

# Regulatory Disclosures

30 June 2018



**集友銀行**  
*Chiyu Banking Corporation Ltd.*

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## 1. Key prudential ratios and overview of RWA

### KM1: Key prudential ratios

		At 30 June 2018	At 31 March 2018	At 31 December 2017	At 30 September 2017	At 30 June 2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<b>Regulatory capital (amount)</b>					
1	Common Equity Tier 1 (CET1)	5,902,332	6,096,372	5,919,837	5,745,376	5,597,839
2	Tier 1	7,840,044	8,034,084	7,857,549	5,745,376	5,597,839
3	Total capital	8,757,724	8,902,014	8,709,791	6,555,475	6,400,650
	<b>RWA (amount)</b>					
4	Total RWA	46,940,300	46,636,100	44,044,451	36,131,068	36,271,243
	<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>					
5	CET1 ratio (%)	12.57	13.07	13.44	15.90	15.43
6	Tier 1 ratio (%)	16.70	17.23	17.84	15.90	15.43
7	Total capital ratio (%)	18.66	19.09	19.78	18.14	17.65
	<b>Additional CET1 buffer requirements (as a percentage of RWA)</b>					
8	Capital conservation buffer requirement (%)	1.875	1.875	1.250	1.250	1.250
9	Countercyclical capital buffer requirement (%)	1.460	1.500	0.993	1.024	1.064
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	-	-	-	-	-
11	Total AI-specific CET1 buffer requirements (%)	3.335	3.375	2.243	2.274	2.314
12	CET1 available after meeting the AI's minimum capital requirements (%)	8.029	8.433	8.876	9.901	9.433
	<b>Basel III leverage ratio</b>					
13	Total leverage ratio (LR) exposure measure	87,457,854	85,576,149	84,911,456	69,169,225	63,793,392
14	LR (%)	8.96	9.39	9.25	8.31	8.77
	<b>Liquidity Coverage Ratio (LCR)</b>					
15	Total high quality liquid assets (HQLA)	11,603,957	12,404,452	8,472,259	10,803,063	6,438,409
16	Total net cash outflows	4,496,034	10,219,048	4,440,797	7,786,866	3,846,286
17	LCR (%)	258.09	121.39	190.78	138.73	167.39
	<b>Net Stable Funding Ratio (NSFR)</b>					
18	Total available stable funding	61,826,104	58,181,243	N/A	N/A	N/A
19	Total required stable funding	49,476,635	47,993,441	N/A	N/A	N/A
20	NSFR (%)	124.96	121.23	N/A	N/A	N/A

## 1. Key prudential ratios and overview of RWA (continued)

### OV1: Overview of RWA

		RWA		Minimum capital requirements
		At 30 June 2018	At 31 March 2018	At 30 June 2018
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitization exposures	42,431,206	42,216,404	3,588,163
2	Of which STC approach	2,084,120	1,740,542	166,730
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	40,347,086	40,475,862	3,421,433
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	49,870	42,350	4,212
7	Of which SA-CCR*	-	-	-
7a	Of which CEM	49,870	42,350	4,212
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	-	-	-
10	CVA risk	102,450	66,250	8,196
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA*	-	-	-
13	CIS exposures – MBA*	-	-	-
14	CIS exposures – FBA*	-	-	-
14a	CIS exposures – combination of approaches*	-	-	-
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	22,050	68,100	1,764
21	Of which STM approach	-	-	-
22	Of which IMM approach	22,050	68,100	1,764
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)*	-	-	-
24	Operational risk	2,668,088	2,512,413	213,447
25	Amounts below the thresholds for deduction (subject to 250% RW)	19,750	19,750	1,580
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	776,726	720,029	62,138
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	1,303	-	104
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	775,423	720,029	62,034
<b>27</b>	<b>Total</b>	<b>44,516,688</b>	<b>44,205,238</b>	<b>3,755,224</b>

RWAs in this table are before the application of the 1.06 scaling factor following a clarification from the HKMA. Minimum capital requirement represents the amount of capital required to be held for that risk based on its RWAs after any applicable scaling factor multiplied by 8%.

## 2. Composition of regulatory capital

### CC1: Composition of regulatory capital

		At 30 June 2018	
		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	300,000	(4)
2	Retained earnings	6,103,419	(9)
3	Disclosed reserves	1,330,437	(5)+(6)+(7)+(8)
4	Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)	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 adjustments</b>	<b>7,733,856</b>	
<b>CET1 capital: regulatory deductions</b>			
7	Valuation adjustments	14,163	
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)	13,548	(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 securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	2,507	(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 capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
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)	-	
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

## 2. Composition of regulatory capital (continued)

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

		At 30 June 2018	
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
			HK\$'000
<b>CET1 capital: regulatory deductions (continued)</b>			
26	National specific regulatory adjustments applied to CET1 capital	1,801,306	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	1,409,859	(5) + (10)
26b	Regulatory reserve for general banking risks	391,447	(7)
26c	Securitization 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>1,831,524</b>	
29	<b>CET1 capital</b>	<b>5,902,332</b>	
<b>AT1 capital: instruments</b>			
30	Qualifying AT1 capital instruments plus any related share premium	1,937,712	(11)
31	of which: classified as equity under applicable accounting standards	1,937,712	
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>1,937,712</b>	
<b>AT1 capital: regulatory deductions</b>			
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
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)	-	
40	Significant capital 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>1,937,712</b>	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>7,840,044</b>	

## 2. Composition of regulatory capital (continued)

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

		At 30 June 2018	
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
			HK\$'000
<b>Tier 2 capital: instruments and provisions</b>			
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
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	283,244	
51	<b>Tier 2 capital before regulatory deductions</b>	<b>283,244</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	-	
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)	-	
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)	-	
56	National specific regulatory adjustments applied to Tier 2 capital	(634,436)	[(6) + (10)]*45%
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	(634,436)	
57	<b>Total regulatory adjustments to Tier 2 capital</b>	<b>(634,436)</b>	
58	<b>Tier 2 capital (T2)</b>	<b>917,680</b>	
59	<b>Total regulatory capital (TC = T1 + T2)</b>	<b>8,757,724</b>	
60	<b>Total RWA</b>	<b>46,940,300</b>	
<b>Capital ratios (as a percentage of RWA)</b>			
61	<b>CET1 capital ratio</b>	<b>12.57%</b>	
62	<b>Tier 1 capital ratio</b>	<b>16.70%</b>	
63	<b>Total capital ratio</b>	<b>18.66%</b>	
64	<b>Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)</b>	<b>7.835%</b>	
65	of which: capital conservation buffer requirement	1.875%	
66	of which: bank specific countercyclical capital buffer requirement	1.460%	
67	of which: higher loss absorbency requirement	0.00%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	<b>8.029%</b>	



## 2. Composition of regulatory capital (continued)

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

		At 30 June 2018	
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
			HK\$'000
<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 capital investments in CET1, AT1 and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	21,954	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	17,061	
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)	27,644	
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	26,341	
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)	346,993	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	256,903	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>			
80	<i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	Not applicable	Not applicable
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	Not applicable
82	<i>Current cap on AT1 capital instruments subject to phase-out arrangements</i>	-	
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	-	
84	<i>Current cap on Tier 2 capital instruments subject to phase-out arrangements</i>	-	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	-	

## 2. Composition of regulatory capital (continued)

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

	Description	Hong Kong basis	Basel III basis
		HK\$'000	HK\$'000
9	<b>Other intangible assets (net of associated deferred tax liabilities)</b>	-	-
	<u>Explanation</u> 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.		
10	<b>Deferred tax assets (net of associated deferred tax liabilities)</b>	<b>13,548</b>	-
	<u>Explanation</u> 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.		
18	<b>Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	-	-
	<u>Explanation</u> 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.		

## 2. Composition of regulatory capital (continued)

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

	Description	Hong Kong basis	Basel III basis
		HK\$'000	HK\$'000
19	<b>Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	-	-
	<u>Explanation</u> 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.		
39	<b>Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	-	-
	<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 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.		
54	<b>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)</b>	-	-
	<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 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.		
<b>Remarks:</b> 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.			

## 2. Composition of regulatory capital (continued)

### CC2: Reconciliation of regulatory capital to balance sheet

	At 30 June 2018		
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	HK\$'000	HK\$'000	
<b>Assets</b>			
Cash and balances with banks and other financial institutions	12,038,728	12,038,728	
Placements with banks and other financial institutions maturing between one and twelve months	323,327	323,327	
Financial assets designated at fair value through profit or loss	209,187	209,187	
Derivative financial instruments	130,044	130,044	
<i>of which: debit valuation adjustments in respect of derivative contracts</i>	-	19	(1)
Advances and other accounts	47,831,648	47,831,648	
Investment in securities	23,765,738	23,765,738	
Investment in subsidiaries	-	11,713	
Amount due from subsidiaries	-	83,218	
Investment properties	230,530	230,530	
Properties, plant and equipment	1,642,996	1,620,895	
Deferred tax assets	13,548	13,548	(2)
Other assets	708,052	673,558	
<b>Total assets</b>	<b>86,893,798</b>	<b>86,932,134</b>	
<b>Liabilities</b>			
Deposits and balances from banks and other financial institutions	8,655,302	8,655,302	
Derivative financial instruments	103,526	103,526	
<i>of which: debit valuation adjustments in respect of derivative contracts</i>	-	2,488	(3)
Deposits from customers	67,391,827	67,444,345	
Other accounts and provisions	781,506	780,714	
Current tax liabilities	159,683	155,860	
Deferred tax liabilities	124,234	120,819	
<b>Total liabilities</b>	<b>77,216,078</b>	<b>77,260,566</b>	
<b>Shareholders' equity</b>			
Share capital	300,000	300,000	(4)
Reserves	7,440,008	7,433,856	
Premises revaluation reserve	1,209,682	1,189,904	(5)
Reserve for financial assets at FVOCI	(252,041)	(252,041)	(6)
Regulatory reserve	391,447	391,447	(7)
Translation reserve	1,127	1,127	(8)
Retained earnings	6,089,793	6,103,419	(9)
<i>of which: cumulative fair value gains arising from the revaluation of investment properties</i>	219,955	219,955	(10)
Additional equity instruments	1,937,712	1,937,712	(11)
<b>Total shareholders' equity</b>	<b>9,677,720</b>	<b>9,671,568</b>	

## 2. Composition of regulatory capital (continued)

### CCA: Main features of regulatory capital instruments

		CET1 Capital Ordinary shares	USD Non-Cumulative Subordinated Additional Tier 1 Capital Securities
1	Issuer	Chiyu Banking Corporation Limited	Chiyu Banking Corporation Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable	XS1720307344
3	Governing law(s) of the instrument	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>1</sup>	Not applicable	Not applicable
5	Post-transitional Basel III rules <sup>2</sup>	Common Equity Tier 1	Additional Tier 1
6	Eligible at solo / group / solo and group	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Additional Tier 1 capital instruments
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK\$300m (as of 31 December 2017)	HK\$1,938m (as of 31 December 2017)
9	Par value of instrument	No par value (refer to Note 1 for details)	US\$250m
10	Accounting classification	Shareholders' equity	Equity instruments
11	Original date of issuance	10 July 1947 (refer to Note 2 for details)	29-Nov-17
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	Not applicable
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	Not applicable	First call date: 29 November 2022 (Redemption in whole at 100%)
16	Subsequent call dates, if applicable	Not applicable	Any distribution payment date thereafter
	<i>Coupons / dividends</i>		
17	Fixed or floating dividend / coupon	Floating	Fixed
18	Coupon rate and any related index	Not applicable	Year 1-5: 5.25% 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
19	Existence of a dividend stopper	No	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary
21	Existence of step-up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Noncumulative	Noncumulative

<sup>1</sup> Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the BCR.

<sup>2</sup> Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR.

## 2. Composition of regulatory capital (continued)

### 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>
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable
30	Write-down feature	No	Yes
31	If write-down, write-down trigger(s)	Not applicable	Upon the occurrence of a Non-Viability Event
32	If write-down, full or partial	Not applicable	Full or Partial
33	If write-down, permanent or temporary	Not applicable	Permanent
34	If temporary write-down, description of write-up mechanism	Not applicable	Not Applicable
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.
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	Not applicable	Not Applicable

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.

Note 2:

- Several issuance of ordinary share had been made since the first issuance. Last issuance was on 31 December 1986.
- The concepts of par value for shares and authorised share capital have been abolished following the commencement of the Hong Kong Companies Ordinance (Chapter 622) as mentioned in Note 1.

### 3. Macroprudential supervisory measures

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

	Geographical breakdown by Jurisdiction (J)	At 30 June 2018			
		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	1.875%	27,347,633		
	Sum		27,347,633		
	<b>Total</b>		<b>35,110,917</b>	<b>1.460%</b>	<b>685,328</b>

The sum of RWAs represents the private sector credit exposures in jurisdictions with a non-zero countercyclical buffer rate.

The total RWAs used in the computation of the CCyB ratio represents the total RWAs for the private sector credit exposures in all jurisdictions to which the bank is exposed, including jurisdictions with no countercyclical buffer rate or with a countercyclical buffer rate set at zero. The CCyB amount represents the Group's total RWAs multiplied by the Group's specific CCyB ratio.

#### 4. Leverage ratio

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

	Item	At 30 June 2018
		Value under the LR framework
		HK\$'000
1	Total consolidated assets as per published financial statements	86,893,798
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	38,336
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	118,025
5	Adjustment for SFTs (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	1,980,243
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	-
7	Other adjustments	(1,572,548)
<b>8</b>	<b>Leverage ratio exposure measure</b>	<b>87,457,854</b>



#### 4. Leverage ratio (continued)

##### LR2: Leverage ratio

		At 30 June 2018	At 31 March 2018
		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)	87,058,578	84,276,435
2	Less: Asset amounts deducted in determining Tier 1 capital	(1,829,036)	(1,723,697)
<b>3</b>	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	<b>85,229,542</b>	<b>82,552,738</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)	86,172	120,767
5	Add-on amounts for PFE associated with all derivative contracts	161,897	130,756
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	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	-	-
<b>11</b>	<b>Total exposures arising from derivative contracts</b>	<b>248,069</b>	<b>251,523</b>
<b>Exposures arising from SFTs</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
<b>16</b>	<b>Total exposures arising from SFTs</b>	<b>-</b>	<b>-</b>
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	9,667,127	12,119,288
18	Less: Adjustments for conversion to credit equivalent amounts	(7,686,884)	(9,347,400)
<b>19</b>	<b>Off-balance sheet items</b>	<b>1,980,243</b>	<b>2,771,888</b>
<b>Capital and total exposures</b>			
<b>20</b>	<b>Tier 1 capital</b>	<b>7,840,044</b>	<b>8,034,084</b>
<b>20a</b>	<b>Total exposures before adjustments for specific and collective provisions</b>	<b>87,457,854</b>	<b>85,576,149</b>
<b>20b</b>	<b>Adjustments for specific and collective provisions</b>	<b>-</b>	<b>-</b>
<b>21</b>	<b>Total exposures after adjustments for specific and collective provisions</b>	<b>87,457,854</b>	<b>85,576,149</b>
<b>Leverage ratio</b>			
<b>22</b>	<b>Leverage ratio</b>	<b>8.96%</b>	<b>9.39%</b>

## 5. Liquidity

### LIQ1: Liquidity Coverage Ratio

Number of data points used in calculating the average value of the LCR and related components set out in this template		For the quarter ended 30 June 2018: 73 data points		For the quarter ended 31 March 2018: 72 data points	
		Unweighted value (average)	Weighted value (average)	Unweighted value (average)	Weighted value (average)
Basis of disclosure: unconsolidated		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>A. HQLA</b>					
1	Total HQLA		12,059,015		8,752,136
<b>B. Cash outflows</b>					
2	Retail deposits and small business funding, of which:	43,532,760	2,744,217	40,908,372	2,627,571
3	<i>Stable retail deposits and stable small business funding</i>	9,751,090	292,533	9,886,869	296,606
4	<i>Less stable retail deposits and less stable small business funding</i>	15,152,881	1,515,288	15,512,544	1,551,254
4a	<i>Retail term deposits and small business term funding</i>	18,628,789	936,396	15,508,959	779,711
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	18,006,209	12,683,686	19,157,996	13,855,229
6	<i>Operational deposits</i>	3,841,690	913,307	3,684,999	875,116
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	14,164,519	11,770,379	15,472,997	12,980,113
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	-	-	-	-
9	Secured funding transactions (including securities swap transactions)		79		135
10	Additional requirements, of which:	9,224,619	1,706,364	8,376,618	1,372,805
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	207,355	207,355	178,302	178,302
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>	9,017,264	1,499,009	8,198,316	1,194,503
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	913,758	913,758	859,563	859,563
15	Other contingent funding obligations (whether contractual or non-contractual)	2,431,718	85,793	2,467,550	87,263
16	<b>Total Cash Outflows</b>		18,133,897		18,802,566
<b>C. Cash Inflows</b>					
17	Secured lending transactions (including securities swap transactions)	-	-	-	-
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	13,935,656	10,148,355	15,537,558	12,391,084
19	Other cash inflows	1,190,933	1,187,744	1,283,992	1,276,852
20	<b>Total Cash Inflows</b>	15,126,589	11,336,099	16,821,550	13,667,936
<b>D. Liquidity Coverage Ratio</b>					
21	<b>Total HQLA</b>		12,059,015		8,752,136
22	<b>Total Net Cash Outflows</b>		6,823,982		5,982,046
23	<b>LCR (%)</b>		186.29%		152.06%

## 5. Liquidity (continued)

### LIQ2: Net Stable Funding Ratio

Basis of disclosure: unconsolidated		At 30 June 2018				
		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	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>A. Available stable funding ("ASF") item</b>						
1	Capital:	9,671,568	-	-	-	9,671,568
2	<i>Regulatory capital</i>	9,671,568	-	-	-	9,671,568
2a	<i>Minority interests not covered by row 2</i>	-	-	-	-	-
3	<i>Other capital instruments</i>	-	-	-	-	-
4	Retail deposits and small business funding:	-	37,231,869	7,559,674	172,782	40,985,437
5	<i>Stable deposits</i>	-	10,005,322	-	-	9,505,056
6	<i>Less stable deposits</i>	-	27,226,547	7,559,674	172,782	31,480,381
7	Wholesale funding:	-	26,467,476	1,817,381	2,944,104	10,787,913
8	<i>Operational deposits</i>	-	4,388,673	-	-	2,194,337
9	<i>Other wholesale funding</i>	-	22,078,803	1,817,381	2,944,104	8,593,576
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	920,084	615,673	(26,254)	201,684	381,186
12	<i>Net derivative liabilities</i>	10,677	-	-	-	-
13	<i>All other funding and liabilities not included in the above categories</i>	909,407	615,673	(26,254)	201,684	381,186
14	<b>Total ASF</b>					<b>61,826,104</b>
<b>B. Required stable funding ("RSF") item</b>						
15	Total HQLA for NSFR purposes				13,336,019	1,220,395
16	Deposits held at other financial institutions for operational purposes	57,230	-	-	-	57,230
17	Performing loans and securities:	2,231,829	23,213,222	6,383,160	38,964,262	44,923,795
18	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	-	-	-	-	-
19	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	1,507	14,712,347	199,482	1,764,624	4,072,724
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>	2,158,521	6,925,941	5,099,550	24,791,256	28,920,056
21	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	-	185,574	-	-	92,787
22	<i>Performing residential mortgages, of which:</i>	-	96,170	97,332	3,034,978	2,669,811
23	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	-	1,481	1,398	33,359	23,123
24	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	71,801	1,478,764	986,796	9,373,404	9,261,204
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	2,848,166	692,203	6,522	2,719	2,902,174
27	<i>Physical traded commodities, including gold</i>	35,602	-	-	-	35,602
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	-	-	-	-	-
29	<i>Net derivative assets</i>	-	-	-	-	-
30	<i>Total derivative liabilities before deduction of variation margin posted</i>	103,526	-	-	-	N/A
31	<i>All other assets not included in the above categories</i>	2,709,038	692,203	6,522	2,719	2,866,572
32	Off-balance sheet items	-	-	-	9,667,155	373,041
33	<b>Total RSF</b>					<b>49,476,635</b>
34	<b>Net Stable Funding Ratio (%)</b>					<b>124.96%</b>

## 5. Liquidity (continued)

### LIQ2: Net Stable Funding Ratio (continued)

Basis of disclosure: unconsolidated		At 31 March 2018				
		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	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>A. Available stable funding ("ASF") item</b>						
1	Capital:	9,759,391	-	-	-	9,759,391
2	Regulatory capital	9,759,391	-	-	-	9,759,391
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	37,628,102	4,282,040	46,704	38,203,587
5	Stable deposits	-	8,755,097	-	-	8,317,342
6	Less stable deposits	-	28,873,005	4,282,040	46,704	29,886,245
7	Wholesale funding:	-	25,217,782	2,750,154	3,459,536	10,030,784
8	Operational deposits	-	3,929,492	-	-	1,964,746
9	Other wholesale funding	-	21,288,290	2,750,154	3,459,536	8,066,038
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	754,766	443,411	-	-	187,481
12	Net derivative liabilities	-	-	-	-	-
13	All other funding and liabilities not included in the above categories	754,766	443,411	-	-	187,481
14	<b>Total ASF</b>					<b>58,181,243</b>
<b>B. Required stable funding ("RSF") item</b>						
15	Total HQLA for NSFR purposes				14,184,999	1,232,172
16	Deposits held at other financial institutions for operational purposes	125,333	-	-	-	125,333
17	Performing loans and securities:	1,991,264	22,360,270	5,007,815	37,946,940	43,654,528
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	10,423	9,984,961	808,668	881,001	2,793,502
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:	1,906,822	10,164,750	3,315,955	24,716,535	29,370,206
21	With a risk-weight of less than or equal to 35% under the STC approach	-	397,907	-	-	198,954
22	Performing residential mortgages, of which:	-	99,911	100,883	3,107,234	2,125,581
23	With a risk-weight of less than or equal to 35% under the STC approach	-	98,364	99,298	3,079,824	2,100,717
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	74,019	2,110,648	782,309	9,242,170	9,365,239
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	2,397,924	416,145	13,715	857	2,496,055
27	Physical traded commodities, including gold	36,156	-	-	-	36,156
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
29	Net derivative assets	100,305	-	-	-	100,305
30	Total derivative liabilities before deduction of variation margin posted	47,556	-	-	-	N/A
31	All other assets not included in the above categories	2,213,907	416,145	13,715	857	2,359,594
32	Off-balance sheet items				12,123,652	485,353
33	<b>Total RSF</b>					<b>47,993,441</b>
34	<b>Net Stable Funding Ratio (%)</b>					<b>121.23%</b>

## 6. Credit risk for non-securitization exposures

### CR1: Credit quality of exposures

		Gross carrying amounts of		Allowances / Impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Loans	253,091	60,024,979	255,352	60,022,718
2	Debt securities	-	23,880,641	185	23,880,456
3	Off-balance sheet exposures	8,597	9,658,531	15,905	9,651,223
4	<b>Total</b>	<b>261,688</b>	<b>93,564,151</b>	<b>271,442</b>	<b>93,554,397</b>

"Defaulted exposures" are defined as the exposures are past due for more than 90 days or the borrower is unlikely to pay in full for the credit obligations.

### CR2: Changes in defaulted loans and debt securities

	HK\$'000	
1	<b>Defaulted loans and debt securities as at 31 December 2017</b>	200,092
2	Loans and debt securities that have defaulted since the last reporting period	53,957
3	Returned to non-defaulted status	-
4	Amounts written off	-
5	Other changes	(958)
6	<b>Defaulted loans and debt securities as at 30 June 2018</b>	<b>253,091</b>

### CR3: Overview of recognized credit risk mitigation

		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Loans	43,199,955	16,822,763	10,349,044	6,473,719	-
2	Debt securities	21,931,887	1,948,569	-	1,948,569	-
3	<b>Total</b>	<b>65,131,842</b>	<b>18,771,332</b>	<b>10,349,044</b>	<b>8,422,288</b>	-
4	Of which defaulted	123,380	30,075	30,075	-	-

## 6. Credit risk for non-securitization exposures (continued)

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

	Exposure classes	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	9,666,067	-	9,666,067	-	17,325	0.18
2	PSE exposures	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-
4	Bank exposures	30,140	-	30,140	-	6,028	20.00
5	Securities firm exposures	55,645	-	55,645	-	27,823	50.00
6	Corporate exposures	1,036,284	77,373	1,036,284	35,537	1,056,521	98.57
7	CIS exposures	-	-	-	-	-	-
8	Cash items	-	-	-	-	-	-
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	217,614	296,477	217,614	21,752	169,977	71.01
11	Residential mortgage loans	16,024	-	16,024	-	8,012	50.00
12	Other exposures which are not past due exposures	813,039	38,061	813,038	-	796,227	97.93
13	Past due exposures	1,471	-	1,471	-	2,207	150.03
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	<b>Total</b>	<b>11,836,284</b>	<b>411,911</b>	<b>11,836,283</b>	<b>57,289</b>	<b>2,084,120</b>	<b>17.52</b>

## 6. Credit risk for non-securitization exposures (continued)

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

	Exposure class	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Sovereign exposures		9,579,443	-	86,624	-	-	-	-	-	-	-	9,666,067
2	PSE exposures		-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs		-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs		-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures		-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures		-	-	30,140	-	-	-	-	-	-	-	30,140
5	Securities firm exposures		-	-	-	-	55,645	-	-	-	-	-	55,645
6	Corporate exposures		15,300	-	-	-	-	-	1,056,521	-	-	-	1,071,821
7	CIS exposures		-	-	-	-	-	-	-	-	-	-	-
8	Cash items		-	-	-	-	-	-	-	-	-	-	-
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		12,730	-	-	-	-	226,636	-	-	-	-	239,366
11	Residential mortgage loans		-	-	-	-	16,024	-	-	-	-	-	16,024
12	Other exposures which are not past due exposures		16,811	-	-	-	-	-	796,227	-	-	-	813,038
13	Past due exposures		-	-	-	-	-	-	-	1,471	-	-	1,471
14	Significant exposures to commercial entities		-	-	-	-	-	-	-	-	-	-	-
15	<b>Total</b>		<b>9,624,284</b>	<b>-</b>	<b>116,764</b>	<b>-</b>	<b>71,669</b>	<b>226,636</b>	<b>1,852,748</b>	<b>1,471</b>	<b>-</b>	<b>-</b>	<b>11,893,572</b>

## 6. Credit risk for non-securitization exposures (continued)

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

#### (a) FIRB approach

	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions	
		HK\$'000	HK\$'000	%	HK\$'000	%		%	Year	HK\$'000	%	HK\$'000	HK\$'000	
Bank Exposures	0.00 to < 0.15	17,132,701	2,957	100.00	17,724,143	0.07	119	45.00	2.5	5,321,378	30.02	5,199		
	0.15 to < 0.25	2,680,465	300,000	89.93	2,679,267	0.22	12	45.00	2.5	1,517,318	56.63	2,652		
	0.25 to < 0.50	383,205	96,126	96.22	612,306	0.39	9	45.00	2.5	456,950	74.63	1,075		
	0.50 to < 0.75	809,995	32,720	96.12	809,995	0.67	3	44.95	2.5	828,441	102.28	2,435		
	0.75 to < 2.50	235,167	80,000	74.62	235,167	1.54	1	45.00	2.5	250,369	106.46	1,631		
	2.50 to < 10.00	-	9,500	-	-	-	-	-	-	-	-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-	
Sub-total		21,241,533	521,303	100.00	22,060,878	0.13	144	45.00	2.5	8,374,456	37.96	12,992	92,102	
Corporate Exposures – Small-and-medium sized Corporates	0.00 to < 0.15	541,420	30,493	94.50	523,832	0.13	22	44.93	2.5	141,513	27.01	304		
	0.15 to < 0.25	82,091	39,975	67.27	82,116	0.22	12	39.80	2.5	26,577	32.36	72		
	0.25 to < 0.50	165,314	192,150	45.20	156,114	0.39	21	40.31	2.5	69,347	44.42	246		
	0.50 to < 0.75	560,905	166,609	81.76	687,891	0.62	37	41.44	2.5	383,951	55.82	1,759		
	0.75 to < 2.50	2,297,325	380,063	85.47	2,217,068	1.46	103	40.24	2.5	1,608,884	72.57	12,853		
	2.50 to < 10.00	920,108	101,354	90.27	922,087	5.04	37	40.79	2.5	949,609	102.98	19,534		
	10.00 to < 100.00	66,864	17,589	79.17	66,863	11.00	4	42.07	2.5	96,823	144.81	3,073		
	100.00 (Default)	33,148	-	100.00	33,148	100.00	1	35.00	2.5	62,746	189.29	6,582		
Sub-total		4,667,175	928,233	83.79%	4,689,119	2.67	237	41.03	2.5	3,339,450	71.22	44,423	45,062	
Corporate Exposures – Other Corporates	0.00 to < 0.15	8,663,589	1,396,600	90.54	8,587,083	0.10	64	44.97	2.5	2,666,508	31.05	3,913		
	0.15 to < 0.25	2,020,057	745,017	78.87	2,179,561	0.22	18	40.89	2.5	963,601	44.21	1,961		
	0.25 to < 0.50	5,740,327	386,501	96.68	5,780,149	0.40	48	42.73	2.5	3,690,021	63.84	9,633		
	0.50 to < 0.75	6,237,058	682,147	94.75	6,447,985	0.61	66	36.48	2.5	4,014,776	62.26	14,499		
	0.75 to < 2.50	11,169,123	2,483,138	86.20	11,837,861	1.28	155	36.78	2.5	9,494,379	80.20	51,533		
	2.50 to < 10.00	4,477,419	618,873	87.94	4,481,865	4.22	63	24.48	2.5	3,665,232	81.78	48,040		
	10.00 to < 100.00	872,384	192,502	83.25	886,505	13.68	11	11.09	2.5	464,891	52.44	13,075		
	100.00 (Default)	220,370	8,597	98.12	224,669	100.00	4	43.98	2.5	72,189	32.13	109,051		
Sub-total		39,400,327	6,513,375	89.53	40,425,678	1.89	429	37.66	2.5	25,031,597	61.92	251,705	510,878	



## 6. Credit risk for non-securitization exposures (continued)

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

#### (a) Retail IRB approach

	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		HK\$'000	HK\$'000	%	HK\$'000	%		%	Year	HK\$'000	%	HK\$'000	HK\$'000
Retail Exposures – Qualifying Revolving Retail Exposures (QRRE)	0.00 to < 0.15	-	2,150	86.36	1,857	0.03	3	20.30	1.0	8	0.44	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	2,150	86.36	1,857	0.03	3	20.30	1.0	8	0.44	-	-	
Retail Exposures – Residential Mortgages Exposures	0.00 to < 0.15	2,351,598	-	100.00	2,351,603	0.10	1,189	12.33	4.9	395,493	16.82	278	-
	0.15 to < 0.25	667,461	-	100.00	667,461	0.22	162	11.78	5.0	122,474	18.35	171	-
	0.25 to < 0.50	174,268	-	100.00	174,267	0.39	58	11.32	5.0	38,869	22.30	75	-
	0.50 to < 0.75	31,861	-	100.00	31,861	0.59	22	14.75	5.0	6,735	21.14	25	-
	0.75 to < 2.50	2,368	-	100.00	2,368	1.34	5	10.53	4.7	397	16.76	1	-
	2.50 to < 10.00	19,633	-	100.00	19,633	4.43	3	10.61	5.0	6,434	32.77	90	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	7,838	-	100.00	7,838	100.00	1	23.09	5.0	22,620	288.59	-	-
Sub-total	3,255,027	-	100.00	3,255,031	0.41	1,440	12.21	4.9	593,022	18.22	640	6,932	

## 6. Credit risk for non-securitization exposures (continued)

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

#### (b) Retail IRB approach (continued)

	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions	
		HK\$'000	HK\$'000	%	HK\$'000	%		%	Year	HK\$'000	%	HK\$'000	HK\$'000	
Retail Exposures – Small Business Retail Exposures	0.00 to < 0.15	67,162	75,407	62.32	88,852	0.08	107	6.40	2.7	1,166	1.31	4		
	0.15 to < 0.25	17,118	10,215	73.55	20,105	0.22	21	6.39	3.0	555	2.76	3		
	0.25 to < 0.50	48,827	22,544	77.73	55,480	0.39	43	6.02	2.8	2,079	3.75	13		
	0.50 to < 0.75	43,530	14,788	84.01	48,993	0.59	28	8.69	3.1	3,405	6.95	26		
	0.75 to < 2.50	59,445	11,285	89.07	63,000	1.29	35	7.22	3.8	4,965	7.88	57		
	2.50 to < 10.00	20,816	491	98.52	20,991	4.26	17	6.24	2.5	1,909	9.09	58		
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-	
Sub-total		256,898	134,730	75.94	297,421	0.78	251	6.87	3.0	14,079	4.73	161	577	
Retail Exposures – Other Retail Exposures to Individuals	0.00 to < 0.15	847,664	637,950	96.93	1,439,959	0.08	259	24.81	1.0	89,606	6.22	374		
	0.15 to < 0.25	100,193	-	100.00	100,202	0.22	135	11.49	4.5	4,974	4.96	25		
	0.25 to < 0.50	599,176	2,318	99.96	601,249	0.38	300	13.86	4.6	51,460	8.56	321		
	0.50 to < 0.75	856,129	47,774	99.96	903,563	0.58	253	16.73	3.3	115,198	12.75	844		
	0.75 to < 2.50	237,141	462,948	53.29	373,071	0.93	186	21.22	2.0	81,176	21.76	837		
	2.50 to < 10.00	967,489	138	100.00	967,607	3.12	84	39.95	1.4	542,039	56.02	12,294		
	10.00 to < 100.00	1,768	4,300	100.00	6,068	33.00	3	11.48	2.1	1,816	29.93	230		
	100.00 (Default)	9,290	-	100.00	9,290	100.00	1	11.48	3.7	13,332	143.51	-		
Sub-total		3,618,850	1,155,428	92.18	4,401,009	1.22	1,221	24.33	2.2	899,601	20.44	14,925	16,351	
<b>Total (sum of all portfolios)</b>		<b>72,439,810</b>	<b>9,255,218</b>	<b>91.98</b>	<b>75,130,993</b>	<b>1.31</b>	<b>3,725</b>	<b>38.02</b>	<b>2.6</b>	<b>38,252,213</b>	<b>50.91</b>	<b>324,848</b>	<b>671,902</b>	

## 6. Credit risk for non-securitization exposures (continued)

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

		Pre-credit derivatives RWA	Actual RWA
		HK\$'000	HK\$'000
1	Corporate – Specialized lending under supervisory slotting criteria approach (project finance)	-	-
2	Corporate – Specialized lending under supervisory slotting criteria approach (object finance)	-	-
3	Corporate – Specialized lending under supervisory slotting criteria approach (commodities finance)	-	-
4	Corporate – Specialized lending under supervisory slotting criteria approach (income-producing real estate)	-	-
5	Corporate – Specialized lending (high-volatility commercial real estate)	-	-
6	Corporate – Small-and-medium sized corporates	3,339,450	3,339,450
7	Corporate – Other corporates	25,031,597	25,031,597
8	Sovereigns	-	-
9	Sovereign foreign public sector entities	-	-
10	Multilateral development banks	-	-
11	Bank exposures – Banks	7,345,814	7,345,814
12	Bank exposures – Securities firms	1,028,642	1,028,642
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	-	-
14	Retail – Small business retail exposures	14,079	14,079
15	Retail – Residential mortgages to individuals	562,544	562,544
16	Retail – Residential mortgages to property-holding shell companies	30,478	30,478
17	Retail – Qualifying revolving retail exposures (QRRE)	8	8
18	Retail – Other retail exposures to individuals	899,601	899,601
19	Equity – Equity exposures under market-based approach (simple risk-weight method)	-	-
20	Equity – Equity exposures under market-based approach (internal models method)	-	-
21	Equity – Equity exposures under PD/LGD approach (publicly traded equity exposures held for long-term investment)	-	-
22	Equity – Equity exposures under PD/LGD approach (privately owned equity exposures held for long-term investment)	-	-
23	Equity – Equity exposures under PD/LGD approach (other publicly traded equity exposures)	-	-
24	Equity – Equity exposures under PD/LGD approach (other equity exposures)	-	-
25	Equity – Equity exposures associated with equity investments in funds (CIS exposures)	-	-
26	Other – Cash items	-	-
27	Other – Other items	2,094,873	2,094,873
<b>28</b>	<b>Total (under the IRB calculation approaches)</b>	<b>40,347,086</b>	<b>40,347,086</b>

The group did not use any recognized credit derivatives contracts for credit risk mitigation.

## 6. Credit risk for non-securitization exposures (continued)

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

	<b>HK\$'000</b>
<b>1 RWA as at 31 March 2018</b>	<b>40,475,862</b>
2 Asset size	360,869
3 Asset quality	(340,136)
4 Model updates	-
5 Methodology and policy	-
6 Acquisitions and disposals	-
7 Foreign exchange movements	(149,509)
8 Other	-
<b>9 RWA as at 30 June 2018</b>	<b>40,347,086</b>

### CR10: Specialized lending under supervisory slotting criteria approach and equities under simple risk-weight method – for IRB approach

There were no specialized lending under supervisory slotting criteria approach and the Group did not use simple risk-weight method to measure equities exposures as at 30 June 2018.

## 7. Counterparty Credit risk

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

		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	123,367	161,897		-	285,264	49,870
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					-	-
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
<b>6</b>	<b>Total</b>						<b>49,870</b>

### CCR2: CVA capital charge

		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 standardized CVA method	285,529	102,450
<b>4</b>	<b>Total</b>	<b>285,529</b>	<b>102,450</b>

## 7. Counterparty Credit risk (continued)

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

	Exposure class	Risk Weight											Total default risk exposure after CRM HK\$'000
		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	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	-	-	-	-	-	-	-	-	-	-	-	-
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	-	-	-	-	-	-
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	31,965	-	-	-	-	943	-	-	-	-	-	32,908
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	65,689	-	-	-	-	-	2,717	-	-	-	-	68,406
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-	-
12	<b>Total</b>	<b>97,654</b>	-	-	-	-	<b>943</b>	<b>2,717</b>	-	-	-	-	<b>101,314</b>

## 7. Counterparty Credit risk (continued)

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

#### FIRB approach

	PD scale	EAD post-CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density
		HK\$'000	%		%	HK\$'000	HK\$'000	%
Bank	0.00 to < 0.15	165,910	0.04	-	45.00	2.5	38,765	23.37
	0.15 to < 0.25	8	0.22	-	45.00	2.5	5	62.50
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	165,918	0.04	-	45.00	2.5	38,770	23.37
Corporate Exposures - Other Corporates	0.00 to < 0.15	11,771	0.09	-	45.00	2.5	3,282	27.88
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	5,885	0.51	-	45.00	2.5	4,134	70.25
	0.75 to < 2.50	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	17,656	0.23	-	45.00	2.5	7,416	42.00
Corporate Exposures - Small-and-medium sized Corporates	0.00 to < 0.15	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	376	0.89	-	45.00	2.5	260	69.24
	2.50 to < 10.00	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	376	0.89	-	45.00	2.5	260	69.24
<b>Total (sum of all portfolios)</b>		<b>183,950</b>	<b>0.06</b>	<b>-</b>	<b>45.00</b>	<b>2.5</b>	<b>46,446</b>	<b>25.25</b>

## 7. Counterparty Credit risk (continued)

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

	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash - other currencies	-	153,958	-	-	-	-
<b>Total</b>	-	<b>153,958</b>	-	-	-	-

### CCR6: Credit-related derivatives contracts

The Group had no exposures of Credit-related derivatives contracts as at 30 June 2018.

### CCR7: RWA flow statements of default risk exposures under IMM (CCR) approach

The Group did not use IMM(CCR) approach to measure default risk exposures as at 30 June 2018.

### CCR8: Exposures to CCPs

The Group had no exposures to CCP as at 30 June 2018.



## **8. Securitization exposures**

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

There were no securitization exposures in the banking book as at 30 June 2018.

### **SEC2: Securitization exposures in trading book**

There were no securitization exposures in the trading book as at 30 June 2018.

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

There were no securitization exposures in the banking book and the associated capital requirements where the Group acts as an originator as at 30 June 2018.

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

There were no securitization exposures in the banking book and the associated capital requirements where the Group acts as an investor as at 30 June 2018.

## 9. Market risk

### MR1: Market risk under STM approach

The Group did not have market risk exposures under STM approach as at 30 June 2018.

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

		VaR	Stressed VaR	IRC	CRC	Other	Total RWA
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>1</b>	<b>RWA as at 31 March 2018</b>	<b>27,863</b>	<b>40,237</b>	-	-	-	<b>68,100</b>
1a	Regulatory adjustment	(25,375)	(38,725)	-	-	-	(64,100)
1b	RWA as at day-end of 31 March 2018	2,488	1,512	-	-	-	4,000
2	Movement in risk levels	1,162	3,288	-	-	-	4,450
3	Model updates/changes	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-
7	Other	-	-	-	-	-	-
7a	RWA as at day-end of 30 June 2018	3,650	4,800	-	-	-	8,450
7b	Regulatory adjustment	5,838	7,762	-	-	-	13,600
<b>8</b>	<b>RWA as at 30 June 2018</b>	<b>9,488</b>	<b>12,562</b>	-	-	-	<b>22,050</b>

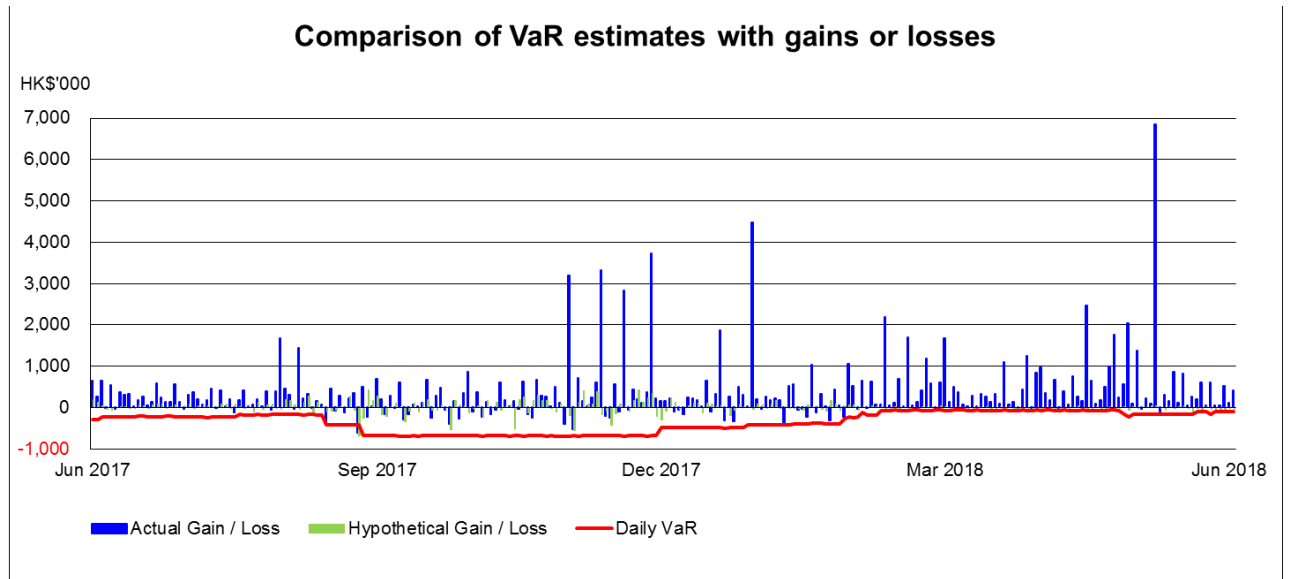
## 9. Market risk (continued)

### MR3: IMM approach values for market risk exposures

		HK\$'000
<b>VaR (10 days – one-tailed 99% confidence interval)</b>		
1	Maximum Value	1,376
2	Average Value	505
3	Minimum Value	160
4	As At 30 June 2018	292
<b>Stressed VaR (10 days – one-tailed 99% confidence interval)</b>		
5	Maximum Value	1,698
6	Average Value	712
7	Minimum Value	92
8	As At 30 June 2018	384
<b>Incremental risk charge (IRC) (99.9% confidence interval)</b>		
9	Maximum Value	-
10	Average Value	-
11	Minimum Value	-
12	As At 30 June 2018	-
<b>Comprehensive risk charge (CRC) (99.9% confidence interval)</b>		
13	Maximum Value	-
14	Average Value	-
15	Minimum Value	-
16	As At 30 June 2018	-
17	Floor	-

## 9. Market risk (continued)

### MR4: Comparison of VaR estimates with gains or losses



Market risk regulatory capital charge is calculated under the Banking (Capital) (Amendment) Rules 2011 to incorporate capital charge for stressed VaR. Regulatory VaR and stressed VaR measures used for market risk regulatory capital purposes are calculated to a 99% confidence level and use a 10-day holding period. The stressed VaR uses the same methodology as the VaR model and is generated with inputs calibrated to the historical market data from a continuous 12-month period of significant financial stress relevant to the Group's portfolio.

The Group adopts a regulatory VaR model, using a historical simulation approach and two years of historical data, to capture general interest rate and foreign exchange risks over a 10-day holding period with a 99% confidence level. The Group adopts back-testing to measure the accuracy of VaR model results. Actual and hypothetical P&L are compared against the corresponding 99% one-day regulatory VaR over the recent 250 business days. The numbers of exception (actual or hypothetical P&L exceeds the VaR) determines the value of VaR multiplication factor.

Actual P&Ls are the P&Ls in respect to trading activities within the scope of regulatory VaR model, which includes intraday P&Ls; excludes commissions, fees and reserves. Hypothetical P&Ls are the hypothetical changes in portfolio value assuming unchanged end-of-day position.

During the period, one exception is noted in actual and hypothetical P&L back-testing respectively (excess amount: HK\$178,000 and HK\$255,000 respectively) at 18 September 2017 as shown above. The exception was driven by unexpected market movements in foreign exchange rates.