

Pillar 3 Disclosure – Leverage Ratio

As at 31 Dec 2015

Leverage Ratio

The following disclosures are made in accordance with Section 45A of the Banking (Disclosures) Rules issued by the Hong Kong Monetary Authority ("HKMA").

- 1. Leverage Ratio as at 31 December 2015
- 2. Summary Comparison Table as at 31 December 2015

1. Leverage Ratio as at 31 December 2015

collateral) 2 Less: Asset amounts deducted in determining Basel III Tier 1 capital (reported as negative amounts) 3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2) Derivative exposures 4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) 5 Add-on amounts for PFE associated with all derivatives transactions 6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework 7 Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions (reported as negative amounts) 8 Less: Exempted CCP leg of client-cleared trade exposures (reported as negative amounts) 9 Adjusted effective notional amount of written credit derivatives 10 Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives (reported as negative amounts) 11 Total derivatives (reported as negative amounts) 12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions 13 Less: Netted amounts of cash payables and cash receivables of gross SFT assets (reported as negative amounts) 14 CCR exposure for SFT assets 15 Agent transaction exposures 16 Total securities financing transaction exposures 17 Off-balance sheet exposures at gross notional amount Other off-balance sheet exposures 18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) 19 Off-balance sheet items (sum of lines 17 and 18) Capital and total exposures 20 Tier 1 capital 23,010,65 Leverage ratio		Item	Leverage ratio framework HK\$ '000		
collateral) 2 Less: Asset amounts deducted in determining Basel III Tier 1 capital (reported as negative amounts) 3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2) Derivative exposures 4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) 5 Add-on amounts for PFE associated with all derivatives transactions 6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework 7 Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions (reported as negative amounts) 8 Less: Exempted CCP leg of client-cleared trade exposures (reported as negative amounts) 9 Adjusted effective notional amount of written credit derivatives 10 Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives (reported as negative amounts) 11 Total derivative exposures (sum of lines 4 to 10) Securities financing transaction exposures 12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions 13 Less: Netted amounts of cash payables and cash receivables of gross SFT assets (reported as negative amounts) 14 CCR exposure for SFT assets 15 Agent transaction exposures 16 Total securities financing transaction exposures 17 Off-balance sheet exposure at gross notional amount Other off-balance sheet exposures 18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) 19 Off-balance sheet items (sum of lines 17 and 18) Capital and total exposures 20 Tier 1 capital 21 Total exposures (sum of lines 3, 11, 16 and 19) Leverage ratio					
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4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) 5 Add-on amounts for PFE associated with all derivatives transactions 6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework 7 Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions (reported as negative amounts) 8 Less: Exempted CCP leg of client-cleared trade exposures (reported as negative amounts) 9 Adjusted effective notional amount of written credit derivatives 10 Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives (reported as negative amounts) 11 Total derivative exposures (sum of lines 4 to 10) Securities financing transaction exposures 12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions 13 Less: Netted amounts of cash payables and cash receivables of gross SFT assets (reported as negative amounts) 14 CCR exposure for SFT assets 15 Agent transaction exposures 16 Total securities financing transaction exposures (sum of lines 12 to 15) Other off-balance sheet exposures 17 Off-balance sheet exposure at gross notional amount 48,852,02 18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) 19 Off-balance sheet items (sum of lines 17 and 18) Capital and total exposures 20 Tier 1 capital 23,010,65 Leverage ratio		Derivative exposures			
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12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions 13 Less: Netted amounts of cash payables and cash receivables of gross SFT assets (reported as negative amounts) 14 CCR exposure for SFT assets 15 Agent transaction exposures 16 Total securities financing transaction exposures (sum of lines 12 to 15) 17 Off-balance sheet exposures 18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) 19 Off-balance sheet items (sum of lines 17 and 18) 12,778,30 Capital and total exposures 20 Tier 1 capital 23,010,65 Leverage ratio	11	Total derivative exposures (sum of lines 4 to 10)	1,978,109		
12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions 13 Less: Netted amounts of cash payables and cash receivables of gross SFT assets (reported as negative amounts) 14 CCR exposure for SFT assets 15 Agent transaction exposures 16 Total securities financing transaction exposures (sum of lines 12 to 15) 17 Off-balance sheet exposures 18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) 19 Off-balance sheet items (sum of lines 17 and 18) 12,778,30 Capital and total exposures 20 Tier 1 capital 23,010,65 Leverage ratio	Securities financing transaction exposures				
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15 Agent transaction exposures 16 Total securities financing transaction exposures (sum of lines 12 to 15) 1,980,61 Other off-balance sheet exposures 17 Off-balance sheet exposure at gross notional amount 48,852,02 18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) 19 Off-balance sheet items (sum of lines 17 and 18) Capital and total exposures 20 Tier 1 capital 23,010,65 21 Total exposures (sum of lines 3, 11, 16 and 19) Leverage ratio	13	·	-		
16 Total securities financing transaction exposures (sum of lines 12 to 15) Other off-balance sheet exposures 17 Off-balance sheet exposure at gross notional amount 48,852,02 18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) 19 Off-balance sheet items (sum of lines 17 and 18) Capital and total exposures 20 Tier 1 capital 23,010,65 21 Total exposures (sum of lines 3, 11, 16 and 19) Leverage ratio	14	CCR exposure for SFT assets	-		
Other off-balance sheet exposures 17 Off-balance sheet exposure at gross notional amount 48,852,02 18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) 19 Off-balance sheet items (sum of lines 17 and 18) Capital and total exposures 20 Tier 1 capital 23,010,65 21 Total exposures (sum of lines 3, 11, 16 and 19) Leverage ratio	15	Agent transaction exposures	-		
17 Off-balance sheet exposure at gross notional amount 48,852,02 18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) (36,073,717) 19 Off-balance sheet items (sum of lines 17 and 18) 12,778,30 Capital and total exposures 20 Tier 1 capital 23,010,65 21 Total exposures (sum of lines 3, 11, 16 and 19) 262,615,57 Leverage ratio	16	Total securities financing transaction exposures (sum of lines 12 to 15)	1,980,610		
17 Off-balance sheet exposure at gross notional amount 48,852,02 18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) (36,073,717) 19 Off-balance sheet items (sum of lines 17 and 18) 12,778,30 Capital and total exposures 20 Tier 1 capital 23,010,65 21 Total exposures (sum of lines 3, 11, 16 and 19) 262,615,57 Leverage ratio	Other off-balance sheet exposures				
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Capital and total exposures 20 Tier 1 capital 23,010,65 21 Total exposures (sum of lines 3, 11, 16 and 19) 262,615,57 Leverage ratio	18		(36,073,717)		
20 Tier 1 capital 23,010,65 21 Total exposures (sum of lines 3, 11, 16 and 19) 262,615,57 Leverage ratio	19	Off-balance sheet items (sum of lines 17 and 18)	12,778,308		
20 Tier 1 capital 23,010,65 21 Total exposures (sum of lines 3, 11, 16 and 19) 262,615,57 Leverage ratio	Capital and total exposures				
Leverage ratio	20	·	23,010,650		
	21	Total exposures (sum of lines 3, 11, 16 and 19)	262,615,578		
22 Basel III leverage ratio 8.76%		Leverage ratio			
	22	Basel III leverage ratio	8.76%		

2. Summary Comparison Table as at 31 December 2015

	Item	Leverage ratio framework HK\$ '000
1	Total consolidated assets as per published financial statements	256,976,409
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(2,633,545)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	1,140,938
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	12,778,308
7	Other adjustments	(5,646,532)
8	Leverage ratio exposure	262,615,578