



**永隆銀行**  
WING LUNG BANK

**Pillar 3 Disclosure – Composition of Capital**

**As at 30 June 2015**

## **Composition of Capital**

The following disclosures are made in accordance with Section 24 of the Banking (Disclosures) Rules issued by the Hong Kong Monetary Authority (“HKMA”).

The following pages disclose the Statement of Financial Position Reconciliation as required by the HKMA:

1. Consolidated statement of financial position in the published financial statements based on the accounting scope of consolidation and the regulatory scope of consolidation;
2. Expanded consolidated statement of financial position under the regulatory scope of consolidation with capital components breakdown; and
3. Transitional disclosure template.

**Consolidated statement of financial position in the published interim financial disclosure statements based on the accounting scope of consolidation and the regulatory scope of consolidation**  
**As at 30 June 2015**

	Consolidated statement of financial position as in published interim financial disclosure statements 30/6/2015 HK\$'000	Under regulatory scope of consolidation 30/6/2015 HK\$'000
<b>Assets</b>		
Cash and short-term funds	40,044,197	39,612,139
Placements with and loans and advances to banks	33,267,559	33,071,288
Trading securities	807,559	199
Derivative financial instruments	666,950	666,950
Financial assets designated at fair value through profit or loss	3,429,622	3,429,622
Available-for-sale securities	24,316,300	23,789,825
Held-to-maturity securities	1,921,458	1,369,478
Advances and other accounts	154,749,193	153,425,537
Interests in subsidiaries	-	601,423
Interests in jointly controlled entities	1,506,562	1,361,269
Interest in an associate	3,257	-
Investment properties	2,982,130	3,090,930
Interests in leasehold land	198,936	151,763
Other properties and equipment	1,006,321	936,038
Tax recoverable	2,130	2,130
Deferred tax assets	35,156	22,960
Total assets	<u>264,937,330</u>	<u>261,531,551</u>
<b>Liabilities</b>		
Deposits and balances from banks	12,152,418	12,152,418
Derivative financial instruments	965,242	965,242
Financial liabilities designated at fair value through profit or loss	509,238	509,238
Deposits from customers	197,909,502	199,233,655
Certificates of deposit issued	14,488,974	14,488,974
Subordinated debt issued	3,039,346	3,039,346
Current taxation	523,271	477,285
Deferred tax liabilities	7,209	6,664
Other accounts and accruals	6,686,072	3,403,395
Total liabilities	<u>236,281,272</u>	<u>234,276,217</u>
<b>Equity</b>		
Share capital	1,160,951	1,160,951
Reserves	24,094,699	22,842,393
Total equity attributable to shareholders of the Bank	<u>25,255,650</u>	<u>24,003,344</u>
Additional equity instruments	3,251,990	3,251,990
Non-controlling interests	148,418	-
Total equity	<u>28,656,058</u>	<u>27,255,334</u>
Total equity and liabilities	<u>264,937,330</u>	<u>261,531,551</u>

**Expanded consolidated statement of financial position under the regulatory scope of consolidation  
with capital components breakdown  
As at 30 June 2015**

	Consolidated statement of financial position as in published interim financial disclosure statements 30/6/2015 HK\$'000	Under regulatory scope of consolidation 30/6/2015 HK\$'000	Cross reference to definition of capital components
<b>Assets</b>			
Cash and short-term funds	40,044,197	39,612,139	
Placements with and loans and advances to banks	33,267,559	33,071,288	
Trading securities	807,559	199	
Derivative financial instruments	666,950	666,950	
Financial assets designated at fair value through profit or loss	3,429,622	3,429,622	
Available-for-sale securities	24,316,300	23,789,825	
Held-to-maturity securities	1,921,458	1,369,478	
Advances and other accounts	154,749,193	153,425,537	
- <i>Loans</i>			
<i>of which:</i>			
- <i>collective impairment allowances reflected in regulatory capital</i>		(311,720)	a
- <i>significant capital investments in financial sector entities exceeding 10% threshold</i>		125,870	b
- <i>Other assets</i>			
<i>of which:</i>			
- <i>Defined benefit pension fund net assets</i>		80,203	c
Interests in subsidiaries	-	601,423	
<i>of which:</i>			
- <i>significant capital investments in financial sector entities exceeding 10% threshold</i>		143,240	d
Interests in jointly controlled entities	1,506,562	1,361,269	
<i>of which:</i>			
- <i>significant capital investments in financial sector entities exceeding 10% threshold</i>		323,516	e
Interest in an associate	3,257	-	
Investment properties	2,982,130	3,090,930	
Interests in leasehold land	198,936	151,763	
Other properties and equipment	1,006,321	936,038	
Tax recoverable	2,130	2,130	
Deferred tax assets	35,156	22,960	f
<b>Total assets</b>	<b>264,937,330</b>	<b>261,531,551</b>	

**Expanded consolidated statement of financial position under the regulatory scope of consolidation  
with capital components breakdown  
As at 30 June 2015**

	Consolidated statement of financial position as in published interim financial disclosure statements 30/6/2015 HK\$'000	Under regulatory scope of consolidation 30/6/2015 HK\$'000	Cross reference to definition of capital components
<b>Liabilities</b>			
Deposits and balances from banks	12,152,418	12,152,418	
Derivative financial instruments	965,242	965,242	
Financial liabilities designated at fair value through profit or loss	509,238	509,238	
Deposits from customers	197,909,502	199,233,655	
Certificates of deposit issued	14,488,974	14,488,974	
Subordinated debt issued	3,039,346	3,039,346	
<i>of which:</i>			
- subordinated debt eligible for inclusion in regulatory capital		3,039,346	g
- subordinated debt not eligible for inclusion in regulatory capital		-	
Current taxation	523,271	477,285	
Deferred tax liabilities	7,209	6,664	
Other accounts and accruals	6,686,072	3,403,395	
Total liabilities	<u>236,281,272</u>	<u>234,276,217</u>	
<b>Equity</b>			
Share capital	1,160,951	1,160,951	h
Reserves	24,094,699	22,842,393	
<i>of which:</i>			
- Capital reserve		20,000	i
- Bank premises revaluation reserve		356,287	j
- Investment revaluation reserve		285,169	k
- Other reserve		1,030,069	l
- Retained earnings		21,150,868	m
<i>of which:</i>			
- revaluation of land and buildings		3,293,919	n
- regulatory reserve for general banking risks		1,341,766	q
Total equity attributable to shareholders of the Bank	<u>25,255,650</u>	<u>24,003,344</u>	
Additional equity instruments	3,251,990	3,251,990	r
Non-controlling interests	148,418	-	
Total equity	<u>28,656,058</u>	<u>27,255,334</u>	
Total equity and liabilities	<u>264,937,330</u>	<u>261,531,551</u>	

**Transitional Disclosure Template**  
**As at 30 June 2015**

		Amounts subject to pre-Base I treatment*	Cross-referenced to Consolidated Balance Sheet
		HK\$'000	HK\$'000
<b>CET1 capital: instruments and reserves</b>			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	1,160,951	
2	Retained earnings	21,150,868	h
3	Disclosed reserves	1,691,525	m
4	<i>Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)</i>	Not applicable	i+j+k+l
	<i>Public sector capital injections grandfathered until 1 January 2018</i>	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)	-	
6	<b>CET1 capital before regulatory deductions</b>	24,003,344	
<b>CET1 capital: regulatory deductions</b>			
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liability)	-	
9	Other intangible assets (net of associated deferred tax liability)	-	
10	Deferred tax assets net of deferred tax liabilities	(22,960)	f
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Gain-on-sale arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	(32,081)	48,122
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	
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)	-	
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)	(458,214)	-
20	Mortgage servicing rights (amount above 10% threshold)	Not applicable	-b-d-e-o-p
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	(4,991,972)	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	(3,650,206)	j+n
26b	Regulatory reserve for general banking risks	(1,341,766)	q
26c	Securitization exposures specified in a notice given by the Monetary Authority	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	<b>Total regulatory deductions to CET1 capital</b>	(5,505,227)	
29	<b>CET1 capital</b>	18,498,117	
<b>AT1 capital: instruments</b>			
30	Qualifying AT1 capital instruments plus any related share premium	3,251,990	
31	of which: classified as equity under applicable accounting standards	3,251,990	r
32	of which: classified as liabilities under applicable accounting standards	-	
33	<i>Capital instruments subject to phase out arrangements from AT1 capital</i>	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>	-	
36	<b>AT1 capital before regulatory deductions</b>	3,251,990	
<b>AT1 capital: regulatory deductions</b>			
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)	-	
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	(67,206)	
41a	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Base I treatment which, during transitional period, remain subject to deduction from Tier 1 capital	(67,206)	
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	-	

**Transitional Disclosure Template**  
**As at 30 June 2015**

		Amounts subject to pre-Base III treatment*	Cross-referenced to Consolidated Balance Sheet
		HK\$'000	HK\$'000
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)	-	
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	(67,206)	o
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	<b>Total regulatory deductions to AT1 capital</b>	(67,206)	
44	<b>AT1 capital</b>	3,184,784	
45	<b>Tier 1 capital (Tier 1 = CET1 + AT1)</b>	21,682,901	
<b>Tier 2 capital: instruments and provisions</b>			
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	Capital instruments subject to phase out arrangements from Tier 2 capital	3,039,346	g
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	1,653,486	-a+q
51	<b>Tier 2 capital before regulatory deductions</b>	4,692,832	
<b>Tier 2 capital: regulatory deductions</b>			
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	1,575,387	
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	1,642,593	45% of (j+n)
56b	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Base III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	(67,206)	
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)	-	
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	(67,206)	p
57	<b>Total regulatory deductions to Tier 2 capital</b>	1,575,387	
58	<b>Tier 2 capital</b>	6,268,219	
59	<b>Total capital (Total capital = Tier 1 + Tier 2)</b>	27,951,120	
59a	Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Base III treatment	-	
i	of which: Mortgage servicing rights	-	
ii	of which: Defined benefit pension fund net assets	-	
iii	of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments	-	
iv	of which: Capital investment in a connected company which is a commercial entity	-	
v	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
vi	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
60	<b>Total risk weighted assets</b>	170,985,279	
<b>Capital ratios (as a percentage of risk weighted assets)</b>			
61	CET1 capital ratio	10.82%	
62	Tier 1 capital ratio	12.68%	
63	Total capital ratio	16.35%	

**Transitional Disclosure Template**  
**As at 30 June 2015**

**Amounts subject  
to pre-Basel III  
treatment\***

Cross-referenced  
to Consolidated  
Balance Sheet

		HK\$'000	HK\$'000
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	4.50%	
65	<i>of which: capital conservation buffer requirement</i>	0.00%	
66	<i>of which: bank specific countercyclical buffer requirement</i>	0.00%	
67	<i>of which: G-SIB or D-SIB buffer requirement</i>	0.00%	
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	6.32%	
<b>National minima (if different from Basel 3 minimum)</b>			
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	Not applicable	
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
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	386,815	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	1,895,633	
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	
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>			
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)	1,653,486	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	2,013,461	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	-	
<b>Capital instruments subject to phase-out arrangements</b>			
80	<i>Current cap on CET1 capital instruments subject to phase out arrangements</i>	Not applicable	
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	
82	<i>Current cap on AT1 capital instruments subject to phase out arrangements</i>	-	
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	-	
84	<i>Current cap on Tier 2 capital instruments subject to phase out arrangements</i>	3,185,161	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	-	

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



**Transitional Disclosure Template**  
**As at 30 June 2015**

**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
		HK\$'000	HK\$'000
	<b>Other intangible assets (net of associated deferred tax liability)</b>	-	-
9	<p><u>Explanation</u></p> <p>As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights (MSRs) may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.</p>		
10	<p><b>Deferred tax assets net of deferred tax liabilities</b></p> <p>(22,960)</p> <p>-</p> <p><u>Explanation</u></p> <p>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.</p> <p>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.</p>		
18	<p><b>Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b></p> <p>-</p> <p>-</p> <p><u>Explanation</u></p> <p>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.</p> <p>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.</p>		
19	<p><b>Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b></p> <p>(449,386)</p> <p>(464,674)</p> <p><u>Explanation</u></p> <p>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.</p> <p>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.</p>		
39	<p><b>Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b></p> <p>-</p> <p>-</p> <p><u>Explanation</u></p> <p>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.</p>		

**Transitional Disclosure Template**  
**As at 30 June 2015**

**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
		HK\$'000	HK\$'000
	<b>Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation</b>	-	-
54	<p><u>Explanation</u>                      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.</p>		
<p>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.</p>			

**Abbreviations:**

CET1: Common Equity Tier 1

AT1: Additional Tier 1