

Approach to Balance Sheet Reconciliation in accordance with the requirements issued by Hong Kong Monetary Authority on 19 August 2013

Step 1

Consolidated Statement Of Financial Position

HK\$'000	Balance sheet as in	Under regulatory scope
	published financial statements	of consolidation
	At 31 December 2017	At 31 December 2017
Assets		
Cash and short-term funds	25,164,641	25,156,973
Placements with banks maturing between one to twelve months	6,359,004	6,347,359
Derivative financial instruments	556,793	556,793
Investment in securities	39,153,501	39,088,758
Advances and other accounts	90,949,787	90,550,229
Investments in subsidiaries	-	192,569
Amounts due from subsidiaries	-	188,761
Interests in associates	301,337	20,000
Investment properties	298,765	298,765
Property and equipment	590,746	585,367
Prepaid lease payments for land	2,134	2,134
Intangible assets	370,406	314,038
Total assets	163,747,114	163,301,746
Liabilities		
Deposits and balances of banks	3,051,932	3,051,932
Financial assets sold under repurchase agreements	12,002,989	12,002,989
Deposits from customers	118,758,674	118,841,330
Amounts due to subsidiaries	-	557,473
Certificates of deposit	3,217,451	3,217,451
Derivative financial instruments	882,279	882,279
Other accounts and accruals	1,577,588	1,113,271
Current tax liabilities	434,818	429,614
Debt securities issued	1,796,069	1,796,069
Loan capital	4,541,380	4,541,380
Deferred tax liabilities	50,136	47,343
Total liabilities	146,313,316	146,481,131
Equity attributable to owners of the Bank		
Share capital	5,435,904	5,435,904
Additional equity instruments	2,312,030	2,312,030
Reserves	9,685,864	9,072,681
Total equity	17,433,798	16,820,615
Total liabilities and equity	163,747,114	163,301,746

Approach to Balance Sheet Reconciliation in accordance with the requirements issued by Hong Kong Monetary Authority on 19 August 2013

Step 2

Consolidated Statement Of Financial Position

HK\$'000	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Cross reference to Definition of Capital Components
	At 31 December 2017	At 31 December 2017	
Assets			
Cash and short-term funds	25,164,641	25,156,973	
Placements with banks maturing between one to twelve months	6,359,004	6,347,359	
Derivative financial instruments	556,793	556,793	
Investment in securities	39,153,501	39,088,758	
Advances and other accounts	90,949,787	90,550,229	
of which: Impairment allowances eligible for inclusion in Tier 2 capital	-	(329,640)	(1)
Defined benefit pension fund net assets	-	27,696	(2)
Investments in subsidiaries	-	192,569	
Amounts due from subsidiaries	-	188,761	
Interests in associates	301,337	20,000	
Investment properties	298,765	298,765	
Property and equipment	590,746	585,367	
Prepaid lease payments for land	2,134	2,134	
Deferred tax assets	-	-	(3)
Intangible assets	370,406	314,038	
of which: Internally developed software	-	314,038	(4)
Total assets	163,747,114	163,301,746	
Liabilities			
Deposits and balances of banks	3,051,932	3,051,932	
Financial assets sold under repurchase agreements	12,002,989	12,002,989	
Deposits from customers	118,758,674	118,841,330	
Amounts due to subsidiaries	-	557,473	
Certificates of deposit	3,217,451	3,217,451	
Derivative financial instruments	882,279	882,279	
Other accounts and accruals	1,577,588	1,113,271	
Current tax liabilities	434,818	429,614	
Debt securities issued	1,796,069	1,796,069	
Loan capital	4,541,380	4,541,380	
of which: Portion eligible for Tier 2 capital subject to phase out arrangement	-	775,838	(5)
Deferred tax liabilities	50,136	47,343	
of which: Deferred tax liabilities related to defined benefit pension fund	-	4,423	(6)
Total liabilities	146,313,316	146,481,131	
Equity attributable to owners of the Bank			
Share capital	5,435,904	5,435,904	(7)
Additional equity instruments	2,312,030	2,312,030	(8)
Reserves	9,685,864	9,072,681	
of which: Retained profits	-	6,292,056	(9)
of which: Cumulative fair value gains arising from revaluation of investment properties	-	53,893	(10)
of which: Disclosed reserves	-	2,780,625	(11)
of which: Land and building revaluation reserve	-	174,247	(12)
of which: Regulatory reserve	-	816,000	(13)
Total equity	17,433,798	16,820,615	
Total liabilities and equity	163,747,114	163,301,746	

Transition Disclosures Template		Component of regulatory capital	Amounts subject to pre-BaseI III treatment	Cross-referenced to Consolidated Balance Sheet
CET1 capital: instruments and reserves				
1	Directly issued qualifying CET1 capital instruments plus any related share premium	5,435,904		(7)
2	Retained earnings	6,292,056		(9)
3	Disclosed reserves	2,780,625		(11)
4	Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)	Not applicable		
	Public sector capital injections grandfathered until 1 January 2018	Not applicable		
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	0		
6	CET1 capital before regulatory deductions	14,508,585		
CET1 capital: regulatory deductions				
7	Valuation adjustments	0		
8	Goodwill (net of associated deferred tax liability)	0		
9	Other intangible assets (net of associated deferred tax liability)	314,038	0	(4)
10	Deferred tax assets net of deferred tax liabilities	0		(3)
11	Cash flow hedge reserve	0		
12	Excess of total EL amount over total eligible provisions under the IRB approach	0	0	
13	Gain-on-sale arising from securitization transactions	0		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0	0	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	23,273	0	(2) - (6)
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	0	0	
17	Reciprocal cross-holdings in CET1 capital instruments	0	0	
18	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0	
19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0	
20	Mortgage servicing rights (amount above 10% threshold)	Not applicable		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable		
22	Amount exceeding the 15% threshold	Not applicable		
23	of which: significant investments in the common stock of financial sector entities	Not applicable		
24	of which: mortgage servicing rights	Not applicable		
25	of which: deferred tax assets arising from temporary differences	Not applicable		
26	National specific regulatory adjustments applied to CET1 capital	1,044,140		
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	228,140		(10) + (12)
26b	Regulatory reserve for general banking risks	816,000		(13)
26c	Securitization exposures specified in a notice given by the Monetary Authority	0		
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	0		
26e	Capital shortfall of regulated non-bank subsidiaries	0	0	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0	0	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	0		
28	Total regulatory deductions to CET1 capital	1,381,451		
29	CET1 capital	13,127,134		
AT1 capital: instruments				
30	Qualifying AT1 capital instruments plus any related share premium	2,312,030		(8)
31	of which: classified as equity under applicable accounting standards	2,312,030		
32	of which: classified as liabilities under applicable accounting standards	0		
33	Capital instruments subject to phase out arrangements from AT1 capital	0		
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	0		
35	of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements	0		
36	AT1 capital before regulatory deductions	2,312,030		
AT1 capital: regulatory deductions				
37	Investments in own AT1 capital instruments	0	0	
38	Reciprocal cross-holdings in AT1 capital instruments	0	0	
39	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0	
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	0	
41	National specific regulatory adjustments applied to AT1 capital	0		
41a	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-BaseI III treatment which, during transitional period, remain subject to deduction from Tier1 capital	0		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	0		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	0		
iii	of which: Investments in own CET1 capital instruments	0		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	0		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0		
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	0		
43	Total regulatory deductions to AT1 capital	0		
44	AT1 capital	2,312,030		
45	Tier 1 capital (Tier 1 = CET1 + AT1)	15,439,164		

Transition Disclosures Template		Component of regulatory capital	Amounts subject to pre-BaseI III treatment	Cross-referenced to Consolidated Balance Sheet
Tier 2 capital: instruments and provisions				
46	Qualifying Tier 2 capital instruments plus any related share premium	2,972,252		
47	Capital instruments subject to phase out arrangements from Tier 2 capital	775,838		(5)
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	0		
49	of which: capital instruments issued by subsidiaries subject to phase out arrangements	0		
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,145,640		-(1) + (13)
51	Tier 2 capital before regulatory deductions	4,893,730		
Tier 2 capital: regulatory deductions				
52	Investments in own Tier 2 capital instruments	0	0	
53	Reciprocal cross-holdings in Tier 2 capital instruments	0	0	
54	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0	
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	0	
56	National specific regulatory adjustments applied to Tier 2 capital	(102,663)		
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	(102,663)		- [(10) + (12)] x 45%
56b	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-BaseI III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	0		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	0		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	0		
iii	of which: Investments in own CET1 capital instruments	0		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	0		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation			
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0		
57	Total regulatory deductions to Tier 2 capital	(102,663)		
58	Tier 2 capital	4,996,393		
59	Total capital (Total capital = Tier 1 + Tier 2)	20,435,557		

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1