

Standard Chartered Bank
(Hong Kong) Limited

Unaudited Quarterly
Regulatory Disclosure

For the quarter ended
30 September 2018

Standard Chartered Bank (Hong Kong) Limited
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The following are quarterly disclosures required by Banking (Disclosure) Rules under section 60A of Banking Ordinance.

1. Key prudential ratios (KM1)

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

	(a) At September 2018 HK\$'M	(b) At June 2018 HK\$'M	(c) At March 2018 HK\$'M	(d) At December 2017 HK\$'M	(e) At September 2017 HK\$'M	
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	59,131	58,281	55,813	51,835	53,734
2	Tier 1	64,961	64,111	61,643	57,665	57,612
3	Total capital	76,221	75,463	74,206	70,201	70,253
RWA (amount)						
4	Total RWA	412,880	410,755	410,247	385,071	397,498
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	14.3%	14.2%	13.6%	13.5%	13.5%
6	Tier 1 ratio (%)	15.7%	15.6%	15.0%	15.0%	14.5%
7	Total capital ratio (%)	18.5%	18.4%	18.1%	18.2%	17.7%
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	1.9%	1.9%	1.9%	1.3%	1.3%
9	Countercyclical capital buffer requirement (%)	1.4%	1.4%	1.4%	0.9%	0.9%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0.8%	0.8%	0.8%	0.8%	0.8%
11	Total AI-specific CET1 buffer requirements (%)	4.1%	4.0%	4.0%	2.9%	2.9%
12	CET1 available after meeting the AI's minimum capital requirements (%)	9.7%	9.6%	9.0%	9.0%	8.5%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	1,119,686	1,213,719	1,103,049	1,077,378	1,072,065
14	LR (%)*	5.8%	5.3%	5.6%	5.4%	5.4%
Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)						
Applicable to category 1 institutions only:						
15	Total high quality liquid assets (HQLA)	208,141	212,712	195,214	180,528	162,938
16	Total net cash outflows	118,162	123,668	123,350	115,416	127,672
17	LCR (%)	177%	174%	160%	158%	129%
Applicable to category 2 institutions only:						
17a	LMR (%)	NA	NA	NA	NA	NA
Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)						
Applicable to category 1 institutions only:						
18	Total available stable funding	696,342	693,240	677,803	NA	NA
19	Total required stable funding	516,342	534,668	503,340	NA	NA
20	NSFR (%)	135%	130%	135%	NA	NA
Applicable to category 2A institutions only:						
20a	CFR (%)	NA	NA	NA	NA	NA

* Increase in leverage ratio was mainly driven by the decrease in on-balance sheet and securities financing transaction exposures.

2. 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)	(b)	(c)
	Consolidated RWA [#]	Consolidated RWA [#]	Minimum capital requirements
	At September 2018 HK\$'M	At June 2018 HK\$'M	At September 2018 HK\$'M
1 Credit risk for non-securitization exposures	303,065	302,916	25,570
2 Of which STC approach	27,059	27,816	2,165
2a Of which BSC approach	–	–	–
3 Of which foundation IRB approach	–	–	–
4 Of which supervisory slotting criteria approach	5,342	5,642	453
5 Of which advanced IRB approach	270,664	269,458	22,952
6 Counterparty default risk and default fund contributions	9,538	6,868	805
7 Of which SA-CCR*	N/A	N/A	N/A
7a Of which CEM	9,538	6,868	805
8 Of which IMM(CCR) approach	–	–	–
9 Of which others	–	–	–
10 CVA risk	4,096	3,768	328
11 Equity positions in banking book under the simple risk-weight method and internal models method	–	–	–
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 Settlement risk	–	–	–
16 Securitization exposures in banking book	3,419	3,212	274
17 Of which SEC-IRBA	–	–	–
18 Of which SEC-ERBA	3,419	3,212	274
19 Of which SEC-SA	–	–	–
19a Of which SEC-FBA	–	–	–
20 Market risk	24,912	24,198	1,993
21 Of which STM approach	24,912	23,518	1,993
22 Of which IMM approach	–	680	–
23 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
24 Operational risk	41,717	41,917	3,337
25 Amounts below the thresholds for deduction (subject to 250% RW)	9,394	8,639	752
26 Capital floor adjustment	–	2,766	–
26a Deduction to RWA	344	404	27
26b Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	153	213	12
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	191	191	15
27 Total	395,797	393,880	33,032

* 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.

3. Main features of regulatory capital instruments (CCA)

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

	<i>At September 2018</i>	
	<i>Total amount</i>	<i>Amount recognised in regulatory capital HK\$'M</i>
CET1 capital instruments		
Ordinary shares:		
1,937,138,640 issued and fully paid ordinary shares	HK\$16,378m	16,378
AT1 capital instruments		
Perpetual non-cumulative convertible preference shares	US\$500m	3,878
Perpetual non-cumulative capital securities	US\$250m	1,952
Tier 2 capital instruments		
Subordinated loan due 2020	US\$750m	2,626
Fixed rate (4.30%) subordinated loan due 2026, callable from 2021	US\$800m	6,258

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.

3. 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 ¹	N/A
5	Post-transitional Basel III rules ²	Common Equity Tier 1
6	Eligible at solo ³ /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:

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

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

³ Include solo-consolidated

3. 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 ¹	N/A
5	Post-transitional Basel III rules ²	Additional Tier 1
6	Eligible at solo ³ /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

3. 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:

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

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

³ Include solo-consolidated

3. 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 ¹	N/A
5	Post-transitional Basel III rules ²	Additional Tier 1
6	Eligible at solo ³ /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

3. 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:

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

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

³ Include solo-consolidated

3. 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 ¹	Tier 2
5	Post-transitional Basel III rules ²	Ineligible
6	Eligible at solo ³ /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:

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

³ Include solo-consolidated

3. 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 ¹	N/A
5	Post-transitional Basel III rules ²	Tier 2
6	Eligible at solo ³ /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 6,258 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:

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

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

³ Include solo-consolidated

4. Leverage ratio (LR2)

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

	(a)	(b)	
	At	At	
	30 September 2018	30 June 2018	
	HK\$'M	HK\$'M	
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	988,284	1,026,718
2	Less: Asset amounts deducted in determining Base III Tier 1 capital	(7,678)	(6,960)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	980,606	1,019,758
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivatives contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	5,760	5,080
5	Add-on amounts for PFE associated with all derivatives contracts	17,139	16,651
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 derivatives contracts	–	–
8	Less: Exempted CCP leg of client-cleared trade exposures	–	–
9	Adjusted effective notional amount of written credit derivatives	4,176	3,884
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives	(3,872)	(3,884)
11	Total exposures arising from derivative contract	23,203	21,731
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	43,462	110,140
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	91	56
15	Agent transaction exposures	–	–
16	Total exposures arising from SFTs*	43,553	110,196
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	433,543	404,869
18	Less: Adjustments for conversion to credit equivalent amounts	(359,645)	(341,272)
19	Off-balance sheet items	73,898	63,597
Capital and total exposures			
20	Tier 1 capital	64,961	64,111
20a	Total exposures before adjustments for specific and collective provisions	1,121,260	1,215,282
20b	Adjustments for specific and collective provisions	(1,574)	(1,563)
21	Total exposures after adjustments for specific and collective provisions	1,119,686	1,213,719
Leverage ratio			
22	Leverage ratio	5.80%	5.28%

* Total exposures arising from SFTs decreased mainly driven by less repo and reverse repo transactions.

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

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 90% throughout the third quarter of 2018. The average LCR increased from 174% for the quarter ending 30 June 2018 to 177% for the quarter ending 30 September 2018 mainly as a result of lower contractual cash outflows.

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 30 Jun 2018 and 30 Sep 2018 are 73 and 76.

		Q3 2018 Currency: (HK\$mil)		Q2 2018 Currency: (HK\$mil)	
Basis of disclosure: Consolidated		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
A. HIGH QUALITY LIQUID ASSETS					
1	Total high quality liquid assets (HQLA)		208,141		212,712
B. CASH OUTFLOWS					
2	Retail deposits and small business funding, of which:	454,869	35,284	444,814	35,408
3	Stable retail deposits and stable small business funding	108,850	5,443	111,382	5,569
4	Less stable retail deposits and less stable small business funding	250,786	25,079	263,336	26,334
5	Retail term deposits and small business term funding	95,233	4,762	70,096	3,505
6	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	388,231	168,346	399,757	171,478
7	Operational deposits	180,688	44,822	190,810	47,352
8	Unsecured wholesale funding (other than small business funding) not covered in Row 7	207,076	123,057	208,569	123,748
9	Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period	467	467	378	378
10	Secured funding transactions (including securities swap transactions)		0		0
11	Additional requirements, of which:	170,771	22,249	179,564	21,860
12	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	8,495	8,495	6,363	6,363
13	Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions	8	8	7	7
14	Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)	162,268	13,746	173,194	15,490
15	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	20,124	20,124	22,751	22,751
16	Other contingent funding obligations (whether contractual or non-contractual)	255,491	900	245,492	995
17	TOTAL CASH OUTFLOWS		246,903		252,492
C. CASH INFLOWS					
18	Secured lending transactions (including securities swap transactions)	21,672	1,339	22,272	1,068
19	Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions	201,597	111,737	203,568	112,556
20	Other cash inflows	18,861	15,665	18,764	15,199
21	TOTAL CASH INFLOWS	242,131	128,741	244,605	128,823
D. LIQUIDITY COVERAGE RATIO			ADJUSTED VALUE		ADJUSTED VALUE
22	TOTAL HQLA		208,141		212,712
23	TOTAL NET CASH OUTFLOWS		118,162		123,669
24	LCR (%)		177%		174%

6. 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 RWA as at end of previous reporting period (30 June 2018)	275,100
2 Asset size	(5,106)
3 Asset quality	723
4 Model updates	8,437
5 Methodology and policy	–
6 Acquisitions and disposals	–
7 Foreign exchange movements	(538)
8 Other	(2,610)
9 RWA as at end of reporting period (30 September 2018)	<u>276,006</u>

* Other movement is mainly due to credit risk mitigation.

7. RWA flow statements of market risk exposures under IMM approach (MR2)

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

	(a) VaR HK\$'M	(b) Stressed VaR HK\$'M	(c) IRC HK\$'M	(d) CRC HK\$'M	(e) Other HK\$'M	(f) Total RWA HK\$'M
1 RWA as at end of previous reporting period (30 June 2018)	–	–	–	–	680	680
2 Movement in risk levels	–	–	–	–	–	–
3 Model updates/changes	–	–	–	–	–	–
4 Methodology and policy	–	–	–	–	–	–
5 Acquisitions and disposals	–	–	–	–	–	–
6 Foreign exchange movements	–	–	–	–	–	–
7 Other	–	–	–	–	(680)	(680)
8 RWA as at end of reporting period (30 September 2018)	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

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.

As at end of reporting period, the provision for the Bank's guaranteed retirement funds exceeds the potential shortfall. As a result, no capital requirement is required.

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