# Regulatory Disclosures 31 December 2013



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# Regulatory capital

# Capital disclosures

		At 31 December 2013		
		At 31	December 20	
		Component of regulatory capital reported by bank HK\$'000	Amounts subject to pre-Basel III	Cross reference to regulatory scope consolidated balance sheet
	CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share			
	premium	3,144,517		(4)+(5)
2	Retained earnings	20,879,091		(6)
3	Disclosed reserves			(8)+(9)+
		8,260,460		(10)+(11)
4	Directly issued capital subject to phase out from CET1 capital (only applicable to			
	non-joint stock companies)	Not applicable		
	Public sector capital injections grandfathered until 1 January 2018	Not applicable		
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of			
	the consolidation group)	0		
6	CET1 capital before regulatory deductions	32,284,068		
	CET1 capital: regulatory deductions			
7	Valuation adjustments	0		Not applicable
8	Goodwill (net of associated deferred tax liability)	0		арріїсавіс
9	Other intangible assets (net of associated deferred tax liability)	0		
	Deferred tax assets net of deferred tax liabilities	152,418		(2)
11	Cash flow hedge reserve	132,418		(2)
	Excess of total EL amount over total eligible provisions under the IRB approach	0		
	Gain-on-sale arising from securitization transactions	0		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	677		(1)+(3)
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	0//		(1)+(3)
	Investments in own CET1 capital instruments (if not already netted off paid-in			
47	capital on reported balance sheet)	0		
	Reciprocal cross-holdings in CET1 capital instruments  Insignificant capital investments in CET1 capital instruments issued by financial	0		
18	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		
	Mortgage servicing rights (amount above 10% threshold)	Not applicable		
21	Deferred tax assets arising from temporary differences (amount above 10%			
ļ	threshold, net of related tax liability)	Not applicable		
	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		
	of which: deferred tax assets arising from temporary differences  National specific regulatory adjustments applied to CET1 capital	Not applicable		
	Cumulative fair value gains arising from the revaluation of land and buildings	8,367,642		
20a	(own-use and investment properties)	6,422,662		(7)+(8)
26b	Regulatory reserve for general banking risks	1,944,980		(10)
26c	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		
	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			
20	Tier 2 capital to cover deductions	0 9 F20 727		
	Total regulatory deductions to CET1 capital CET1 capital	8,520,737		
23	DE 11 Capital	23,763,331		



# Regulatory capital (continued)

# **Capital disclosures (continued)**

	· , ,			
		At 31	December 20	13
		Component of regulatory capital reported by bank HK\$'000	Amounts subject to pre-Basel III	Cross reference to regulatory scope consolidated balance sheet
00	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	Capital instruments subject to phase out arrangements from AT1 capital	0		
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	0		
35	of which: AT1 capital instruments issued by subsidiaries subject to phase out	U		
	arrangements	0		
36	AT1 capital before regulatory deductions	0		
	AT1 capital: regulatory deductions	-		
37	Investments in own AT1 capital instruments	0		
38	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		
40	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		
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		
٧	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0		
	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)	23,763,331		
40	Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	0		
47 48	Capital instruments subject to phase out arrangements from Tier 2 capital  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	third parties (amount allowed in Tier 2 capital of the consolidation group) of which: capital instruments issued by subsidiaries subject to phase out	0		
	arrangements	0		N1- (
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,099,587		Not applicable
51	Tier 2 capital before regulatory deductions	1,099,587		



# Regulatory capital (continued)

# **Capital disclosures (continued)**

Component of regulatory capital reported by bank HK\$'000  Tier 2 capital: regulatory deductions  Tier 2 capital: regulatory deductions  Tier 2 capital: regulatory deductions  Reciprocal cross-holdings in Tier 2 capital instruments Reciprocal cross-holdings in Tier 2 capital instruments is sued by financial sector entities that are outside the scope of regulatory 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 consolidation  Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation  Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation  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 based on pre-Basel III treatment which, during transitional period, remain subject to 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 instruments in a connected company which is a commercial of which: Excess of total EL amount over total eligible provisions under the IRB approach  of which: Capital shortfall of regulated non-bank subsidiaries  of of which: Capital investments in CET1 capital instruments issued by financial sector entities  of which: Capital investments in CET1 capital instruments issued 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 sisued by financial sector entities that are outside the scope of regulatory consolidation  of which: Significant capital investments in CET1 capital in			At 31 December 2013		13
52 Investments in own Tier 2 capital instruments 53 Reciprocal cross-holdings in Tier 2 capital instruments 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) 55 Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation 56 National specific regulatory adjustments applied to Tier 2 capital 560 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 560 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 6 of which: Excess of total EL amount over total eligible provisions under the IRB approach 6 of which: Investments in own CET1 capital instruments 7 of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities 7 of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital based on the reporting institution of which: Capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 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 on the reporting instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation on the reporting instruments and Tier 2 capital instruments issued by f			Component of regulatory capital reported by bank	Amounts subject to pre-Basel III treatment*	Cross reference to regulatory scope consolidated balance sheet
Sa Reciprocal cross-holdings in Tier 2 capital instruments   0   1   1   1   1   1   1   1   1   1		Tier 2 capital: regulatory deductions			
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)  55 Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation  56 National specific regulatory adjustments applied to Tier 2 capital  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  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  i of which: Excess of total EL amount over total eligible provisions under the IRB approach  ii of which: Capital shortfall of regulated non-bank subsidiaries  of which: Investments in own CET1 capital instruments  of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities  of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)  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  of which: Significant capital instruments 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  of which: Significant capital instruments 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	52	Investments in own 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 consolidation (amount above 10% threshold)  55 Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation  56 National specific regulatory adjustments applied to Tier 2 capital  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  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  i of which: Excess of total EL amount over total eligible provisions under the IRB approach  ii of which: Capital shortfall of regulated non-bank subsidiaries  of which: Investments in own CET1 capital instruments  of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities  of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)  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  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  of which: Significant capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation  of which: Significant capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	53	Reciprocal cross-holdings in Tier 2 capital instruments	0		
sector entities that are outside the scope of regulatory consolidation 0  56 National specific regulatory adjustments applied to Tier 2 capital (2,890,198)  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 (2,890,198)  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: 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 investments is used 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 sector entities that are outside the scope of regulatory consolidation 0	54	sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0		
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instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation 0		capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0		
	vii	instruments and Tier 2 capital instruments issued by financial sector entities	0		
57 Total regulatory deductions to Tier 2 capital (2,890,198)	57	Total regulatory deductions to Tier 2 capital			
58 Tier 2 capital 3,989,785			· · · /		
59 Total capital (Total capital = Tier 1 + Tier 2) 27,753,116		•	, ,		

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# Regulatory capital (continued)

### **Capital disclosures (continued)**

Component of regulatory capital reported by bank HK\$'000  500  500  500  500  500  500  500				
regulatory capital proported by part of the proposal proported by part of the proposal propos			At 31 Decem	ber 2013
Soa Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III reatment based on pre-Basel III reatment of which: Mortgage servicing rights of which: Mortgage servicing rights of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments in certain instruments in certain instruments in certain instruments and Tier 2 capital instruments and Tier 2 capital instruments and Tier 2 capital instruments in certain instruments and Tier 2 capital instruments and Tier 2 capital instruments in certain capital instruments in certain instruments and Tier 2 capital instruments in certain instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation of the Capital ratio and the sector instruments and Tier 2 capital instruments in certain instruments and Tier 2 capital instruments instead by financial sector entities that are outside the scope of regulatory consolidation of the Capital ratio and the sector instruments in the sector instruments			Component of	
Peported by park   Peported by park   Peported by park   Peported by park   Peported			regulatory	Amounts
Saa   Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III reatment   0			capital	subject to
HK\$'000  based on pre-Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment  of which. Mortgage servicing rights  of which. Mortgage servicing rights  of which. The investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments in own CET1 capital instruments. AT1 capital entity  of which. Incipational 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 in the 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 in the 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 in the capital instruments in the capital instruments and the capital instruments in the capital instrument and capital regulatory consolidation in the capital regulatory			reported by	pre-Basel III
Soa Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment   O   O   O   O   O   O   O   O   O			bank	treatment*
based on pre-Basel III treatment    Of which: Mortgage servicing rights   O			HK\$'000	HK\$'000
in of which: Mortgage servicing rights in of which: Defined benefit pension fund net assets in of which: Defined benefit pension fund net assets in of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments instruments in of which: Capital investment in a connected company which is a commercial entity of which: 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 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  Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation  Total risk weighted assets  Total capital ratio  Total ratik weighted assets  Total capital ratio  Total ratik weighted assets  Tier 1 capital ratio  Total ratik weighted assets  Tier 1 capital ratio  Total capital ratio  Tota	59a	Deduction items under Basel III which during transitional period remain subject to risk-weighting,		
ii of which: Defined benefit pension fund net assets ii of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments is sued 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 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 financial sector entities that are outside the scope of regulatory consolidation  Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation  Total risk weighted assets  175,604,195  CET1 capital ratio 13,53% CET1 capital ratio 13,53% CET1 capital ratio 13,53% CET1 capital ratio 13,53% Capital ratio			0	
iii of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments in commercial entity.  v of which: Capital investment in a connected company which is a commercial entity.  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.  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.  vi of a capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation.  vi of a capital ratio of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements of the conservation buffer requirements plus G-SIB or D-SIB requirements of of which: capital conservation buffer requirement of which: capital oconservation buffer requirement of which: Casital conservation buffer requirement of	i	of which: Mortgage servicing rights	0	
instruments	ii		0	
v	iii	of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital		
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.  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.  Total risk weighted assets.  175,604,195  Capital ratio (Capital ratio (13,53%)  Total capital 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 (13,53%)  of which: capital conservation buffer requirement (13,53%)  Total capital conservation buffer requirement (13,53%)  Tier 1 and Total capital requirement (14,53%)  National CET1 minimum ratio (14,53%)  National CET1 minimum ratio (14,53%)  National Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR (14,53%)  National Total capital minimum ratio (14,53%)  Not applicable (14,53%)  Not applicable (14,53%)  Not applicable (14,53%)  Tier 1 and Total capital minimum ratio (14,53%)  Not applicable (14,53%)  Not applicable (14,53%)  Tier 1 and Total capital minimum ratio (14,53%)  Not applicable (14,53%)  Tier 1 and Total capital minimum ratio (14,53%)  Not applicable (14,53%)  Tier 1 and Total capital investments in CET1 capital instruments subject to the basic approach (prior to applicable (14,53%)  Tier 1 and Total capital investments in CET1 capital instrumen			0	
Tier 2 capital instruments issued 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 financial sector entities that are outside the scope of regulatory consolidation  10 Total risk weighted assets  Capital ratios (as a percentage of risk weighted assets)  175,604,195  Capital ratio 13,53%  183 Total capital ratio 13,53%  Total capital ratio 15,80%  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)  of which: capital conservation buffer requirement 10,00%, of which: bank specific countercyclical buffer requirement 10,00%, of which: capital conservation buffer requirement 10,00%, of which: Casibar O-SiB buffer requirement 10,00%, of which: G-SIB or D-SiB requirement 10,00%, of which: G-SIB or D-SiB buffer requirement 10,00%, of which: Dank specific countercyclical buffer require	iv		0	
regulatory consolidation  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  Capital ratios (as a percentage of risk weighted assets)  Capital ratio (13,53%, 13,53%, 13,53%, 14,53%, 14,53%, 15,53%, 15,53%, 15,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%, 16,53%	V			
in thich: 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  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,195  175,604,		· · · · · · · · · · · · · · · · · · ·	0	
Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation   1,000			0	
regulatory consolidation  Capital risk weighted assets  Capital ratios (as a percentage of risk weighted assets)  Capital ratio 13.53%  Capital ratio 13.53%  Capital ratio 13.53%  Total capital ratio 13.53%  Total capital ratio 15.80%  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 by 5-SIB or D-SIB requirements)  of which: capital conservation buffer requirement 0.00%  of which: capital conservation buffer requirement 0.00%  of which: capital conservation buffer requirement 0.00%  of which: bank specific countercyclical buffer requirement 0.00%  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 7.80%  National CET1 minimum ratio 7.80%  National CET1 minimum ratio 8.9 National Tet1 minimum ratio 8.9 National Total capital minimum ratio 8.1 Not applicable 8.1 Not applicable 9.1 National Total capital minimum ratio 9.1 National Total capital minimum ratio 10.1 National Total capital minimum ratio 10.1 Not applicable 9.1 National Total capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation 9.3 Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation 9.3 Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation 9.3 Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation 9.3 Significant capital investments in CET1 capital instruments in Tet2 capital instruments with provisions in Tier 2 capital instruments in Tet2 on the provisions in Tier 2 capital instruments in Tet2 in respect of exposure	VI			
CET1 capital ratios (as a percentage of risk weighted assets)			0	
Capital ratios (as a percentage of risk weighted assets)  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.53%  13.5	60		175 604 195	
CET1 capital ratio	55		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
Tier 1 capital ratio	61	. , , , , ,	13.53%	
fortal capital ratio fortal capital 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 requirement plus G-SIB or D-SIB requirements for of which: capital conservation buffer requirement for of which: bank specific countercyclical buffer requirement for of which: G-SIB or D-SIB buffer requirement for of which: G-SIB or D-SIB buffer 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 for one of which is a state of the second of				
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   0.00%				
s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)  65 of which: capital conservation buffer requirement  66 of which: bank specific countercyclical buffer requirement  67 of which: Salb or D-SIB buffer requirement  68 CETI 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  69 National CET1 minimum ratio  70 National CET1 minimum ratio  Not applicable  71 National Tier1 minimum ratio  Not applicable  72 Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments in Significant capital investments in CET1 capital instruments such by financial sector entities that are outside the scope of regulatory consolidation  73 Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation  74 Mortgage servicing rights (net of related tax liability)  75 Deferred tax assets arising from temporary differences (net of related tax liability)  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)  78 Provisions eligible for inclusion in Tier 2 under the basic approach and the standardized (credit risk) approach (prior to application of cap)  79 Cap on inclusion of provisions in Tier 2 under the Basic approach and the standardized (credit risk) approach (prior to application of cap)  79 Cap for inclusion in Tier 2 under the Basic approach and the standardized (credit risk) approach (prior to application of cap)  79 Cap for inclusion of provisions in Tier 2 under the IRB approach (prior to application of cap)  79 Cap for inclusion of provisions in Tier 2 under the IRB approach (prior to application of cap)  79 Cap for inclusion of provisions in Tie		•	10.0070	
requirements plus G-SIB or D-SIB requirements)  5 of which: capital conservation buffer requirement  6 of which: bank specific countercyclical buffer requirement  7 on which: G-SIB or D-SIB buffer requirement  8 on which: G-SIB or D-SIB buffer requirement  8 on which: G-SIB or D-SIB buffer requirement  8 on which: G-SIB or D-SIB buffer requirement  9 on which: G-SIB or D-SIB buffer requirement  1 on onwell of which: G-SIB or D-SIB buffer 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  7 national minimum ratio  8 National CET1 minimum ratio  9 National Tier 1 minimum ratio  1 National Total capital minimum ratio  1 Not applicable  Amounts below the thresholds for deduction (before risk weighting)  7 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  3 significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation  4 Mortgage servicing rights (net of related tax liability)  Not applicable  Applicable caps on the inclusion of provisions in Tier 2 capital  6 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)  7 Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach (prior to application of cap)  1 provisions eligible for inclusion in Tier 2 in respect of exposures subject to the Brapproach (prior to application of cap)  1 provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)  2 capital instruments subject to phase-out arrangements  3 current cap on CET1 capital instruments subject to phase out arrangements  4 current cap on Tier 2 capita				
66 of which: bank specific countercyclical buffer requirement 67 of which: G-SIB or D-SIB buffer requirement 68 CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the 71 Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR 7.80%  National minima (if different from Basel 3 minimum)  Not applicable 7.80%  National Tier 1 minimum ratio Not applicable 7.80%  National Total capital minimum ratio Not applicable 7.80%  Not applicable 7.80%  Not applicable 8.80%  Not applicable 9.80%  Not applicable 1.80%  Amounts below the thresholds for deduction (before risk weighting)  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%  1.81%		requirements plus G-SIB or D-SIB requirements)	3.50%	
For this content of the standardized (credit risk)   Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation   Not applicable	65	of which: capital conservation buffer requirement	0.00%	
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  National minima (if different from Basel 3 minimum)  Not applicable Amounts below the thresholds for deduction (before risk weighting)  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  3,435  Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation  Mortage servicing rights (net of related tax liability) Not applicable Applicable caps on the inclusion of provisions in Tier 2 capital  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)  Provisions eligible for inclusion in Tier 2 under the basic approach and the standardized (credit risk) approach (prior to application of cap)  255,427  Cap on inclusion of provisions in Tier 2 under the Ba approach and the standardized (credit risk) approach (prior to application of cap)  225,427  Cap for inclusion of provisions in Tier 2 under the IRB approach (prior to application of cap)  228,807  Capital instruments subject to phase-out arrangements  O Current cap on CET1 capital instruments subject to phase out arrangements  Not applicable  Amount excluded from AT1 capital instruments subject to phase out arrangements  Amount excluded from AT1 capital instruments subject to phase out arrangements  O Current cap on Tier 2 capital instruments subject to phase out arrangements	66	of which: bank specific countercyclical buffer requirement	0.00%	
Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR  National minima (if different from Basel 3 minimum)  Not applicable Amounts below the thresholds for deduction (before risk weighting)  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  Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation  Mortgage servicing rights (net of related tax liability) Not applicable Applicable caps on the inclusion of provisions in Tier 2 capital  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)  Provisions eligible for inclusion in Tier 2 under the basic approach and the standardized (credit risk) approach  Provisions eligible for inclusion in Tier 2 under the basic approach and the standardized (credit risk) approach  Provisions eligible for inclusion in Tier 2 under the Basic approach and the standardized (credit risk) approach  Provisions eligible for inclusion in Tier 2 under the IRB approach  Cap on inclusion of provisions in Tier 2 under the IRB approach  Capital instruments subject to phase-out arrangements  Current cap on CET1 capital instruments subject to phase out arrangements  Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)  Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)  Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	67	of which: G-SIB or D-SIB buffer requirement	0.00%	
National minima (if different from Basel 3 minimum)   Not applicable	68			
National CET1 minimum ratio   Not applicable			7.80%	
National Tier 1 minimum ratio   Not applicable		,		
National Total capital minimum ratio   Amounts below the thresholds for deduction (before risk weighting)				
Amounts below the thresholds for deduction (before risk weighting)  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 3,435  Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation 66,630  Mortgage servicing rights (net of related tax liability) Not applicable  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  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)  Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach  Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)  Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)  Cap for inclusion of provisions in Tier 2 under the IRB approach  Capital instruments subject to phase-out arrangements  Current cap on CET1 capital instruments subject to phase out arrangements  Current cap on AT1 capital instruments subject to phase out arrangements  Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)  Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)  Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)  Current cap on Tier 2 capital instruments subject to phase out arrangements	_			
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 3,435	/1		Not applicable	
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84 Current cap on Tier 2 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	
85 Amount excluded from Tier 2 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	

<sup>\*</sup> This refers to the position under the Banking (Capital) Rules in force on 31 December 2012.



#### Regulatory capital (continued)

#### Capital disclosures (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		Hong Kong	Basel III
No.	Description	basis	basis
		HK\$'000	HK\$'000
9	Other intangible assets (net of associated deferred tax liability)	0	0

#### **Explanation**

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 Deferred tax assets net of deferred tax liabilities 152,418 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 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 Insignificant 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 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.

#### Regulatory capital (continued)

#### Capital disclosures (continued)

Row No	Description	Hong Kong basis HK\$'000	Basel III basis HK\$'000
	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

#### Explanation

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 Al 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 Al's

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 Al'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 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 Al's connected companies which were subject to deduction under the Hong Kong approach.

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)

#### **Explanation**

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 Al's connected companies which were subject to deduction under the Hong Kong approach.

0

#### 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



# Regulatory capital (continued)

# Reconciliation of regulatory scope consolidated balance sheet to capital components

	At 31 December 2013		
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Cross reference to definition of capital components
	HK\$'000	HK\$'000	
ASSETS			
Cash and balances with banks and other financial institutions	44,739,319	44,739,319	
Placements with banks and other financial institutions maturing between	04 044 000	24 244 000	
one and twelve months	21,344,000	21,344,000	
Financial assets at fair value through profit or loss  Derivative financial instruments	4,164,693 508,453	4,164,693 508,453	
- of which: debit valuation adjustments in respect of derivative contracts	500,455	213	(1)
Advances and other accounts	155,316,751	155,316,751	(1)
Investment in securities	42,272,143	42,272,143	
Interests in subsidiaries	-	6,100	
Investment properties	1,174,938	1,174,938	
Properties, plant and equipment	6,969,237	6,969,237	
Deferred tax assets	152,831	152,418	(2)
Other assets	3,741,595	3,740,799	, ,
Total assets	280,383,960	280,388,851	
LIABILITIES			
Deposits and balances from banks and other financial institutions	28,846,029	28,846,029	
Financial liabilities at fair value through profit or loss	4,433,736	4,433,736	
Derivative financial instruments	343,156	343,156	
- of which: debit valuation adjustments in respect of derivative contracts		(464)	(3)
Deposits from customers	198,160,417	198,181,724	
Other accounts and provisions	15,229,501	15,229,006	
Current tax liabilities	205,587	205,587	
Deferred tax liabilities	865,545	865,545	
Total liabilities	248,083,971	248,104,783	



# Regulatory capital (continued)

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

	At 3	At 31 December 2013		
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Cross reference to definition of capital components	
EQUITY	HK\$'000	HK\$'000		
Share capital	700,000	700,000	(4)	
Reserves	31,599,989	31,584,068		
-Share premium	2,444,517	2,444,517	(5)	
- Retained earnings	20,895,012	20,879,091	(6)	
<ul> <li>of which: cumulative fair value gains arising from the revaluation of investment properties</li> </ul>		906,923	(7)	
- Premises revaluation reserve	5,515,739	5,515,739	(8)	
- Reserve for fair value changes of available-for-sale securities	(164,888)	(164,888)	(9)	
- Regulatory reserve	1,944,980	1,944,980	(10)	
- Translation reserve	964,629	964,629	(11)	
Total equity	32,299,989	32,284,068		
Total liabilities and equity	280,383,960	280,388,851		



# Main features of issued capital instruments

		CET1 Capital Ordinary shares
1	Issuer	Nanyang Commercial Bank, 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
	Regulatory treatment	Ŭ Ŭ
4	Transitional Basel III rules#	Not Applicable
5	Post-transitional Basel III rules <sup>+</sup>	Common Equity Tier 1
6	Eligible at solo*/group/group & solo	Solo and Group
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)	HKD700 million (as of 31 December 2013)
9	Par value of instrument	HKD100 per ordinary share (as of 31 December 2013)
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1 July 1948 (Note 1)
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
	Coupons / dividends	
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



#### Main features of issued capital instruments (continued)

			CET1 Capital Ordinary shares
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
- \* Include solo-consolidated

Note 1: Several issuances of ordinary shares have been made since the first issuance in 1948. The last issuance was in 2009.