



**The Bank of East Asia, Limited**  
東亞銀行有限公司

Pillar 3 Regulatory Disclosures

For the period ended  
30 June 2017

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## REGULATORY DISCLOSURES

The following Pillar 3 disclosures are prepared on a consolidated basis of calculating the capital adequacy ratios.

### Template OV1: Overview of RWA

The Group follows internal models method under market-based approach to calculate RWA for the Group's banking book listed equities holding. The Group estimates VaR by the historical simulation approach, where the VaR is derived from revaluating the portfolio for each of the historical scenarios from the market movements obtained from the historical observation period. This methodology uses historical movements in market rates and prices relative to risk-free rate, a 99% confidence level, a one-quarter holding period, and a three-year historical observation period.

The following table provides an overview of capital requirements in terms of a detailed breakdown of RWAs for various risks as at 30<sup>th</sup> June 2017 and 31<sup>st</sup> March 2017 respectively:

(HK\$ million)		(a)	(b)	(c)
		RWA <sup>1</sup>		Minimum capital requirements
		June 2017	March 2017	June 2017
1	<b>Credit risk for non-securitization exposures</b>	<b>452,820</b>	<b>438,544</b>	<b>38,231</b>
2	Of which STC approach	35,005	33,558	2,800
3	Of which IRB approach	417,815	404,986	35,431
4	<b>Counterparty credit risk</b>	<b>6,744</b>	<b>5,569</b>	<b>561</b>
4a	Of which CVA Risk	1,699	1,481	136
4b	Of which default risk exposures in respect of SFTs	91	185	8
4c	Of which default fund contribution to central counterparties	161	112	13
5a	Of which CEM	4,793	3,791	404
7	Equity exposures in banking book under the market-based approach	17,590	19,196	1,492
11	Settlement risk	0	0	0
12	<b>Securitization exposures in banking book</b>	<b>15</b>	<b>11</b>	<b>1</b>
13	Of which IRB(S) approach – ratings-based method	15	11	1
14	Of which IRB(S) approach – supervisory formula method	0	0	0
16	<b>Market risk</b>	<b>25,025</b>	<b>23,306</b>	<b>2,002</b>
17	Of which STM approach	6,568	6,480	525
18	Of which IMM approach	18,457	16,826	1,477
19	<b>Operational risk</b>	<b>31,348</b>	<b>28,831</b>	<b>2,508</b>
21	Of which STO approach	31,348	28,831	2,508
23	Amounts below the thresholds for deduction (subject to 250% RW)	13,298	13,056	1,128
24	Capital floor adjustment	0	0	0
24a	<b>Deduction to RWA</b>	<b>3,045</b>	<b>2,974</b>	<b>244</b>
24b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	354	405	29
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	2,691	2,569	215
25	<b>Total</b>	<b>543,795</b>	<b>525,539</b>	<b>45,679</b>

<sup>1</sup> Following the refinements to the standard disclosure templates made by the Hong Kong Monetary Authority in July 2017, comparative figures as at 31 March 2017 have been restated to conform to the presentation of current period.

**Template CR1: Credit quality of exposures**

The table below provides an overview of the credit quality of on- and off-balance sheet exposures as at 30<sup>th</sup> June 2017:

(HK\$ million)		(a)	(b)	(c)	(d)
		Gross carrying amounts of		Allowances / impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Loans	6,957	577,217	3,775	580,399
2	Debt securities	0	118,462	0	118,462
3	Off-balance sheet exposures	0	231,909	0	231,909
4	<b>Total</b>	<b>6,957</b>	<b>927,588</b>	<b>3,775</b>	<b>930,770</b>

**Template CR2: Changes in defaulted loans and debt securities**

The table below provides information on the changes in defaulted loans and debt securities, including any changes in the amount of defaulted exposures, movements between non-defaulted and defaulted exposures, and reductions in the defaulted exposures due to write-offs as at 30<sup>th</sup> June 2017 and 31<sup>st</sup> December 2016 respectively:

(HK\$ million)		(a)
		Amount
1	<b>Defaulted loans and debt securities at end of the previous reporting period</b>	<b>6,768</b>
2	Loans and debt securities that have defaulted since the last reporting period	1,437
3	Returned to non-defaulted status	(189)
4	Amounts written off	(983)
5	Other changes*	(76)
6	<b>Defaulted loans and debt securities at end of the current reporting period</b>	<b>6,957</b>

\* Other changes include loan repayment and exchange rate difference

**Template CR3: Overview of recognized credit risk mitigation**

The following table presents the extent of credit risk exposures covered by different types of recognized CRM as at 30<sup>th</sup> June 2017:

		(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\$ million)						
1	Loans	266,067	314,332	258,638	4,302	0
2	Debt securities	91,248	27,214	0	26,963	0
<b>3</b>	<b>Total</b>	<b>357,315</b>	<b>341,546</b>	<b>258,638</b>	<b>31,265</b>	<b>0</b>
4	Of which defaulted	1,679	3,712	3,131	0	0

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

The following table illustrates the effect of any recognized CRM (including recognized collateral under both comprehensive and simple approaches) on the calculation of credit risk capital requirements under STC approach as at 30<sup>th</sup> June 2017:

Exposure Classes	(a)	(b)	(c)	(d)	(e)	(f)
	Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	On-balance sheet amount (HK\$ Mn)	Off-balance sheet amount (HK\$ Mn)	On-balance sheet amount (HK\$ Mn)	Off-balance sheet amount (HK\$ Mn)	RWA (HK\$ Mn)	RWA density
1 Sovereign exposures	73,957	0	73,957	0	1,186	1.60%
2 PSE exposures	644	0	704	95	77	9.66%
2a Of which: domestic PSEs	0	0	60	95	31	20.00%
2b Of which: foreign PSEs	644	0	644	0	46	7.17%
3 Multilateral development bank exposures	0	0	0	0	0	-
4 Bank exposures	702	0	702	0	292	41.63%
5 Securities firm exposures	0	5	0	0	0	-
6 Corporate exposures	17,860	12,522	14,725	645	13,146	85.53%
7 CIS exposures	0	0	0	0	0	-
8 Cash items	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	-
10 Regulatory retail exposures	6,368	1,842	6,366	0	4,775	75.00%
11 Residential mortgage loans	9,746	792	9,663	221	4,672	47.27%
12 Other exposures which are not past due exposures	19,787	5,492	10,343	159	10,502	100.00%
13 Past due exposures	334	0	334	0	355	106.30%
14 Significant exposures to commercial entities	0	0	0	0	0	-
<b>15 Total</b>	<b>129,398</b>	<b>20,653</b>	<b>116,794</b>	<b>1,120</b>	<b>35,005</b>	<b>29.69%</b>

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

The following table presents a breakdown of credit risk exposures under STC approach by asset classes and by risk weights as at 30<sup>th</sup> June 2017:

(HK\$ million)		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
Risk Weight												Total credit risk exposures amount (post CCF and post CRM)
Exposure Class		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
1	Sovereign exposures	68,029	0	5,928	0	0	0	0	0	0	0	73,957
2	PSE exposures	413	0	386	0	0	0	0	0	0	0	799
2a	Of which: domestic PSEs	0	0	155	0	0	0	0	0	0	0	155
2b	Of which: foreign PSEs	413	0	231	0	0	0	0	0	0	0	644
3	Multilateral development bank exposures	0	0	0	0	0	0	0	0	0	0	0
4	Bank exposures	0	0	196	0	506	0	0	0	0	0	702
5	Securities firm exposures	0	0	0	0	0	0	0	0	0	0	0
6	Corporate exposures	0	0	43	0	4,379	0	10,948	0	0	0	15,370
7	CIS exposures	0	0	0	0	0	0	0	0	0	0	0
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	6,366	0	0	0	0	6,366
11	Residential mortgage loans	0	0	0	7,868	0	391	1,625	0	0	0	9,884
12	Other exposures which are not past due exposures	0	0	0	0	0	0	10,502	0	0	0	10,502
13	Past due exposures	0	0	0	0	0	0	292	42	0	0	334
14	Significant exposures to commercial entities	0	0	0	0	0	0	0	0	0	0	0
15	<b>Total</b>	<b>68,442</b>	<b>0</b>	<b>6,553</b>	<b>7,868</b>	<b>4,885</b>	<b>6,757</b>	<b>23,367</b>	<b>42</b>	<b>0</b>	<b>0</b>	<b>117,914</b>



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

The following table presents the main parameters of internal models used for the calculation of credit risk capital requirements under the IRB approach at 30<sup>th</sup> June 2017:

	PD Scale	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
		Original on-balance sheet gross exposure (HK\$ Mn)	Off-balance sheet exposure pre-CCF (HK\$ Mn)	Average CCF	EAD post-CRM and post-CCF (HK\$ Mn)	Average PD	Number of obligors	Average LGD	Average maturity	RWA (HK\$ Mn)	RWA density	EL (HK\$ Mn)	Provisions (HK\$ Mn)
Bank	0.00 to <0.15	50,976	676	11.88%	52,209	0.08%	282	45.87%		18,281	35.01%	20	
	0.15 to <0.25	32,149	939	8.76%	34,256	0.23%	127	43.58%		20,668	60.33%	34	
	0.25 to <0.50	18,786	479	100.00%	19,130	0.34%	76	45.62%		14,446	75.52%	30	
	0.50 to <0.75	3,641	311	86.91%	3,912	0.56%	46	45.96%		3,112	79.55%	10	
	0.75 to <2.50	2,713	469	64.49%	3,015	1.00%	31	44.85%		2,974	98.65%	14	
	2.50 to <10.00	345	0	-	345	2.79%	2	45.00%		533	154.35%	4	
	10.00 to <100.00	0	0	-	0	-	0	-		0	-	0	
	100.00 (Default)	0	0	-	0	-	0	-		0	-	0	
	<b>Sub-total</b>	<b>108,610</b>	<b>2,874</b>	<b>42.24%</b>	<b>112,867</b>	<b>0.22%</b>	<b>564</b>	<b>45.11%</b>		<b>60,014</b>	<b>53.17%</b>	<b>112</b>	<b>58</b>
Corporate – small-and-medium sized corporates	0.00 to <0.15	5,290	391	23.67%	5,382	0.14%	66	37.86%		1,343	24.94%	3	
	0.15 to <0.25	5,071	28	3.05%	5,072	0.20%	17	36.52%		1,598	31.51%	4	
	0.25 to <0.50	6,645	909	47.06%	7,073	0.30%	140	27.30%		1,899	26.84%	6	
	0.50 to <0.75	5,982	2,093	29.32%	6,596	0.50%	274	36.32%		3,176	48.16%	12	
	0.75 to <2.50	29,240	7,042	41.31%	32,035	1.27%	999	36.21%		20,531	64.09%	148	
	2.50 to <10.00	9,172	3,676	21.99%	9,973	5.32%	409	34.29%		8,922	89.46%	180	
	10.00 to <100.00	6,044	1,005	3.61%	6,024	33.43%	194	30.39%		8,471	140.62%	612	
	100.00 (Default)	2,792	0	50.00%	2,792	100.00%	361	37.52%		6,834	244.77%	660	
	<b>Sub-total</b>	<b>70,236</b>	<b>15,144</b>	<b>32.28%</b>	<b>74,947</b>	<b>7.76%</b>	<b>2,460</b>	<b>34.84%</b>		<b>52,774</b>	<b>70.41%</b>	<b>1,625</b>	<b>1,557</b>

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

	PD Scale	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
		Original on-balance sheet gross exposure (HK\$ Mn)	Off-balance sheet exposure pre-CCF (HK\$ Mn)	Average CCF	EAD post-CRM and post-CCF (HK\$ Mn)	Average PD	Number of obligors	Average LGD	Average maturity	RWA (HK\$ Mn)	RWA density	EL (HK\$ Mn)	Provisions (HK\$ Mn)
Corporate – other (including purchased corporate receivables)	0.00 to <0.15	34,908	7,548	68.05%	50,077	0.11%	229	44.25%		15,839	31.63%	25	
	0.15 to <0.25	17,061	7,158	48.88%	23,422	0.20%	98	38.40%		9,081	38.77%	18	
	0.25 to <0.50	35,347	10,452	76.57%	47,555	0.28%	255	38.39%		22,135	46.55%	51	
	0.50 to <0.75	32,950	19,944	30.96%	37,889	0.50%	239	40.79%		25,518	67.35%	78	
	0.75 to <2.50	137,380	74,022	24.45%	146,068	1.22%	963	36.34%		120,155	82.26%	639	
	2.50 to <10.00	40,442	17,815	5.26%	33,367	4.93%	381	30.79%		34,211	102.53%	485	
	10.00 to <100.00	8,122	3,651	6.11%	7,039	33.43%	92	23.06%		8,963	127.34%	543	
	100.00 (Default)	3,229	0	-	3,228	100.00%	109	41.03%		8,816	273.07%	823	
<b>Sub-total</b>	<b>309,439</b>	<b>140,590</b>	<b>29.92%</b>	<b>348,645</b>	<b>2.71%</b>	<b>2,366</b>	<b>37.62%</b>		<b>244,718</b>	<b>70.19%</b>	<b>2,662</b>	<b>4,146</b>	
Retail – QRRE	0.00 to <0.15	25	14,365	59.39%	8,556	0.14%	423,311	91.87%		626	7.31%	11	
	0.15 to <0.25	32	247	64.45%	191	0.24%	8,432	91.58%		21	11.20%	0	
	0.25 to <0.50	2,794	25,763	60.10%	18,277	0.35%	507,998	91.87%		2,838	15.53%	59	
	0.50 to <0.75	181	1,962	80.03%	1,751	0.59%	46,296	90.63%		405	23.15%	10	
	0.75 to <2.50	495	2,631	65.64%	2,222	1.32%	86,830	90.56%		933	41.99%	27	
	2.50 to <10.00	905	1,855	70.04%	2,204	5.12%	44,724	91.45%		2,437	110.56%	103	
	10.00 to <100.00	12	19	73.54%	26	24.82%	705	91.11%		60	234.45%	6	
	100.00 (Default)	47	1	0.00%	47	100.00%	31,590	91.44%		535	1132.29%	0	
<b>Sub-total</b>	<b>4,491</b>	<b>46,843</b>	<b>61.45%</b>	<b>33,274</b>	<b>0.85%</b>	<b>1,149,886</b>	<b>91.69%</b>		<b>7,855</b>	<b>23.61%</b>	<b>216</b>	<b>38</b>	

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

	PD Scale	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
		Original on-balance sheet gross exposure (HK\$ Mn)	Off-balance sheet exposure pre-CCF (HK\$ Mn)	Average CCF	EAD post-CRM and post-CCF (HK\$ Mn)	Average PD	Number of obligors	Average LGD	Average maturity	RWA (HK\$ Mn)	RWA density	EL (HK\$ Mn)	Provisions (HK\$ Mn)
Retail – Residential mortgage exposures (including both to individuals and to property-holding shell companies)	0.00 to <0.15	5,885	198	100.00%	6,083	0.09%	1,478	24.49%		944	15.52%	1	
	0.15 to <0.25	30,183	1,009	100.00%	31,192	0.23%	18,323	22.08%		4,680	15.00%	16	
	0.25 to <0.50	34,875	190	100.00%	35,065	0.34%	16,942	14.28%		5,290	15.09%	17	
	0.50 to <0.75	1,962	0	-	1,961	0.64%	905	30.07%		548	27.94%	4	
	0.75 to <2.50	1,647	95	100.00%	1,742	1.25%	2,135	11.99%		353	20.27%	3	
	2.50 to <10.00	647	0	100.00%	647	6.91%	698	30.06%		750	115.92%	13	
	10.00 to <100.00	1,528	0	-	1,528	19.28%	1,110	22.36%		1,883	123.26%	74	
	100.00 (Default)	275	0	0.00%	275	100.00%	122	23.31%		782	284.51%	2	
	<b>Sub-total</b>	<b>77,002</b>	<b>1,492</b>	<b>99.98%</b>	<b>78,493</b>	<b>1.08%</b>	<b>41,713</b>	<b>18.83%</b>		<b>15,230</b>	<b>19.40%</b>	<b>130</b>	<b>925</b>
Retail – small business retail exposures	0.00 to <0.15	0	0	-	0	-	0	-		0	-	0	
	0.15 to <0.25	161	0	100.00%	161	0.25%	47	29.46%		22	13.72%	0	
	0.25 to <0.50	77	5	100.00%	82	0.34%	40	12.58%		6	7.22%	0	
	0.50 to <0.75	174	14	100.00%	189	0.53%	262	67.41%		94	49.96%	1	
	0.75 to <2.50	424	34	100.00%	458	1.38%	369	25.42%		127	27.65%	1	
	2.50 to <10.00	120	3	100.00%	123	4.65%	182	52.23%		94	76.41%	3	
	10.00 to <100.00	17	0	-	16	17.13%	19	48.07%		15	90.79%	1	
	100.00 (Default)	17	1	0.00%	17	100.00%	27	69.77%		53	317.64%	10	
<b>Sub-total</b>	<b>990</b>	<b>57</b>	<b>98.78%</b>	<b>1,046</b>	<b>3.19%</b>	<b>946</b>	<b>36.83%</b>		<b>411</b>	<b>39.33%</b>	<b>16</b>	<b>24</b>	

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

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
	PD Scale	Original on-balance sheet gross exposure (HK\$ Mn)	Off-balance sheet exposure pre-CCF (HK\$ Mn)	Average CCF	EAD post-CRM and post-CCF (HK\$ Mn)	Average PD	Number of obligors	Average LGD	Average maturity	RWA (HK\$ Mn)	RWA density	EL (HK\$ Mn)	Provisions (HK\$ Mn)
Other retail exposures to individuals	0.00 to <0.15	349	26	59.37%	365	0.04%	122	69.84%		29	7.82%	0	
	0.15 to <0.25	169	12	100.00%	181	0.24%	134	34.69%		28	15.60%	0	
	0.25 to <0.50	33	137	61.10%	117	0.35%	226	91.33%		63	53.52%	0	
	0.50 to <0.75	1,833	61	93.26%	1,890	0.54%	879	61.19%		859	45.44%	6	
	0.75 to <2.50	3,566	261	98.73%	3,823	1.54%	13,312	43.87%		1,992	52.10%	27	
	2.50 to <10.00	2,179	91	78.57%	2,250	4.01%	5,397	41.94%		1,372	60.98%	43	
	10.00 to <100.00	134	0	68.41%	135	25.32%	476	37.86%		120	89.40%	13	
	100.00 (Default)	115	0	-	115	100.00%	1,252	58.52%		834	722.81%	1	
	<b>Sub-total</b>	<b>8,378</b>	<b>588</b>	<b>84.52%</b>	<b>8,876</b>	<b>3.49%</b>	<b>21,798</b>	<b>48.67%</b>		<b>5,297</b>	<b>59.68%</b>	<b>90</b>	<b>102</b>
<b>Total (sum of all portfolios)</b>		<b>579,146</b>	<b>207,588</b>	<b>38.06%</b>	<b>658,148</b>	<b>2.58%</b>	<b>1,219,733</b>	<b>39.23%</b>		<b>386,299</b>	<b>58.69%</b>	<b>4,851</b>	<b>6,850</b>

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

The following table presents the effect of recognized credit derivative contracts on the calculation of credit risk capital requirements under the IRB approach as at 30<sup>th</sup> June 2017:

(HK\$ million)		(a)	(b)
		Pre-credit derivatives RWA	Actual RWA
1	Corporate – Specialized lending under supervisory slotting criteria approach (project finance)	0	0
2	Corporate – Specialized lending under supervisory slotting criteria approach (object finance)	947	947
3	Corporate – Specialized lending under supervisory slotting criteria approach (commodities finance)	0	0
4	Corporate – Specialized lending under supervisory slotting criteria approach (income-producing real estate)	14,906	14,906
5	Corporate – Specialized lending (high-volatility commercial real estate)	0	0
6	Corporate – Small-and-medium sized corporates	52,774	52,774
7	Corporate – Other corporates	244,718	244,718
8	Sovereigns	0	0
9	Sovereign foreign public sector entities	0	0
10	Multilateral development banks	0	0
11	Bank exposures – Banks	59,782	59,782
12	Bank exposures – Securities firms	215	215
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	17	17
14	Retail – Small business retail exposures	411	411
15	Retail – Residential mortgages to individuals	13,919	13,919
16	Retail – Residential mortgages to property-holding shell companies	1,311	1,311
17	Retail – Qualifying revolving retail exposures (QRRE)	7,855	7,855
18	Retail – Other retail exposures to individuals	5,297	5,297
19	Equity – Equity exposures under market-based approach (simple risk-weight method)	15,594	15,594
20	Equity – Equity exposures under market-based approach (internal models method)	1,996	1,996
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
25a	Equity – Specified equity exposures to financial sector entities and commercial entities	13,298	13,298
26	Other – Cash items	0	0
27	Other – Other items	15,663	15,663
<b>28</b>	<b>Total</b>	<b>448,703</b>	<b>448,703</b>

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

The following table presents a flow statement explaining variations in the RWA for credit risk determined under the IRB approach as at 30<sup>th</sup> June 2017 and 31<sup>st</sup> March 2017 respectively:

(HK\$ million)		(a)
		Amount
<b>1</b>	<b>RWA as at end of previous reporting period<sup>2</sup></b>	<b>404,986</b>
2	Asset size	6,283
3	Asset quality	2,904
6	Acquisitions and disposals	0
7	Foreign exchange movements	3,865
8	Other	-223
<b>9</b>	<b>RWA as at end of reporting period</b>	<b>417,815</b>

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<sup>2</sup> The RWA as at end of previous reporting period (i.e. 31 March 2017) in this template has been restated to align with the presentation of Template OV1.

**Template 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**

The following table presents quantitative information in respect of specialized lending – HVCRE under the supervisory slotting criteria approach as at 30<sup>th</sup> June 2017:

		(a)	(b)	(c)	(d)	(e)	(f)
Supervisory Rating Grade	Remaining Maturity	On-balance sheet exposure amount (HK\$ Mn)	Off-balance sheet exposure amount (HK\$ Mn)	SRW	EAD amount (HK\$ Mn)	RWA (HK\$ Mn)	Expected loss amount (HK\$ Mn)
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
<b>Total</b>		<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>

^ Use of preferential risk-weights.

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

**II. Specialized Lending under supervisory slotting criteria approach – Other than HVCRE**

The following table presents quantitative information in respect of specialized lending – Other than HVCRE under the supervisory slotting criteria approach as at 30<sup>th</sup> June 2017:

Supervisory Rating Grade	Remaining Maturity	(a)	(b)	(c)	(d)(i)	(d)(ii)	(d)(iii)	(d)(iv)	(d)(v)	(e)	(f)
		On-balance sheet exposure amount (HK\$ Mn)	Off-balance sheet exposure amount (HK\$ Mn)	SRW	EAD amount (HK\$ Mn)					RWA (HK\$ Mn)	Expected loss amount (HK\$ Mn)
					PF	OF	CF	IPRE	Total		
Strong ^	Less than 2.5 years	0	0	50%	0	0	0	0	0	0	0
Strong	Equal to or more than 2.5 years	15,797	3,791	70%	0	489	0	18,134	18,623	13,036	75
Good ^	Less than 2.5 years	0	0	70%	0	0	0	0	0	0	0
Good	Equal to or more than 2.5 years	1,149	40	90%	0	8	0	1,141	1,149	1,034	9
Satisfactory		545	0	115%	0	520	0	25	545	627	15
Weak		377	115	250%	0	0	0	463	463	1,156	37
Default		126	0	0%	0	0	0	126	126	0	63
<b>Total</b>		<b>17,994</b>	<b>3,946</b>		<b>0</b>	<b>1,017</b>	<b>0</b>	<b>19,889</b>	<b>20,906</b>	<b>15,853</b>	<b>199</b>

^ Use of preferential risk-weights.

**III. Equity exposures under the simple risk-weight method**

The following table presents quantitative information in respect of equity exposures under the simple risk-weight method as at 30<sup>th</sup> June 2017:

Categories	(a)	(b)	(c)	(d)	(e)
	On-balance sheet exposure amount (HK\$ Mn)	Off-balance sheet exposure amount (HK\$ Mn)	SRW	EAD amount (HK\$ Mn)	RWA (HK\$ Mn)
Publicly traded equity exposures	0	0	300%	0	0
All other equity exposures	3,899	0	400%	3,899	15,594
<b>Total</b>	<b>3,899</b>	<b>0</b>		<b>3,899</b>	<b>15,594</b>



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

The following table presents a comprehensive breakdown of counterparty default risk exposures (other than those to CCPs), RWAs, and, where applicable, main parameters under the approaches used to calculate default risk exposures in respect of derivative contracts and SFTs as at 30<sup>th</sup> June 2017:

		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC) (HK\$ Mn)	PFE (HK\$ Mn)	Effective EPE (HK\$ Mn)	Alpha ( $\alpha$ ) used for computing default risk exposure	Default risk exposure after CRM (HK\$ Mn)	RWA (HK\$ Mn)
1	SA-CCR (for derivative contracts)	0	0		1.4	0	0
1a	CEM	3,169	5,786		N/A	7,843	4,619
2	IMM (CCR) Approach			0	N/A	0	0
3	Simple Approach (for SFTs)					0	0
4	Comprehensive Approach (for SFTs)					3,687	91
5	VaR (for SFTs)					0	0
<b>6</b>	<b>Total</b>						<b>4,710</b>

**Template CCR2: CVA capital charge**

The following table presents information on portfolios subject to the CVA capital charge and the CVA calculations based on standardized CVA method and advanced CVA method as at 30<sup>th</sup> June 2017:

(HK\$ million)		(a)	(b)
		EAD post CRM	RWA
	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 standardized CVA method	7,182	1,699
4	<b>Total</b>	<b>7,182</b>	<b>1,699</b>

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

The following table presents a breakdown of default risk exposures as at 30<sup>th</sup> June 2017, other than those to CCPs, in respect of derivative contracts and SFTs that are subject to the STC approach, by asset classes and risk-weights, irrespective of the approach used to determine the amount of default risk exposures:

(HK\$ million)		(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)	(i)
Exposure Class	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
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	18	0	133	0	0	0	0	0	151
5	Securities firm exposures	0	0	0	0	0	0	0	0	0	0	0
6	Corporate exposures	0	0	0	0	0	0	151	0	0	0	151
7	CIS exposures	0	0	0	0	0	0	0	0	0	0	0
8	Regulatory retail exposures	0	0	0	0	0	0	0	0	0	0	0
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	102	0	0	0	102
11	Significant exposures to commercial entities	0	0	0	0	0	0	0	0	0	0	0
12	<b>Total</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>133</b>	<b>0</b>	<b>253</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>404</b>

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

The Bank applies two internal rating models at the group level for risk-weighting its counterparty default risk portfolio, with the bank model applied to bank obligors and the corporate model applied to obligors which are non-bank financial institutions and corporates. For each of the regulatory portfolios disclosed in this template, 100% of the RWAs are covered by the internal rating models described.

The following table presents all the relevant parameters used for the calculation of counterparty default risk capital requirements for IRB exposures (other than those to CCPs) as at 30<sup>th</sup> June 2017:

		(a)	(b)	(c)	(d)	(e)	(f)	(g)
	PD Scale	EAD post-CRM (HK\$ Mn)	Average PD	Number of obligors	Average LGD	Average maturity	RWA (HK\$ Mn)	RWA density
Bank	0.00 to <0.15	6,026	0.10%	84	28.42%		1,300	21.58%
	0.15 to <0.25	1,832	0.18%	24	13.19%		314	17.12%
	0.25 to <0.50	727	0.34%	20	45.00%		554	76.28%
	0.50 to <0.75	220	0.56%	6	45.00%		207	94.12%
	0.75 to <2.50	1,002	1.00%	15	45.00%		1,142	114.06%
	2.50 to <10.00	6	2.79%	2	45.00%		10	151.07%
	10.00 to <100.00	0	-	0	-		0	-
	100.00 (Default)	0	-	0	-		0	-
	<b>Sub-total</b>	<b>9,813</b>	<b>0.24%</b>	<b>151</b>	<b>28.88%</b>		<b>3,527</b>	<b>35.94%</b>
Corporate	0.00 to <0.15	59	0.14%	4	45.00%		18	30.86%
	0.15 to <0.25	23	0.20%	6	20.57%		4	17.95%
	0.25 to <0.50	6	0.31%	5	0.37%		0	0.41%
	0.50 to <0.75	135	0.50%	12	40.49%		85	62.65%
	0.75 to <2.50	819	1.17%	113	32.16%		554	67.61%
	2.50 to <10.00	217	4.55%	77	16.90%		122	56.14%
	10.00 to <100.00	54	33.43%	19	26.18%		77	143.03%
	100.00 (Default)	0	-	0	-		0	-
	<b>Sub-total</b>	<b>1,313</b>	<b>2.92%</b>	<b>236</b>	<b>30.48%</b>		<b>860</b>	<b>65.47%</b>
<b>Total (sum of all portfolios)</b>		<b>11,126</b>	<b>0.55%</b>	<b>387</b>	<b>29.07%</b>		<b>4,387</b>	<b>39.43%</b>

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

The following table presents a breakdown of all types of collateral posted or recognized collateral received to support or reduce the exposures to counterparty default risk exposures as at 30<sup>th</sup> June 2017 in respect of derivative contracts or SFTs entered into, including contracts or transactions cleared through a CCP:

(HK\$ million)	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
Cash – domestic currency	2,040	117	0	0
Cash – other currencies	72,816	1,693	2,000	1,436
Debt securities	0	0	1,278	2,251
Equity securities	197	0	0	0
Other collateral	0	0	0	0
<b>Total</b>	<b>75,053</b>	<b>1,810</b>	<b>3,278</b>	<b>3,687</b>

**Template CCR6: Credit-related derivatives contracts**

The following table presents the amount of credit-related derivative contracts as at 30<sup>th</sup> June 2017, broken down into credit protection bought and credit protection sold:

(HK\$ million)	(a)	(b)
	Protection bought	Protection sold
<b>Notional amounts</b>		
Credit default swaps	0	0
Total return swaps	0	0
Other credit-related derivative contracts	0	0
<b>Total notional amounts</b>	<b>0</b>	<b>0</b>
<b>Fair values</b>		
Positive fair value (asset)	0	0
Negative fair value (liability)	0	0

**Template SEC1: Securitization exposures in banking book**

The table below presents a breakdown of securitization exposures in the banking book as at 30<sup>th</sup> June 2017:

(HK\$ million)		(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
1	<b>Retail (total)</b> – of which:	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>159</b>	<b>0</b>	<b>0</b>
2	residential mortgage	0	0	0	0	0	0	0	0	0
3	credit card	0	0	0	0	0	0	0	0	0
4	other retail exposures	0	0	0	0	0	0	159	0	0
5	re-securitization exposures	0	0	0	0	0	0	0	0	0
6	<b>Wholesale (total)</b> – of which:	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
7	loans to corporates	0	0	0	0	0	0	0	0	0
8	commercial mortgage	0	0	0	0	0	0	0	0	0
9	lease and receivables	0	0	0	0	0	0	0	0	0
10	other wholesale	0	0	0	0	0	0	0	0	0
11	re-securitization exposures	0	0	0	0	0	0	0	0	0

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

The following table presents securitization exposures in the banking book where the Bank Group acts as an originating institution of securitization transactions and the associated capital requirements as at 30<sup>th</sup> 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\$ million)																		
<b>1</b>	<b>Total exposures</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2	Traditional securitization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3	Of which securitization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4	Of which retail	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	Of which wholesale	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	Of which re-securitization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7	Of which senior	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	Of which non-senior	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9	Synthetic securitization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Of which securitization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	Of which retail	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12	Of which wholesale	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13	Of which re-securitization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14	Of which senior	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15	Of which non-senior	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0



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

The following table presents securitization exposures in the banking book where the Bank Group acts as an investing institution of securitization transactions and the associated capital requirements as at 30<sup>th</sup> 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\$ million)																																		
<b>1</b>	<b>Total exposures</b>	<b>159</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>159</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>																
2	Traditional securitization	159	0	0	0	0	159	0	0	0	15	0	0	0	1	0	0	0																
3	Of which securitization	159	0	0	0	0	159	0	0	0	15	0	0	0	1	0	0	0																
4	Of which retail	159	0	0	0	0	159	0	0	0	15	0	0	0	1	0	0	0																
5	Of which wholesale	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																
6	Of which re-securitization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																
7	Of which senior	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																
8	Of which non-senior	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																
9	Synthetic securitization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																
10	Of which securitization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																
11	Of which retail	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																
12	Of which wholesale	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																
13	Of which re-securitization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																
14	Of which senior	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																
15	Of which non-senior	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																

**Template MR1: Market risk under Standardized (market risk) approach (STM approach)**

The table below provides the components of the market risk capital requirements calculated using the STM approach exposures as at 30<sup>th</sup> June 2017:

(HK\$ million)	RWA
Outright product exposures	
Interest rate exposures (general and specific risk)	2,859
Equity exposures (general and specific risk)	3,708
Option exposures	-
Securitization exposures	-
<b>Total</b>	<b>6,567</b>

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

The table below presents a flow statement explaining variations in the RWA for market risk determined under the IMM approach as at 30<sup>th</sup> June 2017 and 31<sup>st</sup> March 2017 respectively:

(HK\$ million)		(a)	(b)	(c)	(d)	(e)	(f)
		VaR	Stressed VaR	IRC	CRC	Other	Total RWA
<b>1</b>	<b>RWA as at end of previous reporting period</b>	<b>4,771</b>	<b>12,055</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,826</b>
1a	Regulatory adjustment	3,224	8,005	0	0	0	11,229
1b	RWA as at day-end of previous reporting period	1,547	4,050	0	0	0	5,597
2	Movement in risk levels	462	1,365	0	0	0	1,827
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	-10	-21	0	0	0	-31
7	Other	-210	-677	0	0	0	-887
7a	RWA as at day-end of reporting period	1,789	4,717	0	0	0	6,506
7b	Regulatory adjustment	3,343	8,608	0	0	0	11,951
<b>8</b>	<b>RWA as at end of reporting period</b>	<b>5,132</b>	<b>13,325</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,457</b>

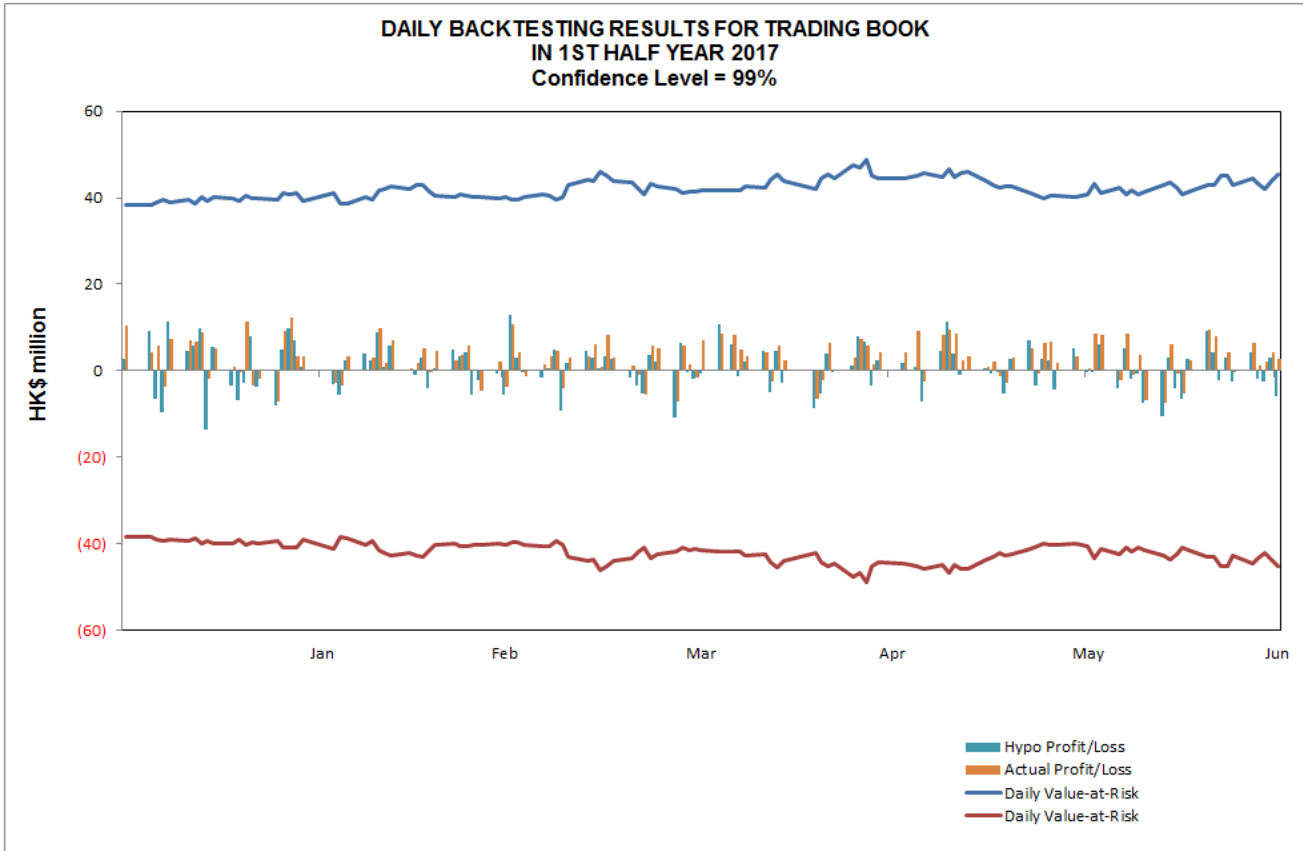
**Template MR3: IMM approach values for market risk exposures**

The table below discloses the values resulting from the different types of models used for computing the regulatory market risk capital requirement at the group-wide level, before any additional capital charge is applied:

(HK\$ million)		(a)
		Value
<b>VaR (10 days – one-tailed 99% confidence interval)</b>		
1	Maximum Value	155
2	Average Value	132
3	Minimum Value	118
4	Period End	143
<b>Stressed VaR (10 days – one-tailed 99% confidence interval)</b>		
5	Maximum Value	402
6	Average Value	338
7	Minimum Value	284
8	Period End	377
<b>Incremental risk charge (IRC) (99.9% confidence interval)</b>		
9	Maximum Value	0
10	Average Value	0
11	Minimum Value	0
12	Period End	0
<b>Comprehensive risk charge (CRC) (99.9% confidence interval)</b>		
13	Maximum Value	0
14	Average Value	0
15	Minimum Value	0
16	Period End	0
17	Floor	0

**Template MR4: Comparison of VaR estimates with gains or losses**

The graph below presents a comparison of the results of estimates from the key VaR model for calculating market risk capital requirements with both hypothetical and actual trading outcomes:



## **Glossary**

<u>Abbreviations</u>	<u>Descriptions</u>
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CEM	Current Exposure Method
CIS	Collective Investment Scheme
CRM	Credit Risk Mitigation
CVA	Credit Valuation Adjustment
EAD	Exposure At Default
EL	Expected Loss
EPE	Expected Positive Exposure
HVCRE	High-Volatility Commercial Real Estate
IMM	Internal Models Method
IRB	Internal Ratings-Based
IRB(S)	Internal Ratings-Based (Securitization)
LGD	Loss Given Default
PD	Probability Of Default
PFE	Potential Future Exposure
PSE	Public Sector Entity
RBM	Ratings-Based Method
RWA	Risk Weighted Asset
SA-CCR	Standardised Approach (Counterparty Credit Risk)
SFM	Supervisory Formula Method
SFT	Securities Financing Transaction
SRW	Specific Risk-Weight
STC	Standardized (Credit Risk)
STM	Standardized (Market Risk)
STO	Standardized (Operational Risk)
VaR	Value-At-Risk