

The Hongkong and Shanghai Banking Corporation Limited

Supplementary Notes Appendices for the six months ended 30 June 2016

(unaudited)

Appendices

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Appendix 1: Transition Disclosures Template

The following table sets out the detailed composition of the group's regulatory capital using the Transition Disclosures Template as specified by the Hong Kong Monetary Authority ('HKMA'). The table also shows those items that are currently benefiting from the Basel III transitional arrangements, and are consequently subject to the pre-Basel III treatment, as set out in Schedule 4H to the Banking (Capital) Rules.

		At 30 June 2016	
	Component of regulatory capital	Amounts subject to pre- Basel III treatment *	Cross- referenced to **
	HK\$m	HK\$m	
Common equity tier 1 (CET1) capital: instruments and reserves 1 Directly issued qualifying CET1 capital instruments plus any related share premium	112,905		(29)
2 Retained earnings	336,182		(36)
3 Disclosed reserves	95,361		(32)
 4 Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies) Public sector capital injections grandfathered until 1 January 2018 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 consolidated group) 	Not applicable Not applicable 22,105		(41)
	-		(41)
6 CET1 capital before regulatory deductions	566,553		
CET1 capital: regulatory deductions			
7 Valuation adjustments	1,950		(35)+(40)
8 Goodwill (net of associated deferred tax liability)	8,837		(7)+(10)+
9 Other intangible assets (net of associated deferred tax liability)	5,371	-	(13)+(22) (8)+(11)+ (14)+(23)
10 Deferred tax assets net of deferred tax liabilities	2,408		(12)
11 Cash flow hedge reserve	(97)		(34)
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	1,611	_	(17)+(18)+ (19)+(21)
15 Defined benefit pension fund net assets (net of associated deferred tax liabilities)	28	_	(15)+(24)
16 Investments in own CET1 capital instruments (if not already netted off			(10) (21)
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			(1)+(3)+(4)+ (6)+(9)+(16)
consolidation (amount above 10% threshold)	55,756	33,662	-(44)-(45)
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		

		A	at 30 June 2016	
		Component of regulatory capital	Amounts subject to pre- Basel III treatment *	Cross- referenced to **
		HK\$m	HK\$m	
22 23	Amount exceeding the 15% threshold Of which significant investments in the common stock of financial	Not applicable		
	sector entities	Not applicable		
24		Not applicable		
25	Of which deferred tax assets arising from temporary differences National specific regulatory adjustments applied to CET1 capital	Not applicable		
	Cumulative fair value gains arising from the revaluation of land and	82,369		
200	buildings (own-use and investment properties)	57,096		(33)+(39)
26b	Regulatory reserve for general banking risks	25,273		(37)
27	Regulatory deductions applied to CET1 capital due to insufficient Additional Tier 1 (AT1) capital and Tier 2 capital to cover deductions			
28	Total regulatory deductions to CET1 capital	158,233		
29	CET1 capital	408,320		
		_		
	capital: instruments			
	Qualifying AT1 capital instruments plus related share premium	14,737		(31)
31	1 3 11	14,737		(31)
	Of which classified as liabilities under applicable accounting standards Capital instruments subject to phase out arrangements from AT1 capital AT1 capital instruments issued by consolidated bank subsidiaries and held	25,240		(27)
35	by third parties (amount allowed in AT1 capital of the consolidated group)	8,067		(42)+(43)
	phase out arrangements	6,783		(43)
36	AT1 capital before regulatory deductions	48,044		
AT1	capital: regulatory deductions			
	Investments in own AT1 capital instruments	_	_	
	Reciprocal cross-holdings in AT1 capital instruments	_	_	
	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			
41	consolidation National specific regulatory adjustments applied to AT1 capital	16,831	_	
	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period,	10,031		
	remain subject to deduction from Tier 1 capital	16,831		
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	,		40
42	consolidation Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	16,831		(44)
42	•	16.021		
	Total regulatory deductions to AT1 capital	16,831 31,213		
	AT1 capital			
45	Tier 1 capital (Tier $1 = CET1 + AT1$)	439,533		

	At 30 June 2016		
	Component of regulatory capital	Amounts subject to pre- Basel III treatment*	Cross- referenced to **
	HK\$m	HK\$m	
Tier 2 capital : instruments and provisions			
46 Qualifying Tier 2 capital instruments plus any related share premium	20,018		(20)
 47 Capital instruments subject to phase out arrangements from Tier 2 capital 48 Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation 	4,656		(25)+(28)
group)	1,651		(26)
49 Of which capital instruments issued by subsidiaries subject to phase ou			
arrangements 50 Collective impairment allowances and regulatory reserve for general	1,651		(26)
banking risks eligible for inclusion in Tier 2 capital	14,212		(2)+(38)
51 Tier 2 capital before regulatory deductions	40,537		
Tier 2 capital : regulatory deductions			
52 Investments in own Tier 2 capital instruments	_	_	
53 Reciprocal cross-holdings in Tier 2 capital instruments	_	_	
54 Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory			
consolidation (amount above 10% threshold)	_	_	
55 Significant capital investments in Tier 2 capital instruments issued by			
financial sector entities that are outside the scope of regulatory			
consolidation	3,172	_	(5)
56 National specific regulatory adjustments applied to Tier 2 capital 56a Add back of cumulative fair value gains arising from the revaluation of lan-	(9,516)		
and buildings (own-use and investment properties) eligible for inclusion in	u		[(30)+(33)+
Tier 2 capital	(26,347)		(39)] x 45%
56b Portion of deductions applied 50:50 to core capital and supplementary			
capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	16,831		
vii Of which significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by	10,031		
financial sector entities that are outside the scope of regulatory consolidation	16,831		(45)
			(43)
57 Total regulatory deductions to Tier 2 capital	(6,344)		
58 Tier 2 capital	46,881		
59 Total capital (Total capital = Tier 1 + Tier 2)	486,414		
60 Total risk weighted assets	2,539,091		

	At 30 June 2016		
	Component of regulatory capital	Amounts subject to pre- Basel III treatment*	Cross- referenced to **
	HK\$m	HK\$m	
Capital ratios (as a percentage of risk weighted assets) 61 CET1 capital ratio 62 Tier 1 capital ratio 63 Total capital ratio 64 Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital	16.08% 17.31% 19.16%		
conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements) Of which capital conservation buffer requirement Of which bank specific countercyclical buffer requirement Of which G-SIB or D-SIB buffer requirement CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR	6.11% 0.63% 0.35% 0.63%		
National minima (if different from Basel 3 minimum) 69 National CET1 minimum ratio 70 National Tier 1 minimum ratio 71 National total capital minimum ratio	Not applicable Not applicable Not applicable		
 Amounts below the thresholds for deduction (before risk weighting) 72 Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation 73 Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation 74 Mortgage servicing rights (net of related tax liability) 75 Deferred tax assets arising from temporary differences (net of related tax liability) 	12,134 46,408 Not applicable Not applicable		
 Applicable caps on the inclusion of provisions in Tier 2 capital 76 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardised (credit risk) approach (prior to application of cap) 77 Cap on inclusion of provisions in Tier 2 under the basic approach and the standardised (credit risk) approach 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 	3,784 3,074 16,114 11,138		
Capital instruments subject to phase-out arrangements 80 Current cap on CET1 capital instruments subject to phase out arrangements 81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities) 82 Current cap on AT1 capital instruments subject to phase out arrangements 83 Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	Not applicable Not applicable 30,942		
 84 Current cap on Tier 2 capital instruments subject to phase out arrangements 85 Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities) 	27,346		

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

^{**} Cross-referenced to Balance Sheet Reconciliation in Appendix 2b.

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:

No.		At 30 Ju	ne 2016
		Hong Kong	Basel III
		basis	basis
		HK\$m	HK\$m
10	Deferred tax assets net of deferred tax liabilities	2,408	49

Explanation

As set out in paragraph 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), Deferred Tax Assets ('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 Al is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III.

The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for Mortgage Servicing Rights ('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.

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)

89,418 87,534

Explanation

For the purpose of determining the total amount of significant capital investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business.

Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.

The amount of the 10%/15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the Banking (Capital) Rules.

App	endix 1: Transition Disclosures Template (continued)			
			At 31 December 20	-
		Component of regulatory capital	Amounts subject to pre- Basel III treatment *	Cross- referenced to **
		HK\$m	HK\$m	
1	non equity tier 1 (CET1) capital: instruments and reserves Directly issued qualifying CET1 capital instruments plus any related share premium	94,598		(21)
2	Retained earnings Disclosed reserves	327,574 91,906		(31) (37) (34)
5	Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies) Public sector capital injections grandfathered until 1 January 2018 Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in			
	CET1 capital of the consolidated group)	22,352	-	(41)
6	CET1 capital before regulatory deductions	536,430		
	capital: regulatory deductions Valuation adjustments	1,845		(1)+(2)+(3)+
8	Goodwill (net of associated deferred tax liability)	8,788		(6) (10)+(13)+ (16)+(24)
9	Other intangible assets (net of associated deferred tax liability)	5,244	_	(10)+(24) $(11)+(14)+$ (25)
10	Deferred tax assets net of deferred tax liabilities	1,863		(15)
	Cash flow hedge reserve	51		(36)
	Excess of total EL amount over total eligible provisions under the IRB approach	_	_	
	Gain-on-sale arising from securitization transactions	_	-	
	Gains and losses due to changes in own credit risk on fair valued liabilities	940	_	(19)+(20)+ (21)+(23)
	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	40	-	(17)+(26)
	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	_	
	Reciprocal cross-holdings in CET1 capital instruments	_	_	
	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)	39,524	51,774	(5)+(7)+(9)+ (12)+(18)- (44)-(45)
20	Mortgage servicing rights (amount above 10% threshold) Deferred tax assets arising from temporary differences (amount above 10%	Not applicable		
	threshold, net of related tax liability)	Not applicable		
22 23	Amount exceeding the 15% threshold Of which significant investments in the common stock of financial	Not applicable		
24	sector entities Of which mortgage servicing rights	Not applicable Not applicable		
25	Of which deferred tax assets arising from temporary differences	Not applicable		
	National specific regulatory adjustments applied to CET1 capital	84,316		
26a	Cumulative fair value gains arising from the revaluation of land and			
	buildings (own-use and investment properties)	56,497		(35)+(40)
27	Regulatory reserve for general banking risks Regulatory deductions applied to CET1 capital due to insufficient Additional Tier 1 (AT1) capital and Tier 2 capital to cover deductions	27,819		(38)
	Total regulatory deductions to CET1 capital	142,611	<u>-</u>	
			-	
29	CET1 capital	393,819	<u>-</u>	

		At	31 December 2015	
		Component of	Amounts subject	Cross-
		regulatory capital	to pre- Basel III treatment *	referenced to **
		HK\$m	HK\$m	
	capital: instruments	14,737		(22)
31	Qualifying AT1 capital instruments plus related share premium Of which classified as equity under applicable accounting standards	14,737		(33)
32	Of which classified as liabilities under applicable accounting standards			(33)
	Capital instruments subject to phase out arrangements from AT1 capital AT1 capital instruments issued by consolidated bank subsidiaries and held	25,213		(29)
	by third parties (amount allowed in AT1 capital of the consolidated group)	10,876		(42)+(43)
35	Of which AT1 capital instruments issued by subsidiaries subject to			
	phase out arrangements	9,494	_	(43)
36	AT1 capital before regulatory deductions	50,826		
AT1	capital: regulatory deductions			
	Investments in own AT1 capital instruments	_	_	
	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			
40	consolidation (amount above 10% threshold) Significant capital investments in AT1 capital instruments issued by	_	_	
70	financial sector entities that are outside the scope of regulatory			
	consolidation			
	National specific regulatory adjustments applied to AT1 capital	25,887		
41a	Portion of deductions applied 50:50 to core capital and supplementary			
	capital based on pre-Basel III treatment which, during transitional period,	25.005		
vii	remain subject to deduction from Tier 1 capital Of which significant capital investments in CET1 capital instruments,	25,887		
VII	AT1 capital instruments and Tier 2 capital instruments issued by			
	financial sector entities that are outside the scope of regulatory			
	consolidation	25,887		(44)
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2			
	capital to cover deductions		=	
43	Total regulatory deductions to AT1 capital	25,887	_	
44	AT1 capital	24,939	=	
45	Tier 1 capital (Tier $1 = CET1 + AT1$)	418,758	-	
Tier 2	2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	19,996		(22)
47	Capital instruments subject to phase out arrangements from Tier 2 capital	17,442		(27)+(30)
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation	I		
	group)	1,607		(28)
49	Of which capital instruments issued by subsidiaries subject to phase out			\(- /
	arrangements	1,607		(28)
50	Collective impairment allowances and regulatory reserve for general	11010		(4) (20)
	banking risks eligible for inclusion in Tier 2 capital	14,040	_	(4)+(39)
51	Tier 2 capital before regulatory deductions	53,085		

	At 31 December 2015		
	Component of regulatory capital	Amounts subject to pre- Basel III treatment*	Cross- referenced to **
	HK\$m	HK\$m	
Tier 2 capital : regulatory deductions			
52 Investments in own Tier 2 capital instruments	_	_	
53 Reciprocal cross-holdings in Tier 2 capital instruments	_	_	
54 Insignificant capital investments in Tier 2 capital instruments issued by			
financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)			
55 Significant capital investments in Tier 2 capital instruments issued by	_	_	
financial sector entities that are outside the scope of regulatory			
consolidation	3,172	_	(8)
56 National specific regulatory adjustments applied to Tier 2 capital	(192)		
56a Add back of cumulative fair value gains arising from the revaluation of land	d		
and buildings (own-use and investment properties) eligible for inclusion in	(2 < 0.70)		[(32)+(35)+
Tier 2 capital 56b Portion of deductions applied 50:50 to core capital and supplementary	(26,079)		(40)] x 45%
capital based on pre-Basel III treatment which, during transitional period,			
remain subject to deduction from Tier 2 capital	25,887		
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	25,887		(45)
57 Total regulatory deductions to Tier 2 capital	2,980		(12)
58 Tier 2 capital	50,105		
59 Total capital (Total capital = Tier 1 + Tier 2)	468,863		
60 Total risk weighted assets	2,519,407		
Capital ratios (as a percentage of risk weighted assets)			
61 CET1 capital ratio	15.63%		
62 Tier 1 capital ratio	16.62%		
63 Total capital ratio64 Institution specific buffer requirement (minimum CET1 capital requiremen	18.61%		
as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital	ı		
conservation buffer plus countercyclical buffer requirements plus G-SIB or	•		
D-SIB requirements)	4.50%		
65 Of which capital conservation buffer requirement	0.00%		
Of which bank specific countercyclical buffer requirement	0.00%		
67 Of which G-SIB or D-SIB buffer requirement	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	10.61%		
•	10.0170		
National minima (if different from Basel 3 minimum)			
69 National CET1 minimum ratio	Not applicable		
70 National Tier 1 minimum ratio	Not applicable		
71 National total capital minimum ratio	Not applicable		

	At 31 December 2015		
	Component of regulatory capital	Amounts subject to pre- Basel III treatment*	Cross- referenced to **
	HK\$m	HK\$m	
Amounts below the thresholds for deduction (before risk weighting) 72 Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities			
that are outside the scope of regulatory consolidation 73 Significant capital investments in CET1 capital instruments issued by	10,178		
financial sector entities that are outside the scope of regulatory consolidation 74 Mortgage servicing rights (net of related tax liability)	43,334 Not applicable		
75 Deferred tax assets arising from temporary differences (net of related tax liability)	Not applicable		
Applicable caps on the inclusion of provisions in Tier 2 capital 76 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardised (credit risk) approach (prior to			
application of cap) 77 Cap on inclusion of provisions in Tier 2 under the basic approach and the	4,040		
standardised (credit risk) approach 78 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to	3,016		
the IRB approach (prior to application of cap)	19,493		
79 Cap for inclusion of provisions in Tier 2 under the IRB approach	11,024		
Capital instruments subject to phase-out arrangements 80 Current cap on CET1 capital instruments subject to phase out arrangements 81 Amount excluded from CET1 due to cap (excess over cap after redemptions	Not applicable		
and maturities)	Not applicable		
 82 Current cap on AT1 capital instruments subject to phase out arrangements 83 Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities) 	36,099		
84 Current cap on Tier 2 capital instruments subject to phase out arrangements 85 Amount excluded from Tier 2 capital due to cap (excess over cap after	31,904		
redemptions and maturities)	_		

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

 $^{**} Cross-referenced \ to \ Balance \ Sheet \ Reconciliation \ in \ Appendix \ 2b.$

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	Description		
No.		At 31 Decemb	ber 2015
		Hong Kong	Basel III
		basis	basis
		HK\$m	HK\$m
10	Deferred tax assets net of deferred tax liabilities	1,863	49
	<u>Explanation</u>		

As set out in paragraph 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), Deferred Tax Assets ('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 Al is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III.

The amount reported under the column 'Basel III basis' in this box represents the amount reported in row 10 (i.e. the amount reported under the 'Hong Kong basis') adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for Mortgage Servicing Rights ('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.

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

91.298 89.690

Explanation

For the purpose of determining the total amount of significant capital investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business.

Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column 'Basel III basis' in this box represents the amount reported in row 19 (i.e. the amount reported under the 'Hong Kong basis') adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.

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.

Appendix 2: Balance Sheet Reconciliation

The following tables together provide a reconciliation of the group's consolidated statement of financial position, as published in the Interim Report 2016, to the Transition Disclosures Template in Appendix 1 of this document.

a. The following table sets out the group's consolidated statement of financial position based on the accounting scope of consolidation and the corresponding balances based on the regulatory scope of consolidation.

	At 30 June 2016		At 31 Decen	At 31 December 2015	
	Balance		Balance		
	sheet in	Under	sheet in	Under	
	published	regulatory	published	regulatory	
	financial	scope of	financial	scope of	
	statements	consolidation	statements	consolidation	
	HK\$m	HK\$m	HK\$m	HK\$m	
Assets					
Cash and sight balances at central banks	213,600	211,783	151,103	150,784	
Items in the course of collection from other banks	34,119	34,119	25,020	25,020	
Hong Kong Government certificates of indebtedness	225,094	225,094	220,184	220,184	
Trading assets	442,244	441,822	302,626	302,119	
Derivatives	451,500	452,038	380,955	381,092	
Financial assets designated at fair value	101,152	245	99,095	911	
Reverse repurchase agreements - non-trading	274,266	171,361	212,779	120,813	
Placings with and advances to banks	461,611	447,414	421,221	408,269	
Loans and advances to customers	2,734,234	2,729,655	2,762,290	2,757,787	
Financial investments	1,768,537	1,478,161	1,716,046	1,444,795	
Amounts due from Group companies	266,674	342,994	244,396	310,861	
Investments in subsidiaries	_	15,716	_	15,714	
Interests in associates and joint ventures	123,099	120,268	122,438	119,653	
Goodwill and intangible assets	53,739	11,154	49,568	10,849	
Property, plant and equipment	110,460	107,606	110,064	107,238	
Deferred tax assets	2,280	2,238	1,836	1,792	
Other assets	141,562	119,202	134,062	114,168	
Total assets	7,404,171	6,910,870	6,953,683	6,492,049	

Appendix 2: Balance Sheet Reconciliation (continued)

Balance Sheet in Under Sheet in Under published regulatory published regulatory financial scope of financial sc		At 30 June 2016		At 31 December 2015	
published financial scope of financial statements regulatory financial scope of financial scope of financial scope of financial scope of financial statements regulatory financial scope of financial scope of financial scope of statements Liabilities HK\$m 20,184 20,1184 20,1184 16,158 16,158 16,		Balance		Balance	
Inancial statements scope of consolidation financial statements scope of consolidation Liabilities HK\$m 220,184 220,184 220,184 16,158 16,158 16,		sheet in	Under	sheet in	Under
Liabilities		published	regulatory	published	regulatory
Liabilities HK\$m HX\$m HX\$m A 220,184 220,184 220,184 220,184 30,753 30,753 30,753 30,753 30,753 30,753 16,158 16,158 16,158 16,158 16,158 16,158 16,158 16,158 16,158 14,7620 4627,328 17,220 4640,076 4,627,328 19,487 19,487 19,487 19,487		financial	scope of	financial	scope of
Liabilities Hong Kong currency notes in circulation 225,094 225,094 220,184 220,184 Items in the course of transmission to other banks 44,680 44,680 30,753 30,753 Repurchase agreements - non-trading 37,298 37,298 16,158 16,158 Deposits by banks 236,400 236,216 148,294 147,620 Customer accounts 4,735,096 4,722,203 4,640,076 4,627,328 Trading liabilities 219,299 219,283 191,851 191,487 Derivatives 480,606 481,741 369,419 369,974 Financial liabilities designated at fair value 52,424 16,173 50,770 14,722 Debt securities in issue 38,230 38,230 40,859 40,859		statements	consolidation	statements	consolidation
Hong Kong currency notes in circulation 225,094 225,094 220,184 220,184 Items in the course of transmission to other banks 44,680 44,680 30,753 30,753 Repurchase agreements - non-trading 37,298 37,298 16,158 16,158 Deposits by banks 236,400 236,216 148,294 147,620 Customer accounts 4,735,096 4,722,203 4,640,076 4,627,328 Trading liabilities 219,299 219,283 191,851 191,487 Derivatives 480,606 481,741 369,419 369,974 Financial liabilities designated at fair value 52,424 16,173 50,770 14,722 Debt securities in issue 38,230 38,230 40,859 40,859		HK\$m	HK\$m	HK\$m	HK\$m
Items in the course of transmission to other banks 44,680 44,680 30,753 30,753 Repurchase agreements - non-trading 37,298 37,298 16,158 16,158 Deposits by banks 236,400 236,216 148,294 147,620 Customer accounts 4,735,096 4,722,203 4,640,076 4,627,328 Trading liabilities 219,299 219,283 191,851 191,487 Derivatives 480,606 481,741 369,419 369,974 Financial liabilities designated at fair value 52,424 16,173 50,770 14,722 Debt securities in issue 38,230 38,230 40,859 40,859	Liabilities				
Repurchase agreements - non-trading 37,298 37,298 16,158 16,158 Deposits by banks 236,400 236,216 148,294 147,620 Customer accounts 4,735,096 4,722,203 4,640,076 4,627,328 Trading liabilities 219,299 219,283 191,851 191,487 Derivatives 480,606 481,741 369,419 369,974 Financial liabilities designated at fair value 52,424 16,173 50,770 14,722 Debt securities in issue 38,230 38,230 40,859 40,859	Hong Kong currency notes in circulation	225,094	225,094	220,184	220,184
Deposits by banks 236,400 236,216 148,294 147,620 Customer accounts 4,735,096 4,722,203 4,640,076 4,627,328 Trading liabilities 219,299 219,283 191,851 191,487 Derivatives 480,606 481,741 369,419 369,974 Financial liabilities designated at fair value 52,424 16,173 50,770 14,722 Debt securities in issue 38,230 38,230 40,859 40,859	Items in the course of transmission to other banks	44,680	44,680	30,753	30,753
Customer accounts 4,735,096 4,722,203 4,640,076 4,627,328 Trading liabilities 219,299 219,283 191,851 191,487 Derivatives 480,606 481,741 369,419 369,974 Financial liabilities designated at fair value 52,424 16,173 50,770 14,722 Debt securities in issue 38,230 38,230 40,859 40,859	Repurchase agreements - non-trading	37,298	37,298	16,158	16,158
Trading liabilities 219,299 219,283 191,851 191,487 Derivatives 480,606 481,741 369,419 369,974 Financial liabilities designated at fair value 52,424 16,173 50,770 14,722 Debt securities in issue 38,230 38,230 40,859 40,859	Deposits by banks	236,400	236,216	148,294	147,620
Derivatives 480,606 481,741 369,419 369,974 Financial liabilities designated at fair value 52,424 16,173 50,770 14,722 Debt securities in issue 38,230 38,230 40,859 40,859	Customer accounts	4,735,096	4,722,203	4,640,076	4,627,328
Financial liabilities designated at fair value 52,424 16,173 50,770 14,722 Debt securities in issue 38,230 38,230 40,859 40,859	Trading liabilities	219,299	219,283		191,487
Debt securities in issue 38,230 38,230 40,859 40,859	Derivatives	480,606	481,741	369,419	369,974
	Financial liabilities designated at fair value	52,424	16,173	50,770	14,722
Dating and handfullilities (107 5 000 5 000	Debt securities in issue	38,230	38,230	40,859	40,859
Retirement benefit habilities 0,10 7 0,10 7 5,809 5,809	Retirement benefit liabilities	6,167	6,167	5,809	5,809
Amounts due to Group companies 148,713 145,559 110,073 108,322	Amounts due to Group companies	148,713	145,559	110,073	108,322
Other liabilities and provisions 86,551 81,933 86,920 83,297	Other liabilities and provisions	86,551	81,933	86,920	83,297
Liabilities under insurance contracts 362,624 – 340,820 –	Liabilities under insurance contracts	362,624	_	340,820	_
Current tax liabilities 7,346 6,657 2,456 2,010	Current tax liabilities	7,346	6,657	2,456	2,010
Deferred tax liabilities 20,913 13,801 18,799 12,835	Deferred tax liabilities	20,913	13,801	18,799	12,835
Subordinated liabilities 5,054 5,054 8,003 8,003	Subordinated liabilities	· ·	5,054	8,003	8,003
Preference shares 26,891 26,792 36,553 36,451	Preference shares	26,891	26,792	36,553	36,451
Total liabilities 6,733,386 6,306,881 6,317,797 5,915,812	Total liabilities	6,733,386	6,306,881	6,317,797	5,915,812
Equity	Equity				
Share capital 114,359 114,359 96,052 96,052	Share capital	114,359	114,359	96,052	96,052
Other equity instruments 14,737 14,737 14,737 14,737	Other equity instruments	14,737	14,737	14,737	14,737
Other reserves 99,317 95,361 93,031 91,906	Other reserves	99,317	95,361	93,031	91,906
Retained profits 392,769 336,182 380,381 327,574	Retained profits	392,769	336,182	380,381	327,574
Total shareholders' equity 621,182 560,639 584,201 530,269	Total shareholders' equity	621,182	560,639	584,201	530,269
Non-controlling interests 49,603 43,350 51,685 45,968	Non-controlling interests	49,603	43,350	51,685	45,968
Total equity 670,785 603,989 635,886 576,237	Total equity	670,785	603,989	635,886	576,237
Total equity and liabilities 7,404,171 6,910,870 6,953,683 6,492,049	Total equity and liabilities	7,404,171	6,910,870	6,953,683	6,492,049

b. The following table expands the balance sheet under the regulatory scope of consolidation to show separately the capital components that are reported in the Transition Disclosures Template in Appendix 1. The capital components in this table contain a reference which shows how these amounts are included in the Transition Disclosures Template in Appendix 1.

	At 30 Ju	ne 2016	
	Balance sheet in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m	Cross- referenced to Definition of Capital Components
Assets			
Cash and sight balances at central banks	213,600	211,783	
Items in the course of collection from other banks	34,119	34,119	
Hong Kong Government certificates of indebtedness	225,094	225,094	
Trading assets Of which significant capital investments in financial sector entities exceeding 10% threshold	442,244	441,822 31	(1)
Derivatives	451,500	452,038	
Financial assets designated at fair value	101,152	245	
Reverse repurchase agreements - non-trading	274,266	171,361	
Placings with and advances to banks	461,611	447,414	
Loans and advances to customers	2,734,234	2,729,655	
Of which impairment allowances eligible for inclusion in Tier 2 capital	, ,	2,139	(2)
Financial investments	1,768,537	1,478,161	
Of which significant capital investments in financial sector entities exceeding 10% threshold	, ,	3	(3)
Amounts due from Group companies	266,674	342,994	
Of which significant capital investments in financial sector entities exceeding 10% threshold		232	(4)
Of which significant capital investments in financial sector entities		3,172	(5)
Investments in subsidiaries Of which significant capital investment in financial sector entities exceeding 10% threshold	_	15,716 4,715	(6)
Interests in associates and joint ventures	123,099	120,268	(0)
Of which goodwill	123,099	3,848	(7)
Of which intangible assets		68	(8)
Of which significant capital investments in financial sector entities		00	(-)
exceeding 10% threshold		84,157	(9)
Goodwill and intangible assets	53,739	11,154	
Of which goodwill		5,085	(10)
Of which intangible assets		6,069	(11)
Property, plant and equipment	110,460	107,606	
Deferred tax assets	2,280	2,238	
Of which deferred tax assets net of related tax liabilities		2,408	(12)
Of which deferred tax liabilities related to goodwill		(92)	(13)
Of which deferred tax liabilities related to intangibles		(78)	(14)
Other assets	141,562	119,202	
Of which defined benefit pension fund net assets Of which significant capital investments in financial sector entities		33	(15)
exceeding 10% threshold		280	(16)
Total assets	7,404,171	6,910,870	

	At 30 Ju	ne 2016	G
	Balance sheet in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m	Cross- referenced to Definition of Capital Components
Liabilities			
Hong Kong currency notes in circulation	225,094	225,094	
Items in the course of transmission to other banks	44,680	44,680	
Repurchase agreements - non-trading	37,298	37,298	
Deposits by banks	236,400	236,216	
Customer accounts	4,735,096	4,722,203	
Trading liabilities	219,299	219,283	
Of which gains and losses due to changes in own credit risk on fair valued liabilities		280	(17)
Derivatives	480,606	481,741	, ,
Of which gains and losses due to changes in own credit risk on fair	400,000		(10)
valued liabilities		1,182	(18)
Financial liabilities designated at fair value	52,424	16,173	
Of which gains and losses due to changes in own credit risk on fair valued liabilities		84	(19)
Debt securities in issue	38,230	38,230	
Retirement benefit liabilities	6,167	6,167	
Amounts due to Group companies	148,713	145,559	
Of which qualifying Tier 2 capital instruments	140,713	20,018	(20)
Of which gains and losses due to changes in own credit risk on fair		20,010	, ,
valued liabilities		65	(21)
Other liabilities and provisions	86,551	81,933	, ,
Liabilities under insurance contracts	362,624	01,733	
Current tax liabilities	7,346	6,657	
Deferred tax liabilities	20,913	13,801	
Of which deferred tax liabilities related to goodwill	20,713	(4)	(22)
Of which deferred tax liabilities related to intangibles		(688)	(23)
Of which deferred tax liabilities related to defined benefit pension fund		(000)	(==)
net assets		(5)	(24)
Subordinated liabilities	5,054	5,054	(= -)
Of which portion eligible for Tier 2 capital instruments, subject to phase	· ·		(25)
out arrangements Of which portion eligible for Tier 2 capital instruments issued by		3,104	(25)
subsidiaries, subject to phase out arrangements		1.651	(26)
Preference shares	26 001	1,651	(26)
Of which portion eligible for AT1 capital instruments, subject to phase	26,891	26,792	
out arrangements		25.240	(27)
Of which portion eligible for Tier 2 capital instruments, subject to phase		25,240	(27)
out arrangements		1,552	(28)
Total liabilities	6,733,386	6,306,881	

rippendix 2. Balance Sheet Reconcination (commute)	At 30 Ju		
	Balance sheet in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m	Cross- referenced to Definition of Capital Components
Equity			
Share capital Of which portion eligible for inclusion in CET1 capital Of which revaluation reserve capitalisation issue	114,359	114,359 112,905 1,454	(29) (30)
Other equity instruments	14,737	14,737	(/
Of which qualifying AT1 capital instruments	14,737	14,737	(31)
Other reserves	99,317	95,361	(32)
Of which fair value gains arising from revaluation of land and buildings	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	52,721	(33)
Of which cash flow hedging reserves		(97)	(34)
Of which valuation adjustment		765	(35)
Retained profits	392,769	336,182	(36)
Of which regulatory reserve for general banking risks		25,273	(37)
Of which regulatory reserve eligible for inclusion in Tier 2 capital		12,073	(38)
Of which fair value gains arising from revaluation of land and buildings		4,375	(39)
Of which valuation adjustment		1,185	(40)
Total shareholders' equity Non-controlling interests	621,182 49,603	560,639 43,350	
Of which portion allowable in CET1 capital	15,000	22,105	(41)
Of which portion allowable in AT1 capital		1,284	(42)
Of which portion in AT1 capital, subject to phase out arrangements		6,783	(43)
Total equity	670,785	603,989	
Total equity and liabilities	7,404,171	6,910,870	

	At 31 December 2015		
			Cross-
	Balance sheet in	Under	referenced
	published	regulatory	to Definition of
	financial	scope of	Capital
	statements	consolidation	Components
	HK\$m	HK\$m	
Assets			
Cash and sight balances at central banks	151,103	150,784	
Items in the course of collection from other banks	25,020	25,020	
Hong Kong Government certificates of indebtedness	220,184	220,184	
Trading assets	302,626	302,119	
Of which valuation adjustments		248	(1)
Derivatives	380,955	381,092	
Of which valuation adjustments		843	(2)
Financial assets designated at fair value	99,095	911	
Of which valuation adjustments		1	(3)
Reverse repurchase agreements - non-trading	212,779	120,813	
Placings with and advances to banks	421,221	408,269	
Loans and advances to customers	2,762,290	2,757,787	
Of which impairment allowances eligible for inclusion in Tier 2 capital		1,810	(4)
Financial investments	1,716,046	1,444,795	
Of which significant capital investments in financial sector entities		1.406	(5)
exceeding 10% threshold		1,406	(6)
Of which valuation adjustments	244.206	753	(0)
Amounts due from Group companies	244,396	310,861	
Of which significant capital investments in financial sector entities exceeding 10% threshold		1,608	(7)
Of which significant capital investments in financial sector entities		3,172	(8)
Investments in subsidiaries	_	15,714	
Of which significant capital investment in financial sector entities exceeding 10% threshold		15,714	(9)
Interests in associates and joint ventures	122,438	119,653	, ,
Of which goodwill	122, 130	3,934	(10)
Of which intangible assets		92	(11)
Of which significant capital investments in financial sector entities			
exceeding 10% threshold		72,293	(12)
Goodwill and intangible assets	49,568	10,849	
Of which goodwill	. ,	4,949	(13)
Of which intangible assets		5,900	(14)
Property, plant and equipment	110,064	107,238	
Deferred tax assets	1,836	1,792	
Of which deferred tax assets net of related tax liabilities	,	1,863	(15)
Of which deferred tax liabilities related to goodwill		(71)	(16)
Other assets	134,062	114,168	
Of which defined benefit pension fund net assets	,	48	(17)
Of which significant capital investments in financial sector entities		277	(18)
exceeding 10% threshold Total assets		277	(10)
Total assets	6,953,683	6,492,049	

	At 31 Dec	At 31 December 2015	
	Balance sheet in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m	Cross- referenced to Definition of Capital Components
Liabilities	Πιψιι	1114	
Hong Kong currency notes in circulation	220,184	220,184	
Items in the course of transmission to other banks	30,753	30,753	
Repurchase agreements - non-trading	16,158	16,158	
Deposits by banks	148,294	147,620	
Customer accounts	4,640,076	4,627,328	
Trading liabilities	191,851	191,487	
Of which gains and losses due to changes in own credit risk on fair	,,,,	, ,	
valued liabilities		133	(19)
Derivatives	369,419	369,974	
Of which gains and losses due to changes in own credit risk on fair			
valued liabilities		794	(20)
Financial liabilities designated at fair value	50,770	14,722	
Of which gains and losses due to changes in own credit risk on fair			(2.1)
valued liabilities		(49)	(21)
Debt securities in issue	40,859	40,859	
Retirement benefit liabilities	5,809	5,809	
Amounts due to Group companies	110,073	108,322	(2.2)
Of which qualifying Tier 2 capital instruments		19,996	(22)
Of which gains and losses due to changes in own credit risk on fair			(22)
valued liabilities		62	(23)
Other liabilities and provisions	86,920	83,297	
Liabilities under insurance contracts	340,820	_	
Current tax liabilities	2,456	2,010	
Deferred tax liabilities	18,799	12,835	(2.4)
Of which deferred tax liabilities related to goodwill		(24)	(24)
Of which deferred tax liabilities related to intangibles		(748)	(25)
Of which deferred tax liabilities related to defined benefit pension fund			(2.6)
net assets		(8)	(26)
Subordinated liabilities	8,003	8,003	
Of which portion eligible for Tier 2 capital instruments, subject to phase			(27)
out arrangements		6,204	(27)
Of which portion eligible for Tier 2 capital instruments issued by		4 -0=	(28)
subsidiaries, subject to phase out arrangements Preference shares		1,607	(28)
	36,553	36,451	
Of which portion eligible for AT1 capital instruments, subject to phase		25.212	(20)
out arrangements Of which portion eligible for Tier 2 capital instruments, subject to phase		25,213	(29)
out arrangements		11,238	(30)
			, ,
Total liabilities	6,317,797	5,915,812	

	At 31 Decei		
	Balance sheet in published financial statements	Under regulatory scope of consolidation HK\$m	Cross- referenced to Definition of Capital Components
Equity	Παφιιι	тифш	
Share capital Of which portion eligible for inclusion in CET1 capital Of which revaluation reserve capitalisation issue	96,052	96,052 94,598 1,454	(31) (32)
Other equity instruments	14,737	14,737	
Of which qualifying AT1 capital instruments		14,737	(33)
Other reserves	93,031	91,906	(34)
Of which fair value gains arising from revaluation of land and buildings		52,098	(35)
Of which cash flow hedging reserves		51	(36)
Retained profits	380,381	327,574	(37)
Of which regulatory reserve for general banking risks		27,819	(38)
Of which regulatory reserve eligible for inclusion in Tier 2 capital		12,230	(39)
Of which fair value gains arising from revaluation of land and buildings		4,399	(40)
Total shareholders' equity	584,201	530,269	
Non-controlling interests	51,685	45,968	
Of which portion allowable in CET1 capital		22,352	(41)
Of which portion allowable in AT1 capital		1,382	(42)
Of which portion in AT1 capital, subject to phase out arrangements		9,494	(43)
Total equity	635,886	576,237	
Total equity and liabilities	6,953,683	6,492,049	
	· · · · · · · · · · · · · · · · · · ·		

Appendix 3: Liquidity Coverage Ratio Standard Disclosure Template

The number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components as set out in the following table for the quarter ending on 30 June 2016, 31 March 2016, 30 June 2015 and 31 March 2015 was three.

A. High quality liquid assets Total high quality Total high quality liquid assets Total high quality Total high		Quarter ended 30 June 2016		Quarter ended 31 March 2016	
HK\$m HK\$m HK\$m HK\$m HK\$m HK\$m HK\$m L\$\text{Total high quality liquid assets} 1 \text{Total high quality liquid assets (HQLA)} 1,587,029 1,572,652	-	Unweighted amount (Average	Weighted amount (Average	Unweighted amount (Average	Weighted amount (Average
Total high quality liquid assets (HQLA)			,		
Retail deposits and small business funding, of which: Stable retail deposits and stable small business funding 391,387 19,569 471,677 23,584 Less stable retail deposits and stable small business funding 2,556,601 25,5600 2,421,235 242,123 Less stable retail deposits and less stable small business funding 2,556,601 25,5600 2,421,235 242,123 Retail term deposits and small business funding of the than small business funding) and debt securities and prescribed instruments issued by the institution, of which: Operational deposits 1,002,190 2,030,154 1,098,889 Operational deposits 1,002,190 2,030,154 1,098,889 Operational deposits 1,005,219 1,508,571 971,154 Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period 3,106 3,106 2,947 2,947 Operational deposits 1,005,219 1,508,571 971,154 Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period 3,106 3,106 2,947 2,947 Operational deposits in the LCR period 3,106 3,106 2,947 2,947 Operational gransactions (including securities swap transactions) 452,677 149,038 413,168 147,811 Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from elated collateral requirements 98,864 98,864 101,689 101,579 Academic transactions and repayment of funding obtained from such transactions and repayment of funding obtained from such transactions 353,125 49,486 310,845 45,598 Contactual lending obligations (not otherwise covered in Section B) and other contractual cash outflows 109,736 109,736 119,453 119,453 Other contingent funding obligations (whether contractual cash outflows 1,620,807 1,658,265 C. Cash inflows 1,658,265 1,558,265 1,558,265 1,558,265 1,558,265 1,558,265 1,558,265 1,558,265 1,558,265 1,558,265 1,558,265 1,558,265 1,558,26			1,587,029		1,572,652
Stable retail deposits and stable small business funding 2,556,601 255,660 2,421,235 242,123 5 Retail term deposits and less stable remail ding 2,556,601 255,660 2,421,235 242,123 5 Retail term deposits and small business term funding 2,556,601 255,660 2,421,235 242,123 106		2 047 088	275 220	2 805 024	265 912
5 Retail term deposits and small business term funding - - 2,112 106 5 Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which: 2,023,810 1,062,190 2,030,154 1,099,889 7 Operational deposits 615,082 148,272 518,636 125,788 8 Unsecured wholesale funding (other than small business funding) not covered in Row 7 1,405,622 910,812 1,508,571 971,154 9 Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period 3,106 3,106 2,947 2,947 10 Secured funding transactions (including securities swap transactions) 9,941 11,710 11 Additional requirements, of which: 452,677 149,038 413,168 147,811 12 Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements 98,864 98,864 101,689 101,579 13 Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions 688 688 634 634 Potential drawdown of undrawn committed facilities (including committed eredit facilities and committed 190,736 109,736 119,453 119,453 15 Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows 109,736 109,736 119,453 119,453 16 Other contingent funding obligations (whether contractual or non-contractual) 2,220,047 14,673 2,148,392 13,589 17 Total cash outflows 1,620,807 14,673 2,148,392 13,589 18 Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions 489,167 560,315 901,254 606,525 20 Other cash inflows 1,363,125 800,806 1,264,976 813,523 D. Liquidity coverage ratio (Adjusted value) 1,572,652 27 total HeLA 1,577,652 2	3 Stable retail deposits and stable small business funding				
Company Comp		2,556,601	255,660		
Total cash outflows arising from obligations under structured financing transactions and payment of funding obtained from such transactions (including securities and other contractual cash outflows arising from obligations (not otherwise covered in Saturbus and other contractual cash outflows arising from obligations (whether contractual or non-contractual) of Other contingent funding obligations (whether contractual payment of other contractual) and other contractual cash outflows arising from different and other contracts and other contractions, and additional liquidity needs arising from related collateral requirements and other transactions, and additional liquidity needs arising from related collateral requirements and other transactions and repayment of funding obtained from such transactions and realities and committed liquidity facilities) and other contractual cash outflows are covered in Section B) and other contractual cash outflows and other contractual cash outflows are covered in Section B) and other contractual cash outflows are covered in Section B) and other contractual cash outflows are covered in Secured lending transactions (including securities swap transactions) are contractual cash outflows and the contractual cash outflows are covered in Row 18) and operational deposits placed at other financial institutions are covered in Row 18) and operational deposits placed at other financial institutions are covered in Row 18) and operational deposits placed at other financial institutions are covered in Row 18) and operational deposits placed at other financial institutions are covered in Row 18) and operational deposits placed at other financial institutions are covered in Row 18) and operational deposits placed at other financial institutions are covered in Row 18) and	6 Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments	_	_		
Unsecured wholesale funding (other than small business funding) not covered in Row 7 1,405,622 910,812 1,508,571 971,154 9 Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period transactions (including securities swap transactions) 3,106 3,106 2,947 2,947 2,947 10 Secured funding transactions (including securities swap transactions) 452,677 149,038 413,168 147,811 11,710 11 Additional requirements, of which: 452,677 149,038 413,168 147,811 12 Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements 98,864 98,864 101,689 101,579 13 Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions and repayment of funding obtained from such transactions 688 688 634 634 634 14 Potential drawdown of undrawn committed liquidity facilities (including committed credit facilities and committed liquidity facilities) 353,125 49,486 310,845 45,598 15 Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows 109,736 109,736 119,453 119,453 119,453 16 Other contingent funding obligations (whether contractual cash outflows 1,620,807 14,673 2,148,392 13,589 17 Total cash outflows 1,620,807 14,673 2,148,392 13,589 17 Total cash outflows 1,620,807 1,658,265		, ,			
business funding) not covered in Row 7 1,405,622 910,812 1,508,571 971,154 9		015,082	148,272	518,030	125,788
institution and redeemable within the LCR period Secured funding transactions (including securities swap transactions) 10 Secured funding transactions (including securities swap transactions) 11 Additional requirements, of which: 12 Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements 13 Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions 14 Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities) 15 Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows 16 Other contingent funding obligations (whether contractual or non-contractual) 17 Total cash outflows 18 Secured lending transactions (including securities swap transactions) 19 Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions 19 Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions 10 Other cash inflows 10 Secured sending transactions (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions 10 Secured sending transactions (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions 11 Total cash inflows 12 Total cash inflows 13 Secured sending transactions (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions 12 Total cash inflows 13 Secured sending transactions (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions 13 Secured sending transactions (other than secured lending transacti	business funding) not covered in Row 7	1,405,622	910,812	1,508,571	971,154
Transactions Fig. 1, Transactions Transacti	institution and redeemable within the LCR period	3,106	3,106	2,947	2,947
12 Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements 98,864 98,864 101,689 101,579 13 Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions 688 688 634 634 14 Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities) 353,125 49,486 310,845 45,598 15 Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows 109,736 109,736 119,453 119,453 16 Other contingent funding obligations (whether contractual or non-contractual) 2,220,047 14,673 2,148,392 13,589 17 Total cash outflows 1,620,807 1,658,265 18 Secured lending transactions (including securities swap transactions) 342,790 95,844 200,011 69,129 19 Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions 849,167 560,315 901,254 606,525 20 Other cash inflows 171,168 144,647 163,711 137,869 21 Total cash inflows 1,363,125 800,806 1,264,976 813,523 D. Liquidity coverage ratio (Adjusted value) 22 Total HQLA 1,587,029 1,572,652 23 Total net cash outflows 820,001 844,742					11,710
Other transactions, and additional liquidity needs arising from related collateral requirements 98,864 98,864 101,689 101,579		452,677	149,038	413,168	147,811
Financing transactions and repayment of funding obtained from such transactions of the potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities) 353,125	other transactions, and additional liquidity needs arising from related collateral requirements	98,864	98,864	101,689	101,579
(including committed credit facilities and committed liquidity facilities) 353,125 49,486 310,845 45,598 15 Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows 109,736 109,736 119,453 119,453 16 Other contingent funding obligations (whether contractual or non-contractual) 2,220,047 14,673 2,148,392 13,589 17 Total cash outflows 1,620,807 1,658,265 C. Cash inflows 342,790 95,844 200,011 69,129 18 Secured lending transactions (including securities swap transactions) 342,790 95,844 200,011 69,129 19 Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions 849,167 560,315 901,254 606,525 20 Other cash inflows 171,168 144,647 163,711 137,869 21 Total cash inflows 1,363,125 800,806 1,264,976 813,523 D. Liquidity coverage ratio (Adjusted value) 22 Total HQLA 1,587,029 1,572,652 23 Total net cash outflows 844,742 <td>financing transactions and repayment of funding obtained from such transactions</td> <td>688</td> <td>688</td> <td>634</td> <td>634</td>	financing transactions and repayment of funding obtained from such transactions	688	688	634	634
Section B and other contractual cash outflows 109,736 109,736 119,453 119,453 119,453 16 Other contingent funding obligations (whether contractual or non-contractual) 2,220,047 14,673 2,148,392 13,589 17 Total cash outflows 1,620,807 1,658,265	(including committed credit facilities and committed liquidity facilities)	353,125	49,486	310,845	45,598
or non-contractual) 2,220,047 14,673 2,148,392 13,589 17 Total cash outflows 1,620,807 1,658,265 C. Cash inflows 342,790 95,844 200,011 69,129 18 Secured lending transactions (including securities swap transactions) 342,790 95,844 200,011 69,129 19 Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions 849,167 560,315 901,254 606,525 20 Other cash inflows 171,168 144,647 163,711 137,869 21 Total cash inflows 1,363,125 800,806 1,264,976 813,523 D. Liquidity coverage ratio (Adjusted value) 1,587,029 1,572,652 22 Total HQLA 1,587,029 1,572,652 23 Total net cash outflows 820,001 844,742	Section B) and other contractual cash outflows	109,736	109,736	119,453	119,453
C. Cash inflows 18 Secured lending transactions (including securities swap transactions) 19 Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions 20 Other cash inflows 21 Total cash inflows 21 Total cash inflows 22 Total HQLA 23 Total net cash outflows 18 Secured lending securities swap and 24,790 342,790 95,844 200,011 69,129 606,525 849,167 560,315 901,254 606,525 849,167 163,711 137,869 1,363,125 800,806 1,264,976 813,523 1,572,652 820,001		2,220,047	14,673	2,148,392	13,589
18 Secured lending transactions (including securities swap transactions) 342,790 95,844 200,011 69,129 19 Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions 849,167 560,315 901,254 606,525 20 Other cash inflows 171,168 144,647 163,711 137,869 21 Total cash inflows 1,363,125 800,806 1,264,976 813,523 D. Liquidity coverage ratio (Adjusted value) 22 Total HQLA 1,587,029 1,572,652 23 Total net cash outflows 820,001 844,742	17 Total cash outflows	·	1,620,807		1,658,265
transactions) 342,790 95,844 200,011 69,129 19 Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions 849,167 560,315 901,254 606,525 20 Other cash inflows 171,168 144,647 163,711 137,869 21 Total cash inflows 1,363,125 800,806 1,264,976 813,523 D. Liquidity coverage ratio (Adjusted value) 22 Total HQLA 1,587,029 1,572,652 23 Total net cash outflows 820,001 844,742					
transactions covered in Row 18) and operational deposits placed at other financial institutions 20 Other cash inflows 21 Total cash inflows 22 Total HQLA 23 Total net cash outflows 13 Additional deposits and placed at other financial institutions 849,167 560,315 901,254 606,525 171,168 144,647 163,711 137,869 144,647 163,711 137,869 144,647 163,711 137,869 14,264,976	transactions)	342,790	95,844	200,011	69,129
20 Other cash inflows 171,168 144,647 163,711 137,869 21 Total cash inflows 1,363,125 800,806 1,264,976 813,523 D. Liquidity coverage ratio (Adjusted value) 22 Total HQLA 1,587,029 1,572,652 23 Total net cash outflows 820,001 844,742	transactions covered in Row 18) and operational deposits	849.167	560,315	901.254	606.525
D. Liquidity coverage ratio (Adjusted value) 22 Total HQLA 1,587,029 1,572,652 23 Total net cash outflows 820,001 844,742				,	
22 Total HQLA 1,587,029 1,572,652 23 Total net cash outflows 820,001 844,742	21 Total cash inflows	1,363,125	800,806	1,264,976	813,523
23 Total net cash outflows 820,001 844,742			1 505 030		1 550 750
·					

Appendix 3: Liquidity Coverage Ratio Standard Disclosure Template (continued)

	Quarter ended 30 June 2015			Quarter ended 31 March 2015	
	Unweighted amount (Average value) HK\$m	Weighted amount (Average value) HK\$m	Unweighted amount (Average value) HK\$m	Weighted amount (Average value) HK\$m	
A. High quality liquid assets1 Total high quality liquid assets (HQLA)		1,417,970		1,367,500	
B. Cash outflows					
 Retail deposits and small business funding, of which: Stable retail deposits and stable small business funding Less stable retail deposits and less stable small business 	2,845,943 186,685	274,376 9,334	2,738,847 188,439	262,591 9,422	
funding	2,641,575	264,158	2,512,969	251,297	
5 Retail term deposits and small business term funding 6 Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments	17,683	884	37,438	1,872	
issued by the institution, of which: Operational deposits Universal and best for diag (athors the possible)	2,144,246	1,389,353	2,090,592	1,368,151 -	
 Unsecured wholesale funding (other than small business funding) not covered in Row 7 Debt securities and prescribed instruments issued by the 	2,138,244	1,383,351	2,087,796	1,365,355	
institution and redeemable within the LCR period 10 Secured funding transactions (including securities swap	6,002	6,002	2,796	2,796	
transactions) 11 Additional requirements, of which: 12 Cash outflows arising from derivative contracts and	379,541	934 187,961	434,596	1,016 238,768	
other transactions, and additional liquidity needs arising from related collateral requirements Cash outflows arising from obligations under structured financing transactions and repayment of funding	142,252	141,279	182,109	181,048	
obtained from such transactions 14 Potential drawdown of undrawn committed facilities (including committed credit facilities and committed	_	-	_	_	
liquidity facilities) 15 Contractual lending obligations (not otherwise covered in	237,289	46,682	252,487	57,720	
Section B) and other contractual cash outflows 16 Other contingent funding obligations (whether contractual	84,818	84,818	90,480	90,480	
or non-contractual)	1,862,982	12,281	1,738,986	11,969	
17 Total cash outflows		1,949,723		1,972,975	
 C. Cash inflows 18 Secured lending transactions (including securities swap transactions) 19 Secured and unsecured loans (other than secured lending 	193,750	75,485	204,074	82,273	
transactions covered in Row 18) and operational deposits placed at other financial institutions 20 Other cash inflows	972,860 215,408	687,761 191,143	951,911 255,051	661,789 233,587	
21 Total cash inflows	1,382,018	954,389	1,411,036	977,649	
D. Liquidity coverage ratio (Adjusted value) 22 Total HQLA 23 Total net cash outflows 24 LCR (%)		1,417,970 995,334 142.5%		1,367,500 995,326 137.4%	

Appendix 4: Leverage Ratio Common Disclosure Template

Act 30 June		Leverage ratio framework	
On-balance sheet exposures 1 On-balance sheet items (excluding derivatives and SFTs, but including collateral) 5,753,600 5,536,520 2 Less: Asset amounts deducted in determining Basel III Tier 1 capital (reported as negative amounts) (174,908) (169,012) 3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2) 5,578,692 5,367,508 5,57			
On-balance sheet exposures 1 On-balance sheet items (excluding derivatives and SFTs, but including collateral) 5,753,600 5,536,520 2 Less: Asset amounts deducted in determining Basel III Tier 1 capital (reported as negative amounts) (174,908) (169,012) (174,908) (169,012) (174,908) (169,012) (174,908) (169,012) (174,908) (169,012) (174,908) (169,012) (174,908) (169,012) (174,908) (169,012) (174,908) (169,012) (174,908) (169,012) (174,908) (174,908) (169,012) (174,908) (169,012) (174,908) (169,012) (174,908) (169,012) (174,908) (2016	2015
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral) 2 Less: Asset amounts deducted in determining Basel III Tier 1 capital (reported as negative amounts) (174,908) (169,012)		HK\$m	HK\$m
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral) 2 2 2 2 2 2 2 2 2	On-balance sheet exposures		
Collateral S.753,600 S.536,520			
Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2) 5,367,508	collateral)	5,753,600	5,536,520
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) 327,469 326,904 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 exposures 18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) 19 Off-balance sheet exposures (sum of lines 17 and 18) Capital and total exposures 20 Tier 1 capital 439,533 418,758 21 Total exposures (sum of lines 3, 11, 16 and 19) 6,894,018 6,514,618			
Derivative exposures	(reported as negative amounts)	(174,908)	(169,012)
Derivative exposures	3 Total on-balance sheet exposures (excluding derivatives and SFTs)		
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) 73,661 91,620 5 Add-on amounts for PFE associated with all derivatives transactions 241,916 219,161 6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework - - - - -	(sum of lines 1 and 2)	5,578,692	5,367,508
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) 73,661 91,620 5 Add-on amounts for PFE associated with all derivatives transactions 241,916 219,161 6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework - - - - -	Derivative exposures		
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) 7 Less: Exempted CCP leg of client-cleared trade exposures (reported as negative amounts) 7 (1,008) 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) 7 (193,992) 11 Total derivative exposures (sum of lines 4 to 10) 7 (193,992) 12 (193,992) 13 Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives (reported as negative amounts) 8 (238,915) (193,992) 15 (193,992) 16 (193,992) 17 (193,992) 18 (193,992) 19 (193,			
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 offsets and add-on deductions for written credit derivatives (reported as negative amounts) 10 Less: Adjusted effective notional offsets and add-on deductions for written credit derivative (reported as negative amounts) 11 Total derivative exposures (sum of lines 4 to 10) 8 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 (with no recognition of netting), after adjusting for sales accounting transactions 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 exposures 20 Tier 1 capital 21 Total exposures (sum of lines 17 and 18) 8 Leverage ratio	(i.e. net of eligible cash variation margin)	73,661	91,620
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 252,320 211,123 10 Less: Adjusted effective notional amount of written credit derivatives credit derivatives (reported as negative amounts) 11 Total derivative exposures (sum of lines 4 to 10) 327,469 326,904 Securities financing transaction exposures 12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions 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 15,759 14 CCR exposure for SFT assets 15,759 16 Total securities financing transaction exposures (sum of lines 12 to 15) 17 Off-balance sheet exposures 17 Off-balance sheet exposures 17 Off-balance sheet exposure at gross notional amount 2,530,432 2,426,025 18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) 2,530,432 2,426,025 18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) 2,530,432 4,480,025 19 Off-balance sheet items (sum of lines 17 and 18) 507,916 481,080 Capital and total exposures 20 Tier 1 capital 439,533 418,758 21 Total exposures (sum of lines 3, 11, 16 and 19) 6,894,018 6,514,618		241,916	219,161
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 amount of written credit derivatives 11 Total derivatives (reported as negative amounts) 12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting 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 15,759 16 Total securities financing transaction exposures 17 Off-balance sheet exposures 18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) 19 Off-balance sheet exposure at gross notional amount (2,022,516) 19 Off-balance sheet items (sum of lines 17 and 18) 10 Off-balance sheet items (sum of lines 17 and 18) 11 Total exposures (sum of lines 3, 11, 16 and 19) 12 Leverage ratio			
derivatives transactions (reported as negative amounts)		_	_
8 Less: Exempted CCP leg of client-cleared trade exposures (reported as negative amounts) (1,513) (1,008) 9 Adjusted effective notional amount of written credit derivatives 252,320 211,123 10 Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives (reported as negative amounts) (238,915) (193,992) 11 Total derivative exposures (sum of lines 4 to 10) 327,469 326,904 Securities financing transaction exposures 12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions 464,182 334,395 13 Less: Netted amounts of cash payables and cash receivables of gross SFT assets (reported as negative amounts) ————————————————————————————————————			
(reported as negative amounts) (1,513) (1,008) 9 Adjusted effective notional amount of written credit derivatives 252,320 211,123 10 Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives (reported as negative amounts) (238,915) (193,992) 11 Total derivative exposures (sum of lines 4 to 10) 327,469 326,904 Securities financing transaction exposures 12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions 464,182 334,395 13 Less: Netted amounts of cash payables and cash receivables of gross SFT assets (reported as negative amounts) - - 14 CCR exposure for SFT assets 15,759 4,731 15 Agent transaction exposures - - 16 Total securities financing transaction exposures (sum of lines 12 to 15) 479,941 339,126 Other off-balance sheet exposures 17 Off-balance sheet exposures 2,530,432 2,426,025 18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) (2,022,516) (1,944,945) 19 Off-balance sheet items (sum of lines 17 and 18) 507,916 481,080 Cap		_	_
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 accounting transaction acc		(1.513)	(1.008)
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 15,759 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 (reported as negative amounts) 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 2 Total exposures (sum of lines 3, 11, 16 and 19) Leverage ratio			` ' '
credit derivatives (reported as negative amounts) (238,915) (193,992) 11 Total derivative exposures (sum of lines 4 to 10) 327,469 326,904 Securities financing transaction exposures 12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions 464,182 334,395 13 Less: Netted amounts of cash payables and cash receivables of gross SFT assets (reported as negative amounts) — — 14 CCR exposure for SFT assets 15,759 4,731 15 Agent transaction exposures — — 16 Total securities financing transaction exposures (sum of lines 12 to 15) 479,941 339,126 Other off-balance sheet exposures 17 Off-balance sheet exposures 2,530,432 2,426,025 18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) (2,022,516) (1,944,945) 19 Off-balance sheet items (sum of lines 17 and 18) 507,916 481,080 Capital and total exposures 20 Tier 1 capital 439,533 418,758 21 Total exposures (sum of lines 3, 11, 16 and 19) 6,894,018 6,514,618		202,020	211,123
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 15,759 4,731 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) 10 Off-balance sheet items (sum of lines 17 and 18) 11 Off-balance sheet items (sum of lines 17 and 18) 12 Total exposures 20 Tier 1 capital 21 Total exposures (sum of lines 3, 11, 16 and 19) 23 Off-balance sheet (sum of lines 3, 11, 16 and 19) 24 Off-balance sheet (sum of lines 3, 11, 16 and 19) 25 Off-balance sheet (sum of lines 3, 11, 16 and 19) 26 Off-balance sheet (sum of lines 3, 11, 16 and 19) 27 Off-balance sheet (sum of lines 3, 11, 16 and 19) 28 Off-balance sheet (sum of lines 3, 11, 16 and 19)		(238,915)	(193,992)
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) 10 Off-balance sheet items (sum of lines 17 and 18) 11 Total exposures 20 Tier 1 capital 21 Total exposures (sum of lines 3, 11, 16 and 19) 23 A44,945 24 A49,018 45 A9,018 464,182 334,395 464,182 334,395 47,731 47,731 47,7941 339,126 479,941 339,126 479,941 339,126 479,941 339,126 479,941 339,126 479,941 339,126 479,941 479,	11 Total derivative exposures (sum of lines 4 to 10)	327,469	326,904
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) 10 Off-balance sheet items (sum of lines 17 and 18) 11 Total exposures 20 Tier 1 capital 21 Total exposures (sum of lines 3, 11, 16 and 19) 23 A44,945 24 A49,018 45 A9,018 464,182 334,395 464,182 334,395 47,731 47,731 47,7941 339,126 479,941 339,126 479,941 339,126 479,941 339,126 479,941 339,126 479,941 339,126 479,941 479,	Securities financing transaction exposures		
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 15,759 14,731 15 Agent transaction exposures 16 Total securities financing transaction exposures (sum of lines 12 to 15) 17 Off-balance sheet exposures 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) 19 Off-balance sheet items (sum of lines 17 and 18) 10 Total exposures 20 Tier 1 capital 21 Total exposures (sum of lines 3, 11, 16 and 19) 23 Aq44,182 334,395 4,731			
assets (reported as negative amounts)	accounting transactions	464,182	334,395
14 CCR exposure for SFT assets 15,759 4,731 15 Agent transaction exposures — — 16 Total securities financing transaction exposures (sum of lines 12 to 15) 479,941 339,126 Other off-balance sheet exposures 17 Off-balance sheet exposure at gross notional amount 2,530,432 2,426,025 18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) (2,022,516) (1,944,945) 19 Off-balance sheet items (sum of lines 17 and 18) 507,916 481,080 Capital and total exposures 20 Tier 1 capital 439,533 418,758 21 Total exposures (sum of lines 3, 11, 16 and 19) 6,894,018 6,514,618 Leverage ratio			
15 Agent transaction exposures - - - 16 Total securities financing transaction exposures (sum of lines 12 to 15) 479,941 339,126 Other off-balance sheet exposures 17 Off-balance sheet exposure at gross notional amount 2,530,432 2,426,025 18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) (2,022,516) (1,944,945) 19 Off-balance sheet items (sum of lines 17 and 18) 507,916 481,080 Capital and total exposures 20 Tier 1 capital 439,533 418,758 21 Total exposures (sum of lines 3, 11, 16 and 19) 6,894,018 6,514,618		_	_
16 Total securities financing transaction exposures (sum of lines 12 to 15) 479,941 339,126 Other off-balance sheet exposures 17 Off-balance sheet exposure at gross notional amount 2,530,432 2,426,025 18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) (2,022,516) (1,944,945) 19 Off-balance sheet items (sum of lines 17 and 18) 507,916 481,080 Capital and total exposures 439,533 418,758 21 Total exposures (sum of lines 3, 11, 16 and 19) 6,894,018 6,514,618 Leverage ratio		15,759	4,731
Other off-balance sheet exposures 17 Off-balance sheet exposure at gross notional amount 2,530,432 2,426,025 18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) (2,022,516) (1,944,945) 19 Off-balance sheet items (sum of lines 17 and 18) 507,916 481,080 Capital and total exposures 20 Tier 1 capital 439,533 418,758 21 Total exposures (sum of lines 3, 11, 16 and 19) 6,894,018 6,514,618	15 Agent transaction exposures	_	
17 Off-balance sheet exposure at gross notional amount 2,530,432 2,426,025 18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) (2,022,516) (1,944,945) 19 Off-balance sheet items (sum of lines 17 and 18) 507,916 481,080 Capital and total exposures 20 Tier 1 capital 439,533 418,758 21 Total exposures (sum of lines 3, 11, 16 and 19) 6,894,018 6,514,618 Leverage ratio	16 Total securities financing transaction exposures (sum of lines 12 to 15)	479,941	339,126
17 Off-balance sheet exposure at gross notional amount 2,530,432 2,426,025 18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) (2,022,516) (1,944,945) 19 Off-balance sheet items (sum of lines 17 and 18) 507,916 481,080 Capital and total exposures 20 Tier 1 capital 439,533 418,758 21 Total exposures (sum of lines 3, 11, 16 and 19) 6,894,018 6,514,618 Leverage ratio	Other off-balance sheet exposures		
(reported as negative amounts) (2,022,516) (1,944,945) 19 Off-balance sheet items (sum of lines 17 and 18) 507,916 481,080 Capital and total exposures 20 Tier 1 capital 439,533 418,758 21 Total exposures (sum of lines 3, 11, 16 and 19) 6,894,018 6,514,618 Leverage ratio		2,530,432	2,426,025
19 Off-balance sheet items (sum of lines 17 and 18) 507,916 481,080 Capital and total exposures 20 Tier 1 capital 439,533 418,758 21 Total exposures (sum of lines 3, 11, 16 and 19) 6,894,018 6,514,618 Leverage ratio			
Capital and total exposures 439,533 418,758 20 Tier 1 capital 439,533 418,758 21 Total exposures (sum of lines 3, 11, 16 and 19) 6,894,018 6,514,618 Leverage ratio	(reported as negative amounts)	(2,022,516)	(1,944,945)
20 Tier 1 capital 439,533 418,758 21 Total exposures (sum of lines 3, 11, 16 and 19) 6,894,018 6,514,618 Leverage ratio	19 Off-balance sheet items (sum of lines 17 and 18)	507,916	481,080
20 Tier 1 capital 439,533 418,758 21 Total exposures (sum of lines 3, 11, 16 and 19) 6,894,018 6,514,618 Leverage ratio	Capital and total exposures		
Leverage ratio		439,533	418,758
	21 Total exposures (sum of lines 3, 11, 16 and 19)	6,894,018	6,514,618
	Leverage ratio		
		6.38%	6.43%

Appendix 5: Leverage Ratio Summary Comparison Table

		Leverage ra	tio framework
		At 30 June 2016	At 31 December 2015
		HK\$m	HK\$m
	d assets as per published financial statements	7,404,171	6,953,683
3	vestments in banking, financial, insurance or commercial onsolidated for accounting purposes but outside the scope of dation	(493,301)	(461,634)
3 Adjustment for fi	duciary assets recognised on the balance sheet pursuant to bunting framework but excluded from the leverage ratio	(150,001)	(101,001)
exposure measure			_
3	erivative financial instruments	(124,569)	(54,188)
secured lending)	ecurities financing transactions (i.e. repos and similar	15,759	4,731
3	f-balance sheet items (i.e. conversion to credit equivalent	=0=044	401.000
	lance sheet exposures)	507,916	481,080
7 Other adjustment		(415,958)	(409,054)
8 Leverage ratio e	xposure	6,894,018	6,514,618

Other adjustments mainly represent the Hong Kong Government certificates of indebtedness and assets deducted in determining Basel III Tier 1 capital. These are excluded for deriving the Leverage ratio exposure in accordance with the Leverage Ratio Framework issued by the HKMA.

Appendix 6: Countercyclical Capital Buffer (CCyB) Ratio Standard Disclosure Template

The Basel III regulatory capital standards issued by the Basel Committee provide for the implementation of a CCyB beginning on 1 January 2016. The Hong Kong Monetary Authority ('HKMA') set out the CCyB requirement in Part1B Division 4 of the Banking (Capital) Rules and Section 24B and 45B of the Banking (Disclosures) Rules accordingly.

At 30 June 2016, the applicable jurisdictional ('J') CCyB rate in force in Hong Kong was 0.625% as set by the HKMA. For the rest of the jurisdictions in which the group had private sector credit exposures, the applicable JCCyB rates were either at 0% or had not been announced by the relevant regulators.

The CCyB is calculated as the weighted average of the applicable CCyB rates in effect in the jurisdictions to which banks have private sector credit exposures. The group uses booking country as the basis of geographical allocation for credit risk, and risk country for market risk which is defined by considering the country of incorporation, location of guarantor, headquarter domicile, distribution of revenue together with booking country. The scope of private sector credit exposure is determined in accordance with the ultimate obligor which refers to the credit protection provider of a recognised guarantee or credit derivative contract. Exposures covered by guarantees or credit derivatives are private sector credit exposures only if the credit protection provider is a private obligor.

$\begin{tabular}{ll} \textbf{Appendix 6: Countercyclical Capital Buffer (CCyB) Ratio Standard Disclosure Template } \\ (continued) \end{tabular}$

Geographical breakdown of risk-weighted assets (RWA) in relation to private sector credit exposures at 30 June 2016.

	Jurisdiction	Applicable CCyB rates in effect	Total RWA used in computation of CCyB ratio	CCyB ratio	CCyB amount
		%	HK\$m	%	HK\$m
1	Hong Kong SAR	0.625	956,561		
2	Mainland China	_	222,783		
3	Australia	_	70,632		
4	Bahamas	-	22		
5	Bangladesh	_	14,132		
6	Brazil	-	2		
7	Brunei	-	5,330		
8	Canada	_	13		
9	Cayman Islands	_	881		
10	France	_	51		
11	Germany	_	320		
12	India	_	76,566		
13	Indonesia	_	52,289		
14	Japan	_	11,831		
15	Macau SAR	_	19,465		
16	Malaysia	_	72,547		
17	Maldives	_	1,663		
18	Mauritius	_	9,022		
19	Mongolia	_	99		
20	Netherlands	_	43		
21	New Zealand	_	9,305		
22	Philippines	_	11,025		
23	Singapore	_	91,324		
24	South Korea	_	18,466		
25	Sri Lanka	_	14,166		
26	Switzerland	_	14		
27	Taiwan	_	33,273		
28	Thailand	_	14,395		
29	United Kingdom	_	129		
30	United States	_	420		
31	Vietnam	_	13,542		
	Total		1,720,311	0.35	5,979