

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED 中國工商銀行(亞洲)有限公司

(Incorporated in Hong Kong with limited liability)

STANDARD TEMPLATES FOR DISCLOSURES IN RELATION TO REGULATORY CAPITAL

FOR THE YEAR ENDED 31 DECEMBER 2015

Transition Disclosures Template

Amounts subject to pre-Basel III treatment

	CET1 capital: instruments and reserves		
		HK\$'000	
1	Directly issued qualifying CET1 capital instruments plus any related share premium	36,379,331	
2	Retained earnings	28,924,450	
3	Disclosed reserves	3,940,798	
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	69,244,579	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	77,717	
8	Goodwill (net of associated deferred tax liability)	980,154	
9	Other intangible assets (net of associated deferred tax liability)	44,978	0
10	Deferred tax assets net of deferred tax liabilities	58,011	
11	Cash flow hedge reserve	167,224	
12	Excess of total EL amount over total eligible provisions under the IRB approach	0	0
13	Gain-on-sale arising from securitization transactions	0	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0	0
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	0	0
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	0	0
17	Reciprocal cross-holdings in CET1 capital instruments	0	0
18	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
20	Mortgage servicing rights (amount above 10% threshold)	Not applicable	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable	
22	Amount exceeding the 15% threshold	Not applicable	

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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	4,911,597	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	634,218	
26b	Regulatory reserve for general banking risks	4,277,079	
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	300	
26e	Capital shortfall of regulated non-bank subsidiaries	0	0
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0	0
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	0	
28	Total regulatory deductions to CET1 capital	6,239,681	
29	CET1 capital	63,004,898	
	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		
	Investments in own AT1 capital instruments	0	0
38	Reciprocal cross-holdings in AT1 capital instruments	0	0
	Insignificant capital investments in AT1 capital instruments	0	0
39	issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)		
		0	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)	63,004,898	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	9,511,830	
47	Capital instruments subject to phase out arrangements from Tier 2 capital	2,698,689	
47	2 capital Tier 2 capital instruments issued by consolidated bank	2,698,689	
	2 capital Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2		
48	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) of which: capital instruments issued by subsidiaries subject to	0	

	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	0	0
53	Reciprocal cross-holdings in Tier 2 capital instruments	0	0
54	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	0
56	National specific regulatory adjustments applied to Tier 2 capital	(285,398)	
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	(285,398)	
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	(285,398)	
58	Tier 2 capital	18,029,516	
59	Total capital (Total capital = Tier 1 + Tier 2)	81,034,414	
59a	Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment		

i of which: Mortgage servicing rights ii of which: Defined benefit pension fund net assets 0 of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments of which: Capital investment in a connected company which is a commercial entity of which: Insignificant capital investments in CET1 capital instruments, AT1 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, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation 60 Total risk weighted assets Capital ratios (as a percentage of risk weighted assets) 61 CET1 capital ratio 62 Tier 1 capital ratio 63 Total capital ratio 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 requirement 65 of which: capital conservation buffer requirement 66 of which: G-SIB or D-SIB buffer requirement 70 Nowner of the BCR plus capital conservation 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 National minima (if different from Basel 3 minimum) 69 National CET1 minimum ratio 70 National Total capital minimum ratio 71 National Total capital minimum ratio 72 National Total capital minimum ratio 73 Not applicable			
iii of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments of which: Capital investment in a connected company which is a commercial entity of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 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 60 Total risk weighted assets Capital ratios (as a percentage of risk weighted assets) 61 CET1 capital ratio 62 Tier 1 capital ratio 63 Total capital ratio 13.02% 64 Total capital ratio 15.74% 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 65 of which: capital conservation buffer requirement 66 of which: bank specific countercyclical buffer requirement 67 of which: G-SIB or D-SIB buffer requirement 68 of which: G-SIB or D-SIB buffer requirement 69 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) 69 National CET1 minimum ratio Not applicable	i	of which: Mortgage servicing rights	0
iv of which: Capital investment in a connected company which is a commercial entity 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 for Total risk weighted assets Capital ratios (as a percentage of risk weighted assets) 61 CET1 capital ratio CET1 capital ratio 13.02% 62 Tier 1 capital ratio 13.02% 63 Total capital ratio 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) 65 of which: capital conservation buffer requirement 66 of which: bank specific countercyclical buffer requirement 67 of which: G-SIB or D-SIB buffer requirement 68 National minima (if different from Basel 3 minimum) 69 National Tier 1 minimum ratio Not applicable	ii	of which: Defined benefit pension fund net assets	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 of which: Significant capital instruments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation 60 Total risk weighted assets Capital ratios (as a percentage of risk weighted assets) 61 CET1 capital ratio 62 Tier 1 capital ratio 63 Total capital ratio 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 65 of which: capital conservation buffer requirement 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 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 National Tier 1 minimum ratio Not applicable	iii	•	0
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vi instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation 60 Total risk weighted assets Capital ratios (as a percentage of risk weighted assets) 61 CET1 capital ratio Tier 1 capital ratio 13.02% 62 Tier 1 capital ratio 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) 65 of which: capital conservation buffer requirement 66 of which: bank specific countercyclical buffer requirement 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 Not applicable	V	instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside	0
Capital ratios (as a percentage of risk weighted assets) 61 CET1 capital ratio 62 Tier 1 capital ratio 63 Total capital ratio 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) 65 of which: capital conservation buffer requirement 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 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) 69 National CET1 minimum ratio Not applicable 70 National Tier 1 minimum ratio Not applicable	vi	instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside	0
61 CET1 capital ratio 62 Tier 1 capital ratio 63 Total capital ratio 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) 65 of which: capital conservation buffer requirement 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 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 70 National Tier 1 minimum ratio Not applicable	60	Total risk weighted assets	484,020,565
Tier 1 capital ratio Total capital ratio Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements) 5 of which: capital conservation buffer requirement 6 of which: bank specific countercyclical buffer requirement 7 of which: G-SIB or D-SIB buffer requirement 8 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 8 National minima (if different from Basel 3 minimum) Not applicable Not applicable		Capital ratios (as a percentage of risk weighted assets	s)
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) 65 of which: capital conservation buffer requirement 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 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) 69 National CET1 minimum ratio Not applicable 70 National Tier 1 minimum ratio Not applicable	61	CET1 capital ratio	13.02%
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) 65 of which: capital conservation buffer requirement 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 Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR 8.52% National minima (if different from Basel 3 minimum) 69 National CET1 minimum ratio Not applicable 70 National Tier 1 minimum ratio Not applicable	62	Tier 1 capital ratio	13.02%
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) 65 of which: capital conservation buffer requirement 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 Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR 8.52% National minima (if different from Basel 3 minimum) 69 National CET1 minimum ratio Not applicable 70 National Tier 1 minimum ratio Not applicable	63	Total capital ratio	16.74%
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 Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR 8.52% National minima (if different from Basel 3 minimum) 69 National CET1 minimum ratio Not applicable 70 National Tier 1 minimum ratio Not applicable	64	requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical	4.50%
67 of which: G-SIB or D-SIB buffer requirement 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) 69 National CET1 minimum ratio Not applicable 70 National Tier 1 minimum ratio 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 National Tier 1 minimum ratio Not applicable	66	of which: bank specific countercyclical buffer requirement	0.00%
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 Not applicable	67	of which: G-SIB or D-SIB buffer requirement	0.00%
69National CET1 minimum ratioNot applicable70National Tier 1 minimum ratioNot applicable	68	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	8.52%
70 National Tier 1 minimum ratio Not applicable		National minima (if different from Basel 3 minimum))
111	69	National CET1 minimum ratio	Not applicable
71 National Total capital 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 we	ighting)
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	431,393
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 ca	apital
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)	6,012,998
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	5,533,599
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	Not applicable
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	Not applicable
	Capital instruments subject to phase-out arrangement	s
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	2,698,689
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	1,164,926

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

Notes to the template:

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

Row No.	Description	Hong Kong basis	Basel III basis	
	Other intangible assets (net of associated deferred tax liability)	44,978	44,978	
9	Explanation As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights (MSRs) may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). If 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 that 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 Kon 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 arisin from temporary differences and significant investments in CET1 capital instruments issued be financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.			
	Deferred tax assets net of deferred tax liabilities	58,011	0	
10	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs that rely on future 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.

Insignificant capital investments in CET1 capital instruments		
issued by financial sector entities that are outside the scope	0	0
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.

Significant capital investments in CET1 capital instruments		
issued by financial sector entities that are outside the scope	0	0
of regulatory consolidation (amount above 10% threshold)		

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.

Insignificant capital investments in AT1 capital instruments			
issued by financial sector entities that are outside the scope	0	C)
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 AI's connected companies which were subject to deduction under the Hong Kong approach.

Insignificant capital investments in Tier 2 capital instrumer	ts	
issued by financial sector entities that are outside the sco	oe 0	0
of regulatory consolidation		

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

Balance Sheet Reconciliation (Step 1)

	Balance sheet as in published financial statements 31-Dec-15 HK\$'000	Under regulatory scope of consolidation 31-Dec-15 HK\$'000
Assets		
Cash and balances with banks and other financial institutions	138,070,069	138,039,185
Placements with banks and other financial institutions	27,005,813	27,005,813
Financial assets held for trading	165,717	-
Financial assets designated at fair value through profit or loss	-	-
Derivative financial instruments	11,384,264 385,734,115	11,384,264
Advances and other accounts Financial investments:	159,278,210	385,711,586 159,272,096
– Available-for-sale	80,580,998	80,574,884
Held-to-maturity	78,697,212	78,697,212
Interest in associates	284,878	126,938
Investment in subsidiaries	-	431,393
Goodwill and other intangible assets	1,045,213	1,023,757
Investment properties	80,919	80,919
Property, plant and equipment	946,278	945,930
Current income tax assets	182,757	182,757
Deferred income tax assets	58,011	58,011
Other assets	9,314,781	9,544,881
Total assets	733,551,025	733,807,530
Liabilities Deposite from books and other financial institutions		
Deposits from banks and other financial institutions Derivative financial instruments	155,829,954	155,726,867
Deposits from customers	11,015,476	11,015,476
Certificates of deposit issued	398,531,211	399,775,056
Debt securities in issue	68,144,882	68,144,882
 Designated at fair value through profit or loss 	6,930,191	6,930,191
 At amortised cost 	6,930,191	6,930,191
Current income tax liabilities	206,491	196,878
Deferred income tax liabilities	9,107	9,107
Subordinated debts measured at amortised cost Other liabilities	13,375,445	13,375,445
Total liabilities	9,170,810	9,389,049
Total habilities	663,213,567	664,562,951
Equity		
Share capital	36,379,331	36,379,331
Retained earnings Other reserves	30,002,738	28,924,450
	3,955,389	3,940,798
Total equity	70,337,458	69,244,579
Total equity and liabilities	733,551,025	733,807,530

Balance Sheet Reconciliation (Step 2)

	Balance sheet as in published financial statements 31-Dec-15 HK\$'000	Under regulatory scope of consolidation 31-Dec-15	Cross reference to Definition of Capital Components
Assets			
Cash and balances with banks and other financial institutions	138,070,069	138,039,185	
Placements with banks and other financial institutions	27,005,813	27,005,813	
Financial assets held for trading	165,717	-	
Financial assets designated at fair value through profit or loss		-	
Derivative financial instruments Advances and other accounts	11,384,264	11,384,264	
Of which: collective impairment allowances reflected in	385,734,115	385,711,586	(5)
regulated capital		(1,735,920)	
Financial investments:	159,278,210	159,272,096	
 Available-for-sale 	80,580,998	80,574,884	
- Held-to-maturity	78,697,212	78,697,212	
Interest in associates	284,878	126,938	
Investment in subsidiaries	-	431,393	
Goodwill and other intangible assets	1,045,213	1,023,757	
Of which: goodwill		980,154	(1)
other intangible asset		44,978	(2)
Investment properties	80,919	80,919	
Of which: cumulative revaluation gain on investment properties	0.44.050	42,918	(16)
Property, plant and equipment	946,278	945,930	
Current income tax assets	182,757	182,757	(2)
Deferred income tax assets	58,011	58,011	(3)
Other assets Total assets	9,314,781	9,544,881	
	733,551,025	733,807,530	
Liabilities			
Deposits from banks and other financial institutions	155,829,954	155,726,867	
Derivative financial instruments	11,015,476	11,015,476	
Of which: debit valuation adjustments in respect of dertvative contracts		(77,717)	(15)
Deposits from customers	398,531,211	399,775,056	
Certificates of deposit issued	68,144,882	68,144,882	
Debt securities in issue	6,930,191	6,930,191	
 Designated at fair value through profit or loss 		-	
 At amortised cost 	6,930,191	6,930,191	
Of which: gains due to changes in own credit risk on fair valued liabilitie	S	-	(18)
Current income tax liabilities	206,491	196,878	
Deferred income tax liabilities	9,107	9,107	
Subordinated debts measured at amortised cost	13,375,445	13,375,445	
Of which: subordinate debts not eligible for inclusion in regulatory capital		2,698,689	(6)
subordinate debt eligible for inclusion in regulatory capital		9,511,830	(7)
Other liabilities	9,170,810	9,389,049	
Total liabilities	663,213,567	664,562,951	
Equity			
Share capital	36,379,331	36,379,331	(8)
Retained earnings	30,002,738	28,924,450	(9)
Of which: regulatory reserve for general banking risks		4,277,079	(17)
Other Reserves	3,955,389	3,940,798	
Of which: share premium			
bank premises revaluation reserve		591,300	(10)
investment revaluation reserve		235,655	(11)
cash flow hedge reserve		167,224	(12)
exchange reserve		46,819	(13)
general reserve		2,899,801	(14)
Total equity	70,337,458	69,244,579	
Total equity and liabilities	733,551,025	733,807,530	
- •			

Balance Sheet Reconciliation (Step 3)

	Transition Disclosures Template		Amounts subject to pre-Basel III treatment	Cross- referenced to Consolidated Balance Sheet in Step 2
	CET1 capital: instruments and reserves			
		HK\$'000		
	Discothy issued qualifying CET1 conital instruments also any related shows			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	36,379,331		(8)
2	Retained earnings	28,924,450		(9)
3	Disclosed reserves	3,940,798		(10) + (11) + (12) + (13) + (14)
4	Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)	Not applicable		(1.)
	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	69,244,579		
	CET1 capital: regulatory deductions			
7	Valuation adjustments	77,717		(15)
8	Goodwill (net of associated deferred tax liability)	980,154		(1)
9	Other intangible assets (net of associated deferred tax liability)	44,978	0	(2)
10	Deferred tax assets net of deferred tax liabilities	58,011		(3)
11	Cash flow hedge reserve	167,224		(12)
12	Excess of total EL amount over total eligible provisions under the IRB approach	0	0	
13	Gain-on-sale arising from securitization transactions	0		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0	0	(18)
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	0	0	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	0	0	
17	Reciprocal cross-holdings in CET1 capital instruments	0	0	
18	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0	
19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0	
20	Mortgage servicing rights (amount above 10% threshold)	Not applicable		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable		
22	Amount exceeding the 15% threshold	Not applicable		
23	of which: significant investments in the common stock of financial sector entities	Not applicable		
24	of which: mortgage servicing rights	Not applicable		
25 26	of which: deferred tax assets arising from temporary differences National specific regulatory adjustments applied to CET1 capital	Not applicable 4,911,597		
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	634,218		(16)
26b	Regulatory reserve for general banking risks	4,277,079		(16) (17)
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	300		
26e	Capital shortfall of regulated non-bank subsidiaries	0	0	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0	0	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	0		
28	Total regulatory deductions to CET1 capital	6,239,681		
29	CET1 capital	63,004,898		

30 Qualifying ATI capital instruments plass any related share premium 31 of which: classified as a quity make any related share premium 32 of which: classified as slabilities under applicable accounting standards 4 ATI capital instruments issued by consolidated bank subsidiaries and held by third paties (anomated any of the plant of the consolidate of the plant instruments issued by consolidated bank subsidiaries and held by third paties (anomated any of the plant of the consolidation group) 35 ATI capital instruments issued by subsidiaries subject to phase out 36 ATI capital instruments issued by subsidiaries subject to phase out 37 Investments in own ATI capital instruments 38 Reciprocal cross-holdings in ATI capital instruments 39 related any of the plant instruments issued by financial sector entiries that are outside the scope of regulatory consolidation (anomat above 10%) 40 Significant capital investments in ATI capital instruments issued by financial sector entiries that are outside the scope of regulatory consolidation 41 Automat specific repulsory adjustments applied to ATI capital instruments issued by financial sector entiries that are outside the scope of regulatory consolidation 42 Portion of clasticions applied to ATI capital instruments issued by financial sector entiries that are outside the scope of regulatory consolidation 43 Portion of clasticions applied to ATI capital instruments of the ATI capital instruments issued by financial sector entiries that are capital short of the propring institution in struments issued by financial sector entiries that are capital instruments issued by financial sector entiries that are capital instruments issued by financial sector entiries that are capital instruments issued by financial sector entiries that are capital instruments issued by financial sector entiries that are capital instruments issued by financial sector entiries that					
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Insignificant capital investments in ATT capital instruments issued by financial sector threshold) 40 Significant capital investments in ATT capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) 41 National specific regulatory adjustments applied to ATT capital instruments sector entities that are outside the scope of regulatory consolidation (amount above 10% profits of the constitution of the	38	Reciprocal cross-holdings in AT1 capital instruments	0	0	
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Tier 2 capital: instruments and provisions 46 Qualifying Tier 2 capital instruments plus any related share premium 9,511,830 47 Capital instruments subject to phase out arrangements from Tier 2 capital 2,698,689 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) 49 of which: capital instruments issued by subsidiaries subject to phase out arrangements 50 Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital 51 Tier 2 capital before regulatory deductions Tier 2 capital: regulatory deductions 52 Investments in own Tier 2 capital instruments Tier 2 capital instruments 52 Investments in own Tier 2 capital instruments 53 Reciprocal cross-holdings in Tier 2 capital instruments 54 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 (amount above 10% threshold) 56 National specific regulatory adjustments applied to Tier 2 capital 56 National specific regulatory adjustments applied to Tier 2 capital 56 National specific regulatory adjustments applied to Tier 2 capital 56 National specific regulatory adjustments applied to Tier 2 capital 57 Significant capital investments in reversibility of the revolucion of land and capital investments are considered for the revolucion of land and capital investments are capital investments are applied to Tier 2 capital 58 Significant capital investments are considered for the capital capital investments are capital instruments issued by financial capital investments in Tier 2 capital capit	44	AT1 capital	0		
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Capital instruments subject to phase out arrangements from Tier 2 capital 2,698,689 1 1 1 1 2 2 2 2 2 2	46	Qualifying Tier 2 capital instruments plus any related share premium	9,511,830		(7)
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Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital Tier 2 capital before regulatory deductions Tier 2 capital: regulatory deductions 17,744,118 Tier 2 capital: regulatory deductions 52 Investments in own Tier 2 capital instruments Reciprocal cross-holdings in Tier 2 capital instruments 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) Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation National specific regulatory adjustments applied to Tier 2 capital (285,398) Add back of cumulative fair value gains arising from the revaluation of land and	49	of which: capital instruments issued by subsidiaries subject to phase out arrangements	0		
Tier 2 capital: regulatory deductions 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 56 Add back of cumulative fair value gains arising from the revaluation of land and 67 (285,398)	50		5,533,599		and limited to 1.25% of risk-weighted amount for credit risks# related to STC
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 56 Add back of cumulative fair value gains arising from the revaluation of land and 57 On the sector entities of the sector entities that are outside the scope of regulatory consolidation 58 On the sector entities of the sector entities that are outside the scope of regulatory consolidation 59 On the sector entities of the sector entities that are outside the scope of regulatory consolidation 50 On the sector entities of the sector	51	Tier 2 capital before regulatory deductions	17,744,118		
Significant capital investments in Tier 2 capital instruments Significant capital investments in Tier 2 capital instruments issued 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 O O		Tier 2 capital: regulatory deductions			
Significant capital investments in Tier 2 capital instruments Significant capital investments in Tier 2 capital instruments issued 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 O O	52	Investments in own Tier 2 capital instruments	0	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) 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 Mational specific regulatory adjustments applied to Tier 2 capital (285,398) Add back of cumulative fair value gains arising from the revaluation of land and (285,398)	53		0	0	
Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation 0 0	54	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above	0	0	
56 National specific regulatory adjustments applied to Tier 2 capital (285,398) Add back of cumulative fair value gains arising from the revaluation of land and (285,398)	55	Significant capital investments in Tier 2 capital instruments issued by financial sector	0	0	
	56	National specific regulatory adjustments applied to Tier 2 capital	(285,398)		
	56a		(285,398)		$= (19) \times 45\%$

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	(285,398)	
58	Tier 2 capital	18,029,516	
59	Total capital (Total capital = Tier 1 + Tier 2)	81,034,414	

Abbreviations:

CET1: Common Equity Tier 1
AT1: Additional Tier 1