

Regulatory Disclosures

30 June 2020



集友銀行
Chiyu Banking Corporation Ltd.



CONTENTS	PAGE
1. Basis of reporting	1
2. Key prudential ratios, overview of risk management and RWA	2
KM1: Key prudential ratios	2
OV1: Overview of RWA	3
3. Composition of regulatory capital	4
CC1: Composition of regulatory capital	4
CC2: Reconciliation of regulatory capital to balance sheet	11
CCA: Main features of regulatory capital instruments	12
4. Macroprudential supervisory measures	14
CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer	14
5. Leverage ratio	15
LR1: Summary comparison of accounting assets against leverage ratio exposure measure	15
LR2: Leverage ratio	16
6. Liquidity	17
LIQ1: Liquidity Coverage Ratio	17
LIQ2: Net Stable Funding Ratio	19
7. Credit risk for non-securitization exposures	22
CR1: Credit quality of exposures	22
CR2: Changes in defaulted loans and debt securities	22
CR3: Overview of recognized credit risk mitigation	22
CR4: Credit risk exposures and effects of recognized credit risk mitigation – for STC approach	23
CR5: Credit risk exposures by asset classes and by risk weights – for STC approach	24
CR6: Credit risk exposures by portfolio and PD ranges – for IRB approach	25
CR7: Effects on RWA of recognized credit derivative contracts used as recognized credit risk mitigation – for IRB approach	28
CR8: RWA flow statements of credit risk exposures under IRB approach	29
CR10: Specialized lending under supervisory slotting criteria approach and equities under simple risk-weight method – for IRB approach	29



CONTENTS	PAGE
8. Counterparty credit risk	30
CCR1: Analysis of counterparty default risk exposures (other than those to CCPs) by approaches	30
CCR2: CVA capital charge	30
CCR3: Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach	31
CCR4: Counterparty default risk exposures (other than those to CCPs) by portfolio and PD range – for IRB approach	32
CCR5: Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)	33
CCR6: Credit-related derivatives contracts	33
CCR7: RWA flow statements of default risk exposures under IMM (CCR) approach	33
CCR8: Exposures to CCPs	33
9. Securitization exposures	34
SEC1: Securitization exposures in banking book	34
SEC2: Securitization exposures in trading book	34
SEC3: Securitization exposures in banking book and associated capital requirements – where AI acts as originator	34
SEC4: Securitization exposures in banking book and associated capital requirements – where AI acts as investor	34
10. Market risk	35
MR1: Market risk under STM approach	35
MR2: RWA flow statements of market risk exposures under IMM approach	35
MR3: IMM approach values for market risk exposures	35
MR4: Comparison of VaR estimates with gains or losses	35

1. Basis of reporting

Liquidity Coverage Ratio (LCR):

The average value of liquidity coverage ratio is computed on the consolidated basis which comprises the positions of local offices, overseas branches and subsidiaries of the Bank specified by the Hong Kong Monetary Authority (“HKMA”) for its regulatory purposes and in accordance with the Banking (Liquidity) Rules.

Net Stable Funding Ratio (NSFR):

The net stable funding ratio is computed on the consolidated basis which comprises the positions of local offices, overseas branches and subsidiaries of the Bank specified by the HKMA for its regulatory purposes and in accordance with the Banking (Liquidity) Rules.

Capital Adequacy Ratio (CAR):

Total capital ratio is computed on consolidated basis which comprises the positions of the Bank’s local offices, overseas branches and designated subsidiaries specified by the HKMA for its regulatory purposes and in accordance with the Banking (Capital) Rules.

As a result of the HKMA has approved the Bank to adopt the standardised (market risk) (“STM”) approach to calculate general market risk capital charge for foreign exchange and interest rate exposures since April 2020, the amounts of market risk shown below are not directly comparable.

2. Key prudential ratios, overview of risk management and RWA

KM1: Key prudential ratios

		At 30 June 2020	At 31 March 2020	At 31 December 2019 (restated)	At 30 September 2019	At 30 June 2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	10,593,779	10,526,459	10,146,991	9,859,909	9,533,110
2	Tier 1	12,531,491	12,464,171	12,084,703	11,797,621	11,470,822
3	Total capital	13,618,370	13,615,925	13,222,608	12,915,837	12,557,531
RWA (amount)						
4	Total RWA	74,607,468	76,270,830	74,655,828	72,370,938	69,422,316
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	14.20	13.80	13.59	13.62	13.73
6	Tier 1 ratio (%)	16.80	16.34	16.19	16.30	16.52
7	Total capital ratio (%)	18.25	17.85	17.71	17.85	18.09
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	2.500	2.500	2.500	2.500	2.500
9	Countercyclical capital buffer requirement (%)	0.716	0.708	1.426	1.759	1.735
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	-	-	-	-	-
11	Total AI-specific CET1 buffer requirements (%)	3.216	3.208	3.926	4.259	4.235
12	CET1 available after meeting the AI's minimum capital requirements (%)	9.156	8.812	8.615	8.669	8.797
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	156,538,657	155,554,089	154,471,671	144,887,070	148,840,305
14	LR (%)	8.01	8.01	7.82	8.14	7.71
Liquidity Coverage Ratio (LCR)						
15	Total high quality liquid assets (HQLA)	23,797,301	26,237,542	24,453,791	21,638,779	20,171,323
16	Total net cash outflows	8,205,109	12,027,541	11,883,939	10,966,381	10,739,416
17	LCR (%)	301.99	224.76	210.17	205.53	191.46
Net Stable Funding Ratio (NSFR)						
18	Total available stable funding	105,942,540	104,794,745	102,181,942	96,636,596	92,278,766
19	Total required stable funding	71,395,894	72,813,937	71,736,395	73,725,013	72,582,514
20	NSFR (%)	148.39	143.92	142.44	131.08	127.14

2. Key prudential ratios, overview of risk management and RWA (continued)

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	66,457,359	68,451,526	5,588,775
2	Of which STC approach	9,751,835	9,001,858	780,147
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	56,705,524	59,449,668	4,808,628
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	125,242	211,628	10,616
7	Of which SA-CCR	Not applicable	Not applicable	Not applicable
7a	Of which CEM	67,973	72,240	5,760
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	57,269	139,388	4,856
10	CVA risk	67,800	74,563	5,424
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA	Not applicable	Not applicable	Not applicable
13	CIS exposures – MBA	Not applicable	Not applicable	Not applicable
14	CIS exposures – FBA	Not applicable	Not applicable	Not applicable
14a	CIS exposures – combination of approaches	Not applicable	Not applicable	Not applicable
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	254,200	223,500	20,336
21	Of which STM approach	254,200	17,475	20,336
22	Of which IMM approach	-	206,025	-
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	Not applicable	Not applicable	Not applicable
24	Operational risk	4,203,250	4,054,450	336,260
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	872,000	479,500	69,760
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	782,182	803,966	62,575
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	4,895	-
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	782,182	799,071	62,575
27	Total	71,197,669	72,691,201	5,968,596

RWAs in the 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%.

3. Composition of regulatory capital

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
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	3,245,980	(4)
2	Retained earnings	7,771,073	(9)
3	Disclosed reserves	1,287,932	(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	CET1 capital before regulatory adjustments	12,304,985	
CET1 capital: regulatory deductions			
7	Valuation adjustments	5,277	
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)	132	(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	45	(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

3. Composition of regulatory capital (continued)

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	
CET1 capital: regulatory deductions (continued)			
26	National specific regulatory adjustments applied to CET1 capital	1,705,527	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	1,422,148	(5) + (10)
26b	Regulatory reserve for general banking risks	283,604	(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	Total regulatory deductions to CET1 capital	1,711,206	
29	CET1 capital	10,593,779	
AT1 capital: instruments			
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	AT1 capital before regulatory deductions	1,937,712	
AT1 capital: regulatory deductions			
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	Total regulatory deductions to AT1 capital	-	
44	AT1 capital	1,937,712	
45	Tier 1 capital (T1 = CET1 + AT1)	12,531,491	

3. Composition of regulatory capital (continued)

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
Tier 2 capital: instruments and provisions			
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	446,913	
51	Tier 2 capital before regulatory deductions	446,913	
Tier 2 capital: regulatory deductions			
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	(639,966)	
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	(639,966)	[(5) + (10)]*45%
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	-	
57	Total regulatory adjustments to Tier 2 capital	(639,966)	
58	Tier 2 capital (T2)	1,086,879	
59	Total regulatory capital (TC = T1 + T2)	13,618,370	
60	Total RWA	74,607,468	

3. Composition of regulatory capital (continued)

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
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	14.20%	
62	Tier 1 capital ratio	16.80%	
63	Total capital ratio	18.25%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	3.216%	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: bank specific countercyclical capital buffer requirement	0.716%	
67	of which: higher loss absorbency requirement	-	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	9.156%	
National minima (if different from Basel 3 minimum)			
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
Amounts below the thresholds for deduction (before risk weighting)			
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	22,581	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	348,800	
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
Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	102,936	
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	132,808	
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)	343,977	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	361,439	

3. Composition of regulatory capital (continued)

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
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	<i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	Not applicable	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>	-	

3. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

	Description	Hong Kong basis	Basel III basis
		HK\$'000	HK\$'000
9	Other intangible assets (net of associated deferred tax liabilities)	-	-
	<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	Deferred tax assets (net of associated deferred tax liabilities)	132	-
	<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	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
	<u>Explanation</u> 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.		

3. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

	Description	Hong Kong basis	Basel III basis
		HK\$'000	HK\$'000
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)	-	-
	<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..		
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)	-	-
	<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.		
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)	-	-
	<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.		
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.			

3. Composition of regulatory capital (continued)

CC2: Reconciliation of regulatory capital to balance sheet

	At 30 June 2020		
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	HK\$'000	HK\$'000	
Assets			
Cash and balances with banks and other financial institutions	14,732,659	14,691,411	
Placements with banks and other financial institutions maturing between one and twelve months	5,400,926	5,400,926	
Derivative financial instruments	143,587	143,587	
<i>of which: debit valuation adjustments in respect of derivative contracts</i>	-	38	(1)
Advances to customers and trade bills	78,852,678	78,852,678	
Investment in securities	50,231,190	49,934,540	
Investment in subsidiaries	-	348,800	
Amount due from subsidiaries	-	53,705	
Investment properties	231,220	231,220	
Properties, plant and equipment	1,981,718	1,981,718	
Current tax assets	3,568	3	
Deferred tax assets	132	132	(2)
Other assets	1,553,072	1,549,143	
Total assets	153,130,750	153,187,863	
Liabilities			
Deposits and balances from banks and other financial institutions	13,142,785	13,120,263	
Derivative financial instruments	64,250	64,250	
<i>of which: debit valuation adjustments in respect of derivative contracts</i>	-	(7)	(3)
Deposits from customers	123,299,611	123,440,131	
Other accounts and provisions	2,018,932	2,017,216	
Current tax liabilities	145,415	145,415	
Deferred tax liabilities	158,275	157,891	
Total liabilities	138,829,268	138,945,166	
Shareholders' equity			
Share capital	3,245,980	3,245,980	(4)
Reserves	9,117,790	9,059,005	
Premises revaluation reserve	1,226,876	1,226,876	(5)
Fair value reserve	(56,750)	(56,750)	(6)
Regulatory reserve	283,604	283,604	(7)
Translation reserve	(165,802)	(165,798)	(8)
Retained earnings	7,829,862	7,771,073	(9)
<i>of which: cumulative fair value gains arising from the revaluation of investment properties</i>	-	195,272	(10)
Additional equity instruments	1,937,712	1,937,712	(11)
Total equity	14,301,482	14,242,697	
Total liabilities and equity	153,130,750	153,187,863	

3. 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 ¹	Not applicable	Not applicable
5	Post-transitional Basel III rules ²	Common Equity Tier 1	Additional Tier 1
6	Eligible at solo / 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
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK\$3,246m (as of 30 June 2020)	HK\$1,938m (as of 30 June 2020)
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 November 2017
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>Dividend / coupon</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 rate 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

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

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

3. Composition of regulatory capital (continued)

CCA: Main features of regulatory capital instruments (continued)

		CET1 Capital Ordinary shares	USD Non-Cumulative Subordinated Additional Tier 1 Capital Securities
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 29 January 2019.
- 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.

4. Macroprudential supervisory measures

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	1.000%	38,523,029		
	Sum		38,523,029		
	Total		53,806,709	0.716%	534,189

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 Group 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.

5. Leverage ratio

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

	Item	At 30 June 2020
		Value under the LR framework
		HK\$'000
1	Total consolidated assets as per published financial statements	153,130,750
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	57,113
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	98,236
5	Adjustment for SFTs (i.e. repos and similar secured lending)	2,286,122
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	2,695,751
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(712,442)
7	Other adjustments	(1,016,873)
8	Leverage ratio exposure measure	156,538,657

5. Leverage ratio (continued)

LR2: Leverage ratio

		At 30 June 2020	At 31 March 2020
		HK\$'000	HK\$'000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	153,738,602	151,439,579
2	Less: Asset amounts deducted in determining Tier 1 capital	(1,711,199)	(2,026,610)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	152,027,403	149,412,969
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	135,135	163,987
5	Add-on amounts for PFE associated with all derivative contracts	140,324	143,135
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	(33,636)	(31,710)
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	Total exposures arising from derivative contracts	241,823	275,412
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	2,216,362	3,597,125
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	69,760	114,070
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	2,286,122	3,711,195
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	13,082,190	13,547,738
18	Less: Adjustments for conversion to credit equivalent amounts	(10,386,439)	(10,758,339)
19	Off-balance sheet items	2,695,751	2,789,399
Capital and total exposures			
20	Tier 1 capital	12,531,491	12,464,171
20a	Total exposures before adjustments for specific and collective provisions	157,251,099	156,188,975
20b	Adjustments for specific and collective provisions	(712,442)	(634,886)
21	Total exposures after adjustments for specific and collective provisions	156,538,657	155,554,089
Leverage ratio			
22	Leverage ratio	8.01%	8.01%



6. 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 2020: 71 data points		For the quarter ended 31 March 2020: 74 data points	
		Unweighted value (average)	Weighted value (average)	Unweighted value (average)	Weighted value (average)
Basis of disclosure: consolidated		HK\$'000	HK\$'000	HK\$'000	HK\$'000
A. HQLA					
1	Total HQLA		23,797,301		26,237,542
B. Cash outflows					
2	Retail deposits and small business funding, of which:	81,233,860	5,014,187	79,650,651	4,792,577
3	<i>Stable retail deposits and stable small business funding</i>	10,351,760	310,553	10,733,553	322,007
4	<i>Less stable retail deposits and less stable small business funding</i>	23,109,224	2,310,922	20,394,413	2,039,441
4a	<i>Retail term deposits and small business term funding</i>	47,772,876	2,392,712	48,522,685	2,431,129
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	22,451,326	15,354,475	23,631,494	16,299,041
6	<i>Operational deposits</i>	3,124,844	736,428	3,095,537	729,881
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	19,326,482	14,618,047	20,535,957	15,569,160
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)				
10	Additional requirements, of which:	11,731,620	2,110,943	12,420,541	2,340,720
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	221,022	221,022	221,421	221,421
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>	11,510,598	1,889,921	12,199,120	2,119,299
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	1,720,758	1,720,758	1,933,674	1,933,674
15	Other contingent funding obligations (whether contractual or non-contractual)	2,275,578	103,082	1,378,010	45,164
16	Total Cash Outflows		24,303,445		25,411,176
C. Cash Inflows					
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	25,542,997	14,799,312	20,794,596	11,776,513
19	Other cash inflows	1,311,136	1,311,136	1,607,122	1,607,122
20	Total Cash Inflows	26,854,133	16,110,448	22,401,718	13,383,635
D. Liquidity Coverage Ratio					
21	Total HQLA		23,797,301		26,237,542
22	Total Net Cash Outflows		8,205,109		12,027,541
23	LCR (%)		301.99%		224.76%

6. Liquidity (continued)

LIQ1: Liquidity Coverage Ratio (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 first half of 2020, the Group has maintained a healthy liquidity position. The LCR was sensitive to the asset deployment and the funding structure of the Group. The average LCR of the first and second quarter were 224.76% and 301.99% respectively. The ratio has 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 first half 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.

6. Liquidity (continued)

LIQ2: Net Stable Funding Ratio

Basis of disclosure: consolidated		At 30 June 2020				
		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
A. Available stable funding ("ASF") item						
1	Capital:	14,242,697	-	-	-	14,242,697
2	Regulatory capital	14,242,697	-	-	-	14,242,697
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	74,507,937	4,469,009	17,009	71,797,572
5	Stable deposits	-	13,808,670	217,560	1,217	13,326,135
6	Less stable deposits	-	60,699,267	4,251,449	15,792	58,471,437
7	Wholesale funding:	-	48,954,907	4,605,846	3,544,192	19,497,775
8	Operational deposits	-	4,168,040	-	-	2,084,020
9	Other wholesale funding	-	44,786,867	4,605,846	3,544,192	17,413,755
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	2,615,802	404,190	-	-	404,496
12	Net derivative liabilities	-	-	-	-	-
13	All other funding and liabilities not included in the above categories	2,615,802	404,190	-	-	404,496
14	Total ASF					105,942,540
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes				37,434,764	3,387,193
16	Deposits held at other financial institutions for operational purposes	-	178,684	-	-	89,342
17	Performing loans and securities:	7,081,372	44,417,547	23,712,673	35,453,000	63,150,891
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	7	19,164,051	2,726,346	2,656,216	6,894,004
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:	7,081,365	19,093,328	16,093,631	21,029,133	41,487,403
21	With a risk-weight of less than or equal to 35% under the STC approach	-	102,639	-	-	51,320
22	Performing residential mortgages, of which:	-	99,281	98,446	3,808,674	2,576,785
23	With a risk-weight of less than or equal to 35% under the STC approach	-	98,676	97,831	3,797,258	2,566,471
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	6,060,887	4,794,250	7,958,977	12,192,699
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	3,783,770	1,362,311	9,800	418	4,206,593
27	Physical traded commodities, including gold	57,392	-	-	-	57,392
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
29	Net derivative assets	112,043	-	-	-	112,043
30	Total derivative liabilities before deduction of variation margin posted	64,250	-	-	-	3,213
31	All other assets not included in the above categories	3,550,085	1,362,311	9,800	418	4,033,945
32	Off-balance sheet items	-	-	-	13,082,636	561,875
33	Total RSF					71,395,894
34	Net Stable Funding Ratio (%)					148.39%

6. Liquidity (continued)

LIQ2: Net Stable Funding Ratio (continued)

Basis of disclosure: consolidated		At 31 March 2020				
		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
A. Available stable funding ("ASF") item						
1	Capital:	14,490,580	-	-	-	14,490,580
2	Regulatory capital	14,490,580	-	-	-	14,490,580
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	73,499,572	6,353,810	21,130	72,569,143
5	Stable deposits	-	13,218,767	380,619	1,287	12,920,704
6	Less stable deposits	-	60,280,805	5,973,191	19,843	59,648,439
7	Wholesale funding:	-	45,529,118	5,695,129	2,884,578	17,366,455
8	Operational deposits	-	4,208,023	-	-	2,104,012
9	Other wholesale funding	-	41,321,095	5,695,129	2,884,578	15,262,443
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	1,787,279	952,641	-	-	368,567
12	Net derivative liabilities	-	-	-	-	-
13	All other funding and liabilities not included in the above categories	1,787,279	952,641	-	-	368,567
14	Total ASF					104,794,745
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes				33,624,972	3,190,671
16	Deposits held at other financial institutions for operational purposes	-	259,340	-	-	129,670
17	Performing loans and securities:	7,241,227	45,413,267	23,413,010	37,006,219	65,007,196
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	11,899	19,479,998	2,568,428	3,457,315	7,675,428
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:	7,229,328	20,899,314	15,744,574	21,221,888	42,505,478
21	With a risk-weight of less than or equal to 35% under the STC approach	-	141,336	-	-	70,668
22	Performing residential mortgages, of which:	-	95,607	94,625	3,604,964	2,440,680
23	With a risk-weight of less than or equal to 35% under the STC approach	-	95,010	94,018	3,593,278	2,430,145
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	4,938,348	5,005,383	8,722,052	12,385,610
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	3,762,422	552,141	5,336	472	3,879,260
27	Physical traded commodities, including gold	40,682	-	-	-	40,682
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
29	Net derivative assets	141,778	-	-	-	141,778
30	Total derivative liabilities before deduction of variation margin posted	63,068	-	-	-	3,153
31	All other assets not included in the above categories	3,516,894	552,141	5,336	472	3,693,647
32	Off-balance sheet items	-	-	-	13,547,740	607,140
33	Total RSF					72,813,937
34	Net Stable Funding Ratio (%)					143.92%

6. Liquidity (continued)

LIQ2: Net Stable Funding Ratio (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 NSFR of the group remained robust and well above the regulatory requirement of 100%. The NSFR of the first quarter and the second quarter of 2020 were 143.92% and 148.39% respectively. The weighted amount of ASF items mainly consists of retail deposits. The weighted amount of RSF items mainly consists of loans to customers and investments in debt securities.

7. Credit risk for non-securitization exposures

CR1: Credit quality of exposures

		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	344,678	98,926,122	685,459	-	49,439	636,020	98,585,341
2	Debt securities	-	49,912,322	3,451	-	-	3,451	49,908,871
3	Off-balance sheet exposures	8,791	13,073,399	18,117	-	5,281	12,836	13,064,073
4	Total	353,469	161,911,843	707,027	-	54,720	652,307	161,558,285

“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	Defaulted loans and debt securities as at 31 December 2019	296,200
2	Loans and debt securities that have defaulted since the last reporting period	53,060
3	Returned to non-defaulted status	-
4	Amounts written off	-
5	Other changes	(4,582)
6	Defaulted loans and debt securities as at 30 June 2020	344,678

CR3: Overview of recognized credit risk mitigation

		At 30 June 2020				
		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	74,976,698	23,608,643	13,464,266	10,144,377	-
2	Debt securities	48,507,245	1,401,626	-	1,401,626	-
3	Total	123,483,943	25,010,269	13,464,266	11,546,003	-
4	Of which defaulted	5,240	-	-	-	-

7. Credit risk for non-securitization exposures (continued)

CR4: Credit risk exposures and effects of recognized credit risk mitigation – for 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	24,760,875	-	24,760,875	-	87,216	0.35
2	PSE exposures	2,228,009	-	2,228,009	-	445,602	20.00
2a	Of which: domestic PSEs	2,228,009	-	2,228,009	-	445,602	20.00
2b	Of which: foreign PSEs	-	-	-	-	-	-
3	Multilateral development bank exposures	178,443	-	178,443	-	-	-
4	Bank exposures	43,437	-	43,437	-	8,687	20.00
5	Securities firm exposures	-	-	-	-	-	-
6	Corporate exposures	5,447,888	1,020,183	5,447,888	177,689	4,739,084	84.24
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	-	-	-	-	-	0.00
10	Regulatory retail exposures	2,597,623	908,802	2,597,623	15,488	1,951,455	74.68
11	Residential mortgage loans	12,652	-	12,652	-	6,326	50.00
12	Other exposures which are not past due exposures	2,513,453	213,447	2,513,453	8,679	2,513,434	99.66
13	Past due exposures	21	-	21	-	31	150.00
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	Total	37,782,401	2,142,432	37,782,401	201,856	9,751,835	25.67

7. 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	At 30 June 2020										Total credit risk exposures amount (post CCF and post 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
1	Sovereign exposures		24,324,797	-	436,078	-	-	-	-	-	-	-	-	24,760,875
2	PSE exposures		-	-	2,228,009	-	-	-	-	-	-	-	-	2,228,009
2a	Of which: domestic PSEs		-	-	2,228,009	-	-	-	-	-	-	-	-	2,228,009
2b	Of which: foreign PSEs		-	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures		178,443	-	-	-	-	-	-	-	-	-	-	178,443
4	Bank exposures		-	-	43,437	-	-	-	-	-	-	-	-	43,437
5	Securities firm exposures		-	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures		886,493	-	-	-	-	-	4,739,084	-	-	-	-	5,625,577
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		11,171	-	-	-	-	2,601,940	-	-	-	-	-	2,613,111
11	Residential mortgage loans		-	-	-	-	12,652	-	-	-	-	-	-	12,652
12	Other exposures which are not past due exposures		8,698	-	-	-	-	-	2,513,434	-	-	-	-	2,522,132
13	Past due exposures		-	-	-	-	-	-	-	21	-	-	-	21
14	Significant exposures to commercial entities		-	-	-	-	-	-	-	-	-	-	-	-
15	Total		25,409,602	-	2,707,524	-	12,652	2,601,940	7,252,518	21	-	-	-	37,984,257

7. Credit risk for non-securitization exposures (continued)

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

(a) FIRB approach

	PD scale	At 30 June 2020											
		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	32,149,533	31,699	9.33	32,746,860	0.07	130	45.00	2.50	10,150,698	31.00	10,639	
	0.15 to < 0.25	3,098,015	2,488	-	3,098,015	0.22	14	45.00	2.50	1,866,172	60.24	3,067	
	0.25 to < 0.50	2,176,239	383,907	6.62	2,324,940	0.39	10	47.08	2.50	1,825,229	78.51	4,268	
	0.50 to < 0.75	101,495	28,000	-	527,759	0.51	6	44.96	2.50	484,267	91.76	1,211	
	0.75 to < 2.50	189,593	35,000	-	189,593	1.32	3	45.00	2.50	190,380	100.42	1,129	
	2.50 to < 10.00	-	-	-	-	-	2	-	-	-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	37,714,875	481,094	5.90	38,887,167	0.12	165	45.12	2.50	14,516,746	37.33	20,314	150,317
Corporate Exposures – Small-and-medium sized Corporates	0.00 to < 0.15	106,076	53,557	11.17	99,955	0.11	10	39.79	2.50	21,596	21.61	43	
	0.15 to < 0.25	74,108	66,320	2.35	75,664	0.22	14	42.13	2.50	26,450	34.96	70	
	0.25 to < 0.50	322,148	35,402	-	434,397	0.39	16	42.83	2.50	202,191	46.55	726	
	0.50 to < 0.75	387,485	79,836	0.77	392,109	0.60	25	41.20	2.50	215,586	54.98	967	
	0.75 to < 2.50	2,183,845	243,949	0.62	2,211,826	1.32	64	43.84	2.50	1,698,705	76.80	12,750	
	2.50 to < 10.00	338,508	23,729	0.76	338,687	3.85	22	37.98	2.50	297,250	87.77	4,942	
	10.00 to < 100.00	159,290	40,066	-	159,290	13.78	2	10.62	2.50	73,950	46.42	4,060	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	3,571,460	542,859	1.81	3,711,928	1.85	153	41.34	2.50	2,535,728	68.31	23,558	26,084
Corporate Exposures – Other Corporates	0.00 to < 0.15	14,741,905	2,095,070	68.50	15,589,520	0.09	76	44.41	2.50	4,320,103	27.71	6,156	
	0.15 to < 0.25	3,434,790	456,458	35.98	3,599,026	0.22	26	44.83	2.50	1,931,875	53.68	3,550	
	0.25 to < 0.50	11,585,184	1,154,522	46.48	11,886,315	0.39	50	40.12	2.50	6,707,155	56.43	18,599	
	0.50 to < 0.75	9,373,889	2,573,084	13.53	9,291,661	0.58	68	35.34	2.50	5,561,458	59.85	19,259	
	0.75 to < 2.50	17,645,774	1,119,031	1.44	17,635,375	1.27	137	35.84	2.50	14,496,393	82.20	76,466	
	2.50 to < 10.00	3,819,574	521,242	2.47	3,832,465	3.29	41	13.75	2.55	1,698,225	44.31	22,750	
	10.00 to < 100.00	1,095,197	25	-	1,095,197	13.18	7	6.00	2.50	310,297	28.33	8,668	
	100.00 (Default)	356,296	8,791	48.89	360,594	100.00	8	44.46	1.95	12,803	3.55	349,585	
	Sub-total	62,052,609	7,928,223	31.75	63,290,153	1.54	413	37.39	2.50	35,038,309	55.36	505,033	711,433

7. Credit risk for non-securitization exposures (continued)

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

(b) Retail IRB approach

	PD scale	At 30 June 2020											
		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	0.00 to < 0.15	542	612	-	993	0.07	2	20.30	1.00	9	0.94	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	-
Retail Exposures (QRRE)	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	542	612	-	993	0.07	2	20.30	1.00	9	0.94	-	-
Retail Exposures – Residential Mortgages	0.00 to < 0.15	2,513,328	-	-	2,513,328	0.10	1,122	11.43	4.96	497,408	19.79	290	-
	0.15 to < 0.25	729,194	-	-	729,194	0.22	188	10.76	5.00	156,101	21.41	173	-
	0.25 to < 0.50	469,037	-	-	469,037	0.39	121	10.75	5.00	115,765	24.68	197	-
	0.50 to < 0.75	274,131	-	-	274,131	0.52	93	14.26	5.00	69,308	25.28	203	-
	0.75 to < 2.50	7,954	-	-	7,954	1.12	6	14.43	4.93	1,927	24.23	13	-
	2.50 to < 10.00	13,989	-	-	13,989	3.39	3	10.80	5.00	4,032	28.82	51	-
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	19	-	-	19	100.00	2	43.08	5.00	105	552.6	-	-
	Sub-total	4,007,652	-	-	4,007,652	0.20	1,535	11.42	4.97	844,646	21.08	927	8,686

7. 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	At 30 June 2020											
		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	71,082	80,289	29.07	94,426	0.09	110	6.71	2.42	1,351	1.43	5	
	0.15 to < 0.25	35,770	12,096	29.43	39,330	0.22	25	6.66	3.40	1,122	2.85	6	
	0.25 to < 0.50	20,803	4,351	33.40	22,257	0.39	14	6.11	3.10	846	3.80	5	
	0.50 to < 0.75	39,869	2,151	61.35	41,189	0.60	21	7.14	3.37	2,338	5.68	18	
	0.75 to < 2.50	63,620	5,441	33.80	65,459	1.44	22	6.69	3.44	4,952	7.57	62	
	2.50 to < 10.00	3,198	-	-	3,198	4.94	18	12.47	1.00	596	18.64	22	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	234,342	104,328	30.21	265,859	0.60	210	6.79	3.00	11,205	4.21	118	115
Retail Exposures – Other Retail Exposures to Individuals	0.00 to < 0.15	1,394,940	869,249	-	2,196,708	0.09	309	23.23	1.00	132,365	6.03	556	
	0.15 to < 0.25	72,655	562	-	72,859	0.22	120	13.32	3.74	4,192	5.75	21	
	0.25 to < 0.50	565,853	6,717	44.66	571,942	0.37	295	15.26	4.29	52,662	9.21	325	
	0.50 to < 0.75	1,002,296	1,426	35.06	1,003,268	0.57	315	16.44	3.45	125,609	12.52	920	
	0.75 to < 2.50	476,683	1,004,593	-	624,381	0.93	325	29.83	1.47	190,187	30.46	1,915	
	2.50 to < 10.00	376,082	94	-	376,162	3.11	81	43.07	1.63	225,464	59.94	4,900	
	10.00 to < 100.00	2,129	-	-	2,129	33.00	1	11.48	5.00	637	29.92	81	
	100.00 (Default)	681	-	-	681	100.00	1	63.20	2.59	-	-	681	
	Sub-total	3,891,319	1,882,641	0.19	4,848,130	0.60	1,447	23.12	2.05	731,116	15.08	9,399	8,200
Total (sum of all portfolios)		111,472,799	10,939,757	23.68	115,011,882	0.98	3,925	38.55	2.57	53,677,758	46.67	559,349	904,835

7. 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

		At 30 June 2020	
		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	2,535,728	2,535,728
7	Corporate – Other corporates	35,038,309	35,038,309
8	Sovereigns	-	-
9	Sovereign foreign public sector entities	-	-
10	Multilateral development banks	-	-
11	Bank exposures – Banks	13,133,172	13,133,172
12	Bank exposures – Securities firms	1,383,574	1,383,574
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	-	-
14	Retail – Small business retail exposures	11,205	11,205
15	Retail – Residential mortgages to individuals	827,724	827,724
16	Retail – Residential mortgages to property-holding shell companies	16,922	16,922
17	Retail – Qualifying revolving retail exposures (QRRE)	9	9
18	Retail – Other retail exposures to individuals	731,116	731,116
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	3,027,765	3,027,765
28	Total (under the IRB calculation approaches)	56,705,524	56,705,524

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

7. Credit risk for non-securitization exposures (continued)

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

		HK\$'000
1	RWA as at 31 March 2020	59,449,668
2	Asset size	(3,068,750)
3	Asset quality	265,189
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	59,417
8	Other	-
9	RWA as at 30 June 2020	56,705,524

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 2020.

8. Counterparty credit risk

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

		At 30 June 2020					RWA HK\$'000
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	
		HK\$'000	HK\$'000	HK\$'000		HK\$'000	
1	SA-CCR (for derivative contracts)	-	-		1.4	-	-
1a	CEM	136,065	140,324		-	276,389	67,973
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					-	-
4	Comprehensive Approach (for SFTs)					1,328,028	57,269
5	VaR (for SFTs)					-	-
6	Total						125,242

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 standardized CVA method	277,215	67,800
4	Total	277,215	67,800

8. 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	At 30 June 2020										Total default risk exposure after 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	-	-	-	-	-	-	-	-	-	-	-	-
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	16,369	-	-	-	-	408	-	-	-	-	-	16,777
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	69,641	-	-	-	-	-	471	-	-	-	-	70,112
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-	-
12	Total	86,010	-	-	-	-	408	471	-	-	-	-	86,889

8. 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	At 30 June 2020						
		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	757,439	0.05	-	45.00	1.95	49,220	6.50
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	25	0.39	-	45.00	2.50	20	81.62
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	135,427	1.54	-	45.00	0.50	5,292	3.91
	2.50 to < 10.00	592,311	2.67	-	45.00	0.50	45,226	7.64
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	1,485,202	1.23		45.00	1.24	99,758	6.72
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	799	1.17	-	45.00	2.50	609	76.25
	2.50 to < 10.00	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	799	1.17		45.00	1.05	609	76.25
Corporate Exposures - Other Corporates	0.00 to < 0.15	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	15,030	0.39	-	45.00	2.50	9,312	61.96
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	15,879	0.89	-	45.00	2.50	14,016	88.27
	2.50 to < 10.00	618	2.67	-	45.00	2.50	769	124.36
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	31,527	0.68	-	45.00	2.50	24,097	76.43
Total (sum of all portfolios)		1,517,528	1.22	-	45.00	1.27	124,464	8.20

8. Counterparty credit risk (continued)

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 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	-	930	-	33,638	-	-
Domestic sovereign debt	-	-	-	-	-	999,987
Other sovereign debt	-	-	-	-	-	596,763
Other bonds	-	-	-	-	-	689,359
Total	-	930	-	33,638	-	2,286,109

CCR6: Credit-related derivatives contracts

The Group had no exposures of Credit-related derivatives contracts as at 30 June 2020.

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 2020.

CCR8: Exposures to CCPs

The Group had no exposures to CCP as at 30 June 2020.

9. Securitization exposures

SEC1: Securitization exposures in banking book

There were no securitization exposures in the banking book as at 30 June 2020.

SEC2: Securitization exposures in trading book

There were no securitization exposures in the trading book as at 30 June 2020.

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 2020.

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 2020.

10. Market risk

Since April 2020, the HKMA has approved the Bank to adopt the STM approach to calculate general market risk capital charge for foreign exchange and interest rate exposures and exclude part of our Bank's CNY structural FX positions in the calculation of the market risk capital charge. The Bank continues to adopt the STM approach to calculate the market risk capital charge for the remaining exposures.

MR1: Market risk under STM approach

		At 30 June 2020
		RWA
		HK\$'000
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	28,425
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	225,775
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitization exposures	-
9	Total	254,200

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

There were no market risk exposures under the IMM approach as at 30 June 2020.

MR3: IMM approach values for market risk exposures

There were no market risk exposures under the IMM approach as at 30 June 2020.

MR4: Comparison of VaR estimates with gains or losses

There were no market risk exposures under the IMM approach as at 30 June 2020.