

	December 2014 Transition Capital Disclosures in accordance with the requirements issued by		<u>HK\$</u> Amounts subje
	Hong Kong Monetary Authority on 19 August 2013		pre-Basel II <u>treatmen</u> t*
	CET1 capital: instruments and reserves		
	Directly issued qualifying CET1 capital instruments plus any related share premium	1,760,317	
	Retained earnings	3,740,945	
3	Disclosed reserves	2,324,886	
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	
	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	7,826,148	
	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)	0	
10	Deferred tax assets net of deferred tax liabilities	4,697	<u></u>
11	Cash flow hedge reserve	0	
12	Excess of total EL amount over total eligible provisions under the IRB approach	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	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	18,235	î — — — — — . Î
16	nvestments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	0	ү————. I
17	Reciprocal cross-holdings in CET1 capital instruments	0	ř
	nsignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of egulatory consolidation (amount above 10% threshold)	0	r' I
10	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	r
	Mortgage servicing rights (amount above 10% threshold)	Not applicable	
	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	
	of which: significant investments in the common stock of financial sector entities	Not applicable	
	of which: mortgage servicing rights	Not applicable	1
	of which: deferred tax assets arising from temporary differences	Not applicable	
	National specific regulatory adjustments applied to CET1 capital	809,880	1
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	236,880	
26b	Regulatory reserve for general banking risks	573,000	1
	Securitization exposures specified in a notice given by the Monetary Authority	0	-
	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	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0	+ !
	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	0	
28	Fotal regulatory deductions to CET1 capital	832,812	
-	CET1 capital	6,993,336	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	2,312,030	
31	of which: classified as equity under applicable accounting standards	2,312,030	
	of which: classified as liabilities under applicable accounting standards	0	
33	Capital instruments subject to phase out arrangements from AT1 capital	0	
	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 AT1 capital: regulatory deductions	2,312,030	
37	nvestments in own AT1 capital instruments	0	┢╺╾╺╾╺╸╸ ┖╶╴─
38	Reciprocal cross-holdings in AT1 capital instruments	0	~ — — — — · } — — — — ·
39	nsignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	į
	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory	0	



As at 31 December 2014

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58 Tier 2 capital 2,306,752 59 Total capital (Total capital = Tier 1 + Tier 2) 11,612,118 9a Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment 0 i of which: Defined benefit pension fund net assets 0 ii of which: Defined benefit pension fund net assets 0 ii of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments 0 iv of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued 0 v of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued 0 vi of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued 0 vi of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued 0 e0 Total risk weighted assets 72,857,061 Capital ratios (as a percentage of risk weighted assets) 61 CET1 capital ratios (as a percentage of risk weighted assets) 61 Capit	57 Total regulatory deductions to Tier 2 capital	(106,596)	
Period capital ratio Image: Construct priod capital ratio Page Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment 0 i of which: Mortgage servicing rights 0 ii of which: Defined benefit pension fund net assets 0 iii of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments 0 v of which: Capital investment in a connected company which is a commercial entity 0 v 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 vi 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 vi primacial sector entities that are outside the scope of regulatory consolidation 0 vi primacial sector entities that are outside the scope of regulatory consolidation 0 vi financial sector entities that are outside the scope of regulatory consolidation 0 vi financial sector entities that are outside the scope of regulatory consolidation 0 vi financial sector entities that are outside the scope of regulatory consolidation 72,857,061 <	58 Tier 2 capital		
i of which: Mortgage servicing rights 0 ii of which: Defined benefit pension fund net assets 0 iii of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments 0 iv of which: Capital investment in a connected company which is a commercial entity 0 v 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 vi 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 vi 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 col Total risk weighted assets 0 col Total risk weighted assets 72,857,061 Capital ratios (as a percentage of risk weighted assets) 61 CET1 capital ratio 9.60% 62 Tier 1 capital ratio 12.77%	59 Total capital (Total capital = Tier 1 + Tier 2)	11,612,118	
iiof which: Defined benefit pension fund net assets0iiiof which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments0ivof which: Capital investment in a connected company which is a commercial entity0vof 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 consolidation0viof 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 consolidation0viof 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 consolidation0colTotal risk weighted assets0Capital ratios (as a percentage of risk weighted assets)Capital ratio9.60%Capital ratio9.60%1 CET1 capital ratio9.60%Capital ratio9.60%1 CET1 capital ratio00Capital ratio9.60%1 CET1 capital ratio9.60%1 CET1 capital ratio1 Capital ratio1 Capital ratio			

HK\$'000

63	l otal capital ratio	15.94%
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	4.00%
65	of which: capital conservation buffer requirement	Not applicable
66	of which: bank specific countercyclical buffer requirement	Not applicable
67	of which: G-SIB or D-SIB buffer requirement	Not applicable
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR	5.60%
	National minima (if different from Basel 3 minimum)	-
69	National CET1 minimum ratio	Not applicable
	National Tier 1 minimum ratio	Not applicable
71	National Total capital minimum ratio	Not applicable



As at 31 December 2014

As at 3	1 December 2014		<u>HK\$ ' 000</u>
	Transition Capital Disclosures in accordance with the requirements issued by Hong Kong Monetary Authority on 19 August 2013		Amounts subject to pre-Basel III <u>treatment*</u>
	Amounts below the thresholds for deduction (before risk weighting)		
72	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	36,539	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	225,069	
74	Mortgage servicing rights (net of related tax liability)	Not applicable	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	Not applicable	
	Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardized (credit risk) approach (prior to application of cap)	811,986	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	865,926	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	Not applicable	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	Not applicable	
	Capital instruments subject to phase-out arrangements		
80	Current cap on CET1 capital instruments subject to phase out arrangements	Not applicable	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Not applicable	
82	Current cap on AT1 capital instruments subject to phase out arrangements	Not applicable	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	Not applicable	
84	Current cap on Tier 2 capital instruments subject to phase out arrangements	1,388,170	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	427,393	

* This refers to the position under the Banking (Capital) Rules in force on 31 December 2012.



Notes to the template:

Elements where a more conservative definition has been applied in the BCR relative to that set out in Basel III capital standards:

Row		Hong Kong	Basel III
No.	Description Other intangible assets (net of associated deferred tax liability)	basis 0	basis 0
	Explanation As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights (MSRs) ma capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to fol MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, th row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess o aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instrume (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.	ay be given limited re low the accounting the amount to be ded the amount reporte of the 10% threshold	ecognition in CET1 treatment of including ucted as reported in d in row 9 (i.e. the set for MSRs and the
	Deferred tax assets net of deferred tax liabilities	4,697	0
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs that rely on future prof deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be exclude the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. There reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported	ded from deduction t afore, the amount to	rom CET1 capital up to be deducted as
	reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold se differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CE sector entities (excluding those that are loans, facilities and other credit exposures to connected companies) under Basel III.	et for DTAs arising fr	om temporary
	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope	0	0
19	of regulatory consolidation (amount above 10% threshold) Explanation For the purpose of determining the total amount of insignificant capital investments in CET1 capital instruments issued by financial second any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected compaloans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments where the AI demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility was granted, or incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate	ny is a financial sec s of the financial sec r any such other cre nder the column "Ba	tor entity, as if such ctor entity, except dit exposure was usel III basis" in this box
	exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
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) Explanation For the purpose of determining the total amount of insignificant capital investments in CET1 capital instruments issued by financial sector any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected compa loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments where the AI demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility was granted, or incurred, in the ordinary course of the AI's business.	tor entities, an Al is ny is a financial sec s of the financial sec	tor entity, as if such ctor entity, except
	Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported un represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
	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
	Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 cap considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom exemption from capital deduction of other insignificant capital investments in AT1 capital instruments may be smaller. Therefore, the a 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposure were subject to deduction under the Hong Kong approach.	within the threshold mount to be deducte a amount reported in	available for the ed as reported in row n row 39 (i.e. the
	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	0
	Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 cap considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom exemption from capital deduction of other insignificant capital investments in Tier 2 capital instruments may be smaller. Therefore, the	within the threshold	available for the

54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.

Remarks:

The amount of the 10% / 15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the Banking (Capital) Rules.

<u>As at</u>	「 上 加 加 加 加 の の の の の の の の の の の の の	
	Hong Kong Monetary Authority on 19 August 2013	
	CET1 capital: instruments and reserves	
	1 Directly issued qualifying CET1 capital instruments plus any related share premium	
I		

<u>HK\$ ' 000</u>

Amounts subject to pre-Basel III treatment*

	CET1 capital: instruments and reserves	
1	Directly issued qualifying CET1 capital instruments plus any related share premium	1,760,317
2	Retained earnings	3,196,987
3	Disclosed reserves	2,011,908
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	6,969,212
	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)	0
10	Deferred tax assets net of deferred tax liabilities	1,501
	Cash flow hedge reserve	0
12	Excess of total EL amount over total eligible provisions under the IRB approach	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
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	0
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	0
17	Reciprocal cross-holdings in CET1 capital instruments	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
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
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
<u>2</u> 4	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	528,894
6a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	87,894
6b	Regulatory reserve for general banking risks	441,000
6c	Securitization exposures specified in a notice given by the Monetary Authority	0
6d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	0
6e	Capital shortfall of regulated non-bank subsidiaries	0
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	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	530,395
29	CET1 capital	6,438,817
	AT1 capital: instruments	
30	Qualifying AT1 capital instruments plus any related share premium	0
<u></u>		0

31	of which: classified as equity under applicable accounting standards	0	
32	of which: classified as liabilities under applicable accounting standards	0	
33	Capital instruments subject to phase out arrangements from AT1 capital	0	
	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	0	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	0	
	Reciprocal cross-holdings in AT1 capital instruments	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	
	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
41	National specific regulatory adjustments applied to AT1 capital	0	
	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 1 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	



Amounts subject to Transition Capital Disclosures in accordance with the requirements issued by pre-Basel III Hong Kong Monetary Authority on 19 August 2013 treatment* of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's 0 capital base) of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued 0 by financial sector entities that are outside the scope of regulatory consolidation of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by 0 financial sector entities that are outside the scope of regulatory consolidation 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 0 45 Tier 1 capital (Tier 1 = CET1 + AT1) 6,438,817 Tier 2 capital: instruments and provisions 46 Qualifying Tier 2 capital instruments plus any related share premium 0 47 Capital instruments subject to phase out arrangements from Tier 2 capital 1,559,723 Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the 48 0 consolidation group) 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 630,427 51 Tier 2 capital before regulatory deductions 2,190,150 Tier 2 capital: regulatory deductions 52 Investments in own Tier 2 capital instruments 0 53 Reciprocal cross-holdings in Tier 2 capital instruments 0 Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory 54 0 consolidation (amount above 10% threshold) Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory 0 55 consolidation 56 National specific regulatory adjustments applied to Tier 2 capital Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible (39,552 56a for inclusion in Tier 2 capital Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during 56b 0 transitional period, remain subject to deduction from Tier 2 capital i of which: Excess of total EL amount over total eligible provisions under the IRB approach 0 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 of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's 0 capital base) of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued 0 by financial sector entities that are outside the scope of regulatory consolidation of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by 0 vii financial sector entities that are outside the scope of regulatory consolidation 57 Total regulatory deductions to Tier 2 capital 58 Tier 2 capital 59 Total capital (Total capital = Tier 1 + Tier 2) 8,668,519 0 59a Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment 0 i of which: Mortgage servicing rights ii of which: Defined benefit pension fund net assets 0 iii of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments 0 iv of which: Capital 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requirement Not applicable 66 of which: bank specific countercyclical buffer requirement Not applicable 67 of which: G-SIB or D-SIB buffer requirement Not applicable CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital 68 6.32%

HK\$ ' 000

69	National CET1 minimum ratio	Not applicable
70	National Tier 1 minimum ratio	Not applicable
71	National Total capital minimum ratio	Not applicable
	Amounts below the thresholds for deduction (before risk weighting)	
72	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	36,52
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	225,06
74	Mortgage servicing rights (net of related tax liability)	Not applicable
75	Deferred tax assets arising from temporary differences (net of related tax liability)	Not applicable
	Applicable caps on the inclusion of provisions in Tier 2 capital	
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardized (credit risk) approach (prior to application of cap)	630,42
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	706,05
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	Not applicable
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	Not applicable

National minima (if different from Basel 3 minimum)

requirement under s.3A, or s.3B, as the case requires, of the BCR



<u>HK\$ ' 000</u> Amounts subject to Transition Capital Disclosures in accordance with the requirements issued by pre-Basel III Hong Kong Monetary Authority on 19 August 2013 treatment* Capital instruments subject to phase-out arrangements 80 Current cap on CET1 capital instruments subject to phase out arrangements Not applicable 81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities) Not applicable 82 Current cap on AT1 capital instruments subject to phase out arrangements Not applicable 83 Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities) Not applicable 84 Current cap on Tier 2 capital instruments subject to phase out arrangements 1,559,723

206,713

* This refers to the position under the Banking (Capital) Rules in force on 31 December 2012.

85 Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)



Notes to the template:

Remarks:

Elements where a more conservative definition has been applied in the BCR relative to that set out in Basel III capital standards:

	Description	Hong Kong basis	Basel III basis	
	Other intangible assets (net of associated deferred tax liability)	0		(
9	Explanation As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights (MSRs) may capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to folk MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the a reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued be that are loans, facilities or other credit exposures to connected companies) under Basel III.	w the accounting tro amount to be dedu mount reported in ro threshold set for M	eatment of includin icted as reported in ow 9 (i.e. the amou ISRs and the aggre	n rov unt egat
	Deferred tax assets net of deferred tax liabilities	1,501		
10	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs that rely on future profi deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be exclude the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. There in row 10 may be greater than that required under Basel III.	ed from deduction from	om CET1 capital u	ıp to
	The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported to reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital in (excluding those that are loans, facilities and other credit exposures to connected companies) under Basel III.	for DTAs arising fro	om temporary differe	end
	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of	0		
	regulatory consolidation (amount above 10% threshold) Explanation		<u> </u>	
18	For the purpose of determining the total amount of insignificant capital investments in CET1 capital instruments issued by financial sect any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected compani loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments the AI demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility was granted, or any such ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate	y is a financial secto of the financial sect ch other credit expos der the column "Bas	or entity, as if such tor entity, except wh sure was incurred, sel III basis" in this I	her in bo
	exposures to the Al's connected companies which were subject to deduction under the Hong Kong approach. Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of	0		
10	regulatory consolidation (amount above 10% threshold) Explanation For the purpose of determining the total amount of insignificant capital investments in CET1 capital instruments issued by financial sect any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company			
19	loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments the AI demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility was granted, or any suc ordinary course of the AI's business.	of the financial sect	tor entity, except wh	her
19	the AI demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility was granted, or any such	of the financial sect ch other credit expos der the column "Bas	tor entity, except wh sure was incurred, sel III basis" in this I	her in t bo>
19	the AI demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility was granted, or any suc ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate	of the financial sect ch other credit expos der the column "Bas	tor entity, except wh sure was incurred, sel III basis" in this I cilities or other cred	her in t box
39	the AI demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility was granted, or any such ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach. Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of	of the financial sect ch other credit expos der the column "Bas amount of loans, fac 0 tal instruments for th rithin the threshold a nount to be deducte ount reported in row	tor entity, except wh sure was incurred, sel III basis" in this I cilities or other cred he purpose of available for the ed as reported in row v 39 (i.e. the amour	her in t bo> dit w 3 nt
_	the AI demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility was granted, or any such ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach. Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom vexemption from capital deduction of other insignificant capital investments in AT1 capital investments in AT1 capital investments in AT1 capital base (see note re row 18 to the template above) will mean the headroom vexemption from capital deduction of other insignificant capital investments in AT1 capital instruments in AT1 capital instruments in at1 capital instruments is in the box represents the amount reported under the column "Basel III basis" in this box represents the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AT1 capital instruments may be smaller.	of the financial sect ch other credit expos der the column "Bas amount of loans, fac 0 tal instruments for th rithin the threshold a nount to be deducte ount reported in row	tor entity, except wh sure was incurred, sel III basis" in this l cilities or other cred he purpose of available for the ed as reported in row v 39 (i.e. the amour panies which were	her in bo dit w 3