

			HK\$ ' 000
Transition Disclosures Template			Amounts subject to pre-Basel III treatment*
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	5,435,904	
2	Retained earnings	5,448,593	
3	Disclosed reserves Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock	2,316,939	
4	companies)	Not applicable	
	Public sector capital injections grandfathered until 1 January 2018 Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and	Not applicable	
5	held by third parties (amount allowed in CET1 capital of the consolidation group)	0	
6	CET1 capital before regulatory deductions CET1 capital: regulatory deductions	13,201,436	
7	Valuation adjustments	0	
8	Goodwill (net of associated deferred tax liability)	0	
9	Other intangible assets (net of associated deferred tax liability)	238,896	
10	Deferred tax assets net of deferred tax liabilities	4,816	
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	0	0
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	18,234	
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	
	ricoprocal cross notatings in GETT capital motitation.		<u>-</u>
18	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
20	Mortgage servicing rights (amount above 10% threshold)	Not applicable	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable	
22	Amount exceeding the 15% threshold	Not applicable	
23	of which: significant investments in the common stock of financial sector entities	Not applicable	
24	of which: mortgage servicing rights	Not applicable	
25	of which: deferred tax assets arising from temporary differences	Not applicable	
26	National specific regulatory adjustments applied to CET1 capital	872,051	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	221,051	
26b	Regulatory reserve for general banking risks	651,000	
	Securitization exposures specified in a notice given by the Monetary Authority	051,000	
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	
	Capital investment in a connected company which is a commercial entity (amount above 15% of the		
26f	reporting institution's capital base) Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to	0	0
27	cover deductions	0	
28 29	Total regulatory deductions to CET1 capital	1,133,997	
29	CET1 capital	12,067,439	
	AT1 capital: instruments		
	Qualifying AT1 capital instruments plus any related share promium	0 010 000	
30	Qualifying AT1 capital instruments plus any related share premium	2,312,030	
30 31	of which: classified as equity under applicable accounting standards	2,312,030	
30 31 32	of which: classified as equity under applicable accounting standards of which: classified as liabilities under applicable accounting standards	2,312,030 0	
30 31	of which: classified as equity under applicable accounting standards of which: classified as liabilities under applicable accounting standards Capital instruments subject to phase out arrangements from AT1 capital	2,312,030	
30 31 32	of which: classified as equity under applicable accounting standards of which: classified as liabilities under applicable accounting standards	2,312,030 0	



As at 3	30 June 2017		111/01/000
Transition Disclosures Template			HK\$ ' 000 Amounts subject to pre-Basel III treatment*
	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	0
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	0
41	National specific regulatory adjustments applied to AT1 capital	0	
41a	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 1 capital	0	
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	0	
ii	of which: Capital shortfall of regulated non-bank subsidiaries	0	
iii	of which: Investments in own CET1 capital instruments	0	
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	0	
	of which: Capital investment in a connected company which is a commercial entity (amount above		
V	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	
	AT1 capital	2,312,030	
45	Tier 1 capital (Tier 1 = CET1 + AT1) Tier 2 capital: instruments and provisions	14,379,469	
46	Qualifying Tier 2 capital instruments plus any related share premium	0	
47	Capital instruments subject to phase out arrangements from Tier 2 capital	865,352	
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	928,815	
51	Tier 2 capital before regulatory deductions	1,794,167	
	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	(99,473)	
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	(99,473)	
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		
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	
	Total regulatory deductions to Tier 2 capital	(99,473)	
	Tier 2 capital	1,893,640	
59	Total capital (Total capital = Tier 1 + Tier 2)	16,273,109	



HK\$ '000 Amounts subject to **Transition Disclosures Template** pre-Basel III treatment* Deduction items under Basel III which during transitional period remain subject to risk-weighting, 59a 0 based on pre-Basel III treatment of which: Mortgage servicing rights 0 of which: Defined benefit pension fund net assets ii 0 of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital 0 iv of which: Capital investment in a connected company which is a commercial entity 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 0 consolidation of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tiel 2 capital instruments issued by financial sector entities that are outside the scope of regulatory 0 onsolidation Total risk weighted assets 103,151,815 60 Capital ratios (as a percentage of risk weighted assets) CET1 capital ratio 61 11.709 62 Tier 1 capital ratio 13.94% 63 Total capital ratio 15.78% 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 6.701% requirements plus G-SIB or D-SIB requirements) of which: capital conservation buffer requirement 1.250% 65 66 of which: bank specific countercyclical buffer requirement 0.951% of which: G-SIB or D-SIB buffer requirement 0.000% CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the 7.20% 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) National CET1 minimum ratio Not applicable National Tier 1 minimum ratio Not applicable 70 71 National Total capital minimum ratio Not applicable Amounts below the thresholds for deduction (before risk weighting) Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory 29,562 Significant capital investments in CET1 capital instruments issued by financial sector entities that are 73 214,069 outside the scope of regulatory consolidation 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 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the 76 928.815 standardized (credit risk) approach (prior to application of cap) Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) 77 1.217.481 approach Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to Not applicable application of cap) Cap for inclusion of provisions in Tier 2 under the IRB approach Not applicable Capital instruments subject to phase-out arrangements Current cap on CET1 capital instruments subject to phase out arrangements 80 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 Not applicable Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities) Not applicable Current cap on Tier 2 capital instruments subject to phase out arrangements 865.352 Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities) 934.059

^{*} 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)	238,896	0		
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 b CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. The deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" 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 the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies	o follow the account refore, the amount in this box represed to the extent no investments in CE	inting treatment int to be sents the ot in excess of		
	Deferred tax assets net of deferred tax liabilities	4,816	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 profitate are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be CET1 capital up to the specified threshold). In Hong Kong, an Al is required to deduct all DTAs in full, irrespective of their origin, from CE amount to be deducted as reported in row 10 may be greater than that required under Basel III.	excluded from de	eduction from		
	The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported und adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% thre temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investmen issued by financial sector entities (excluding those that are loans, facilities and other credit exposures to connected companies) under Ba	shold set for DTA ts in CET1 capita	As arising from		
	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		
18	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 this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggreater or other credit exposures to the Al'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 of regulatory consolidation (amount above 10% threshold)	0	0		
19	Explanation For the purpose of determining the total amount of significant capital investments in CET1 capital instruments issued by financial sector e aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the Al in the capi sector entity, except where the Al demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility other credit exposure was incurred, in the ordinary course of the Al's business.	company is a fina tal instruments of	ancial sector the financial		
	Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the Al's connected companies which were subject to deduction under the Hong Kong approach.				
	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0		
39	Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom with exemption from capital deduction of other insignificant capital investments in AT1 capital instruments may be smaller. Therefore, the amount row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit expressions which were subject to deduction under the Hong Kong approach.	nin the threshold a ount to be deducte s the amount repo	available for the ed as reported orted in row 39		
	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		
54	Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom with exemption from capital deduction of other insignificant capital investments in Tier 2 capital instruments may be smaller. Therefore, the an 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 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit expressions which were subject to deduction under the Hong Kong approach.	nin the threshold a mount to be deduc s the amount repo	available for the cted as reported orted in row 54		
Rema	rrks:				
The a	mount of the 10% / 15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the Banking (C	apital) Rules.			

Abbreviations:

CET1: Common Equity Tier 1 AT1: Additional Tier 1



As at :	31 December 2016		HK¢ ' 000
Transition Disclosures Template			HK\$ ' 000 Amounts subject to pre-Basel III treatment*
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	5,435,904	
3	Retained earnings Disclosed reserves	5,081,724 2,254,839	
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	12,772,467	
_	CET1 capital: regulatory deductions		
7 8	Valuation adjustments	0	
9	Goodwill (net of associated deferred tax liability) Other intangible assets (net of associated deferred tax liability)	171,123	
10	Deferred tax assets net of deferred tax liabilities	4,672	
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		0	
_	Gains and losses due to changes in own credit risk on fair valued liabilities		<u>0</u>
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	18,234	0
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	0	0
17	Reciprocal cross-holdings in CET1 capital instruments	0	0
18	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
20	Mortgage servicing rights (amount above 10% threshold)	Not applicable	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable	
22	Amount exceeding the 15% threshold	Not applicable	
23	of which: significant investments in the common stock of financial sector entities	Not applicable	
24	of which: mortgage servicing rights	Not applicable	
25	of which: deferred tax assets arising from temporary differences	Not applicable	
26	National specific regulatory adjustments applied to CET1 capital	957,259	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	218,259	
26h	,	720,000	
26b 26c	Regulatory reserve for general banking risks Securitization exposures specified in a notice given by the Monetary Authority	739,000 0	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	0	
26e	Capital shortfall of regulated non-bank subsidiaries	0	0
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0	0
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	0	
28	Total regulatory deductions to CET1 capital	1,151,288	
29	CET1 capital	11,621,179	
30	AT1 capital: instruments Qualifying AT1 capital instruments plus any related share premium	2,312,030	
31	of which: classified as equity under applicable accounting standards	2,312,030	
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	2,312,030	



Amounts subject to pre-Basel III treatment* AT1 capital: regulatory deductions 37 Investments in own AT1 capital instruments 38 Reciprocal cross-holdings in AT1 capital instruments 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) Significant capital investments in AT1 capital instruments issued by financial sector entities that are		31 December 2016		HK# 1 000
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III Of which: Investments in own CET1 capital instruments O O Which: Repicroacl cross boldings in CET1 capital instruments issued by financial sector entities O O Which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base) O O O O O O O O O	ii	of which: Capital shortfall of regulated non-bank subsidiaries	0	
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Tier 1 capital (Tier 1 = CET1 + AT1) Tier 2 capital: instruments and provisions 46	43	Total regulatory deductions to AT1 capital	0	
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49 Of which: capital instruments issued by subsidiaries subject to phase out arrangements 0 Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital 1990,219 1900,2	48		0	
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Tier 2 capital before regulatory deductions Tier 2 capital: regulatory deductions Tier 2 capital: regulatory deductions 1	50	Collective impairment allowances and regulatory reserve for general banking risks eligible for	990,219	
Investments in own Tier 2 capital instruments 0 0 0	51		2,028,642	
Reciprocal cross-holdings in Tier 2 capital instruments 0 0 0		Tier 2 capital: regulatory deductions		
Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) 55 Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation 60 National specific regulatory adjustments applied to Tier 2 capital 60 Sational specific regulatory adjustments applied to Tier 2 capital 60 Sational specific regulatory adjustments applied to Tier 2 capital 60 Sational specific regulatory adjustments applied to Tier 2 capital 60 Sational specific regulatory adjustments applied to Tier 2 capital 60 Sational specific regulatory adjustments applied to Tier 2 capital 60 Sational specific regulatory adjustments applied to Tier 2 capital 60 Sational specific regulatory adjustments applied to Tier 2 capital 60 Sational specific regulatory adjustments applied to Tier 2 capital 60 Sational specific regulatory adjustments applied to Tier 2 capital 60 Sational specific regulatory and surface and supplementary capital based on pre-Basel III 61 Sational specific regulatory and supplementary capital based on pre-Basel III 62 Sational specific regulatory and supplementary capital based on pre-Basel III 63 Sational specific regulatory and supplementary capital based on pre-Basel III 64 Sational specific regulatory and supplementary capital based on pre-Basel III 65 Sational specific regulatory and supplementary capital based on pre-Basel III 66 Sational specific regulatory adjustments in CET1 capital instruments in Sational specific regulatory and supplementary capital instruments in Sational specific regulations and supplementary capital instruments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments in CET1 capital instruments and Tier 2 capital instruments in CET1 capital instruments and Tier 2 capital ins	52	Investments in own Tier 2 capital instruments	0	0
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 60 National specific regulatory adjustments applied to Tier 2 capital 60 Shational specific regulatory adjustments applied to Tier 2 capital 60 Shational specific regulatory adjustments applied to Tier 2 capital 60 Shational specific regulatory adjustments applied to Tier 2 capital 60 Shational specific regulatory adjustments applied to Tier 2 capital 60 Shational specific regulatory adjustments applied to Tier 2 capital 60 Shational specific regulatory adjustments and Tier 2 capital and investment properties) eligible for inclusion in Tier 2 capital absed on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital 61 of which: Excess of total EL amount over total eligible provisions under the IRB approach 62 of which: Capital shortfall of regulated non-bank subsidiaries 63 of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities 64 of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base) 65 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 66 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 67 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	53	Reciprocal cross-holdings in Tier 2 capital instruments	0	0
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 National specific regulatory adjustments applied to Tier 2 capital 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 buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital 56 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 of which: Excess of total EL amount over total eligible provisions under the IRB approach of which: Capital shortfall of regulated non-bank subsidiaries ii of which: Investments in own CET1 capital instruments of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base) of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory 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 of thich: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory	54		0	0
National specific regulatory adjustments applied to Tier 2 capital 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 Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital i of which: Excess of total EL amount over total eligible provisions under the IRB approach of which: Capital shortfall of regulated non-bank subsidiaries of which: Investments in own CET1 capital instruments of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base) of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation Total regulatory deductions to Tier 2 capital Total regulatory deductions to Tier 2 capital	55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are	0	
and investment properties) eligible for inclusion in Tier 2 capital Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital i of which: Excess of total EL amount over total eligible provisions under the IRB approach ii of which: Capital shortfall of regulated non-bank subsidiaries iii of which: Investments in own CET1 capital instruments iv of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base) of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation of which: Capital instruments is capital instruments, AT1 capital instruments and Tier 2 capital instruments in CET1 capital instruments and Tier 2 capital instruments in CET1 capital instruments and Tier 2 capital instruments in CET1 capital instruments and Tier 2 capital instruments in CET1 capital instruments and Tier 3 capital instruments in CET1 capital instruments and Tier 3 capital instruments in CET1 capital instruments in CET1	56		(98,217)	
Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital i of which: Excess of total EL amount over total eligible provisions under the IRB approach of which: Capital shortfall of regulated non-bank subsidiaries of which: Investments in own CET1 capital instruments of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base) of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory 0 consolidation Total regulatory deductions to Tier 2 capital (98,217)	56a	g g	(98,217)	
i of which: Excess of total EL amount over total eligible provisions under the IRB approach ii of which: Capital shortfall of regulated non-bank subsidiaries iii of which: Investments in own CET1 capital instruments iv of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities v of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base) of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation of which: Significant capital 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 0 consolidation Total regulatory deductions to Tier 2 capital (98,217)	56b	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III	0	
iii of which: Capital shortfall of regulated non-bank subsidiaries iii of which: Investments in own CET1 capital instruments iv of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities v of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base) of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory 0 consolidation Total regulatory deductions to Tier 2 capital (98,217)	i		0	
iii of which: Investments in own CET1 capital instruments iv of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities v of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base) of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory 0 consolidation Total regulatory deductions to Tier 2 capital (98,217)	ii			
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) of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation Total regulatory deductions to Tier 2 capital (98,217)				
vi 15% of the reporting institution's capital base) of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation Total regulatory deductions to Tier 2 capital (98,217)		<u> </u>		
vi Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation Total regulatory deductions to Tier 2 capital (98,217)	v		0	
vii 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation 57 Total regulatory deductions to Tier 2 capital (98,217)	vi	Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory		
	vii	2 capital instruments issued by financial sector entities that are outside the scope of regulatory		
58 Tier 2 capital 2,126,859		Total regulatory deductions to Tier 2 capital	(98,217)	
	57			
59 Total capital (Total capital = Tier 1 + Tier 2) 16,060,068	_		2,126,859	



HK\$ '000 Amounts subject to **Transition Disclosures Template** pre-Basel III treatment* Deduction items under Basel III which during transitional period remain subject to risk-weighting. 59a 0 based on pre-Basel III treatment of which: Mortgage servicing rights 0 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 0 of which: Capital investment in a connected company which is a commercial entity iv 0 of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and 0 Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory 0 onsolidation Total risk weighted assets 98.395.474 60 Capital ratios (as a percentage of risk weighted assets) CET1 capital ratio 61 11.819 62 Tier 1 capital ratio 14.16% 63 Total capital ratio 16.32 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 5.616% requirements plus G-SIB or D-SIB requirements) of which: capital conservation buffer requirement 0.625% 65 66 of which: bank specific countercyclical buffer requirement 0.491% of which: G-SIB or D-SIB buffer requirement 0.000% CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the 7.31% 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) National CET1 minimum ratio Not applicable National Tier 1 minimum ratio Not applicable 70 71 National Total capital minimum ratio Not applicable Amounts below the thresholds for deduction (before risk weighting) Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory 28,593 consolidation Significant capital investments in CET1 capital instruments issued by financial sector entities that are 73 214.069 outside the scope of regulatory consolidation 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 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the 76 990.219 standardized (credit risk) approach (prior to application of cap) Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) 77 1.165.323 approach Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to Not applicable application of cap) Cap for inclusion of provisions in Tier 2 under the IRB approach Not applicable Capital instruments subject to phase-out arrangements Current cap on CET1 capital instruments subject to phase out arrangements 80 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 Not applicable Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities) Not applicable 1,038,423 Current cap on Tier 2 capital instruments subject to phase out arrangements

753.844

Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)

^{*} 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)	0	0	
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 CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an Al is required to follow the accounting tree of including MSRs as part of intangible assets reported in the Al'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 excet the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capit instruments issued by 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	4,672	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 profitab are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be CET1 capital up to the specified threshold). In Hong Kong, an Al is required to deduct all DTAs in full, irrespective of their origin, from CE amount to be deducted as reported in row 10 may be greater than that required under Basel III.	excluded from de	eduction from	
	The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported und adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% thre temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investment issued by financial sector entities (excluding those that are loans, facilities and other credit exposures to connected companies) under Basel.	shold set for DTA ts in CET1 capita	As arising from	
	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	
18	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 bathis 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, fa or other credit exposures to the Al'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 of regulatory consolidation (amount above 10% threshold)	0	0	
19	Explanation For the purpose of determining the total amount of significant capital investments in CET1 capital instruments issued by financial sector eraggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the Al in the capital sector entity, except where the Al demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility other credit exposure was incurred, in the ordinary course of the Al's business.	company is a fin al instruments of	ancial sector the financial	
	Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggreater or other credit exposures to the Al's connected companies which were subject to deduction under the Hong Kong approach.			
	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0	
39	Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom with exemption from capital deduction of other insignificant capital investments in AT1 capital instruments may be smaller. Therefore, the amo 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 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exponentials which were subject to deduction under the Hong Kong approach.	in the threshold a unt to be deducte the amount repo	available for the ed as reported orted in row 39	
	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	
54	Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom with exemption from capital deduction of other insignificant capital investments in Tier 2 capital instruments may be smaller. Therefore, the am 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 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exportances which were subject to deduction under the Hong Kong approach.	in the threshold a count to be deduce the amount repo	available for the sted as reported orted in row 54	
Rema				
The a	mount of the 10% / 15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the Banking (C	apital) Rules.		

Abbreviations:

CET1: Common Equity Tier 1
AT1: Additional Tier 1