

# **Regulatory Disclosures**

## **31 December 2016**



**集友銀行**  
*Chiyu Banking Corporation Ltd.*



<b>CONTENTS</b>	<b>PAGE</b>
<b>Capital disclosures</b>	
- Regulatory capital	1
- Capital instruments	9
- Countercyclical capital buffer (“CCyB”) ratio	10
<b>Leverage ratio disclosures</b>	11
<b>Liquidity information disclosures</b>	12

## Capital disclosures

### Regulatory capital

		At 31 December 2016		
		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
<b>CET1 capital: instruments and reserves</b>				
1	Directly issued qualifying CET1 capital instruments plus any related share premium	300,000		(4)
2	Retained earnings	5,187,743		(5)
3	Disclosed reserves	1,226,854		(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	<b>CET1 capital before regulatory deductions</b>	<b>6,714,597</b>		
<b>CET1 capital: regulatory deductions</b>				
7	Valuation adjustments	8,617		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	60,452		(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	75	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	1,534,320		
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	1,304,297		(6)+(7)
26b	Regulatory reserve for general banking risks	230,023		(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	<b>Total regulatory deductions to CET1 capital</b>	<b>1,603,464</b>		
29	<b>CET1 capital</b>	<b>5,111,133</b>		

## Capital disclosures

### Regulatory capital (continued)

		At 31 December 2016		
		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
<b>AT1 capital: instruments</b>				
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	<b>AT1 capital before regulatory deductions</b>	<b>0</b>		
<b>AT1 capital: regulatory deductions</b>				
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	<b>Total regulatory deductions to AT1 capital</b>	<b>0</b>		
44	<b>AT1 capital</b>	<b>0</b>		
45	<b>Tier 1 capital (Tier 1 = CET1 + AT1)</b>	<b>5,111,133</b>		
<b>Tier 2 capital: instruments and provisions</b>				
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	175,391		Not applicable
51	<b>Tier 2 capital before regulatory deductions</b>	<b>175,391</b>		

## Capital disclosures

### Regulatory capital (continued)

		At 31 December 2016		
		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
<b>Tier 2 capital: regulatory deductions</b>				
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	(586,934)		
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	(586,934)		[(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	<b>Total regulatory deductions to Tier 2 capital</b>	<b>(586,934)</b>		
58	<b>Tier 2 capital</b>	<b>762,325</b>		
59	<b>Total capital (Total capital = Tier 1 + Tier 2)</b>	<b>5,873,458</b>		

## Capital disclosures

### Regulatory capital (continued)

		At 31 December 2016	
		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	<b>Total risk weighted assets</b>	<b>29,954,279</b>	
<b>Capital ratios (as a percentage of risk weighted assets)</b>			
61	CET1 capital ratio	17.06%	
62	Tier 1 capital ratio	17.06%	
63	Total capital ratio	19.61%	
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)	5.653%	
65	of which: capital conservation buffer requirement	0.625%	
66	of which: bank specific countercyclical buffer requirement	0.528%	
67	of which: G-SIB or D-SIB buffer requirement	0.000%	
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	11.06%	
<b>National minima (if different from Basel 3 minimum)</b>			
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	Not applicable	
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
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	
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>			
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)	10,983	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	10,525	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	191,579	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	164,866	
<b>Capital instruments subject to phase-out arrangements</b>			
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	<b>Other intangible assets (net of associated deferred tax liability)</b>	0	0
	<u>Explanation</u> 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.		
10	<b>Deferred tax assets net of deferred tax liabilities</b>	60,452	0
	<u>Explanation</u> 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.  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.		
18	<b>Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	0	0
	<u>Explanation</u> 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.  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.		

## Capital disclosures

### Regulatory capital (continued)

Row No.	Description	Hong Kong basis HK\$'000	Basel III basis HK\$'000
19	<b>Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	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	<b>Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	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	<b>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)</b>	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 2016		Cross reference to definition of capital components
	Balance sheet as in published financial statements	Under regulatory scope of combination	
	HK\$'000	HK\$'000	
<b>ASSETS</b>			
Cash and balances with banks and other financial institutions	5,274,371	5,274,371	
Placements with banks and other financial institutions maturing between one and twelve months	1,037,868	1,037,868	
Financial assets at fair value through profit or loss	653,943	653,943	
Derivative financial instruments	99,435	99,435	
- of which: debit valuation adjustments in respect of derivative contracts		2	(1)
Advances and other accounts	31,137,452	31,137,452	
Investment in securities	13,387,676	13,387,676	
Interests in subsidiaries	-	3,913	
Investment properties	203,860	203,860	
Properties, plant and equipment	1,532,373	1,512,370	
Deferred tax assets	60,452	60,452	(2)
Other assets	721,102	721,102	
<b>Total assets</b>	<b>54,108,532</b>	<b>54,092,442</b>	
<b>LIABILITIES</b>			
Deposits and balances from banks and other financial institutions	1,004,055	1,004,055	
Derivative financial instruments	16,971	16,971	
- of which: debit valuation adjustments in respect of derivative contracts		(73)	(3)
Deposits from customers	45,437,620	45,457,044	
Amounts due to subsidiaries	-	129,521	
Other accounts and provisions	557,688	557,688	
Current tax liabilities	55,879	55,841	
Deferred tax liabilities	159,787	156,725	
<b>Total liabilities</b>	<b>47,232,000</b>	<b>47,377,845</b>	

## Capital disclosures

### Regulatory capital (continued)

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

	At 31 December 2016		
	Balance sheet as in published financial statements	Under regulatory scope of combination	Cross reference to definition of capital components
	HK\$'000	HK\$'000	
<b>EQUITY</b>			
Share capital	300,000	300,000	(4)
Reserves			
- Retained earnings	5,332,651	5,187,743	(5)
- of which: cumulative fair value gains arising from the revaluation of investment properties		193,285	(6)
- Premises revaluation reserve	1,128,039	1,111,012	(7)
- Reserve for fair value changes of available-for-sale securities	(43,475)	(43,475)	(8)
- Regulatory reserve	230,023	230,023	(9)
- Translation reserve	(70,706)	(70,706)	(10)
Total equity	<b>6,876,532</b>	<b>6,714,597</b>	
Total liabilities and equity	<b>54,108,532</b>	<b>54,092,442</b>	

## Capital disclosures

### Capital instruments

		<b>CET1 Capital Ordinary shares</b>
1	Issuer	Chi Yu 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 <sup>#</sup>	Not applicable
5	Post-transitional Basel III rules <sup>+</sup>	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 2016)
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:**

<sup>#</sup> Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

<sup>+</sup> 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.

## Capital disclosures

### Countercyclical capital buffer (“CCyB”) ratio

Geographical breakdown of risk-weighted amounts (RWA) in relation to private sector credit exposures

		At 31 December 2016			
Jurisdiction		Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio	CCyB ratio	CCyB amount
		%	HK\$'000	%	HK\$'000
1	Hong Kong SAR	0.625%	18,451,329		
2	China	0.000%	2,308,942		
3	Australia	0.000%	27,277		
4	Bermuda	0.000%	360,387		
5	Chinese Taipei	0.000%	37,174		
6	Macau SAR	0.000%	109,688		
7	Singapore	0.000%	231,413		
8	United States	0.000%	246,319		
9	West Indies UK	0.000%	83,278		
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
Total			21,855,807	0.528%	115,321

## Leverage ratio disclosures

### Leverage ratio

		At 31 December 2016
		HK\$'000
<b>On-balance sheet exposures</b>		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	54,132,389
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(1,603,391)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	52,528,998
<b>Derivative exposures</b>		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	86,828
5	Add-on amounts for PFE associated with all derivatives transactions	17,201
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	104,029
<b>Securities financing transaction exposures</b>		
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
<b>Other off-balance sheet exposures</b>		
17	Off-balance sheet exposure at gross notional amount	8,468,742
18	Less: Adjustments for conversion to credit equivalent amounts	(6,831,122)
19	Off-balance sheet items	1,637,620
<b>Capital and total exposures</b>		
20	Tier 1 capital	5,111,133
21	Total exposures	54,270,647
<b>Leverage ratio</b>		
22	Basel III leverage ratio	9.42%

### Summary comparison table

		At 31 December 2016
		HK\$'000
1	Total consolidated assets as per published financial statements	54,108,532
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(16,089)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0
4	Adjustments for derivative financial instruments	4,594
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)	1,637,620
7	Other adjustments	(1,464,010)
	<i>of which: Hong Kong SAR Government certificates of indebtedness</i>	
8	Leverage ratio exposure	54,270,647

## 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 2016: 74 data points		For the quarter ended 30 September 2016: 76 data points	
Basis of disclosure: unconsolidated		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>A. HIGH QUALITY LIQUID ASSETS</b>					
1	Total high quality liquid assets (HQLA)		<b>5,914,268</b>		<b>5,506,841</b>
<b>B. CASH OUTFLOWS</b>					
2	Retail deposits and small business funding, of which:	29,263,814	2,116,406	29,497,619	2,136,232
3	<i>Stable retail deposits and stable small business funding</i>	9,057,712	452,886	9,259,902	462,995
4	<i>Less stable retail deposits and less stable small business funding</i>	12,897,696	1,289,769	13,045,068	1,304,507
5	<i>Retail term deposits and small business term funding</i>	7,308,406	373,751	7,192,649	368,730
6	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	11,777,629	6,965,891	11,492,301	7,229,484
7	<i>Operational deposits</i>	3,392,398	808,763	3,520,996	839,092
8	<i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>	8,385,231	6,157,128	7,971,305	6,390,392
9	<i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>	-	-	-	-
10	Secured funding transactions (including securities swap transactions)		-		-
11	Additional requirements, of which:	6,300,687	976,923	5,940,903	881,721
12	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collaterals requirements</i>	158,189	158,189	170,543	170,543
13	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	-	-	-	-
14	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	6,142,498	818,734	5,770,360	711,178
15	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	468,314	468,314	457,868	457,868
16	Other contingent funding obligations (whether contractual or non-contractual)	2,301,029	106,693	2,557,535	123,005
17	<b>TOTAL CASH OUTFLOWS</b>		<b>10,634,227</b>		<b>10,828,310</b>
<b>C. CASH INFLOWS</b>					
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	7,235,745	5,394,233	7,694,765	5,842,070
20	Other cash inflows	994,502	992,263	1,279,432	1,277,694
21	<b>TOTAL CASH INFLOWS</b>	<b>8,230,247</b>	<b>6,386,496</b>	<b>8,974,197</b>	<b>7,119,764</b>
<b>D. LIQUIDITY COVERAGE RATIO</b>		ADJUSTED VALUE		ADJUSTED VALUE	
22	<b>TOTAL HQLA</b>		<b>5,914,268</b>		<b>5,506,841</b>
23	<b>TOTAL NET CASH OUTFLOWS</b>		<b>4,247,730</b>		<b>3,710,030</b>
24	<b>LCR (%)</b>		<b>140.99%</b>		<b>150.11%</b>

## 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		For the quarter ended 30 June 2016: 74 data points		For the quarter ended 31 March 2016: 71 data points	
Basis of disclosure: unconsolidated		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>A. HIGH QUALITY LIQUID ASSETS</b>					
1	Total high quality liquid assets (HQLA)		<b>4,852,471</b>		<b>4,977,155</b>
<b>B. CASH OUTFLOWS</b>					
2	Retail deposits and small business funding, of which:	28,320,226	2,018,927	26,976,789	1,930,462
3	<i>Stable retail deposits and stable small business funding</i>	8,245,519	412,276	8,142,584	407,129
4	<i>Less stable retail deposits and less stable small business funding</i>	11,852,583	1,185,259	11,416,852	1,141,685
5	<i>Retail term deposits and small business term funding</i>	8,222,124	421,392	7,417,353	381,648
6	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	11,774,988	7,524,902	11,168,638	6,762,554
7	<i>Operational deposits</i>	2,398,867	549,835	1,852,877	402,125
8	<i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>	9,376,121	6,975,067	9,315,761	6,360,429
9	<i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>	-	-	-	-
10	Secured funding transactions (including securities swap transactions)		-		-
11	Additional requirements, of which:	4,989,491	784,267	4,791,377	866,324
12	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collaterals requirements</i>	167,857	167,857	178,300	178,299
13	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	-	-	-	-
14	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	4,821,634	616,410	4,613,077	688,025
15	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	501,319	501,319	542,278	542,278
16	Other contingent funding obligations (whether contractual or non-contractual)	2,894,439	148,261	3,028,252	158,363
17	<b>TOTAL CASH OUTFLOWS</b>		<b>10,977,676</b>		<b>10,259,981</b>
<b>C. CASH INFLOWS</b>					
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	8,650,633	6,551,668	8,322,334	6,254,610
20	Other cash inflows	1,161,243	1,157,183	673,983	664,410
21	<b>TOTAL CASH INFLOWS</b>	<b>9,811,876</b>	<b>7,708,851</b>	<b>8,996,317</b>	<b>6,919,020</b>
<b>D. LIQUIDITY COVERAGE RATIO</b>		ADJUSTED VALUE		ADJUSTED VALUE	
22	<b>TOTAL HQLA</b>		<b>4,852,471</b>		<b>4,977,155</b>
23	<b>TOTAL NET CASH OUTFLOWS</b>		<b>3,286,788</b>		<b>3,351,422</b>
24	<b>LCR (%)</b>		<b>149.42%</b>		<b>151.84%</b>

## 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 2016, the Bank has maintained a healthy liquidity position. 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 151.84%, 149.42%, 150.11% and 140.99% respectively. The average HKD level 1 HQLA to HKD net cash outflow ratio of 2016 was 181.03%, 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 2016, 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 and other foreign currencies, part of funding are deployed to investment in HQLA.