



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

Banking Disclosure Statement
For the period ended
30 June 2018

(Unaudited)

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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, and also incorporated the BCBS Pillar 3 disclosures requirements – consolidated and enhanced framework finalized in March 2017 in the latest BDR. 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.

Template KM1 - Key prudential ratios

(HK\$ million)		30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	74,207	74,054	72,786	70,979	70,375
2	Tier 1	84,519	84,366	83,452	81,646	81,042
3	Total capital	99,560	99,274	98,124	95,943	100,198
RWA (amount)						
4	Total RWA	486,098	495,037	551,868	561,758	570,981
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	15.27%	14.96%	13.19%	12.64%	12.33%
6	Tier 1 ratio (%)	17.39%	17.04%	15.12%	14.53%	14.19%
7	Total capital ratio (%)	20.48%	20.05%	17.78%	17.08%	17.55%
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	1.875%	1.875%	1.250%	1.250%	1.250%
9	Countercyclical capital buffer requirement (%)	0.767%	0.721%	0.464%	0.459%	0.476%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0.750%	0.750%	0.500%	0.500%	0.500%
11	Total AI-specific CET1 buffer requirements (%)	3.392%	3.346%	2.214%	2.209%	2.226%
12	CET1 available after meeting the AI's minimum capital requirements (%)	10.77%	10.46%	8.69%	8.14%	7.83%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	854,259	833,319	833,035	821,739	825,890
14	LR (%)	9.89%	10.12%	10.02%	9.94%	9.81%
Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)						
Applicable to category 1 institution only:						
15	Total high quality liquid assets (HQLA)	59,450	66,808	63,569	59,384	61,261
16	Total net cash outflows	42,086	48,859	42,606	43,903	47,451
17	LCR (%)	144.80%	137.80%	151.66%	136.46%	129.50%
Applicable to category 2 institution only:						
17a	LMR (%)	N/A	N/A	N/A	N/A	N/A
Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)						
Applicable to category 1 institution only:						
18	Total available stable funding	523,942	514,006	N/A	N/A	N/A
19	Total required stable funding	452,299	442,450	N/A	N/A	N/A
20	NSFR (%)	115.84%	116.17%	N/A	N/A	N/A
Applicable to category 2A institution only:						
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

Template OV1: 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 30th June 2018 and 31st March 2018 respectively:

(HK\$ million)		(a)	(b)	(c)
		RWA		Minimum capital requirements
		June 2018	March 2018	June 2018
1	Credit risk for non-securitization exposures	373,758	379,342	31,512
2	Of which STC approach	38,015	36,410	3,041
3	Of which foundation IRB approach	314,785	322,184	26,694
4	Of which supervisory slotting criteria approach	20,958	20,748	1,777
6	Counterparty default risk and default fund contributions	4,749	5,614	398
7a	Of which CEM	3,585	4,790	303
7b	Of which CEM (such a risk to CCPs which is not included in row 7a)	265	291	21
9	Of which others	899	533	74
10	CVA risk	1,290	1,531	103
11	Equity positions in banking book under the simple risk-weight method and internal models method	15,146	14,054	1,285
15	Settlement risk	0	0	0
16	Securitization exposures in banking book	147	210	12
17	Of which SEC-IRBA	0	0	0
18	Of which SEC-ERBA	147	210	12
19	Of which SEC-SA	0	0	0
19a	Of which SEC-FBA	0	0	0
20	Market risk	24,429	27,292	1,954
21	Of which STM approach	7,066	6,711	565
22	Of which IMM approach	17,363	20,581	1,389
24	Operational risk	31,454	31,296	2,516
25	Amounts below the thresholds for deduction (subject to 250% RW)	16,140	16,339	1,369
26	Capital floor adjustment	0	0	0
26a	Deduction to RWA	3,258	3,298	261
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	206	443	17
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	3,052	2,855	244
27	Total	463,855	472,380	38,888

Template CC1: Composition of regulatory capital

At 30 June 2018		Amount (HK\$ Million)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	38,883	(10) + (14)
2	Retained earnings	26,623	(11)
3	Disclosed reserves	21,332	(15) + (16) + (17)
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	Not applicable	
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 adjustments	86,838	
CET1 capital: regulatory deductions			
7	Valuation adjustments	6	
8	Goodwill (net of associated deferred tax liabilities)	1,460	(5)
9	Other intangible assets (net of associated deferred tax liabilities)	15	(6)
10	Deferred tax assets (net of associated deferred tax liabilities)	568	(7)
11	Cash flow hedge reserve	0	
12	Excess of total EL amount over total eligible provisions under the IRB approach	0	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	0	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	(12)	(8) + (9)
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 (net of associated deferred tax liabilities)	Not applicable	
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	
22	Amount exceeding the 15% threshold	Not applicable	
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	

At 30 June 2018

		Amount (HK\$ Million)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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	10,594	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	5,548	(3) + (4)
26b	Regulatory reserve for general banking risks	5,046	(12)
26c	Securitization exposures specified in a notice given by the MA	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	12,631	
29	CET1 capital	74,207	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	8,894	(18)
31	of which: classified as equity under applicable accounting standards	8,894	
32	of which: classified as liabilities under applicable accounting standards	0	
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	1,418	HK\$3,544 Mn (as of 31 Dec 2012)x 40%
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	10,312	
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	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	0	

At 30 June 2018

		Amount (HK\$ Million)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
43	Total regulatory deductions to AT1 capital	0	
44	AT1 capital	10,312	
45	Tier 1 capital (T1 = CET1 + AT1)	84,519	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	7,827	
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	1,879	
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 provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	2,838	(1) + (2) - (13)
51	Tier 2 capital before regulatory deductions	12,544	
	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 (net of eligible short positions)	0	
56	National specific regulatory adjustments applied to Tier 2 capital	(2,497)	
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	(2,497)	[(3) + (4)] X 45%
57	Total regulatory adjustments to Tier 2 capital	(2,497)	
58	Tier 2 capital (T2)	15,041	
59	Total regulatory capital (TC = T1 + T2)	99,560	
60	Total RWA	486,098	
	Capital ratios (as a percentage of RWA)		
61	CET1 capital ratio	15.27%	
62	Tier 1 capital ratio	17.39%	
63	Total capital ratio	20.48%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	7.90%	
65	of which: capital conservation buffer requirement	1.875%	
66	of which: bank specific countercyclical capital buffer requirement	0.767%	

At 30 June 2018

		Amount (HK\$ Million)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
67	of which: higher loss absorbency requirement	0.750%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	10.77%	
	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, AT1 and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	3,915	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	6,456	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	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 BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	687	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	480	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	2,358	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	2,358	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	<i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	Not applicable	
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	
82	<i>Current cap on AT1 capital instruments subject to phase-out arrangements</i>	1,418	
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	1,080	
84	<i>Current cap on Tier 2 capital instruments subject to phase-out arrangements</i>	1,879	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	0	

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:

	Description	Hong Kong basis (HK\$ Million)	Basel III basis (HK\$ Million)
9	Other intangible assets (net of associated deferred tax liabilities)	15	15
	<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 associated deferred tax liabilities)	568	(3)
	<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 of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.</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 MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</p>		
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	0

	Description	Hong Kong basis (HK\$ Million)	Basel III basis (HK\$ Million)
	<p><u>Explanation</u></p> <p>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 MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</p>		
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></p> <p>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></p> <p>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:</p> <p>The amount of the 10% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.</p>			

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

Template CC2: Reconciliation of regulatory capital to balance sheet

Balance Sheet Reconciliation	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Cross reference to Definition of Capital Components
	30/06/2018	30/06/2018	
	HK\$ Mn	HK\$ Mn	
Assets			
Cash and balances with banks and other financial institutions	48,869	48,824	
Placements with banks and other financial institutions	66,381	66,261	
Trade bills	16,428	16,428	
Trading assets	6,910	6,910	
Financial assets designated at fair value through profit or loss	-	-	
Derivative assets	10,604	10,604	
Loans and advances to customers	488,805	488,559	
of which: collective impairment allowances reflected in regulatory capital		(173)	(1)
Excess of total EL amount over total eligible provisions under the IRB Approach		(2,358)	(2)
Investment securities	133,413	116,453	
Investments in subsidiaries	-	3,510	
Investments in associates	9,321	5,078	
Fixed assets			
- Investment properties	5,366	5,218	
of which: Cumulative fair value gains arising from the revaluation of land and buildings		3,820	(3)
- Other property and equipment	7,674	7,424	
of which: Cumulative fair value gains arising from the revaluation of land and buildings		1,729	(4)
Goodwill and intangible assets	1,951	1,475	
of which: goodwill		1,460	(5)
intangible assets		15	(6)
Deferred tax assets	568	568	
of which: deferred tax assets		568	(7)
Other assets	30,544	28,568	
Total assets	826,834	805,880	
Liabilities			
Deposits and balances of banks and other financial institutions	31,056	31,056	
Deposits from customers	568,682	568,682	
Trading liabilities	199	199	
Derivative liabilities	10,039	10,023	
Certificates of deposit issued			
- At fair value through profit or loss	13,918	13,918	
of which: losses due to changes in own credit risk on fair valued liabilities		(10)	(8)
- At amortised cost	36,897	36,897	
Current taxation	1,570	1,531	
Debt securities issued			
- At fair value through profit or loss	706	706	
of which: losses due to changes in own credit risk on fair valued liabilities		(2)	(9)
- At amortised cost	157	157	
Deferred tax liabilities	471	307	
Other liabilities	47,238	31,762	
Loan capital - at amortised cost	12,306	12,306	
of which: subordinated debt not eligible for inclusion in regulatory capital		4,698	
Total liabilities	723,239	707,544	
Shareholders' Equity			
Share capital	38,883	38,883	
of which: paid-in share capital		38,883	(10)
Reserves	52,932	48,061	
of which: retained earnings		26,623	(11)
of which: regulatory reserve earmarked		5,046	(12)
regulatory reserve for general banking risks		307	(13)
share premium		-	(14)
accumulated other comprehensive income		2,854	(15)
forex unrealised gains		526	(16)
other reserves		17,952	(17)
Additional equity instruments	8,894	8,894	(18)
Non-controlling interests	2,886	2,498	
of which: portion not eligible for inclusion in regulatory capital		2,498	
Total shareholders' equity	103,595	98,336	
Total liabilities and shareholders' equity	826,834	805,880	

Table CCA: Main features of regulatory capital instruments

		Ordinary Shares	US\$318.3 million Hybrid Tier 1	US\$650 million Additional Tier 1	US\$500 million Additional Tier 1	US\$600 million Tier 2 due 2020	US\$500 million Tier 2 due 2024	US\$500 million Tier 2 due 2026
1	Issuer	The Bank of East Asia, Limited ("BEA")	1. Notes issued by BEA. 2. Preference shares issued by Innovate Holdings Limited ("Innovate"), a wholly-owned subsidiary of BEA	BEA	BEA	BEA	BEA	BEA
2	Unique identifier - ISIN	HK0023000190	1. Stapled unit (notes as component part of the unit) : XS0462883603 2. Preference shares : XS0462885053	XS1326527246	XS1615078141	XS0521073428	XS1138687162	XS1508842256
3	Governing law(s) of the instrument	Hong Kong	1. Notes: England (subordination governed by Hong Kong laws) 2. Preference shares : British Virgin Islands	England (Subordination governed by Hong Kong laws)	England (Subordination governed by Hong Kong laws)	England (subordination governed by Hong Kong laws)	England (subordination governed by Hong Kong laws)	England (subordination governed by Hong Kong laws)
<i>Regulatory treatment</i>								
4	Transitional Basel III rules#	Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules+	Tier 1	Ineligible	Eligible	Eligible	Ineligible	Eligible	Eligible
6	Eligible at solo*/group/group & solo	Solo and group	Solo and group	Solo and group	Solo and group	Solo and group	Solo and group	Solo and group
7	Instrument type	Transferable non-bearer shares	Stapled instrument : Tier 2 notes and perpetual non-cumulative preference share	Perpetual non-cumulative Additional Tier 1 capital securities	Perpetual non-cumulative Additional Tier 1 capital securities	Tier 2 notes	Tier 2 notes	Tier 2 notes
8	Amount recognised in regulatory capital	HK\$38,883 Mn	HK\$1,418 Mn	HK\$5,016 Mn	HK\$3,878 Mn	Total for Tier 2 instruments : HK\$9,706 Mn		
9	Par value of instrument	N.A.	Issue price : US\$500 million: 100%	Issue price: US\$650 million : 100%	Issue price: US\$500 million : 100%	Issue price : US\$450 million: 99.04% US\$150 million: 100.102%	Issue price : US\$500 million: 99.608%	Issue price : US\$500 million: 99.838%
10	Accounting classification	Equity	Solo level: Liability – fair value option Group level: Non-controlling interest	Equity	Equity	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	Since incorporation	5th November, 2009	2nd December, 2015	18th May, 2017	US\$450 million: 16th July, 2010 US\$150 million: 23rd July, 2010	20th November, 2014	3rd November, 2016
12	Perpetual or dated	N.A.	Notes : dated Preference shares : perpetual	Perpetual	Perpetual	Dated	Dated	Dated

		Ordinary Shares	US\$318.3 million Hybrid Tier 1	US\$650 million Additional Tier 1	US\$500 million Additional Tier 1	US\$600 million Tier 2 due 2020	US\$500 million Tier 2 due 2024	US\$500 million Tier 2 due 2026
13	Original maturity date	N.A.	Notes : 5th November, 2059 Preference shares : No maturity	No maturity	No maturity	16th July, 2020	20th November, 2024	3rd November, 2026
14	Issuer call subject to prior supervisory approval	N.A.	Yes	Yes	Yes	No	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N.A.	First call date : 5th November, 2019 Included tax and regulatory call options Redemptions in whole at 100% with accrued and unpaid dividends	First call date : 2nd December, 2020 Included tax and regulatory call options Redemptions in whole at 100% with accrued dividends	First call date : 18th May, 2022 Included tax and regulatory call options Redemptions in whole at 100% with accrued dividends	No issuer call option Included tax and regulatory call options Redemptions in whole at 100% with accrued interests	One-off call date: 20th November, 2019 Included tax and regulatory call options Redemptions in whole at 100% with accrued interests, final amount subject to adjustment following occurrence of a Non-Viability Event	One-off call date: 3rd November, 2021 Included tax and regulatory call options Redemptions in whole at 100% with accrued interests, final amount subject to adjustment following occurrence of a Non-Viability Event
16	Subsequent call dates, if applicable	N.A.	Any payment dates thereafter first call date	Any payment dates thereafter first call date	Any payment dates thereafter first call date	N.A.	N.A.	N.A.
<i>Coupons / dividends</i>								
17	Fixed or floating dividend/coupon	N.A.	Fixed to floating	Fixed	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	N.A.	Up to 4th Nov., 2019 : 8.5% p.a. Thereafter : 3-month U.S. LIBOR + 7.3605% p.a.	Up to 1st December, 2020 : 5.5% p.a. Thereafter and every 5 years thereafter reset at : 5-year U.S. Treasury + 3.834%	Upto 17th May, 2022 : 5.625% p.a. Thereafter and every 5 years thereafter reset at : 5-year U.S. Treasury + 3.682%	6.125% p.a.	Up to 19th Nov, 2019: 4.25% p.a. Thereafter reset at : 5-year U.S. Treasury + 2.7%	Up to 2nd Nov, 2021: 4% p.a. Thereafter reset at : 5-year U.S. Treasury + 2.7%
19	Existence of a dividend stopper	N.A.	No	Yes	Yes	No	No	No
20	Fully discretionary, partially discretionary or mandatory	N.A.	Both the interest on notes and the dividend on preference shares are partially discretionary	Fully discretionary	Fully discretionary	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	N.A.	Yes	No	No	No	No	No
22	Noncumulative or cumulative	N.A.	Interest on notes : cumulative Dividend on preference shares : non-cumulative	Non-cumulative	Non-cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	N.A.	Convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N.A.	In case of substitution events, the notes will be transferred to Innovate whereas the preference shares will be converted into preference shares of BEA	N.A.	N.A.	N.A.	N.A.	N.A.
25	If convertible, fully or partially	N.A.	Fully	N.A.	N.A.	N.A.	N.A.	N.A.

		Ordinary Shares	US\$318.3 million Hybrid Tier 1	US\$650 million Additional Tier 1	US\$500 million Additional Tier 1	US\$600 million Tier 2 due 2020	US\$500 million Tier 2 due 2024	US\$500 million Tier 2 due 2026
26	If convertible, conversion rate	N.A.	1 : 1	N.A.	N.A.	N.A.	N.A.	N.A.
27	If convertible, mandatory or optional conversion	N.A.	Mandatory	N.A.	N.A.	N.A.	N.A.	N.A.
28	If convertible, specify instrument type convertible into	N.A.	Additional Tier 1	N.A.	N.A.	N.A.	N.A.	N.A.
29	If convertible, specify issuer of instrument it converts into	N.A.	BEA	N.A.	N.A.	N.A.	N.A.	N.A.
30	Write-down feature	N.A.	No	Yes	Yes	No	Yes	Yes
31	If write-down, write-down trigger(s)	N.A.	N.A.	Occurrence of a "Non-Viability Event", which means the earlier of: (i) the HKMA notifying BEA in writing that the HKMA is of the opinion that a write-off or conversion is necessary, without which BEA would become non-viable; and (ii) the HKMA notifying BEA in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which BEA would become non-viable.	Occurrence of a "Non-Viability Event", which means the earlier of: (i) the HKMA notifying BEA in writing that the HKMA is of the opinion that a write-off or conversion is necessary, without which BEA would become non-viable; and (ii) the HKMA notifying BEA in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which BEA would become non-viable.	N.A.	Occurrence of a "Non-Viability Event", which means the earlier of: (i) the HKMA notifying BEA in writing that the HKMA is of the opinion that a write-off or conversion is necessary, without which BEA would become non-viable; and (ii) the HKMA notifying BEA in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which BEA would become non-viable.	Occurrence of a "Non-Viability Event", which means the earlier of: (i) the HKMA notifying BEA in writing that the HKMA is of the opinion that a write-off or conversion is necessary, without which BEA would become non-viable; and (ii) the HKMA notifying BEA in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which BEA would become non-viable.
32	If write-down, full or partial	N.A.	N.A.	Partial	Partial	N.A.	Partial	Partial
33	If write-down, permanent or temporary	N.A.	N.A.	Permanent	Permanent	N.A.	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
35	Position in subordination hierarchy in liquidation	N.A.	Immediately subordinated to unsecured senior notes / indebtedness	Immediately subordinated to unsecured senior notes / indebtedness and subordinated Tier 2 notes / indebtedness	Immediately subordinated to unsecured senior notes / indebtedness and subordinated Tier 2 notes / indebtedness	Immediately subordinated to unsecured senior notes / indebtedness	Immediately subordinated to unsecured senior notes / indebtedness	Immediately subordinated to unsecured senior notes / indebtedness
36	Non-compliant transitioned features	N.A.	Yes	No	No	Yes	No	No
37	If yes, specify non-compliant features	N.A.	Coupon step-up and absence of non-viability loss absorption criteria	N.A.	N.A.	Absence of non-viability loss absorption criteria	N.A.	N.A.

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

Template CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer (“CCyB”)

The following table presents the geographical breakdown of risk-weighted amounts (RWA) in relation to private sector credit exposures as at 30th June 2018:

		a	c	d	e
	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount (Note)
		(%)	(HK\$ Million)	(%)	(HK\$ Million)
1	Hong Kong SAR	1.875%	144,902		
2	Norway	2.000%	19		
3	United Kingdom	0.500%	14,984		
	Sum of above		159,905		
	Total (including those exposures in jurisdictions with zero JCCyB ratio)		364,045	0.767%	3,728

Note: At 30th June 2018, the CCyB amount is the Group's total RWA multiplied by the Group specific CCyB ratio according to the Banking (Disclosure) (Amendment) Rules 2018 implemented on 30th June 2018. Prior to 30th June 2018, the CCyB amount was the Group's total RWA relating to private sector credit exposures multiplied by the Group specific CCyB ratio. The change has no impact on the Group's capital requirements.

Template LR1: Summary comparison of accounting assets against Leverage Ratio (“LR”) exposure measure

At 30 June 2018

	Item	Value under Leverage Ratio framework (HK\$ Million)
1	Total consolidated assets as per published financial statements	826,834
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(42,176)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative contracts	22,891
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	13,568
6	Adjustment for off-balance sheet (“OBS”) items (i.e. conversion to credit equivalent amounts of OBS exposures)	48,561
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(2,775)
7	Other adjustments	(12,644)
8	Leverage ratio exposure measure	854,259

Template LR2: Leverage ratio (“LR”)

		Leverage Ratio framework (HK\$ Million)	
		At 30 Jun 2018	At 31 Mar 2018
On-balance sheet exposures			
1	On-balance sheet items (excluding those arising from derivative contracts and SFTs, but including collateral)	784,658	773,876
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital (reported as negative amounts)	(12,644)	(11,889)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	772,014	761,987
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	10,625	13,887
5	Add-on amounts for PFE associated with all derivative contracts	13,049	8,596
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions (reported as negative amounts)	(901)	(553)
8	Less: Exempted CCP leg of client-cleared trade exposures (reported as negative amounts)	-	-
9	Adjusted effective notional amount of written credit derivative contracts	118	118
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts (reported as negative amounts)	-	-
11	Total exposures arising from derivative contracts (sum of lines 4 to 10)	22,891	22,048
Exposures arising from securities financing transactions (SFTs)			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	13,568	3,361
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets (reported as negative amounts)	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs (sum of lines 12 to 15)	13,568	3,361
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	222,003	229,226
18	Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts)	(173,442)	(180,442)
19	Off-balance sheet items (sum of lines 17 and 18)	48,561	48,784
Capital and total exposures			
20	Tier 1 capital	84,519	84,366
20a	Total exposures before adjustments for specific and collective provisions	857,034	836,180
20b	Adjustments for specific and collective provisions	(2,775)	(2,861)
21	Total exposures after adjustments for specific and collective provisions	854,259	833,319
Leverage ratio			
22	Leverage ratio	9.89%	10.12%

Template LIQ1: Liquidity Coverage Ratio (“LCR”)

(HK\$ Million)		Quarter ending on 30 June 2018 : (73 data points)		Quarter ending on 31 March 2018 : (72 data points)	
Basis of disclosure: consolidated		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
A. HIGH QUALITY LIQUID ASSETS					
1	Total high quality liquid assets (HQLA)		59,450		65,297
B. CASH OUTFLOWS					
2	Retail deposits and small business funding, of which:	283,151	21,171	277,823	21,081
3	Stable retail deposits and stable small business funding	39,712	1,233	40,296	1,251
4	Less stable retail deposits and less stable small business funding	155,315	15,532	159,080	15,908
4a	Retail term deposits and small business term funding	88,124	4,406	78,447	3,922
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	148,142	79,010	154,818	83,093
6	Operational deposits	0	0	0	0
7	Unsecured wholesale funding (other than small business funding) not covered in row 6	143,422	74,290	148,041	76,316
8	Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period	4,720	4,720	6,777	6,777
9	Secured funding transactions (including securities swap transactions)		543		175
10	Additional requirements, of which:	94,884	12,915	96,667	13,845
11	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	2,796	2,796	3,575	3,575
12	Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions	0	0	0	0
13	Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)	92,088	10,119	93,092	10,270
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	8,482	8,482	10,788	10,788
15	Other contingent funding obligations (whether contractual or non-contractual)	139,486	2,874	138,454	2,770
16	TOTAL CASH OUTFLOWS		124,995		131,752
C. CASH INFLOWS					
17	Secured lending transactions (including securities swap transactions)	5,669	5,321	6,911	6,485
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	129,992	71,796	125,322	69,999
19	Other cash inflows	6,342	5,849	7,019	6,409
20	TOTAL CASH INFLOWS	142,003	82,966	139,252	82,893
D. LIQUIDITY COVERAGE RATIO			ADJUSTED VALUE		ADJUSTED VALUE
21	TOTAL HQLA		59,450		66,808
22	TOTAL NET CASH OUTFLOWS		42,086		48,859
23	LCR (%)		144.80%		137.80%

* This is the standard disclosure template that a category 1 institution must use for the purposes of making its liquidity information disclosures under section 30A, 51A or 103A (as applicable) of the Banking (Disclosure) Rules.

Template LIQ2: Net Stable Funding Ratio (“NSFR”)

(HK\$ Million)		Quarter ended 30 Jun 2018				
		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: consolidated / unconsolidated / Hong Kong office (delete as appropriate)		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
A. Available stable funding (“ASF”) item						
1	Capital:	97,246	0	0	15,100	112,346
2	<i>Regulatory capital</i>	97,246	0	0	7,827	105,073
2a	<i>Minority interests not covered by row 2</i>	0	0	0	0	0
3	<i>Other capital instruments</i>	0	0	0	7,273	7,273
4	Retail deposits and small business funding:		286,527	5,729	3,598	269,966
5	<i>Stable deposits</i>		66,223	534	12	63,432
6	<i>Less stable deposits</i>		220,304	5,195	3,586	206,534
7	Wholesale funding:		274,589	18,061	20,642	134,405
8	<i>Operational deposits</i>		153	0	0	76
9	<i>Other wholesale funding</i>	0	274,436	18,061	20,642	134,329
10	Liabilities with matching interdependent assets	0	0	0	0	0
11	Other liabilities:	26,462	39,089	13,920	265	7,225
12	<i>Net derivative liabilities</i>	0				
13	<i>All other funding and liabilities not included in the above categories</i>	26,462	39,089	13,920	265	7,225
14	Total ASF					523,942
B. Required stable funding (“RSF”) item						
15	Total HQLA for NSFR purposes		98,034			6,845
16	Deposits held at other financial institutions for operational purposes	0	36	0	0	18
17	Performing loans and securities:	10,465	227,938	70,912	338,297	397,436
18	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	149	4,049	0	0	554
19	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	0	93,722	12,549	850	21,184
20	<i>Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:</i>	8,055	111,616	50,644	195,787	255,185
21	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	0	177	1	22	103
22	<i>Performing residential mortgages, of which:</i>	0	4,720	3,275	98,164	72,483
23	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	0	3,720	2,686	74,998	51,951
24	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	2,261	13,831	4,444	43,496	48,030
25	Assets with matching interdependent liabilities	0	0	0	0	0
26	Other assets:	43,028	19,672	2,254	0	43,259
27	<i>Physical traded commodities, including gold</i>	304				258

(HK\$ Million)		Quarter ended 30 Jun 2018				(e)
		(a)	(b)	(c)	(d)	
Basis of disclosure: consolidated / unconsolidated / Hong Kong office (delete as appropriate)		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	525				453
29	<i>Net derivative assets</i>	1,635				1,635
30	<i>Total derivative liabilities before deduction of variation margin posted</i>	10,038				N / A
31	<i>All other assets not included in the above categories</i>	30,526	19,672	2,254	0	40,912
32	Off-balance sheet items		230,567			4,742
33	Total RSF					452,299
34	Net Stable Funding Ratio (%)					115.84%

(HK\$ Million)		Quarter ended 31 Mar 2018				
		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: consolidated / unconsolidated / Hong Kong office (delete as appropriate)		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
A. Available stable funding ("ASF") item						
1	Capital:	96,557	0	0	15,140	111,697
2	<i>Regulatory capital</i>	96,557	0	0	7,827	104,384
2a	<i>Minority interests not covered by row 2</i>	0	0	0	0	0
3	<i>Other capital instruments</i>	0	0	0	7,313	7,313
4	Retail deposits and small business funding:		281,911	5,147	3,792	265,539
5	<i>Stable deposits</i>		67,606	276	13	64,502
6	<i>Less stable deposits</i>		214,305	4,871	3,779	201,037
7	Wholesale funding:		261,832	22,755	22,430	132,925
8	<i>Operational deposits</i>		104	0	0	52
9	<i>Other wholesale funding</i>	0	261,728	22,755	22,430	132,873
10	Liabilities with matching interdependent assets	0	0	0	0	0
11	Other liabilities:	28,875	31,270	6,757	467	3,845
12	<i>Net derivative liabilities</i>	0				
13	<i>All other funding and liabilities not included in the above categories</i>	28,875	31,270	6,757	467	3,845
14	Total ASF					514,006
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes		102,564			6,858
16	Deposits held at other financial institutions for operational purposes	0	37	0	0	19
17	Performing loans and securities:	5,829	209,334	66,452	335,849	387,427
18	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	160	95	0	0	169
19	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	0	79,652	10,732	838	18,153
20	<i>Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:</i>	3,724	114,455	47,486	197,517	252,970
21	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	0	248	1	23	140
22	<i>Performing residential mortgages, of which:</i>	0	4,233	3,448	91,393	67,453
23	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	0	3,475	2,734	70,634	49,017
24	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	1,945	10,899	4,786	46,101	48,682
25	Assets with matching interdependent liabilities	0	0	0	0	0
26	Other assets:	46,505	22,076	1,953	16	43,318
27	<i>Physical traded commodities, including gold</i>	311				264
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	447				385

(HK\$ Million)		Quarter ended 31 Mar 2018				(e)
		(a)	(b)	(c)	(d)	
Basis of disclosure: consolidated / unconsolidated / Hong Kong office (delete as appropriate)		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
29	<i>Net derivative assets</i>	706				706
30	<i>Total derivative liabilities before deduction of variation margin posted</i>	14,227				N / A
31	<i>All other assets not included in the above categories</i>	30,814	22,076	1,953	16	41,963
32	Off-balance sheet items		239,543			4,828
33	Total RSF					442,450
34	Net Stable Funding Ratio (%)					116.17%

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 30th June 2018:

(HK\$ million)		(a)	(b)	(c)	(d)
		Gross carrying amounts of		Allowances / impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Loans	4,632	617,572	2,315	619,889
2	Debt securities	-	120,114	71	120,043
3	Off-balance sheet exposures	-	221,724	141	221,583
4	Total	4,632	959,410	2,527	961,515

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 30th June 2018 and 31st December 2017 respectively:

(HK\$ million)		(a)
		Amount
1	Defaulted loans and debt securities at end of the previous reporting period (31st December 2017)	5,178
2	Loans and debt securities that have defaulted since the last reporting period	1,904
3	Returned to non-defaulted status	(64)
4	Amounts written off	(817)
5	Other changes*	(1,569)
6	Defaulted loans and debt securities at end of the current reporting period (30th June 2018)	4,632

* Other changes include loan repayment, disposal of the impaired loans and exchange rate difference

Template CR3: Overview of recognised credit risk mitigation

The following table presents the extent of credit risk exposures covered by different types of recognised CRM as at 30th June 2018:

		(a)	(b1)	(b)	(d)	(f)
		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\$ million)						
1	Loans	316,798	303,091	297,054	6,037	0
2	Debt securities	89,922	30,121	0	30,121	0
3	Total	406,720	333,212	297,054	36,158	0
4	Of which defaulted	626	2,948	2,948	0	0

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

The following table illustrates the effect of any recognised CRM (including recognised collateral under both comprehensive and simple approaches) on the calculation of credit risk capital requirements under STC approach as at 30th June 2018:

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	67,046	0	67,046	0	343	0.51%
2 PSE exposures	1,123	193	1,212	177	292	21.04%
2a Of which: domestic PSEs	0	193	89	177	66	24.79%
2b Of which: foreign PSEs	1,123	0	1,123	0	226	20.15%
3 Multilateral development bank exposures	754	0	754	0	0	0.00%
4 Bank exposures	204	0	204	0	41	20.00%
5 Securities firm exposures	8,463	972	3,691	12	1,851	50.00%
6 Corporate exposures	21,679	5,770	16,734	124	13,916	82.55%
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	16,291	9,303	15,240	21	11,446	75.00%
11 Residential mortgage loans	9,590	662	9,116	141	4,156	44.89%
12 Other exposures which are not past due exposures	13,595	2,490	5,736	36	5,771	100.00%
13 Past due exposures	175	0	175	0	199	113.50%
14 Significant exposures to commercial entities	0	0	0	0	0	-
15 Total	138,920	19,390	119,908	511	38,015	31.57%

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 30th June 2018:

(HK\$ million)		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
Risk Weight												
Exposure Class		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures	65,329	0	1,717	0	0	0	0	0	0	0	67,046
2	PSE exposures	528	0	461	0	400	0	0	0	0	0	1,389
2a	Of which: domestic PSEs	0	0	224	0	42	0	0	0	0	0	266
2b	Of which: foreign PSEs	528	0	237	0	358	0	0	0	0	0	1,123
3	Multilateral development bank exposures	754	0	0	0	0	0	0	0	0	0	754
4	Bank exposures	0	0	204	0	0	0	0	0	0	0	204
5	Securities firm exposures	0	0	0	0	3,703	0	0	0	0	0	3,703
6	Corporate exposures	0	0	457	0	5,153	0	11,248	0	0	0	16,858
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	15,261	0	0	0	0	15,261
11	Residential mortgage loans	0	0	0	7,722	0	328	1,207	0	0	0	9,257
12	Other exposures which are not past due exposures	0	0	0	0	0	0	5,772	0	0	0	5,772
13	Past due exposures	0	0	0	0	0	0	128	47	0	0	175
14	Significant exposures to commercial entities	0	0	0	0	0	0	0	0	0	0	0
15	Total	66,611	0	2,839	7,722	9,256	15,589	18,355	47	0	0	120,419

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 30th June 2018:

	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	61,486	774	84.74%	62,832	0.07%	255	46.47%		20,567	32.73%	21	
	0.15 to <0.25	7,367	1,415	99.72%	9,160	0.20%	34	45.68%		5,479	59.82%	9	
	0.25 to <0.50	38,636	938	73.68%	39,600	0.34%	140	45.00%		28,742	72.58%	61	
	0.50 to <0.75	0	0	-	0	-	0	-		0	-	0	
	0.75 to <2.50	3,760	399	73.63%	4,053	1.03%	27	45.00%		3,959	97.67%	19	
	2.50 to <10.00	118	0	-	118	6.50%	2	45.00%		193	164.15%	3	
	10.00 to <100.00	0	0	-	0	-	0	-		0	-	0	
	100.00 (Default)	0	0	-	0	-	0	-		0	-	0	
	Sub-total	111,367	3,526	86.55%	115,763	0.21%	458	45.85%		58,940	50.91%	113	247
Corporate – small-and-medium sized corporates	0.00 to <0.15	10,898	863	48.07%	11,313	0.08%	55	37.31%		1,939	17.14%	3	
	0.15 to <0.25	4,291	1,686	49.41%	5,050	0.19%	69	39.40%		1,552	30.72%	4	
	0.25 to <0.50	6,940	1,423	44.01%	7,343	0.31%	141	37.92%		2,783	37.90%	9	
	0.50 to <0.75	1,478	336	24.89%	2,065	0.54%	82	39.54%		1,221	59.14%	4	
	0.75 to <2.50	13,386	2,861	16.24%	13,351	1.39%	430	29.13%		7,167	53.68%	57	
	2.50 to <10.00	19,560	4,505	25.84%	19,335	5.15%	852	34.35%		17,235	89.14%	338	
	10.00 to <100.00	1,795	160	8.70%	1,770	22.71%	70	34.02%		2,396	135.36%	136	
	100.00 (Default)	1,149	0	-	1,149	100.00%	305	38.28%		2,381	207.21%	285	
	Sub-total	59,497	11,834	30.42%	61,376	4.54%	2,004	34.84%		36,674	59.75%	836	1,060

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	112,248	37,213	42.93%	131,346	0.07%	561	41.29%		30,261	23.04%	40	
	0.15 to <0.25	52,708	20,789	19.23%	58,095	0.18%	333	40.36%		22,614	38.93%	42	
	0.25 to <0.50	59,636	22,841	23.55%	64,064	0.29%	316	38.40%		30,467	47.56%	71	
	0.50 to <0.75	23,645	10,933	13.41%	23,940	0.54%	140	39.91%		17,356	72.50%	52	
	0.75 to <2.50	35,184	22,904	13.41%	37,599	1.40%	335	36.89%		32,650	86.84%	193	
	2.50 to <10.00	24,413	18,691	15.44%	25,967	4.72%	313	29.62%		25,613	98.64%	353	
	10.00 to <100.00	1,379	73	9.84%	1,360	23.69%	21	30.28%		2,012	147.93%	91	
	100.00 (Default)	3,247	0	-	3,247	100.00%	89	37.55%		7,721	237.83%	845	
Sub-total	312,460	133,444	24.57%	345,618	1.69%	2,108	39.07%		168,694	48.81%	1,687	4,231	
Retail – QRRE	0.00 to <0.15	35	15,205	59.39%	9,066	0.14%	454,340	91.87%		663	7.31%	12	
	0.15 to <0.25	35	242	63.12%	187	0.24%	8,235	91.66%		21	11.32%	0	
	0.25 to <0.50	2,808	24,248	60.19%	17,402	0.35%	451,478	91.87%		2,702	15.53%	56	
	0.50 to <0.75	185	1,914	79.68%	1,710	0.60%	45,750	90.64%		397	23.23%	9	
	0.75 to <2.50	537	2,465	66.64%	2,180	1.36%	78,735	90.47%		934	42.83%	27	
	2.50 to <10.00	861	1,701	70.34%	2,057	5.20%	41,409	91.37%		2,294	111.49%	98	
	10.00 to <100.00	13	30	74.63%	36	23.32%	763	91.08%		81	227.76%	8	
	100.00 (Default)	45	0	0.00%	45	100.00%	32,797	91.43%		191	421.32%	26	
Sub-total	4,519	45,805	61.49%	32,683	0.84%	1,113,507	91.68%		7,283	22.28%	236	119	

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	7,118	411	100.00%	7,529	0.10%	1,930	25.49%		1,535	20.39%	2	
	0.15 to <0.25	45,365	2,823	100.00%	48,188	0.23%	21,052	21.68%		9,983	20.72%	25	
	0.25 to <0.50	36,610	197	100.00%	36,807	0.34%	16,914	12.87%		5,639	15.32%	16	
	0.50 to <0.75	1,025	0	-	1,025	0.64%	609	39.44%		376	36.64%	2	
	0.75 to <2.50	1,726	121	100.00%	1,847	1.29%	2,011	11.63%		371	20.11%	3	
	2.50 to <10.00	834	0	100.00%	834	6.96%	760	37.97%		1,224	146.68%	22	
	10.00 to <100.00	1,058	0	-	1,058	18.16%	702	21.32%		1,239	117.19%	48	
	100.00 (Default)	296	0	-	296	100.00%	123	27.54%		927	312.84%	9	
Sub-total	94,032	3,552	100.00%	97,584	0.84%	44,101	18.80%		21,294	21.82%	127	1,186	
Retail – small business retail exposures	0.00 to <0.15	0	0	-	0	-	0	-		0	-	0	
	0.15 to <0.25	87	0	-	87	0.25%	32	30.07%		12	14.01%	0	
	0.25 to <0.50	83	2	100.00%	85	0.34%	41	12.42%		6	7.13%	0	
	0.50 to <0.75	80	13	100.00%	93	0.53%	172	64.27%		44	47.79%	0	
	0.75 to <2.50	516	26	100.00%	542	1.39%	370	23.33%		139	25.73%	2	
	2.50 to <10.00	26	2	100.00%	28	3.91%	51	54.42%		23	77.82%	1	
	10.00 to <100.00	3	0	-	3	14.80%	10	48.16%		3	87.26%	0	
	100.00 (Default)	3	1	0.00%	3	100.00%	5	70.62%		0	0.39%	3	
Sub-total	798	44	98.43%	841	1.53%	681	28.76%		227	27.00%	6	19	

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)
Other retail exposures to individuals	0.00 to <0.15	422	27	59.37%	438	0.03%	141	70.04%		34	7.72%	0	
	0.15 to <0.25	194	86	100.00%	280	0.22%	217	55.74%		64	22.85%	0	
	0.25 to <0.50	34	137	61.76%	119	0.35%	225	91.39%		64	53.56%	0	
	0.50 to <0.75	1,722	68	95.58%	1,786	0.54%	955	62.38%		827	46.31%	6	
	0.75 to <2.50	4,177	137	96.58%	4,310	1.57%	13,495	49.10%		2,522	58.53%	34	
	2.50 to <10.00	2,239	81	78.76%	2,303	4.29%	6,136	48.03%		1,618	70.25%	53	
	10.00 to <100.00	70	0	59.37%	70	21.77%	448	51.37%		78	110.90%	8	
	100.00 (Default)	138	0	-	138	100.00%	1,226	57.92%		330	239.71%	55	
Sub-total	8,996	536	83.48%	9,444	3.50%	22,843	53.20%		5,537	58.63%	156	152	
Total (sum of all portfolios)	591,669	198,741	36.05%	663,309	1.55%	1,185,702	39.66%		298,649	45.02%	3,161	7,014	

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

The following table presents the effect of recognised credit derivative contracts on the calculation of credit risk capital requirements under the IRB approach as at 30th June 2018:

(HK\$ million)		(a)	(b)
		Pre-credit derivatives RWA	Actual RWA
1	Corporate – Specialised lending under supervisory slotting criteria approach (project finance)	0	0
2	Corporate – Specialised lending under supervisory slotting criteria approach (object finance)	618	618
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)	20,340	20,340
5	Corporate – Specialised lending (high-volatility commercial real estate)	0	0
6	Corporate – Small-and-medium sized corporates	36,674	36,674
7	Corporate – Other corporates	168,694	168,694
8	Sovereigns	0	0
9	Sovereign foreign public sector entities	0	0
10	Multilateral development banks	0	0
11	Bank exposures – Banks	58,940	58,940
12	Bank exposures – Securities firms	0	0
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	0	0
14	Retail – Small business retail exposures	227	227
15	Retail – Residential mortgages to individuals	19,804	19,804
16	Retail – Residential mortgages to property-holding shell companies	1,490	1,490
17	Retail – Qualifying revolving retail exposures (QRRE)	7,283	7,283
18	Retail – Other retail exposures to individuals	5,537	5,537
19	Equity – Equity exposures under market-based approach (simple risk-weight method)	15,146	15,146
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
25a	Equity – Specified equity exposures to financial sector entities and commercial entities	16,140	16,140
26	Other – Cash items	7	7
27	Other – Other items	16,129	16,129
28	Total	367,029	367,029

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 June 2018 and 31st March 2018 respectively:

(HK\$ million)		(a)
		Amount
1	RWA as at end of previous reporting period	373,325
2	Asset size	1,889
3	Asset quality	-3,031
4	Model updates	0
5	Methodology and policy	0
6	Acquisitions and disposals	0
7	Foreign exchange movements	-5,929
8	Other	775
9	RWA as at end of reporting period	367,029

Template 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

The following table presents quantitative information in respect of specialised lending – HVCRE under the supervisory slotting criteria approach as at 30th June 2018:

		(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
Total		0	0		0	0	0

^ Use of preferential risk-weights.

Template 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

The following table presents quantitative information in respect of specialised lending – other than HVCRE under the supervisory slotting criteria approach as at 30th June 2018:

Supervisory Rating Grade	Remaining Maturity	(a)	(b)	(c)	EAD amount (HK\$ Mn)					(e)	(f)
		On-balance sheet exposure amount (HK\$ Mn)	Off-balance sheet exposure amount (HK\$ Mn)	SRW	PF	OF	CF	IPRE	Total	RWA (HK\$ Mn)	Expected loss amount (HK\$ Mn)
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	23,388	3,784	70%	0	819	0	25,392	26,211	18,348	105
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	561	41	90%	0	8	0	553	561	505	4
Satisfactory		0	0	115%	0	0	0	0	0	0	0
Weak		807	47	250%	0	15	0	827	842	2,105	67
Default		56	0	0%	0	0	0	57	57	0	29
Total		24,812	3,872		0	842	0	26,829	27,671	20,958	205

^ 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 30th June 2018:

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	79	0	300%	79	237
All other equity exposures	3,727	0	400%	3,727	14,909
Total	3,806	0		3,806	15,146

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 30th June 2018:

		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC) (HK\$ Mn)	PFE (HK\$ Mn)	Effective EPE (HK\$ Mn)	Alpha (α) 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	3,548	4,880		N/A	6,855	3,586
2	IMM (CCR) Approach			0	N/A	0	0
3	Simple Approach (for SFTs)					0	0
4	Comprehensive Approach (for SFTs)					8,170	350
5	VaR (for SFTs)					0	0
6	Total						3,936

Template CCR2: CVA capital charge

The following table presents information on portfolios subject to the CVA capital charge and the CVA calculations based on standardised CVA method and advanced CVA method as at 30th June 2018:

(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 standardised CVA method	6,050	1,290
4	Total	6,050	1,290

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 30th June 2018, 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
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	7	0	171	0	0	0	0	0	178
5	Securities firm exposures	0	0	0	0	6	0	0	0	0	0	6
6	Corporate exposures	0	0	0	0	0	0	102	0	0	0	102
7	CIS exposures	0	0	0	0	0	0	0	0	0	0	0
8	Regulatory retail exposures	0	0	0	0	0	24	0	0	0	0	24
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	45	0	0	0	45
11	Significant exposures to commercial entities	0	0	0	0	0	0	0	0	0	0	0
12	Total	0	0	7	0	177	24	147	0	0	0	355

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 30th June 2018:

		(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	11,258	0.10%	78	18.13%		1,459	12.96%
	0.15 to <0.25	694	0.21%	16	28.38%		264	38.08%
	0.25 to <0.50	742	0.35%	37	45.00%		571	76.94%
	0.50 to <0.75	0	-	0	-		0	-
	0.75 to <2.50	961	0.88%	15	45.00%		1,078	112.21%
	2.50 to <10.00	1	3.03%	2	45.00%		1	128.84%
	10.00 to <100.00	0	-	0	-		0	-
	100.00 (Default)	0	-	0	-		0	-
	Sub-total	13,656	0.17%	148	22.00%		3,373	24.70%
Corporate	0.00 to <0.15	419	0.05%	29	38.12%		64	15.36%
	0.15 to <0.25	70	0.19%	20	41.50%		29	40.67%
	0.25 to <0.50	80	0.26%	25	18.16%		16	20.51%
	0.50 to <0.75	15	0.54%	14	25.13%		6	40.50%
	0.75 to <2.50	293	1.00%	48	6.18%		38	12.86%
	2.50 to <10.00	114	6.02%	46	26.62%		109	96.02%
	10.00 to <100.00	23	10.18%	2	45.00%		46	194.34%
	100.00 (Default)	0	-	0	-		0	-
	Sub-total	1,014	1.26%	184	26.24%		308	30.34%
Total (sum of all portfolios)		14,670	0.25%	332	22.30%		3,681	25.09%

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 recognised collateral received to support or reduce the exposures to counterparty default risk exposures as at 30th June 2018 in respect of derivative contracts or SFTs entered into, including contracts or transactions cleared through a CCP:

(HK\$ million)	(a)	(b)	(c)	(d)	(e)	(f)
	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		
Cash – domestic currency	0	3,081	0	169	0	3,643
Cash – other currencies	0	86,127	0	2,842	5,377	282
Debt securities	0	0	0	0	2,691	5,716
Equity securities	0	300	0	0	0	0
Other collateral	0	0	0	22	0	0
Total	0	89,508	0	3,033	8,068	9,641

Template CCR6: Credit-related derivatives contracts

The following table presents the amount of credit-related derivative contracts as at 30th June 2018, broken down into credit protection bought and credit protection sold:

(HK\$ million)	(a)	(b)
	Protection bought	Protection sold
Notional amounts		
Credit default swaps	0	0
Total return swaps	0	0
Other credit-related derivative contracts	0	0
Total notional amounts	0	0
Fair values		
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 30th June 2018:

(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	Retail (total) – of which:	-	-	-	-	-	-	351	-	351
2	residential mortgage	-	-	-	-	-	-	-	-	-
3	credit card	-	-	-	-	-	-	-	-	-
4	other retail exposures	-	-	-	-	-	-	351	-	351
5	re-securitization exposures	-	-	-	-	-	-	-	-	-
6	Wholesale (total) – of which:	-	-	-	-	-	-	-	-	-
7	loans to corporates	-	-	-	-	-	-	-	-	-
8	commercial mortgage	-	-	-	-	-	-	-	-	-
9	lease and receivables	-	-	-	-	-	-	-	-	-
10	other wholesale	-	-	-	-	-	-	-	-	-
11	re-securitization exposures	-	-	-	-	-	-	-	-	-

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 30th June 2018:

		(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	SEC-IRBA	SEC-ERBA	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA	SEC-SA	SEC-FBA
(HK\$ million)																		
1	Total exposures	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 30th June 2018:

	(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	SEC-IRBA	SEC-ERBA	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA	SEC-SA	SEC-FBA
(HK\$ million)																																		
1	Total exposures	0	351	0	0	0	351	0	0	0	147	0	0	0	12	0	0																	
2	Traditional securitization	0	351	0	0	0	351	0	0	0	147	0	0	0	12	0	0																	
3	Of which securitization	0	351	0	0	0	351	0	0	0	147	0	0	0	12	0	0																	
4	Of which retail	0	351	0	0	0	351	0	0	0	147	0	0	0	12	0	0																	
5	Of which wholesale	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																	
7	Of which senior	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																	
9	Synthetic securitization	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																	
11	Of which retail	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																	
13	Of which re-securitization	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																	
15	Of which non-senior	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																	

Template MR1: Market risk under Standardised (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 30th June 2018:

(HK\$ million)	RWA
Outright product exposures	
Interest rate exposures (general and specific risk)	4,379
Equity exposures (general and specific risk)	2,687
Option exposures	-
Securitization exposures	-
Total	7,066

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 June 2018 and 31st March 2018 respectively:

(HK\$ million)		(a)	(b)	(c)	(d)	(e)	(f)
		VaR	Stressed VaR	IRC	CRC	Other	Total RWA
1	RWA as at end of previous reporting period	3,906	16,675	0	0	0	20,581
1a	Regulatory adjustment	2,456	12,278	0	0	0	14,734
1b	RWA as at day-end of previous reporting period	1,450	4,397	0	0	0	5,847
2	Movement in risk levels	300	158	0	0	0	458
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	-55	1	0	0	0	-54
7	Other	-92	-948	0	0	0	-1,040
7a	RWA as at day-end of reporting period	1,603	3,608	0	0	0	5,211
7b	Regulatory adjustment	3,222	8,930	0	0	0	12,152
8	RWA as at end of reporting period	4,825	12,538	0	0	0	17,363

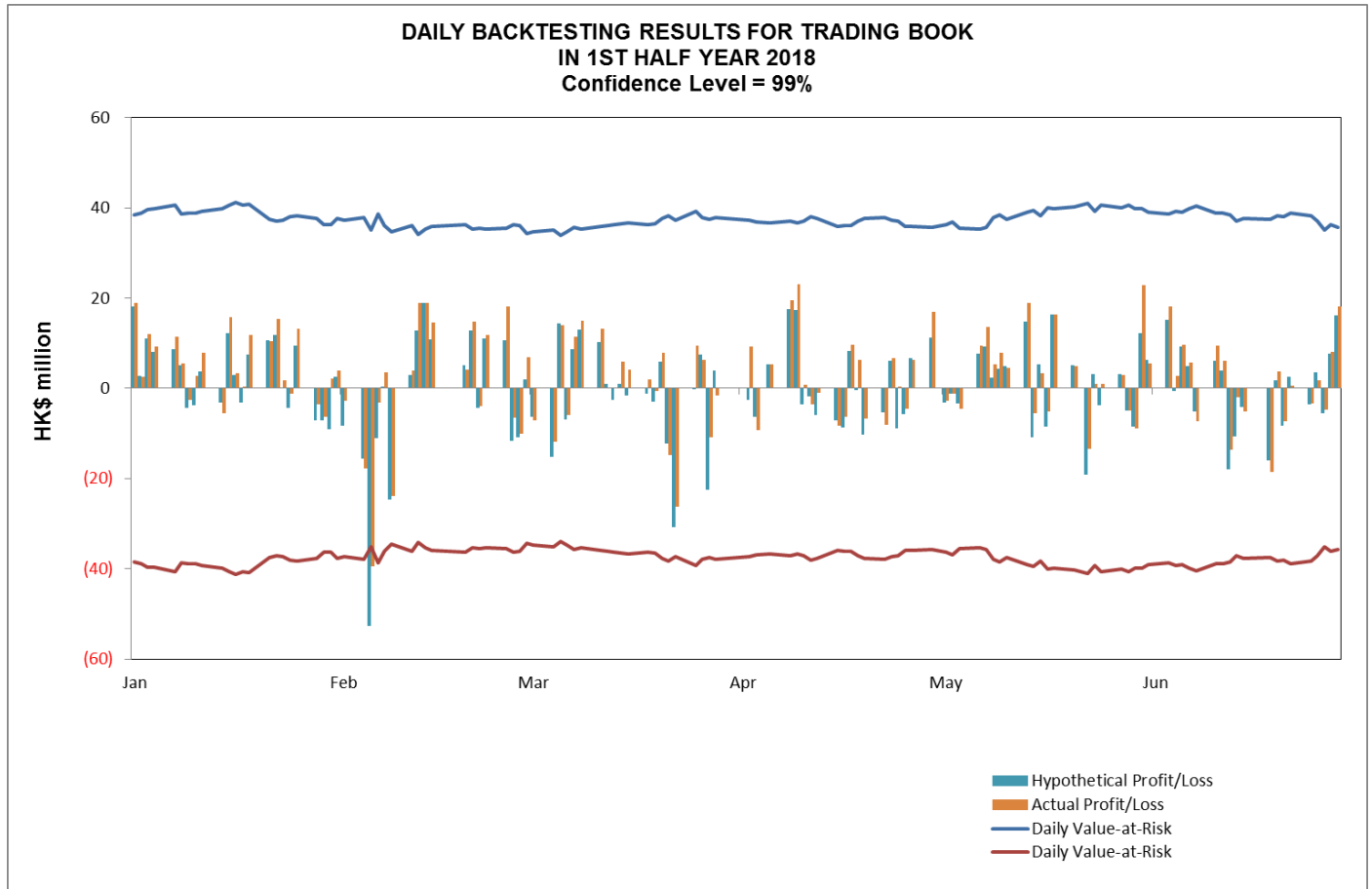
Template MR3: IMM approach values for market risk exposures

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
VaR (10 days – one-tailed 99% confidence interval)		
1	Maximum Value	141
2	Average Value	116
3	Minimum Value	83
4	Period End	128
Stressed VaR (10 days – one-tailed 99% confidence interval)		
5	Maximum Value	581
6	Average Value	390
7	Minimum Value	275
8	Period End	289
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

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.



One exception is noted in VaR Back-testing against both hypothetical P/L (excess amount: HKD 17.6 mil) and actual P/L (excess amount: HKD 4.3 mil) recorded on 06 February 2018. The exception was due to unexpected movement in equity market which exceeded the prediction from the VaR model.

The actual P/L is the P/L arising from trading activities in the trading book, which excludes reserves, commissions and fees. The hypothetical P/L is calculated by the change of trading book portfolio value assuming the end of day position remains unchanged.

International Claims

The information on international claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any recognised risk transfer. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country. Only countries constituting 10% or more of the aggregate international claims after taking into account any recognised risk transfer are disclosed.

	30/6/2018					
	Non-bank private sector					Total claims
	Banks	Official sector	Non-bank financial institutions		Others	
			Non-bank financial institutions	Non-financial private sector		
Counterparty country/ jurisdiction	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Developed countries	39,647	471	6,191	16,465	-	62,774
Offshore centres	7,009	2,059	6,913	72,223	-	88,204
- of which: Hong Kong	5,342	2,055	5,832	62,637	-	75,866
Developing Asia and Pacific	40,631	1,631	9,621	99,171	-	151,054
- of which: China	24,701	1,512	8,036	93,357	-	127,606

	31/12/2017					
	Non-bank private sector					Total claims
	Banks	Official sector	Non-bank financial institutions		Others	
			Non-bank financial institutions	Non-financial private sector		
Counterparty country/ jurisdiction	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Developed countries	35,973	1,001	6,562	14,937	-	58,473
Offshore centres	8,137	1,419	5,336	75,095	-	89,987
- of which: Hong Kong	4,177	1,415	4,902	64,666	-	75,160
Developing Asia and Pacific	34,511	4,355	8,886	82,256	-	130,008
- of which: China	25,081	4,132	7,636	75,380	-	112,229

The above figures are computed in accordance with the HKMA's guidelines on the return of international banking statistics and the Banking (Disclosure) Rules in respect of the reporting period on the consolidated basis.

Mainland Activities

The table below summaries the non-bank Mainland China exposure of the Bank's Hong Kong Office and the Bank's Mainland subsidiary banks categorised by types of counterparties:

	30/6/2018		
	On-balance sheet exposure	Off-balance sheet exposure	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn
<u>Type of counterparties</u>			
1. Central government, central government-owned entities and their subsidiaries and joint ventures	31,732	3,591	35,323
2. Local governments, local government-owned entities and their subsidiaries and joint ventures	21,284	1,108	22,392
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	171,329	12,271	183,600
4. Other entities of central government not reported in item 1 above	5,093	981	6,074
5. Other entities of local governments not reported in item 2 above	4,174	202	4,376
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	4,559	442	5,001
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	37,019	2,858	39,877
Total	<u>275,190</u>	<u>21,453</u>	<u>296,643</u>
Total assets after provision	<u>762,474</u>		
On-balance sheet exposures as percentage of total assets	<u>36.1%</u>		

Mainland Activities (Continued)

	31/12/2017 (Restated)		
	On-balance sheet exposure	Off-balance sheet exposure	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn
<u>Type of counterparties</u>			
1. Central government, central government-owned entities and their subsidiaries and joint ventures	34,580	4,616	39,196
2. Local governments, local government-owned entities and their subsidiaries and joint ventures	21,731	662	22,393
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	165,281	5,304	170,585
4. Other entities of central government not reported in item 1 above	4,063	431	4,494
5. Other entities of local governments not reported in item 2 above	3,361	23	3,384
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	5,130	315	5,445
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	32,742	2,257	34,999
Total	266,888	13,608	280,496
Total assets after provision	746,108		
On-balance sheet exposures as percentage of total assets	35.8%		

The above figures are disclosed in accordance with the return relating to Mainland activities the Bank submitted to the HKMA pursuant to section 63 of the Banking Ordinance in respect of the interim reporting period, which are computed on the consolidated basis as required by the HKMA for its regulatory purposes.

Currency Concentration

The net non-structural position or net structural position in a particular foreign currency is disclosed when the position in that currency constitutes 10% or more of the total net position or total net structural position in all foreign currencies respectively. The net option position is calculated in the basis of the delta-weighted position of all foreign currency option contracts.

	30/6/2018						
	USD HK\$ Mn	JPY HK\$ Mn	EUR HK\$ Mn	RMB HK\$ Mn	SGD HK\$ Mn	Other foreign currencies HK\$ Mn	Total HK\$ Mn
Spot assets	209,862	2,103	5,331	267,800	19,624	55,063	559,783
Spot liabilities	(178,026)	(1,154)	(7,912)	(274,116)	(18,631)	(46,820)	(526,659)
Forward purchases	273,757	3,307	8,507	243,178	347	9,336	538,432
Forward sales	(298,739)	(4,132)	(5,844)	(243,037)	(1,353)	(17,365)	(570,470)
Net options position	(5,106)	1	(2)	5,021	-	(7)	(93)
Net long/(short) non-structural position	<u>1,748</u>	<u>125</u>	<u>80</u>	<u>(1,154)</u>	<u>(13)</u>	<u>207</u>	<u>993</u>
	31/12/2017						
	USD HK\$ Mn	JPY HK\$ Mn	EUR HK\$ Mn	RMB HK\$ Mn	SGD HK\$ Mn	Other foreign currencies HK\$ Mn	Total HK\$ Mn
Spot assets	200,302	1,595	5,951	273,874	22,101	51,301	555,124
Spot liabilities	(171,552)	(1,500)	(4,683)	(272,774)	(21,188)	(47,427)	(519,124)
Forward purchases	255,806	1,387	7,330	231,475	86	11,155	507,239
Forward sales	(274,361)	(1,387)	(8,450)	(242,554)	(991)	(14,953)	(542,696)
Net options position	(8,868)	(2)	(69)	8,954	-	2	17
Net long/(short) non-structural position	<u>1,327</u>	<u>93</u>	<u>79</u>	<u>(1,025)</u>	<u>8</u>	<u>78</u>	<u>560</u>

Currency Concentration (Continued)

	30/6/2018				
	USD HK\$ Mn	RMB HK\$ Mn	MYR HK\$ Mn	Other foreign currencies HK\$ Mn	Total HK\$ Mn
Net structural position	(6,995)	14,394	2,285	948	10,632

	31/12/2017				
	USD HK\$ Mn	RMB HK\$ Mn	MYR HK\$ Mn	Other foreign currencies HK\$ Mn	Total HK\$ Mn
Net structural position	(6,965)	14,584	2,271	966	10,856

The above figures are disclosed in accordance with the return relating to foreign currency positions the Bank submitted to the HKMA pursuant to section 63 of the Banking Ordinance in respect of the interim reporting period, which are computed on consolidated basis as required by the HKMA for its regulatory purposes.

Capital Buffer**Countercyclical Capital Buffer Ratio**

	<u>30/6/2018</u>	<u>31/12/2017</u>
	%	%
Countercyclical capital buffer ratio	0.767	0.464

The relevant disclosures pursuant to section 16FG of the Banking (Disclosure) Rules can be found on the Bank's website accessible through the "Regulatory Disclosures" link on the home page of the Bank's website at www.hkbea.com or at the following direct link: www.hkbea.com/regulatory_disclosures.

Capital Conservation Buffer Ratio

Under section 3M of the Capital Rules, the capital conservation buffer ratio for calculating the Bank's buffer level is 1.875 % for 2018 and 1.25 % for 2017.

Higher Loss Absorbency Ratio

The HKMA has designated the Bank as a domestic systematically important authorised institution ("D-SIB"). Under section 3V of the Capital Rules, the higher loss absorbency ratio applicable to the Bank is 0.75% for 2018 and 0.5% for 2017.

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
LGD	Loss Given Default
PD	Probability Of Default
PFE	Potential Future Exposure
PSE	Public Sector Entity
RWA	Risk Weighted Asset
SA-CCR	Standardised Approach (Counterparty Credit Risk)
SEC-ERBA	Securitization External Ratings-Based Approach
SEC-FBA	Securitization Fall-back Approach
SEC-IRBA	Securitization Internal Ratings-Based Approach
SEC-SA	Securitization Standardized Approach
SFT	Securities Financing Transaction
SRW	Specific Risk-Weight
STC	Standardized (Credit Risk)
STM	Standardized (Market Risk)
STO	Standardized (Operational Risk)
VaR	Value-At-Risk