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	27,969	27,969
12	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	-	-
13	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	353,844	33,364
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	42,962	42,962
15	Other contingent funding obligations (whether contractual or non-contractual)	300,380	5,574
16	Total Cash Outflows		616,659
C. Cash Inflows			
17	Secured lending transactions (including securities swap transactions)	6,855	5,736
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	200,127	127,036
19	Other cash inflows	57,995	52,073
20	Total Cash Inflows	264,977	184,845
D. Liquidity Coverage Ratio		Adjusted value	
21	Total HQLA		652,196
22	Total Net Cash Outflows		431,814
23	LCR (%)		151.47%

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 2019 were 178.67% and 151.47% 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 2019 (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:	286,132	-	13,168	-	292,716
2	Regulatory capital	286,132	-	-	-	286,132
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	13,168	-	6,584
4	Retail deposits and small business funding:	-	982,705	43,289	393	944,433
5	Stable deposits		403,936	8,981	89	392,360
6	Less stable deposits		578,769	34,308	304	552,073
7	Wholesale funding:	-	1,223,612	20,188	3,652	356,492
8	Operational deposits		325,538	-	-	162,769
9	Other wholesale funding	-	898,074	20,188	3,652	193,723
10	Liabilities with matching interdependent assets	163,860	-	-	-	-
11	Other liabilities:	59,838	42,953	2,687	9,549	10,892
12	Net derivative liabilities	-				
13	All other funding and liabilities not included in the above categories	59,838	42,953	2,687	9,549	10,892
14	Total ASF					1,604,533
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes		765,066			80,405
16	Deposits held at other financial institutions for operational purposes	-	3,230	-	-	1,615
17	Performing loans and securities:	21,953	482,517	212,188	1,050,356	1,140,418
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	21	196,657	41,807	31,650	82,073
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:	21,143	246,401	116,365	656,519	754,996
21	With a risk-weight of less than or equal to 35% under the STC approach	5	5,865	181	5,338	5,163
22	Performing residential mortgages, of which:	-	8,124	6,384	260,209	176,508
23	With a risk-weight of less than or equal to 35% under the STC approach	-	8,124	6,384	259,617	176,005
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	789	31,335	47,632	101,978	126,841
25	Assets with matching interdependent liabilities	163,860	-	-	-	-
26	Other assets:	125,953	51,771	793	815	118,076
27	Physical traded commodities, including gold	3,967				3,372
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	3,885				3,302
29	Net derivative assets	4,101				4,101
30	Total derivative liabilities before deduction of variation margin posted	29,985				-
31	All other assets not included in the above categories	84,015	51,771	793	815	107,301
32	Off-balance sheet items		638,744			17,817
33	Total RSF					1,358,331
34	Net Stable Funding Ratio (%)					118.13%

5. Liquidity (continued)

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

For the quarter ended 31 March 2019 (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:	275,248	-	13,111	-	281,804
2	<i>Regulatory capital</i>	275,248	-	-	-	275,248
2a	<i>Minority interests not covered by row 2</i>	-	-	-	-	-
3	<i>Other capital instruments</i>	-	-	13,111	-	6,556
4	Retail deposits and small business funding:	-	982,185	38,731	1,520	940,475
5	<i>Stable deposits</i>		394,747	7,875	416	382,907
6	<i>Less stable deposits</i>		587,438	30,856	1,104	557,568
7	Wholesale funding:	-	1,180,750	23,522	2,696	358,353
8	<i>Operational deposits</i>		322,588	-	-	161,294
9	<i>Other wholesale funding</i>	-	858,162	23,522	2,696	197,059
10	Liabilities with matching interdependent assets	152,420	-	-	-	-
11	Other liabilities:	56,316	39,277	2,247	9,710	10,833
12	<i>Net derivative liabilities</i>	-				
13	<i>All other funding and liabilities not included in the above categories</i>	56,316	39,277	2,247	9,710	10,833
14	Total ASF					1,591,465
B. Required stable funding (“RSF”) item						
15	Total HQLA for NSFR purposes		746,598			79,237
16	Deposits held at other financial institutions for operational purposes	-	891	-	-	445
17	Performing loans and securities:	20,837	470,161	206,815	1,034,007	1,119,870
18	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	-	-	-	-	-
19	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	52	195,012	49,781	31,074	85,268
20	<i>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:</i>	20,493	241,277	103,236	654,624	743,957
21	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	7	5,072	180	4,754	4,524
22	<i>Performing residential mortgages, of which:</i>	-	7,787	6,305	248,079	168,407
23	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	-	7,787	6,304	247,529	167,939
24	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	292	26,085	47,493	100,230	122,238
25	Assets with matching interdependent liabilities	152,420	-	-	-	-
26	Other assets:	119,003	53,090	891	825	108,624
27	<i>Physical traded commodities, including gold</i>	4,262				3,623
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	3,664				3,114
29	<i>Net derivative assets</i>	3,085				3,085
30	<i>Total derivative liabilities before deduction of variation margin posted</i>	27,184				-
31	<i>All other assets not included in the above categories</i>	80,808	53,090	891	825	98,802
32	Off-balance sheet items		629,821			17,247
33	Total RSF					1,325,423
34	Net Stable Funding Ratio (%)					120.07%

6. Credit risk for non-securitization exposures

CR1: Credit quality of exposures

		At 30 June 2019										
		(a)	(b)	(c)	(d)	(e)	(f)	(g)				
		Gross carrying amounts of		Allowances/ impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a+b-c)				
					Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions						
		Defaulted exposures	Non-defaulted exposures		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	Loans	2,538	1,741,085	(6,049)	(580)	(768)	(4,701)	1,737,574				
2	Debt securities	-	739,291	(13)	-	(9)	(4)	739,278				
3	Off-balance sheet exposures	60	633,258	(461)	(24)	(80)	(357)	632,857				
4	Total	2,598	3,113,634	(6,523)	(604)	(857)	(5,062)	3,109,709				

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 2018	2,332
2	Loans and debt securities that have defaulted since the last reporting period	995
3	Returned to non-defaulted status	(565)
4	Amounts written off	(206)
5	Other changes	(18)
6	Defaulted loans and debt securities at 30 June 2019	2,538

The increase in defaulted loans and debt securities amount was due to default of a few corporate loans.

CR3: Overview of recognized credit risk mitigation

		At 30 June 2019				
		(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	1,276,634	460,940	78,965	381,975	-
2	Debt securities	696,187	43,091	-	43,091	-
3	Total	1,972,821	504,031	78,965	425,066	-
4	Of which defaulted	740	206	206	-	-

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 2019					
		(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	489,996	1,026	489,996	205	7,556	2
2	PSE exposures	43,665	970	45,093	2,685	2,170	5
2a	Of which: domestic PSEs	3,451	970	4,879	2,685	1,513	20
2b	Of which: foreign PSEs	40,214	-	40,214	-	657	2
3	Multilateral development bank exposures	44,312	-	44,312	-	-	-
4	Bank exposures	4,347	2,742	6,382	663	2,318	33
5	Securities firm exposures	1	7	1	-	1	50
6	Corporate exposures	58,513	30,941	53,015	7,234	56,786	94
7	CIS exposures	-	-	-	-	-	-
8	Cash items	534	-	534	-	-	-
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	10,422	21,071	9,832	645	7,858	75
11	Residential mortgage loans	2,840	4,405	1,410	-	734	52
12	Other exposures which are not past due exposures	19,923	15,706	8,169	96	8,265	100
13	Past due exposures	232	-	232	-	346	149
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	Total	674,785	76,868	658,976	11,528	86,034	13

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

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

<div style="text-align: center;"> <div style="transform: rotate(-45deg); display: inline-block;">Risk Weight</div> <div style="display: inline-block;">Exposure class</div> </div>		At 30 June 2019										Total credit risk exposures amount (post CCF and post CRM)
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
		HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	
1	Sovereign exposures	478,311	-	907	-	7,216	-	3,767	-	-	-	490,201
2	PSE exposures	36,930	-	10,848	-	-	-	-	-	-	-	47,778
2a	Of which: domestic PSEs	-	-	7,564	-	-	-	-	-	-	-	7,564
2b	Of which: foreign PSEs	36,930	-	3,284	-	-	-	-	-	-	-	40,214
3	Multilateral development bank exposures	44,312	-	-	-	-	-	-	-	-	-	44,312
4	Bank exposures	-	-	4,143	-	2,825	-	77	-	-	-	7,045
5	Securities firm exposures	-	-	-	-	1	-	-	-	-	-	1
6	Corporate exposures	-	-	73	-	6,808	-	53,368	-	-	-	60,249
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	534	-	-	-	-	-	-	-	-	-	534
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	-	-	-	-	-	10,477	-	-	-	-	10,477
11	Residential mortgage loans	-	-	-	814	-	586	10	-	-	-	1,410
12	Other exposures which are not past due exposures	-	-	-	-	-	-	8,265	-	-	-	8,265
13	Past due exposures	-	-	-	-	-	-	5	227	-	-	232
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	560,087	-	15,971	814	16,850	11,063	65,492	227	-	-	670,504

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

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

(a) FIRB approach

	PD scale	At 30 June 2019											
		(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
		%	HK\$m	HK\$m	%	HK\$m	%		%	Year	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	393,948	23,671	43	413,842	0.07	311	45	2.50	126,575	31	121	
	0.15 to < 0.25	12,226	1,105	12	12,943	0.22	32	44	2.50	7,804	60	13	
	0.25 to < 0.50	11,538	3,113	3	12,278	0.39	53	45	2.50	8,774	71	21	
	0.50 to < 0.75	2,404	5,571	-	2,373	0.62	21	33	2.50	1,500	63	5	
	0.75 to < 2.50	367	1,993	-	369	1.42	19	14	2.50	124	34	1	
	2.50 to < 10.00	28	10	-	23	8.01	1	45	2.50	48	209	1	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	420,511	35,463	30	441,828	0.08	437	45	2.50	144,825	33	162	2,551
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)

	PD scale	At 30 June 2019											
		(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
		%	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	10,967	2,421	57	13,384	0.08	158	44	2.50	3,013	23	4	
	0.15 to < 0.25	3,074	1,698	20	6,130	0.22	163	43	2.50	2,249	37	6	
	0.25 to < 0.50	8,205	4,593	13	13,520	0.39	329	42	2.50	6,311	47	22	
	0.50 to < 0.75	12,875	6,890	13	14,545	0.58	408	42	2.50	8,208	56	36	
	0.75 to < 2.50	30,453	14,907	12	27,119	1.32	829	41	2.50	19,880	73	145	
	2.50 to < 10.00	9,200	2,822	2	5,545	4.08	352	37	2.50	5,069	91	83	
	10.00 to < 100.00	446	73	2	220	14.29	21	38	2.50	331	151	12	
	100.00 (Default)	251	-	-	251	100.00	4	41	2.50	1,155	461	14	
	Sub-total	75,471	33,404	16	80,714	1.27	2,264	42	2.50	46,216	57	322	792
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	390,576	97,443	42	591,315	0.10	675	45	2.50	173,536	29	254	
	0.15 to < 0.25	42,447	15,076	38	113,557	0.22	221	41	2.50	49,477	44	103	
	0.25 to < 0.50	64,280	24,534	49	111,419	0.39	302	44	2.50	68,754	62	193	
	0.50 to < 0.75	218,945	76,875	29	113,002	0.59	500	44	2.50	82,365	73	292	
	0.75 to < 2.50	184,637	108,075	15	101,176	1.34	843	42	2.50	97,064	96	573	
	2.50 to < 10.00	59,782	33,781	3	31,024	3.50	301	29	2.50	28,342	91	352	
	10.00 to < 100.00	2,015	1,690	7	580	10.71	32	29	2.50	744	128	18	
	100.00 (Default)	1,564	1	-	1,564	100.00	18	45	2.50	1,023	65	1,127	
	Sub-total	964,246	357,475	30	1,063,637	0.56	2,892	44	2.50	501,305	47	2,912	9,596

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)

	PD scale	At 30 June 2019											
		(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
		% 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)

	PD scale	At 30 June 2019											
		(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
		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)		1,460,228	426,342	29	1,586,179	0.47	5,593	44	2.50	692,346	44	3,396	12,939

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

	PD scale	At 30 June 2019											
		(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
		%	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)

	PD scale	At 30 June 2019											
		(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
		%	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)

	PD scale	At 30 June 2019											
		(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
		%	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	6,103	58,475	-	37,441	0.10	755,587	90		2,111	6	35	
	0.15 to < 0.25	2,616	26,091	-	22,889	0.23	648,608	91		2,456	11	47	
	0.25 to < 0.50	742	18,697	-	14,910	0.34	472,616	89		2,178	15	45	
	0.50 to < 0.75	1,011	3,395	-	3,573	0.57	88,195	92		813	23	19	
	0.75 to < 2.50	964	3,196	-	3,913	1.12	124,773	92		1,486	38	41	
	2.50 to < 10.00	1,498	1,316	-	2,445	5.49	42,123	94		2,930	120	126	
	10.00 to < 100.00	574	149	-	717	17.19	12,400	95		1,568	219	116	
	100.00 (Default)	45	55	-	88	100.00	1,651	88		579	656	32	
	Sub-total	13,553	111,374	-	85,976	0.64	2,145,953	90		14,121	16	461	267
Portfolio (ix) – Retail – Residential mortgage exposures (including both to individuals and to property-holding shell companies)	0.00 to < 0.15	155,205	-	100	155,206	0.10	82,144	11		28,849	19	18	
	0.15 to < 0.25	54,821	-	-	54,821	0.22	16,682	11		10,309	19	14	
	0.25 to < 0.50	33,036	-	-	33,036	0.39	10,727	12		7,179	22	15	
	0.50 to < 0.75	27,716	-	-	27,716	0.55	9,584	13		6,140	22	19	
	0.75 to < 2.50	2,347	-	-	2,347	1.16	1,341	13		567	24	3	
	2.50 to < 10.00	1,005	-	-	1,005	4.77	587	12		367	37	6	
	10.00 to < 100.00	516	-	-	516	21.46	318	13		355	69	14	
	100.00 (Default)	65	-	-	65	100.00	80	10		82	127	1	
	Sub-total	274,711	-	100	274,712	0.30	121,463	11		53,848	20	90	906

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)

	PD scale	At 30 June 2019											
		(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
		%	HK\$m	%	HK\$m	%		%	Year	HK\$m	%	HK\$m	HK\$m
Portfolio (x) – Retail – small business retail exposures	0.00 to < 0.15	1,064	1,907	35	1,730	0.09	1,533	13		50	3	-	
	0.15 to < 0.25	433	286	37	538	0.22	343	12		29	5	-	
	0.25 to < 0.50	560	296	41	681	0.39	413	13		56	8	-	
	0.50 to < 0.75	616	387	39	767	0.59	468	14		85	11	1	
	0.75 to < 2.50	777	294	36	882	1.23	639	19		187	21	2	
	2.50 to < 10.00	194	70	39	221	3.98	399	23		73	33	2	
	10.00 to < 100.00	14	1	72	15	22.39	58	19		6	37	1	
	100.00 (Default)	13	-	85	13	100.00	44	62		5	42	10	
	Sub-total	3,671	3,241	36	4,847	0.94	3,897	15		491	10	16	18
Portfolio (xi) – Other retail exposures to individuals	0.00 to < 0.15	2,161	3,542	1	5,423	0.06	2,775	18		183	3	1	
	0.15 to < 0.25	3,237	24	-	3,258	0.22	4,590	12		173	5	1	
	0.25 to < 0.50	26,711	19	-	26,724	0.35	14,702	12		1,866	7	11	
	0.50 to < 0.75	15,214	10	-	15,220	0.55	7,959	16		1,861	12	14	
	0.75 to < 2.50	11,046	11,164	-	12,126	1.09	60,191	22		2,920	24	35	
	2.50 to < 10.00	375	3	-	377	4.33	529	22		122	32	3	
	10.00 to < 100.00	187	1	-	188	18.85	6,700	36		159	84	20	
	100.00 (Default)	105	3	-	107	100.00	1,018	87		89	83	99	
	Sub-total	59,036	14,766	-	63,423	0.75	98,464	16		7,373	12	184	228
Total (sum of all portfolios)		350,971	129,381	1	428,958	0.44	2,369,777	28		75,833	18	751	1,419

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 2019	
		(a)	(b)
		Pre-credit derivatives RWA	Actual RWA
		HK\$m	HK\$m
1	Corporate – Specialized lending under supervisory slotting criteria approach (project finance)	369	369
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	46,216	46,216
7	Corporate – Other corporates	501,305	501,305
8	Sovereigns	-	-
9	Sovereign foreign public sector entities	-	-
10	Multilateral development banks	-	-
11	Bank exposures – Banks	144,349	144,349
12	Bank exposures – Securities firms	476	476
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	-	-
14	Retail – Small business retail exposures	491	491
15	Retail – Residential mortgages to individuals	53,114	53,114
16	Retail – Residential mortgages to property-holding shell companies	734	734
17	Retail – Qualifying revolving retail exposures (QRRE)	14,121	14,121
18	Retail – Other retail exposures to individuals	7,373	7,373
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	98	98
27	Other – Other items	83,049	83,049
28	Total (under the IRB calculation approaches)	851,695	851,695

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 2019	833,482
2	Asset size	28,264
3	Asset quality	(7,324)
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(2,825)
8	Other	-
9	RWA as at 30 June 2019	851,597

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

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

I. Specialized lending under supervisory slotting criteria approach – HVCRE

There were no specialised lending under supervisory slotting criteria approach – HVCRE as at 30 June 2019.

II. Specialized lending under supervisory slotting criteria approach – other than HVCRE

		At 30 June 2019									
		(a)	(b)	(c)	(d)(i)	(d)(ii)	(d)(iii)	(d)(iv)	(d)(v)	(e)	(f)
Supervisory Rating Grade	Remaining Maturity	On-balance sheet exposure amount	Off-balance sheet exposure amount	SRW	EAD amount					RWA	Expected loss amount
					PF	OF	CF	IPRE	Total		
		HK\$m	HK\$m		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Strong^	Less than 2.5 years	-	-	50%	-	-	-	-	-	-	-
Strong	Equal to or more than 2.5 years	-	-	70%	-	-	-	-	-	-	-
Good^	Less than 2.5 years	1,952	527	70%	528	-	-	-	528	369	2
Good	Equal to or more than 2.5 years	-	-	90%	-	-	-	-	-	-	-
Satisfactory		-	-	115%	-	-	-	-	-	-	-
Weak		-	-	250%	-	-	-	-	-	-	-
Default		-	-	0%	-	-	-	-	-	-	-
Total		1,952	527		528	-	-	-	528	369	2

[^] Use of preferential risk-weights.

Compared with 31 December 2018, there is a material change in RWA for project finance lending driven by the off-balance sheet exposures arising from the undrawn committed credit facility.

III. Equity exposures under simple risk-weight method

The Group did not use simple risk-weight method to measure equities exposures as at 30 June 2019.

7. Counterparty credit risk

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

		At 30 June 2019				
		(a)	(b)	(c)	(d)	(e)
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM
		HK\$m	HK\$m	HK\$m		HK\$m
						RWA
						HK\$m
1	SA-CCR (for derivative contracts)	-	-		1.4	-
1a	CEM	10,747	18,328		-	28,856
2	IMM(CCR) approach			-	-	-
3	Simple Approach (for SFTs)					-
4	Comprehensive Approach (for SFTs)					23,933
5	VaR (for SFTs)					-
6	Total					10,630

Compared with 31 December 2018, the 11% decrease in CEM's default risk exposure after CRM was mainly driven by change in outstanding transactions' market value and outstanding transaction volume. The 24% decrease in SFTs' default risk exposure after CRM was mainly driven by change in outstanding transaction volume.

CCR2: CVA capital charge

		At 30 June 2019	
		(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	28,932	6,604
4	Total	28,932	6,604

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

Risk Weight Exposure class		At 30 June 2019										
		(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
		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	327	-	2	-	16	-	21	-	-	-	366
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	2	-	-	-	-	-	-	-	-	-	2
4	Bank exposures	-	-	-	-	-	-	-	-	-	-	-
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	47	-	-	-	-	-	131	-	-	-	178
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	620	-	-	-	-	153	-	-	-	-	773
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	3,647	-	-	-	-	-	874	-	-	-	4,521
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	Total	4,643	-	2	-	16	153	1,026	-	-	-	5,840

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 2019						
		(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	40,018	0.06	143	19	1.37	5,225	13
	0.15 to < 0.25	336	0.22	14	44	2.50	194	58
	0.25 to < 0.50	1,352	0.39	20	45	2.50	1,084	80
	0.50 to < 0.75	972	0.52	6	9	0.89	165	17
	0.75 to < 2.50	74	1.20	7	45	2.50	75	100
	2.50 to < 10.00	-	3.51	1	45	2.50	-	134
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	42,752	0.08	191	20	1.40	6,743	16
Portfolio (iii) – Corporate	0.00 to < 0.15	1,956	0.10	26	41	2.45	630	32
	0.15 to < 0.25	8	0.22	5	45	2.50	4	44
	0.25 to < 0.50	78	0.39	21	45	2.50	47	61
	0.50 to < 0.75	299	0.61	28	45	2.50	219	73
	0.75 to < 2.50	1,273	1.31	60	35	1.96	1,022	80
	2.50 to < 10.00	565	3.93	36	45	2.50	781	138
	10.00 to < 100.00	18	10.54	1	45	2.50	35	197
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	4,197	1.07	177	40	2.31	2,738	65
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)		46,949	0.17	368	22	1.49	9,481	20

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 2019					
	(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	-	7,345	-	8,229	61,187	2,512
Debt securities	-	-	-	-	1,578	61,373
Equity securities	-	-	-	-	1,048	-
Total	-	7,345	-	8,229	63,813	63,885

Compared with 31 December 2018, the 29% decrease in unsegregated fair value of recognised collateral received under derivative contracts was mainly driven by change in outstanding transactions' market value and outstanding transaction volume. The 239% increase in unsegregated fair value of posted collateral under derivative contracts was mainly driven by change in outstanding transactions' market value.

CCR6: Credit-related derivatives contracts

	At 30 June 2019	
	(a)	(b)
	Protection bought	Protection sold
	HK\$m	HK\$m
Notional amounts		
Index credit default swaps	390	-
Total notional amounts	390	-
Fair values		
Positive fair value (asset)	-	-
Negative fair value (liability)	(7)	-

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 2019.

7. Counterparty credit risk (continued)

CCR8: Exposures to CCPs

		At 30 June 2019	
		(a)	(b)
		Exposure after CRM	RWA
		HK\$m	HK\$m
1	Exposures of the AI as clearing member or client to qualifying CCPs (total)		356
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	2,511	51
3	(i) OTC derivative transactions	2,061	42
4	(ii) Exchange-traded derivative contracts	450	9
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets subject to valid cross-product netting agreements	-	-
7	Segregated initial margin	-	-
8	Unsegregated initial margin	8,955	301
9	Funded default fund contributions	72	4
10	Unfunded default fund contributions	-	-
11	Exposures of the AI as clearing member or client to non-qualifying CCPs (total)		-
12	Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	-	-
13	(i) OTC derivative transactions	-	-
14	(ii) Exchange-traded derivative contracts	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets subject to valid cross-product netting agreements	-	-
17	Segregated initial margin	-	-
18	Unsegregated initial margin	-	-
19	Funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Compared with 31 December 2018, the 48% increase in qualifying CCPs RWA was mainly driven by change in outstanding transaction volume.

8. Securitization exposures

SEC1: Securitization exposures in banking book

There were no securitisation exposures in the banking book as at 30 June 2019.

SEC2: Securitization exposures in trading book

There were no securitisation exposures in the trading book as at 30 June 2019.

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 2019.

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 2019.

9. Market risk

MR1: Market risk under STM approach

		At 30 June 2019
		(a)
		RWA
		HK\$'m
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	2,296
2	Equity exposures (general and specific risk)	187
3	Foreign exchange (including gold) exposures	-
4	Commodity exposures	1,219
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	4
7	Other approach	-
8	Securitization exposures	-
9	Total	3,706

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 2019	2,933	9,533	-	-	-	12,466
1a	<i>Regulatory adjustment</i>	(1,870)	(6,767)	-	-	-	(8,637)
1b	RWA as at day-end of 31 March 2019	1,063	2,766	-	-	-	3,829
2	Movement in risk levels*	(276)	(893)	-	-	-	(1,169)
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 2019	787	1,873	-	-	-	2,660
7b	<i>Regulatory adjustment</i>	1,867	5,917	-	-	-	7,784
8	RWA as at 30 June 2019	2,654	7,790	-	-	-	10,444

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

9. Market risk (continued)

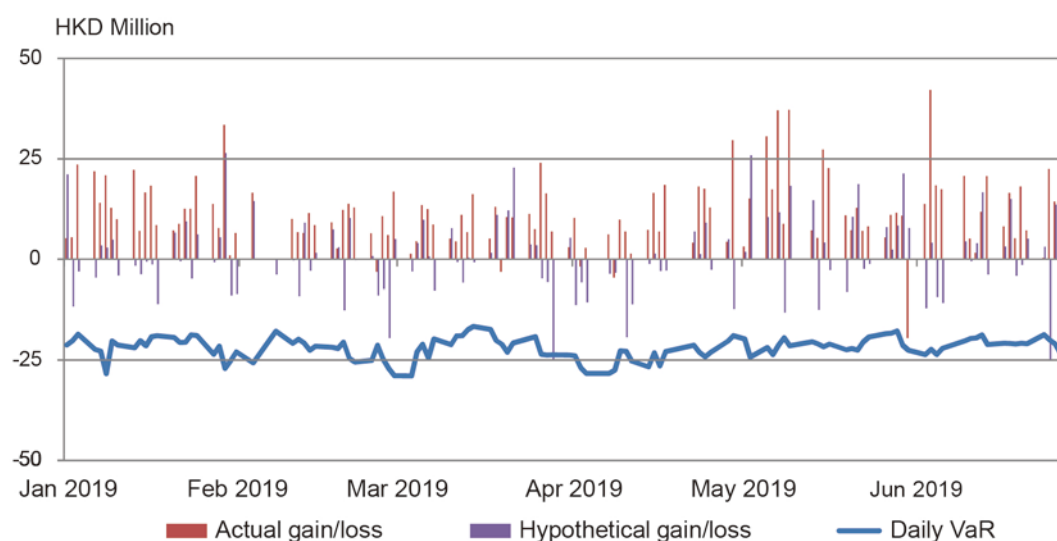
MR3: IMM approach values for market risk exposures

		(a)
		HK\$m
VaR (10 days – one-tailed 99% confidence interval)		
1	Maximum Value	107
2	Average Value	74
3	Minimum Value	44
4	Period End	63
Stressed VaR (10 days – one-tailed 99% confidence interval)		
5	Maximum Value	339
6	Average Value	231
7	Minimum Value	135
8	Period End	150
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 2019 and June 2019.

9. Market risk (continued)

MR4: Comparison of VaR estimates with gains or losses



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. The numbers of exception over the recent 250 business days (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.

Two exceptions are noted in hypothetical P&L back-testing on 29 March and 25 June (excess amount: HK\$1 million and HK\$5 million respectively) in the first-half of 2019. Those exceptions were both driven by unexpected interest rate market movements.