

Regulatory Disclosures

30 June 2019



集友銀行
Chiyu Banking Corporation Ltd.

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

KM1: Key prudential ratios

		At 30 June 2019	At 31 March 2019	At 31 December 2018	At 30 September 2018	At 30 June 2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	9,533,110	9,575,943	7,758,669	6,058,016	5,902,332
2	Tier 1	11,470,822	11,513,655	9,696,381	7,995,728	7,840,044
3	Total capital	12,557,531	12,522,130	10,643,302	8,924,709	8,757,724
	RWA (amount)					
4	Total RWA	69,422,316	60,555,177	50,695,553	46,950,506	46,940,300
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	13.73	15.81	15.30	12.90	12.57
6	Tier 1 ratio (%)	16.52	19.01	19.13	17.03	16.70
7	Total capital ratio (%)	18.09	20.68	20.99	19.01	18.66
	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 (%)	1.735	1.715	1.448	1.474	1.460
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	-	-	-	-	-
11	Total AI-specific CET1 buffer requirements (%)	4.235	4.215	3.323	3.349	3.335
12	CET1 available after meeting the AI's minimum capital requirements (%)	8.797	10.979	10.672	8.328	8.029
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	148,840,305	130,142,152	105,325,379	92,497,743	87,457,854
14	LR (%)	7.71	8.85	9.21	8.64	8.96
	Liquidity Coverage Ratio (LCR)					
15	Total high quality liquid assets (HQLA)	20,171,323	13,721,926	12,325,150	11,674,500	12,059,015
16	Total net cash outflows	10,739,416	6,506,137	5,194,550	4,668,731	6,823,982
17	LCR (%)	191.46	218.71	244.69	250.75	186.29
	Net Stable Funding Ratio (NSFR)					
18	Total available stable funding	92,278,766	83,513,870	76,308,966	66,549,508	61,826,104
19	Total required stable funding	72,582,514	67,623,942	54,420,814	49,644,626	49,476,635
20	NSFR (%)	127.14	123.50	140.22	134.05	124.96

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

OV1: Overview of RWA

		RWA		Minimum capital requirements
		At 30 June 2019	At 31 March 2019	At 30 June 2019
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitization exposures	62,963,902	54,868,739	5,315,743
2	Of which STC approach	4,915,748	3,584,853	393,260
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	58,048,154	51,283,886	4,922,483
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	209,159	179,540	17,306
7	Of which SA-CCR*	Not applicable	Not applicable	Not applicable
7a	Of which CEM	133,284	129,030	10,872
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	75,875	50,510	6,434
10	CVA risk	53,113	53,063	4,249
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA*	Not applicable	Not applicable	Not applicable
13	CIS exposures – MBA*	Not applicable	Not applicable	Not applicable
14	CIS exposures – FBA*	Not applicable	Not applicable	Not applicable
14a	CIS exposures – combination of approaches*	Not applicable	Not applicable	Not applicable
15	Settlement risk	-	1,094	-
16	Securitization exposures in banking book			
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	128,013	98,813	10,241
21	Of which STM approach	18,138	18,625	1,451
22	Of which IMM approach	109,875	80,188	8,790
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)*	Not applicable	Not applicable	Not applicable
24	Operational risk	3,350,138	3,037,438	268,011
24a	Sovereign concentration risk	Not applicable	Not applicable	Not applicable
25	Amounts below the thresholds for deduction (subject to 250% RW)	29,500	19,500	2,360
26	Capital floor adjustment			-
26a	Deduction to RWA	801,569	782,545	64,126
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	2,448	-	196
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	799,121	782,545	63,930
27	Total	65,932,256	57,475,642	5,553,784

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%.

2. Composition of regulatory capital

CC1: Composition of regulatory capital

		At 30 June 2019	
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		HK\$'000	
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	3,245,980	(4)
2	Retained earnings	6,591,567	(9)
3	Disclosed reserves	1,674,021	(5)+(6)+(7)+(8)
4	Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	CET1 capital before regulatory adjustments	11,511,568	
CET1 capital: regulatory deductions			
7	Valuation adjustments	13,228	
8	Goodwill (net of associated deferred tax liabilities)	-	
9	Other intangible assets (net of associated deferred tax liabilities)	-	
10	Deferred tax assets (net of associated deferred tax liabilities)	9,709	(2)
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	253	(1) + (3)
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable

2. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

		At 30 June 2019	
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		HK\$'000	
CET1 capital: regulatory deductions (continued)			
26	National specific regulatory adjustments applied to CET1 capital	1,955,268	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	1,452,948	(5) + (10)
26b	Regulatory reserve for general banking risks	502,320	(7)
26c	Securitization exposures specified in a notice given by the MA	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	Total regulatory deductions to CET1 capital	1,978,458	
29	CET1 capital	9,533,110	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	1,937,712	(11)
31	of which: classified as equity under applicable accounting standards	1,937,712	
32	of which: classified as liabilities under applicable accounting standards	-	
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
36	AT1 capital before regulatory deductions	1,937,712	
AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	Total regulatory deductions to AT1 capital	-	
44	AT1 capital	1,937,712	
45	Tier 1 capital (T1 = CET1 + AT1)	11,470,822	

2. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

		At 30 June 2019	
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		HK\$'000	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49	<i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	432,882	
51	Tier 2 capital before regulatory deductions	432,882	
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)		
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
56	National specific regulatory adjustments applied to Tier 2 capital	(653,827)	
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	(653,827)	[(5) + (10)]*45%
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR		
57	Total regulatory adjustments to Tier 2 capital	(653,827)	
58	Tier 2 capital (T2)	1,086,709	
59	Total regulatory capital (TC = T1 + T2)	12,557,531	
60	Total RWA	69,422,316	

2. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

		At 30 June 2019	
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	13.73%	
62	Tier 1 capital ratio	16.52%	
63	Total capital ratio	18.09%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	8.735%	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: bank specific countercyclical capital buffer requirement	1.735%	
67	of which: higher loss absorbency requirement	-	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	8.797%	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	22,725	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	34,689	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	65,384	
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	62,936	
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)	511,209	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	369,946	

2. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

		At 30 June 2019	
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	<i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	Not applicable	Not applicable
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	Not applicable
82	<i>Current cap on AT1 capital instruments subject to phase-out arrangements</i>	-	
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	-	
84	<i>Current cap on Tier 2 capital instruments subject to phase-out arrangements</i>	-	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	-	

2. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

	Description	Hong Kong basis	Basel III basis
		HK\$'000	HK\$'000
9	Other intangible assets (net of associated deferred tax liabilities)	-	-
	<u>Explanation</u> As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
10	Deferred tax assets (net of associated deferred tax liabilities)	9,709	-
	<u>Explanation</u> As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III..		
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
	<u>Explanation</u> For the purpose of determining the total amount of insignificant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

2. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

	Description	Hong Kong basis	Basel III basis
		HK\$'000	HK\$'000
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
	<u>Explanation</u> For the purpose of determining the total amount of significant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach..		
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)		
	<u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)		
	<u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in Tier 2 capital instruments and non-capital LAC liabilities may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
Remarks: The amount of the 10% threshold and 5% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.			

2. Composition of regulatory capital (continued)

CC2: Reconciliation of regulatory capital to balance sheet

	At 30 June 2019		
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	HK\$'000	HK\$'000	
Assets			
Cash and balances with banks and other financial institutions	14,921,603	14,921,603	
Placements with banks and other financial institutions maturing between one and twelve months	4,408,174	4,408,174	
Financial assets designated at fair value through profit or loss	372,615	372,615	
Derivative financial instruments	132,572	132,572	
<i>of which: debit valuation adjustments in respect of derivative contracts</i>	-	231	(1)
Advances to customers and trade bills	72,832,355	72,832,355	
Investment in securities	46,224,115	46,224,115	
Investment in subsidiaries	-	11,800	
Amount due from subsidiaries	-	11,089	
Investment properties	237,740	237,740	
Properties, plant and equipment	1,901,651	1,901,651	
Deferred tax assets	9,709	9,709	(2)
Other assets	1,080,990	1,080,399	
Total assets	142,121,524	142,143,822	
Liabilities			
Deposits and balances from banks and other financial institutions	24,671,068	24,671,068	
Derivative financial instruments	53,946	53,946	
<i>of which: debit valuation adjustments in respect of derivative contracts</i>	-	22	(3)
Deposits from customers	102,237,112	102,342,623	
Other accounts and provisions	1,308,338	1,308,160	
Current tax liabilities	147,951	137,323	
Deferred tax liabilities	181,438	181,422	
Total liabilities	128,599,853	128,694,542	
Shareholders' equity			
Share capital	3,245,980	3,245,980	(4)
Reserves	8,337,979	8,265,588	
Premises revaluation reserve	1,251,156	1,251,156	(5)
Fair value reserve	(10,389)	(10,389)	(6)
Regulatory reserve	502,320	502,320	(7)
Translation reserve	(69,066)	(69,066)	(8)
Retained earnings	6,663,958	6,591,567	(9)
<i>of which: cumulative fair value gains arising from the revaluation of investment properties</i>	-	201,792	(10)
Additional equity instruments	1,937,712	1,937,712	(11)
Total equity	13,521,671	13,449,280	
Total liabilities and equity	142,121,524	142,143,822	

2. Composition of regulatory capital (continued)

CCA: Main features of regulatory capital instruments

		CET1 Capital Ordinary shares	USD Non-Cumulative Subordinated Additional Tier 1 Capital Securities
1	Issuer	Chiyu Banking Corporation Limited	Chiyu Banking Corporation Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable	XS1720307344
3	Governing law(s) of the instrument	Hong Kong law	The Capital Securities are governed by and shall be construed in accordance with English Law, except that the subordination provisions are governed by and shall be construed in accordance with Hong Kong law.
	<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	Not applicable	Not applicable
5	Post-transitional Basel III rules ²	Common Equity Tier 1	Additional Tier 1
6	Eligible at solo / group / solo and group	Solo and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Additional Tier 1 capital instruments
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK\$3,246m (as of 30 June 2019)	HK\$1,938m (as of 30 June 2019)
9	Par value of instrument	No par value (refer to Note 1 for details)	US\$250m
10	Accounting classification	Shareholders' equity	Equity instruments
11	Original date of issuance	10 July 1947 (refer to Note 2 for details)	29 November 2017
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	Not applicable
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	Not applicable	First call date: 29 November 2022 (Redemption in whole at 100%)
16	Subsequent call dates, if applicable	Not applicable	Any distribution payment date thereafter
	<i>Dividend / coupon</i>		
17	Fixed or floating dividend / coupon	Floating	Fixed
18	Coupon rate and any related index	Not applicable	Year 1-5: 5.25% per annum payable semi-annually in arrear; Year 5 onwards: resettable on year 5 and every 5 years thereafter at then prevailing 5-year US Treasury rate plus a fixed initial spread
19	Existence of a dividend stopper	No	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary
21	Existence of step-up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Noncumulative	Noncumulative

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

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

2. Composition of regulatory capital (continued)

CCA: Main features of regulatory capital instruments (continued)

		CET1 Capital Ordinary shares	USD Non-Cumulative Subordinated Additional Tier 1 Capital Securities
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable
30	Write-down feature	No	Yes
31	If write-down, write-down trigger(s)	Not applicable	Upon the occurrence of a Non-Viability Event
32	If write-down, full or partial	Not applicable	Full or Partial
33	If write-down, permanent or temporary	Not applicable	Permanent
34	If temporary write-down, description of write-up mechanism	Not applicable	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Not applicable	Depositors, bank's unsubordinated creditors, creditors of Tier 2 capital and all other subordinated indebtedness of the bank stated to rank senior to the Capital Securities.
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	Not applicable	Not Applicable

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

Note 2:

- Several issuance of ordinary share had been made since the first issuance. Last issuance was on 31 December 2018.
- 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.

3. Macroprudential supervisory measures

CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer

	Geographical breakdown by Jurisdiction (J)	At 30 June 2019			
		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%	35,312,601		
	Sum		35,312,601		
	Total		50,884,412	1.735%	1,204,477

The sum of RWAs represents the private sector credit exposures in jurisdictions with a non-zero countercyclical buffer rate.

The total RWAs used in the computation of the CCyB ratio represents the total RWAs for the private sector credit exposures in all jurisdictions to which the Group is exposed, including jurisdictions with no countercyclical buffer rate or with a countercyclical buffer rate set at zero. The CCyB amount represents the Group's total RWAs multiplied by the Group's specific CCyB ratio.

4. Leverage ratio

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

	Item	At 30 June 2019
		Value under the LR framework
		HK\$'000
1	Total consolidated assets as per published financial statements	142,121,524
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	22,298
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
4	Adjustments for derivative contracts	107,254
5	Adjustment for SFTs (i.e. repos and similar secured lending)	5,056,484
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	3,519,149
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(600,563)
7	Other adjustments	(1,385,841)
8	Leverage ratio exposure measure	148,840,305

4. Leverage ratio (continued)

LR2: Leverage ratio

		At 30 June 2019	At 31 March 2019
		HK\$'000	HK\$'000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	142,603,845	125,348,604
2	Less: Asset amounts deducted in determining Tier 1 capital	(1,978,436)	(1,903,077)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	140,625,409	123,445,527
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	123,256	101,195
5	Add-on amounts for PFE associated with all derivative contracts	132,574	130,637
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	16,004	-
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	-	-
11	Total exposures arising from derivative contracts	239,826	231,832
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	4,953,184	3,781,707
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	103,300	23,300
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	5,056,484	3,805,007
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	13,334,733	11,875,010
18	Less: Adjustments for conversion to credit equivalent amounts	(9,815,584)	(8,761,019)
19	Off-balance sheet items	3,519,149	3,113,991
Capital and total exposures			
20	Tier 1 capital	11,470,822	11,513,655
20a	Total exposures before adjustments for specific and collective provisions	149,440,868	130,596,357
20b	Adjustments for specific and collective provisions	(600,563)	(454,205)
21	Total exposures after adjustments for specific and collective provisions	148,840,305	130,142,152
Leverage ratio			
22	Leverage ratio	7.71%	8.85%

5. Liquidity

LIQ1: Liquidity Coverage Ratio

Number of data points used in calculating the average value of the LCR and related components set out in this template		For the quarter ended 30 June 2019: 71 data points		For the quarter ended 31 March 2019: 73 data points	
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)	Unweighted value (average)	Weighted value (average)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
A. HQLA					
1	Total HQLA		20,171,323		13,767,298
B. Cash outflows					
2	Retail deposits and small business funding, of which:	67,719,279	3,983,484	62,037,527	3,652,607
3	<i>Stable retail deposits and stable small business funding</i>	10,310,544	309,316	10,206,064	306,182
4	<i>Less stable retail deposits and less stable small business funding</i>	15,965,179	1,596,518	15,004,216	1,500,422
4a	<i>Retail term deposits and small business term funding</i>	41,443,556	2,077,650	36,827,247	1,846,003
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	21,270,257	16,020,362	18,351,886	12,960,415
6	<i>Operational deposits</i>	3,028,558	711,678	3,395,458	801,596
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	18,241,699	15,308,684	14,956,428	12,158,819
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	-	-	-	-
9	Secured funding transactions (including securities swap transactions)		-		-
10	Additional requirements, of which:	11,519,642	2,029,924	10,712,840	1,769,649
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	218,439	218,439	230,431	230,431
12	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	-	-	-	-
13	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	11,301,203	1,811,485	10,482,409	1,539,218
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	1,163,062	1,163,062	2,170,065	2,170,065
15	Other contingent funding obligations (whether contractual or non-contractual)	1,759,736	60,223	1,933,723	65,988
16	Total Cash Outflows	-	23,257,055	-	20,618,724
C. Cash Inflows					
17	Secured lending transactions (including securities swap transactions)	-	-	12,920	-
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	15,523,093	10,838,435	18,553,373	14,617,723
19	Other cash inflows	1,679,204	1,679,204	1,009,928	1,009,928
20	Total Cash Inflows	17,202,297	12,517,639	19,576,221	15,627,651
D. Liquidity Coverage Ratio					
21	Total HQLA		20,171,323		13,721,926
22	Total Net Cash Outflows		10,739,416		6,506,137
23	LCR (%)		191.46%		218.71%

5. Liquidity (continued)

LIQ1: Liquidity Coverage Ratio (continued)

Notes:

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

In the first half of 2019, the Group has maintained a healthy liquidity position. The LCR was sensitive to the asset deployment and the funding structure of the Group. The average LCR of the first and second quarter were 218.71% and 191.46% respectively. The ratio has maintained at stable and healthy levels.

The HQLA consists of cash, balances at central banks and high quality marketable securities issued or guaranteed by sovereigns, central banks, public sector entities or multilateral development banks and non-financial corporate debt securities. In the first half of 2019, the majority of the HQLA was composed of Level 1 HQLA.

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

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

5. Liquidity (continued)

LIQ2: Net Stable Funding Ratio

Basis of disclosure: consolidated		At 30 June 2019				
		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
A. Available stable funding ("ASF") item						
1	Capital:	13,449,280	-	-	-	13,449,280
2	Regulatory capital	13,449,280	-	-	-	13,449,280
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	58,533,430	12,942,446	8,514	65,132,447
5	Stable deposits	-	14,514,439	1,398,459	330	15,117,583
6	Less stable deposits	-	44,018,991	11,543,987	8,184	50,014,864
7	Wholesale funding:	-	47,082,448	6,131,934	1,643,408	13,346,893
8	Operational deposits	-	3,382,704	-	-	1,691,352
9	Other wholesale funding	-	43,699,744	6,131,934	1,643,408	11,655,541
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	1,818,850	749,739	-	-	350,146
12	Net derivative liabilities	-	-	-	-	-
13	All other funding and liabilities not included in the above categories	1,818,850	749,739	0	0	350,146
14	Total ASF					92,278,766
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes				35,921,613	1,833,012
16	Deposits held at other financial institutions for operational purposes	-	108,812	-	-	54,406
17	Performing loans and securities:	3,650,692	25,716,429	19,149,074	53,211,666	66,243,935
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	31,644	12,819,177	1,711,506	3,549,209	6,359,483
20	Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:	3,619,048	9,842,835	13,831,695	34,753,065	44,453,562
21	With a risk-weight of less than or equal to 35% under the STC approach	-	182,985	-	-	91,493
22	Performing residential mortgages, of which:	-	89,233	84,249	2,873,637	1,957,094
23	With a risk-weight of less than or equal to 35% under the STC approach	-	88,721	83,728	2,861,190	1,945,998
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	0	2,965,184	3,521,624	12,035,755	13,473,796
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	3,683,625	1,020,821	8,380	2,163	3,861,155
27	Physical traded commodities, including gold	37,519	-	-	-	37,519
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
29	Net derivative assets	78,626	-	-	-	78,626
30	Total derivative liabilities before deduction of variation margin posted	53,946	-	-	-	N/A
31	All other assets not included in the above categories	3,513,534	1,020,821	8,380	2,163	3,745,010
32	Off-balance sheet items	-	-	-	13,335,193	590,006
33	Total RSF					72,582,514
34	Net Stable Funding Ratio (%)					127.14%

5. Liquidity (continued)

LIQ2: Net Stable Funding Ratio (continued)

Basis of disclosure: consolidated		At 31 March 2019				
		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
A. Available stable funding ("ASF") item						
1	Capital:	13,417,455	-	-	-	13,417,455
2	Regulatory capital	13,417,455	-	-	-	13,417,455
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	48,640,152	15,044,477	10,018	58,032,289
5	Stable deposits	-	13,196,402	925,689	370	13,416,356
6	Less stable deposits	-	35,443,750	14,118,788	9,648	44,615,933
7	Wholesale funding:	-	38,408,228	5,051,088	2,638,857	11,793,000
8	Operational deposits	-	3,667,120	-	-	1,833,560
9	Other wholesale funding	-	34,741,108	5,051,088	2,638,857	9,959,440
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	1,591,974	577,213	-	-	271,126
12	Net derivative liabilities	-	-	-	-	-
13	All other funding and liabilities not included in the above categories	1,591,974	577,213	-	-	271,126
14	Total ASF					83,513,870
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes				23,712,786	2,622,166
16	Deposits held at other financial institutions for operational purposes	-	136,325	-	-	68,163
17	Performing loans and securities:	2,623,447	30,570,331	14,154,131	50,486,233	60,982,476
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	9,171	18,100,285	1,331,481	2,436,231	5,826,185
20	Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:	2,538,322	8,682,296	9,106,134	32,410,085	38,600,362
21	With a risk-weight of less than or equal to 35% under the STC approach	-	32,179	-	-	16,090
22	Performing residential mortgages, of which:	-	88,417	85,833	2,786,224	1,900,721
23	With a risk-weight of less than or equal to 35% under the STC approach	-	87,890	85,315	2,773,470	1,889,358
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	75,954	3,699,333	3,630,683	12,853,693	14,655,208
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	3,265,228	493,759	818	2,219	3,443,572
27	Physical traded commodities, including gold	38,776	-	-	-	38,776
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
29	Net derivative assets	82,738	-	-	-	82,738
30	Total derivative liabilities before deduction of variation margin posted	25,743	-	-	-	N/A
31	All other assets not included in the above categories	3,117,971	493,759	818	2,219	3,322,058
32	Off-balance sheet items	-	-	-	11,879,135	507,565
33	Total RSF					67,623,942
34	Net Stable Funding Ratio (%)					123.50%

5. Liquidity (continued)

LIQ2: Net Stable Funding Ratio (continued)

Notes:

The above disclosures are made pursuant to the section 16FL and 103AB of Banking (Disclosure) Rules. The items disclosed are measured according to the methodology and instructions set out in the Stable Funding Position Return (MA(BS)26) and the requirements set out in Banking (Liquidity) Rules.

Net Stable Funding Ratio ("NSFR") is defined as the amount of available stable funding ("ASF") relative to the amount of required stable funding ("RSF"). The ratio is calculated after applying the respective ASF or RSF factors required under the Stable Funding Position Return (MA(BS)26). It requires banks to maintain a stable funding profile in relation to the composition of banks' assets and off-balance sheet activities.

The NSFR of the group remained robust and well above the regulatory requirement of 100%. The NSFR of the first quarter and the second quarter of 2019 were 123.50% and 127.14% respectively. The weighted amount of ASF items mainly consists of retail deposits. The weighted amount of RSF items mainly consists of loans to customers and investments in debt securities.

6. Credit risk for non-securitization exposures

CR1: Credit quality of exposures

		At 30 June 2019						
		Gross carrying amounts of		Allowances / Impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values
					Defaulted exposures	Non-defaulted exposures		
		HK\$'000	HK\$'000					
1	Loans	336,073	92,197,968	588,365	-	30,215	558,150	91,945,676
2	Debt securities	-	46,572,966	1,788	-	-	1,788	46,571,178
3	Off-balance sheet exposures	8,597	13,326,136	7,968	-	993	6,975	13,326,765
4	Total	344,670	152,097,070	598,121	-	31,208	566,913	151,843,619

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

CR2: Changes in defaulted loans and debt securities

	HK\$'000
1 Defaulted loans and debt securities as at 31 December 2018	257,159
2 Loans and debt securities that have defaulted since the last reporting period	99,230
3 Returned to non-defaulted status	-
4 Amounts written off	(352)
5 Other changes	(19,964)
6 Defaulted loans and debt securities as at 30 June 2019	336,073

CR3: Overview of recognized credit risk mitigation

		At 30 June 2019				
		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	71,611,290	20,334,386	12,003,224	8,331,162	-
2	Debt securities	45,380,271	1,190,907	-	1,190,907	-
3	Total	116,991,561	21,525,293	12,003,224	9,522,069	-
4	Of which defaulted	66,670	-	-	-	-

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

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

	Exposure classes	At 30 June 2019					
		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	28,962,934	-	28,962,934	-	25,410	0.09
2	PSE exposures	2,755,331	-	2,755,331	-	551,066	20.00
2a	Of which: domestic PSEs	2,755,331	-	2,755,331	-	551,066	20.00
2b	Of which: foreign PSEs	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-
4	Bank exposures	43,754	-	43,754	-	8,751	20.00
5	Securities firm exposures	-	-	-	-	-	-
6	Corporate exposures	3,497,117	1,041,154	3,497,117	441,808	2,727,454	69.24
7	CIS exposures	-	-	-	-	-	-
8	Cash items	-	-	-	-	-	-
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	0.00
10	Regulatory retail exposures	885,030	352,888	885,030	9,104	665,138	74.39
11	Residential mortgage loans	13,498	-	13,498	-	6,749	50.00
12	Other exposures which are not past due exposures	949,589	102,548	949,589	10,705	931,163	96.97
13	Past due exposures	11	-	11	-	17	155.88
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	Total	37,107,264	1,496,590	37,107,264	461,617	4,915,748	13.08

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

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

	Exposure class	Risk Weight	At 30 June 2019										Total credit risk exposures amount (post CCF and post CRM)
			0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Sovereign exposures		28,835,883	-	127,051	-	-	-	-	-	-	-	28,962,934
2	PSE exposures		-	-	2,755,331	-	-	-	-	-	-	-	2,755,331
2a	Of which: domestic PSEs		-	-	2,755,331	-	-	-	-	-	-	-	2,755,331
2b	Of which: foreign PSEs		-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures		-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures		-	-	43,754	-	-	-	-	-	-	-	43,754
5	Securities firm exposures		-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures		1,211,471	-	-	-	-	-	2,727,454	-	-	-	3,938,925
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		7,284	-	-	-	-	886,850	-	-	-	-	894,134
11	Residential mortgage loans		-	-	-	-	13,498	-	-	-	-	-	13,498
12	Other exposures which are not past due exposures		29,131	-	-	-	-	-	931,163	-	-	-	960,294
13	Past due exposures		-	-	-	-	-	-	-	11	-	-	11
14	Significant exposures to commercial entities		-	-	-	-	-	-	-	-	-	-	-
15	Total		30,083,769	-	2,926,136	-	13,498	886,850	3,658,617	11	-	-	37,568,881

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

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

(a) FIRB approach

	PD scale	At 30 June 2019											
		Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		HK\$'000	HK\$'000	%	HK\$'000	%		%	Year	HK\$'000	%	HK\$'000	HK\$'000
Bank Exposures	0.00 to < 0.15	22,611,460	302,957	0.98	22,996,871	0.07	113	45.00	2.50	6,932,629	30.15	7,020	
	0.15 to < 0.25	3,506,359	-	-	3,504,788	0.22	17	45.00	2.50	2,141,103	61.09	3,470	
	0.25 to < 0.50	2,108,165	50,000	-	2,292,806	0.39	8	45.00	2.50	1,663,401	72.55	4,024	
	0.50 to < 0.75	1,614,367	311,891	9.86	2,074,495	0.51	14	44.34	2.50	1,877,230	90.49	4,692	
	0.75 to < 2.50	600,613	3,000	-	599,740	1.41	3	52.86	2.50	721,425	120.29	4,352	
	2.50 to < 10.00	-	-	-	-	-	-	-	-	-	-	-	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	30,440,964	667,848	5.05	31,468,700	0.16	155	45.11	2.50	13,335,788	42.38	23,558	185,141
Corporate Exposures – Small-and-medium sized Corporates	0.00 to < 0.15	453,344	12,612	0.00	95,858	0.10	17	39.24	2.50	19,457	20.30	38	
	0.15 to < 0.25	97,819	100,704	2.06	99,895	0.22	9	36.75	2.50	30,594	30.63	81	
	0.25 to < 0.50	92,542	31,754	0.22	194,386	0.39	16	43.28	2.50	91,687	47.17	328	
	0.50 to < 0.75	230,153	32,559	1.92	230,778	0.58	28	41.03	2.50	123,158	53.37	550	
	0.75 to < 2.50	2,201,139	384,207	1.38	2,244,821	1.31	90	41.31	2.50	1,625,316	72.40	12,076	
	2.50 to < 10.00	1,525,909	167,367	1.77	1,528,877	5.54	30	39.75	2.50	1,571,695	102.80	33,799	
	10.00 to < 100.00	38,488	120	-	38,488	10.54	1	44.08	2.50	56,449	146.67	1,788	
	100.00 (Default)	-	-	-	-	0.00	-	-	-	-	-	-	
	Sub-total	4,639,394	729,323	1.51	4,433,103	2.72	191	40.72	2.50	3,518,356	79.37	48,660	48,434
Corporate Exposures – Other Corporates	0.00 to < 0.15	11,767,234	3,647,053	61.57	13,981,296	0.09	81	44.99	2.50	4,024,594	28.79	5,674	
	0.15 to < 0.25	3,150,967	733,319	46.02	3,487,201	0.22	23	44.50	2.50	1,800,563	51.63	3,414	
	0.25 to < 0.50	10,035,897	899,473	30.93	10,026,389	0.39	45	42.59	2.50	5,926,095	59.10	16,654	
	0.50 to < 0.75	11,790,577	1,199,494	26.54	11,679,477	0.57	83	40.94	2.50	7,949,932	68.07	27,155	
	0.75 to < 2.50	15,314,493	1,460,747	5.63	15,356,482	1.26	143	42.63	2.50	14,943,907	97.31	81,975	
	2.50 to < 10.00	7,023,572	706,358	14.07	7,122,936	5.02	54	9.47	2.50	2,162,062	30.35	27,919	
	10.00 to < 100.00	282,522	-	-	282,522	12.01	4	19.27	2.50	291,994	103.35	7,354	
	100.00 (Default)	353,745	8,597	50.00	358,043	100.00	7	44.46	2.50	64,372	17.98	285,811	
	Sub-total	59,719,007	8,655,041	38.88	62,294,346	1.72	440	39.05	2.50	37,163,519	59.66	455,956	798,330

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

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

(b) Retail IRB approach

	PD scale	At 30 June 2019											
		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	2,150	-	1,857	0.03	3	20.30	1.00	8	0.44	-	-
	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	1	2,150	-	1,857	0.03	3	20.30	1.00	8	0.44	-	-
Retail Exposures – Residential Mortgages Exposures	0.00 to < 0.15	2,167,903	-	-	2,167,904	0.10	1,047	10.98	4.93	382,642	17.65	226	-
	0.15 to < 0.25	625,995	-	-	625,995	0.22	151	11.05	5.00	126,905	20.27	152	-
	0.25 to < 0.50	153,653	-	-	153,653	0.39	55	10.74	5.00	36,705	23.89	64	-
	0.50 to < 0.75	85,645	-	-	85,645	0.52	36	16.06	5.00	21,166	24.71	70	-
	0.75 to < 2.50	2,088	-	-	2,088	1.33	4	10.56	4.97	396	18.97	3	-
	2.50 to < 10.00	15,292	-	-	15,292	3.67	3	10.76	5.00	4,568	29.87	60	-
	10.00 to < 100.00	3,294	-	-	3,294	33.00	1	10.00	5.00	1,911	58.01	109	-
	100.00 (Default)	13	-	-	13	100.00	1	43.08	5.00	68	523.08	-	-
	Sub-total	3,053,883	-	-	3,053,884	0.20	1,298	11.12	4.95	574,361	18.81	684	7,906

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

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

(b) Retail IRB approach (continued)

	PD scale	At 30 June 2019											
		Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
		HK\$'000	HK\$'000	%	HK\$'000	%		%	Year	HK\$'000	%	HK\$'000	HK\$'000
Retail Exposures – Small Business Retail Exposures	0.00 to < 0.15	74,076	86,589	28.50	98,756	0.08	115	6.41	2.47	1,263	1.28	4	
	0.15 to < 0.25	33,093	17,051	28.98	38,035	0.22	27	6.26	2.32	1,025	2.69	5	
	0.25 to < 0.50	32,172	7,897	36.94	35,089	0.39	18	5.76	3.27	1,258	3.59	8	
	0.50 to < 0.75	48,581	11,224	37.49	52,789	0.61	32	5.91	3.63	2,507	4.75	19	
	0.75 to < 2.50	63,161	8,888	29.79	65,809	1.11	30	8.12%	3.58	5,698	8.66	62	
	2.50 to < 10.00	55	-	-	55	6.60	4	38.51	1.00	32	58.18	1	
	10.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	251,138	131,649	29.92	290,533	0.47	226	6.61	3.01	11,783	4.06	99	162
Retail Exposures – Other Retail Exposures to Individuals	0.00 to < 0.15	1,156,736	863,122	-	1,948,377	0.09	260	24.36	1.00	120,586	6.19	502	
	0.15 to < 0.25	117,454	458	-	117,488	0.22	127	11.49	3.23	5,829	4.96	30	
	0.25 to < 0.50	574,605	1,721	98.77	576,331	0.37	296	12.50	4.55	43,554	7.56	269	
	0.50 to < 0.75	772,662	43,687	82.40	815,195	0.57	235	11.92	3.24	75,069	9.21	557	
	0.75 to < 2.50	662,798	743,045	0.00	885,382	0.96	297	31.84	1.45	290,805	32.85	3,086	
	2.50 to < 10.00	661,136	102	39.04	661,315	2.73	85	44.04	1.50	399,637	60.43	7,913	
	10.00 to < 100.00	10	-	-	10	33.00	102	13.25	1.00	3	30.00	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
	Sub-total	3,945,401	1,652,135	2.28	5,004,098	0.70	1,402	24.59	1.97	935,483	18.69	12,357	12,877
Total (sum of all portfolios)		102,049,788	11,838,146	29.46	106,546,521	1.21	3,715	39.34	2.55	55,539,298	52.13	541,314	1,052,850

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

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

		At 30 June 2019	
		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	3,518,357	3,518,357
7	Corporate – Other corporates	37,163,519	37,163,519
8	Sovereigns	-	-
9	Sovereign foreign public sector entities	-	-
10	Multilateral development banks	-	-
11	Bank exposures – Banks	11,962,426	11,962,426
12	Bank exposures – Securities firms	1,373,360	1,373,360
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	-	-
14	Retail – Small business retail exposures	11,783	11,783
15	Retail – Residential mortgages to individuals	553,572	553,572
16	Retail – Residential mortgages to property-holding shell companies	20,789	20,789
17	Retail – Qualifying revolving retail exposures (QRRE)	8	8
18	Retail – Other retail exposures to individuals	935,484	935,484
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	2,508,856	2,508,856
28	Total (under the IRB calculation approaches)	58,048,154	58,048,154

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

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

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

		HK\$'000
1	RWA as at 31 March 2019	51,283,886
2	Asset size	6,621,877
3	Asset quality	265,349
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(122,958)
8	Other	-
9	RWA as at 30 June 2019	58,048,154

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 2019.

7. Counterparty credit risk

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

		At 30 June 2019					
		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	123,256	132,574		-	255,830	133,284
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					-	-
4	Comprehensive Approach (for SFTs)					2,508,594	75,875
5	VaR (for SFTs)					-	-
6	Total						209,159

CCR2: CVA capital charge

		At 30 June 2019	
		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	256,283	53,113
4	Total	256,283	53,113

7. Counterparty credit risk (continued)

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

	Exposure class	Risk Weight	At 30 June 2019										Total default risk exposure after CRM
			0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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		-	-	-	-	-	24,583	-	-	-	-	24,583
9	Residential mortgage loans		-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures		-	-	-	-	-	-	71,206	-	-	-	71,206
11	Significant exposures to commercial entities		-	-	-	-	-	-	-	-	-	-	-
12	Total		-	-	-	-	-	24,583	71,206	-	-	-	95,789

7. Counterparty credit risk (continued)

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

FIRB approach

	PD scale	At 30 June 2019						
		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	982,877	0.05		45.00	1.98	43,052	4.38
	0.15 to < 0.25	3,273	0.22		45.00	2.50	2,020	61.70
	0.25 to < 0.50	-	-		-	-	-	-
	0.50 to < 0.75	1,666,707	0.57		45.00	0.50	68,931	4.14
	0.75 to < 2.50	-	-		-	-	-	-
	2.50 to < 10.00	-	-		-	-	-	-
	10.00 to < 100.00	-	-		-	-	-	-
	100.00 (Default)	-	-		-	-	-	-
	Sub-total	2,652,857	0.37		45.00	1.05	114,003	4.30
Corporate Exposures - Other Corporates	0.00 to < 0.15	10,121	0.09		45.00	2.50	2,822	27.88
	0.15 to < 0.25	5,400	0.22		45.00	2.50	2,496	46.22
	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	15,521	0.14		45.00	2.50	5,318	34.26
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	257	1.16		45.00	2.50	195	76.06
	2.50 to < 10.00	-	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	257	1.16		45.00	2.50	195	76.06
Total (sum of all portfolios)		2,668,635	0.37		45.00	1.06	119,516	4.48

7. Counterparty credit risk (continued)

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

	At 30 June 2019					
	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	-	-	-	16,044	-	-
Domestic sovereign debt						2,597,751
Other sovereign debt	-	-	-	-	-	2,456,484
Total	-	-	-	16,044	-	5,054,235

CCR6: Credit-related derivatives contracts

The Group had no exposures of Credit-related derivatives contracts as at 30 June 2019.

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 2019.

CCR8: Exposures to CCPs

The Group had no exposures to CCP as at 30 June 2019.

8. Securitization exposures

SEC1: Securitization exposures in banking book

There were no securitization exposures in the banking book as at 30 June 2019.

SEC2: Securitization exposures in trading book

There were no securitization exposures in the trading book as at 30 June 2019.

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 2019.

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 2019.

9. Market risk

MR1: Market risk under STM approach

		At 30 June 2019
		RWA
		HK\$'000
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	-
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	18,138
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitization exposures	-
9	Total	18,138

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 2019	44,450	35,738	-	-	-	80,188
1a	Regulatory adjustment	(39,537)	(34,413)	-	-	-	(73,950)
1b	RWA as at day-end of 31 March 2019	4,913	1,325	-	-	-	6,238
2	Movement in risk levels	16,438	16,663	-	-	-	33,101
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 2019	21,351	17,988	-	-	-	39,339
7b	Regulatory adjustment	43,949	26,587	-	-	-	70,536
8	RWA as at 30 June 2019	65,300	44,575	-	-	-	109,875

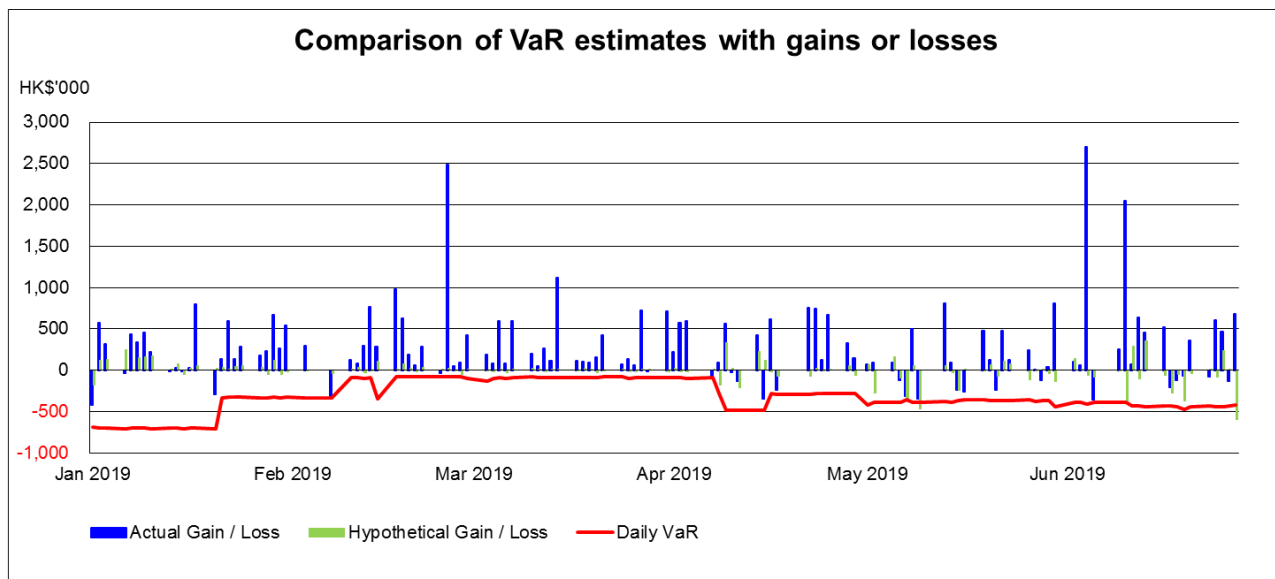
9. Market risk (continued)

MR3: IMM approach values for market risk exposures

		2019
		HK\$'000
VaR (10 days – one-tailed 99 confidence interval)		
1	Maximum Value	2,455
2	Average Value	1,226
3	Minimum Value	321
4	As At 30 June 2019	1,708
Stressed VaR (10 days – one-tailed 99 confidence interval)		
5	Maximum Value	2,353
6	Average Value	903
7	Minimum Value	88
8	As At 30 June 2019	1,439
Incremental risk charge (IRC) (99.9 confidence interval)		
9	Maximum Value	-
10	Average Value	-
11	Minimum Value	-
12	As At 30 June 2019	-
Comprehensive risk charge (CRC) (99.9 confidence interval)		
13	Maximum Value	-
14	Average Value	-
15	Minimum Value	-
16	As At 30 June 2019	-
17	Floor	-

9. Market risk (continued)

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, there are three exceptions in hypothetical P&L back-testing as shown above. The exceptions were driven by unexpected market movements in foreign exchange rates.