

Standard Chartered Bank  
(Hong Kong) Limited

Unaudited Quarterly  
Regulatory Disclosure

For the quarter ended  
31 March 2019

**Standard Chartered Bank (Hong Kong) Limited**  
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This unaudited quarterly regulatory disclosure comply with the Banking (Disclosure) Rules (“Rules”) under section 60A of the Banking Ordinance.

These banking disclosures are governed by the Bank’s disclosure policy, which has been approved by the Board of Directors. The disclosure policy sets out the approach to determine the content, appropriateness and frequency of the disclosures, the approach to ensure the relevance and adequacy of the disclosures, and the internal control over the process for making the disclosures. The disclosures have been subject to independent review in accordance to the disclosure policy.

According to the Rules, disclosure of comparative information is not required unless otherwise specified in the standard disclosure templates. Prior period disclosures can be found in the Regulatory Disclosure section of our website, [www.sc.com/hk](http://www.sc.com/hk).

## **1. Basis of preparation**

The consolidated capital ratios were calculated in accordance with the Banking (Capital) Rules of the Hong Kong Banking Ordinance. The basis and scope of consolidation for regulatory purposes is different from the basis and scope of consolidation for accounting purposes.

The Bank uses the advanced internal ratings based (“IRB”) approach for both the measurement of credit risk capital and the management of credit risk for the majority of its portfolios. The Bank also uses the standardised (credit risk) approach for certain insignificant portfolios exempted from IRB. The Bank adopts the securitization external ratings-based approach (“SEC-ERBA”) to calculate its credit risk for banking book securitization exposures.

For market risk, the Bank uses a stochastic asset-liability model approach for two guaranteed retirement funds and the standardized (market risk) approach for other exposures. In addition, the Bank adopts the standardized (operational risk) approach for operational risk.

## 2. Key prudential ratios (KM1)

The following table sets out an overview of the Bank's key prudential ratios.

	(a)	(b)	(c)	(d)	(e)	
	At 31 March 2019 HK\$'M	At 31 December 2018 HK\$'M	At 30 September 2018 HK\$'M	At 30 June 2018 HK\$'M	At 31 March 2018 HK\$'M	
<b>Regulatory capital (amount)</b>						
1	Common Equity Tier 1 (CET1)	60,510	57,449	59,131	58,281	55,813
2	Tier 1	66,340	63,279	64,961	64,111	61,643
3	Total capital	77,087	74,520	76,221	75,463	74,206
<b>RWA (amount)</b>						
4	Total RWA	430,341	414,896	412,880	410,755	410,247
<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>						
5	CET1 ratio (%)	14.1%	13.8%	14.3%	14.2%	13.6%
6	Tier 1 ratio (%)	15.4%	15.3%	15.7%	15.6%	15.0%
7	Total capital ratio (%)	17.9%	18.0%	18.5%	18.4%	18.1%
<b>Additional CET1 buffer requirements (as a percentage of RWA)</b>						
8	Capital conservation buffer requirement (%) <sup>#</sup>	2.5%	1.9%	1.9%	1.9%	1.9%
9	Countercyclical capital buffer requirement (%) <sup>#</sup>	1.8%	1.4%	1.4%	1.4%	1.4%
10	Higher loss absorbency requirements (%) <sup>#</sup> (applicable only to G-SIBs or D-SIBs)	1.0%	0.8%	0.8%	0.8%	0.8%
11	Total AI-specific CET1 buffer requirements (%)	5.3%	4.1%	4.1%	4.0%	4.0%
12	CET1 available after meeting the AI's minimum capital requirements (%)	9.4%	9.3%	9.7%	9.6%	9.0%
<b>Basel III leverage ratio</b>						
13	Total leverage ratio (LR) exposure measure	1,189,263	1,184,360	1,119,686	1,213,719	1,103,049
14	LR (%) <sup>*</sup>	5.6%	5.3%	5.8%	5.3%	5.6%
<b>Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)</b>						
<b>Applicable to category 1 institutions only:</b>						
15	Total high quality liquid assets (HQLA)	208,005	212,300	208,141	212,712	195,214
16	Total net cash outflows	133,412	137,500	118,162	123,669	123,350
17	LCR (%) <sup>Δ</sup>	157%	155%	177%	174%	160%
<b>Applicable to category 2 institutions only:</b>						
17a	LMR (%)	NA	NA	NA	NA	NA
<b>Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)</b>						
<b>Applicable to category 1 institutions only:</b>						
18	Total available stable funding	714,342	725,282	696,341	693,240	677,803
19	Total required stable funding	542,561	536,758	516,340	534,668	503,339
20	NSFR (%)	132%	135%	135%	130%	135%
<b>Applicable to category 2A institutions only:</b>						
20a	CFR (%)	NA	NA	NA	NA	NA

<sup>#</sup> Effective from 2019, the capital conservation buffer requirement and the jurisdictional CCyB of Hong Kong used in calculation of the CCyB buffer requirement increase from 1.875% to 2.5%, and the higher loss absorbency requirement increase from 0.75% to 1% in accordance with the phase-in arrangement set out by HKMA.

<sup>\*</sup> Increase in leverage ratio was mainly driven by increase in Tier 1 capital as a result of profit accumulation.

<sup>Δ</sup> Please refer to note 6 for the key drivers of LCR% changes.

### 3. Overview of risk-weighted amount (“RWA”) (OV1)

The following table sets out an overview of capital requirements in terms of a detailed breakdowns of RWAs for various risks.

	(a) Consolidated RWA <sup>#</sup>		(c) Minimum capital requirements
	At 31 March 2019	At 31 December 2018	At 31 March 2019 <sup>##</sup>
	HK\$'M	HK\$'M	HK\$'M
<b>1 Credit risk for non-securitization exposures</b>	<b>315,696</b>	<b>304,788</b>	<b>26,635</b>
2 Of which STC approach	28,381	26,238	2,270
2a Of which BSC approach	-	-	-
3 Of which foundation IRB approach	-	-	-
4 Of which supervisory slotting criteria approach	5,195	4,952	441
5 Of which advanced IRB approach	282,120	273,598	23,924
<b>6 Counterparty default risk and default fund contributions</b>	<b>6,623</b>	<b>9,655</b>	<b>662</b>
7 Of which SA-CCR*	N/A	N/A	N/A
7a Of which CEM	5,332	6,650	559
8 Of which IMM(CCR) approach	-	-	-
9 Of which others	1,291	3,005	103
<b>10 CVA risk</b>	<b>4,374</b>	<b>4,181</b>	<b>350</b>
Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
11	-	-	-
12 Collective investment scheme (“CIS”) exposures – LTA*	N/A	N/A	N/A
13 CIS exposures – MBA*	N/A	N/A	N/A
14 CIS exposures – FBA*	N/A	N/A	N/A
14a CIS exposures – combination of approaches*	N/A	N/A	N/A
15 <b>Settlement risk</b>	<b>-</b>	<b>9</b>	<b>-</b>
<b>16 Securitization exposures in banking book</b>	<b>4,275</b>	<b>4,171</b>	<b>342</b>
17 Of which SEC-IRBA	-	-	-
18 Of which SEC-ERBA	4,275	4,171	342
19 Of which SEC-SA	-	-	-
19a Of which SEC-FBA	-	-	-
<b>20 Market risk</b>	<b>29,238</b>	<b>23,532</b>	<b>2,339</b>
21 Of which STM approach <sup>†</sup>	29,238	23,532	2,339
22 Of which IMM approach	-	-	-
Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)*	N/A	N/A	N/A
23	N/A	N/A	N/A
<b>24 Operational risk</b>	<b>44,553</b>	<b>43,475</b>	<b>3,564</b>
<b>25 Amounts below the thresholds for deduction (subject to 250% RW)</b>	<b>8,165</b>	<b>8,165</b>	<b>653</b>
<b>26 Capital floor adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>26a Deduction to RWA</b>	<b>183</b>	<b>332</b>	<b>15</b>
26b Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	12	161	1
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	171	171	14
<b>27 Total</b>	<b>412,741</b>	<b>397,644</b>	<b>34,530</b>

\* Items marked with \* will be applicable only after their respective policy frameworks takes effect. Until then, “Not applicable” should be reported in the rows.

# RWAs in this table are before the application of the 1.06 scaling factor, where applicable.

## Minimum capital requirement represents the Pillar 1 capital charge at 8% of the RWAs after application of the 1.06 scaling factor, where applicable.

† Increase in market risk RWA against 31 December 2018 position was driven by increase in general interest rate risk.

#### 4. Main features of regulatory capital instruments (CCA)

The following is a summary of the Bank's CET1 capital, additional tier 1 ('AT1') capital and tier 2 capital instruments.

	<i>At 31 March 2019</i>	
	<i>Total amount</i>	<i>Amount recognised in regulatory capital HK\$'M</i>
<b>CET1 capital instruments</b>		
Ordinary shares:		
1,937,138,640 issued and fully paid ordinary shares	HK\$16,378m	16,378
<b>AT1 capital instruments</b>		
Perpetual non-cumulative convertible preference shares	US\$500m	3,878
Perpetual non-cumulative capital securities	US\$250m	1,952
<b>Tier 2 capital instruments</b>		
Subordinated loan due 2020	US\$750m	2,626
Fixed rate (4.30%) subordinated loan due 2026, callable from 2021	US\$800m	6,280

The full terms and conditions of the Bank's capital instruments can be found in the Regulatory Disclosures section of our website, [www.sc.com/hk](http://www.sc.com/hk).

#### 4. Main features of regulatory capital instruments (CCA) (continued)

##### Ordinary Shares

1	Issuer	Standard Chartered Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Law
<i>Regulatory treatment</i>		
4	Transitional Basel III rules <sup>1</sup>	N/A
5	Post-transitional Basel III rules <sup>2</sup>	Common Equity Tier 1
6	Eligible at solo <sup>3</sup> /group/group & solo	Group & 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)	HKD16,378 Million
9	Par value of instrument	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1 July 2004 (780 Million shares) 29 June 2005 (451 Million shares) 29 October 2010 (706 Million shares)
12	Perpetual or dated	Perpetual
13	Original maturity date	Undated
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	The Board may from time to time make calls upon the members in respect of any moneys unpaid on their shares. A call shall be deemed to have been made at the time when the resolution of the Board authorising the call was passed.
16	Subsequent call dates, if applicable	N/A
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
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	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Preference Shares are immediately senior to Ordinary Shares
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

##### Footnote:

<sup>1</sup> Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

<sup>2</sup> Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

<sup>3</sup> Include solo-consolidated

#### 4. Main features of regulatory capital instruments (CCA) (continued)

##### Perpetual non-cumulative convertible preference shares

1	Issuer	Standard Chartered Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Law
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules <sup>1</sup>	N/A
5	Post-transitional Basel III rules <sup>2</sup>	Additional Tier 1
6	Eligible at solo <sup>3</sup> /group/group & solo	Group & solo
7	Instrument type (types to be specified by each jurisdiction)	Preference Shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD 3,878 Million
9	Par value of instrument	10 perpetual non-cumulative convertible preference shares at aggregate issue price of USD500 Million and a Liquidation Preference of USD500 Million
10	Accounting classification	Shareholders' equity
11	Original date of issuance	30 December 2014
12	Perpetual or dated	Perpetual
13	Original maturity date	Undated
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	First Call Date: 31 December 2019 Included tax and regulatory redemption options Redemption at 100% of the prevailing Liquidation Preference together with uncanceled but unpaid dividends
16	Subsequent call dates, if applicable	Each dividend payment date after the First Call Date
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	6.25 per cent per annum payable semi-annually in arrears
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Convertible
24	If convertible, conversion trigger (s)	If a Non-Viability Event occurs and is continuing, "Non-Viability Event" means the earlier of: (a) the Monetary Authority notifying the Bank in writing that the Monetary Authority is of the opinion that a write-off or conversion is necessary, without which the Bank would become non-viable; and (b) the Monetary Authority notifying the Bank in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable.
25	If convertible, fully or partially	Fully
26	If convertible, conversion rate	Each Preference Share to 12,500,000 A Shares at the USD4.00 per A Share "A Shares" means Class A Ordinary Shares in the share capital of the Bank
27	If convertible, mandatory or optional conversion	Mandatory

**4. Main features of regulatory capital instruments (CCA) (continued)****Perpetual non-cumulative convertible preference shares (continued)**

28	If convertible, specify instrument type convertible into	Common Equity Tier 1
29	If convertible, specify issuer of instrument it converts into	Standard Chartered Bank (Hong Kong) Limited
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	The Dated Subordinated Notes are immediately senior to Preference Shares
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Footnote:

<sup>1</sup> Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

<sup>2</sup> Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

<sup>3</sup> Include solo-consolidated

#### 4. Main features of regulatory capital instruments (CCA) (continued)

##### Perpetual non-cumulative capital securities

1	Issuer	Standard Chartered Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Law
<i>Regulatory treatment</i>		
4	Transitional Basel III rules <sup>1</sup>	N/A
5	Post-transitional Basel III rules <sup>2</sup>	Additional Tier 1
6	Eligible at solo <sup>3</sup> /group/group & solo	Group & solo
7	Instrument type (types to be specified by each jurisdiction)	Perpetual debt instrument
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD 1,952 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD250 Million
10	Accounting classification	Shareholders' equity
11	Original date of issuance	13 December 2017
12	Perpetual or dated	Perpetual
13	Original maturity date	Undated
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	First Call Date: 13 December 2024 Included tax and regulatory redemption options Redemption at 100% of the Capital Securities at their outstanding principal amount together with the distribution accrued but unpaid to the date fixed for redemption.
16	Subsequent call dates, if applicable	Each dividend payment date after the First Call Date
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.00 per cent per annum payable semi-annually in arrears
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Full discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	Yes
31	If write-down, write-down trigger(s)	If a Non-Viability Event occurs and is continuing, "Non-Viability Event" means the earlier of: (a) the Monetary Authority notifying the Bank in writing that the Monetary Authority is of the opinion that a write-off or conversion is necessary, without which the Bank would become non-viable; and (b) the Monetary Authority notifying the Bank in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable.
32	If write-down, full or partial	Full or Partial
33	If write-down, permanent or temporary	Permanent

#### 4. Main features of regulatory capital instruments (CCA) (continued)

##### Perpetual non-cumulative capital securities (continued)

34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	The Dated Subordinated Notes are immediately senior to Capital Securities
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Footnote:

<sup>1</sup> Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

<sup>2</sup> Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

<sup>3</sup> Include solo-consolidated

#### 4. Main features of regulatory capital instruments (CCA) (continued)

##### Subordinated loan due 2020

1	Issuer	Standard Chartered Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0520042416 (ISIN Code)
3	Governing law(s) of the instrument	The Notes are governed by and construed in accordance with English Law, except for the provisions relating to the subordination of Subordinated Notes to be issued by SCBHK which will be governed by, and construed in accordance with, Hong Kong Law
<i>Regulatory treatment</i>		
4	Transitional Basel III rules <sup>1</sup>	Tier 2
5	Post-transitional Basel III rules <sup>2</sup>	Ineligible
6	Eligible at solo <sup>3</sup> /group/group & solo	Group & solo
7	Instrument type (types to be specified by each jurisdiction)	Other Tier 2 instruments
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD 2,626 Million
9	Par value of instrument	Issue price at 99.485 per cent of the Aggregate Nominal Amount of USD750 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	24 June 2010
12	Perpetual or dated	Dated
13	Original maturity date	24 June 2020
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	The notes may, at any time, be redeemed at par for taxation reasons
16	Subsequent call dates, if applicable	N/A
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.875 per cent per annum payable semi-annually in arrears
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior Creditors are immediately senior to the Dated Subordinated Notes
36	Non-compliant transitioned features	Yes
37	If yes, specify non-compliant features	The terms and conditions do not have a provision that requires the instrument to fully absorb losses at the point of non-viability

Footnote:

<sup>1</sup> Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

<sup>2</sup> Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

<sup>3</sup> Include solo-consolidated

#### 4. Main features of regulatory capital instruments (CCA) (continued)

##### Fixed rate (4.30%) subordinated loan due 2026, callable from 2021

1	Issuer	Standard Chartered Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Law
<i>Regulatory treatment</i>		
4	Transitional Basel III rules <sup>1</sup>	N/A
5	Post-transitional Basel III rules <sup>2</sup>	Tier 2
6	Eligible at solo <sup>3</sup> /group/group & solo	Group & solo
7	Instrument type (types to be specified by each jurisdiction)	Other Tier 2 instruments
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD 6,280 Million
9	Par value of instrument	Issue price at 100 per cent of the Aggregate Nominal Amount of USD800 Million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	19 December 2016
12	Perpetual or dated	Dated
13	Original maturity date	19 December 2026
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	First Call Date: 20 December 2021 Included tax and regulatory redemption options Redemption at 100% of the Subordinated Notes at their outstanding principal amount together with interest accrued but unpaid to the date fixed for redemption.
16	Subsequent call dates, if applicable	Each interest payment date after the First Call Date
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.30 per cent per annum payable quarterly in arrears
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	Yes
31	If write-down, write-down trigger(s)	If a Non-Viability Event occurs and is continuing, “Non-Viability Event” means the earlier of: (a) the Monetary Authority notifying the Bank in writing that the Monetary Authority is of the opinion that a write-off or conversion is necessary, without which the Bank would become non-viable; and (b) the Monetary Authority notifying the Bank in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable.
32	If write-down, full or partial	Full or Partial
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior Creditors are immediately senior to the Dated Subordinated Notes
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

**Footnote:**

<sup>1</sup> Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

<sup>2</sup> Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

<sup>3</sup> Include solo-consolidated

## 5. Leverage ratio (LR2)

The following table sets out a detailed breakdown of the components of the LR denominator.

	(a)	(b)	
	At 31 March 2019 HK\$'M	At 31 December 2018 HK\$'M	
<b>On-balance sheet exposures</b>			
1	On-balance sheet items (excluding derivative contracts and SFTs, but including collateral)	1,056,495	1,036,869
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(6,036)	(6,779)
3	<b>Total on-balance sheet exposures (excluding derivative and SFTs)</b>	<b>1,050,459</b>	<b>1,030,090</b>
<b>Exposures arising from derivative contracts</b>			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	8,168	4,647
5	Add-on amounts for PFE associated with all derivative contracts	19,581	17,381
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	–	–
8	Less: Exempted CCP leg of client-cleared trade exposures	–	–
9	Adjusted effective notional amount of written credit derivative	863	626
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative	(510)	(509)
11	<b>Total exposures arising from derivative contracts<sup>#</sup></b>	<b>28,102</b>	<b>22,145</b>
<b>Exposures arising from SFTs</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	35,489	65,476
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	173	–
15	Agent transaction exposures	–	–
16	<b>Total exposures arising from SFTs<sup>*</sup></b>	<b>35,662</b>	<b>65,476</b>
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	512,875	431,755
18	Less: Adjustments for conversion to credit equivalent amounts	(436,117)	(363,431)
19	<b>Off-balance sheet items<sup>##</sup></b>	<b>76,758</b>	<b>68,324</b>
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	66,340	63,279
20a	<b>Total exposures before adjustments for specific and collective provisions</b>	1,190,981	1,186,035
20b	<b>Adjustments for specific and collective provisions</b>	(1,718)	(1,675)
21	<b>Total exposures after adjustments for specific and collective provisions</b>	1,189,263	1,184,360
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	<b>5.58%</b>	<b>5.34%</b>

\* Total exposures arising from SFTs decreased mainly driven by decrease in reverse repo.

# Increase in total exposure arising from derivative contracts was mainly driven by increase in volume.

## Increase in off-balance sheet exposures was mainly driven by increase in unconditionally cancellable commitment at 10% credit conversion factor.

## 6. Liquidity Coverage Ratio – for category 1 institution (LIQ1)

The following table sets out the details of LCR, high quality liquid assets (“HQLA”), and a breakdown of cash outflows and inflows.

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this Template for the quarter ending on 31 Dec 2018 and 31 Mar 2019 are 75 and 73.

		Q1 2019 Currency: (HK\$mil)		Q4 2018 Currency: (HK\$mil)	
Basis of disclosure: Consolidated		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
<b>A. HIGH QUALITY LIQUID ASSETS</b>					
1	Total high quality liquid assets (HQLA)		208,005		212,300
<b>B. CASH OUTFLOWS</b>					
2	Retail deposits and small business funding, of which:	482,917	37,371	473,440	36,809
3	Stable retail deposits and stable small business funding	111,488	5,574	112,074	5,604
4	Less stable retail deposits and less stable small business funding	264,507	26,451	262,730	26,273
4a	Retail term deposits and small business term funding	106,922	5,346	98,636	4,932
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	372,537	159,069	378,785	163,004
6	Operational deposits	183,964	45,528	181,457	45,013
7	Unsecured wholesale funding (other than small business funding) not covered in row 6	188,549	113,517	196,843	117,506
8	Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period	24	24	485	485
9	Secured funding transactions (including securities swap transactions)		6		36
10	Additional requirements, of which:	175,335	21,833	176,388	23,574
11	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	7,850	7,850	8,361	8,361
12	Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions	31	31	10	10
13	Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)	167,454	13,952	168,017	15,203
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	23,366	23,366	21,075	21,075
15	Other contingent funding obligations (whether contractual or non-contractual)	267,398	906	260,722	935
16	<b>TOTAL CASH OUTFLOWS</b>		<b>242,551</b>		<b>245,433</b>
<b>C. CASH INFLOWS</b>					
17	Secured lending transactions (including securities swap transactions)	16,189	1,729	31,167	2,427
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	184,515	91,386	182,651	90,995
19	Other cash inflows	20,534	16,024	18,754	14,511
20	<b>TOTAL CASH INFLOWS</b>	<b>221,238</b>	<b>109,139</b>	<b>232,572</b>	<b>107,933</b>
<b>D. LIQUIDITY COVERAGE RATIO</b>			<b>ADJUSTED VALUE</b>		<b>ADJUSTED VALUE</b>
21	TOTAL HQLA		208,005		212,300
22	TOTAL NET CASH OUTFLOWS		133,412		137,500
23	LCR (%)		157%		155%

## 6. Liquidity Coverage Ratio – for category 1 institution (LIQ1) (continued)

### Key Drivers

Liquidity Coverage Ratio (LCR) measures the short-term resilience of the Bank's liquidity risk profile, and is sensitive to balance sheet movement and composition. The Bank has maintained a strong liquidity position and well above the regulatory requirement of 100% throughout the first quarter of 2019. The average LCR increased slightly from 155% for the quarter ending 31 Dec 2018 to 157% for the quarter ending 31 Mar 2019, mainly as a result of decreasing in unsecured wholesale funding partially offset by lower HQLA holdings.

### Composition of High Quality Liquid Asset (“HQLA”)

The Bank holds significant levels of high quality unencumbered liquid assets that can be liquefied, repo-ed or used as collateral in the event of a liquidity stress.

The liquid assets consist predominately of Level 1 assets, including mainly cash and central bank reserves, Hong Kong exchange fund bills and notes, US treasuries and other marketable debt securities issued or guaranteed by other central banks and governments. In addition, the Bank also holds level 2 assets such as high quality covered bonds, corporate bonds and bonds issued by public sector entities.

### Concentration of Funding Sources

Our assets are primarily funded by customer deposits, largely made up of low cost and stable current and savings accounts. This forms a stable base for the Bank's funding requirement. In addition, wholesale funding is widely diversified by client type and maturity which helps managing liquidity mismatches as required. The Bank has various internal quantitative limits and metrics in place to monitor deposit concentrations, as well as HQLA Issuer concentrations.

The Asset and Liability Committee (“ALCO”) monitors trends in the balance sheet and ensures that any concerns that might impact the stability of deposits are addressed in an effective and timely manner. ALCO also reviews balance sheet plans to ensure that projected asset growth is matched by growth in customer deposits.

### Derivatives Exposure

The use of derivatives for hedging and sale to customers as risk management products is an important part of the Bank's business activities. These instruments are also used to manage the Bank's own exposures to market risk. The principal derivative instruments used by the Bank are foreign exchange related and interest rate related contracts. Derivative positions are mark-to-market on a daily basis.

### Currency Mismatch on LCR

Customer assets are as far as possible funded in the same currency. Where mismatches arise, they are controlled by limits on the amount of foreign currency that can be swapped to local currency and vice versa. Such limits are therefore a means of controlling reliance on foreign exchange markets, which minimizes the risk that obligations could not be met in the required currency in the event that access to foreign exchange markets becomes restricted.

Majority of the Bank's customer deposits are denominated in HKD, USD and CNY. The Bank holds higher USD and other foreign currency denominated HQLA due to its significant market depth and ease of conversion in the event of liquidity stress. This is in line with the Alternative Liquidity Approach option prescribed by HKMA. During this period, the Bank maintained an amount of HKD-denominated level 1 assets well above the regulatory requirement of 20% of its HKD-denominated total net cash outflows.

## 6. Liquidity Coverage Ratio – for category 1 institution (LIQ1) (continued)

### Liquidity management

Treasury-Markets is responsible for managing the Bank's liquidity position within the approved liquidity and funding risk limits and thresholds. Oversight under the liquidity and funding framework resides with ALCO, supported by Treasury-Markets. ALCO also ensures the Bank remains in compliance with liquidity policies and practices, as well as local regulatory requirements.

It is the Bank's policy to manage liquidity without presumption of the Bank's parent support. ALCO is responsible for ensuring that the Bank is able to maintain adequate liquidity at all times and be in a position to meet all obligations as they fall due; repay depositors and fulfil all commitments to lend.

## 7. RWA flow statements of credit risk exposures under IRB approach (CR8)

The following table sets out a flow statement explaining variations in the RWA for credit risk determined under the IRB approach.

	(a) Amount HK\$'M
1 <b>RWA as at end of previous reporting period (31 December 2018)</b>	278,550
2 Asset size	11,517
3 Asset quality	(6,070)
4 Model updates	–
5 Methodology and policy	2,923
6 Acquisitions and disposals	–
7 Foreign exchange movements	395
8 Other	–
9 <b>RWA as at end of reporting period (31 March 2019)</b>	<u>287,315</u>

Increase in RWA from asset size was mainly driven by the growth in loan and advances to customers. Decrease in RWA from asset quality was mainly driven by increase in collaterals. Increase in RWA from methodology and policy was due to adoption of HKFRS 16 Leases.

## 8. Market risk exposures on guaranteed retirement funds

The capital requirement for the Bank's guaranteed retirement funds is calculated based on the potential shortfall between the estimated returns from the funds and the guaranteed returns.

The projected returns are estimated using a simulation approach with a 99% confidence level. The model is back-tested against actual results.

As of 31 March 2019, the accounting provisions exceed the potential shortfalls, hence there are no additional capital requirements.