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

Pillar 3 Regulatory Disclosures

For the period ended
30 September 2017

(Unaudited)

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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 30th September 2017 and 30th June 2017 respectively:

		(a)	(b)	(c)
		RWA		Minimum capital requirements
(HK$ million)		September 2017	June 2017	September 2017
1	**Credit risk for non-securitization exposures**	**435,578**	**452,820**	**36,771**
2	Of which STC approach	34,592	35,005	2,767
3	Of which IRB approach	400,986	417,815	34,004
4	**Counterparty credit risk**	**7,377**	**6,744**	**613**
4a	Of which CVA Risk	1,714	1,699	137
4b	Of which default risk exposures in respect of SFTs	138	91	12
4c	Of which default fund contribution to central counterparties	193	161	15
5a	Of which CEM	5,332	4,793	449
7	Equity exposures in banking book under the market-based approach	16,741	17,590	1,420
11	Settlement risk	0	0	0
12	**Securitization exposures in banking book**	**5,898**	**15**	**500**
13	Of which IRB(S) approach – ratings-based method	15	15	1
14	Of which IRB(S) approach – supervisory formula method	5,883	0	499
16	**Market risk**	**26,235**	**25,025**	**2,099**
17	Of which STM approach	6,818	6,568	546
18	Of which IMM approach	19,417	18,457	1,553
19	**Operational risk**	**30,791**	**31,348**	**2,463**
21	Of which STO approach	30,791	31,348	2,463
23	Amounts below the thresholds for deduction (subject to 250% RW)	15,595	13,298	1,322
24	Capital floor adjustment	0	0	0
24a	**Deduction to RWA**	**3,094**	**3,045**	**247**
24b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	404	354	32
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	2,690	2,691	215
25	**Total**	**535,121**	**543,795**	**44,941**

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 30th September 2017 and 30th June 2017 respectively:

(HK$ million)		(a) Amount
1	**RWA as at end of previous reporting period**	**417,815**
2	Asset size	-15,557
3	Asset quality	-2,678
6	Acquisitions and disposals	0
7	Foreign exchange movements	1,445
8	Other	-39
9	**RWA as at end of reporting period**	**400,986**

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 30th September 2017 and 30th June 2017 respectively:

		(a)	(b)	(c)	(d)	(e)	(f)
	(HK$ million)	VaR	Stressed VaR	IRC	CRC	Other	Total RWA
1	**RWA as at end of previous reporting period**	**5,132**	**13,325**	**0**	**0**	**0**	**18,457**
1a	Regulatory adjustment	3,343	8,608	0	0	0	11,951
1b	RWA as at day-end of previous reporting period	1,789	4,717	0	0	0	6,506
2	Movement in risk levels	-47	156	0	0	0	109
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	-1	0	0	0	0	-1
7	Other	-202	-444	0	0	0	-646
7a	RWA as at day-end of reporting period	1,539	4,429	0	0	0	5,968
7b	Regulatory adjustment	3,685	9,764	0	0	0	13,449
8	**RWA as at end of reporting period**	**5,224**	**14,193**	**0**	**0**	**0**	**19,417**

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Key capital ratios disclosures

1. Capital Adequacy Ratio

	At 30th September, 2017 HK$ Million	At 30th June, 2017 HK$ Million
Common Equity Tier 1 capital	70,979	70,375
Total Tier 1 capital	81,646	81,042
Total capital	95,943	100,198
Total risk weighted assets	561,758	570,981

	%	%
Common Equity Tier 1 capital ratio	12.6	12.3
Tier 1 capital ratio	14.5	14.2
Total capital ratio	17.1	17.5

2. Leverage ratio

	At 30th September, 2017 HK$ Million	At 30th June, 2017 HK$ Million
Total Tier 1 capital	81,646	81,042
Exposure measure	821,739	825,890

	%	%
Leverage ratio	9.9	9.8