



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

Banking Disclosure Statement

For the period ended  
31 March 2018

(Unaudited)

These disclosures are prepared under  
the Banking (Disclosure) Rules

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## **1. Introduction**

### **Purpose**

The information contained in this document is for The Bank of East Asia, Limited (“the Bank”) and its subsidiaries (together “the Group”), and is prepared in accordance with the Banking (Disclosure) Rules (“BDR”) and disclosure templates issued by the Hong Kong Monetary Authority (“HKMA”).

These banking disclosures are governed by the Group’s disclosure policy, which has been approved by the Board. The disclosure policy sets out the governance, control and assurance requirements for publication of the document. While the banking disclosure statement is not required to be externally audited, the document has been subject to independent review in accordance with the Group’s policies on disclosure and its financial reporting and governance processes.

### **Basis of preparation**

Except where indicated otherwise, the financial information contained in this Banking Disclosure Statement has been prepared on the basis of regulatory scope of consolidation specified by the HKMA to the Bank. The basis of consolidation for regulatory purposes is different from that for accounting purposes.

### **The banking disclosure statement**

The HKMA has implemented the final standards on the Revised Pillar 3 Disclosure Requirements issued by the Basel Committee on Banking Supervision in January 2015. These disclosures are supplemented by specific additional requirements of the HKMA set out in the BDR. The banking disclosure statement includes the information required under the BDR.

According to the BDR, disclosure of comparative information is not required unless otherwise specified in the standard disclosure templates.

## 2. Key capital ratios

### 2.1 Capital adequacy ratios

	At 31 <sup>st</sup> March, 2018 HK\$ Million	At 31 <sup>st</sup> December, 2017 HK\$ Million
Common Equity Tier 1 capital	74,054	72,786
Total Tier 1 capital	84,366	83,452
Total capital	99,274	98,124
Total risk weighted assets	495,037	551,868

	%	%
Common Equity Tier 1 capital ratio	15.0	13.2
Tier 1 capital ratio	17.0	15.1
Total capital ratio	20.1	17.8

### 2.2 Leverage ratio

	At 31 <sup>st</sup> March, 2018 HK\$ Million	At 31 <sup>st</sup> December, 2017 HK\$ Million
Total Tier 1 capital	84,366	83,452
Exposure measure	833,319	833,035

	%	%
Leverage ratio	10.1	10.0

### 3. Risk-weighted assets

#### 3.1 Overview of RWA

The following table provides an overview of capital requirements in terms of a detailed breakdown of RWAs for various risks as at 31<sup>st</sup> March 2018 and 31<sup>st</sup> December 2017 respectively:

Template OV1

(HK\$ million)		(a)	(b)	(c)
		RWA		Minimum capital requirements
		March 2018	December 2017	March 2018
1	<b>Credit risk for non-securitization exposures</b>	<b>379,342</b>	<b>434,497</b>	<b>31,993</b>
2	Of which STC approach	36,410	31,789	2,913
3	Of which IRB approach	342,932	402,708	29,080
4	<b>Counterparty credit risk</b>	<b>7,145</b>	<b>6,841</b>	<b>592</b>
4a	Of which CVA Risk	1,531	1,516	122
4b	Of which default risk exposures in respect of SFTs	56	139	5
4c	Of which default fund contribution to central counterparties	477	323	38
5a	Of which CEM	5,081	4,863	427
7	Equity exposures in banking book under the market-based approach	14,054	12,601	1,192
11	Settlement risk	0	0	0
12	<b>Securitization exposures in banking book</b>	<b>210</b>	<b>49<sup>1</sup></b>	<b>17</b>
13	Of which Securitization Internal Ratings-based Approach (SEC-IRBA)	0		0
14	Of which Securitization External Ratings-based Approach (SEC-ERBA)	210		17
15	Of which Securitization Standardized Approach (SEC-SA)	0		0
15a	Of which Securitization Fall-back Approach (SEC-FBA)	0		0
16	<b>Market risk</b>	<b>27,292</b>	<b>28,161</b>	<b>2,183</b>
17	Of which STM approach	6,711	6,782	537
18	Of which IMM approach	20,581	21,379	1,646
19	<b>Operational risk</b>	<b>31,296</b>	<b>31,005</b>	<b>2,504</b>
21	Of which STO approach	31,296	31,005	2,504
23	Amounts below the thresholds for deduction (subject to 250% RW)	16,339	15,913	1,386
24	Capital floor adjustment	0	0	0
24a	<b>Deduction to RWA</b>	<b>3,298</b>	<b>3,333</b>	<b>264</b>
24b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	443	485	36
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	2,855	2,848	228
25	<b>Total</b>	<b>472,380</b>	<b>525,734</b>	<b>39,603</b>

During the quarter ended 31st March 2018, total RWA of the Bank Group decreased by HK\$53,354 million, which could mainly be attributed to credit risk for non-securitization exposures under IRB approach. A flow statement further explaining variations in the RWA for credit risk for non-securitization exposures under IRB approach is presented in Template CR8.

<sup>1</sup> The revised securitization framework has come into effect on 1<sup>st</sup> January 2018. As at 31<sup>st</sup> December 2017, all of the Bank Group's securitization exposures were risk-weighted according to the IRB(S) approach – ratings-based method under the pre-amended securitization framework as prescribed in the then Banking (Capital) Rules.

### 3. Risk-weighted assets (continued)

#### 3.2 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 31<sup>st</sup> March 2018 and 31<sup>st</sup> December 2017 respectively:

Template CR8

(HK\$ million)		(a)
		Amount
<b>1</b>	<b>RWA as at end of previous reporting period</b>	<b>402,708</b>
2	Asset size	-5,094
3	Asset quality	-11,086
4	Model updates	-49,154
5	Methodology and policy	0
6	Acquisitions and disposals	0
7	Foreign exchange movements	5,523
8	Other	35
<b>9</b>	<b>RWA as at end of reporting period</b>	<b>342,932</b>

RWA for credit risk for non-securitization exposures under IRB approach reduced by HK\$59,776 million during the quarter ended 31<sup>st</sup> March 2018, which is principally driven by the implementation of a new internal rating model for estimating the probability of default of corporate obligors in January 2018.

### 3. Risk-weighted assets (continued)

#### 3.3 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 31<sup>st</sup> March 2018 and 31<sup>st</sup> December 2017 respectively:

Template MR2

(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>5,203</b>	<b>16,176</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21,379</b>
1a	Regulatory adjustment	3,592	10,500	0	0	0	14,092
1b	RWA as at day-end of previous reporting period	1,611	5,676	0	0	0	7,287
2	Movement in risk levels	79	-750	0	0	0	-671
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	-2	-7	0	0	0	-9
7	Other	-238	-522	0	0	0	-760
7a	RWA as at day-end of reporting period	1,450	4,397	0	0	0	5,847
7b	Regulatory adjustment	2,456	12,278	0	0	0	14,734
<b>8</b>	<b>RWA as at end of reporting period</b>	<b>3,906</b>	<b>16,675</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,581</b>