



REGULATORY DISCLOSURES

As at 30 June 2018
(Unaudited)



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1 KEY PRUDENTIAL RATIOS

		30 June 2018	31 March 2018	31 December 2017	30 September 2017	30 June 2017
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	23,456,456	23,356,671	22,775,378	22,191,993	21,415,232
2	Tier 1	23,456,456	23,356,671	22,775,378	22,191,993	21,415,232
3	Total capital	26,485,373	26,383,849	25,769,482	23,203,311	22,413,527
Risk Weighted Amounts (RWA)						
4	Total RWA	142,008,259	138,241,149	136,106,777	130,877,035	127,584,724
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	16.5%	16.9%	16.7%	17.0%	16.8%
6	Tier 1 ratio (%)	16.5%	16.9%	16.7%	17.0%	16.8%
7	Total capital ratio (%)	18.7%	19.1%	18.9%	17.7%	17.6%
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	1.9%	1.9%	1.3%	1.3%	1.3%
9	Countercyclical capital buffer requirement (%)	1.2%	1.2%	0.8%	0.8%	0.8%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0.0%	0.0%	0.0%	0.0%	0.0%
11	Total AI-specific CET1 buffer requirements (%)	3.1%	3.1%	2.1%	2.1%	2.1%
12	CET1 available after meeting the minimum capital requirements (%)	10.5%	10.9%	10.7%	9.7%	9.6%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	196,710,865	195,744,711	193,118,657	190,824,052	186,738,522
14	LR (%)	11.9%	11.9%	11.8%	11.6%	11.5%
Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)						
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	N/A	N/A	N/A	N/A	N/A
16	Total net cash outflows	N/A	N/A	N/A	N/A	N/A
17	LCR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2 institution only:					
17a	LMR (%)	46.3%	44.1%	46.1%	46.3%	45.0%
Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)						
	Applicable to category 1 institution only:					
18	Total available stable funding	N/A	N/A	N/A	N/A	N/A
19	Total required stable funding	N/A	N/A	N/A	N/A	N/A
20	NSFR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2A institution only:					
20a	CFR (%)	182.5%	193.1%	N/A	N/A	N/A

Footnote:

N/A Not applicable

2 CAPITAL STRUCTURE AND ADEQUACY

The calculation of the capital adequacy ratios as at 30 June 2018 and 31 December 2017 is based on the Banking (Capital) Rules ("BCR"). The capital adequacy ratios represent the consolidated ratios of the Bank's Hong Kong offices and its overseas branches, Shacom Property (CA), Inc., Shacom Property (NY), Inc., Shacom Property Holdings (BVI) Limited, Shacom Investment Limited, Shacom Assets Investments Limited, Right Honour Investments Limited, Glory Step Investments Limited, Silver Wisdom Investments Limited, Shacom Insurance Brokers Limited, KCC 23F Limited, KCC 25F Limited, and KCC 26F Limited computed in accordance with Section 3C(1) of the BCR.

For accounting purposes, the basis of consolidation is described in Note 5 to the Group Interim Financial Disclosure Statement.

The table below shows the balance sheet based on accounting scope of consolidation and the regulatory scope of consolidation, and the reconciliation of the capital components from balance sheet based on regulatory scope of consolidation to the Composition of Regulatory Capital as at 30 June 2018.

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Cross reference to Composition of Regulatory Capital
Assets			
Cash and balances with banks	23,255,768	23,249,485	
<i>of which: stage 1 and stage 2 impairment allowances reflected in regulatory capital</i>		(737)	(1)
Placements with and loans and advances to banks	14,933,023	14,933,023	
<i>of which: stage 1 and stage 2 impairment allowances reflected in regulatory capital</i>		(481)	(2)
Loans and advances to customers	83,661,578	83,661,578	
<i>of which: stage 1 and stage 2 impairment allowances reflected in regulatory capital</i>		(330,745)	(3)
Financial assets at fair value through profit or loss	1,834,283	1,814,453	
Derivative financial instruments	257,520	257,520	
Investment securities at fair value through other comprehensive income	54,700,848	54,626,715	
<i>of which: insignificant capital investments in financial sector entities exceeding 10% threshold</i>		1,753,920	(4)
Investment securities at amortised cost	2,425,690	2,425,690	
<i>of which: stage 1 and stage 2 impairment allowances reflected in regulatory capital</i>		(18)	(5)
Properties for sale	380,916	380,916	
Investments in joint ventures	351,543	113,000	
Investments in and amounts due from subsidiaries	-	201,140	
<i>of which: stage 1 and stage 2 impairment allowances reflected in regulatory capital</i>		(8,837)	(6)
Properties and equipment	2,365,257	2,316,369	
Investment properties	1,016,629	1,047,273	
Deferred income tax assets	86,662	87,989	(7)
Other assets	2,301,068	2,205,417	
<i>of which: stage 1 and stage 2 impairment allowances reflected in regulatory capital</i>		(322)	(8)
Total assets	187,570,785	187,320,568	

2 CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Cross reference to Composition of Regulatory Capital
Liabilities			
Deposits and balances from banks	7,569,415	7,569,415	
Deposits from customers	147,987,523	147,987,523	
Derivatives financial instruments	262,857	262,857	
Amounts due to subsidiaries	-	341,255	
Subordinated debt	1,948,206	1,948,206	(9)
Other liabilities	2,879,282	2,724,356	
Provisions	109,965	108,877	
Current income tax liabilities	341,917	340,143	
Deferred income tax liabilities	26	-	
Total liabilities	161,099,191	161,282,632	
Equity			
Share capital	2,000,000	2,000,000	(10)
Retained earnings	13,921,520	13,576,314	(11)
Reserves	10,471,647	10,461,622	
<i>of which: accumulated other comprehensive income/(loss), other than regulatory reserve</i>		9,722,051	(12)
<i>regulatory reserve</i>		739,571	(13)
Non-controlling interests	78,427	-	
Total equity	26,471,594	26,037,936	
Total equity and liabilities	187,570,785	187,320,568	

2 CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

The Bank has already applied full capital deductions under the BCR. The Composition of Regulatory Capital as at 30 June 2018 is shown below.

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	2,000,000	(10)
2	Retained earnings	13,576,314	(11)
3	Disclosed reserves	10,461,622	(12) + (13)
4	Directly issued capital subject to phase out arrangements from CET1 (only applicable to non-joint stock companies)	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 deductions	26,037,936	
CET1 capital: regulatory deductions			
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liability)	-	
9	Other intangible assets (net of associated deferred tax liability)	-	
10	Deferred tax assets (net of associated deferred tax liabilities)	87,989	(7)
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	-	
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)	1,753,920	(4)
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	
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	
22	Amount exceeding the 15% threshold	Not applicable	
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	
24	of which: mortgage servicing rights	Not applicable	
25	of which: deferred tax assets arising from temporary differences	Not applicable	
26	National specific regulatory adjustments applied to CET1 capital	739,571	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	-	
26b	Regulatory reserve for general banking risks	739,571	(13)
26c	Securitization exposures specified in a notice given by the Monetary Authority	-	
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)	-	

2 CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
CET1 capital: regulatory deductions (Continued)			
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	2,581,480	
29	CET1 capital	23,456,456	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Capital instruments subject to phase out arrangements from AT1 capital	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements	-	
36	AT1 capital before regulatory deductions	-	
AT1 capital: regulatory deductions			
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	Total regulatory deductions to AT1 capital	-	
44	AT1 capital	-	
45	Tier 1 capital (Tier 1 = CET1 + AT1)	23,456,456	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	1,948,206	(9)
47	Capital instruments subject to phase out arrangements from Tier 2 capital	-	
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	of which: capital instruments issued by subsidiaries subject to phase out arrangements	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,080,711	(13) - (1) - (2) - (3) -(5) - (6) - (8)
51	Tier 2 capital before regulatory deductions	3,028,917	
Tier 2 capital: regulatory deductions			
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	-	

2 CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
Tier 2 capital: regulatory deductions (Continued)			
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	-	
57	Total regulatory deductions to Tier 2 capital	-	
58	Tier 2 capital	3,028,917	
59	Total capital (Total capital = Tier 1 + Tier 2)	26,485,373	
60	Total risk weighted assets	142,008,259	
Capital ratios (as a percentage of risk weighted assets)			
61	CET1 capital ratio	16.5%	
62	Tier 1 capital ratio	16.5%	
63	Total capital ratio	18.7%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	3.1%	
65	of which: capital conservation buffer requirement	1.9%	
66	of which: bank specific countercyclical capital buffer requirement	1.2%	
67	of which: higher loss absorbency requirement	0.0%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	10.5%	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	Not applicable	
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	2,521,037	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	568,039	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	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)	1,080,711	
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	1,601,193	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	Current cap on CET1 capital instruments subject to phase out arrangements	Not applicable	
81	Amount excluded from CET1 capital due to cap (excess over cap after redemptions and maturities)	Not applicable	
82	Current cap on AT1 capital instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on Tier 2 capital instruments subject to phase out arrangements	-	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-	

2 CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Note to the template:

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

Row No.	Description	Hong Kong basis	Basel III basis
10	Deferred tax assets (“DTA”) (net of associated deferred tax liabilities)	87,989	-
	<p>Explanation</p> <p>As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column “Basel III basis” in this box represents the amount reported in row 10 (i.e. the amount reported under the “Hong Kong basis”) adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.</p>		
<p>Remarks:</p> <p>The amount of the 10% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.</p>			

Footnote:

CET1 Common Equity Tier 1

AT1 Additional Tier 1

2 CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

The main features of regulatory capital instruments as at 30 June 2018 are shown below:

		Ordinary shares	Subordinated notes
1	Issuer	Shanghai Commercial Bank Limited	Shanghai Commercial Bank Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	XS1720518478
3	Governing law(s) of the instrument	Laws of Hong Kong	English law, except that the subordination provisions shall be governed by the laws of Hong Kong.
	Regulatory treatment		
4	Transitional Basel III rules [#]	N/A	N/A
5	Post-transitional Basel III rules ⁺	Common Equity Tier 1	Tier 2
6	Eligible at solo*/group/group & solo	Solo and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Other Tier 2 instruments
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK\$2,000 million	HK\$1,948 million
9	Par value of instrument	N/A	US\$250 million
10	Accounting classification	Shareholders' equity	Liability-amortised cost
11	Original date of issuance	1951, 1968, 1969, 1970, 1972, 1973, 1975, 1979, 1981, 1985, 1988, 1990, 1991, 1996, 2000	29 November 2017
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	29 November 2027
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	One-off call date: 29 November 2022. Additional optional redemption in whole at 100% of principal amount with accrued interest for taxation reasons, tax deductions reasons and regulatory reasons. Redemption amount subject to adjustment following occurrence of a Non-Viability Event. Redemption subject to prior written consent of the Hong Kong Monetary Authority ("HKMA").
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons / dividends		
17	Fixed or floating dividend/coupon	Floating	Fixed
18	Coupon rate and any related index	N/A	3.75% p.a. Fixed until 29 November 2022 and thereafter reset to a new fixed rate equal to the sum of the then prevailing U.S. Treasury Rate and the Spread at Pricing.
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory

2 CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

The main features of regulatory capital instruments as at 30 June 2018 are shown below: (Continued)

		Ordinary shares	Subordinated notes
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non-cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down feature	No	Yes
31	If write-down, write-down trigger(s)	N/A	The earlier of the HKMA notifying the issuer in writing: (i) that the HKMA is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable or (ii) that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.
32	If write-down, full or partial	N/A	May be in part or in full
33	If write-down, permanent or temporary	N/A	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A

2 CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

The main features of regulatory capital instruments as at 30 June 2018 are shown below: (Continued)

		Ordinary shares	Subordinated notes
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	N/A	<p>The rights of the holders will, in the event of the winding up of the Bank, rank</p> <p>(i) subordinate and junior in right of payment to, and of all claims of, (a) all unsubordinated creditors of the Issuer (including its depositors), and (b) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Notes or rank senior to the Notes by operation of law or contract;</p> <p>(ii) pari passu in right of payment to and of all claims of the holders of Parity Obligations; and</p> <p>(iii) senior in right of payment to, and of all claims of, (a) the holders of Junior Obligations, and (b) holders of Tier 1 Capital Instruments of the Issuer.</p>
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A

Footnote:

- # Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the BCR
- + Regulatory treatment of capital instruments not subject to transitional arrangement provided for in Schedule 4H of the BCR
- * Include solo-consolidated
- N/A Not applicable

3 OVERVIEW OF RWA

The table below shows the breakdowns of RWA for various risks as at 30 June 2018 and 31 March 2018 and the minimum capital requirements as at 30 June 2018 are calculated by multiplying the Group's RWA by 8%.

		RWA		Minimum capital requirements
		30 June 2018	31 March 2018	30 June 2018
1	Credit risk for non-securitization exposures	125,729,032	124,675,314	10,058,323
2	Of which STC approach	125,729,032	124,675,314	10,058,323
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	-	-	-
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	946,316	627,216	75,705
7	Of which SA-CCR	Not applicable	Not applicable	Not applicable
7a	Of which CEM	946,316	627,216	75,705
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	-	-	-
10	CVA risk	229,875	350,200	18,390
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	5,903,538	4,048,538	472,283
21	Of which STM approach	5,903,538	4,048,538	472,283
22	Of which IMM approach	-	-	-
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	Not applicable	Not applicable	Not applicable
24	Operational risk	7,779,400	7,527,613	622,352
25	Amounts below the thresholds for deduction (subject to 250% RW)	1,420,098	1,012,268	113,608
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	-	-	-
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
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	-	-	-
27	Total	142,008,259	138,241,149	11,360,661

4 COUNTERCYCLICAL CAPITAL BUFFER (“CCyB”) RATIO

CCyB ratio is calculated as the weighted average of the applicable jurisdictional CCyB (“JCCyB”) ratio effective at the date for which the determination is made, in respect of the jurisdictions (including Hong Kong) where the Bank has private sector credit exposures. The weight to be attributed to a given jurisdiction’s applicable CCyB ratio is the ratio of the Bank’s aggregate RWA for its private sector credit exposures (in both the banking book and the trading book) in that jurisdiction where the location of the exposures is determined as far as possible on an ultimate risk basis to the sum of the Bank’s aggregate RWA across all jurisdictions in which the Bank has private sector credit exposures.

Key drivers for the changes in exposure amounts include asset quality, credit growth and credit portfolio. The applicable JCCyB ratio for Hong Kong is determined by the HKMA based on the Initial Reference Calculator that is transparently calculated and made public, while the applicable JCCyB ratio in respect of a given jurisdiction outside Hong Kong may differ from the JCCyB ratio as determined by the relevant authority in that jurisdiction if the HKMA has determined and announced the application of a higher or lower rate.

The following table shows the CCyB ratio, the geographical breakdown of the RWA in relation to private sector credit exposures that are relevant to the calculation of CCyB ratio and which have an applicable JCCyB ratio greater than zero as at 30 June 2018.

	Jurisdiction	Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio	CCyB ratio	CCyB amount
		%	HK\$'000	%	HK\$'000
1	Hong Kong SAR	1.9%	60,174,181		
2	Sweden	2.0%	81		
3	United Kingdom	0.5%	364,773		
	Sum		60,539,035		
	Total		96,446,718	1.2%	1,664,337

5 LEVERAGE RATIO

The leverage ratios ("LR") represent the consolidated ratios computed in the same regulatory consolidation basis as the capital adequacy ratio. The table below presents the summary comparison of accounting assets against leverage ratio exposure measure as at 30 June 2018 .

	Item	Value under the LR framework
1	Total consolidated assets as per published financial statements (before adjustments for specific and collective provisions)	187,944,422
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(250,217)
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	1,259,351
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)	10,712,426
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(373,637)
7	Other adjustments	(2,581,480)
8	Leverage ratio exposure measure	196,710,865

The leverage ratios as at 30 June 2018 and 31 March 2018 are shown below:

		30 June 2018	31 March 2018
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	187,436,685	187,313,669
2	Less: Asset amounts deducted in determining Tier 1 capital	(2,581,480)	(2,623,753)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	184,855,205	184,689,916
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)	257,520	143,292
5	Add-on amounts for PFE associated with all derivative contracts	1,259,351	914,114
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	-	-
11	Total exposures arising from derivative contracts	1,516,871	1,057,406
Exposures arising from SFTs			
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	-	-
16	Total exposures arising from SFTs	-	-

5 LEVERAGE RATIO (CONTINUED)

The leverage ratios as at 30 June 2018 and 31 March 2018 are shown below: (Continued)

		30 June 2018	31 March 2018
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	49,448,360	47,420,782
18	Less: Adjustments for conversion to credit equivalent amounts	(38,735,934)	(37,053,977)
19	Off-balance sheet items	10,712,426	10,366,805
Capital and total exposures			
20	Tier 1 capital	23,456,456	23,356,671
20a	Total exposures before adjustments for specific and collective provisions	197,084,502	196,114,127
20b	Adjustments for specific and collective provisions	(373,637)	(369,416)
21	Total exposures after adjustments for specific and collective provisions	196,710,865	195,744,711
Leverage ratio			
22	Leverage ratio	11.9%	11.9%

Footnote:

CCP Central counterparty

CCR Counterparty credit risk

PFE Potential future exposure

SFT Securities financing transactions

6 CREDIT RISK

(a) Credit quality of exposures as at 30 June 2018

	Gross carrying amounts of		Allowances / impairments	Net values	
		Defaulted exposures			Non-defaulted exposures
1	Loans	454,001	83,570,820	363,243	83,661,578
2	Debt securities	-	53,090,816	18	53,090,798
3	Off-balance sheet exposures	-	14,618,247	5,954	14,612,293
4	Total	454,001	151,279,883	369,215	151,364,669

(b) Changes in defaulted loans and debt securities

	Amount	
1	Defaulted loans and debt securities as at end December 2017	492,586
2	Loans and debt securities that have defaulted since the last reporting period	8,040
3	Returned to non-defaulted status	-
4	Amounts written off	(2,316)
5	Other changes	(44,309)
6	Defaulted loans and debt securities as at end June 2018	454,001

(c) Overview of recognized credit risk mitigation as at 30 June 2018

	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	
1	Loans	80,094,058	3,567,520	1,863,977	1,703,543	-
2	Debt securities	53,090,798	-	-	-	-
3	Total	133,184,856	3,567,520	1,863,977	1,703,543	-
4	Of which defaulted	3,819	430,701	430,701	-	-

6 CREDIT RISK (CONTINUED)**(d) Credit risk exposures and effects of recognized credit risk mitigation – for STC approach as at 30 June 2018**

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
1 Sovereign exposures	12,329,327	-	12,329,327	-	47,838	0%
2 PSE exposures	-	-	-	-	-	0%
2a Of which: domestic PSEs	-	-	-	-	-	0%
2b Of which: foreign PSEs	-	-	-	-	-	0%
3 Multilateral development bank exposures	15,645	-	15,645	-	-	0%
4 Bank exposures	67,142,169	1,372,137	68,840,385	289,707	28,714,182	42%
5 Securities firm exposures	843,487	822,785	843,487	-	421,744	50%
6 Corporate exposures	72,010,580	35,387,345	69,769,615	5,938,516	73,045,983	96%
7 CIS exposures	-	-	-	-	-	0%
8 Cash items	354,473	-	1,779,924	-	135,881	8%
9 Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	0%
10 Regulatory retail exposures	4,838,554	2,902,398	4,669,223	183,427	3,639,488	75%
11 Residential mortgage loans	10,495,053	1,394,591	10,495,053	695,610	5,909,199	53%
12 Other exposures which are not past due exposures	13,952,228	7,569,104	13,238,857	122,155	13,361,012	100%
13 Past due exposures	449,226	-	449,226	-	453,705	101%
14 Significant exposures to commercial entities	-	-	-	-	-	0%
15 Total	182,430,742	49,448,360	182,430,742	7,229,415	125,729,032	66%

6 CREDIT RISK (CONTINUED)**(e) Credit risk exposures by asset classes and by risk weights – for STC approach as at 30 June 2018**

Exposure class	Risk Weight											Total credit risk exposures amount (post CCF and post CRM)
	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others		
1 Sovereign exposures	12,090,138	-	239,189	-	-	-	-	-	-	-	-	12,329,327
2 PSE exposures	-	-	-	-	-	-	-	-	-	-	-	-
2a Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-	-
2b Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-	-
3 Multilateral development bank exposures	15,645	-	-	-	-	-	-	-	-	-	-	15,645
4 Bank exposures	-	-	24,179,881	-	42,144,011	-	2,806,200	-	-	-	-	69,130,092
5 Securities firm exposures	-	-	-	-	843,487	-	-	-	-	-	-	843,487
6 Corporate exposures	-	-	63,723	-	5,222,339	-	70,422,069	-	-	-	-	75,708,131
7 CIS exposures	-	-	-	-	-	-	-	-	-	-	-	-
8 Cash items	1,158,462	-	606,977	-	-	-	14,485	-	-	-	-	1,779,924
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	-	-	-	-	-	4,852,650	-	-	-	-	-	4,852,650
11 Residential mortgage loans	-	-	-	8,007,892	-	305,337	2,877,434	-	-	-	-	11,190,663
12 Other exposures which are not past due exposures	-	-	-	-	-	-	13,361,012	-	-	-	-	13,361,012
13 Past due exposures	449	-	-	-	-	-	438,922	9,855	-	-	-	449,226
14 Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-	-
15 Total	13,264,694	-	25,089,770	8,007,892	48,209,837	5,157,987	89,920,122	9,855	-	-	-	189,660,157

7 COUNTERPARTY CREDIT RISK

(a) Analysis of counterparty default risk exposures (other than those to CCPs) by approaches as at 30 June 2018

		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR (for derivative contracts)	-	-		1.4	-	-
1a	CEM	256,594	1,259,351		-	1,515,945	946,316
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					-	-
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	Total						946,316

(b) CVA capital charge as at 30 June 2018

		EAD post CRM	RWA
	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	1,515,945	229,875
4	Total	1,515,945	229,875

7 COUNTERPARTY CREDIT RISK (CONTINUED)

(c) Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach as at 30 June 2018

Risk Weight Exposure class		Risk Weight										Total default risk exposure after CRM
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	238,658	-	547,743	-	9,577	-	-	-	795,978
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	209,662	-	424,470	-	-	-	634,132
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	-	-	-	-	-	-
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	85,835	-	-	-	85,835
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	Total	-	-	238,658	-	757,405	-	519,882	-	-	-	1,515,945

7 COUNTERPARTY CREDIT RISK (CONTINUED)

(d) Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs) as at 30 June 2018

		Derivative contracts				SFTs	
		Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral	Fair value of posted collateral
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash - other currencies	-	-	-	23,228	-	-
2	Total	-	-	-	23,228	-	-

(e) Credit-related derivatives contracts

The Group did not have any credit-related derivatives contracts as at 30 June 2018.

(f) Exposures to CCPs

The Group did not have any exposures to CCPs as at 30 June 2018.

8 MARKET RISK

Market risk under STM approach as at 30 June 2018

		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	1,441,850
2	Equity exposures (general and specific risk)	7,125
3	Foreign exchange (including gold) exposures	4,454,000
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	563
7	Other approach	-
8	Securitization exposures	-
9	Total	5,903,538