

Regulatory Disclosures

30 June 2017



集友銀行
Chiyu Banking Corporation Ltd.





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Key ratio

Capital ratio

	At 30 June 2017
	HK\$'000
Total risk-weighted assets	36,271,243
CET1 capital	5,597,839
CET1 capital ratio (as a percentage of risk-weighted assets)	15.43%
Tier 1 capital	5,597,839
Tier 1 capital ratio (as a percentage of risk-weighted assets)	15.43%
Total capital	6,400,650
Total capital ratio (as a percentage of risk-weighted assets)	17.65%

Leverage ratio

	At 30 June 2017
	HK\$'000
Tier 1 capital	5,597,839
Leverage ratio exposure	63,793,392
Leverage ratio	8.77%

Overview of RWA

OV1: Overview of RWA

		RWA		Minimum capital requirements
		At 30 June 2017	At 31 March 2017	At 30 June 2017
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitization exposures	32,725,981	28,835,443	2,769,676
2	Of which STC approach	1,143,320	820,792	91,466
2a	Of which BSC approach	-	-	-
3	Of which IRB approach	31,582,661	28,014,651	2,678,210
4	Counterparty credit risk	48,779	42,230	3,977
5	Of which SA-CCR	-	-	-
5a	Of which CEM	48,779	42,230	3,977
6	Of which IMM(CCR) approach	-	-	-
7	Equity exposures in banking book under market-based approach	-	-	-
8	CIS exposures – LTA	-	-	-
9	CIS exposures – MBA	-	-	-
10	CIS exposures – FBA	-	-	-
11	Settlement risk	-	-	-
12	Securitization exposures in banking book	-	-	-
13	Of which IRB(S) approach – ratings-based method	-	-	-
14	Of which IRB(S) approach – supervisory formula method	-	-	-
15	Of which STC(S) approach	-	-	-
16	Market risk	79,988	111,900	6,399
17	Of which STM approach	-	-	-
18	Of which IMM approach	79,988	111,900	6,399
19	Operational risk	2,247,613	2,148,125	179,809
20	Of which BIA approach	-	-	-
21	Of which STO approach	2,247,613	2,148,125	179,809
21a	Of which ASA approach	-	-	-
22	Of which AMA approach	N/A	N/A	N/A
23	Amounts below the thresholds for deduction (subject to 250% RW)	250	250	20
24	Capital floor adjustment	-	-	-
24a	Deduction to RWA	727,262	717,699	58,181
24b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
24c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	727,262	717,699	58,181
25	Total	34,375,349	30,420,249	2,901,700

RWAs in this table are before the application of the 1.06 scaling factor following a clarification from the HKMA. Minimum capital requirement represents the amount of capital required to be held for that risk based on its RWAs after any applicable scaling factor multiplied by 8%. Comparative figures have been restated to conform with the current period's presentation.

Credit risk for non-securitization exposures

CR1: Credit quality of exposures

		Gross carrying amounts of		Allowances / Impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Loans	180,578	46,063,356	235,616	46,008,318
2	Debt securities	-	14,620,428	-	14,620,428
3	Off-balance sheet exposures	8,597	8,753,904	-	8,762,501
4	Total	189,175	69,437,688	235,616	69,391,247

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

CR2: Changes in defaulted loans and debt securities

	HK\$'000
1 Defaulted loans and debt securities as at 31 March 2017	193,092
2 Loans and debt securities that have defaulted since the last reporting period	2,551
3 Returned to non-defaulted status	-
4 Amounts written off	-
5 Other changes	(15,065)
6 Defaulted loans and debt securities as at 30 June 2017	180,578

CR3: Overview of recognized credit risk mitigation

		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Loans	35,313,056	10,695,262	5,652,664	5,042,598	-
2	Debt securities	14,233,594	386,834	-	386,834	-
3	Total	49,546,650	11,082,096	5,652,664	5,429,432	-
4	Of which defaulted	164,139	-	-	-	-

Credit risk for non-securitization exposures

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

	Exposure classes	Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
1	Sovereign exposures	4,436,413	-	4,436,413	-	9,851	0.22%
2	PSE exposures	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-
3	Multilateral development bank exposures	37,630	-	37,630	-	-	-
4	Bank exposures	26,540	-	26,540	-	5,308	20.00%
5	Securities firm exposures	-	-	-	-	-	-
6	Corporate exposures	738,363	46,728	738,363	-	695,222	94.16%
7	CIS exposures	-	-	-	-	-	-
8	Cash items	-	-	-	-	-	-
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-
10	Regulatory retail exposures	109,149	67,595	109,149	13,645	82,137	66.89%
11	Residential mortgage loans	4,036	-	4,036	-	2,018	50.00%
12	Other exposures which are not past due exposures	369,966	16,759	369,966	3,352	347,007	92.95%
13	Past due exposures	1,184	-	1,184	-	1,776	150.13%
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	Total	5,723,281	131,082	5,723,281	16,997	1,143,319	19.92%

Credit risk for non-securitization exposures

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

	Exposure class	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Sovereign exposures		4,387,160	-	49,253	-	-	-	-	-	-	-	4,436,413
2	PSE exposures		-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs		-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs		-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures		37,630	-	-	-	-	-	-	-	-	-	37,630
4	Bank exposures		-	-	26,540	-	-	-	-	-	-	-	26,540
5	Securities firm exposures		-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures		43,141	-	-	-	-	-	695,222	-	-	-	738,363
7	CIS exposures		-	-	-	-	-	-	-	-	-	-	-
8	Cash items		-	-	-	-	-	-	-	-	-	-	-
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis		-	-	-	-	-	-	-	-	-	-	-
10	Regulatory retail exposures		13,278	-	-	-	-	109,516	-	-	-	-	122,794
11	Residential mortgage loans		-	-	-	-	4,036	-	-	-	-	-	4,036
12	Other exposures which are not past due exposures		26,311	-	-	-	-	-	347,007	-	-	-	373,318
13	Past due exposures		-	-	-	-	-	-	-	1,184	-	-	1,184
14	Significant exposures to commercial entities		-	-	-	-	-	-	-	-	-	-	-
15	Total		4,507,520	-	75,793	-	4,036	109,516	1,042,229	1,184	-	-	5,740,278

Credit risk for non-securitization exposures

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

(a) FIRB approach

		Original on- balance sheet gross exposure	Off- balance sheet exposure s pre-CCF	Average CCF	EAD post- CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
	PD scale	HK\$'000	HK\$'000	%	HK\$'000	%		%	Year	HK\$'000	%	HK\$'000	HK\$'000
Bank Exposures - Bank	0.00 to < 0.15	17,554,658	2,906	100.00%	17,979,842	0.06%	110	45.00%	2.5	5,099,630	28.36%	4,693	
	0.15 to < 0.25	1,939,958	-	100.00%	1,939,958	0.22%	10	45.00%	2.5	1,196,861	61.70%	1,921	
	0.25 to < 0.50	29,755	-	100.00%	29,755	0.39%	5	45.00%	2.5	24,285	81.62%	52	
	0.50 to < 0.75	52,368	-	100.00%	52,368	0.51%	2	43.78%	2.5	38,359	73.25%	117	
	0.75 to < 2.50	1,057	-	100.00%	1,057	1.54%	1	45.00%	2.5	1,125	106.46%	7	
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	19,577,796	2,906	100.00%	20,002,980	0.08%	128	45.00%	2.5	6,360,260	31.80%	6,790	32,321
Bank Exposures - Securities Firms	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	
	0.15 to < 0.25	71,009	300,000	-	-	-	-	-	-	-	-	-	
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	
	0.50 to < 0.75	4,279	155,651	2.68%	4,279	0.67%	2	35.00%	2.5	3,410	79.69%	10	
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	
	2.50 to < 10.00	-	89,500	-	-	-	-	-	-	-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	75,288	545,151	2.68%	4,279	0.67%	2	35.00%	2.5	3,410	79.69%	10	17

Credit risk for non-securitization exposures

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

(a) FIRB approach (continued)

		Original on- balance sheet gross exposure	Off- balance sheet exposur s pre-CCF	Average CCF	EAD post- CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
	PD scale	HK\$'000	HK\$'000	%	HK\$'000	%		%	Year	HK\$'000	%	HK\$'000	HK\$'000
Corporate Exposures – Small- and- medium sized Corporates	0.00 to < 0.15	176,337	52,396	87.21%	351,766	0.13%	27	44.53%	2.5	92,592	26.32%	197	
	0.15 to < 0.25	65,489	156,279	31.39%	69,618	0.22%	14	37.94%	2.5	21,832	31.36%	58	
	0.25 to < 0.50	399,945	74,025	80.43%	289,449	0.39%	18	40.04%	2.5	127,560	44.07%	452	
	0.50 to < 0.75	503,627	178,353	77.85%	603,314	0.60%	38	41.13%	2.5	333,128	55.22%	1,481	
	0.75 to < 2.50	2,270,720	521,193	80.95%	2,177,067	1.49%	124	40.69%	2.5	1,620,901	74.45%	13,206	
	2.50 to < 10.00	1,306,972	65,463	95.26%	1,307,391	4.33%	34	42.23%	2.5	1,344,564	102.84%	23,956	
	10.00 to < 100.00	252,167	2,813	98.90%	252,167	10.59%	6	44.52%	2.5	376,901	149.46%	11,887	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	4,975,257	1,050,522	83.12%	5,050,772	2.40%	261	41.52%	2.5	3,917,478	77.56%	51,237	19,908
Corporate Exposures – Other Corporates	0.00 to < 0.15	4,761,166	1,417,462	84.83%	4,731,560	0.09%	53	44.29%	2.5	1,403,009	29.65%	1,910	
	0.15 to < 0.25	4,015,161	279,472	98.40%	4,295,774	0.22%	28	44.14%	2.5	2,018,406	46.99%	4,172	
	0.25 to < 0.50	1,853,305	294,280	93.57%	2,116,248	0.39%	52	43.25%	2.5	1,260,880	59.58%	3,578	
	0.50 to < 0.75	3,593,896	1,477,108	80.66%	4,015,139	0.57%	80	43.58%	2.5	2,868,808	71.45%	10,046	
	0.75 to < 2.50	6,794,987	1,733,243	82.47%	7,117,644	1.38%	183	40.37%	2.5	6,590,020	92.59%	39,556	
	2.50 to < 10.00	2,784,076	609,318	82.30%	2,792,893	4.17%	74	43.40%	2.5	3,793,188	135.82%	50,535	
	10.00 to < 100.00	149,328	29,035	83.76%	149,405	12.51%	8	37.62%	2.5	274,374	183.64%	7,016	
	100.00 (Default)	194,978	8,597	97.89%	199,276	100.00%	9	44.03%	2.5	135,748	68.12%	97,759	
	Sub-total	24,146,897	5,848,515	85.90%	25,417,939	1.88%	487	42.83%	2.5	18,344,433	72.17%	214,572	177,522

Credit risk for non-securitization exposures

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

(b) Retail IRB approach

	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		HK\$'000	HK\$'000	%	HK\$'000	%		%	Year	HK\$'000	%	HK\$'000	HK\$'000
Retail Exposures – Qualifying Revolving Retail Exposures (QRRE)	0.00 to < 0.15	-	1,300	86.36%	1,123	0.03%	2	20.30%	1.0	5	0.44%	-	
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	
	0.25 to < 0.50	463	387	86.36%	734	0.39%	1	20.30%	1.0	27	3.72%	1	
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	463	1,687	86.36%	1,857	0.17%	3	20.30%	1.0	32	1.74%	1	-
Retail Exposures – Residential Mortgages to Individuals	0.00 to < 0.15	2,204,519	-	100.00%	2,204,551	0.09%	1,232	12.57%	4.9	337,564	15.31%	250	
	0.15 to < 0.25	317,531	-	100.00%	317,531	0.22%	90	10.75%	5.0	47,642	15.00%	75	
	0.25 to < 0.50	243,803	-	100.00%	243,803	0.39%	84	12.09%	5.0	38,820	15.92%	115	
	0.50 to < 0.75	22,511	-	100.00%	22,511	0.55%	9	23.91%	5.0	5,443	24.18%	31	
	0.75 to < 2.50	6,809	-	100.00%	6,809	1.02%	7	10.65%	5.0	1,033	15.18%	7	
	2.50 to < 10.00	1,733	-	100.00%	1,733	6.08%	1	10.00%	5.0	630	36.35%	11	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	47	-	100.00%	47	100.00%	1	10.00%	2.8	59	125.00%	-	
	Sub-total	2,796,953	-	100.00%	2,796,985	0.14%	1,424	12.40%	4.9	431,191	15.42%	489	2,191
Retail Exposures – Residential Mortgages to Property-holding Shell Companies	0.00 to < 0.15	126,001	-	100.00%	126,001	0.10%	49	10.21%	4.8	18,900	15.00%	13	
	0.15 to < 0.25	85,240	-	100.00%	85,240	0.22%	4	23.56%	5.0	13,837	16.23%	43	
	0.25 to < 0.50	15,519	-	100.00%	15,519	0.39%	2	43.08%	5.0	4,369	28.15%	26	
	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	
	0.75 to < 2.50	-	-	-	-	-	-	-	-	-	-	-	
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	226,760	-	100.00%	226,760	0.16%	55	17.48%	4.9	37,106	16.36%	82	189

Credit risk for non-securitization exposures

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

(b) Retail IRB approach (continued)

		Original on- balance sheet gross exposure	Off- balance sheet exposures pre-CCF	Average CCF	EAD post- CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
	PD scale	HK\$'000	HK\$'000	%	HK\$'000	%		%	Year	HK\$'000	%	HK\$'000	HK\$'000
Retail Exposures – Small Business Retail Exposures	0.00 to < 0.15	71,936	93,683	60.42%	100,061	0.08%	120	6.82%	2.2	1,482	1.48%	6	
	0.15 to < 0.25	25,530	283	99.24%	25,616	0.22%	19	5.42%	4.1	600	2.34%	3	
	0.25 to < 0.50	48,259	19,077	79.55%	53,562	0.39%	81	5.84%	3.6	1,945	3.63%	12	
	0.50 to < 0.75	35,099	21,274	72.17%	40,681	0.58%	12	5.77%	2.7	1,818	4.47%	14	
	0.75 to < 2.50	66,349	10,899	89.92%	69,459	1.16%	46	7.07%	3.9	5,334	7.68%	59	
	2.50 to < 10.00	18,469	5,078	84.59%	19,918	4.60%	32	14.14%	3.1	4,135	20.76%	138	
	10.00 to < 100.00	1,094	-	100.00%	1,094	36.32%	1	4.96%	5.0	143	13.11%	20	
	100.00 (Default)	2,551	-	100.00%	2,551	100.00%	1	4.96%	1.0	-	-	531	
	Sub-total	269,287	150,294	74.58%	312,942	1.68%	312	6.90%	3.1	15,457	4.94%	783	79
Retail Exposures – Other Retail Exposures to Individuals	0.00 to < 0.15	530,276	489,316	96.41%	983,008	0.07%	236	22.03%	1.0	50,420	5.13%	206	
	0.15 to < 0.25	81,895	4,514	99.73%	86,177	0.22%	121	11.48%	3.3	4,273	4.96%	22	
	0.25 to < 0.50	675,814	526	100.01%	676,375	0.38%	467	11.49%	4.7	47,909	7.08%	299	
	0.50 to < 0.75	959,189	87,553	99.97%	1,046,443	0.57%	103	17.48%	2.9	138,992	13.28%	1,015	
	0.75 to < 2.50	273,664	437,725	49.96%	355,425	0.92%	182	23.94%	2.0	86,788	24.42%	891	
	2.50 to < 10.00	588,951	152	99.99%	589,036	2.91%	68	41.02%	1.9	333,285	56.58%	6,817	
	10.00 to < 100.00	1,122	12,566	100.00%	13,688	31.77%	5	15.72%	1.3	5,272	38.52%	604	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	3,110,911	1,032,352	90.51%	3,750,152	0.91%	1,182	21.76%	2.5	666,939	17.78%	9,854	3,389
Total (sum of all portfolios)		55,179,612	8,631,427	90.22%	57,564,666	1.14%	3,854	40.32%	2.6	29,776,306	51.73%	283,818	235,616

Credit risk for non-securitization exposures

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

		Pre-credit derivatives RWA	Actual RWA
		HK\$'000	HK\$'000
1	Corporate – Specialized lending under supervisory slotting criteria approach (project finance)	-	-
2	Corporate – Specialized lending under supervisory slotting criteria approach (object finance)	-	-
3	Corporate – Specialized lending under supervisory slotting criteria approach (commodities finance)	-	-
4	Corporate – Specialized lending under supervisory slotting criteria approach (income-producing real estate)	-	-
5	Corporate – Specialized lending (high-volatility commercial real estate)	-	-
6	Corporate – Small-and-medium sized corporates	3,917,478	3,917,478
7	Corporate – Other corporates	18,344,433	18,344,433
8	Sovereigns	-	-
9	Sovereign foreign public sector entities	-	-
10	Multilateral development banks	-	-
11	Bank exposures – Banks	6,360,260	6,360,260
12	Bank exposures – Securities firms	3,410	3,410
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	-	-
14	Retail – Small business retail exposures	15,457	15,457
15	Retail – Residential mortgages to individuals	431,191	431,191
16	Retail – Residential mortgages to property-holding shell companies	37,106	37,106
17	Retail – Qualifying revolving retail exposures (QRRE)	32	32
18	Retail – Other retail exposures to individuals	666,939	666,939
19	Equity – Equity exposures under market-based approach (simple risk-weight method)	-	-
20	Equity – Equity exposures under market-based approach (internal models method)	-	-
21	Equity – Equity exposures under PD/LGD approach (publicly traded equity exposures held for long-term investment)	-	-
22	Equity – Equity exposures under PD/LGD approach (privately owned equity exposures held for long-term investment)	-	-
23	Equity – Equity exposures under PD/LGD approach (other publicly traded equity exposures)	-	-
24	Equity – Equity exposures under PD/LGD approach (other equity exposures)	-	-
25	Equity – Equity exposures associated with equity investments in funds (CIS exposures)	-	-
26	Other – Cash items	-	-
27	Other – Other items	1,806,355	1,806,355
28	Total (under the IRB calculation approaches)	31,582,661	31,582,661

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

Credit risk for non-securitization exposures

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

		HK\$'000
1	RWA as at 31 March 2017	28,014,651
2	Asset size	3,254,216
3	Asset quality	230,439
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	83,355
8	Other	-
9	RWA as at 30 June 2017	31,582,661

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

There were no specialized lending under supervisory slotting criteria approach and the Group did not use simple risk-weight method to measure equities exposures as at 30 June 2017.

Counterparty credit risk

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

		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
		HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000
1	SA-CCR (for derivative contracts)	-	-		1.4	-	-
1a	CEM	95,222	61,764		-	156,986	19,154
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					-	-
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	Total						19,154

CCR2: CVA capital charge

		EAD post CRM	RWA
		HK\$'000	HK\$'000
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	-	-
1	(i) VaR (after application of multiplication factor if applicable)		-
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		-
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	157,081	29,625
4	Total	157,081	29,625

Counterparty credit risk

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

	Exposure class	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Sovereign exposures		-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures		-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs		-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs		-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures		-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures		-	-	-	-	-	-	-	-	-	-	-
5	Securities firm exposures		-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures		-	-	-	-	-	-	-	-	-	-	-
7	CIS exposures		-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures		31,131	-	-	-	-	595	-	-	-	-	31,726
9	Residential mortgage loans		-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures		63,976	-	-	-	-	-	3,134	-	-	-	67,110
11	Significant exposures to commercial entities		-	-	-	-	-	-	-	-	-	-	-
12	Total		95,107	-	-	-	-	595	3,134	-	-	-	98,836

Counterparty credit risk

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

FIRB approach

	PD scale	EAD post-CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density
		HK\$'000	%		%	HK\$'000	HK\$'000	%
Bank	0.00 to < 0.15	57,894	0.05%	5	45.00%	2.50	15,376	26.56%
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	57,894	0.05%	5	45.00%	2.50	15,376	26.56%
Corporate Exposures - Small-and-medium sized Corporates	0.00 to < 0.15	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	250	1.17%	1	45.00%	2.50	191	76.25%
	2.50 to < 10.00	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	250	1.17%	1	45.00%	2.50	191	76.25%
Corporate Exposures - Other Corporates	0.00 to < 0.15	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	6	1.54%	1	45.00%	2.50	6	106.46%
	2.50 to < 10.00	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	6	1.54%	-	45.00%	2.50	6	106.46%
Total (sum of all portfolios)		58,150	0.05%	7	45.00%	2.50	15,573	26.78%

Counterparty credit risk

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

	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash - other currencies	-	149,561	-	-	-	-
Total	-	149,561	-	-	-	-

CCR6: Credit-related derivatives contracts

The Group had no exposures of Credit-related derivatives contracts as at 30 June 2017.

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

The Group did not use IMM(CCR) approach to measure default risk exposures as at 30 June 2017.

CCR8: Exposures to CCPs

The Group had no exposures to CCP as at 30 June 2017.

Securitization exposures

SEC1: Securitization exposures in banking book

There were no securitization exposures in the banking book as at 30 June 2017.

SEC2: Securitization exposures in trading book

There were no securitization exposures in the trading book as at 30 June 2017.

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

There were no securitization exposures in the banking book and the associated capital requirements where the Group acts as an originator as at 30 June 2017.

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

There were no securitization exposures in the banking book and the associated capital requirements where the Group acts as an investor as at 30 June 2017.

Market risk

MR1: Market risk under STM approach

The Group did not have market risk exposures under STM approach as at 30 June 2017

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

		VaR	Stressed VaR	IRC	CRC	Other	Total RWA
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	RWA as at 31 March 2017	49,650	62,250	-	-	-	111,900
1a	Regulatory adjustment	(36,375)	(48,762)	-	-	-	(85,137)
1b	RWA as at day-end of 31 March 2017	13,275	13,488	-	-	-	26,763
2	Movement in risk levels	225	(8,600)	-	-	-	(8,375)
3	Model updates/changes	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-
7	Other	-	-	-	-	-	-
7a	RWA as at day-end of 30 June 2017	13,500	4,888	-	-	-	18,388
7b	Regulatory adjustment	27,113	34,487	-	-	-	61,600
8	RWA as at 30 June 2017	40,613	39,375	-	-	-	79,988

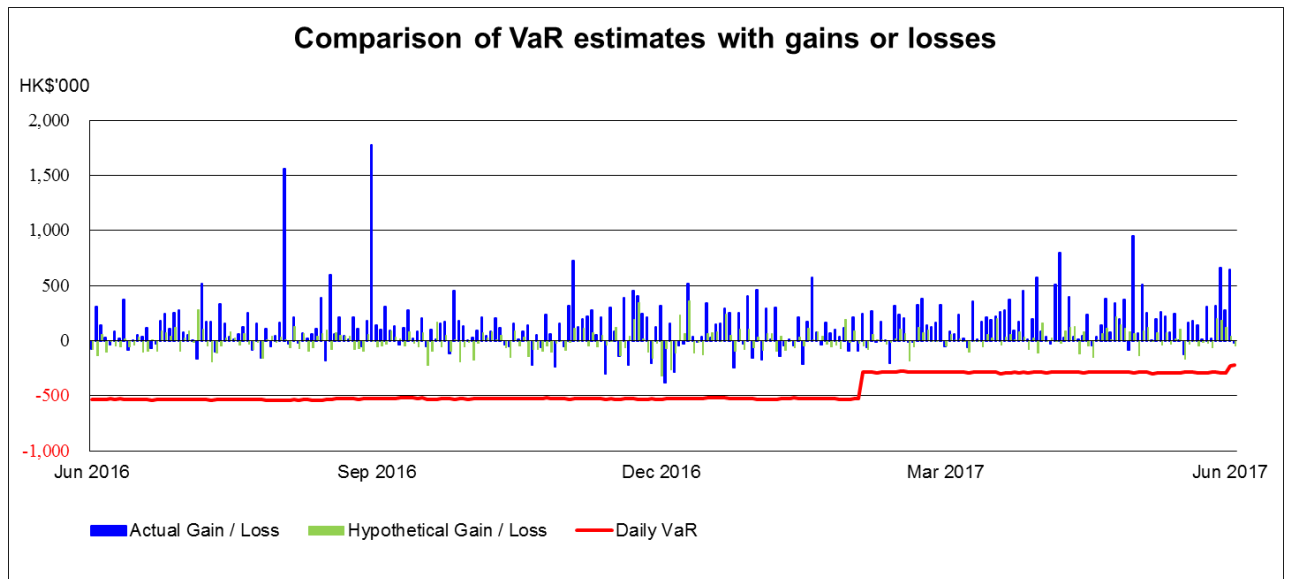
Market risk

MR3: IMM approach values for market risk exposures

		HK\$'000
VaR (10 days – one-tailed 99% confidence interval)		
1	Maximum Value	1,493
2	Average Value	1,209
3	Minimum Value	1,040
4	As At 30 June 2017	1,080
Stressed VaR (10 days – one-tailed 99% confidence interval)		
5	Maximum Value	2,044
6	Average Value	1,368
7	Minimum Value	391
8	As At 30 June 2017	391
Incremental risk charge (IRC) (99.9% confidence interval)		
9	Maximum Value	-
10	Average Value	-
11	Minimum Value	-
12	As At 30 June 2017	-
Comprehensive risk charge (CRC) (99.9% confidence interval)		
13	Maximum Value	-
14	Average Value	-
15	Minimum Value	-
16	As At 30 June 2017	-
17	Floor	-

Market risk

MR4: Comparison of VaR estimates with gains or losses



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

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

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

During the period, no exception is noted in P&L back-testing as shown above.

Capital disclosures

Regulatory capital

		At 30 June 2017		
		Component of regulatory capital reported by bank HK\$'000	Amounts subject to pre-Basel III treatment* HK\$'000	Cross reference to regulatory scope consolidated balance sheet
CET1 capital: instruments and reserves				
1	Directly issued qualifying CET1 capital instruments plus any related share premium	300,000		(4)
2	Retained earnings	5,586,410		(5)
3	Disclosed reserves	1,356,168		(7)+(8)+(9)+(10)
4	Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)	Not applicable		
	Public sector capital injections grandfathered until 1 January 2018	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	7,242,578		
CET1 capital: regulatory deductions				
7	Valuation adjustments	3,814		Not applicable
8	Goodwill (net of associated deferred tax liability)	-		
9	Other intangible assets (net of associated deferred tax liability)	-	-	
10	Deferred tax assets net of deferred tax liabilities	55,446		(2)
11	Cash flow hedge reserve	-		
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	-	
13	Gain-on-sale arising from securitization transactions	-		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	137	-	(1)+(3)
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	-	
18	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	
19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	
20	Mortgage servicing rights (amount above 10% threshold)	Not applicable		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable		
22	Amount exceeding the 15% threshold	Not applicable		
23	of which: significant investments in the common stock 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	1,585,342		
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	1,322,295		(6)+(7)
26b	Regulatory reserve for general banking risks	263,047		(9)
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)	-	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-		
28	Total regulatory deductions to CET1 capital	1,644,739		
29	CET1 capital	5,597,839		

Capital disclosures

Regulatory capital (continued)

		At 30 June 2017		
		Component of regulatory capital reported by bank HK\$'000	Amounts subject to pre-Basel III treatment* HK\$'000	Cross reference to regulatory scope consolidated balance sheet
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	<i>Capital instruments subject to phase out arrangements from AT1 capital</i>	-		
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-		
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>	-		
36	AT1 capital before regulatory deductions	-		
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	-		
41a	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 1 capital	-		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: 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	-		
vii	of which: Significant 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	-		
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)	5,597,839		
Tier 2 capital: instruments and provisions				
46	Qualifying Tier 2 capital instruments plus any related share premium	-		
47	<i>Capital instruments subject to phase out arrangements from Tier 2 capital</i>	-		
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-		
49	<i>of which: capital instruments issued by subsidiaries subject to phase out arrangements</i>	-		
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	207,778		Not applicable
51	Tier 2 capital before regulatory deductions	207,778		

Capital disclosures

Regulatory capital (continued)

		At 30 June 2017		
		Component of regulatory capital reported by bank HK\$'000	Amounts subject to pre-Basel III treatment* HK\$'000	Cross reference to regulatory scope consolidated balance sheet
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	-	-	
56	National specific regulatory adjustments applied to Tier 2 capital	(595,033)		
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	(595,033)		[(6)+(7)] *45%
56b	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	-		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: 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	-		
vii	of which: Significant 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	-		
57	Total regulatory deductions to Tier 2 capital	(595,033)		
58	Tier 2 capital	802,811		
59	Total capital (Total capital = Tier 1 + Tier 2)	6,400,650		

Capital disclosures

Regulatory capital (continued)

		At 30 June 2017	
		Component of regulatory capital reported by bank HK\$'000	Amounts subject to pre-Basel III treatment* HK\$'000
59a	Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment	-	
i	of which: Mortgage servicing rights	-	
ii	of which: Defined benefit pension fund net assets	-	
iii	of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments	-	
iv	of which: Capital investment in a connected company which is a commercial entity	-	
v	of which: 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	-	
vi	of which: Significant 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	-	
60	Total risk weighted assets	36,271,243	
Capital ratios (as a percentage of risk weighted assets)			
61	CET1 capital ratio	15.43%	
62	Tier 1 capital ratio	15.43%	
63	Total capital ratio	17.65%	
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	6.814%	
65	of which: capital conservation buffer requirement	1.250%	
66	of which: bank specific countercyclical buffer requirement	1.064%	
67	of which: G-SIB or D-SIB buffer requirement	0.000%	
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR	7.897%	
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	-	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
74	Mortgage servicing rights (net of related tax liability)	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 basic approach and the standardized (credit risk) approach (prior to application of cap)	13,722	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	14,339	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	194,056	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	200,965	
Capital instruments subject to phase-out arrangements			
80	Current cap on CET1 capital instruments subject to phase out arrangements	Not applicable	
81	Amount excluded from CET1 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)	-	

* This refers to the position under the Banking (Capital) Rules in force on 31 December 2012.

Capital disclosures

Regulatory capital (continued)

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:

Row No.	Description	Hong Kong basis HK\$'000	Basel III basis HK\$'000
9	Other intangible assets (net of associated deferred tax liability)	-	-
	Explanation As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights (MSRs) may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
10	Deferred tax assets net of deferred tax liabilities	55,446	-
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs that rely on future profitability 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.		
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)	-	-
	Explanation 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.		

Capital disclosures

Regulatory capital (continued)

Row No.	Description	Hong Kong basis HK\$'000	Basel III basis HK\$'000
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) <u>Explanation</u> For the purpose of determining the total amount of significant capital investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the 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.	-	-
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) <u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant capital investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.	-	-
54	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) <u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant capital investments in Tier 2 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.	-	-
Remarks: The amount of the 10% / 15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the Banking (Capital) Rules.			

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

Capital disclosures

Regulatory capital (continued)

Reconciliation of regulatory scope combined balance sheet to capital components

	At 30 June 2017		Cross reference to definition of capital components
	Balance sheet as in published financial statements HK\$'000	Under regulatory scope of combination HK\$'000	
ASSETS			
Cash and balances with banks and other financial institutions	9,261,616	9,261,616	
Placements with banks and other financial institutions maturing between one and twelve months	1,368,603	1,368,603	
Financial assets at fair value through profit or loss	356,203	356,203	
Derivative financial instruments	101,760	101,760	
- of which: debit valuation adjustments in respect of derivative contracts		6	(1)
Advances and other accounts	35,531,102	35,531,102	
Investment in securities	14,278,503	14,278,503	
Interests in subsidiaries	-	3,913	
Amount due from subsidiaries	-	8,293	
Investment properties	209,610	209,610	
Properties, plant and equipment	1,538,152	1,517,750	
Deferred tax assets	55,446	55,446	(2)
Other assets	740,198	740,198	
Total assets	63,441,193	63,432,997	
LIABILITIES			
Deposits and balances from banks and other financial institutions	5,796,793	5,796,793	
Derivative financial instruments	24,702	24,702	
- of which: debit valuation adjustments in respect of derivative contracts		(131)	(3)
Deposits from customers	49,659,034	49,679,100	
Other accounts and provisions	452,715	452,715	
Current tax liabilities	71,339	71,279	
Deferred tax liabilities	168,969	165,830	
Total liabilities	56,173,552	56,190,419	

Capital disclosures

Regulatory capital (continued)

Reconciliation of regulatory scope combined balance sheet to capital components (continued)

	At 30 June 2017	
	Balance sheet as in published financial statements HK\$'000	Cross reference to definition of capital components Under regulatory scope of combination HK\$'000
EQUITY		
Share capital	300,000	300,000 (4)
Reserves		
- Retained earnings	5,593,791	5,586,410 (5)
- of which: cumulative fair value gains arising from the revaluation of investment properties		199,035 (6)
- Premises revaluation reserve	1,140,942	1,123,260 (7)
- Reserve for fair value changes of available-for-sale securities	1,197	1,197 (8)
- Regulatory reserve	263,047	263,047 (9)
- Translation reserve	(31,336)	(31,336) (10)
Total equity	7,267,641	7,242,578
Total liabilities and equity	63,441,193	63,432,997

Capital disclosures

Capital instruments

		CET1 Capital Ordinary shares
1	Issuer	Chiyu Banking Corporation Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable
3	Governing law(s) of the instrument	Hong Kong law
<i>Regulatory treatment</i>		
4	Transitional Basel III rules [#]	Not applicable
5	Post-transitional Basel III rules ⁺	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK\$300m (as of 30 June 2017)
9	Par value of instrument	No par value (refer to Note 1 for details)
10	Accounting classification	Shareholders' equity
11	Original date of issuance	10 July 1947 (refer to Note 2 for details)
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable

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

Note 1: Pursuant to the Hong Kong Companies Ordinance (Chapter 622) which has commenced operation on 3 March 2014, all shares issued by a company incorporated in Hong Kong before, on and after that commencement date shall have no par value and the relevant concept of authorised share capital is abolished.

Note 2:

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

Capital disclosures

Countercyclical capital buffer ("CCyB") ratio

Geographical breakdown of risk-weighted amounts (RWA) in relation to private sector credit exposures

		At 30 June 2017			
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	1.250%	22,155,404		
2	China	0.000%	2,636,488		
3	Australia	0.000%	29,044		
4	Bermuda	0.000%	345,500		
5	Cayman Islands	0.000%	99,322		
6	Chinese Taipei	0.000%	34,632		
7	Macau SAR	0.000%	122,735		
8	Singapore	0.000%	250		
9	United States	0.000%	217,707		
10	West Indies UK	0.000%	395,861		
11					
12					
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21					
22					
23					
24					
25					
26					
27					
Total			26,036,943	1.064%	276,943

Leverage ratio disclosures

Leverage ratio

		At 30 June 2017
		HK\$'000
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	63,482,554
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(1,644,608)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	61,837,946
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	95,222
5	Add-on amounts for PFE associated with all derivatives transactions	61,765
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	-
8	Less: Exempted CCP leg of client-cleared trade exposures	-
9	Adjusted effective notional amount of written credit derivatives	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives	-
11	Total derivative exposures	156,987
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales 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 securities financing transaction exposures	-
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	8,762,507
18	Less: Adjustments for conversion to credit equivalent amounts	(6,964,048)
19	Off-balance sheet items	1,798,459
Capital and total exposures		
20	Tier 1 capital	5,597,839
21	Total exposures	63,793,392
Leverage ratio		
22	Basel III leverage ratio	8.77%

Summary comparison table

		At 30 June 2017
		HK\$'000
1	Total consolidated assets as per published financial statements	63,441,193
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(8,196)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	55,227
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1,798,459
7	Other adjustments	(1,493,291)
	<i>of which: Hong Kong SAR Government certificates of indebtedness</i>	
8	Leverage ratio exposure	63,793,392

Liquidity information disclosures

Liquidity coverage ratio

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this table		For the quarter ended 30 June 2017: 71 data points		For the quarter ended 31 March 2017: 73 data points	
Basis of disclosure: consolidated		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
A. HIGH QUALITY LIQUID ASSETS					
1	Total high quality liquid assets (HQLA)		6,453,436		6,306,422
B. CASH OUTFLOWS					
2	Retail deposits and small business funding, of which:	32,079,467	2,111,223	30,255,592	1,982,819
3	<i>Stable retail deposits and stable small business funding</i>	8,991,270	269,738	9,107,192	273,216
4	<i>Less stable retail deposits and less stable small business funding</i>	13,600,837	1,360,084	12,881,791	1,288,179
5	<i>Retail term deposits and small business term funding</i>	9,487,360	481,401	8,266,609	421,424
6	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	11,054,695	6,652,234	11,758,262	6,993,478
7	<i>Operational deposits</i>	3,288,187	777,582	3,070,401	723,582
8	<i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>	7,766,508	5,874,652	8,687,861	6,269,896
9	<i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>	-	-	-	-
10	Secured funding transactions (including securities swap transactions)		116		11
11	Additional requirements, of which:	7,097,492	1,203,038	7,054,200	1,200,883
12	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collaterals requirements</i>	146,011	146,011	161,040	161,040
13	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	-	-	-	-
14	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	6,951,481	1,057,027	6,893,160	1,039,843
15	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	527,466	527,466	522,495	522,495
16	Other contingent funding obligations (whether contractual or non-contractual)	1,958,277	81,811	2,072,164	89,990
17	TOTAL CASH OUTFLOWS		10,575,888		10,789,676
C. CASH INFLOWS					
18	Secured lending transactions (including securities swap transactions)	-	-	-	-
19	Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions	7,824,445	5,667,489	8,290,687	6,251,831
20	Other cash inflows	893,738	892,356	999,569	998,386
21	TOTAL CASH INFLOWS	8,718,183	6,559,845	9,290,256	7,250,217
D. LIQUIDITY COVERAGE RATIO		ADJUSTED VALUE		ADJUSTED VALUE	
22	TOTAL HQLA		6,453,436		6,306,422
23	TOTAL NET CASH OUTFLOWS		4,031,814		3,550,390
24	LCR (%)		177.51%		181.56%

Liquidity information disclosures

Liquidity coverage ratio (continued)

Notes:

- The weighted amount of HQLA is to be calculated as the amount after applying the haircuts as required under the Banking (Liquidity) Rules.
- The unweighted amounts of cash inflows and cash outflows are to be calculated as the principal amounts in the calculation of the LCR as required under the Banking (Liquidity) Rules.
- The weighted amounts of cash inflows and cash outflows are to be calculated as the amounts after applying the inflow and outflow rates as required under the Banking (Liquidity) Rules.
- The adjusted value of total HQLA and the total net cash outflows have taken into account any applicable ceiling as required under the Banking (Liquidity) Rules.

In the first half of 2017, the Bank has maintained a healthy liquidity position. The LCR was sensitive to the asset deployment and the funding structure of the Bank. The average LCR of the first and second quarter were 181.56% and 177.51% respectively.

The HQLA consists of cash, balances at central banks and high quality marketable securities issued or guaranteed by sovereigns, central banks, public sector entities or multilateral development banks and non-financial corporate debt securities. In the first half of 2017, the majority of the HQLA was composed of Level 1 HQLA.

The net cash outflow was mainly from retail and corporate customer deposit which are the Bank's primary source of funds, together with deposit and balance from bank and other financial institution. To ensure stable, sufficient and diversified source of funds, the Bank actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market. Other cash outflow, such as commitment, cash outflow under derivative contract and potential collateral requirement, were minimal to the LCR.

Majority of the Bank's customer deposits are denominated in HKD, USD and RMB. As the supply of HKD denominated HQLA in the market is relatively limited, the Bank swaps surplus HKD funding into USD and other foreign currencies, part of funding are deployed to investment in HQLA.