

ALLIED BANKING CORPORATION (HONG KONG) LIMITED

Pillar 3 Regulatory Disclosures

For the year ended
30 June 2019

(Unaudited)

| | |
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REGULATORY DISCLOSURES
Template KM1 : Key Prudential Ratios
30 June 2019

| (HK\$ '000) | | 30 Jun 2019 | 31 Mar 2019 | 31 Dec 2018 | 30 Sep 2018 | 30 Jun 2018 |
|---|---|-------------|-------------|-------------|-------------|-------------|
| Regulatory capital (amount) | | | | | | |
| 1 | Common equity Tier 1 (CET1) | 416,455 | 410,482 | 404,384 | 399,236 | 394,346 |
| 2 | Tier 1 | 422,665 | 416,692 | 412,664 | 407,516 | 402,626 |
| 3 | Total capital | 457,805 | 451,991 | 447,963 | 438,200 | 433,347 |
| RWA (amount) | | | | | | |
| 4 | Total RWA | 1,461,310 | 1,424,781 | 1,441,637 | 1,369,881 | 1,364,582 |
| Risk-based regulatory capital ratios (as a percentage of RWA) | | | | | | |
| 5 | CET1 ratio (%) | 28.50% | 28.81% | 28.05% | 29.14% | 28.90% |
| 6 | Tier 1 ratio (%) | 28.92% | 29.25% | 28.62% | 29.75% | 29.51% |
| 7 | Total capital ratio (%) | 31.33% | 31.72% | 31.07% | 31.99% | 31.76% |
| Additional CET1 buffer requirements (as a percentage of RWA) | | | | | | |
| 8 | Capital conservation buffer requirement (%) | 2.500% | 2.500% | 1.875% | 1.875% | 1.875% |
| 9 | Countercyclical capital buffer requirement (%) | 2.500% | 2.500% | 1.875% | 1.875% | 1.875% |
| 10 | Higher loss absorbency requirements (%) (applicable only to G-SIBS or D-SIBs) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 11 | Total AI-specific CET1 buffer requirements (%) | 5.00% | 5.00% | 3.75% | 3.75% | 3.75% |
| 12 | CET1 available after meeting the AI's minimum capital requirements (%) | 18.83% | 19.22% | 18.57% | 19.49% | 19.26% |
| Basel III leverage ratio | | | | | | |
| 13 | Total leverage ratio (LR) exposure measure | 1,802,215 | 1,798,214 | 1,748,429 | 1,801,825 | 1,700,426 |
| 14 | LR (%) | 23.45% | 23.17% | 23.60% | 22.62% | 23.68% |
| Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR) | | | | | | |
| Applicable to category 1 institution only: | | | | | | |
| 15 | Total high quality liquid assets (HQLA) | NA | NA | NA | NA | NA |
| 16 | total net cash outflows | NA | NA | NA | NA | NA |
| 17 | LCR (%) | NA | NA | NA | NA | NA |
| Applicable to category 2 institution only: | | | | | | |
| 17a | LMR (%) | 45.82% | 44.07% | 44.23% | 45.02% | 46.76% |
| Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR) | | | | | | |
| Applicable to category 1 institution only: | | | | | | |
| 18 | Total available stable funding | NA | NA | NA | NA | NA |
| 19 | Total required stable funding | NA | NA | NA | NA | NA |
| 20 | NSFR (%) | NA | NA | NA | NA | NA |
| Applicable to category 2A institution only: | | | | | | |
| 20a | CFR (%) | NA | NA | NA | NA | NA |



Template OV1: Overview of Risk-Weighted Assets (RWA)

The table below provides an overview of capital requirements in terms of a detailed breakdown of RWAs for various risks as at 30 June 2019 and 31 March 2019 respectively:

| | | (HK\$ '000) | | |
|-----|--|------------------|------------------|------------------------------|
| | | (a) | (b) | (c) |
| | | RWA | | Minimum capital requirements |
| | | June 2019 | March 2019 | June 2019 |
| 1 | Credit risk for non-securitization exposures | 1,322,222 | 1,296,806 | 165,278 |
| 2a | Of which BSC approach | 1,322,222 | 1,296,806 | 165,278 |
| 6 | Counterparty default risk and default fund contributions | 905 | 1,367 | 113 |
| 7a | Of which CEM | 905 | 1,367 | 113 |
| 10 | CVA risk | 0 | 0 | 0 |
| 11 | Equity positions in banking book under the simple risk-weight method and internal models method | 0 | 0 | 0 |
| 15 | Settlement risk | 0 | 0 | 0 |
| 16 | Securitization exposures in banking book | 0 | 0 | 0 |
| 17 | Of which SEC-IRBA | 0 | 0 | 0 |
| 18 | Of which SEC-ERBA | 0 | 0 | 0 |
| 19 | Of which SEC-SA | 0 | 0 | 0 |
| 20 | Market risk | 35,525 | 25,925 | 4,441 |
| 21 | Of which STM approach | 35,525 | 25,925 | 4,441 |
| 24 | Operational risk | 132,113 | 130,138 | 16,514 |
| 25 | Amounts below the thresholds for deduction (subject to 250% RW) | 0 | 0 | 0 |
| 26 | Capital floor adjustment | 0 | 0 | 0 |
| 26a | Deduction to RWA | 29,455 | 29,455 | 3,682 |
| 26b | Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital | 0 | 0 | 0 |
| 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 | 29,455 | 29,455 | 3,682 |
| 27 | Total | 1,461,310 | 1,424,781 | 182,664 |

Template CC1 : Composition of regulatory capital

As at 30 June 2019

| | | Amount (HK\$ '000) | Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
|---|---|-----------------------|--|
| CET1 capital: instruments and reserves | | | |
| 1 | Directly issued qualifying CET1 capital instruments plus any related share premium | 165,000 | (5) + (6) |
| 2 | Retained earnings | 298,010 | (8) + (9) |
| 3 | Disclosed reserves | 7,000 | (11) |
| 4 | <i>Directly issued capital subject to phase out arrangements from CET1 (only applicable to non-joint stock companies)</i> | 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) | 0 | |
| 6 | CET1 capital before regulatory adjustments | 470,010 | |
| CET1 capital: regulatory deductions | | | |
| 7 | Valuation adjustments | 0 | |
| 8 | Goodwill (net of associated deferred tax liabilities) | 0 | |
| 9 | Other intangible assets (net of associated deferred tax liabilities) | 0 | |
| 10 | Deferred tax assets (net of associated deferred tax liabilities) | 0 | |
| 11 | Cash flow hedge reserve | 0 | |
| 12 | Excess of total EL amount over total eligible provisions under the IRB approach | 0 | |
| 13 | Gain-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions | 0 | |
| 14 | Gains and losses due to changes in own credit risk on fair valued liabilities | 0 | |
| 15 | Defined benefit pension fund net assets (net of associated deferred tax liabilities) | 0 | |
| 16 | Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet) | 0 | |
| 17 | Reciprocal cross-holdings in CET1 capital instruments | 0 | |
| 18 | Insignificant LAC investments in CET1 capital investments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | 0 | |
| 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) | 0 | |
| 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 | 53,555 | |
| 26a | Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) | 53,555 | (4) |
| 26b | Regulatory reserve for general banking risks | 0 | |
| 26c | Securitization exposures specified in a notice given by the MA | 0 | |
| 26d | Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings | 0 | |
| 26e | Capital shortfall of regulated non-bank subsidiaries | 0 | |
| 26f | Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base) | 0 | |
| 27 | Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions | 0 | |
| 28 | Total regulatory deductions to CET1 capital | 53,555 | |
| 29 | CET1 capital | 416,455 | |
| AT1 capital: instruments | | | |
| 30 | Qualifying AT1 capital instruments plus any related share premium | 0 | |
| 31 | of which: classified as equity under applicable accounting standards | 0 | |
| 32 | of which: classified as liabilities under applicable accounting standards | 0 | |
| 33 | <i>Capital instruments subject to phase out arrangements from AT1 capital</i> | 6,210 | (7) |
| 34 | AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group) | 0 | |
| 35 | <i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i> | 0 | |
| 36 | AT1 capital before regulatory deductions | 6,210 | |

As at 30 June 2019

| | | Amount (HK\$ '000) | Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
|---|--|-----------------------|--|
| AT1 capital: regulatory deductions | | | |
| 37 | Investments in own AT1 capital instruments | 0 | |
| 38 | Reciprocal cross-holdings in AT1 capital instruments | 0 | |
| 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) | 0 | |
| 40 | Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation | 0 | |
| 41 | National specific regulatory adjustments applied to AT1 capital | 0 | |
| 42 | Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions | 0 | |
| 43 | Total regulatory deductions to AT1 capital | 0 | |
| 44 | AT1 capital | 6,210 | |
| 45 | Tier 1 capital (T1 = CET1 + AT1) | 422,665 | |
| Tier 2 capital: instruments and provisions | | | |
| 46 | Qualifying Tier 2 capital instruments plus any related share premium | 0 | |
| 47 | <i>Capital instruments subject to phase out arrangements from Tier 2 capital</i> | 0 | |
| 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) | 0 | |
| 49 | <i>of which: capital instruments issued by subsidiaries subject to phase out arrangements</i> | 0 | |
| 50 | Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital | 11,040 | (1)+(2)+(3)+(10) |
| 51 | Tier 2 capital before regulatory deductions | 11,040 | |
| Tier 2 capital: regulatory deductions | | | |
| 52 | Investments in own Tier 2 capital instruments | 0 | |
| 53 | Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities | 0 | |
| 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) | 0 | |
| 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 S2(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) | 0 | |
| 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 | (24,100) | |
| 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 | (24,100) | (4) x 45% |
| 56b | Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within S48(1)(g) of BCR | | |
| 57 | Total regulatory adjustments to Tier 2 capital | (24,100) | |
| 58 | Tier 2 capital (T2) | 35,140 | |
| 59 | Total regulatory capital (TC = T1 + T2) | 457,805 | |
| 60 | Total RWA | 1,461,310 | |

As at 30 June 2019

| | | Amount (HK\$ '000) | 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 | 28.4987% | |
| 62 | Tier 1 capital ratio | 28.9237% | |
| 63 | Total capital ratio | 31.3284% | |
| 64 | Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements) | 5.00% | |
| 65 | <i>of which: capital conservation buffer requirement</i> | 2.500% | |
| 66 | <i>of which: bank specific countercyclical buffer requirement</i> | 2.500% | |
| 67 | <i>of which: higher loss absorbency requirement</i> | 0.00% | |
| 68 | CET1 (as a percentage of RWA) available after meeting minimum capital requirement | 18.83% | |
| 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 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 | 0 | |
| 73 | Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation | 0 | |
| 74 | Mortgage servicing rights (net of associated related tax liabilities) | Not applicable | |
| 75 | Deferred tax assets arising from temporary differences (net of associated related tax liabilities) | 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) | 0 | |
| 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 | 0 | |
| 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) | 0 | |
| 79 | Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA | 0 | |
| 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 | |
| 81 | <i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i> | Not applicable | |
| 82 | <i>Current cap on AT1 capital instruments subject to phase out arrangements</i> | 0 | |
| 83 | <i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i> | 0 | |
| 84 | <i>Current cap on Tier 2 capital instruments subject to phase out arrangements</i> | 0 | |
| 85 | <i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i> | 0 | |

As at 30 June 2019

Notes to the template:

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

| Description | Hong Kong basis (HK\$ '000) | Basel III basis (HK\$ '000) |
|---|--------------------------------|--------------------------------|
| Other intangible assets (net of associated deferred tax liabilities) | 0 | 0 |
| <p><u>Explanation</u></p> <p>9 As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights (MSRs) may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.</p> | | |
| Deferred tax assets (net of associated deferred tax liabilities) | 0 | 0 |
| <p><u>Explanation</u></p> <p>10 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 and other credit exposures to connected companies) under Basel III.</p> | | |
| Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | 0 | 0 |
| <p><u>Explanation</u></p> <p>18 For the purpose of determining the total amount of insignificant capital investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</p> | | |

As at 30 June 2019

| | Description | Hong Kong basis (HK\$ '000) | Basel III basis (HK\$ '000) |
|--|--|--------------------------------|--------------------------------|
| | Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | 0 | 0 |
| 19 | <p><u>Explanation</u></p> <p>For the purpose of determining the total amount of significant capital investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</p> | | |
| | Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | 0 | 0 |
| 39 | <p><u>Explanation</u></p> <p>The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant capital investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</p> | | |
| | 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) | 0 | 0 |
| 54 | <p><u>Explanation</u></p> <p>The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant capital investments in Tier 2 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</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> | | | |

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1


Template CC2 : Reconciliation of regulatory capital to balance sheet

| Balance Sheet Reconciliation | Balance sheet as in published unaudited financial statements | Under regulatory scope of consolidation | Cross reference to Definition of Capital Components |
|--|--|---|--|
| | as at 30/6/2019 | as at 30/6/2019 | |
| | HK\$ '000 | HK\$ '000 | |
| ASSETS | | | |
| Cash and cash equivalents <i>of which : collective impairment allowances reflected in regulatory capital</i> | 284,395 | 280,905 (8) | (1) |
| Placements with banks and other financial institutions maturing between one and twelve months <i>of which : collective impairment allowances reflected in regulatory capital</i> | 230,981 | 210,223 (27) | (2) |
| Derivative financial instruments | 4 | 4 | |
| Advances and other accounts <i>of which : collective impairment allowances reflected in regulatory capital</i> | 1,190,828 | 1,190,315 (8) | (3) |
| Trade bills | 821 | 821 | |
| Investment in a subsidiary | 0 | 1,000 | |
| Investment property <i>of which : cumulative revaluation gains on land and buildings</i> | 80,000 | 80,000 53,555 | (4) |
| Property and equipment | 27,608 | 27,608 | |
| Total assets | 1,814,637 | 1,790,876 | |
| LIABILITIES AND EQUITY | | | |
| LIABILITIES | | | |
| Deposits and balances of banks and other financial institutions | 26,263 | 26,263 | |
| Deposits from customers | 1,250,035 | 1,250,035 | |
| Derivative financial instruments | 1,836 | 1,836 | |
| Other accounts and provisions | 10,706 | 7,152 | |
| Current tax liabilities | 2,774 | 2,515 | |
| Deferred tax liabilities | 1,368 | 1,368 | |
| Total liabilities | 1,292,982 | 1,289,169 | |
| EQUITY | | | |
| Share capital <i>of which : fully paid up share capital</i> <i>partially paid up share capital</i> <i>non-cumulative and non-redeemable preference shares</i> | 185,700 | 185,700 124,209 40,791 20,700 | (5) (6) (7) |
| Reserves <i>of which : retained earnings</i> <i>unaudited profit of the current financial year</i> <i>impairment reserve</i> <i>general reserve</i> | 335,955 | 316,007 285,666 12,344 10,997 7,000 | (8) (9) (10) (11) |
| Total equity | 521,655 | 501,707 | |
| Total liabilities and equity | 1,814,637 | 1,790,876 | |

30 June 2019

Table CCA : Main features of regulatory capital instruments

| Main Features Template | | | |
|-----------------------------|---|---|---|
| 1 | Issuer | Allied Banking Corporation (HK) Limited | Allied Banking Corporation (HK) Limited |
| 2 | Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement) | NA | NA |
| 3 | Governing law(s) of the instrument | Hong Kong Law | Hong Kong Law |
| <i>Regulatory treatment</i> | | | |
| 4 | Transitional Basel III rules [#] | NA | NA |
| 5 | Post-transitional Basel III rules ⁺ | NA | NA |
| 6 | Eligible at solo*/group/group & solo | Solo* | Solo* |
| 7 | Instrument type (types to be specified by each jurisdiction) | Ordinary Shares | Preference Shares |
| 8 | Amount recognised in regulatory capital (Currency in million, as of most recent reporting date) | [HK\$ in million] [HK\$165million] | [HK\$ in million] [HK\$6.21million] |
| 9 | Par value of instrument | [HK\$165million] | [HK\$20.7million] |
| 10 | Accounting classification | Shareholders' equity | Shareholders' equity |
| 11 | Original date of issuance | [28 September 1978] | [22 July 1986] |
| 12 | Perpetual or dated | Perpetual | Perpetual |
| 13 | Original maturity date | no maturity | no maturity |
| 14 | Issuer call subject to prior supervisory approval | NA | NA |
| 15 | Optional call date, contingent call dates and redemption amount | NA | NA |
| 16 | Subsequent call dates, if applicable | NA | NA |
| <i>Coupons / dividends</i> | | | |
| 17 | Fixed or floating dividend/coupon | NA | Fixed |
| 18 | Coupon rate and any related index | NA | 5% on non-cumulative and non-redeemable preference shares |
| 19 | Existence of a dividend stopper | No | Yes |
| 20 | Fully discretionary, partially discretionary or mandatory | Fully discretionary | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NA | NA |
| 22 | Noncumulative or cumulative | Noncumulative | Noncumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible, conversion trigger (s) | NA | NA |
| 25 | If convertible, fully or partially | NA | NA |
| 26 | If convertible, conversion rate | NA | NA |
| 27 | If convertible, mandatory or optional conversion | NA | NA |
| 28 | If convertible, specify instrument type convertible into | NA | NA |
| 29 | If convertible, specify issuer of instrument it converts into | NA | NA |
| 30 | Write-down feature | No | No |
| 31 | If write-down, write-down trigger(s) | NA | NA |
| 32 | If write-down, full or partial | NA | NA |
| 33 | If write-down, permanent or temporary | NA | NA |
| 34 | If temporary write-down, description of write-up mechanism | NA | NA |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | NA | NA |
| 36 | Non-compliant transitioned features | No | No |
| 37 | If yes, specify non-compliant features | NA | NA |

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

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

^{*} Include solo-consolidated

Template CCyB1 : Geographical distribution of credit exposures used in countercyclical capital buffer ("CCyB")

The following table presents the geographical breakdown of risk-weighted amounts (RWA) in relation to private sector credit exposures as at 30 June 2019

| | | a | b | c | d |
|---|---|---|--|-------------------------------|--------------------|
| | Geographical breakdown by Jurisdiction (J) | 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 | 2.500% | 1,113,636 | | |
| | Sum of above | | 1,113,636 | | |
| | Total | | 1,113,636 | 2.500% | 27,841 |



ALLIED BANKING CORPORATION (HONG KONG) LIMITED

As at 30 June 2019

Template LR1 : Summary comparison of accounting assets against Leverage Ratio ("LR") exposure measure

| | Item | Value under Leverage Ratio framework HK\$ '000 |
|----|--|---|
| 1 | Total consolidated assets as per published financial statements | 1,790,915 |
| 2 | Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation | 0 |
| 3 | Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the leverage ratio exposure measure | 0 |
| 4 | Adjustments for derivative contracts | 4,523 |
| 5 | Adjustment for securities financing transactions (i.e. repos and similar secured lending) | 0 |
| 6 | Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures) | 6,777 |
| 6a | Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure | 0 |
| 7 | Other adjustments | 0 |
| 8 | Leverage ratio exposure measure | 1,802,215 |

Template LR2 : Leverage ratio ("LR")

| | | Leverage Ratio framework (HK\$ '000) | |
|--|---|---|-------------------|
| | | As at 30 Jun 2019 | As at 31 Mar 2019 |
| On-balance sheet exposures | | | |
| 1 | On-balance sheet exposures (excluding those arising from derivatives contracts and SFTs, but including collateral) | 1,790,915 | 1,784,692 |
| 2 | Less: Asset amounts deducted in determining Tier 1 capital | 0 | 0 |
| 3 | Total on-balance sheet exposures (excluding derivatives contracts and SFTs) | 1,790,915 | 1,784,692 |
| Exposures arising from derivative contracts | | | |
| 4 | Replacement cost associated with all derivatives contracts (where applicable net of eligible cash variation margin and/or with bilateral netting) | 0 | 0 |
| 5 | Add-on amounts for PFE associated with all derivatives contracts | 4,523 | 6,834 |
| 6 | Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework | 0 | 0 |
| 7 | Less: Deductions of receivables assets for cash variation margin provided under derivatives contracts | 0 | 0 |
| 8 | Less: Exempted CCP leg of client-cleared trade exposures | 0 | 0 |
| 9 | Adjusted effective notional amount of written credit derivatives contracts | 0 | 0 |
| 10 | Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives contracts | 0 | 0 |
| 11 | Total exposures arising from derivative contracts | 4,523 | 6,834 |
| Exposures arising from securities financing transactions (SFTs) | | | |
| 12 | Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions | 0 | 0 |
| 13 | Less: Netted amounts of cash payables and cash receivables of gross SFT assets | 0 | 0 |
| 14 | CCR exposure for SFT assets | 0 | 0 |
| 15 | Agent transaction exposures | 0 | 0 |
| 16 | Total exposures arising from SFTs | 0 | 0 |
| Other off-balance sheet exposures | | | |
| 17 | Off-balance sheet exposure at gross notional amount | 6,777 | 6,688 |
| 18 | Less: Adjustments for conversion to credit equivalent amounts | 0 | 0 |
| 19 | Off-balance sheet items | 6,777 | 6,688 |
| Capital and total exposures | | | |
| 20 | Tier 1 capital | 422,665 | 416,692 |
| 20a | Total exposures before adjustments for specific and collective provisions | 1,802,215 | 1,798,214 |
| 20b | Adjustments for specific and collective provisions | 0 | 0 |
| 21 | Total exposures after adjustments for specific and collective provision | 1,802,215 | 1,798,214 |
| Leverage ratio | | | |
| 22 | Leverage ratio | 23.45% | 23.17% |

Template CR1: Credit quality of exposures

The table below provides an overview of the credit quality of on- and off-balance sheet exposures as at 30 June 2019

| | | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
|-------------|-----------------------------|---------------------------|----------------------------|-----------------------------|--|---|---|-------------------------|
| | | 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 (a+b-c) |
| (HK\$ '000) | | Defaulted exposures | Non-defaulted exposures | | Allocated in regulatory category of specific provisions | Allocated in regulatory category of collective provisions | | |
| 1 | Loans | 3,026 | 1,177,627 | 18 | 0 | 0 | 0 | 1,180,635 |
| 2 | Debt securities | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 | Off-balance sheet exposures | 0 | 511,273 | 0 | 0 | 0 | 0 | 511,273 |
| 4 | Total | 3,026 | 1,688,900 | 18 | 0 | 0 | 0 | 1,691,908 |

Template CR2: Changes in defaulted loans and debt securities

The table below provides information on the changes in defaulted loans and debt securities, including any changes in the amount of defaulted exposures, movements between non-defaulted and defaulted exposures, and reductions in the defaulted exposures due to write-offs as at 30 June 2019 and 31 December 2018 respectively:

| (HK\$ '000) | | (a) |
|-------------|---|--------------|
| | | Amount |
| 1 | Defaulted loans and debt securities at end of the previous reporting period (31 December 2018) | 4,495 |
| 2 | Loans and debt securities that have defaulted since the last reporting period | 3,026 |
| 3 | Returned to non-defaulted status | (2,495) |
| 4 | Amounts written off | 0 |
| 5 | Other changes * | (2,000) |
| 6 | Defaulted loans and debt securities at end of the current reporting period (30 June 2019) | 3,026 |

* Other changes include loan repayment

Template CR3: Overview of recognized credit risk mitigation

The following table presents the extent of credit risk exposures covered by different types of recognized CRM as at 30 June 2019 :

| (HK\$ '000) | | (a) | (b1) | (b) | (d) | (f) |
|-------------|--------------------|--|-------------------------|--|--|---|
| | | 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 | 1,171,768 | 8,867 | 4,067 | 4,800 | 0 |
| 2 | Debt securities | 0 | 0 | 0 | 0 | 0 |
| 3 | Total | 1,171,768 | 8,867 | 4,067 | 4,800 | 0 |
| 4 | of which defaulted | 3,026 | 0 | 0 | 0 | 0 |

Template CR4: Credit risk exposures and effects of recognized credit risk mitigation - for BSC approach

The following table illustrates the effect of any recognized credit risk mitigation (including recognized collateral based on the comprehensive approach or the simple approach or both) on the calculation of credit risk capital requirements under BSC approach as at 30 June 2019 :

| | Exposure Classes | (a) | (b) | (c) | (d) | (e) | (f) |
|-----------|--|--|---|--|---|---------------------|------------------|
| | | Exposures pre-CCF and pre-CRM | | Exposures post-CCF and post-CRM | | RWA and RWA density | |
| | | On-balance sheet amount (HK\$ '000) | Off-balance sheet amount (HK\$ '000) | On-balance sheet amount (HK\$ '000) | Off-balance sheet amount (HK\$ '000) | RWA (HK\$ '000) | RWA density % |
| 1 | Sovereign exposures | 0 | 0 | 4,819 | 0 | 0 | 0.00% |
| 2 | PSE exposures | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 3 | Multilateral development bank exposures | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 4 | Bank exposures | 493,493 | 0 | 493,493 | 0 | 98,699 | 20.00% |
| 5 | Cash items | 0 | 0 | 4,071 | 0 | 0 | 0.00% |
| 6 | Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 7 | Residential mortgage loans | 187,230 | 0 | 187,230 | 0 | 121,168 | 64.72% |
| 8 | Other exposures | 1,110,192 | 62,503 | 1,101,302 | 1,053 | 1,102,355 | 100.00% |
| 9 | Significant exposures to commercial entities | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 10 | Total | 1,790,915 | 62,503 | 1,790,915 | 1,053 | 1,322,222 | 73.79% |

Template CR5 : Credit risk exposures by asset classes and by risk weights - for BSC approach

The following table presents a breakdown of credit risk exposures under BSC approach by asset classes and by risk weights as at 30 June 2019 :

| | (HK\$ '000) | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) |
|-----------|--|--------------|----------|----------------|----------|----------------|------------------|----------|----------|--|
| | Risk Weight | | | | | | | | | Total credit risk exposures amount (post CCF and post CRM) |
| | Exposure class | 0% | 10% | 20% | 35% | 50% | 100% | 250% | Others | |
| 1 | Sovereign exposures | 4,819 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,819 |
| 2 | PSE exposures | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 | Multilateral development bank exposures | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 | Bank exposures | 0 | 0 | 493,493 | 0 | 0 | 0 | 0 | 0 | 493,493 |
| 5 | Cash items | 4,071 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,071 |
| 6 | Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 | Residential mortgage loans | 0 | 0 | 0 | 0 | 132,125 | 55,105 | 0 | 0 | 187,230 |
| 8 | Other exposures | 0 | 0 | 0 | 0 | 0 | 1,102,355 | 0 | 0 | 1,102,355 |
| 9 | Significant exposures to commercial entities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 | Total | 8,890 | 0 | 493,493 | 0 | 132,125 | 1,157,460 | 0 | 0 | 1,791,968 |

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

The following table presents a comprehensive breakdown of counterparty default risk exposures (other than those to CCPs), RWAs, and , where applicable, main parameters under the approaches used to calculate default risk exposures in respect of derivative contracts and SFTs as at 30 June 2019 :

| | | (a) | (b) | (c) | (d) | (e) | (f) |
|----------|-----------------------------------|-----------------------------------|-----------------|---------------------------|--|---|-----------------|
| | | Replacement cost (RC) (HK\$ '000) | PFE (HK\$ '000) | Effective EPE (HK\$ '000) | Alpha used for computing default risk exposure | Default risk exposure after CRM (HK\$ '000) | RWA (HK\$ '000) |
| 1 | SA-CCR (for derivative contracts) | 0 | 0 | | 1.4 | 0 | 0 |
| 1a | CEM | 35 | 4,488 | | N/A | 4,523 | 905 |
| 2 | IMM (CCR) Approach | | | 0 | N/A | 0 | 0 |
| 3 | Simple Approach (for SFTs) | | | | | 0 | 0 |
| 4 | Comprehensive Approach (for SFTs) | | | | | 0 | 0 |
| 5 | VaR (for SFTs) | | | | | 0 | 0 |
| 6 | Total | | | | | | 905 |

Template CCR3: Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights - for BSC approach

The following table presents a breakdown of default risk exposures as at 30 June 2019, other than those to CCPs, in respect of derivative contracts and SFTs that are subject to the BSC approach, by asset classes and risk-weights, irrespective of the approach used to determine the amount of default risk exposures:

| | (HK\$ '000) | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) |
|----------|--|----------|----------|--------------|----------|----------|----------|----------|----------|---------------------------------------|
| | Risk Weight | | | | | | | | | Total default risk exposure after CRM |
| | Exposure class | 0% | 10% | 20% | 35% | 50% | 100% | 250% | Others | |
| 1 | Sovereign exposures | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 | PSE exposures | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 | Multilateral development bank exposures | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 | Bank exposures | 0 | 0 | 4,523 | 0 | 0 | 0 | 0 | 0 | 4,523 |
| 5 | CIS exposures | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6 | Other exposures | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 | Significant exposures to commercial entities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8 | Total | 0 | 0 | 4,523 | 0 | 0 | 0 | 0 | 0 | 4,523 |

Template MR1: Market risk under Standardized (market risk) approach (STM approach)

The table below provides the components of the market risk capital requirements calculated using the STM approach exposures as at 30 June 2019:

| | (HK\$ '000) | (a) RWA |
|----------|---|---------------|
| | Outright product exposures | |
| 1 | Interest rate exposures (general and specific risk) | 34,775 |
| 2 | Equity exposures (general and specific risk) | 0 |
| 3 | Foreign exchange (including gold) exposures | 750 |
| 4 | Commodity exposures | 0 |
| | Option exposures | |
| 5 | Simplified approach | 0 |
| 6 | Delta-plus approach | 0 |
| 7 | Other approach | 0 |
| 8 | Securitization exposures | 0 |
| 9 | Total | 35,525 |



ALLIED BANKING CORPORATION (HONG KONG) LIMITED

INTERNATIONAL CLAIMS

The Company's country risk exposures in the tables below are prepared in according to the location and types of the counterparties as defined by the HKMA under the Banking (disclosure) Rules with reference to the HKMA's Return of International Banking Statistics. International claims are on-balance sheet exposures to counterparties based on the location of the counterparties after taking into account the transfer of risk, and represent the sum of cross-border claims in all currencies and local claims in foreign currencies. International claims attributable to individual countries or areas not less than 10% of the Company's total international claims, after recognised risk transfer, are shown as follows :

| | THE COMPANY | | | | | Total HK\$'000 |
|---|-------------------|--------------------------------|---|--|--------------------|-------------------|
| | 30/6/2019 | | | | | |
| Counterparty country/jurisdiction | Banks HK\$'000 | Official Sector HK\$'000 | Non-bank Private Sector | | Others HK\$'000 | Total HK\$'000 |
| | | | Non-bank Financial Institutions HK\$'000 | Non- financial Private Sector HK\$'000 | | |
| Developed Countries | 226,580 | 0 | 0 | 0 | 0 | 226,580 |
| Offshore Centres | 258,189 | 0 | 0 | 1,189,816 | 0 | 1,448,005 |
| - of which : Hong Kong | 194,313 | 0 | 0 | 1,126,725 | 0 | 1,321,038 |
| Developing Europe | 0 | 0 | 0 | 0 | 0 | 0 |
| Developing Latin America and Caribbean | 0 | 0 | 0 | 0 | 0 | 0 |
| Developing Africa and Middle East | 0 | 0 | 0 | 0 | 0 | 0 |
| Developing Asia and Pacific | 7,915 | 0 | 0 | 0 | 0 | 7,915 |
| International Organisations | 0 | 0 | 0 | 0 | 0 | 0 |
| Unallocated | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 492,684 | 0 | 0 | 1,189,816 | 0 | 1,682,500 |



ALLIED BANKING CORPORATION (HONG KONG) LIMITED

INTERNATIONAL CLAIMS (continued)

THE COMPANY
31/12/2018

| Counterparty country/jurisdiction | Banks HK\$'000 | Official Sector HK\$'000 | Non-bank Private Sector | | Others HK\$'000 | Total HK\$'000 |
|-----------------------------------|-------------------|--------------------------------|---|--|--------------------|-------------------|
| | | | Non-bank Financial Institutions HK\$'000 | financial Private Sector HK\$'000 | | |
| Developed Countries | 179,751 | 0 | 0 | 0 | 0 | 179,751 |
| Offshore Centres | 254,264 | 0 | 0 | 1,185,609 | 0 | 1,439,873 |
| - of which : Hong Kong | 190,106 | 0 | 0 | 1,120,884 | 0 | 1,310,990 |
| Developing Europe | 0 | 0 | 0 | 0 | 0 | 0 |
| Developing Latin America | 0 | 0 | 0 | 0 | 0 | 0 |
| Developing Africa and Middle | 0 | 0 | 0 | 0 | 0 | 0 |
| Developing Asia and Pacific | 7,875 | 0 | 0 | 0 | 0 | 7,875 |
| International Organisations | 0 | 0 | 0 | 0 | 0 | 0 |
| Unallocated | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 441,890 | 0 | 0 | 1,185,609 | 0 | 1,627,499 |

ADVANCES TO CUSTOMERS BY INDUSTRY SECTORS

The company's total operating income, profit / (loss) before taxation, total assets, total liabilities and contingent liabilities and commitments are derived predominantly from Hong Kong.

The Company's gross advances to customers analysed and reported by industry sectors are as follows :

| | THE COMPANY 30/6/2019 | | THE COMPANY 31/12/2018 | |
|---|-------------------------------|--|-------------------------------|--|
| | Gross advances HK\$'000 | % of gross advances covered by collateral | Gross advances HK\$'000 | % of gross advances covered by collateral |
| <u>Loans for use in Hong Kong</u> | | | | |
| Industrial, commercial and financial : | | | | |
| - Property development | 0 | 0.00% | 0 | 0.00% |
| - Property investment | 256,662 | 100.00% | 240,048 | 100.00% |
| - Financial concerns | 0 | 0.00% | 0 | 0.00% |
| - Stockbrokers | 0 | 0.00% | 0 | 0.00% |
| - Wholesale and retail trade | 269,050 | 100.00% | 266,887 | 99.85% |
| - Manufacturing | 226,752 | 99.47% | 250,137 | 99.52% |
| - Transport and transport equipment | 20,832 | 100.00% | 19,621 | 100.00% |
| - Recreational activities | 0 | 0.00% | 0 | 0.00% |
| - Information technology | 44,397 | 100.00% | 51,239 | 100.00% |
| - Electricity and gas | 0 | 0.00% | 0 | 0.00% |
| - Civil engineering works | 3,300 | 100.00% | 3,490 | 100.00% |
| - Hotels, boarding houses & catering | 32,502 | 100.00% | 32,500 | 100.00% |
| - Non-stockbroking companies & individuals for the purchase of shares-others | 54,126 | 100.00% | 53,646 | 100.00% |
| Professional & private individuals | | | | |
| - Loans for purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes | 0 | 0.00% | 0 | 0.00% |
| - Loans for the purchase of other residential properties | 114,709 | 100.00% | 109,293 | 100.00% |
| - Credit card advances | 0 | 0.00% | 0 | 0.00% |
| - Loans for other business purposes | 11,110 | 100.00% | 11,167 | 100.00% |
| - Loans for other private purposes | 53,376 | 99.82% | 56,392 | 99.80% |
| All others | 7,540 | 100.00% | 7,540 | 100.00% |
| Total loans for use in Hong Kong | <u>1,094,356</u> | | <u>1,101,960</u> | |
| Trade finance | <u>19,141</u> | 100.00% | <u>25,448</u> | 100.00% |
| Total loans for use outside Hong Kong | <u>67,156</u> | 100.00% | <u>51,804</u> | 100.00% |
| Total advances to customers | <u>1,180,653</u> | | <u>1,179,212</u> | |

The advances are predominantly made to customers in Hong Kong. No geographical analysis is disclosed as the Company derives the majority of its income from its commercial banking business where the customers' principal operations are in Hong Kong.

ADVANCES TO CUSTOMERS BY INDUSTRY SECTORS (continued)

The Company's gross and impaired loans and advances to customers, impairment allowances, impaired loans and advances written off and collateral are analysed by industry sectors pursuant to the HKMA's guidelines as follows:

Advances to customers over 10% of the total advances by industry sectors as at 30 June 2019

| THE COMPANY | | | | | | | | | |
|----------------------------|--------------------------------------|--|--|---|---|------------------------|--|---|---|
| | Gross loans and advances HK\$'000 | Collective impairment allowances HK\$'000 | Individual impairment allowances HK\$'000 | New impairment allowances charged to income statement HK\$'000 | Amount of impaired loans and advances written off HK\$'000 | Collateral HK\$'000 | Percentage of gross advances covered by collateral HK\$'000 | Impaired loans and advances HK\$'000 | Loans and advances overdue for more than three months HK\$'000 |
| Manufacturing | 226,752 | 8 | 0 | 0 | 0 | 225,552 | 99.47% | 0 | 0 |
| Property investment | 256,662 | 0 | 0 | 0 | 0 | 256,662 | 100.00% | 0 | 0 |
| Wholesale and retail trade | 269,050 | 0 | 0 | 0 | 0 | 269,050 | 100.00% | 0 | 475 |

Advances to customers over 10% of the total advances by industry sectors as at 31 December 2018

| THE COMPANY | | | | | | | | | |
|----------------------------|--------------------------------------|--|--|---|---|------------------------|--|---|---|
| | Gross loans and advances HK\$'000 | Collective impairment allowances HK\$'000 | Individual impairment allowances HK\$'000 | New impairment allowances charged to income statement HK\$'000 | Amount of impaired loans and advances written off HK\$'000 | Collateral HK\$'000 | Percentage of gross advances covered by collateral HK\$'000 | Impaired loans and advances HK\$'000 | Loans and advances overdue for more than three months HK\$'000 |
| Manufacturing | 250,137 | 59 | 0 | 41 | 0 | 248,937 | 99.52% | 0 | 0 |
| Property investment | 240,048 | 51 | 0 | 39 | 0 | 240,047 | 100.00% | 0 | 0 |
| Wholesale and retail trade | 266,887 | 65 | 480 | 523 | 0 | 266,487 | 99.85% | 2,000 | 0 |

ADVANCES TO CUSTOMERS BY GEOGRAPHICAL AREA OF LOAN USAGE

| | THE COMPANY | | THE COMPANY | |
|---|------------------|------------------|----------------------------------|----------------------------------|
| | 30/6/2019 | 31/12/2018 | 30/6/2019 | 31/12/2018 |
| | HK\$'000 | HK\$'000 | % of total advances to customers | % of total advances to customers |
| Loans for use in the following regions or countries | | | | |
| Hong Kong | 1,113,497 | 1,127,408 | 94.31 | 95.61 |
| Philippines | 4,067 | 5,712 | 0.35 | 0.48 |
| Vietnam | 28,129 | 28,092 | 2.38 | 2.38 |
| China | 34,960 | 18,000 | 2.96 | 1.53 |
| | <u>1,180,653</u> | <u>1,179,212</u> | <u>100.00</u> | <u>100.00</u> |

OVERDUE AND RESCHEDULED ASSETS
IMPAIRED ASSETS

| | THE COMPANY | | THE COMPANY | |
|--|--------------|--------------|----------------------------------|----------------------------------|
| | 30/6/2019 | 31/12/2018 | 30/6/2019 | 31/12/2018 |
| | HK\$'000 | HK\$'000 | % of total advances to customers | % of total advances to customers |
| <u>Loans for use in Hong Kong</u> | | | | |
| Gross amount of impaired loans | 833 | 2,110 | 0.07 | 0.18 |
| Impairment allowance made in respect of such advances - Stage 3 | (10) | (493) | | |
| | <u>823</u> | <u>1,617</u> | | |
| <u>Loans for use in People's Republic of China</u> | | | | |
| Gross amount of impaired loans | 0 | 0 | 0.00 | 0.00 |
| Impairment allowances made in respect of such advances - Stage 3 | 0 | 0 | | |
| | <u>0</u> | <u>0</u> | | |
| <u>Total impaired assets</u> | | | | |
| Gross amount of impaired loans | 833 | 2,110 | 0.07 | 0.18 |
| Impairment allowance made in respect of such advances - Stage 3 | (10) | (493) | | |
| | <u>823</u> | <u>1,617</u> | | |
| Fair value of collateral | <u>4,000</u> | <u>1,600</u> | | |

OVERDUE AND RESCHEDULED ASSETS (continued)
OVERDUE ADVANCES

| | THE COMPANY | | THE COMPANY | |
|---|--------------|--------------|----------------------------------|----------------------------------|
| | 30/6/2019 | 31/12/2018 | 30/6/2019 | 31/12/2018 |
| | HK\$'000 | HK\$'000 | % of total advances to customers | % of total advances to customers |
| <u>Loans for use in Hong Kong</u> | | | | |
| Gross amount of advances which have been overdue for: | | | | |
| Six months or less but over three months | 2,291 | 4,495 | 0.19 | 0.38 |
| One year or less but over six months | 735 | 0 | 0.06 | 0.00 |
| Over one year | 0 | 0 | 0.00 | 0.00 |
| | <u>3,026</u> | <u>4,495</u> | | |
| <u>Loans for use in China</u> | | | | |
| Gross amount of advances which have been overdue for: | | | | |
| Six months or less but over three months | 0 | 0 | 0.00 | 0.00 |
| One year or less but over six months | 0 | 0 | 0.00 | 0.00 |
| Over one year | 0 | 0 | 0.00 | 0.00 |
| | <u>0</u> | <u>0</u> | | |
| Total overdue advances | <u>3,026</u> | <u>4,495</u> | | |
| Individual impairment allowance made in respect of the overdue advances | <u>0</u> | <u>480</u> | | |

The value of collateral held in respect of the overdue loans and advances and the split between the portion of the overdue loans and advances covered by credit protection (covered portion) and the remaining portion (uncovered portion) are as follows:

| | THE COMPANY | |
|---|---------------|--------------|
| | 30/6/2019 | 31/12/2018 |
| | HK\$'000 | HK\$'000 |
| Current market value of collateral held against the covered portion of overdue loans and advances | <u>10,375</u> | <u>6,400</u> |
| Covered portion of overdue loans and advances | <u>3,026</u> | <u>4,095</u> |
| Uncovered portion of overdue loans and advances | <u>0</u> | <u>400</u> |

OVERDUE AND RESCHEDULED ASSETS (continued)
RESCHEDULED ADVANCES

No advances to customers, banks and other financial institutions were rescheduled as at 30 June 2019 (31 December 2018 : Nil).

The analysis of overdue advances and impaired advances is as follows:

| | THE COMPANY | |
|--|---------------------|---------------------|
| | 30/6/2019 | 31/12/2018 |
| | HK\$'000 | HK\$'000 |
| Advances to customers overdue for more than 3 months | 3,026 | 4,495 |
| Rescheduled advances to customers | 0 | 0 |
| | <u>3,026</u> | <u>4,495</u> |
| Add: Impaired advances which are not overdue or rescheduled | 98 | 110 |
| Advances which are overdue less than 3 months but not impaired | 214 | 2,202 |
| Total overdue advances and impaired advances | <u><u>3,338</u></u> | <u><u>6,807</u></u> |

ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

There are no individually impaired and overdue loans and advances to banks and other financial institutions at at 30 June 2019 and 31 December 2018.

REPOSSESSED ASSETS

No repossessed assets of the company was held as at 30 June 2019 (31 December 2018 : Nil).

NON-BANK MAINLAND CHINA EXPOSURES

The following table illustrates the disclosure required to be made in respect of the Company's Mainland exposures to non-bank counterparties :

| THE COMPANY 30/6/2019 | | | | |
|---|---|--|-------------------------------|---|
| <u>Type of counterparties</u> | On-balance sheet exposure HK\$'000 | Off-balance sheet exposure HK\$'000 | Total exposure HK\$'000 | Individual impairment allowance HK\$'000 |
| PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China | 35,055 | 0 | 35,055 | 0 |
| Total | <u>35,055</u> | <u>0</u> | <u>35,055</u> | <u>0</u> |
| Total assets after provision | <u>1,790,876</u> | | | |
| On-balance sheet exposures as percentage of total assets | 1.96% | | | |

| THE COMPANY 31/12/2018 | | | | |
|---|---|--|-------------------------------|---|
| <u>Type of counterparties</u> | On-balance sheet exposure HK\$'000 | Off-balance sheet exposure HK\$'000 | Total exposure HK\$'000 | Individual impairment allowance HK\$'000 |
| PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China | 18,047 | 0 | 18,047 | 0 |
| Total | <u>18,047</u> | <u>0</u> | <u>18,047</u> | <u>0</u> |
| Total assets after provision | <u>1,733,117</u> | | | |
| On-balance sheet exposures as percentage of total assets | 1.04% | | | |

CURRENCY RISK

| | THE COMPANY | | | | | | | | Total |
|-----------------------------|-------------|----------|----------|----------|----------|----------|----------|-----------|-----------|
| | 30/6/2019 | | | | | | | | |
| | AUD | CAD | EUR | GBP | JPY | NZD | SGD | USD | |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Spot assets | 19,445 | 10,084 | 4,786 | 9,771 | 2,566 | 4,257 | 0 | 394,959 | 445,868 |
| Spot liabilities | (19,169) | (9,999) | (6,195) | (9,895) | (255) | (3,903) | 0 | (842,442) | (891,858) |
| Forward purchases | 0 | 0 | 1,385 | 0 | 0 | 0 | 0 | 447,385 | 448,770 |
| Forward sales | 0 | 0 | 0 | 0 | (2,279) | 0 | 0 | (1,386) | (3,665) |
| Net long / (short) position | 276 | 85 | (24) | (124) | 32 | 354 | 0 | (1,484) | (885) |

| | THE COMPANY | | | | | | | | Total |
|-----------------------------|-------------|----------|----------|----------|----------|----------|----------|-----------|-----------|
| | 31/12/2018 | | | | | | | | |
| | AUD | CAD | EUR | GBP | JPY | NZD | SGD | USD | |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Spot assets | 19,420 | 9,636 | 5,431 | 9,787 | 284 | 4,232 | 0 | 376,497 | 425,287 |
| Spot liabilities | (19,241) | (9,625) | (6,249) | (9,940) | (248) | (3,894) | 0 | (861,884) | (911,081) |
| Forward purchases | 0 | 0 | 1,334 | 0 | 0 | 0 | 0 | 486,867 | 488,201 |
| Forward sales | 0 | 0 | (1,182) | 0 | 0 | 0 | 0 | (1,337) | (2,519) |
| Net long / (short) position | 179 | 11 | (666) | (153) | 36 | 338 | 0 | 143 | (112) |

There was no structural position in a particular foreign currency as at the balance sheet date.

Disclosure on liquidity information

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

ALCO is responsible for monitoring the Company's liquidity position through periodic review of statutory liquidity ratio, maturity profile of assets and liabilities, loan-to-deposit ratio and inter-bank transactions. Liquidity policy is monitored by ALCO and reviewed regularly by the Board of Directors of the Company. The Company's policy is to maintain a conservative level of liquid funds on a daily basis so that the Company is prepared to meet its obligations when they fall due in the normal course of business, to satisfy statutory liquidity ratio requirements, and to deal with any funding crises that may arise. Limits are set on the minimum proportion of maturing funds to be maintained in order to meet all the calls on cash resources such as overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees, margin calls and other calls on cash-settled derivatives. Limits are also set on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at an unexpected level of demand.

| | THE COMPANY | |
|--|-------------|-----------|
| | 30/6/2019 | 30/6/2018 |
| | % | % |
| Average liquidity maintenance ratio for the six-month period | 44.94% | 45.98% |

The Liquidity Ratio specified under section 102 of the Banking Ordinance, which was replaced by the liquidity maintenance ratio ("LMR") on 1 January 2015. LMR was complied in accordance with the Banking (Liquidity) Rules issued by the HKMA with effective from 1 January 2015 for the implementation of the Basel III capital framework.

The average ratio is calculated based on the arithmetic mean of the average value of its liquidity position return for each month during the reporting period.

Glossary

| <u>Abbreviations</u> | <u>Descriptions</u> |
|----------------------|--|
| AT1 | Additional Tier 1 |
| BSC | Basic Approach |
| CCF | Credit Conversion Factor |
| CCP | Central Counterparty |
| CCR | Counterparty Credit Risk |
| CCyB | Countercyclical Capital Buffer |
| CEM | Current Exposure Method |
| CET1 | Common Equity Tier 1 |
| CIS | Collective Investment Scheme |
| CRM | Credit Risk Mitigation |
| CVA | Credit Valuation Adjustment |
| EPE | Expected Positive Exposure |
| IMM | Internal Models Method |
| IRB | Internal Ratings-Based |
| JCCyB | Jurisdictional countercyclical Capital Buffer |
| LMR | Liquidity Maintenance Ratio |
| PFE | Potential Future Exposure |
| PSE ` | Public Sector Entity |
| RWA | Risk Weighted Asset |
| SA-CCR | Standardized Approach (Counterparty Credit Risk) |
| SEC-IRBA | Securitization Internal Ratings-based Approach |
| SEC-ERBA | Securitization External Ratings-Based Approach |
| SEC-SA | Securitization Standardized Approach |
| SFT | Securities Financing Transaction |
| STC | Standardized (Credit Risk) |
| STM | Standardized (Market Risk) |
| STO | Standardized (Operational Risk) |
| VaR | Value-At-Risk |