

Regulatory Disclosures

30 June 2017



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Capital disclosures

Regulatory capital

		At 30 June 2017		
		Component of regulatory capital reported by bank HK\$'000	Amounts subject to pre-Base I treatment* HK\$'000	Cross reference to regulatory scope consolidated balance sheet
CET1 capital: instruments and reserves				
1	Directly issued qualifying CET1 capital instruments plus any related share premium	3,144,517		(4)
2	Retained earnings	29,938,308		(5)
3	Disclosed reserves	7,828,173		(7)+(8)+(9)+(10)+(11)
4	<i>Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)</i>	Not applicable		
	<i>Public sector capital injections grandfathered until 1 January 2018</i>	Not applicable		
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	0		
6	CET1 capital before regulatory deductions	40,910,998		
CET1 capital: regulatory deductions				
7	Valuation adjustments	10,079		Not applicable
8	Goodwill (net of associated deferred tax liability)	0		
9	Other intangible assets (net of associated deferred tax liability)	0		
10	Deferred tax assets net of deferred tax liabilities	130,573		(2)
11	Cash flow hedge reserve	(13,737)		(10)
12	Excess of total EL amount over total eligible provisions under the IRB approach	0		
13	Gain-on-sale arising from securitisation transactions	0		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	240		(1)+(3)
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	0		
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	0		
17	Reciprocal cross-holdings in CET1 capital instruments	0		
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)	0		
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)	0		
20	Mortgage servicing rights (amount above 10% threshold)	Not applicable		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable		
22	Amount exceeding the 15% threshold	Not applicable		
23	of which: significant investments in the common stock of financial sector entities	Not applicable		
24	of which: mortgage servicing rights	Not applicable		
25	of which: deferred tax assets arising from temporary differences	Not applicable		
26	National specific regulatory adjustments applied to CET1 capital	8,528,000		
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	6,258,778		(6)+(7)
26b	Regulatory reserve for general banking risks	2,269,222		(9)
26c	Securitisation exposures specified in a notice given by the Monetary Authority	0		
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	0		
26e	Capital shortfall of regulated non-bank subsidiaries	0		
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0		
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	0		
28	Total regulatory deductions to CET1 capital	8,655,155		
29	CET1 capital	32,255,843		

Capital disclosures

Regulatory capital (continued)

		At 30 June 2017	
		Component of regulatory capital reported by bank HK\$'000	Cross reference to regulatory scope consolidated balance sheet
		Amounts subject to pre-Basel III treatment* HK\$'000	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	9,314,890	
31	of which: classified as equity under applicable accounting standards	9,314,890	(12)
32	of which: classified as liabilities under applicable accounting standards	0	
33	<i>Capital instruments subject to phase out arrangements from AT1 capital</i>	0	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	0	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>	0	
36	AT1 capital before regulatory deductions	9,314,890	
AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	0	
38	Reciprocal cross-holdings in AT1 capital instruments	0	
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)	0	
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
41	National specific regulatory adjustments applied to AT1 capital	0	
41a	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 1 capital	0	
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	0	
ii	of which: Capital shortfall of regulated non-bank subsidiaries	0	
iii	of which: Investments in own CET1 capital instruments	0	
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	0	
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0	
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	0	
43	Total regulatory deductions to AT1 capital	0	
44	AT1 capital	9,314,890	
45	Tier 1 capital (Tier 1 = CET1 + AT1)	41,570,733	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	0	
47	<i>Capital instruments subject to phase out arrangements from Tier 2 capital</i>	0	
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)	0	
49	<i>of which: capital instruments issued by subsidiaries subject to phase out arrangements</i>	0	
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,701,088	Not applicable
51	Tier 2 capital before regulatory deductions	1,701,088	

Capital disclosures

Regulatory capital (continued)

		At 30 June 2017		
		Component of regulatory capital reported by bank HK\$'000	Amounts subject to pre-Basel III treatment* HK\$'000	Cross reference to regulatory scope consolidated balance sheet
Tier 2 capital: regulatory deductions				
52	Investments in own Tier 2 capital instruments	0		
53	Reciprocal cross-holdings in Tier 2 capital instruments	0		
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)	0		
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0		
56	National specific regulatory adjustments applied to Tier 2 capital	(2,816,450)		
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	(2,816,450)		[(6)+(7)] *45%
56b	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	0		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	0		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	0		
iii	of which: Investments in own CET1 capital instruments	0		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	0		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0		
57	Total regulatory deductions to Tier 2 capital	(2,816,450)		
58	Tier 2 capital	4,517,538		
59	Total capital (Total capital = Tier 1 + Tier 2)	46,088,271		

Capital disclosures

Regulatory capital (continued)

		At 30 June 2017	
		Component of regulatory capital reported by bank HK\$'000	Amounts subject to pre-Basel III treatment* HK\$'000
59a	Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment	0	
i	of which: Mortgage servicing rights	0	
ii	of which: Defined benefit pension fund net assets	0	
iii	of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments	0	
iv	of which: Capital investment in a connected company which is a commercial entity	0	
v	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
vi	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
60	Total risk weighted assets	256,421,379	
Capital ratios (as a percentage of risk weighted assets)			
61	CET1 capital ratio	12.58%	
62	Tier 1 capital ratio	16.21%	
63	Total capital ratio	17.97%	
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	6.41%	
65	of which: capital conservation buffer requirement	1.25%	
66	of which: bank specific countercyclical buffer requirement	0.66%	
67	of which: G-SIB or D-SIB buffer requirement	0%	
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR	8.08%	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	Not applicable	
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	15,057	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	6,100	
74	Mortgage servicing rights (net of related tax liability)	Not applicable	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	Not applicable	
Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardised (credit risk) approach (prior to application of cap)	469,704	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardised (credit risk) approach	428,541	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	1,670,121	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	1,272,547	
Capital instruments subject to phase-out arrangements			
80	Current cap on CET1 capital instruments subject to phase out arrangements	Not applicable	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Not applicable	
82	Current cap on AT1 capital instruments subject to phase out arrangements	0	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	0	
84	Current cap on Tier 2 capital instruments subject to phase out arrangements	0	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	0	

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

Capital disclosures

Regulatory capital (continued)

Notes to the template:

Elements where a more conservative definition has been applied in the BCR relative to that set out in Basel III capital standards:

Row No.	Description	Hong Kong basis HK\$'000	Basel III basis HK\$'000
9	Other intangible assets (net of associated deferred tax liability)	0	0
	<p><u>Explanation</u></p> <p>As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights (MSRs) may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.</p>		
10	Deferred tax assets net of deferred tax liabilities	130,573	0
	<p><u>Explanation</u></p> <p>As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs that rely on future profitability of the bank to be realised are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III.</p> <p>The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities and other credit exposures to connected companies) under Basel III.</p>		
18	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
	<p><u>Explanation</u></p> <p>For the purpose of determining the total amount of insignificant capital investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business.</p> <p>Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</p>		

Capital disclosures

Regulatory capital (continued)

Row No.	Description	Hong Kong basis HK\$'000	Basel III basis HK\$'000
19	<p>Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</p> <p><u>Explanation</u> For the purpose of determining the total amount of significant capital investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business.</p> <p>Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</p>	0	0
39	<p>Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</p> <p><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.</p>	0	0
54	<p>Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</p> <p><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.</p>	0	0
<p>Remarks: The amount of the 10% / 15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the Banking (Capital) Rules.</p>			

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

Capital disclosures

Regulatory capital (continued)

Reconciliation of regulatory scope consolidated balance sheet to capital components

	At 30 June 2017		Cross reference to definition of capital components
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	
	HK\$'000	HK\$'000	
ASSETS			
Cash and balances with banks and other financial institutions	65,965,424	65,965,424	
Placements with banks and other financial institutions maturing between one and twelve months	14,233,798	14,233,798	
Financial assets at fair value through profit or loss	4,900,819	4,900,819	
Derivative financial instruments	408,650	408,650	
- of which: debit valuation adjustments in respect of derivative contracts		36	(1)
Advances and other accounts	213,091,915	213,091,915	
Financial investments	94,235,296	94,235,296	
Interests in subsidiaries	-	6,100	
Investment properties	347,740	347,740	
Properties, plant and equipment	7,170,928	7,170,928	
Deferred tax assets	130,573	130,573	(2)
Other assets	2,357,243	2,356,705	
Total assets	402,842,386	402,847,948	
LIABILITIES			
Deposits and balances from banks and other financial institutions	26,388,102	26,388,102	
Financial liabilities at fair value through profit or loss	4,415,452	4,415,452	
Derivative financial instruments	410,681	410,681	
- of which: debit valuation adjustments in respect of derivative contracts		204	(3)
Deposits from customers	301,369,171	301,390,718	
Debt securities and certificates of deposit in issue	5,032,559	5,032,559	
Other accounts and provisions	13,727,005	13,726,770	
Current tax liabilities	472,303	472,303	
Deferred tax liabilities	794,050	785,475	
Total liabilities	352,609,323	352,622,060	

Capital disclosures

Regulatory capital (continued)

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

	At 30 June 2017		Cross reference to definition of capital components
	Balance sheet as in published financial statements HK\$'000	Under regulatory scope of consolidation HK\$'000	
EQUITY			
Share capital	3,144,517	3,144,517	(4)
Reserves			
- Retained earnings	29,891,784	29,938,308	(5)
- of which: cumulative fair value gains arising from the revaluation of investment properties		427,453	(6)
- Premises revaluation reserve	5,885,024	5,831,325	(7)
- Reserve for fair value changes of available-for-sale securities	(181,223)	(181,223)	(8)
- Regulatory reserve	2,269,222	2,269,222	(9)
- Cash flow hedge reserve	(13,737)	(13,737)	(10)
- Translation reserve	(77,414)	(77,414)	(11)
Additional equity instruments	9,314,890	9,314,890	(12)
Total equity	<u>50,233,063</u>	<u>50,225,888</u>	
Total liabilities and equity	<u>402,842,386</u>	<u>402,847,948</u>	

Capital disclosures

Main features of issued capital instruments

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

Capital disclosures

Main features of issued capital instruments (continued)

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

Footnote:

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

⁺ *Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules*

^{*} *Include solo-consolidated*

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

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

Countercyclical capital buffer (CCyB) ratio disclosures

Countercyclical capital buffer (CCyB) ratio

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

Jurisdiction (J)		At 30 June 2017			
		Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio	CCyB ratio	CCyB amount
		%	HK\$'000	%	HK\$'000
1	Hong Kong SAR	1.25%	90,185,258		
2	Mainland China	0%	76,069,750		
3	Australia	0%	255,453		
4	Bangladesh	0%	382		
5	Bermuda	0%	55,986		
6	Canada	0%	66,574		
7	Cayman Islands	0%	808,825		
8	Chinese Taipei	0%	160,778		
9	France	0%	1,523		
10	Germany	0%	8,030		
11	India	0%	5,287		
12	Indonesia	0%	1,715		
13	Italy	0%	3,541		
14	Japan	0%	9,996		
15	Macau SAR	0%	53,141		
16	Malaysia	0%	3,369		
17	Netherlands	0%	303		
18	New Zealand	0%	11,098		
19	Norway	1.5%	981		
20	Panama	0%	217,798		
21	Singapore	0%	1,204,772		
22	South Africa	0%	788		
23	South Korea	0%	165,329		
24	Switzerland	0%	9,716		
25	United Arab Emirates	0%	327,741		
26	United Kingdom	0%	247,079		
27	United States	0%	475,964		
28	West Indies UK	0%	1,133,818		
	Total		171,484,995	0.66%	1,127,331

Leverage ratio disclosures

Leverage ratio

		At 30 June 2017
		HK\$'000
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	400,241,997
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(8,641,214)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	391,600,783
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	297,172
5	Add-on amounts for PFE associated with all derivatives transactions	261,458
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	0
8	Less: Exempted CCP leg of client-cleared trade exposures	0
9	Adjusted effective notional amount of written credit derivatives	0
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives	0
11	Total derivative exposures	558,630
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	3,290,178
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	0
14	CCR exposure for SFT assets	0
15	Agent transaction exposures	0
16	Total securities financing transaction exposures	3,290,178
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	129,706,516
18	Less: Adjustments for conversion to credit equivalent amounts	(93,119,013)
19	Off-balance sheet items	36,587,503
Capital and total exposures		
20	Tier 1 capital	41,570,733
21	Total exposures	432,037,094
Leverage ratio		
22	Basel III leverage ratio	9.62%

Summary comparison table

		At 30 June 2017
		HK\$'000
1	Total consolidated assets as per published financial statements	402,842,386
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	5,562
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0
4	Adjustments for derivative financial instruments	149,980
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	36,587,503
7	Other adjustments	(7,548,337)
8	Leverage ratio exposure	432,037,094

Liquidity information disclosures

Liquidity coverage ratio

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this table		For the quarter ended 30 June 2017: 71 data points		For the quarter ended 31 March 2017: 73 data points	
Basis of disclosure: consolidated		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
A. HIGH QUALITY LIQUID ASSETS					
1	Total high quality liquid assets (HQLA)		56,337,750		47,372,448
B. CASH OUTFLOWS					
2	Retail deposits and small business funding, of which:	110,141,147	7,610,768	105,582,302	7,376,663
3	<i>Stable retail deposits and stable small business funding</i>	22,117,211	663,516	22,127,747	663,833
4	<i>Less stable retail deposits and less stable small business funding</i>	43,582,897	4,358,290	43,144,162	4,314,416
5	<i>Retail term deposits and small business term funding</i>	44,441,039	2,588,962	40,310,393	2,398,414
6	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	114,088,858	65,595,818	114,627,515	67,110,523
7	<i>Operational deposits</i>	23,501,712	5,713,768	21,532,282	5,224,100
8	<i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>	90,584,743	59,879,647	93,095,233	61,886,423
9	<i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>	2,403	2,403	0	0
10	Secured funding transactions (including securities swap transactions)		196,588		342,078
11	Additional requirements, of which:	32,104,033	7,498,056	29,445,163	6,433,128
12	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collaterals requirements</i>	4,163,656	4,163,656	3,297,494	3,297,494
13	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	0	0	0	0
14	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	27,940,377	3,334,400	26,147,669	3,135,634
15	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	3,194,797	3,194,797	2,381,685	2,381,685
16	Other contingent funding obligations (whether contractual or non-contractual)	111,264,436	2,731,677	110,097,419	2,735,199
17	TOTAL CASH OUTFLOWS		86,827,704		86,379,276
C. CASH INFLOWS					
18	Secured lending transactions (including securities swap transactions)	7,264,760	7,264,760	2,845,400	2,845,400
19	Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions	50,355,318	39,410,875	51,649,381	42,656,122
20	Other cash inflows	4,974,165	4,508,044	6,345,298	5,942,448
21	TOTAL CASH INFLOWS	62,594,243	51,183,679	60,840,079	51,443,970
D. LIQUIDITY COVERAGE RATIO					
22	TOTAL HQLA		56,337,750		47,372,448
23	TOTAL NET CASH OUTFLOWS		35,686,782		34,935,306
24	LCR (%)		171.71%		138.03%

Liquidity information disclosures

Liquidity coverage ratio (continued)

Notes:

- The weighted amount of HQLA is to be calculated as the amount after applying the haircuts as required under the Banking (Liquidity) Rules.
- The unweighted amounts of cash inflows and cash outflows are to be calculated as the principal amounts in the calculation of the LCR as required under the Banking (Liquidity) Rules.
- The weighted amounts of cash inflows and cash outflows are to be calculated as the amounts after applying the inflow and outflow rates as required under the Banking (Liquidity) Rules.
- The adjusted value of total HQLA and the total net cash outflows have taken into account any applicable ceiling as required under the Banking (Liquidity) Rules.

In the first half of 2017, the Group has maintained a healthy liquidity position, the LCR remained stable and there was no material change throughout the period. The average LCR of the first and second quarter were 138.03% and 171.71% respectively. The average HKD level 1 HQLA to HKD net cash outflow ratio in the first half of 2017 was 177.03%, well above the regulatory requirement of 20%. The ratios have maintained at stable and healthy levels.

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

majority of the HQLA was composed of Level 1 HQLA.

The net cash outflow was mainly from retail and corporate customer deposit which are the Group's primary source of funds, together with deposit and balance from bank and other financial institution. To ensure stable, sufficient and diversified source of funds, the Group actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market. 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.

OV1: Overview of risk-weighted asset (“RWA”)

		RWA		Minimum capital requirements
		At 30 June 2017	At 31 March 2017	At 30 June 2017
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitisation exposures	230,640,600	197,571,585	19,410,947
2	Of which STC approach	30,703,384	26,914,004	2,456,271
2a	Of which BSC approach	0	0	0
3	Of which IRB approach	199,937,216	170,657,581	16,954,676
4	Counterparty credit risk	242,049	483,120	20,078
5	Of which SA-CCR	0	0	0
5a	Of which CEM	144,914	312,510	12,251
6	Of which IMM(CCR) approach	0	0	0
7	Equity exposures in banking book under the market-based approach	0	0	0
8	CIS exposures – LTA	0	0	0
9	CIS exposures – MBA	0	0	0
10	CIS exposures – FBA	0	0	0
11	Settlement risk	0	0	0
12	Securitisation exposures in banking book	3,556,848	3,483,701	284,548
13	Of which IRB(S) approach – ratings-based method	0	0	0
14	Of which IRB(S) approach – supervisory formula method	0	0	0
15	Of which STC(S) approach	3,556,848	3,483,701	284,548
16	Market risk	548,175	675,150	43,854
17	Of which STM approach	7,725	3,675	618
18	Of which IMM approach	540,450	671,475	43,236
19	Operational risk	12,896,788	12,712,000	1,031,743
20	Of which BIA approach	0	0	0
21	Of which STO approach	12,896,788	12,712,000	1,031,743
21a	Of which ASA approach	0	0	0
22	Of which AMA approach	N/A	N/A	N/A
23	Amounts below the thresholds for deduction (subject to 250% RW)	15,250	15,250	1,220
24	Capital floor adjustment	0	0	0
24a	Deduction to RWA	3,483,491	3,385,780	278,679
24b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	41,163	69,400	3,293
24c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	3,442,328	3,316,380	275,386
25	Total	244,416,219	211,555,026	20,513,711

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

CR1: Credit quality of exposures

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

		At 30 June 2017			
		Gross carrying amounts of		Allowances / impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Loans	1,006,598	303,375,498	736,706	303,645,390
2	Debt securities	0	77,381,926	0	77,381,926
3	Off-balance sheet exposures	32,346	129,674,171	0	129,706,517
4	Total	1,038,944	510,431,595	736,706	510,733,833

CR2: Changes in defaulted loans and debt securities

		HK\$'000
1	Defaulted loans and debt securities as at 31 December 2016	740,943
2	Loans and debt securities that have defaulted since the last reporting period	389,799
3	Returned to non-defaulted status	(100,203)
4	Amounts written off	(40,237)
5	Other changes	16,296
6	Defaulted loans and debt securities as at 30 June 2017	1,006,598

CR3: Overview of recognised credit risk mitigation

		At 30 June 2017				
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognised collateral	Exposures secured by recognised guarantees	Exposures secured by recognised credit derivative contracts
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Loans	236,510,890	67,134,500	26,461,851	40,672,649	0
2	Debt securities	74,205,620	3,176,306	0	3,176,306	0
3	Total	310,716,510	70,310,806	26,461,851	43,848,955	0
4	Of which defaulted	207,155	62,909	62,909	0	0

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

STC approach

Exposure classes		At 30 June 2017					
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
1	Sovereign exposures	48,426,100	811	48,426,100	811	2,280,194	4.71%
2	PSE exposures	359,971	405,200	364,793	177,376	85,415	15.75%
2a	Of which: domestic PSEs	244,879	405,200	249,701	177,376	85,415	20.00%
2b	Of which: foreign PSEs	115,092	0	115,092	0	0	0.00%
3	Multilateral development bank exposures	73,098	0	73,098	0	0	0.00%
4	Bank exposures	19,223	0	19,223	0	3,845	20.00%
5	Securities firm exposures	0	0	0	0	0	N/A
6	Corporate exposures	4,465,067	2,411,388	4,453,756	136,881	4,590,637	100.00%
7	CIS exposures	13,536,196	0	13,536,196	0	13,536,196	100.00%
8	Cash items	0	0	0	0	0	N/A
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	0	0	0	0	0	N/A
10	Regulatory retail exposures	2,455,246	1,430,350	2,388,790	149,958	1,904,061	75.00%
11	Residential mortgage loans	15,587,336	9,552	15,582,514	0	7,791,257	50.00%
12	Other exposures which are not past due exposures	521,486	240,373	360,277	41,394	401,671	100.00%
13	Past due exposures	86,728	0	86,728	0	110,108	126.96%
14	Significant exposures to commercial entities	0	0	0	0	0	N/A
15	Total	85,530,451	4,497,674	85,291,475	506,420	30,703,384	35.79%

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

STC approach

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

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

FIRB approach	PD scale	At 30 June 2017											
		Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		HK\$'000	HK\$'000	CCF	HK\$'000	PD		Years	HK\$'000		HK\$'000	HK\$'000	
Portfolio (ii) – Bank	0.00 to < 0.15	58,377,031	2,649,762	98.81%	63,683,487	0.06%	182	44.85%	2.50	19,160,664	30.09%	17,985	
	0.15 to < 0.25	17,225,284	1,981,546	100.00%	19,467,048	0.22%	39	45.00%	2.50	11,994,955	61.62%	19,273	
	0.25 to < 0.50	17,449,908	4,245,358	100.00%	22,370,184	0.39%	44	45.00%	2.50	18,156,674	81.16%	39,260	
	0.50 to < 0.75	2,347,987	770,946	97.54%	3,099,933	0.59%	10	45.00%	2.50	2,761,094	89.07%	8,263	
	0.75 to < 2.50	7,791,943	1,305,588	99.23%	9,153,424	1.07%	24	45.00%	2.50	8,964,211	97.93%	44,275	
	2.50 to < 10.00	0	25,000	0.00%	0	N/A	0	N/A	N/A	0	N/A	0	
	10.00 to < 100.00	0	2,301,286	20.00%	460,257	18.00%	1	0.00%	2.50	0	0.00%	0	
	100.00 (Default)	0	0	N/A	0	N/A	0	N/A	N/A	0	N/A	0	
	Sub-total	103,192,153	13,279,486	85.49%	118,234,333	0.31%	300	44.75%	2.50	61,037,598	51.62%	129,056	886,431
Portfolio (iv) – Corporate – small-and-medium sized corporates	0.00 to < 0.15	1,050,869	490,545	11.32%	1,343,941	0.09%	66	42.72%	2.50	298,034	22.18%	535	
	0.15 to < 0.25	1,518,250	399,111	2.64%	2,326,769	0.22%	65	43.64%	2.50	887,015	38.12%	2,234	
	0.25 to < 0.50	1,712,211	1,229,394	7.38%	2,492,623	0.39%	136	40.83%	2.50	1,127,619	45.24%	3,970	
	0.50 to < 0.75	2,150,227	2,486,605	5.85%	2,458,885	0.60%	224	39.80%	2.50	1,336,601	54.36%	5,871	
	0.75 to < 2.50	8,288,672	6,811,068	5.65%	6,379,029	1.25%	472	37.73%	2.50	4,234,966	66.39%	29,676	
	2.50 to < 10.00	5,008,413	1,124,606	6.65%	3,128,426	4.33%	190	32.45%	2.50	2,517,702	80.48%	42,669	
	10.00 to < 100.00	1,025,176	355,975	63.49%	1,320,253	12.40%	24	43.12%	2.50	2,028,555	153.65%	70,400	
	100.00 (Default)	74,418	2,301	0.00%	74,418	100.00%	3	41.83%	2.50	195,095	262.16%	16,596	
	Sub-total	20,828,236	12,899,605	7.66%	19,524,344	2.48%	1,180	38.97%	2.50	12,625,587	64.67%	171,951	199,954
Portfolio (vi) – Corporate – other (including purchased corporate receivables)	0.00 to < 0.15	21,859,823	5,980,486	32.80%	32,372,455	0.09%	166	44.49%	2.50	9,247,081	28.56%	12,900	
	0.15 to < 0.25	8,002,869	3,089,768	22.43%	15,024,143	0.22%	82	44.08%	2.50	7,352,488	48.94%	14,568	
	0.25 to < 0.50	13,989,332	9,172,986	14.56%	19,531,114	0.39%	184	43.97%	2.50	12,052,826	61.71%	33,490	
	0.50 to < 0.75	26,534,866	16,185,770	20.04%	23,551,745	0.62%	303	40.09%	2.50	16,120,858	68.45%	58,657	
	0.75 to < 2.50	36,042,546	41,326,538	18.10%	40,598,667	1.37%	808	39.85%	2.50	36,189,754	89.14%	219,702	
	2.50 to < 10.00	36,264,811	19,002,453	11.10%	28,117,184	4.08%	266	31.46%	2.50	28,036,834	99.71%	346,000	
	10.00 to < 100.00	2,090,764	697,121	4.41%	1,241,103	15.29%	36	43.46%	2.50	2,623,572	211.39%	82,914	
	100.00 (Default)	1,025,952	30,044	1.77%	832,616	100.00%	49	44.98%	2.50	39,651	4.76%	733,076	
	Sub-total	145,810,963	95,485,166	17.65%	161,269,027	1.87%	1,894	40.30%	2.50	111,663,064	69.24%	1,501,307	2,357,866
Total (sum of all portfolios)		269,831,352	121,664,257	24.00%	299,027,704	1.29%	3,374	41.97%	2.50	185,326,249	61.98%	1,802,314	3,444,251

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

Retail IRB approach	At 30 June 2017												
	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		HK\$'000	HK\$'000		HK\$'000				Years	HK\$'000		HK\$'000	HK\$'000
Portfolio (ix) – Retail – Residential mortgage exposures (including both to individuals and to property-holding shell companies)	0.00 to < 0.15	9,033,728	4	100.00%	9,033,732	0.09%	6,347	11.81%		1,383,885	15.32%	1,002	
	0.15 to < 0.25	2,494,521	0	N/A	2,494,521	0.22%	659	12.54%		377,929	15.15%	687	
	0.25 to < 0.50	2,036,629	0	N/A	2,036,629	0.39%	657	12.72%		313,109	15.37%	1,007	
	0.50 to < 0.75	671,707	0	N/A	671,707	0.56%	245	20.16%		138,727	20.65%	749	
	0.75 to < 2.50	27,584	0	N/A	27,584	1.08%	24	10.86%		4,378	15.87%	33	
	2.50 to < 10.00	23,996	0	N/A	23,996	4.58%	21	11.86%		9,058	37.75%	141	
	10.00 to < 100.00	8,864	0	N/A	8,864	17.63%	10	11.30%		5,137	57.95%	173	
	100.00 (Default)	8,688	0	N/A	8,688	100.00%	7	26.37%		28,642	329.67%	0	
	Sub-total	14,305,717	4	100.00%	14,305,721	0.26%	7,970	12.46%		2,260,865	15.80%	3,792	32,834
Portfolio (x) – Retail – small business retail exposures	0.00 to < 0.15	312,814	492,998	31.53%	468,273	0.09%	774	8.87%		9,873	2.11%	41	
	0.15 to < 0.25	125,019	67,346	31.28%	146,083	0.22%	181	8.41%		5,305	3.63%	27	
	0.25 to < 0.50	208,337	93,886	32.39%	238,742	0.39%	265	8.59%		12,764	5.35%	79	
	0.50 to < 0.75	256,655	140,812	30.91%	300,181	0.60%	289	9.47%		22,577	7.52%	173	
	0.75 to < 2.50	376,625	141,651	28.00%	416,280	1.30%	398	10.60%		48,388	11.62%	567	
	2.50 to < 10.00	103,761	22,438	34.66%	111,540	3.89%	142	9.90%		15,709	14.08%	416	
	10.00 to < 100.00	2,903	3,607	31.72%	4,047	10.54%	5	15.37%		1,063	26.27%	65	
	100.00 (Default)	32,413	0	N/A	32,413	100.00%	50	17.04%		8,079	24.93%	12,465	
	Sub-total	1,418,527	962,738	31.06%	1,717,559	2.68%	2,104	9.55%		123,758	7.21%	13,833	14,262
Portfolio (xi) – Other retail exposures to individuals	0.00 to < 0.15	204,044	707,899	0.00%	874,260	0.05%	600	13.58%		17,869	2.04%	64	
	0.15 to < 0.25	153,021	680	0.00%	153,598	0.22%	412	13.78%		9,139	5.95%	46	
	0.25 to < 0.50	1,832,580	444	0.00%	1,832,979	0.36%	1,388	12.85%		139,693	7.62%	855	
	0.50 to < 0.75	3,852,706	51,928	96.29%	3,904,508	0.59%	1,451	25.97%		770,782	19.74%	5,633	
	0.75 to < 2.50	1,868,930	1,608,371	3.36%	2,099,665	1.11%	1,091	40.93%		925,790	44.09%	9,928	
	2.50 to < 10.00	2,408,055	140,033	99.98%	2,548,529	2.91%	709	49.62%		1,746,476	68.53%	36,097	
	10.00 to < 100.00	14,982	0	N/A	14,982	26.18%	12	54.67%		19,517	130.27%	2,211	
	100.00 (Default)	1,030	0	N/A	1,030	100.00%	2	46.19%		5,945	577.18%	0	
	Sub-total	10,335,348	2,509,355	9.73%	11,429,551	1.16%	5,665	30.82%		3,635,211	31.81%	54,834	52,793
Total (sum of all portfolios)		26,059,592	3,472,097	15.64%	27,452,831	0.79%	15,739	19.92%		6,019,834	21.93%	72,459	99,889

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

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

		At 30 June 2017	
		Pre-credit derivatives RWA	Actual RWA
		HK\$'000	HK\$'000
1	Corporate – Specialised lending under supervisory slotting criteria approach (project finance)	375,999	375,999
2	Corporate – Specialised lending under supervisory slotting criteria approach (object finance)	0	0
3	Corporate – Specialised lending under supervisory slotting criteria approach (commodities finance)	0	0
4	Corporate – Specialised lending under supervisory slotting criteria approach (income-producing real estate)	0	0
5	Corporate – Specialised lending (high-volatility commercial real estate)	0	0
6	Corporate – Small-and-medium sized corporates	12,625,587	12,625,587
7	Corporate – Other corporates	111,663,064	111,663,064
8	Sovereigns	0	0
9	Sovereign foreign public sector entities	0	0
10	Multilateral development banks	0	0
11	Bank exposures – Banks	60,680,530	60,680,530
12	Bank exposures – Securities firms	357,068	357,068
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	0	0
14	Retail – Small business retail exposures	123,758	123,758
15	Retail – Residential mortgages to individuals	2,161,924	2,161,924
16	Retail – Residential mortgages to property-holding shell companies	98,941	98,941
17	Retail – Qualifying revolving retail exposures (QRRE)	0	0
18	Retail – Other retail exposures to individuals	3,635,211	3,635,211
19	Equity – Equity exposures under market-based approach (simple risk-weight method)	0	0
20	Equity – Equity exposures under market-based approach (internal models method)	0	0
21	Equity – Equity exposures under PD/LGD approach (publicly traded equity exposures held for long-term investment)	0	0
22	Equity – Equity exposures under PD/LGD approach (privately owned equity exposures held for long-term investment)	0	0
23	Equity – Equity exposures under PD/LGD approach (other publicly traded equity exposures)	0	0
24	Equity – Equity exposures under PD/LGD approach (other equity exposures)	0	0
25	Equity – Equity exposures associated with equity investments in funds (CIS exposures)	0	0
26	Other – Cash items	0	0
27	Other – Other items	8,215,134	8,215,134
28	Total (under the IRB calculation approaches)	199,937,216	199,937,216

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

		HK\$'000
1	RWA as at 31 March 2017	170,657,581
2	Asset size	25,120,691
3	Asset quality	3,310,619
4	Model updates	0
5	Methodology and policy	0
6	Acquisitions and disposals	0
7	Foreign exchange movements	848,325
8	Other	0
9	RWA as at 30 June 2017	199,937,216

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

I. Specialised lending under supervisory slotting criteria approach – HVCRE

Supervisory Rating Grade	Remaining Maturity	At 30 June 2017					
		On-balance sheet exposure amount	Off-balance sheet exposure amount	SRW	EAD amount	RWA	Expected loss amount
		HK\$'000	HK\$'000		HK\$'000	HK\$'000	HK\$'000
Strong [^]	Less than 2.5 years	0	0	70%	0	0	0
Strong	Equal to or more than 2.5 years	0	0	95%	0	0	0
Good [^]	Less than 2.5 years	0	0	95%	0	0	0
Good	Equal to or more than 2.5 years	0	0	120%	0	0	0
Satisfactory		0	0	140%	0	0	0
Weak		0	0	250%	0	0	0
Default		0	0	0%	0	0	0
Total		0	0		0	0	0

[^] Use of preferential risk-weights.

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

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

Supervisory Rating Grade	Remaining Maturity	At 30 June 2017										
		On-balance sheet exposure amount	Off-balance sheet exposure amount	SRW	EAD amount					RWA	Expected loss amount	
					PF	OF	CF	IPRE	Total			
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Strong [^]	Less than 2.5 years	0	0	50%	0	0	0	0	0	0	0	0
Strong	Equal to or more than 2.5 years	155,550	0	70%	155,550	0	0	0	155,550	108,885	622	
Good [^]	Less than 2.5 years	0	34,519	70%	25,889	0	0	0	25,889	18,122	104	
Good	Equal to or more than 2.5 years	19,010	37,971	90%	19,010	0	0	0	19,010	17,109	152	
Satisfactory		201,637	0	115%	201,637	0	0	0	201,637	231,883	5,646	
Weak		0	0	250%	0	0	0	0	0	0	0	
Default		0	0	0%	0	0	0	0	0	0	0	
Total		376,197	72,490		402,086	0	0	0	402,086	375,999	6,524	

[^]Use of preferential risk-weights.

III. Equity exposures under the simple risk-weight method

Categories	At 30 June 2017				
	On-balance sheet exposure amount	Off-balance sheet exposure amount	SRW	EAD amount	RWA
	HK\$'000	HK\$'000		HK\$'000	HK\$'000
Publicly traded equity exposures	0	0	300%	0	0
All other equity exposures	0	0	400%	0	0
Total	0	0		0	0

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

		At 30 June 2017					
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
		HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000
1	SA-CCR (for derivative contracts)	0	0		1.4	0	0
1a	CEM	297,172	261,458		N/A	310,452	144,914
2	IMM (CCR) approach			0	N/A	0	0
3	Simple Approach (for SFTs)					0	0
4	Comprehensive Approach (for SFTs)					4,264,414	11,685
5	VaR (for SFTs)					0	0
6	Total						156,599

CCR2: CVA capital charge

		At 30 June 2017	
		EAD post CRM	RWA
		HK\$'000	HK\$'000
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	0	0
1	(i) VaR (after application of multiplication factor if applicable)		0
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		0
3	Netting sets for which CVA capital charge is calculated by the standardised CVA method	558,638	85,450
4	Total	558,638	85,450

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

STC approach

Risk Weight Exposure class		At 30 June 2017										Total default risk exposure after CRM HK\$'000
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
1	Sovereign exposures	0	0	0	0	0	0	0	0	0	0	0
2	PSE exposures	0	0	0	0	0	0	0	0	0	0	0
2a	Of which: domestic PSEs	0	0	0	0	0	0	0	0	0	0	0
2b	Of which: foreign PSEs	0	0	0	0	0	0	0	0	0	0	0
3	Multilateral development bank exposures	0	0	0	0	0	0	0	0	0	0	0
4	Bank exposures	0	0	0	0	0	0	0	0	0	0	0
5	Securities firm exposures	0	0	0	0	0	0	0	0	0	0	0
6	Corporate exposures	0	0	0	0	0	0	6,594	0	0	0	6,594
7	CIS exposure	0	0	0	0	0	0	0	0	0	0	0
8	Regulatory retail exposures	0	0	0	0	0	1,162	0	0	0	0	1,162
9	Residential mortgage loans	0	0	0	0	0	0	0	0	0	0	0
10	Other exposures which are not past due exposures	0	0	0	0	0	0	357	0	0	0	357
11	Significant exposures to commercial entities	0	0	0	0	0	0	0	0	0	0	0
12	Total	0	0	0	0	0	1,162	6,951	0	0	0	8,113

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 2017						
		EAD post-CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density
		HK\$'000				Years	HK\$'000	
Portfolio (ii) – Bank	0.00 to < 0.15	1,287,224	0.04%	21	10.01%	0.81	64,922	5.04%
	0.15 to < 0.25	255,126	0.22%	5	4.16%	0.69	14,568	5.71%
	0.25 to < 0.50	1,183,720	0.39%	5	2.13%	0.59	45,710	3.86%
	0.50 to < 0.75	926,325	0.51%	2	0.01%	0.50	162	0.02%
	0.75 to < 2.50	894,042	0.99%	3	0.26%	0.50	3,645	0.41%
	2.50 to < 10.00	0	N/A	0	N/A	N/A	0	N/A
	10.00 to < 100.00	0	N/A	0	N/A	N/A	0	N/A
	100.00 (Default)	0	N/A	0	N/A	N/A	0	N/A
	Sub-total	4,546,437	0.42%	36	3.67%	0.62	129,007	2.84%
Portfolio (iii) – Corporate	0.00 to < 0.15	0	N/A	0	N/A	N/A	0	N/A
	0.15 to < 0.25	0	N/A	0	N/A	N/A	0	N/A
	0.25 to < 0.50	0	N/A	0	N/A	N/A	0	N/A
	0.50 to < 0.75	4,941	0.51%	2	45.00%	2.50	3,470	70.23%
	0.75 to < 2.50	13,964	1.41%	13	44.97%	2.50	14,238	101.96%
	2.50 to < 10.00	1,411	4.62%	3	45.00%	2.50	2,061	146.07%
	10.00 to < 100.00	0	N/A	0	N/A	N/A	0	N/A
	100.00 (Default)	0	N/A	0	N/A	N/A	0	N/A
	Sub-total	20,316	1.42%	18	44.98%	2.50	19,769	97.31%
Total (sum of all portfolios)	4,566,753	0.43%	54	3.86%	0.63	148,776	3.26%	

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

	At 30 June 2017					
	Derivative contracts-				SFTs	
	Fair value of recognised collateral received		Fair value of posted collateral		Fair value of recognised collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash - domestic currency	0	96,063	0	0	0	0
Cash - other currencies	0	233,033	0	43,719	891,549	3,290,178
Government bonds	0	0	0	0	1,491,029	0
Other bonds	0	0	0	0	1,792,712	974,236
Total	0	329,096	0	43,719	4,175,290	4,264,414

CCR6: Credit-related derivatives contracts

	At 30 June 2017	
	Protection bought	Protection sold
	HK\$'000	HK\$'000
Total notional amounts	0	0
Fair values		
Positive fair value (asset)	0	0
Negative fair value (liability)	0	0

SEC1: Securitization exposures in banking book

		At 30 June 2017								
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
		Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Retail (total) – of which:	-	-	-	-	-	-	-	-	-
2	residential mortgage	-	-	-	-	-	-	-	-	-
3	credit card	-	-	-	-	-	-	-	-	-
4	other retail exposures	-	-	-	-	-	-	-	-	-
5	re-securitization exposures	-	-	-	-	-	-	-	-	-
6	Wholesale (total) – of which:	-	-	-	-	-	-	3,556,848	-	3,556,848
7	loans to corporates	-	-	-	-	-	-	3,556,848	-	3,556,848
8	commercial mortgage	-	-	-	-	-	-	-	-	-
9	lease and receivables	-	-	-	-	-	-	-	-	-
10	other wholesale	-	-	-	-	-	-	-	-	-
11	re-securitization exposures	-	-	-	-	-	-	-	-	-

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

At 30 June 2017																	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	
Exposure values (by RW bands)					Exposure values (by regulatory approach)					RWAs (by regulatory approach)				Capital charges after cap			
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Total exposures	-	3,556,848	-	-	-	-	3,556,848	-	-	-	3,556,848	-	-	-	-	284,548
2	Traditional securitization	-	3,556,848	-	-	-	-	3,556,848	-	-	-	3,556,848	-	-	-	-	284,548
3	Of which securitization	-	3,556,848	-	-	-	-	3,556,848	-	-	-	3,556,848	-	-	-	-	284,548
4	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Of which wholesale	-	3,556,848	-	-	-	-	3,556,848	-	-	-	3,556,848	-	-	-	-	284,548
6	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

MR1: Market risk under STM approach

		At 30 June 2017
		RWA
		HK\$'000
Outright product exposures		
1	Interest rate exposures (general and specific risk)	0
2	Equity exposures (general and specific risk)	0
3	Foreign exchange (including gold) exposures	0
4	Commodity exposures	7,725
Option exposures		
5	Simplified approach	0
6	Delta-plus approach	0
7	Other approach	0
8	Securitisation exposures	0
9	Total	7,725

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

Movement in RWA was mainly driven by foreign exchange exposures during the period.

		VaR	Stressed VaR	IRC	CRC	Other	Total RWA
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	RWA as at 31 March 2017	180,350	491,125	0	0	0	671,475
1a	Regulatory adjustment	(132,175)	(342,337)	0	0	0	(474,512)
1b	RWA as at day-end of previous reporting period	48,175	148,788	0	0	0	196,963
2	Movement in risk levels	3,875	(15,750)	0	0	0	(11,875)
3	Model updates/changes	0	0	0	0	0	0
4	Methodology and policy	0	0	0	0	0	0
5	Acquisitions and disposals	0	0	0	0	0	0
6	Foreign exchange movements	0	0	0	0	0	0
7	Other	0	0	0	0	0	0
7a	RWA as at day-end of reporting period	52,050	133,038	0	0	0	185,088
7b	Regulatory adjustment	77,363	277,999	0	0	0	355,362
8	RWA as at 30 June 2017	129,413	411,037	0	0	0	540,450

MR3: IMM approach values for market risk exposures

		At 30 June 2017
		HK\$'000
VaR (10 days – one-tailed 99% confidence interval)		
1	Maximum Value	6,860
2	Average Value	4,149
3	Minimum Value	2,068
4	Period End	4,164
Stressed VaR (10 days – one-tailed 99% confidence interval)		
5	Maximum Value	23,649
6	Average Value	12,099
7	Minimum Value	6,286
8	Period End	10,643
Incremental risk charge (IRC) (99.9% confidence interval)		
9	Maximum Value	0
10	Average Value	0
11	Minimum Value	0
12	Period End	0
Comprehensive risk charge (CRC) (99.9% confidence interval)		
13	Maximum Value	0
14	Average Value	0
15	Minimum Value	0
16	Period End	0
17	Floor	0

MR4: Comparison of VaR estimates with gains or losses

Below is the 250-day history for back-testing results of the Group's market risk under IMM approach. Daily VaR is calculated at a 99% confidence level using two years of historical market data. During the period, no back-testing exception was observed for both actual loss and hypothetical loss when compared with daily VaR.

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

