

# Regulatory Disclosures

## 30 June 2020



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## Introduction

In prior years, the Group adopted the foundation internal ratings-based (“FIRB”) approach to calculate the credit risk capital charge for the majority of its non-securitisation exposures and the internal models (“IMM”) approach to calculate the general market risk capital charge for foreign exchange and interest rate exposures respectively.

From 1 January 2020, the Group has migrated to the standardised (credit risk) (“STC”) approach to calculate the credit risk capital charge and the standardised (market risk) (“STM”) approach to calculate the market risk capital charge. The Group continues to adopt the standardised (operational risk) (“STO”) approach to calculate the operational risk capital charge.

As a result of the change in the basis of capital charge calculation, the amounts shown below are not directly comparable.

## KM1: Key prudential ratios

		At 30 June 2020	At 31 March 2020	At 31 December 2019	At 30 September 2019	At 30 June 2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<b>Regulatory capital (amount)</b>					
1	Common Equity Tier 1 (CET1)	42,131,955	40,952,753	39,813,759	38,831,519	38,144,683
2	Tier 1	51,446,845	50,267,643	49,128,649	48,146,409	47,459,573
3	Total capital	63,696,709	62,566,034	59,345,916	52,867,274	52,293,766
	<b>RWA (amount)</b>					
4	Total RWA	318,440,326	324,039,939	273,125,594	262,752,628	278,277,353
	<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>					
5	CET1 ratio (%)	13.23%	12.64%	14.58%	14.78%	13.71%
6	Tier 1 ratio (%)	16.16%	15.51%	17.99%	18.32%	17.05%
7	Total capital ratio (%)	20.00%	19.31%	21.73%	20.12%	18.79%
	<b>Additional CET1 buffer requirements (as a percentage of RWA)</b>					
8	Capital conservation buffer requirement (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical capital buffer requirement (%)	0.63%	0.63%	1.11%	1.33%	1.37%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	-	-	-	-	-
11	Total AI-specific CET1 buffer requirements (%)	3.13%	3.13%	3.61%	3.83%	3.87%
12	CET1 available after meeting the AI's minimum capital requirements (%)	8.73%	8.14%	10.08%	10.28%	9.21%
	<b>Basel III leverage ratio</b>					
13	Total leverage ratio (LR) exposure measure	498,847,697	492,849,199	512,744,692	480,324,461	495,303,731
14	LR (%)	10.31%	10.20%	9.58%	10.02%	9.58%
	<b>Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)</b>					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	65,988,015	69,226,714	73,600,109	74,736,968	75,150,686
16	Total net cash outflows	44,120,681	45,795,373	47,755,499	48,593,366	48,808,494
17	LCR (%)	150.00%	151.34%	154.97%	154.48%	154.16%
	Applicable to category 2 institution only:					
17a	LMR (%)	N/A	N/A	N/A	N/A	N/A
	<b>Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)</b>					
	Applicable to category 1 institution only:					
18	Total available stable funding	303,380,824	296,981,688	301,381,779	290,141,434	298,813,026
19	Total required stable funding	252,823,944	250,509,520	248,958,643	244,680,316	252,318,334
20	NSFR (%)	120.00%	118.55%	121.06%	118.58%	118.43%
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

**OV1: Overview of RWA**

		RWA		Minimum capital requirements
		At 30 June 2020	At 31 March 2020	At 30 June 2020
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitization exposures	301,525,737	303,508,916	24,122,059
2	Of which STC approach	301,525,737	303,508,916	24,122,059
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	-	-	-
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	1,228,661	757,979	98,293
7	Of which SA-CCR	N/A	N/A	N/A
7a	Of which CEM	537,834	546,587	43,027
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	690,827	211,392	55,266
10	CVA risk	296,463	301,000	23,717
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA	N/A	N/A	N/A
13	CIS exposures - MBA	N/A	N/A	N/A
14	CIS exposures - FBA	N/A	N/A	N/A
14a	CIS exposures - combination of approaches	N/A	N/A	N/A
15	Settlement risk	-	234	-
16	Securitization exposures in banking book	199,242	198,462	15,939
17	Of which SEC - IRBA	-	-	-
18	Of which SEC - ERBA (including IAA)	-	-	-
19	Of which SEC - SA	199,242	198,462	15,939
19a	Of which SEC - FBA	-	-	-
20	Market risk	3,245,375	8,074,325	259,630
21	Of which STM approach	3,245,375	8,074,325	259,630
22	Of which IMM approach	-	-	-
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	N/A	N/A	N/A
24	Operational risk	15,704,725	15,613,000	1,256,378
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	15,250	15,250	1,220
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	3,775,127	4,429,227	302,010
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	20,095	638,949	1,607
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	3,755,032	3,790,278	300,403
27	<b>Total</b>	<b>318,440,326</b>	<b>324,039,939</b>	<b>25,475,226</b>

N/A: Not applicable until the respective policy frameworks take effect

## CC1: Composition of regulatory capital

		At 30 June 2020	
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		HK\$'000	
<b>CET1 capital: instruments and reserves</b>			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	3,144,517	(5)
2	Retained earnings	39,820,216	(6)
3	Disclosed reserves	8,404,567	(8)+(9)+ (10)+(11)
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	Not applicable	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)	-	
6	<b>CET1 capital before regulatory deductions</b>	<b>51,369,300</b>	
<b>CET1 capital: regulatory deductions</b>			
7	Valuation adjustments	105	Not applicable
8	Goodwill (net of associated deferred tax liabilities)	-	
9	Other intangible assets (net of associated deferred tax liabilities)	-	
10	Deferred tax assets (net of associated deferred tax liabilities)	190,385	(2)
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitisation transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	4,866	(1)+(3)
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	-	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	6,827,331	(7)+(8)
26b	Regulatory reserve for general banking risks	2,214,658	(10)
26c	Securitisation exposures specified in a notice given by the MA	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	<b>Total regulatory deductions to CET1 capital</b>	<b>9,237,345</b>	

**CC1: Composition of regulatory capital (continued)**

		At 30 June 2020	
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		HK\$'000	
29	<b>CET1 capital</b>	<b>42,131,955</b>	
	<b>AT1 capital: instruments</b>		
30	Qualifying AT1 capital instruments plus any related share premium	9,314,890	
31	of which: classified as equity under applicable accounting standards	9,314,890	(12)
32	of which: classified as liabilities under applicable accounting standards	-	
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
36	<b>AT1 capital before regulatory deductions</b>	<b>9,314,890</b>	
	<b>AT1 capital: regulatory deductions</b>		
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	<b>Total regulatory deductions to AT1 capital</b>	<b>-</b>	
44	<b>AT1 capital</b>	<b>9,314,890</b>	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>51,446,845</b>	
	<b>Tier 2 capital: instruments and provisions</b>		
46	Qualifying Tier 2 capital instruments plus any related share premium	5,390,454	(4)
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	-	
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)	-	
49	<i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	3,787,111	Not applicable
51	<b>Tier 2 capital before regulatory deductions</b>	<b>9,177,565</b>	
	<b>Tier 2 capital: regulatory deductions</b>		
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	-	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments applied to Tier 2 capital	(3,072,299)	
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	(3,072,299)	(7)+(8) *45%
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	-	

**CC1: Composition of regulatory capital (continued)**

		At 30 June 2020	
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		HK\$'000	
57	Total regulatory adjustments to Tier 2 capital	(3,072,299)	
58	Tier 2 capital (T2)	12,249,864	
59	Total regulatory capital (TC = T1 + T2)	63,696,709	
60	Total RWA	318,440,326	
<b>Capital ratios (as a percentage of RWA)</b>			
61	CET1 capital ratio	13.23%	
62	Tier 1 capital ratio	16.16%	
63	Total capital ratio	20.00%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	3.13%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: bank specific countercyclical capital buffer requirement	0.63%	
67	of which: higher loss absorbency requirement	-	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	8.73%	
<b>National minima (if different from Basel 3 minimum)</b>			
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	436,664	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	6,100	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>			
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)	3,807,206	
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	3,787,111	
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)	-	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	-	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>			
80	Current cap on CET1 capital instruments subject to phase-out arrangements	Not applicable	Not applicable
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Not applicable	Not applicable
82	Current cap on AT1 capital instruments subject to phase-out arrangements	-	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on Tier 2 capital instruments subject to phase-out arrangements	-	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-	



## CC1: Composition of regulatory capital (continued)

### Notes to the template:

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

Row No.	Description	Hong Kong basis HK\$'000	Basel III basis HK\$'000
9	<b>Other intangible assets (net of associated deferred tax liability)</b>	-	-
	<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	<b>Deferred tax assets (net of associated deferred tax liabilities)</b>	190,385	-
	<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 realised are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. 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	<b>Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	-	-
	<p><u>Explanation</u></p> <p>For the purpose of determining the total amount of insignificant LAC 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>		

## CC1: Composition of regulatory capital (continued)

Row No.	Description	Hong Kong basis HK\$'000	Basel III basis HK\$'000
19	<b>Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	-	-
	<p><u>Explanation</u> For the purpose of determining the total amount of significant LAC 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	<b>Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	-	-
	<p><u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC 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>		
54	<b>Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)</b>	-	-
	<p><u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in Tier 2 capital instruments and non-capital LAC liabilities 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>		
<p>Remarks: The amount of the 10% threshold and 5% 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

## CC2: Reconciliation of regulatory capital to balance sheet

	At 30 June 2020		Reference
	Balance sheet as in published financial statements HK\$'000	Under regulatory scope of consolidation HK\$'000	
<b>ASSETS</b>			
Cash and balances with banks and other financial institutions	51,145,392	51,145,392	
Placements with banks and other financial institutions maturing between one and twelve months	3,490,203	3,490,203	
Financial assets at fair value through profit or loss	14,877,059	14,877,059	
Derivative financial instruments	791,122	791,122	
- of which: debit valuation adjustments in respect of derivative contracts		2,642	(1)
Advances and other accounts	263,789,146	263,789,146	
Financial investments	127,119,024	127,119,024	
Interests in subsidiaries	-	6,100	
Investment properties	344,030	344,030	
Properties, plant and equipment	8,303,110	8,303,110	
Deferred tax assets	190,385	190,385	(2)
Other assets	2,116,054	2,115,476	
<b>Total assets</b>	<b>472,165,525</b>	<b>472,171,047</b>	
<b>LIABILITIES</b>			
Deposits and balances from banks and other financial institutions	22,197,246	22,197,246	
Financial liabilities at fair value through profit or loss	3,899,557	3,899,557	
Derivative financial instruments	913,242	913,242	
- of which: debit valuation adjustments in respect of derivative contracts		2,224	(3)
Deposits from customers	342,331,512	342,353,948	
Debt securities and certificates of deposit in issue	17,097,422	17,097,422	
Other accounts and provisions	18,311,435	18,311,107	
Current tax liabilities	438,812	438,722	
Deferred tax liabilities	869,680	861,680	
Subordinated liabilities	5,413,933	5,413,933	
- of which: included in Tier 2 Capital		5,390,454	(4)
<b>Total liabilities</b>	<b>411,472,839</b>	<b>411,486,857</b>	

**CC2: Reconciliation of regulatory capital to balance sheet (continued)**

	At 30 June 2020		Reference
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	
	HK\$'000	HK\$'000	
<b>EQUITY</b>			
Share capital	3,144,517	3,144,517	(5)
Reserves	48,233,279	48,224,783	
- Retained earnings	39,774,136	39,820,216	(6)
- of which: cumulative fair value gains arising from the revaluation of investment properties		456,326	(7)
- Premises revaluation reserve	6,425,581	6,371,005	(8)
- Reserve for fair value changes through other comprehensive income	507,788	507,788	(9)
- Regulatory reserve	2,214,658	2,214,658	(10)
- Translation reserve	(688,884)	(688,884)	(11)
Additional equity instruments	9,314,890	9,314,890	(12)
Total equity	<u>60,692,686</u>	<u>60,684,190</u>	
Total liabilities and equity	<u>472,165,525</u>	<u>472,171,047</u>	

## CCA: Main features of regulatory capital instruments

		<b>CET1 Capital Ordinary shares</b>	<b>USD Non-Cumulative Subordinated Additional Tier 1 Capital Securities</b>	<b>USD Tier 2 Capital Subordinated notes</b>
1	Issuer	Nanyang Commercial Bank, Limited	Nanyang Commercial Bank, Limited	Nanyang Commercial Bank, Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Not Applicable	XS1618163452	XS2080210011
3	Governing law(s) of the instrument	Hong Kong Laws	The Capital Securities are governed by and shall be construed in accordance with English Law, except that the subordination provisions are governed by and shall be construed in accordance with Hong Kong law.	The Capital Securities are governed by and shall be construed in accordance with English Law, except that the subordination provisions are governed by and shall be construed in accordance with Hong Kong law.
	<i>Regulatory treatment</i>			
4	Transitional Basel III rules <sup>#</sup>	Not Applicable	Not Applicable	Not Applicable
5	Post-transitional Basel III rules <sup>+</sup>	Common Equity Tier 1	Additional Tier 1	Tier 2
6	Eligible at solo*/group/solo and group	Solo and Group	Solo and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Additional Tier 1 capital instruments	Other Tier 2 instruments
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK\$3,145 million	HK\$9,315million	HK\$5,390million
9	Par value of instrument	No par value (refer to Note 1 for details)	US\$1.2billion	US\$700million
10	Accounting classification	Shareholders' equity	Equity instruments	Liability-amortised cost
11	Original date of issuance	1 July 1948 (refer to Note 2 for details)	2 June 2017	20 November 2019
12	Perpetual or dated	Perpetual	Perpetual	Dated
13	Original maturity date	No maturity	Not Applicable	20 November 2029
14	Issuer call subject to prior supervisory approval	No	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Not Applicable	First call date: 2 June 2022 (Redemptions in whole at 100%)	One-off call date: 20 November 2024.  Additional optional redemption in whole at 100% of principal amount with accrued interest for taxation reasons, tax deductions reasons and regulatory reasons. Redemption amount subject to adjustment following occurrence of a Non-Viability Event. Redemption subject to prior written consent of the Hong Kong Monetary Authority ("HKMA").
16	Subsequent call dates, if applicable	Not Applicable	any distribution payment date thereafter	Not Applicable
	<i>Coupons / dividends</i>			
17	Fixed or floating dividend/coupon	Floating	Fixed	Fixed

**CCA: Main features of regulatory capital instruments (continued)**

		<b>CET1 Capital Ordinary shares</b>	<b>USD Non- Cumulative Subordinated Additional Tier 1 Capital Securities</b>	<b>USD Tier 2 Capital Subordinated notes</b>
18	Coupon rate and any related index	Not Applicable	Year 1-5: 5.00% per annum payable semi-annually in arrear; Year 5 onwards: resettable on year 5 and every 5 years thereafter at then prevailing 5-year US Treasury yield plus a fixed initial spread	3.80% p.a.  Fixed until 20 November 2024 and thereafter reset to a new fixed rate equal to the sum of the then prevailing U.S. Treasury Rate and the Spread at Pricing.
19	Existence of a dividend stopper	No	Yes	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not Applicable	Not Applicable	Not Applicable
25	If convertible, fully or partially	Not Applicable	Not Applicable	Not Applicable
26	If convertible, conversion rate	Not Applicable	Not Applicable	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable	Not Applicable	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable	Not Applicable	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable	Not Applicable	Not Applicable
30	Write-down feature	No	Yes	Yes
31	If write-down, write-down trigger(s)	Not Applicable	Upon the occurrence of a Non-Viability Event	Upon the occurrence of a Non-Viability Event
32	If write-down, full or partial	Not Applicable	Full or Partial	Full or Partial
33	If write-down, permanent or temporary	Not Applicable	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	Not Applicable	Not Applicable	Not Applicable

**CCA: Main features of regulatory capital instruments (continued)**

		<b>CET1 Capital Ordinary shares</b>	<b>USD Non-Cumulative Subordinated Additional Tier 1 Capital Securities</b>	<b>USD Tier 2 Capital Subordinated notes</b>
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Not Applicable	Depositors, bank's unsubordinated creditors, creditors of Tier 2 capital and all other subordinated indebtedness of the Bank stated to rank senior to the Capital Securities.	The rights of the holders will, in the event of the winding up of the Bank, rank  (i) subordinate and junior in right of payment to, and of all claims of, (a) all depositors and unsubordinated creditors of the Issuer, and (b) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Notes or rank senior to the Notes by operation of law or contract;  (ii) pari passu in right of payment to and of all claims of the holders of Parity Obligations; and  (iii) senior in right of payment to, and of all claims of, (a) the holders of Junior Obligations, and (b) holders of Tier 1 Capital Instruments.
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	Not Applicable	Not Applicable	Not Applicable

Footnote:

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

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

<sup>†</sup> *Include solo-consolidated*

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

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

**CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer**

Geographical breakdown by Jurisdiction (J)		At 30 June 2020			
		Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
		%	HK\$'000	%	HK\$'000
1	Hong Kong SAR	1.00%	160,595,569		
2	Sum		160,595,569		
3	<b>Total</b>		<b>256,157,103</b>	<b>0.63%</b>	<b>1,605,956</b>



## LR1: Summary comparison of accounting assets against leverage ratio exposure measure

		Value under the LR framework
		At 30 June 2020
		HK\$'000
1	Total consolidated assets as per published financial statements	472,165,525
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	5,522
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
4	Adjustments for derivative contracts	538,011
5	Adjustment for SFTs (i.e. repos and similar secured lending)	913,211
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	34,652,952
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(192,403)
7	Other adjustments	(9,235,121)
8	<b>Leverage ratio exposure measure</b>	<b>498,847,697</b>

## LR2: Leverage ratio

		At 30 June 2020	At 31 March 2020
		HK\$'000	HK\$'000
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	461,845,720	464,501,774
2	Less: Asset amounts deducted in determining Tier 1 capital	(9,235,121)	(9,631,293)
3	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	<b>452,610,599</b>	<b>454,870,481</b>
<b>Exposures arising from derivative contracts</b>			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	626,423	690,730
5	Add-on amounts for PFE associated with all derivative contracts	711,623	676,582
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 under derivative contracts	(8,913)	-
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	-	-
11	<b>Total exposures arising from derivative contracts</b>	<b>1,329,133</b>	<b>1,367,312</b>
<b>Exposures arising from SFTs</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	12,614,644	8,027,677
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	913,211	440,584
15	Agent transaction exposures	-	-
16	<b>Total exposures arising from SFTs</b>	<b>13,527,855</b>	<b>8,468,261</b>
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	153,881,507	149,226,550
18	Less: Adjustments for conversion to credit equivalent amounts	(119,228,555)	(117,882,861)
19	<b>Off-balance sheet items</b>	<b>34,652,952</b>	<b>31,343,689</b>
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	<b>51,446,845</b>	<b>50,267,643</b>
20a	<b>Total exposures before adjustments for specific and collective provisions</b>	<b>502,120,539</b>	<b>496,049,743</b>
20b	<b>Adjustments for specific and collective provisions</b>	<b>(3,272,842)</b>	<b>(3,200,544)</b>
21	<b>Total exposures after adjustments for specific and collective provisions</b>	<b>498,847,697</b>	<b>492,849,199</b>
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	<b>10.31%</b>	<b>10.20%</b>

**LIQ1: Liquidity Coverage Ratio – for category 1 institution**

Number of data points used in calculating the average value of the LCR and related components set out in this template: 71		For the quarter ended 30 June 2020	
		UNWEIGHTED VALUE (Average) HK\$'000	WEIGHTED VALUE (Average) HK\$'000
Basis of disclosure: consolidated			
<b>A. HQLA</b>			
1	Total HQLA		<b>65,988,015</b>
<b>B. CASH OUTFLOWS</b>			
2	Retail deposits and small business funding, of which:	150,734,966	9,882,424
3	<i>Stable retail deposits and stable small business funding</i>	27,037,331	811,120
4	<i>Less stable retail deposits and less stable small business funding</i>	49,851,689	4,985,169
4a	<i>Retail term deposits and small business term funding</i>	73,845,946	4,086,135
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the AI, of which:	97,199,768	50,876,698
6	<i>Operational deposits</i>	13,763,865	3,242,438
7	<i>Unsecured wholesale funding (other than small business funding) not</i>	82,621,531	46,819,888
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	814,372	814,372
9	Secured funding transactions (including securities swap transactions)		1,890,463
10	Additional requirements, of which:	45,650,267	13,690,106
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	7,865,210	7,865,210
12	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	-	-
13	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	37,785,057	5,824,896
14	Contractual lending obligations (not otherwise covered in Section B) and	3,629,441	3,629,441
15	Other contingent funding obligations (whether contractual or non-contractual)	119,736,027	2,157,165
16	<b>TOTAL CASH OUTFLOWS</b>		<b>82,126,297</b>
<b>C. CASH INFLOWS</b>			
17	Secured lending transactions (including securities swap transactions)	796,579	796,579
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial	50,153,474	31,170,529
19	Other cash inflows	6,285,419	6,038,508
20	<b>TOTAL CASH INFLOWS</b>	<b>57,235,472</b>	<b>38,005,616</b>
<b>D. LIQUIDITY COVERAGE RATIO</b>			<b>ADJUSTED VALUE</b>
21	<b>TOTAL HQLA</b>		<b>65,988,015</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>		<b>44,120,681</b>
23	<b>LCR (%)</b>		<b>150.00%</b>

## LIQ1: Liquidity Coverage Ratio – for category 1 institution (continued)

Notes:

The weighted amount of HQLA is to be calculated as the amount after applying the haircuts as required under the Banking (Liquidity) Rules.

The unweighted amounts of cash inflows and cash outflows are to be calculated as the principal amounts in the calculation of the LCR as required under the Banking (Liquidity) Rules.

The weighted amounts of cash inflows and cash outflows are to be calculated as the amounts after applying the inflow and outflow rates as required under the Banking (Liquidity) Rules.

The adjusted value of total HQLA and the total net cash outflows have taken into account any applicable ceiling as required under the Banking (Liquidity) Rules.

In the second quarter of 2020, the Group has maintained a healthy liquidity position. The LCR remained stable and there was no material change compared with the last quarter. The average LCR of the second quarter of 2020 was 150.00%. The average HKD level 1 HQLA to HKD net cash outflow ratio of the second quarter of 2020 was 167.38%, well above the regulatory requirement of 20%.

The ratios have maintained at stable and healthy levels.

The HQLA consists of cash, balances at central banks and high quality marketable securities issued or guaranteed by sovereigns, central banks, public sector entities or multilateral development banks and non-financial corporate debt securities. In the second quarter of 2020, the majority of the HQLA was composed of Level 1 HQLA.

The net cash outflow was mainly from retail and corporate customer deposit which are the Group's primary source of funds, together with deposit and balance from bank and other financial institution.

To ensure stable, sufficient and diversified source of funds, the Group actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market. Other cash outflow, such as commitment, cash outflow under derivative contract and potential collateral requirement, were minimal to the LCR.

Majority of the Group's customer deposits are denominated in HKD, USD and RMB. As the supply of HKD denominated HQLA in the market is relatively limited, the Group swaps surplus HKD funding into USD and other foreign currencies, part of funding are deployed to investment in HQLA.

## LIQ2: Net Stable Funding Ratio – for category 1 institution

At 30 June 2020 Basis of disclosure: consolidated		Unweighted value by residual maturity				Weighted amount HK\$'000
		No specified term to maturity HK\$'000	<6 months or repayable on demand HK\$'000	6 months to < 12 months HK\$'000	12 months or more HK\$'000	
<b>A. Available stable funding (“ASF”) item</b>						
1	Capital:	62,276,738	-	-	5,390,454	67,667,192
2	Regulatory capital	62,276,738	-	-	5,390,454	67,667,192
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	133,997,893	13,551,221	2,769,943	137,041,493
5	Stable deposits	-	29,546,951	-	-	28,069,603
6	Less stable deposits	-	104,450,942	13,551,221	2,769,943	108,971,890
7	Wholesale funding:	-	183,981,810	34,372,683	9,574,117	85,582,917
8	Operational deposits	-	14,217,264	-	-	7,108,632
9	Other wholesale funding	-	169,764,546	34,372,683	9,574,117	78,474,285
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	3,318,999	8,469,158	3,728,950	11,224,747	13,089,222
12	Net derivative liabilities	-	-	-	-	-
13	All other funding and liabilities not included in the above categories	3,318,999	8,469,158	3,728,950	11,224,747	13,089,222
14	<b>Total ASF</b>					<b>303,380,824</b>
<b>B. Required stable funding (“RSF”) item</b>						
15	Total HQLA for NSFR purposes		93,110,232			7,743,656
16	Deposits held at other financial institutions for operational purposes	-	133,933	-	-	66,967
17	Performing loans and securities:	1,691,570	114,544,319	59,228,015	191,531,015	231,922,507
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	50,920,945	11,170,075	5,019,207	18,242,386
20	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:	1,691,570	52,800,242	37,993,763	127,571,727	155,270,805
21	With a risk-weight of less than or equal to 35% under the STC approach	-	-	-	-	-
22	Performing residential mortgages, of which:	-	673,408	680,797	25,246,094	20,002,875
23	With a risk-weight of less than or equal to 35% under the STC approach	-	335,801	333,312	10,667,037	7,268,131
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	10,149,724	9,383,380	33,693,987	38,406,441
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	10,991,406	1,597,094	222,990	-	11,185,779
27	Physical traded commodities, including gold	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
29	Net derivative assets	309,646	-	-	-	309,646
30	Total derivative liabilities before deduction of variation margin posted	368,894	-	-	-	18,445
31	All other assets not included in the above categories	10,312,866	1,597,094	222,990	-	10,857,688
32	Off-balance sheet items			153,881,508		1,905,035
33	<b>Total RSF</b>					<b>252,823,944</b>
34	<b>Net Stable Funding Ratio (%)</b>					<b>120.00%</b>

## LIQ2: Net Stable Funding Ratio – for category 1 institution (continued)

At 31 March 2020 Basis of disclosure: consolidated		Unweighted value by residual maturity				Weighted amount HK\$'000
		No specified term to maturity HK\$'000	<6 months or repayable on demand HK\$'000	6 months to < 12 months HK\$'000	12 months or more HK\$'000	
<b>A. Available stable funding (“ASF”) item</b>						
1	Capital:	61,635,883	-	-	5,391,244	67,027,127
2	Regulatory capital	61,635,883	-	-	5,391,244	67,027,127
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	134,120,714	13,964,935	3,053,225	137,700,911
5	Stable deposits	-	27,412,046	-	-	26,041,443
6	Less stable deposits	-	106,708,668	13,964,935	3,053,225	111,659,468
7	Wholesale funding:	-	195,421,412	23,904,059	8,952,487	80,825,610
8	Operational deposits	-	14,358,342	-	-	7,179,171
9	Other wholesale funding	-	181,063,070	23,904,059	8,952,487	73,646,439
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	3,745,395	9,973,642	1,654,856	10,725,195	11,428,040
12	Net derivative liabilities	-	-	-	-	-
13	All other funding and liabilities not included in the above categories	3,745,395	9,973,642	1,654,856	10,725,195	11,428,040
14	<b>Total ASF</b>					<b>296,981,688</b>
<b>B. Required stable funding (“RSF”) item</b>						
15	Total HQLA for NSFR purposes		90,852,518			7,263,353
16	Deposits held at other financial institutions for operational purposes	-	150,196	-	-	75,098
17	Performing loans and securities:	1,857,216	117,867,204	62,436,607	184,806,863	230,230,514
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	49,161,117	8,916,089	5,153,580	16,985,792
20	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:	1,824,481	52,798,430	43,300,586	125,876,941	156,595,717
21	With a risk-weight of less than or equal to 35% under the STC approach	-	499,725	-	-	249,863
22	Performing residential mortgages, of which:	-	673,730	687,883	25,060,230	19,829,497
23	With a risk-weight of less than or equal to 35% under the STC approach	-	338,737	338,832	10,762,523	7,334,424
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	32,735	15,233,927	9,532,049	28,716,112	36,819,508
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	10,969,820	2,442,094	168,652	-	11,226,933
27	Physical traded commodities, including gold	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
29	Net derivative assets	400,353	-	-	-	400,353
30	Total derivative liabilities before deduction of variation margin posted	358,660	-	-	-	17,933
31	All other assets not included in the above categories	10,210,807	2,442,094	168,652	-	10,808,647
32	Off-balance sheet items			149,226,551		1,713,622
33	<b>Total RSF</b>					<b>250,509,520</b>
34	<b>Net Stable Funding Ratio (%)</b>					<b>118.55%</b>

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## **LIQ2: Net Stable Funding Ratio – for category 1 institution (continued)**

Notes:

The above disclosures are made pursuant to the section 16FL and 103AB of Banking (Disclosure) Rules. The items disclosed are measured according to the methodology and instructions set out in the Stable Funding Position Return (MA(BS)26) and the requirements set out in Banking (Liquidity) Rules.

Net Stable Funding Ratio (“NSFR”) is defined as the amount of available stable funding (“ASF”) relative to the amount of required stable funding (“RSF”). The ratio is calculated after applying the respective ASF or RSF factors required under the Stable Funding Position Return (MA(BS)26). It requires banks to maintain a stable funding profile in relation to the composition of banks’ assets and off-balance sheet activities.

The Group has maintained a healthy liquidity position. The NSFR of the first and second quarters were 118.55% and 120.00% respectively. The ratio remained stable and well above the regulatory requirement of 100% throughout the first half of 2020. The weighted amount of ASF items mainly consists of retail and corporate deposits which are the Group’s primary source of funds, together with regulatory capital. The weighted amount of RSF items mainly consists of loans to customers and investments in debt securities.

## CR1: Credit quality of exposures

For exposures subject to the STC approach, defaulted exposures are exposures which are overdue for more than 90 days or have been rescheduled.

		At 30 June 2020						
		Gross carrying amounts of		Allowances / impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Loans	1,573,077	331,135,053	3,030,161	1,677,415	1,298,861	-	329,677,969
2	Debt securities	180,993	125,795,821	181,338	180,993	345	-	125,795,476
3	Off-balance sheet exposures	-	153,881,507	192,403	-	185,181	-	153,689,104
4	<b>Total</b>	<b>1,754,070</b>	<b>610,812,381</b>	<b>3,403,902</b>	<b>1,858,408</b>	<b>1,484,387</b>	<b>-</b>	<b>609,162,549</b>

## CR2: Changes in defaulted loans and debt securities

		HK\$'000
1	<b>Defaulted loans and debt securities as at 31 December 2019</b>	2,022,494
2	Loans and debt securities that have defaulted since the last reporting period	339,153
3	Returned to non-defaulted status	(460,636)
4	Amounts written off	(131,847)
5	Other changes	(15,094)
6	<b>Defaulted loans and debt securities as at 30 June 2020</b>	<b>1,754,070</b>

**CR3: Overview of recognised credit risk mitigation**

		At 30 June 2020				
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognised collateral	Exposures secured by recognised guarantees	Exposures secured by recognised credit derivative contracts
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Loans	300,754,259	28,923,710	22,601,954	6,321,756	-
2	Debt securities	124,917,525	877,951	-	877,951	-
3	<b>Total</b>	<b>425,671,784</b>	<b>29,801,661</b>	<b>22,601,954</b>	<b>7,199,707</b>	-
4	Of which defaulted	219,974	105,349	105,349	-	-



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

### STC approach

Exposure classes		At 30 June 2020					
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
1	Sovereign exposures	66,520,366	811	66,654,686	811	1,732,855	2.60%
2	PSE exposures	1,383,910	750,000	1,951,987	97,340	256,228	12.50%
2a	<i>Of which: domestic PSEs</i>	615,723	750,000	1,183,800	97,340	256,228	20.00%
2b	<i>Of which: foreign PSEs</i>	768,187	-	768,187	-	-	0.00%
3	Multilateral development bank exposures	2,841,083	-	2,841,083	-	-	0.00%
4	Bank exposures	91,810,633	2,158,576	94,480,082	418,552	35,092,950	36.98%
5	Securities firm exposures	181,034	192,500	920,388	-	460,194	50.00%
6	Corporate exposures	235,979,145	142,873,640	211,832,061	14,207,615	216,712,466	95.87%
7	CIS exposures	-	-	-	-	-	N/A
8	Cash items	635,979	-	635,979	-	-	0.00%
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	N/A
10	Regulatory retail exposures	17,660,815	6,343,100	17,341,867	531,654	13,405,141	75.00%
11	Residential mortgage loans	28,087,444	3,046	27,700,728	-	12,852,521	46.40%
12	Other exposures which are not past due exposures	22,162,002	1,559,834	20,459,327	116,008	20,575,335	100.00%
13	Past due exposures	330,303	-	330,303	-	438,047	132.62%
14	Significant exposures to commercial entities	-	-	-	-	-	N/A
15	<b>Total</b>	<b>467,592,714</b>	<b>153,881,507</b>	<b>445,148,491</b>	<b>15,371,980</b>	<b>301,525,737</b>	<b>65.47%</b>

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

Risk Weight		At 30 June 2020										Total credit risk exposures amount (post CCF and post CRM)
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
1	Sovereign exposures	63,721,847	-	1,500,994	-	-	-	1,432,656	-	-	-	66,655,497
2	PSE exposures	768,187	-	1,281,140	-	-	-	-	-	-	-	2,049,327
2a	<i>Of which: domestic PSEs</i>	-	-	1,281,140	-	-	-	-	-	-	-	1,281,140
2b	<i>Of which: foreign PSEs</i>	768,187	-	-	-	-	-	-	-	-	-	768,187
3	Multilateral development bank exposures	2,841,083	-	-	-	-	-	-	-	-	-	2,841,083
4	Bank exposures	-	-	42,125,369	-	52,210,778	-	562,487	-	-	-	94,898,634
5	Securities firm exposures	-	-	-	-	920,388	-	-	-	-	-	920,388
6	Corporate exposures	-	-	-	-	22,231,070	-	200,231,958	3,576,648	-	-	226,039,676
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	635,979	-	-	-	-	-	-	-	-	-	635,979
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-	-	-
10	Regulatory retail exposures	-	-	-	-	-	17,873,521	-	-	-	-	17,873,521
11	Residential mortgage loans	-	-	-	11,091,471	15,104,329	346,350	1,158,578	-	-	-	27,700,728
12	Other exposures which are not past due exposures	-	-	-	-	-	-	20,575,335	-	-	-	20,575,335
13	Past due exposures	122	-	3,500	-	-	-	105,349	221,332	-	-	330,303
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	<b>Total</b>	<b>67,967,218</b>	<b>-</b>	<b>44,911,003</b>	<b>11,091,471</b>	<b>90,466,565</b>	<b>18,219,871</b>	<b>224,066,363</b>	<b>3,797,980</b>	<b>-</b>	<b>-</b>	<b>460,520,471</b>

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

		At 30 June 2020					
		Replacement cost (RC)	PFE	Effective EPE	Alpha ( $\alpha$ ) used for computing default risk exposure	Default risk exposure after CRM	RWA
		HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000
1	SA-CCR (for derivative contracts)	-	-	-	1.4	-	-
1a	CEM	627,663	711,623	-	Not applicable	1,099,477	537,834
2	IMM (CCR) approach	-	-	-	Not applicable	-	-
3	Simple Approach (for SFTs)	-	-	-	-	-	-
4	Comprehensive Approach (for SFTs)	-	-	-	-	1,984,415	690,827
5	VaR (for SFTs)	-	-	-	-	-	-
6	<b>Total</b>	-	-	-	-	-	<b>1,228,661</b>

### CCR2: CVA capital charge

		At 30 June 2020	
		EAD post CRM	RWA
		HK\$'000	HK\$'000
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	-	-
1	(i) VaR (after application of multiplication factor if applicable)	-	-
2	(ii) Stressed VaR (after application of multiplication factor if applicable)	-	-
3	Netting sets for which CVA capital charge is calculated by the standardised CVA method	1,343,444	296,463
4	<b>Total</b>	<b>1,343,444</b>	<b>296,463</b>

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

Risk Weight Exposure class		At 30 June 2020										Total default risk exposure
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	1,336,005	-	1,572,579	-	17,448	-	-	-	2,926,032
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	157,309	-	-	-	157,309
7	CIS exposure	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	551	-	-	-	-	551
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	-	-	-	-	-
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	<b>Total</b>	-	-	<b>1,336,005</b>	-	<b>1,572,579</b>	<b>551</b>	<b>174,757</b>	-	-	-	<b>3,083,892</b>

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

	At 30 June 2020					
	Derivative contracts				SFTs	
	Fair value of recognised collateral received		Fair value of posted collateral		Fair value of recognised collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash - domestic currency	-	-	-	-	-	-
Cash - other currencies	-	239,809	-	433,007	11,923,460	538,984
Government bonds	-	-	-	-	-	3,230,508
Other bonds	-	-	-	-	-	10,138,384
<b>Total</b>	-	<b>239,809</b>	-	<b>433,007</b>	<b>11,923,460</b>	<b>13,907,876</b>

**CCR6: Credit-related derivatives contracts**

	At 30 June 2020	
	Protection bought	Protection sold
	HK\$'000	HK\$'000
<b>Total notional amounts</b>	-	-
<b>Fair values</b>		
Positive fair value (asset)	-	-
Negative fair value (liability)	-	-

## SEC1: Securitization exposures in banking book

		At 30 June 2020								
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
		Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	<b>Retail (total)</b> – of which:	-	-	-	-	-	-	-	-	-
2	residential mortgage	-	-	-	-	-	-	-	-	-
3	credit card	-	-	-	-	-	-	-	-	-
4	other retail exposures	-	-	-	-	-	-	-	-	-
5	re-securitization exposures	-	-	-	-	-	-	-	-	-
6	<b>Wholesale (total)</b> – of which:	-	-	-	-	-	-	1,328,280	-	1,328,280
7	loans to corporates	-	-	-	-	-	-	1,328,280	-	1,328,280
8	commercial mortgage	-	-	-	-	-	-	-	-	-
9	lease and receivables	-	-	-	-	-	-	-	-	-
10	other wholesale	-	-	-	-	-	-	-	-	-
11	re-securitization exposures	-	-	-	-	-	-	-	-	-

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

		At 30 June 2020																
		(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 (incl. AA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA
		HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
<b>1</b>	<b>Total exposures</b>	1,328,280	-	-	-	-	-	-	1,328,280	-	-	-	199,242	-	-	-	15,939	-
2	Traditional securitization	1,328,280	-	-	-	-	-	-	1,328,280	-	-	-	199,242	-	-	-	15,939	-
3	Of which securitization	1,328,280	-	-	-	-	-	-	1,328,280	-	-	-	199,242	-	-	-	15,939	-
4	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Of which wholesale	1,328,280	-	-	-	-	-	-	1,328,280	-	-	-	199,242	-	-	-	15,939	-
6	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**MR1: Market risk under STM approach**

		At 30 June 2020
		RWA
		HK\$'000
Outright product exposures		
1	Interest rate exposures (general and specific risk)	643,513
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	2,492,625
4	Commodity exposures	109,237
Option exposures		
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitisation exposures	-
9	<b>Total</b>	<b>3,245,375</b>