Currency Code
(For Official Use Only)

Interest Rate Risk Exposures

Position of * Banking Book / Trading Book and Banking Book (Note (1))

Currency (Note (2)):____________________

* Delete where inappropriate.

(In HK$ Million or equivalent)

TIME BAND		**INTEREST BEARING ASSETS** (Note (3))											
		1. Total interest bearing assets				2. Fixed rate assets				3. Floating rate assets		4. Managed rate assets	
		a. Total 2a+3a+4a	**b. Residential mortgage loans** 2b+3b+4b	**c. Total weighted average yield**	**d. Weighted average yield (Residential mortgage loans)**	a. Total	b. Residential mortgage loans	c. Residential mortgage loans subject to prepayment risk	d. Other assets subject to prepayment risk	a. Total	b. Residential mortgage loans	a. Total	b. Residential mortgage loans
Next day or less	(A)			%	%								
2 to 7 days	(B)			%	%								
8 days to 1 month	(C)			%	%								
1 to 3 months	(D)			%	%								
3 to 6 months	(E)			%	%								
6 to 9 months	(F)			%	%								
9 to 12 months	(G)			%	%								
1 to 1.5 years	(H)			%	%								
1.5 to 2 years	(I)			%	%								
2 to 3 years	(J)			%	%								
3 to 4 years	(K)			%	%								
4 to 5 years	(L)			%	%								
5 to 6 years	(M)			%	%								
6 to 7 years	(N)			%	%								
7 to 8 years	(O)			%	%								
8 to 9 years	(P)			%	%								
9 to 10 years	(Q)			%	%								
10 to 15 years	(R)			%	%								
15 to 20 years	(S)			%	%								
More than 20 years	(T)			%	%								
Total book value	Total (A to T)												
Non-interest bearing assets	(U)												
Total assets	Total (A to U)												

Notes:

(1) Locally incorporated authorized institutions subject to the market risk capital adequacy regime are required to report positions in the banking book only. Other locally incorporated institutions exempted from the market risk capital adequacy regime and overseas incorporated institutions are required to report aggregate positions in the banking book and trading book.

(2) Report interest rate risk exposures in major currencies as defined in the Completion Instructions, including at least Hong Kong dollar and US dollar (nil returns are required for these two currencies). Use the same return form for each currency.

(3) Report items under different time bands based on the earliest interest repricing date as specified in the Completion Instructions.

Currency Code
(For Official Use Only)

Interest Rate Risk Exposures

Position of * Banking Book / Trading Book and Banking Book (Note (1))

Currency (Note (2)): ___________________

* Delete where inappropriate.

(In HK$ Million or equivalent)

		INTEREST BEARING LIABILITIES (Note (3))											
TIME BAND		**5. Total interest bearing liabilities**				6. Fixed rate liabilities				7. Floating rate liabilities		8. Managed rate liabilities	
		a. Total	**b. Deposits**	**c. Total weighted average interest costs**	**d. Weighted average interest costs (Deposits)**	a. Total	b. Deposits	c. Deposits subject to early redemption risk	d. Other liabilities subject to early redemption risk	a. Total	b. Deposits	a. Total	b. Deposits
		6a+7a+8a	6b+7b+8b										
Next day or less	(A)			%	%								
2 to 7 days	(B)			%	%								
8 days to 1 month	(C)			%	%								
1 to 3 months	(D)			%	%								
3 to 6 months	(E)			%	%								
6 to 9 months	(F)			%	%								
9 to 12 months	(G)			%	%								
1 to 1.5 years	(H)			%	%								
1.5 to 2 years	(I)			%	%								
2 to 3 years	(J)			%	%								
3 to 4 years	(K)			%	%								
4 to 5 years	(L)			%	%								
5 to 6 years	(M)			%	%								
6 to 7 years	(N)			%	%								
7 to 8 years	(O)			%	%								
8 to 9 years	(P)			%	%								
9 to 10 years	(Q)			%	%								
10 to 15 years	(R)			%	%								
15 to 20 years	(S)			%	%								
More than 20 years	(T)			%	%								
Total book value	Total (A to T)												
Non-interest bearing liabilities	(U)+(V)												
Equity capital	(U)												
Others	(V)												
Total liabilities	Total (A to V)												

Notes:

(1) Locally incorporated authorized institutions subject to the market risk capital adequacy regime are required to report positions in the banking book only. Other locally incorporated institutions exempted from the market risk capital adequacy regime and overseas incorporated institutions are required to report aggregate positions in the banking book and trading book.

(2) Report interest rate risk exposures in major currencies as defined in the Completion Instructions, including at least Hong Kong dollar and US dollar (nil returns are required for these two currencies). Use the same return form for each currency.

(3) Report items under different time bands based on the earliest interest repricing date as specified in the Completion Instructions.

Currency Code
(For Official Use Only)

Interest Rate Risk Exposures

Position of * Banking Book / Trading Book and Banking Book (Note (1))

Currency (Note (2)): ___________________

* Delete where inappropriate.

(In HK$ Million or equivalent)

TIME BAND		OFF-BALANCE SHEET POSITIONS (Note (3))													
		9. Total		10. Forward foreign exchange contracts		11. Interest rate swaps		12. Cross currency swaps		13. Futures / FRAs		14. Options		15. Others	
		a. Long 10a+11a+12a+13a+14a+15a	**b. Short** 10b+11b+12b+13b+14b+15b	a. Long	b. Short	a. Long	b. Short	a. Long	b. Short	a. Long	b. Short	a. Long	b. Short	a. Long	b. Short
Next day or less	(A)														
2 to 7 days	(B)														
8 days to 1 month	(C)														
1 to 3 months	(D)														
3 to 6 months	(E)														
6 to 9 months	(F)														
9 to 12 months	(G)														
1 to 1.5 years	(H)														
1.5 to 2 years	(I)														
2 to 3 years	(J)														
3 to 4 years	(K)														
4 to 5 years	(L)														
5 to 6 years	(M)														
6 to 7 years	(N)														
7 to 8 years	(O)														
8 to 9 years	(P)														
9 to 10 years	(Q)														
10 to 15 years	(R)														
15 to 20 years	(S)														
More than 20 years	(T)														
Total off-balance sheet positions	Total (A to T)														

Notes:

(1) Locally incorporated authorized institutions subject to the market risk capital adequacy regime are required to report positions in the banking book only. Other locally incorporated institutions exempted from the market risk capital adequacy regime and overseas incorporated institutions are required to report aggregate positions in the banking book and trading book.

(2) Report interest rate risk exposures in major currencies as defined in the Completion Instructions, including at least Hong Kong dollar and US dollar (nil returns are required for these two currencies). Use the same return form for each currency.

(3) Report items under different time bands based on the earliest interest repricing date as specified in the Completion Instructions.

Currency Code
(For Official Use Only)

Interest Rate Risk Exposures

Position of * Banking Book / Trading Book and Banking Book (Note (1))

Currency (Note (2)): ___________________

* Delete where inappropriate.

(In HK$ Million or equivalent)

TIME BAND	IMPACT / SCENARIO ANALYSIS														
	16. Net positions		17. Earnings perspective			18. Economic value perspective							19. Basis risk		
	a. Excluding coupon cash flows 1a-5a +9a-9b	b. Including coupon cash flows	a. Time band mid-point (years)	b. Impact on earnings over the next 12 months (parallel up)	c. Impact on earnings over the next 12 months (parallel down)	a. Current EVE	b. Impact on EVE (parallel up)	c. Impact on EVE (parallel down)	d. Impact on EVE (steepener)	e. Impact on EVE (flattener)	f. Impact on EVE (short rates up)	g. Impact on EVE (short rates down)	Period for which changes in interest rates last	Scenario (i) All rates except for fixed and managed rates on interest bearing assets rise by 200 bps	Scenario (ii) Managed rates on interest bearing assets drop by 200 bps while other rates remain unchanged
Next day or less (A)			0.0028										1 month		
2 to 7 days (B)			0.0125										3 months		
8 days to 1 month (C)			0.0528										6 months		
1 to 3 months (D)			0.1667										12 months		
3 to 6 months (E)			0.375												
6 to 9 months (F)			0.625												
9 to 12 months (G)			0.875												
1 to 1.5 years (H)			1.25												
1.5 to 2 years (I)			1.75												
2 to 3 years (J)			2.5												
3 to 4 years (K)			3.5												
4 to 5 years (L)			4.5												
5 to 6 years (M)			5.5												
6 to 7 years (N)			6.5												
7 to 8 years (O)			7.5												
8 to 9 years (P)			8.5												
9 to 10 years (Q)			9.5												
10 to 15 years (R)			12.5												
15 to 20 years (S)			17.5												
More than 20 years (T)			25												
Options (U)															
Total (A to U)															
Tier 1 capital at reporting date (Note (3)) (V)															
Impact on EVE as % of Tier 1 capital (A to U) / (V)							%	%	%	%	%	%			

Notes:

(1) Locally incorporated authorized institutions subject to the market risk capital adequacy regime are required to report positions in the banking book only. Other locally incorporated institutions exempted from the market risk capital adequacy regime and overseas incorporated institutions are required to report aggregate positions in the banking book and trading book.

(2) Report interest rate risk exposures in major currencies as defined in the Completion Instructions, including at least Hong Kong dollar and US dollar (nil returns are required for these two currencies). Use the same return form for each currency.

(3) Report the Tier 1 capital for all currencies. Overseas incorporated institutions should refer to the Tier 1 capital of their head office.

Completion Instructions

Return of Interest Rate Risk Exposures (Form MA(BS)12)

Introduction

1. This return collects information on the interest rate risk exposures of authorized institutions and will be used to help assess the potential impact of movements in interest rates on institutions' earnings ***and economic value***.

2. The Completion Instructions contain three sections. Section A describes the general reporting requirements. Section B provides definitions and clarification of certain items. Section C explains the specific reporting requirements for each item in the return form, with an illustration at Annex 1.

Section A : General Instructions

3. ***All authorized institutions are required to complete this return showing their positions as at the last calendar day of each quarter and submit the return to the HKMA not later than ~~one month~~six weeks after the end of each quarter. If the submission deadline falls on a public holiday, it will be deferred to the next working day.*** Locally incorporated institutions should complete the return both on a solo basis, reporting the combined positions of their local and overseas offices (if any), and on a consolidated basis (where applicable), following the scope of consolidation used for the purpose of Capital Adequacy Ratio (CAR) requirements as defined in the Banking (Capital) Rules. Overseas incorporated institutions are required to report the positions of their Hong Kong operations only.

4. ***This return captures both on- and off-balance sheet positions. Locally incorporated institutions subject to the market risk capital adequacy regime[1] ("non-exempted institutions") are required to report positions of the banking book only. Other institutions, i.e. those locally incorporated and exempted from the market risk capital adequacy regime ("exempted institutions") and those incorporated overseas, should report aggregate positions of the banking book and trading book.***

5. The interest rate risk positions for each selected currency should be reported separately using the same four-page return form. Transactions denominated in gold or composite currencies such as the SDR should be reported as separate currencies. Onshore Renminbi (CNY) and offshore Renminbi (CNH) should be treated as separate currencies.[2] Positions in the Euro and the national currencies, ***if any***, of the Euro-participating countries are to be

[1] The details of the market risk capital adequacy regime, including the de minimis exemption criteria and other requirements relevant to exempted institutions, are set out in the ~~statutory guideline "Maintenance of Adequate Capital Against Market Risk" (CA-G-2) in the Supervisory Policy Manual.~~Banking (Capital) Rules.

[2] Institutions should treat its assets or liabilities as denominated in CNH if the associated interest rates are priced (either directly or indirectly) based on offshore reference rates (such as CNH HIBOR), and vice versa.

treated as positions in the Euro. Institutions should report all these positions in aggregate on one return form. As a basic requirement, institutions should complete at least two return forms, showing their interest rate risk exposures arising from assets and liabilities denominated in Hong Kong dollars and in US dollars respectively (nil returns are required for these two currencies). Institutions which have significant positions in other currencies should report such positions on separate return forms (see paragraph ***8*** below). The total positions in non-reported currencies could not exceed 10% of an institution's total on-balance assets in all currencies.[3] ***The submitted forms should be sequentially numbered.***

6. All the positions captured by this return should be slotted into the appropriate time bands according to the earliest interest repricing date (see paragraph ***11*** below). Each time band includes its upper limit but not its lower limit, e.g. the '3 to 4 years' time band can be expressed as $3y < t \leq 4y$. ~~***Institutions that meet the criteria set out in Annex 2 may, subject to the HKMA's approval, slot their positions into different time bands based on their estimation of the respective behavioural maturity. Institutions are allowed to phase in the use of behavioural maturity on a product-by-product basis***~~***For retail fixed rate loans subject to prepayment risk and retail term deposits subject to early redemption risk, institutions should follow the steps in Section 5.2 of the Supervisory Policy Manual (SPM) IR-1 "Interest Rate Risk in the Banking Book" to determine the repricing maturities*****.**

7. Unless otherwise stated, book value should be used for reporting purposes. Amounts are to be shown to the nearest million, in Hong Kong dollars or Hong Kong dollar equivalent in the case of foreign currencies. The middle market T/T rates ruling as at the close of business on the reporting date should be adopted for conversion of foreign currencies to Hong Kong dollars.

Section B : Definitions and Clarification

8. An institution would be regarded as having a significant position in a currency if the sum of its on-balance sheet assets or liabilities, whichever is the larger, in that currency and its off-balance sheet positions (see paragraph ***9*** below) in the same currency is more than 5% of its total on-balance sheet assets in all currencies~~ (i.e. total amount of "Total assets" reported under item 23 of the Return of Assets and Liabilities (Form MA(BS)1) or item 22 of the Combined Return of Assets and Liabilities (Form MA(BS)1B), as the case may be)~~.

9. The off-balance sheet positions are defined as the sum of the notional principal of each off-balance sheet contract that is to be included under items ***10 to 15*** of this return. For the avoidance of doubt, a foreign exchange contract which involves the simultaneous buying and selling of two currencies should be regarded as one contract under each of the currencies concerned while a single currency interest rate swap which involves both the receipt and payment of interest in the same currency is counted once in the relevant currency.

[3] If an institution's total positions in non-reported currencies exceeded 10% of its total assets, the institution should report these positions, starting from the largest, until the remaining positions in non-reported currencies fall below 10% of its total assets.

10. All on-balance sheet interest bearing assets[4] and liabilities are to be classified into fixed rate items, ~~variable~~floating rate items and managed rate items. Fixed rate items are those assets and liabilities with interest rates fixed up to their final maturities. ~~Variable~~Floating rate items are those which will automatically be repriced at the next repricing date during the life of the items in accordance with movements in the relevant "reference rates" (such as HIBOR) and include those items for which the interest rates can be varied at the discretion of the counterparty (see also the definition of managed rate that follows). Managed rate items are those variable rate items for which there are no fixed repricing dates and the interest rates can be adjusted at any time at the discretion of the reporting institution. These would include, for example, ~~savings~~ non-maturity deposits and mortgage loans.

11. In respect of different interest bearing assets and liabilities, the earliest interest repricing date means:

(a) for fixed rate items, the maturity dates of the assets or liabilities concerned; in the case of retail fixed rate loans subject to prepayment risk[5] and retail term deposits subject to early redemption risk[6], institutions should follow the methodology in Section ***5.2*** of the SPM;

(b) for ~~variable~~floating rate items, the next repricing date of the assets and liabilities concerned; in the case of those items for which the interest rates can be varied at the discretion of the counterparty, the earliest date~~, based on past experience,~~ on which the interest rates ~~would~~ could be repriced assuming that the reference rates on which the interest rates are based are adjusted on the business day immediately following the reporting date; and

(c) for managed rate items, the earliest date on which it would be possible for the interest rates of the assets and liabilities concerned to be adjusted assuming that the reference rates (e.g. prime or ***standard savings*** rate) on which the interest rates are based are adjusted on the business day immediately following the reporting date. For non-maturity deposits[7], institutions also have the option to slot them into different time bands based on the methodology in Section ***5.2*** of the SPM.

12. For the purpose of this return, interest bearing assets and liabilities include those which do not involve any formal payment of interest but the values of which are sensitive to interest rate movements. Typically, these include financial instruments which are sold at a discount such as Exchange Fund Bills and zero coupon bonds. They should be reported as fixed rate items according to residual maturity.

13. In respect of on-balance sheet interest bearing assets, institutions should report under items 1b to 4b a breakdown of the amount of residential mortgage loans pertaining to those items. Residential mortgage loans are loans to professional and private individuals

[4] Interest-bearing assets exclude assets that are deducted from Common Equity Tier 1 (CET1) capital, fixed assets such as real estate or intangible assets, and equity exposures.
[5] These are fixed rate loan products where the economic cost of prepayments cannot be charged, or charged only for prepayments above a certain threshold, to the borrower.
[6] These are term deposits that can be withdrawn early at the discretion of the customer.
[7] These are deposits without a set maturity date that can be withdrawn at any time without advance notice. Non-interest-bearing deposits (e.g. deposits in current accounts) are also included in non-maturity deposits.

for the purchase of residential properties, as defined under item H5b of the Quarterly Analysis of Loans and Advances and Provisions (Form MA(BS)2A). In respect of on-balance sheet interest bearing liabilities, institutions should report under items 5b to 8b a breakdown of the amount of deposits pertaining to those items. Deposits are deposit liabilities due to non-bank customers, as defined under item 6 of Form MA(BS)1.

14. ***In respect of assets or liabilities with embedded options[8], institutions should decompose them into embedded options and underlying assets or liabilities. The embedded options should be reported under off-balance sheet positions (see paragraphs 37~~-38~~ below) and the underlying assets or liabilities should be slotted into the appropriate time bands according to their earliest interest repricing date (see paragraph 11 above).*** ~~In the case of assets or liabilities with an early redemption option (by either the reporting institution or its counterparty), **and the institutions concerned cannot decompose them into the embedded option and underlying assets or liabilities,** the reporting **may** be based on the institution's expectation of whether an early redemption will occur. Such assets or liabilities should then be slotted into the appropriate time bands according to their earliest interest rate repricing date or the redemption date, whichever is the earlier.~~

15. Assets and liabilities which are repayable by instalments rather than by one lump sum at maturity should be broken down into individual tranches and slotted into the appropriate time bands according to the repricing date of each tranche. For example, a fixed rate loan of HK$100 million repayable by two semi-annual instalments of HK$50 million each should be regarded as two separate loans, one repayable in six months and the other one year, and slotted into the appropriate time bands according to their residual maturities. In the case of a variable rate loan of HK$100 million repayable by two semi-annual instalments of HK$50 million each, it should also be regarded as two separate loans and be slotted into the appropriate time bands according to the next repricing date of each tranche.

16. In the case of a managed rate mortgage loan, the entire amount of such loan, less the amount of principal repayable before the earliest repricing date (see paragraph ***11(c)*** above), should be reported in the appropriate time bands into which the repricing date falls. The principal amount repayable between the reporting date and the earliest repricing date should be slotted into the appropriate time bands according to the payment dates contracted for. For example, if a mortgage loan of HK$5 million can be repriced in two months' time, the principal amount repayable between eight days and one month (say HK$0.02 million) should be reported in row (C) of item 4 and the balance of the loan (i.e. HK$4.98 million) should be reported in row (D) of the same item.

17. ~~Institutions which have the practice of raising internal deals to record positions passed from one unit to another (e.g. Money Market Department to Foreign Exchange Department) within the same institution should not report these internal deals. However, this rule does not apply to an institution incorporated overseas, if the deals in question were executed between the institution's Hong Kong office and its overseas head office or branches.~~For the purpose of this return, internal deals are transactions between units within the relevant

[8] These are explicitly embedded within the contractual terms of an otherwise standard financial instrument where the holder will almost certainly exercise the option if it is in their financial interest to do so. An example of a product with embedded options is a floating rate mortgage loan with embedded caps and/or floors. Prepayment options on non-retail loans (see paragraph 19) and early redemption options on non-retail deposits or bonds (see paragraph 25) should also be treated as embedded options.

reporting scope (see paragraph 3 above) of the institution. Internal deals within the banking book should not be reported. For internal deals between the banking book and the trading book, the banking book leg of the internal deal should be reported if and only if the trading book leg of the deal is recognised under the market risk capital framework in the Banking (Capital) Rules.

Section *C* : Specific Instructions

18. Item 1 rows (A) to (~~O~~T) – Total interest bearing assets

Report the sum of items ***2a, 3a and 4a under item 1a*** of the same ***row. Regarding residential mortgage loans, report the sum of items 2b, 3b and 4b under item 1b of the same row. Report the sum of items 1a and 1b for all time bands in Total (A to ~~O~~T) under the respective items.***

Report the weighted average yield of total interest bearing assets and residential mortgage loans under items 1c and 1d respectively of the same row. All the rates reported should be rounded to 2 decimal places. ~~An example showing the method of calculation is given at Annex 3.~~ Interest rates applicable at the reporting date should be used for the purpose of calculation.

19. Item 2 - Fixed rate assets

~~These assets, such as fixed rate CDs or fixed rate term loans,~~Fixed rate assets with no prepayment risk should be slotted into the appropriate time bands according to their residual maturities. Retail fixed rate loans subject to prepayment risk, as defined in Section ***5.2*** of the SPM, should be slotted into the appropriate time bands according to the methodology in Section ***5.2*** of the SPM. Where a non-retail loan is subject to prepayment risk, this should be treated as an asset with embedded options according to paragraph ***14***.[9]

20. Item 3 - ~~Variable~~Floating rate assets

These should be slotted into the appropriate time bands according to the next interest rate fixing date. Such assets include, for example, floating rate CDs/notes, and other loans which are automatically priced in accordance with movements in the relevant reference rates. During the period between the final repricing date and final maturity, these assets should continue to be reported as ~~variable~~floating rate assets and slotted into the appropriate time bands according to their residual maturities.

21. Item 4 - Managed rate assets

These assets are those for which the interest rate does not change automatically in line with the movement in the reference rate but may be varied at the discretion of the reporting institution. Mortgage loans priced on prime are examples of managed rate assets. These assets should be slotted into the appropriate time bands according to the earliest date on

[9] After decomposition, the underlying asset should be reported as a standard fixed rate loan not subject to prepayment risk.

which their interest rates can be adjusted assuming that the reference rate (e.g. prime) is adjusted on the business day immediately following the reporting date.

22. Item 1 row (~~P~~U) – Non-interest bearing assets

These include, for example, properties, shares, fixed assets and other receivables which are non-interest bearing. ***Non-accruing assets on which interest is being placed in suspense or interest accrual has ceased should also be included.*** Properties and fixed assets should be reported net of depreciation.

23. Item 1 Total (A to ~~P~~U) – Total assets

Report the sum of ***total interest bearing and non-interest bearing assets***. The amount reported may not necessarily be the same as the amount of "Total liabilities" reported under item ***5*** Total (A to ~~Q~~V). ~~Locally incorporated **_and exempted_** institutions without overseas branches and overseas incorporated institutions should note that the amounts reported under this item, in respect of the positions for Hong Kong dollars and US dollars, should be consistent with the amount of "Total assets" reported under the relevant columns of item **_23_** of Form MA(BS)1.~~

24. Item 5 rows (A) to (~~O~~T) – Total interest bearing liabilities

Report the sum of items ***6a, 7a and 8a under item 5a*** of the same ***row. Regarding deposits, report the sum of items 6b, 7b and 8b under item 5b of the same row. Report the sum of items 5a and 5b for all time bands in Total (A to ~~O~~T) under the respective items.***

Report the weighted average costs of total interest bearing liabilities and deposits under items 5c and 5d respectively of the same row. All the rates reported should be rounded to 2 decimal places. ~~**_An example showing the method of calculation is given at Annex 3._**~~ ***Interest rates applicable at the reporting date should be used for the purpose of calculation.***

25. Item 6 - Fixed rate liabilities

These liabilities, such as fixed rate CDs, money market deposits and term deposits are to be slotted into the appropriate time bands according to their residual maturities provided they are not subject to early redemption risk. Retail term deposits subject to early redemption risk, as defined in Section ***5.2*** of the SPM, should be slotted into the appropriate time bands according to the methodology in Section ***5.2*** of the SPM. Where a non-retail deposit or bond is subject to early redemption risk, this should be treated as a liability with embedded options according to paragraph ***14***.[10]

26. Item 7 - ~~Variable~~Floating rate liabilities

These liabilities should be slotted into the appropriate time bands according to the next interest rate fixing date. They include, for example, floating rate debt instruments issued by

[10] After decomposition, the underlying liability should be reported as a standard term deposit not subject to early redemption risk.

the reporting institution where the interest rate is adjusted automatically on the repricing date in accordance with movements in the relevant reference rates. As with ~~variable~~floating rate assets, these liabilities should continue to be classified as ~~variable~~floating rate liabilities according to their residual maturities during the period between the final repricing date and the maturity date.

27. Item 8 - Managed rate liabilities

Such liabilities include, for example, deposits for which interest rates can be adjusted at the discretion of the deposit-taking institution. They should be slotted into the appropriate time bands according to the earliest date on which their interest rates can be adjusted assuming that the reference rates (e.g. ***standard savings*** rates) are adjusted on the business day immediately following the reporting date. For non-maturity deposits, institutions also have the option to slot them into different time bands based on the methodology in Section ***5.2*** of the SPM.

28. Item 5 (~~P~~U)+(~~Q~~V) – Non-interest bearing liabilities

Report the sum of ***equity capital and others.***

29. Item 5 row (~~P~~U) – equity capital

These include the capital, reserves (including retained earnings) and profit and loss accounts of the reporting institution. They should be reported in the base currency of the reporting institution or in the currency in which the capital is denominated. Interest-bearing capital items (e.g. preference shares and subordinated debts) should be reported under items ***6a, 7a or 8a*** as appropriate.

30. Item 5 row (~~Q~~V) - other non-interest bearing liabilities

These include, for example, ~~deposits in current accounts and other~~ payables / liabilities which are non-interest bearing, and loan loss provisions etc. Non-remunerated deposits (e.g. deposits in current accounts) should be reported as non-maturity deposits (i.e. managed rate liabilities) under interest-bearing liabilities.

General provisions should be reported in the base currency of the reporting institution. Other provisions should be reported in the currency of the underlying assets.

31. Item 5 Total (A to ~~Q~~V) - Total liabilities

Report the sum of ***total interest bearing and non-interest bearing liabilities***. The amount reported may not necessarily be the same as the amount of "Total assets" reported under item ***1*** Total (A to ~~P~~U). ~~Locally incorporated *and exempted* institutions without overseas branches and institutions incorporated overseas should note that the amounts reported under this item, in respect of the positions for Hong Kong dollars and US dollars, should be consistent with the sum of the amounts of "Total liabilities" and "Provisions" reported under the relevant columns of item *11* and item *24* of Form MA(BS)1 respectively.~~

32. Item 9 – Total off-balance sheet positions

Report ***in item 9a,*** the sum of ***all long positions reported under*** items ***10a to 15a*** of the same row.

Report ***in item 9b,*** the sum of ***all short positions reported under*** items ***10b to 15b*** of the same row.

33. Item 10 - Forward foreign exchange contracts

Forward foreign exchange contracts include unmatured spot contracts that are for value not more than two business days after the transactions are contracted. They should be reported in the relevant page of the return for the currencies concerned and should be slotted into the appropriate time bands according to the residual maturity of the individual contracts. For example, a five-month forward contract to sell Hong Kong dollars for US dollars should be slotted in the return ***for the Hong Kong currency*** as a short position under item ***10b*** of row (E) and in the return ***for the US currency*** as a long position under item ***10a*** of row (E).

34. Item 11 - Interest rate swaps

An interest rate swap contract obligates an institution to both receive and remit interest payments that are based on the notional amount of the swap contract. Depending on the contract, the institution may receive fixed rate and pay floating rate interest on the notional principal or vice versa. For example, an interest rate swap under which an institution is receiving floating rate interest and paying fixed rate would be treated as a long position in a floating rate instrument of maturity equivalent to the period until the next interest fixing date and a short position in a fixed rate instrument of maturity equivalent to the residual life of the swap. The two positions should then be slotted into the appropriate time bands according to their respective maturities.

35. Item 12 - Cross currency swaps

The reporting treatment of a cross currency swap is similar to that of an interest rate swap, except for the fact that its long and short positions should be reported in the relevant time bands of the currencies concerned.

36. Item 13 - Futures / Forward rate agreements (FRAs)

These should be treated in the same way as a combination of a long and a short position in government securities. The maturity of a future or an FRA would be the period until delivery or exercise of the contract, plus – where applicable – the life of the underlying instruments. For example, a long position in a June three-month interest rate future should be reported in April in the same way as a long position in a government security with a maturity of five months and a short position in a government security with a maturity of two months. Similarly, a seller of a 2 x 5 months FRA should report the transaction as a long position in a government security with a maturity of five months and a short position in a government security with a maturity of two months. In respect of a futures contract, where a range of deliverable instruments may be delivered to fulfil the contract, the institution would be free to elect which deliverable security goes into the maturity ladder.

37. Item 14 - Options

Report option contracts that are related to interest rate instruments and currencies. All bought and sold interest rate options should be reported. Embedded options that have been decomposed (see paragraph 14) should also be reported here. Report the estimated value of the option contracts to the ***option holder***, which ~~Option contracts should be reported by using the delta equivalent value of these contracts, which is calculated by multiplying the principal value of the underlying by the delta or, in the case of options on debt instruments, the market value of such debt instruments by the delta. (Such deltas~~ are to be calculated according to the reporting institution's proprietary options pricing model.~~)~~ Bought options should be reported as a long position and sold options should be reported as a short position. Report the total value of options only, i.e. no need to slot cash flows into time bands, under Item ***14*** Total.

~~In slotting deltas into the time bands, a two-legged approach should be used as for other derivatives – one entry at the time the underlying contract takes effect and the other at the time the underlying contract matures. For instance, a bought call option on a June three-month interest rate future would in April be considered, on the basis of its "delta" equivalent value, to be a long position with a maturity of five months and a short position with a maturity of two months. A written option would be similarly included as a long position with a maturity of two months and a short position with a maturity of five months.~~

~~The two-legged approach also applies to reporting positions of interest rate swaptions. For example, a bought swaption of receiving (paying) fixed rate with an option maturity of two months and an underlying interest rate swap of three years is reported as a long (short) position with a maturity of three years and two months and a short (long) position with a maturity of two months. Similarly, a written swaption of receiving (paying) fixed rate with an option maturity of two months and an underlying interest rate swap of three years is reported as a short (long) position with a maturity of three years and two months and a long (short) position with a maturity of two months. The amounts of the positions are the deltas of the notional amount of the underlying interest rate swap in respect of the type of the swaption.~~

~~In the case of ***an option that gives rise to foreign currency exposures (e.g.*** currency option), the delta equivalent value of both the long and short positions should be reported in the time band corresponding to the exercise date of the contract. Report a long position in respect of the currency that the institution intends to take and a short position of the currency that the institution intends to deliver.~~

~~An institution purchasing options to a limited extent for the purposes of hedging may report only those option contracts that are in-the-money. Instead of reporting their delta equivalent values, it may report the notional value of the option contracts in ***rows (A) to (O)*** using the two-legged approach as mentioned above.~~

~~As the methods of reporting some option instruments (e.g. digital options and barrier options) are rather complicated, institutions with such transactions should discuss with the HKMA the reporting method concerned.~~

38. Item 15 - Others

Report~~, by using the two-legged approach,~~ any other debt derivatives and off-balance sheet items the values of which are sensitive to changes in interest rates. This includes forward arrangements for fixed rate loans and fixed rate deposits which have been contracted but remain undrawn as at the reporting date. A forward loan should be reported as a long position at the time the loan matures and as a short position at the time when the loan is to be drawn. For forward deposits, the reporting method is the reverse.

Institutions should also include fixed rate loan and fixed rate deposit commitments[11] under this item. Both retail and wholesale commitments should be included. Institutions should estimate the proportion of commitments that will be drawn-down and the expected tenor, based on historical data and using a sound and prudent methodology. The estimated cash flows should be reported following the reporting method for forward arrangements for fixed rate loans and fixed rate deposits.

Where securities are sold subject to a repurchase agreement, the terms of which transfer substantially all risks and rewards of ownership to the buyer, the transaction should be separately accounted for as an outright sale plus a commitment to repurchase. The securities sold under such an agreement should not be reported in this return but the commitment to repurchase should be reported as a forward purchase of the securities. Where the price for the commitment to repurchase has not been determined, the fair value (i.e. current market price) as of the reporting date should be used.

Where securities are purchased subject to a resale agreement, the terms of which transfer substantially all risks and rewards of ownership to the reporting institution, the transaction should be separately accounted for as an outright purchase plus a commitment to sell back. The securities purchased under such an agreement should be reported as an asset and the commitment to sell back as a forward sale of the securities. Where the price for the commitment to sell back has not been determined, the fair value (i.e. current market price) as of the reporting date should be used.

39. Item 16 - Net positions

~~This~~ Item ***16a*** (net positions excluding coupon cash flows) is the net amount of items ***1a, 5a, 9a and 9b***. Show figures in brackets to indicate a short position in any of the time bands.

Item ***16b*** (net positions including coupon cash flows) is item ***16a*** plus any scheduled coupon cash flows[12]. For fixed rate positions, coupon payments should be slotted into the appropriate time bands according to their payment schedule until the contractual maturity[13]. For floating rate positions, coupon payments should be slotted into the appropriate time bands according to their payment schedule until the the next repricing date. Coupon cash flows on assets should be netted against coupon cash flows on liabilities if they are slotted into the same time band.

[11] These are commitments by banks to allow customers to draw down a loan or place a deposit at a fixed rate within a limited future period.

[12] These include any interest payment on a tranche of principal that has not yet been repaid or repriced.

[13] In the case of cash flows with optionality (see Section ***5.2*** of the SPM), the cash flows slotted to each time band should be adjusted to take into account the expected prepayment or early withdrawal behaviour.

Regarding commercial margins and other spread components, institutions have an explicit choice to either include or exclude them in the cash flows. If institutions have chosen to include commercial margins and other spread components in the cash flows, the spread components must be slotted according to their payment schedule until the contractual maturity[14], irrespective of whether the notional principal has been repriced or not, provided that the notional principal has not yet been repaid and that the spread components do not reprice.

The following example illustrates how coupon payments should be slotted for a floating rate loan with a notional amount of HKD 100 million. The loan expires after ten years and the interest rate is HIBOR+3% (payable annually). The current HIBOR is 2% and the next repricing date is in a year's time.

	Including spread components	***Excluding spread components***
Next day or less:		
2 to 7 days:		
8 days to 1 month:		
1 to 3 months:		
3 to 6 months:		
6 to 9 months:		
9 to 12 months	5	2
1 to 1.5 years		
1.5 to 2 years	*3*	
2 to 3 years	*3*	
3 to 4 years	*3*	
4 to 5 years	*3*	
5 to 6 years	*3*	
6 to 7 years	*3*	
7 to 8 years	*3*	
8 to 9 years	*3*	
9 to 10 years	*3*	
10 to 15 years		
15 to 20 years		
More than 20 years		

The following example illustrates how coupon payments should be slotted for a fixed rate loan with a notional amount of HKD 100 million. The loan expires after ten years. The interest rate on the loan, payable annually, is 5% including spread components and 4% excluding spread components.

[14] In the case of floating rate loans subject to prepayment risk, the spread components slotted to each time band should be adjusted to take into account the expected prepayment behaviour.

	Including spread components	Excluding spread components
Next day or less:		
2 to 7 days:		
8 days to 1 month:		
1 to 3 months:		
3 to 6 months:		
6 to 9 months:		
9 to 12 months	5	4
1 to 1.5 years		
1.5 to 2 years	5	4
2 to 3 years	5	4
3 to 4 years	5	4
4 to 5 years	5	4
5 to 6 years	5	4
6 to 7 years	5	4
7 to 8 years	5	4
8 to 9 years	5	4
9 to 10 years	5	4
10 to 15 years		
15 to 20 years		
More than 20 years		

40. Item 17 – Earnings perspective (impact / scenario analysis)

~~The time weight on earnings ***under item 17a*** is used to measure the impact of an interest rate increase of ***200 basis*** points on the earnings of the reporting institution in a period of 12 months. For example, if an institution has a positive ***position*** of $10 million in the ***fourth*** (***1 to 3 months***) time band, an increase in interest rates of ***200 basis*** points would produce additional interest income of approximately $***166,667*** ($10,000,000 x ***2%*** x ***10***/12) during the 12-month period. This assumes that all positions are repriced at the mid-point of each time band.~~ Institutions should calculate the impact of the parallel up and parallel down scenario (see Section ***5.3*** of the SPM) on the earnings of the reporting institution in a period of 12 months. For a given currency c and under scenario i, institutions should calculate the new net position (excluding coupon cash flows), as net positions under interest rate shock scenarios may vary depending on the way cash flows with optionality are slotted (the net positions should be consistent with those used for economic value impact – see Section ***5.2*** of the SPM). The new net position $N_{i,c}(k)$ at each time band k should be weighted by a time weight $(1 - t_k) \cdot \Delta r_{i,c}(k)$, where $\Delta r_{i,c}(k)$ denotes the change in interest rates under scenario i and t_k denotes the midpoint of each time band (under Item ***17a***). For example, for a parallel increase of ***200 basis*** points across the yield curve, ~~T~~the time weights of individual time bands ~~are thus~~should be computed as follows:

Next day or less:	$(1 - 1/360) \cdot 2\%$ ~~***(364.5 / 365) x 2%***~~	$= 1.994\%$ ~~***= 1.997%***~~
2 to 7 days:	$(1 - 4.5/360) \cdot 2\%$ ~~***(360.5 / 365) x 2%***~~	$= 1.975\%$ ~~***= 1.975%***~~
8 days to 1 month:	$(1 - 19/360) \cdot 2\%$ ~~***(346 / 365) x 2%***~~	$= 1.894\%$ ~~***= 1.896%***~~
1 to 3 months:	$(1 - 60/360) \cdot 2\%$ ~~(10 / 12) x 2%~~	$= 1.667\%$ ~~***= 1.667%***~~
3 to 6 months:	$(1 - 135/360) \cdot 2\%$ ~~(7.5 / 12) x 2%~~	$= 1.250\%$ ~~***= 1.250%***~~
6 to ~~12~~ 9 months:	$(1 - 225/360) \cdot 2\%$ ~~(3 / 12) x 2%~~	$= 0.750\%$ ~~***= 0.500%***~~
9 to 12 months	$(1 - 315/360) \cdot 2\%$	$= 0.250\%$

Report the weighted net position $N_{i,c}(k) \cdot (1 - t_k) \cdot \Delta r_{i,c}(k)$ under items ***17b*** and ***17c*** of each time band. The total impact on earnings over the next 12 months should be calculated ***by summing the weighted positions in different time bands up to 12 months,*** as ~~computed by multiplying the net position in each time band reported under item ***16*** by the corresponding time weight specified under item ***17a***.~~ reported under Item ***17***. The amounts reported, with short positions shown in brackets, should be rounded to the nearest HK$ Million without decimal place.

41. Item 18 – Economic value perspective (impact / scenario analysis)

Institutions should calculate the impact of the six interest rate shock scenarios (see Section ***5.3*** of the SPM) on economic value of equity (EVE). ~~The HKMA applies a standardised 200 basis point parallel rate shock to institutions' interest rate risk exposures to measure the economic value impact of the shock.~~ ~~T~~For each given currency c, the impact of the shock is calculated as follows:

- identify the current risk-free rate[15], denote by $r_{0,c}(k)$, at the midpoint of each time band k;

- ~~multiply the net position reported under item 16 by the corresponding weighting factor[16] under item 18a to obtain a weighted position in each time band~~report under Item ***18a*** the current EVE ($E_{0,c}(k)$) for each time band k (with midpoint t_k under item ***17a***), by multiplying the net position $CF_{0,c}(k)$ reported under item ***16b*** by a continuously compounded discount factor[17]

[15] This may be determined, for example, based on a secured interest rate swap curve. Institutions may include commercial margin and other spread components in the risk-free rate only if they have been included in the cash flows (see paragraph 39).

~~[16] Adopted from the Basel Committee's consultative paper on "Principles for the Management and Supervision of Interest Rate Risk" issued in January 2001, the weighting factors are designed to reflect the sensitivity of positions in different time bands to an assumed parallel shift of 200 basis points throughout the time spectrum. The factors are based on a proxy of modified duration of positions situated at the middle of each time band and yielding 5%, and have been found to be in line with the term structure of Hong Kong dollar interest rates.~~

[17] For the purpose of calculating the EVE impact only, institutions also have the option to slot cash flows onto time band midpoints (under Item ***17a***) rather than time bands. This option requires splitting up notional repricing cash

$$E_{0,c}(k) = CF_{0,c}(k) \cdot exp\left(-r_{0,c}(k) \cdot t_k\right);$$

- report in row (U) under Item ***18a*** the net value of interest rate options (the net amount of Item ***14a*** Total and Item ***14b*** Total).

- for each scenario i, identify the new interest rate $r_{i,c}(k)$ at the midpoint of each time band k, calculate the new net position $CF_{i,c}(k)$ (as net positions under interest rate shock scenarios may vary depending on the way cash flows with optionality are slotted), and calculate the impact on EVE as

$$\Delta E_{i,c}(k) = E_{0,c}(k) - CF_{i,c}(k) \cdot exp\left(-r_{i,c}(k) \cdot t_k\right);$$

- report the amount (with short positions shown in brackets) under item ***18~~b~~*** of each time band and round the amount to the nearest HK$ Million without decimal place;

- calculate the net value of interest rate options $VAO_{i,c}$ using the new yield curve under each interest rate shock scenario i, and assuming a relative increase in the implicit volatility of 25%;

- report in row (U) under Item ***18*** the interest rate option risk measure $KAO_{i,c}$ under each scenario i, calculated as $KAO_{i,c} = VAO_{0,c} - VAO_{i,c}$, where $VAO_{0,c}$ denotes the current net value of interest rate options (as reported in row (U) under Item ***18a***);

- report the sum of the ~~weighted~~ positions ~~of all time bands~~ in Total (A to ~~O~~U) under item ***18***; report zero if the sum is less than zero, i.e.

$$\Delta E_{i,c} = max\left(0, \textstyle\sum_k \Delta E_{i,c}(k) + KAO_{i,c}\right);\cancel{b;}$$

- report the ~~total capital base~~tier 1 capital of the institution at the reporting date in row (~~P~~V) under item ***18~~b~~***. For overseas incorporated institutions, they should report the ~~total capital base~~ tier 1 capital of their head office; and

- express the impact on ~~economic value~~EVE as a percentage of ~~total capital base~~tier 1 capital under item ***18~~b~~***.

42. Item 19 – Basis risk (impact / scenario analysis)

Impact on earnings of an institution due to basis risk is measured by the following two scenarios:

(i) all rates except for fixed and managed rates on interest bearing assets rise by 200 basis points; and

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flows between two adjacent time band midpoints. Institutions using this option should re-calculate the net positions on this basis and then discount them using the relevant interest rates.

(ii) managed rates on interest bearing assets drop by 200 basis points while other rates remain unchanged.

The impact on earnings is calculated under item ***19*** by assuming that the changes in interest rates last for different periods of time (one month, three months, six months and 12 months) under both scenarios. Both on- and off-balance sheet positions should be included. The calculation is similar to that under the earnings perspective (see item ***17*** above) except that different types of interest rates are subject to different changes and that the current net position (rather than new net positions under interest rate shock scenarios[18]) should be used.

For example, if an institution has total managed rate assets of $50 million and $950 million respectively in the second (2 to 7 days) and the fourth (1 to 3 months) time bands, a drop of 200 basis points in managed rates for three months (assuming 90 days) would reduce interest income from the assets by approximately $1.~~817~~ 821 million during the period. The computation (assuming that all positions are repriced at the mid-point of each time band) is as follows:

Time Band	Time Weight (for a drop of 90 days)	Position $ million	Impact on earnings $ million
Next day or less:	$\frac{(90-1)}{360}\cdot -2\% = -0.494\%$ ~~(89.5 / 365) x -2% = -0.490%~~	*0*	*0*
2 to 7 days:	$\frac{(90-4.5)}{360}\cdot -2\% = -0.475\%$ ~~(85.5 / 365) x -2% = -0.468%~~	*50*	*-0.~~234~~238*
8 days to 1 month:	$\frac{(90-19)}{360}\cdot -2\% = -0.394\%$ ~~(71 / 365) x -2% = -0.389%~~	*0*	*0*
1 to 3 months:	$\frac{(90-60)}{360}\cdot -2\% = -0.167\%$ ~~(1 / 12) x -2% = -0.167%~~	*950*	*-1.583*
3 to 6 months:	*NA*	*0*	*NA*
6 to 12 months:	*NA*	*0*	*NA*
		Total =	*-1.~~817~~821*

[18] Nevertheless, for floating rate assets that are subject to a cap based on a managed rate, e.g. a HIBOR-based mortgage subject to a cap based on prime, they should be re-classified as managed rate assets if the cap becomes binding under the relevant scenario for the purpose of calculating the impact on earnings due to basis risk.

Hong Kong Monetary Authority
~~December 2003~~June 2017

Annex 1

EXAMPLE BANK *(non-exempted institution)* Position as at Day 0

(**The following on- and off-balance sheet items *in the banking book* will be shown in pages *1 to 8* of the sample return forms that follow**. Current risk-free rates are assumed to be 0.5% p.a. across all maturities. Commercial margin and other spread components are not included.)

A. BALANCE SHEET

Ref	Particulars	HKD	USD	Total
	ASSETS			
(a)	5-month retail ***fixed rate*** loans (0.5% interest paid at maturity, no prepayment risk)~~5-month ***fixed rate*** loans~~		300	300
(b)	2-year retail ***fixed rate*** loans (1% interest paid annually, subject to prepayment risk with CPR=0.2 in the first year)~~2-year ***fixed rate*** loans~~	500		500
(c)	1-year ***fixed rate mortgage*** loans (1% interest paid annually, no prepayment risk)~~1-year ***fixed rate mortgage*** loans~~	200		200
(d)	4-month ***fixed rate mortgage*** loans (0.3% interest paid at maturity, no prepayment risk)~~4-month ***fixed rate mortgage*** loans~~	100		100
(e)	2-month ***floating rate*** loans (0.1% interest paid monthly, next repricing in 2 months)~~2-month ***variable rate*** loans~~	400		400
(f)	15-year ***fixed rate*** bonds (1% coupon paid annually, no prepayment risk)~~***15-year fixed rate*** bonds~~		200	200
(g)	3-month retail ***fixed rate*** loans (0.25% interest paid at maturity, no prepayment risk)~~3-month ***fixed rate*** loans~~		250	250
(h)	Other ***non-interest bearing*** assets~~Other ***non-interest bearing*** assets~~	180		180
(i)	3-year ***fixed rate mortgage loans*** (1% interest paid annually, no prepayment risk)~~**3-year fixed rate mortgage loans**~~	800		800
(j)	20-year ***managed rate mortgage loans*** (0.1% interest paid monthly, to be repriced in 2 months' time and 5% repayable within 7 days)~~**20-year managed rate mortgage loans (to be repriced in 2 months' time and 5% repayable within 7 days)**~~	1000		1000
		3180	750	3930
	LIABILITIES			
(aa)	5-month ***fixed rate*** deposits (0.5% interest paid at maturity, no early redemption risk)~~5-month ***fixed rate*** deposits~~	300		300
(bb)	2-year ***floating rate*** deposits (0.1% interest paid monthly, to be repriced in 3 months' time)~~2-year ***variable rate*** deposits~~	500		500

	~~(to be repriced in 3 months' time)~~			
(cc)	1-year ***fixed rate*** deposits (1% interest paid at maturity, no early redemption risk)~~1-year ***fixed rate*** deposits~~		200	200
(dd)	7-month ***fixed rate*** deposits (0.5% interest paid at maturity, no early redemption risk)~~10-month ***fixed rate*** deposits~~	100		100
(ee)	18-month ***fixed rate*** deposits (1.5% interest paid at maturity, no early redemption risk)~~***18-month fixed rate*** deposits~~	400		400
(ff)	2-month ***fixed rate*** deposits (0.2% interest paid at maturity, no early redemption risk)~~2-month ***fixed rate*** deposits~~		200	200
(gg)	6-month ***fixed rate*** deposits (0.5% interest paid at maturity, no early redemption risk)~~***6-month fixed rate*** deposits~~		250	250
(hh)	Capital~~Capital~~	180		180
(ii)	4-year ***fixed rate retail deposits*** (1% interest paid annually, subject to early redemption with TDRR=0.4)~~***4-year fixed rate CDs***~~	400	400	800
(jj)	~~***Savings***~~ ***Non-maturity deposits***	1000		1000
		2880	1050	3930

B. OFF-BALANCE SHEET POSITIONS

Ref.	Type	Notional Principal	Particulars
(a)/(aa)	Forward FX contracts	300	Buy HKD sell USD in 5 months' time.
(b)/(bb)	Interest Rate Swaps	500	Final maturity of the HKD interest rate swap is 2 years. The bank pays fixed and receives floating rate. The floating rate is to be repriced in 3 months' time.
(c)/(cc)	Currency Swaps	200	This being a 1-year HKD/USD swap. During the life of the swap, the bank pays HKD interest and receives USD interest. At maturity, the bank pays the principal in HKD and receives the principal in USD.
(d)/(dd)	Interest Rate Futures	100	The bank takes a long position in a 6-month interest rate future contract delivery of which will take effect in 4 months' time.
(e)/(ee)	Forward Rate Agreements	400	The bank writes a 2 against ***18*** forward rate agreement on HKD interest rates.
~~(f)/(ff)~~	~~Put options~~	~~200*~~	~~An option has been bought to sell the USD straight bond which is now held by the bank and which will mature in ***15 years***' time. The option may be exercised in 2 months' time.~~

~~(g)/(gg)~~	~~Call options~~	~~250*~~	~~A call option on ***3***-month US Treasury Bill has been bought. The option may be exercised in 3 months' time.~~

~~(* Delta equivalent values.~~

Currency Code
(For Official Use Only)

Interest Rate Risk Exposures
Position of * Banking Book / Trading Book and Banking Book (Note (1))
Currency (Note (2)): HONG KONG DOLLAR

* Delete where inappropriate.

(In HK$ Million or equivalent)

TIME BAND		**INTEREST BEARING ASSETS** (Note (3))											
		1. Total interest bearing assets				2. Fixed rate assets				3. Floating rate assets		4. Managed rate assets	
		a. Total 2a+3a+4a	**b. Residential mortgage loans** 2b+3b+4b	**c. Total weighted average yield**	**d. Weighted average yield (Residential mortgage loans)**	a. Total	b. Residential mortgage loans	c. Residential mortgage loans subject to prepayment risk	d. Other loans subject to prepayment risk	a. Total	b. Residential mortgage loans	a. Total	b. Residential mortgage loans
Next day or less	(A)			%	%								
2 to 7 days	(B)	50	50	%	%							50	50 (j)
8 days to 1 month	(C)			%	%								
1 to 3 months	(D)	1350	950	%	%					400 (e)		950	950 (j)
3 to 6 months	(E)	100	100	%	%	100	100 (d)						
6 to 9 months	(F)			%	%								
9 to 12 months	(G)	300	200	%	%	300	200 (c)		0.2×500 (b)				
1 to 1.5 years	(H)			%	%								
1.5 to 2 years	(I)	400		%	%	400			0.8×500 (b)				
2 to 3 years	(J)	800	800	%	%	800	800 (i)						
3 to 4 years	(K)			%	%								
4 to 5 years	(L)			%	%								
5 to 6 years	(M)			%	%								
6 to 7 years	(N)			%	%								
7 to 8 years	(O)			%	%								
8 to 9 years	(P)			%	%								
9 to 10 years	(Q)			%	%								
10 to 15 years	(R)			%	%								
15 to 20 years	(S)			%	%								
More than 20 years	(T)			%	%								
Total interest bearing assets	Total (A to T)	3000	2100			1600	1100		500	400		1000	1000
Non-interest bearing assets	(U)	180 (h)											
Total assets	Total (A to U)	3180											

Notes:
(1) Locally incorporated authorized institutions subject to the market risk capital adequacy regime are required to report positions in the banking book only. Other locally incorporated institutions exempted from the market risk capital adequacy regime and overseas incorporated institutions are required to report aggregate positions in the banking book and trading book.
(2) Report interest rate risk exposures in major currencies as defined in the Completion Instructions, including at least Hong Kong dollar and US dollar (nil returns are required for these two currencies). Use the same return form for each currency.
(3) Report items under different time bands based on the earliest interest repricing date as specified in the Completion Instructions.

Currency Code
(For Official Use Only)

Interest Rate Risk Exposures

Position of * Banking Book / Trading Book and Banking Book (Note (1))

Currency (Note (2)): HONG KONG DOLLAR

* Delete where inappropriate.

(In HK$ Million or equivalent)

TIME BAND		INTEREST BEARING LIABILITIES (Note (3))											
		5. Total interest bearing liabilities				6. Fixed rate liabilities				7. Floating rate liabilities		8. Managed rate liabilities	
		a. Total 6a+7a+8a	**b. Deposits** 6b+7b+8b	**c. Total weighted average interest costs**	**d. Weighted average interest costs (Deposits)**	a. Total	b. Deposits	c. Deposits subject to early redemption risk	d. Other liabilities subject to early redemption risk	a. Total	b. Deposits	a. Total	b. Deposits
Next day or less	(A)	1160	1160	%	%	160		0.4×400 (ii)				1000	1000 (jj)
2 to 7 days	(B)			%	%								
8 days to 1 month	(C)			%	%								
1 to 3 months	(D)	500	500	%	%					500	500 (bb)		
3 to 6 months	(E)	300	300	%	%	300	300 (aa)						
6 to 9 months	(F)	100	100	%	%	100	100 (dd)						
9 to 12 months	(G)			%	%								
1 to 1.5 years	(H)	400	400	%	%	400	400 (ee)						
1.5 to 2 years	(I)			%	%								
2 to 3 years	(J)			%	%								
3 to 4 years	(K)	240	240	%	%	240		(1-0.4)×400 (ii)					
4 to 5 years	(L)			%	%								
5 to 6 years	(M)			%	%								
6 to 7 years	(N)			%	%								
7 to 8 years	(O)			%	%								
8 to 9 years	(P)			%	%								
9 to 10 years	(Q)			%	%								
10 to 15 years	(R)			%	%								
15 to 20 years	(S)			%	%								
More than 20 years	(T)			%	%								
Total book value	Total (A to T)	2700	2700			1200	800	0		500	500	1000	1000
Non-interest bearing liabilities	(U)+(V)	180											
Equity capital	(U)	180 (hh)											
Others	(V)												
Total liabilities	Total (A to V)	2880											

Notes:

(1) Locally incorporated authorized institutions subject to the market risk capital adequacy regime are required to report positions in the banking book only. Other locally incorporated institutions exempted from the market risk capital adequacy regime and overseas incorporated institutions are required to report aggregate positions in the banking book and trading book.

(2) Report interest rate risk exposures in major currencies as defined in the Completion Instructions, including at least Hong Kong dollar and US dollar (nil returns are required for these two currencies). Use the same return form for each currency.

(3) Report items under different time bands based on the earliest interest repricing date as specified in the Completion Instructions. Non-maturity deposits may be reported based on behavioural maturity according to the methodology provided in the Completion Instructions.

Interest Rate Risk Exposures

Position of * Banking Book / Trading Book and Banking Book (Note (1))

Currency (Note (2)): HONG KONG DOLLAR

* Delete where inappropriate.

(In HK$ Million or equivalent)

		OFF-BALANCE SHEET POSITIONS (Note (3))													
TIME BAND		**9. Total**		10. Forward foreign exchange contracts		11. Interest rate swaps		12. Cross currency swaps		13. Futures / FRAs		14. Options		15. Others	
		a. Long 10a+11a+12a+13a+14a+15a	**b. Short** 10b+11b+12b+13b+14b+15b	a. Long	b. Short	a. Long	b. Short	a. Long	b. Short	a. Long	b. Short	a. Long	b. Short	a. Long	b. Short
Next day or less	(A)														
2 to 7 days	(B)														
8 days to 1 month	(C)														
1 to 3 months	(D)	500	400			500 (b)					400 (ee)				
3 to 6 months	(E)	300	100	300 (a)							100 (dd)				
6 to 9 months	(F)														
9 to 12 months	(G)	100	200						200 (cc)	100 (d)					
1 to 1.5 years	(H)	400								400 (e)					
1.5 to 2 years	(I)		500				500 (bb)								
2 to 3 years	(J)														
3 to 4 years	(K)														
4 to 5 years	(L)														
5 to 6 years	(M)														
6 to 7 years	(N)														
7 to 8 years	(O)														
8 to 9 years	(P)														
9 to 10 years	(Q)														
10 to 15 years	(R)														
15 to 20 years	(S)														
More than 20 years	(T)														
Total off-balance sheet positions	Total (A to T)	1300	1200	300		500	500		200	500	500				

Notes:

(1) Locally incorporated authorized institutions subject to the market risk capital adequacy regime are required to report positions in the banking book only. Other locally incorporated institutions exempted from the market risk capital adequacy regime and overseas incorporated institutions are required to report aggregate positions in the banking book and trading book.

(2) Report interest rate risk exposures in major currencies as defined in the Completion Instructions, including at least Hong Kong dollar and US dollar (nil returns are required for these two currencies). Use the same return form for each currency.

(3) Report items under different time bands based on the earliest interest repricing date as specified in the Completion Instructions.

Currency Code
(For Official Use Only)

Interest Rate Risk Exposures

Position of * Banking Book / Trading Book and Banking Book (Note (1))
Currency (Note (2)): HONG KONG DOLLAR

* Delete where inappropriate.

(In HK$ Million or equivalent)

	IMPACT / SCENARIO ANALYSIS														
	16. Net positions		**17. Earnings perspective**			**18. Economic value perspective**							**19. Basis risk**		
TIME BAND	**a. Excluding coupon cash flows** 1a-5a +9a-9b	**b. Including coupon cash flows**	**a. Time band mid-point (years)**	**b. Impact on earnings over the next 12 months (parallel up)**	**c. Impact on earnings over the next 12 months (parallel down)**	**a. Current EVE**	**b. Impact on EVE (parallel up)**	**c. Impact on EVE (parallel down)**	**d. Impact on EVE (steepener)**	**e. Impact on EVE (flattener)**	**f. Impact on EVE (short rates up)**	**g. Impact on EVE (short rates down)**	**Period for which changes in interest rates last**	**Scenario (i) All rates except for fixed and managed rates on interest bearing assets rise by 200 bps**	**Scenario (ii) Managed rates on interest bearing assets drop by 200 bps while other rates remain unchanged**
Next day or less (A)	-1160	-1160	0.0028	-24	22	-1160	32	-32	-32	32	32	-32	1 month	(2)	(0)
2 to 7 days (B)	50	50	0.0125	1	-1	50	0	0	0	0	0	0	3 months	(6)	(2)
8 days to 1 month (C)	0	1	0.0528	0	0	1	0	0	0	0	0	0	6 months	(12)	(7)
1 to 3 months (D)	950	950	0.1667	16	-16	950	3	-3	-2	2	3	-3	12 months	(25)	(17)
3 to 6 months (E)	0	-1	0.375	0	0	-1	0	0	0	0	0	0			
6 to 9 months (F)	-100	-101	0.625	-1	1	-100	-1	1	1	-1	-1	1			
9 to 12 months (G)	200	213	0.875	0	-1	212	23	-24	19	-18	22	-23			
1 to 1.5 years (H)	0	-6	1.25			-6	0	0	0	0	0	0			
1.5 to 2 years (I)	-100	-90	1.75			-90	-23	24	-19	19	-22	23			
2 to 3 years (J)	800	806	2.5			796	39	-40	3	6	21	-21			
3 to 4 years (K)	-240	-242	3.5			-238	-46	51	27	-32	-38	40			
4 to 5 years (L)			4.5												
5 to 6 years (M)			5.5												
6 to 7 years (N)			6.5												
7 to 8 years (O)			7.5												
8 to 9 years (P)			8.5												
9 to 10 years (Q)			9.5												
10 to 15 years (R)			12.5												
15 to 20 years (S)			17.5												
More than 20 years (T)			25												
Options (U)															
Total (A to U)				-7	6		27	0	0	8	17	0			
Tier 1 capital at reporting date (Note (3)) (V)												180			
Impact on EVE as % of Tier 1 capital (A to U) / (V)							15%	0%	0%	4%	10%	0%			

Notes:

(1) Locally incorporated authorized institutions subject to the market risk capital adequacy regime are required to report positions in the banking book only. Other locally incorporated institutions exempted from the market risk capital adequacy regime and overseas incorporated institutions are required to report aggregate positions in the banking book and trading book.

(2) Report interest rate risk exposures in major currencies as defined in the Completion Instructions, including at least Hong Kong dollar and US dollar (nil returns are required for these two currencies). Use the same return form for each currency.

(3) Report the Tier 1 capital for all currencies. Overseas incorporated institutions should refer to the Tier 1 capital of their head office.

Currency Code
(For Official Use Only)

Interest Rate Risk Exposures

Position of * Banking Book / Trading Book and Banking Book (Note (1))

Currency (Note (2)): U.S. DOLLAR

* Delete where inappropriate.

(In HK$ Million or equivalent)

TIME BAND		INTEREST BEARING ASSETS (Note (3))											
		1. Total interest bearing assets				2. Fixed rate assets				3. Floating rate assets		4. Managed rate assets	
		a. Total 2a+3a+4a	**b. Residential mortgage loans** 2b+3b+4b	**c. Total weighted average yield**	**d. Weighted average yield (Residential mortgage loans)**	a. Total	b. Residential mortgage loans	c. Residential mortgage loans subject to prepayment risk	d. Other assets subject to prepayment risk	a. Total	b. Residential mortgage loans	a. Total	b. Residential mortgage loans
Next day or less	(A)			%	%								
2 to 7 days	(B)			%	%								
8 days to 1 month	(C)			%	%								
1 to 3 months	(D)	250		%	%	250 (g)							
3 to 6 months	(E)	300		%	%	300 (a)							
6 to 9 months	(F)			%	%								
9 to 12 months	(G)			%	%								
1 to 1.5 years	(H)			%	%								
1.5 to 2 years	(I)			%	%								
2 to 3 years	(J)			%	%								
3 to 4 years	(K)			%	%								
4 to 5 years	(L)			%	%								
5 to 6 years	(M)			%	%								
6 to 7 years	(N)			%	%								
7 to 8 years	(O)			%	%								
8 to 9 years	(P)			%	%								
9 to 10 years	(Q)			%	%								
10 to 15 years	(R)	200		%	%	200 (f)							
15 to 20 years	(S)			%	%								
More than 20 years	(T)			%	%								
Total interest-bearing assets	Total (A to T)	750				750							
Non-interest bearing assets	(U)												
Total assets	Total (A to U)	750											

Notes:

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(2) Report interest rate risk exposures in major currencies as defined in the Completion Instructions, including at least Hong Kong dollar and US dollar (nil returns are required for these two currencies). Use the same return form for each currency.

(3) Report items under different time bands based on the earliest interest repricing date as specified in the Completion Instructions.

Currency Code
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Interest Rate Risk Exposures

Position of * Banking Book / Trading Book and Banking Book (Note (1))

Currency (Note (2)): U.S. DOLLAR

* Delete where inappropriate.

(In HK$ Million or equivalent)

TIME BAND		INTEREST BEARING LIABILITIES (Note (3))											
		5. Total interest bearing liabilities				6. Fixed rate liabilities				7. Floating rate liabilities		8. Managed rate liabilities	
		a. Total 6a+7a+8a	**b. Deposits** 6b+7b+8b	**c. Total weighted average interest costs**	**d. Weighted average interest costs (Deposits)**	a. Total	b. Deposits	c. Deposits subject to early redemption risk	d. Other liabilities subject to early redemption risk	a. Total	b. Deposits	a. Total	b. Deposits
Next day or less	(A)	160	160	%	%	160		0.4×400 (ii)					
2 to 7 days	(B)			%	%								
8 days to 1 month	(C)			%	%								
1 to 3 months	(D)	200	200	%	%	200	200 (ff)						
3 to 6 months	(E)	250	250	%	%	250	250 (gg)						
6 to 9 months	(F)			%	%								
9 to 12 months	(G)	200	200	%	%	200	200 (cc)						
1 to 1.5 years	(H)			%	%								
1.5 to 2 years	(I)			%	%								
2 to 3 years	(J)			%	%								
3 to 4 years	(K)	240	240	%	%	240		(1-0.4)×400 (ii)					
4 to 5 years	(L)			%	%								
5 to 6 years	(M)			%	%								
6 to 7 years	(N)			%	%								
7 to 8 years	(O)			%	%								
8 to 9 years	(P)			%	%								
9 to 10 years	(Q)			%	%								
10 to 15 years	(R)			%	%								
15 to 20 years	(S)			%	%								
More than 20 years	(T)			%	%								
Total book value	Total (A to T)	1050	1050			1050	650	400					
Non-interest bearing liabilities	(U)+(V)												
Equity capital	(U)												
Others	(V)												
Total liabilities	Total (A to V)	1050											

Notes:

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(2) Report interest rate risk exposures in major currencies as defined in the Completion Instructions, including at least Hong Kong dollar and US dollar (nil returns are required for these two currencies). Use the same return form for each currency.

(3) Report items under different time bands based on the earliest interest repricing date as specified in the Completion Instructions.

Currency Code
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Interest Rate Risk Exposures

Position of * Banking Book / Trading Book and Banking Book (Note (1))

Currency (Note (2)): U.S. DOLLAR

* Delete where inappropriate.

(In HK$ Million or equivalent)

		OFF-BALANCE SHEET POSITIONS (Note (3))													
		9. Total		10. Forward foreign exchange contracts		11. Interest rate swaps		12. Cross currency swaps		13. Futures / FRAs		14. Options		15. Others	
TIME BAND		**a. Long**	**b. Short**	a. Long	b. Short	a. Long	b. Short	a. Long	b. Short	a. Long	b. Short	a. Long	b. Short	a. Long	b. Short
		10a+11a+12a+13a+14a+15a	10b+11b+12b+13b+14b+15b												
Next day or less	(A)														
2 to 7 days	(B)														
8 days to 1 month	(C)														
1 to 3 months	(D)														
3 to 6 months	(E)		300		300 (aa)										
6 to 9 months	(F)														
9 to 12 months	(G)	200						200 (c)							
1 to 1.5 years	(H)														
1.5 to 2 years	(I)														
2 to 3 years	(J)														
3 to 4 years	(K)														
4 to 5 years	(L)														
5 to 6 years	(M)														
6 to 7 years	(N)														
7 to 8 years	(O)														
8 to 9 years	(P)														
9 to 10 years	(Q)														
10 to 15 years	(R)														
15 to 20 years	(S)														
More than 20 years	(T)														
Total off-balance sheet positions	Total (A to T)	200	300		300			200							

Notes:

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(2) Report interest rate risk exposures in major currencies as defined in the Completion Instructions, including at least Hong Kong dollar and US dollar (nil returns are required for these two currencies). Use the same return form for each currency.

(3) Report items under different time bands based on the earliest interest repricing date as specified in the Completion Instructions.

Currency Code
(For Official Use Only)

Interest Rate Risk Exposures

Position of * Banking Book / Trading Book and Banking Book (Note (1))

Currency (Note (2)): U.S. DOLLAR

* Delete where inappropriate.

(In HK$ Million or equivalent)

TIME BAND	IMPACT / SCENARIO ANALYSIS														
	16. Net positions		**17. Earnings perspective**			**18. Economic value perspective**							**19. Basis risk**		
	a. Excluding coupon cash flows 1a-5a +9a-9b	**b. Including coupon cash flows**	**a. Time band mid-point (years)**	**b. Impact on earnings over the next 12 months (parallel up)**	**c. Impact on earnings over the next 12 months (parallel down)**	**a. Current EVE**	**b. Impact on EVE (parallel up)**	**c. Impact on EVE (parallel down)**	**d. Impact on EVE (steepener)**	**e. Impact on EVE (flattener)**	**f. Impact on EVE (short rates up)**	**g. Impact on EVE (short rates down)**	**Period for which changes in interest rates last**	**Scenario (i) All rates except for fixed and managed rates on interest bearing assets rise by 200 bps**	**Scenario (ii) Managed rates on interest bearing assets drop by 200 bps while other rates remain unchanged**
Next day or less (A)	-160	-160	0.0028	-4	3	-160	32	-32	-32	32	32	-32	1 month		
2 to 7 days (B)	0	0	0.0125	0	0	0	0	0	0	0	0	0	3 months	(1)	
8 days to 1 month (C)	0	0	0.0528	0	0	0	0	0	0	0	0	0	6 months	(4)	
1 to 3 months (D)	50	50	0.1667	1	-1	50	0	0	0	0	0	0	12 months	(13)	
3 to 6 months (E)	-250	-250	0.375	-3	3	-249	-2	2	1	-1	-2	2			
6 to 9 months (F)	0	0	0.625	0	0	0	0	0	0	0	0	0			
9 to 12 months (G)	0	-2	0.875	0	0	-2	0	0	0	0	0	0			
1 to 1.5 years (H)	0	0	1.25			0	0	0	0	0	0	0			
1.5 to 2 years (I)	0	0	1.75			0	0	0	0	0	0	0			
2 to 3 years (J)	0	0	2.5			0	0	0	0	0	0	0			
3 to 4 years (K)	-240	-240	3.5			-236	-46	51	27	-32	-38	40			
4 to 5 years (L)	0	2	4.5			2	0	0	0	0	0	0			
5 to 6 years (M)	0	2	5.5			2	0	0	0	0	0	0			
6 to 7 years (N)	0	2	6.5			2	0	0	0	0	0	0			
7 to 8 years (O)	0	2	7.5			2	0	0	0	0	0	0			
8 to 9 years (P)	0	2	8.5			2	0	0	0	0	0	0			
9 to 10 years (Q)	0	2	9.5			2	0	0	0	0	0	0			
10 to 15 years (R)	200	210	12.5			197	44	-56	37	-28	2	-2			
15 to 20 years (S)			17.5												
More than 20 years (T)			25												
Options (U)															
Total (A to U)				-6	5		29	0	35	0	0	8			
Tier 1 capital at reporting date (Note (3)) (V)												180			
Impact on EVE as % of Tier 1 capital (A to U) / (V)							16%	0%	19%	0%	0%	4%			

Notes:

(1) Locally incorporated authorized institutions subject to the market risk capital adequacy regime are required to report positions in the banking book only. Other locally incorporated institutions exempted from the market risk capital adequacy regime and overseas incorporated institutions are required to report aggregate positions in the banking book and trading book.

(2) Report interest rate risk exposures in major currencies as defined in the Completion Instructions, including at least Hong Kong dollar and US dollar (nil returns are required for these two currencies). Use the same return form for each currency.

(3) Report the Tier 1 capital for all currencies. Overseas incorporated institutions should refer to the Tier 1 capital of their head office.

~~Annex 2~~

~~Use of behavioural maturity for reporting interest rate risks~~

[whole section deleted]

~~Annex 3~~

~~Computation of weighted averaged yield / weighted average interest costs~~

[whole section deleted]