

# Regulatory Disclosures

## 30 September 2017



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## 1. Key ratio

### Capital ratio

|   | <b>At 30 September<br/>2017</b> |
|---|---------------------------------|
|   | <b>HK\$m</b>                    |
| Total risk-weighted assets  | 997,573                         |
| CET1 capital  | 171,171                         |
| <b>CET1 capital ratio (as a percentage of risk-weighted assets)</b>   | <b>17.16%</b>                   |
| Tier 1 capital  | 171,171                         |
| <b>Tier 1 capital ratio (as a percentage of risk-weighted assets)</b> | <b>17.16%</b>                   |
| Total capital   | 210,279                         |
| <b>Total capital ratio (as a percentage of risk-weighted assets)</b>  | <b>21.08%</b>                   |

### Leverage ratio

|                         | <b>At 30 September<br/>2017</b> |
|-------------------------|---------------------------------|
|                         | <b>HK\$m</b>                    |
| Tier 1 capital          | 171,171                         |
| Leverage ratio exposure | 2,390,838                       |
| <b>Leverage ratio</b>   | <b>7.16%</b>                    |

## 2. Overview of RWA

### OV1: Overview of RWA

|           |  | RWA                  |                 | Minimum capital requirements |
|-----------|--|----------------------|-----------------|------------------------------|
|           |  | At 30 September 2017 | At 30 June 2017 | At 30 September 2017         |
|           |  | HK\$m                | HK\$m           | HK\$m                        |
| 1         | Credit risk for non-securitization exposures   | 865,245              | 811,624         | 72,987                       |
| 2         | Of which STC approach  | 80,456               | 56,685          | 6,437                        |
| 2a        | Of which BSC approach  | -                    | -               | -                            |
| 3         | Of which IRB approach  | 784,789              | 754,939         | 66,550                       |
| 4         | Counterparty credit risk   | 16,098               | 15,765          | 1,328                        |
| 5         | Of which SA-CCR  | -                    | -               | -                            |
| 5a        | Of which CEM   | 9,134                | 9,126           | 769                          |
| 6         | Of which IMM(CCR) approach   | -                    | -               | -                            |
| 7         | Equity exposures in banking book under the market-based approach   | -                    | -               | -                            |
| 8         | CIS exposures – LTA  | -                    | -               | -                            |
| 9         | CIS exposures – MBA  | -                    | -               | -                            |
| 10        | CIS exposures – FBA  | -                    | -               | -                            |
| 11        | Settlement risk  | -                    | -               | -                            |
| 12        | Securitization exposures in banking book   | 9                    | 13              | 1                            |
| 13        | Of which IRB(S) approach – ratings-based method  | 9                    | 13              | 1                            |
| 14        | Of which IRB(S) approach – supervisory formula method  | -                    | -               | -                            |
| 15        | Of which STC(S) approach   | -                    | -               | -                            |
| 16        | Market risk  | 17,287               | 19,227          | 1,383                        |
| 17        | Of which STM approach  | 3,499                | 3,256           | 280                          |
| 18        | Of which IMM approach  | 13,788               | 15,971          | 1,103                        |
| 19        | Operational risk   | 73,968               | 71,814          | 5,917                        |
| 20        | Of which BIA approach  | -                    | -               | -                            |
| 21        | Of which STO approach  | 73,968               | 71,814          | 5,917                        |
| 21a       | Of which ASA approach  | -                    | -               | -                            |
| 22        | Of which AMA approach  | N/A                  | N/A             | N/A                          |
| 23        | Amounts below the thresholds for deduction (subject to 250% RW)  | 3,754                | 3,670           | 300                          |
| 24        | Capital floor adjustment   | -                    | -               | -                            |
| 24a       | Deduction to RWA   | 26,375               | 26,312          | 2,110                        |
| 24b       | Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital         | 195                  | 162             | 16                           |
| 24c       | Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital | 26,180               | 26,150          | 2,094                        |
| <b>25</b> | <b>Total</b>   | <b>949,986</b>       | <b>895,801</b>  | <b>79,806</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%.

### 3. Credit risk for non-securitization exposures

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

|          | HK\$m                              |                |
|----------|------------------------------------|----------------|
| <b>1</b> | <b>RWA as at 30 June 2017</b>      | <b>754,939</b> |
| 2        | Asset size                         | 30,127         |
| 3        | Asset quality                      | (1,193)        |
| 4        | Model updates                      | (75)           |
| 5        | Methodology and policy             | -              |
| 6        | Acquisitions and disposals         | -              |
| 7        | Foreign exchange movements         | 991            |
| 8        | Other                              | -              |
| <b>9</b> | <b>RWA as at 30 September 2017</b> | <b>784,789</b> |

### 4. Counterparty credit risk

#### 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 September 2017.

### 5. Market risk

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

|           |   | VaR          | Stressed VaR  | IRC   | CRC   | Other | Total RWA     |
|-----------|---|--------------|---------------|-------|-------|-------|---------------|
|           |   | HK\$m        | HK\$m         | HK\$m | HK\$m | HK\$m | HK\$m         |
| <b>1</b>  | <b>RWA as at 30 June 2017</b>                 | <b>4,773</b> | <b>11,198</b> | -     | -     | -     | <b>15,971</b> |
| 1a        | <i>Regulatory adjustment</i>                  | (3,358)      | (7,902)       | -     | -     | -     | (11,260)      |
| <b>1b</b> | <b>RWA as at day-end of 30 June 2017</b>      | <b>1,415</b> | <b>3,296</b>  | -     | -     | -     | <b>4,711</b>  |
| 2         | Movement in risk levels*                      | 338          | (239)         | -     | -     | -     | 99            |
| 3         | Model updates/changes                         | -            | -             | -     | -     | -     | -             |
| 4         | Methodology and policy                        | -            | -             | -     | -     | -     | -             |
| 5         | Acquisitions and disposals                    | (1)          | -             | -     | -     | -     | (1)           |
| 6         | Foreign exchange movements                    | -            | -             | -     | -     | -     | -             |
| 7         | Other   | -            | -             | -     | -     | -     | -             |
| <b>7a</b> | <b>RWA as at day-end of 30 September 2017</b> | <b>1,752</b> | <b>3,057</b>  | -     | -     | -     | <b>4,809</b>  |
| 7b        | <i>Regulatory adjustment</i>                  | 2,759        | 6,220         | -     | -     | -     | 8,979         |
| <b>8</b>  | <b>RWA as at 30 September 2017</b>            | <b>4,511</b> | <b>9,277</b>  | -     | -     | -     | <b>13,788</b> |

\* Movements as a result of changes in positions and risk levels.