Regulatory Disclosures
31 December 2015

NCB 南洋商業銀行

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Capital disclosures

Regulatory capital

		At 31 December 2015		
		Component of regulatory capital reported by bank HK$'000	**Amounts subject to pre-Basel III treatment* HK$'000**	**Cross reference to regulatory scope consolidated balance sheet**
	CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	3,144,517		(4)
2	Retained earnings	25,495,966		(5)
3	Disclosed reserves	8,451,135		(7)+(8)+(9)+(10)
4	*Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)*	Not applicable		
	Public sector capital injections grandfathered until 1 January 2018	Not applicable		
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	0		
6	**CET1 capital before regulatory deductions**	**37,091,618**		
	CET1 capital: regulatory deductions			
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		
10	Deferred tax assets net of deferred tax liabilities	5,962		(2)
11	Cash flow hedge reserve	0		
12	Excess of total EL amount over total eligible provisions under the IRB approach	0		
13	Gain-on-sale arising from securitization transactions	0		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	537		(1)+(3)
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	0		
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	0		
17	Reciprocal cross-holdings in CET1 capital instruments	0		
18	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0		
19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0		
20	Mortgage servicing rights (amount above 10% threshold)	Not applicable		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable		
22	Amount exceeding the 15% threshold	Not applicable		
23	of which: significant investments in the common stock of financial sector entities	Not applicable		
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	8,446,278		
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	6,190,605		(6)+(7)
26b	Regulatory reserve for general banking risks	2,255,673		(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		
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0		
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	0		
28	**Total regulatory deductions to CET1 capital**	**8,461,394**		
29	**CET1 capital**	**28,630,224**		

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Regulatory capital (continued)

		At 31 December 2015		
		Component of regulatory capital reported by bank HK$'000	Amounts subject to pre-Basel III treatment* HK$'000	Cross reference to regulatory scope consolidated balance sheet
	AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	0		
31	of which: classified as equity under applicable accounting standards	0		
32	of which: classified as liabilities under applicable accounting standards	0		
33	*Capital instruments subject to phase out arrangements from AT1 capital*	0		
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	0		
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements*	0		
36	**AT1 capital before regulatory deductions**	**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		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0		
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	0		
43	**Total regulatory deductions to AT1 capital**	**0**		
44	**AT1 capital**	**0**		
45	**Tier 1 capital (Tier 1 = CET1 + AT1)**	**28,630,224**		
	Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	0		
47	*Capital instruments subject to phase out arrangements from Tier 2 capital*	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	*of which: capital instruments issued by subsidiaries subject to phase out arrangements*	0		
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,116,112		Not applicable
51	**Tier 2 capital before regulatory deductions**	**1,116,112**		

Capital disclosures

Regulatory capital (continued)

		At 31 December 2015		
		Component of regulatory capital reported by bank HK$'000	**Amounts subject to pre-Basel III treatment* HK$'000**	**Cross reference to regulatory scope consolidated balance sheet**
	Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	0		
53	Reciprocal cross-holdings in Tier 2 capital instruments	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		
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0		
56	National specific regulatory adjustments applied to Tier 2 capital	(2,785,772)		
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	(2,785,772)		[(6)+(7)] *45%
56b	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	0		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	0		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	0		
iii	of which: Investments in own CET1 capital instruments	0		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	0		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0		
57	**Total regulatory deductions to Tier 2 capital**	(2,785,772)		
58	**Tier 2 capital**	**3,901,884**		
59	**Total capital (Total capital = Tier 1 + Tier 2)**	**32,532,108**		

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Regulatory capital (continued)

		At 31 December 2015	
		Component of regulatory capital reported by bank HK$'000	Amounts subject to pre-Basel III treatment* HK$'000
59a	Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment	0	
i	of which: Mortgage servicing rights	0	
ii	of which: Defined benefit pension fund net assets	0	
iii	of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments	0	
iv	of which: Capital investment in a connected company which is a commercial entity	0	
v	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
vi	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
60	**Total risk weighted assets**	**176,976,127**	
	Capital ratios (as a percentage of risk weighted assets)		
61	CET1 capital ratio	16.18%	
62	Tier 1 capital ratio	16.18%	
63	Total capital ratio	18.38%	
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	4.50%	
65	*of which: capital conservation buffer requirement*	0	
66	*of which: bank specific countercyclical buffer requirement*	0	
67	*of which: G-SIB or D-SIB buffer requirement*	0	
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	10.18%	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	Not applicable	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	4,613	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	6,100	
74	Mortgage servicing rights (net of related tax liability)	Not applicable	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	Not applicable	
	Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardized (credit risk) approach (prior to application of cap)	328,398	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	213,408	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	2,075,662	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	902,704	
	Capital instruments subject to phase-out arrangements		
80	*Current cap on CET1 capital instruments subject to phase out arrangements*	Not applicable	
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	Not applicable	
82	*Current cap on AT1 capital instruments subject to phase out arrangements*	0	
83	*Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)*	0	
84	*Current cap on Tier 2 capital instruments subject to phase out arrangements*	0	
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	0	

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

Capital disclosures

Regulatory capital (continued)

Notes to the template:

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

Row No.	Description	Hong Kong basis HK$'000	Basel III basis HK$'000
9	**Other intangible assets (net of associated deferred tax liability)**	0	0
	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**	5,962	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)**	0	0
	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.		

Capital disclosures

Regulatory capital (continued)

Row No.	Description	Hong Kong basis HK$'000	Basel III basis HK$'000
19	**Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	0	0
	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 AI demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
39	**Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	0	0
	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 AI's connected companies which were subject to deduction under the Hong Kong approach.		
54	**Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	0	0
	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 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

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Capital disclosures

Regulatory capital (continued)

Reconciliation of regulatory scope consolidated balance sheet to capital components

	At 31 December 2015		
	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	54,244,805	54,244,805	
Placements with banks and other financial institutions maturing between one and twelve months	7,056,785	7,056,785	
Financial assets at fair value through profit or loss	6,963,572	6,963,572	
Derivative financial instruments	696,266	696,266	
- of which: debit valuation adjustments in respect of derivative contracts		*106*	(1)
Advances and other accounts	168,924,014	168,924,014	
Financial investments	55,407,983	55,407,983	
Interests in subsidiaries		6,100	
Investment properties	414,736	414,736	
Properties, plant and equipment	7,008,020	7,008,020	
Current tax assets	46,690	46,690	
Deferred tax assets	5,962	5,962	(2)
Other assets	4,295,231	4,294,797	
Assets held for sale	132,729	132,729	
Total assets	305,196,793	305,202,459	
LIABILITIES			
Deposits and balances from banks and other financial institutions	30,961,174	30,961,174	
Financial liabilities at fair value through profit or loss	4,575,356	4,575,356	
Derivative financial instruments	302,944	302,944	
- of which: debit valuation adjustments in respect of derivative contracts		*431*	(3)
Deposits from customers	218,261,983	218,283,623	
Other accounts and provisions	12,974,800	12,974,468	
Current tax liabilities	187,530	187,530	
Deferred tax liabilities	812,352	803,862	
Liabilities associated with assets held for sale	21,884	21,884	
Total liabilities	268,098,023	268,110,841	

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Regulatory capital (continued)

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

	At 31 December 2015		
	Balance sheet as in published financial statements	**Under regulatory scope of consolidation**	**Cross reference to definition of capital components**
	HK$'000	**HK$'000**	
EQUITY			
Share capital	3,144,517	3,144,517	(4)
Reserves			
- Retained earnings	25,449,494	25,495,966	(5)
- of which: cumulative fair value gains arising from the revaluation of investment properties		*389,419*	(6)
- Premises revaluation reserve	5,854,810	5,801,186	(7)
- Reserve for fair value changes of available-for-sale securities	213,754	213,754	(8)
- Regulatory reserve	2,255,673	2,255,673	(9)
- Translation reserve	180,522	180,522	(10)
Total equity	37,098,770	37,091,618	
Total liabilities and equity	305,196,793	305,202,459	

Capital disclosures

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	
4	Transitional Basel III rules#	Not Applicable
5	Post-transitional Basel III rules+	Common Equity Tier 1
6	Eligible at solo*/group/group & solo	Solo 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)	HKD3,145 million
9	Par value of instrument	No par value (refer to Note 1 for details)
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1 July 1948 (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
	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

Capital disclosures

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 : 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, the balance of the share premium account as at 3 March 2014 has been transferred to share capital.

Note 2: Several issuances of ordinary shares have been made since the first issuance in 1948. The last issuance was in 2009.

Leverage ratio disclosures

Leverage ratio

		At 31 December 2015
		HK$'000
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	303,563,354
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(8,460,962)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	295,102,392
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	676,387
5	Add-on amounts for PFE associated with all derivatives transactions	381,216
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	1,057,603
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	1,894,174
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	1,894,174
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	122,687,686
18	Less: Adjustments for conversion to credit equivalent amounts	(81,063,762)
19	Off-balance sheet items	41,623,924
	Capital and total exposures	
20	Tier 1 capital	28,630,224
21	Total exposures	339,678,093
	Leverage ratio	
22	**Basel III leverage ratio**	**8.43%**

Summary comparison table

		At 31 December 2015
		HK$'000
1	Total consolidated assets as per published financial statements	305,196,793
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	5,666
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	361,337
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)	41,623,924
7	Other adjustments	(7,509,627)
8	**Leverage ratio exposure**	**339,678,093**

Liquidity information disclosures

Liquidity coverage ratio

	Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this table	For the quarter ended 31 December 2015: 75 data points		For the quarter ended 30 September 2015: 76 data points	
	Basis of disclosure: consolidated	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
		HK$'000	HK$'000	HK$'000	HK$'000
A.	**HIGH QUALITY LIQUID ASSETS**				
1	Total high quality liquid assets (HQLA)		**42,888,329**		**38,197,134**
B.	**CASH OUTFLOWS**				
2	Retail deposits and small business funding, of which:	97,581,388	7,592,561	102,243,689	7,740,264
3	*Stable retail deposits and stable small business funding*	*20,328,593*	*1,016,430*	*23,143,654*	*1,157,183*
4	*Less stable retail deposits and less stable small business funding*	*42,245,235*	*4,224,523*	*39,233,250*	*3,923,325*
5	*Retail term deposits and small business term funding*	*35,007,560*	*2,351,608*	*39,866,785*	*2,659,756*
6	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	80,118,816	45,233,047	75,025,345	43,977,194
7	*Operational deposits*	*6,108,280*	*1,349,688*	*6,022,608*	*1,320,346*
8	*Unsecured wholesale funding (other than small business funding) not covered in Row 7*	*74,010,536*	*43,883,359*	*69,002,737*	*42,656,848*
9	*Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period*				
10	Secured funding transactions (including securities swap transactions)				
11	Additional requirements, of which:	22,253,815	5,252,707	52,281,515	8,317,711
12	*Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collaterals requirements*	*2,393,461*	*2,393,461*	*2,760,779*	*2,760,779*
13	*Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions*				
14	*Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)*	*19,860,354*	*2,859,246*	*49,520,736*	*5,556,932*
15	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	2,432,519	2,432,519	1,516,765	1,516,765
16	Other contingent funding obligations (whether contractual or non-contractual)	109,910,102	4,419,659	75,248,386	4,967,107
17	**TOTAL CASH OUTFLOWS**		**64,930,493**		**66,519,041**
C.	**CASH INFLOWS**				
18	Secured lending transactions (including securities swap transactions)	1,789,980	1,789,980	1,596,133	1,596,133
19	Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions	30,787,085	21,887,357	30,966,712	22,337,845
20	Other cash inflows	9,248,571	5,338,878	12,527,677	8,647,299
21	**TOTAL CASH INFLOWS**	**41,825,636**	**29,016,215**	**45,090,522**	**32,581,277**
D.	**LIQUIDITY COVERAGE RATIO**		ADJUSTED VALUE		ADJUSTED VALUE
22	**TOTAL HQLA**		**42,888,329**		**38,196,844**
23	**TOTAL NET CASH OUTFLOWS**		**35,914,278**		**33,937,764**
24	**LCR (%)**		**120.02%**		**114.10%**

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 2015: 71 data points		For the quarter ended 31 March 2015: 73 data points	
Basis of disclosure: consolidated		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
		HK$'000	HK$'000	HK$'000	HK$'000
A.	**HIGH QUALITY LIQUID ASSETS**				
1	Total high quality liquid assets (HQLA)		**36,851,316**		**37,147,019**
B.	**CASH OUTFLOWS**				
2	Retail deposits and small business funding, of which:	107,381,623	7,975,859	106,654,853	7,950,161
3	*Stable retail deposits and stable small business funding*	*24,884,132*	*1,244,207*	*25,454,625*	*1.272,731*
4	*Less stable retail deposits and less stable small business funding*	*37,509,051*	*3,750,905*	*35,801,204*	*3,580,120*
5	*Retail term deposits and small business term funding*	*44,988,440*	*2,980,747*	*45,399,024*	*3,097,310*
6	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	70,570,235	42,555,662	79,530,131	48,545,660
7	*Operational deposits*	*5,090,923*	*1,113,292*	*4,719,313*	*1,020,094*
8	*Unsecured wholesale funding (other than small business funding) not covered in Row 7*	*65,479,312*	*41,442,370*	*74,810,818*	*47,525,566*
9	*Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period*				
10	Secured funding transactions (including securities swap transactions)				
11	Additional requirements, of which:	10,288,076	4,399,996	12,247,169	2,159,003
12	*Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collaterals requirements*	*3,581,080*	*3,581,080*	*622,315*	*622,315*
13	*Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions*				
14	*Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)*	*6,706,996*	*818,916*	*11,624,854*	*1,536,688*
15	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	1,479,940	1,479,940	1,458,110	1,458,110
16	Other contingent funding obligations (whether contractual or non-contractual)	106,868,363	3,337,275	99,034,444	2,637,411
17	**TOTAL CASH OUTFLOWS**		**59,748,732**		**62,750,345**
C.	**CASH INFLOWS**				
18	Secured lending transactions (including securities swap transactions)	2,485,438	2,485,438	2,598,613	2,505,712
19	Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions	44,231,834	28,957,447	40,222,332	27,742,799
20	Other cash inflows	9,213,400	5,365,073	5,671,703	1,787,411
21	**TOTAL CASH INFLOWS**	**55,930,672**	**36,807,958**	**48,492,648**	**32,035,922**
D.	**LIQUIDITY COVERAGE RATIO**		ADJUSTED VALUE		ADJUSTED VALUE
22	**TOTAL HQLA**		**36,851,316**		**37,147,019**
23	**TOTAL NET CASH OUTFLOWS**		**22,940,774**		**30,714,423**
24	**LCR (%)**		**163.68%**		**123.70%**

Liquidity information disclosures

Liquidity coverage ratio (continued)

Notes:

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

In 2015, the Group has maintained a healthy liquidity position, the LCR remained stable and there was no material change throughout the year. The average LCR of the first, second, third and fourth quarter were 123.70%, 163.68%, 114.10% and 120.02% respectively. The average HKD level 1 HQLA to HKD net cash outflow ratio of 2015 was 216.24%, well above the regulatory requirement of 20%. The ratios have maintained at stable and healthy levels.

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

The net cash outflow was mainly from retail and corporate customer deposit which are the Group'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 Group 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 Group's customer deposits are denominated in HKD, USD and RMB. As the supply of HKD denominated HQLA in the market is relatively limited, the Group swaps surplus HKD funding into USD and other foreign currencies, part of funding are deployed to investment in HQLA.