

Regulatory Disclosures

31 December 2015



集友銀行

Chiyu Banking Corporation Ltd.

中銀香港集團成員 A member of BOCHK Group

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Capital disclosures

Regulatory capital

		At 31 December 2015		
		Component of regulatory capital reported by bank HK\$'000	Amounts subject to pre-Basel III treatment* HK\$'000	Cross reference to regulatory scope combined balance sheet
CET1 capital: instruments and reserves				
1	Directly issued qualifying CET1 capital instruments plus any related share premium	300,000		(4)
2	Retained earnings	4,618,523		(5)
3	Disclosed reserves	1,383,682		(7)+(8)+(9)+(10)
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	6,302,205		
CET1 capital: regulatory deductions				
7	Valuation adjustments	0		Not applicable
8	Goodwill (net of associated deferred tax liability)	0		
9	Other intangible assets (net of associated deferred tax liability)	0	0	
10	Deferred tax assets net of deferred tax liabilities	50,625		(2)
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	3	0	(1)+(3)
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	0	0	
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	1,575,370		
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	1,352,111		(6)+(7)
26b	Regulatory reserve for general banking risks	223,259		(9)
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	1,625,998		
29	CET1 capital	4,676,207		

Capital disclosures

Regulatory capital (continued)

		At 31 December 2015		
		Component of regulatory capital reported by bank HK\$'000	Amounts subject to pre-Basel III treatment* HK\$'000	Cross reference to regulatory scope combined balance sheet
AT1 capital: instruments				
30	Qualifying AT1 capital instruments plus any related share premium	0		
31	of which: classified as equity under applicable accounting standards	0		
32	of which: classified as liabilities under applicable accounting standards	0		
33	<i>Capital instruments subject to phase out arrangements from AT1 capital</i>	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	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>	0		
36	AT1 capital before regulatory deductions	0		
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-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		
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	0		
45	Tier 1 capital (Tier 1 = CET1 + AT1)	4,676,207		
Tier 2 capital: instruments and provisions				
46	Qualifying Tier 2 capital instruments plus any related share premium	0		
47	<i>Capital instruments subject to phase out arrangements from Tier 2 capital</i>	0		
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	<i>of which: capital instruments issued by subsidiaries subject to phase out arrangements</i>	0		
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	154,737		Not applicable
51	Tier 2 capital before regulatory deductions	154,737		

Capital disclosures

Regulatory capital (continued)

		At 31 December 2015		
		Component of regulatory capital reported by bank HK\$'000	Amounts subject to pre-Basel III treatment* HK\$'000	Cross reference to regulatory scope combined balance sheet
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	(608,450)		
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	(608,450)		[(6)+(7)] *45%
56b	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 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	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		
57	Total regulatory deductions to Tier 2 capital	(608,450)		
58	Tier 2 capital	763,187		
59	Total capital (Total capital = Tier 1 + Tier 2)	5,439,394		

Capital disclosures

Regulatory capital (continued)

		At 31 December 2015	
		Component of regulatory capital reported by bank HK\$'000	Amounts subject to pre-Basel III treatment* HK\$'000
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	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	
60	Total risk weighted assets	29,862,852	
Capital ratios (as a percentage of risk weighted assets)			
61	CET1 capital ratio	15.66%	
62	Tier 1 capital ratio	15.66%	
63	Total capital ratio	18.21%	
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)	4.50%	
65	of which: capital conservation buffer requirement	0.00%	
66	of which: bank specific countercyclical buffer requirement	0.00%	
67	of which: G-SIB or D-SIB buffer requirement	0.00%	
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	9.66%	
National minima (if different from Basel 3 minimum)			
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	0	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
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)	10,102	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	10,686	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	144,635	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	164,938	
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	0	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	0	
84	Current cap on Tier 2 capital instruments subject to phase out arrangements	0	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	0	

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

Capital disclosures

Regulatory capital (continued)

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 No.	Description	Hong Kong basis HK\$'000	Basel III basis HK\$'000
9	Other intangible assets (net of associated deferred tax liability)	0	0
	<p><u>Explanation</u></p> <p>As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights (MSRs) may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 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 9 (i.e. the amount 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% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.</p>		
10	Deferred tax assets net of deferred tax liabilities	50,625	0
	<p><u>Explanation</u></p> <p>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 profitability of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III.</p> <p>The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities and other credit exposures to connected companies) under Basel III.</p>		
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
	<p><u>Explanation</u></p> <p>For the purpose of determining the total amount of insignificant capital investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business.</p> <p>Therefore, the amount to be deducted as reported in row 18 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 18 (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.</p>		

Capital disclosures

Regulatory capital (continued)

Row No.	Description	Hong Kong basis HK\$'000	Basel III basis HK\$'000
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
	<u>Explanation</u> For the purpose of determining the total amount of significant capital investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the 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 the column "Basel III basis" in this box represents the amount reported in row 19 (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.		
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
	<u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant capital investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 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 in row 39 (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.		
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
	<u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant capital investments in Tier 2 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 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.			

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

Capital disclosures

Regulatory capital (continued)

Reconciliation of regulatory scope combined balance sheet to capital components

	At 31 December 2015		Cross reference to definition of capital components
	Balance sheet as in published financial statements HK\$'000	Under regulatory scope of combination HK\$'000	
ASSETS			
Cash and balances with banks and other financial institutions	8,550,512	8,550,512	
Placements with banks and other financial institutions maturing between one and twelve months	3,508,120	3,508,120	
Financial assets designated at fair value through profit or loss	985,881	985,881	
Derivative financial instruments	89,335	89,335	
- of which: debit valuation adjustments in respect of derivative contracts		1	(1)
Advances and other accounts	27,789,301	27,789,301	
Investment in securities	10,736,574	10,653,742	
Investment in subsidiaries	-	3,913	
Investment properties	246,860	246,860	
Properties, plant and equipment	1,533,802	1,513,876	
Deferred tax assets	50,625	50,625	(2)
Other assets	150,484	150,484	
Total assets	53,641,494	53,542,649	
LIABILITIES			
Deposits and balances from banks and other financial institutions	1,206,002	1,206,002	
Derivative financial instruments	22,371	22,371	
- of which: debit valuation adjustments in respect of derivative contracts		(2)	(3)
Deposits from customers	44,760,914	44,781,341	
Amounts due to subsidiaries	-	41,012	
Other accounts and provisions	963,728	963,728	
Current tax liabilities	54,239	54,239	
Deferred tax liabilities	174,729	171,751	
Total liabilities	47,181,983	47,240,444	

Capital disclosures

Regulatory capital (continued)

Reconciliation of regulatory scope combined balance sheet to capital components (continued)

	At 31 December 2015		Cross reference to definition of capital components
	Balance sheet as in published financial statements HK\$'000	Under regulatory scope of combination HK\$'000	
EQUITY			
Share capital	300,000	300,000	(4)
Reserves	6,159,511	6,002,205	
- Retained earnings	4,687,556	4,618,523	(5)
- of which: cumulative fair value gains arising from the revaluation of investment properties		207,385	(6)
- Premises revaluation reserve	1,161,107	1,144,726	(7)
- Reserve for fair value changes of available-for-sale securities	84,815	12,923	(8)
- Regulatory reserve	223,259	223,259	(9)
- Translation reserve	2,774	2,774	(10)
Total equity	6,459,511	6,302,205	
Total liabilities and equity	53,641,494	53,542,649	

Capital disclosures

Main features of issued capital instruments

		CET1 Capital Ordinary shares
1	Issuer	Chiyu Banking Corporation Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable
3	Governing law(s) of the instrument	Hong Kong law
<i>Regulatory treatment</i>		
4	Transitional Basel III rules [#]	Not applicable
5	Post-transitional Basel III rules [*]	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK\$300m (as of 31 December 2015)
9	Par value of instrument	No par value (refer to Note 1 for details)
10	Accounting classification	Shareholders' equity
11	Original date of issuance	10 July 1947 (refer to Note 2 for details)
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable

Footnote:

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

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

Note 1: Pursuant to the Hong Kong Companies Ordinance (Chapter 622) which has commenced operation on 3 March 2014, all shares issued by a company incorporated in Hong Kong before, on and after that commencement date shall have no par value and the relevant concept of authorised share capital is abolished.

Note 2:

- Several issuance of ordinary share had been made since the first issuance. Last issuance was on 31 December 1986.
- The concepts of par value for shares and authorised share capital have been abolished following the commencement of the Hong Kong Companies Ordinance (Chapter 622) as mentioned in Note 1.

Leverage ratio disclosures

Leverage ratio

		At 31 December 2015
		HK\$'000
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	53,564,965
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(1,625,996)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	51,938,969
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	88,898
5	Add-on amounts for PFE associated with all derivatives transactions	42,689
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	0
8	Less: Exempted CCP leg of client-cleared trade exposures	0
9	Adjusted effective notional amount of written credit derivatives	0
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives	0
11	Total derivative exposures	131,587
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	0
14	CCR exposure for SFT assets	0
15	Agent transaction exposures	0
16	Total securities financing transaction exposures	0
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	7,653,057
18	Less: Adjustments for conversion to credit equivalent amounts	(5,589,960)
19	Off-balance sheet items	2,063,097
Capital and total exposures		
20	Tier 1 capital	4,676,207
21	Total exposures	54,133,653
Leverage ratio		
22	Basel III leverage ratio	8.64%

Summary comparison table

		At 31 December 2015
		HK\$'000
1	Total consolidated assets as per published financial statements	53,641,494
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(98,845)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	111,651
4	Adjustments for derivative financial instruments	42,252
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	2,063,097
7	Other adjustments	(1,625,996)
8	Leverage ratio exposure	54,133,653

Liquidity information disclosures

Liquidity coverage ratio

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this table		For the quarter ended 31 December 2015: 75 data points		For the quarter ended 30 September 2015: 76 data points	
Basis of disclosure: unconsolidated		UNWEIGHTED AMOUNT (Average Value) HK\$'000	WEIGHTED AMOUNT (Average Value) HK\$'000	UNWEIGHTED AMOUNT (Average Value) HK\$'000	WEIGHTED AMOUNT (Average Value) HK\$'000
A. HIGH QUALITY LIQUID ASSETS					
1	Total high quality liquid assets (HQLA)		4,670,272		4,222,523
B. CASH OUTFLOWS					
2	Retail deposits and small business funding, of which:	27,351,738	1,965,708	27,326,289	1,892,675
3	<i>Stable retail deposits and stable small business funding</i>	8,058,897	402,945	9,391,712	469,586
4	<i>Less stable retail deposits and less stable small business funding</i>	11,734,422	1,173,442	10,283,151	1,028,315
5	<i>Retail term deposits and small business term funding</i>	7,558,419	389,321	7,651,426	394,774
6	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	12,493,162	7,886,331	11,568,500	7,102,646
7	<i>Operational deposits</i>	1,967,090	430,424	1,907,104	409,452
8	<i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>	10,526,072	7,455,907	9,661,396	6,693,194
9	<i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>	0	0	0	0
10	Secured funding transactions (including securities swap transactions)		0		0
11	Additional requirements, of which:	4,455,403	804,036	3,682,146	660,915
12	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collaterals requirements</i>	157,465	157,465	147,772	147,772
13	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	0	0	0	0
14	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	4,297,938	646,571	3,534,374	513,143
15	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	683,784	683,784	423,857	423,857
16	Other contingent funding obligations (whether contractual or non-contractual)	3,104,730	145,670	2,989,232	139,943
17	TOTAL CASH OUTFLOWS		11,485,529		10,220,036
C. CASH INFLOWS					
18	Secured lending transactions (including securities swap transactions)	0	0	0	0
19	Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions	9,601,540	7,748,237	9,075,884	7,251,325
20	Other cash inflows	817,906	811,065	1,087,538	1,080,453
21	TOTAL CASH INFLOWS	10,419,446	8,559,302	10,163,422	8,331,778
D. LIQUIDITY COVERAGE RATIO		ADJUSTED VALUE		ADJUSTED VALUE	
22	TOTAL HQLA		4,670,272		4,222,523
23	TOTAL NET CASH OUTFLOWS		3,411,715		2,760,902
24	LCR (%)		139.37%		155.79%

Liquidity information disclosures

Liquidity coverage ratio (continued)

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this table

Basis of disclosure: unconsolidated

A. HIGH QUALITY LIQUID ASSETS

1 Total high quality liquid assets (HQLA)

B. CASH OUTFLOWS

2 Retail deposits and small business funding, of which:

3 *Stable retail deposits and stable small business funding*

4 *Less stable retail deposits and less stable small business funding*

5 *Retail term deposits and small business term funding*

6 Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:

7 *Operational deposits*

8 *Unsecured wholesale funding (other than small business funding) not covered in Row 7*

9 *Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period*

10 Secured funding transactions (including securities swap transactions)

11 Additional requirements, of which:

12 *Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collaterals requirements*

13 *Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions*

14 *Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)*

15 Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows

16 Other contingent funding obligations (whether contractual or non-contractual)

17 **TOTAL CASH OUTFLOWS**

C. CASH INFLOWS

18 Secured lending transactions (including securities swap transactions)

19 Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions

20 Other cash inflows

21 **TOTAL CASH INFLOWS**

D. LIQUIDITY COVERAGE RATIO

22 **TOTAL HQLA**

23 **TOTAL NET CASH OUTFLOWS**

24 **LCR (%)**

For the quarter ended 30 June 2015: 72 data points		For the quarter ended 31 March 2015: 73 data points	
UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
HK\$'000	HK\$'000	HK\$'000	HK\$'000
	4,030,064		4,492,213
28,610,586	1,956,628	27,321,281	1,846,725
10,368,989	518,450	10,264,398	513,220
10,265,403	1,026,540	9,330,671	933,067
7,976,194	411,638	7,726,212	400,438
9,273,059	5,485,389	9,640,158	5,861,358
1,429,868	292,213	1,530,463	317,220
7,843,191	5,193,176	8,109,695	5,544,138
0	0	0	0
811,842	3,313	965,963	2,242
183,764	289,954	166,132	241,214
183,764	183,764	166,132	166,132
0	0	0	0
628,078	106,190	799,831	75,082
350,060	350,060	338,397	338,397
5,742,756	74,941	6,097,229	72,926
	8,160,285		8,362,862
0	0	0	0
7,174,653	5,429,209	6,025,313	4,363,947
1,014,449	1,011,809	474,281	465,534
8,189,102	6,441,018	6,499,594	4,829,481
ADJUSTED VALUE		ADJUSTED VALUE	
	4,030,064		4,492,213
	2,256,083		3,568,243
	186.18%		146.69%

Liquidity information disclosures

Liquidity coverage ratio (continued)

Notes:

- The weighted amount of HQLA is to be calculated as the amount after applying the haircuts as required under the Banking (Liquidity) Rules.
- The unweighted amounts of cash inflows and cash outflows are to be calculated as the principal amounts in the calculation of the LCR as required under the Banking (Liquidity) Rules.
- The weighted amounts of cash inflows and cash outflows are to be calculated as the amounts after applying the inflow and outflow rates as required under the Banking (Liquidity) Rules.
- The adjusted value of total HQLA and the total net cash outflows have taken into account any applicable ceiling as required under the Banking (Liquidity) Rules.

In 2015, the Bank has maintained a healthy liquidity position, with the increase in the average holding of high quality liquid assets. The LCR was sensitive to the asset deployment and the funding structure of the Bank. The average LCR of the first, second, third and fourth quarter were 146.69%, 186.18%, 155.79% and 139.37% respectively. The average HKD level 1 HQLA to HKD net cash outflow ratio of 2015 was 91.87%, well above the regulatory requirement of 20%. The ratios have maintained at stable and healthy levels.

The HQLA consists of cash, balances at central banks and high quality marketable securities issued or guaranteed by sovereigns, central banks, public sector entities or multilateral development banks and non-financial corporate debt securities. In the 2015, the majority of the HQLA was composed of Level 1 HQLA.

The net cash outflow was mainly from retail and corporate customer deposit which are the Bank's primary source of funds, together with deposit and balance from bank and other financial institution. To ensure stable, sufficient and diversified source of funds, the Bank actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market. Other cash outflow, such as commitment, cash outflow under derivative contract and potential collateral requirement, were minimal to the LCR.

Majority of the Bank's customer deposits are denominated in HKD, USD and RMB. As the supply of HKD denominated HQLA in the market is relatively limited, the Bank swaps surplus HKD funding into USD or other foreign currencies, part of funding are deployed to investment in HQLA.