



The Hongkong and Shanghai Banking
Corporation Limited

Supplementary Notes Appendices
for the six months ended 30 June 2015

Appendices

Contents

| Interim Disclosure Statement Supplementary Notes | Page |
|---|------|
| Appendix 1: Transition Disclosures Template..... | 3 |
| Appendix 2: Balance Sheet Reconciliation | 13 |
| Appendix 3: Liquidity Coverage Ratio Standard Disclosure Template | 22 |
| Appendix 4: Leverage Ratio Common Disclosure Template | 24 |
| Appendix 5: Leverage Ratio Summary Comparison Table | 25 |

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 2015 | | Cross-referenced to ** |
|--|---------------------------------------|--|---------------------------------|
| | Component of regulatory capital | Amounts subject to pre- Basel III treatment * | |
| | 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 | 94,598 | | (34) |
| 2 Retained earnings | 315,565 | | (40)+(44) |
| 3 Disclosed reserves | 98,293 | | (37) |
| 4 Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies) | Not applicable | | |
| Public sector capital injections grandfathered until 1 January 2018 | Not applicable | | |
| 5 Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidated group) | 22,512 | | (45) |
| 6 CET1 capital before regulatory deductions | 530,968 | | |
| CET1 capital: regulatory deductions | | | |
| 7 Valuation adjustments | 1,957 | | (1)+(2)+(3)+(6) |
| 8 Goodwill (net of associated deferred tax liability) | 9,131 | | (10)+(13)+(16)+(27) |
| 9 Other intangible assets (net of associated deferred tax liability) | 5,306 | – | (11)+(14)+(17)+(28) |
| 10 Deferred tax assets net of deferred tax liabilities | 1,394 | | (15)+(26) |
| 11 Cash flow hedge reserve | 108 | | (39) |
| 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 | 853 | – | (20)+(21)+(22)+(24) |
| 15 Defined benefit pension fund net assets (net of associated deferred tax liabilities) | 43 | – | (18)+(29) |
| 16 Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet) | – | – | |
| 17 Reciprocal cross-holdings in CET1 capital instruments | – | – | |
| 18 Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | – | – | |
| 19 Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | 38,605 | 50,624 | (5)+(7)+(9)+(12)+(19)-(48)-(49) |
| 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 | | |

Appendix 1: Transition Disclosures Template (continued)

| | At 30 June 2015 | | Cross-referenced to ** |
|---|---------------------------------|---|------------------------|
| | Component of regulatory capital | Amounts subject to pre- Basel III treatment * | |
| | HK\$m | HK\$m | |
| 22 Amount exceeding the 15% threshold | Not applicable | | |
| 23 Of which significant investments in the common stock of financial sector entities | Not applicable | | |
| 24 Of which mortgage servicing rights | Not applicable | | |
| 25 Of which deferred tax assets arising from temporary differences | Not applicable | | |
| 26 National specific regulatory adjustments applied to CET1 capital | 83,846 | | |
| 26a Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) | 55,001 | | (38)+(43) |
| 26b Regulatory reserve for general banking risks | 28,845 | | (41) |
| 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 | 141,243 | | |
| 29 CET1 capital | 389,725 | | |
| AT1 capital: instruments | | | |
| 30 Qualifying AT1 capital instruments plus related share premium | 14,737 | | (36) |
| 31 Of which classified as equity under applicable accounting standards | 14,737 | | (36) |
| 32 Of which classified as liabilities under applicable accounting standards | – | | |
| 33 Capital instruments subject to phase out arrangements from AT1 capital | 25,218 | | (32) |
| 34 AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidated group) | 12,243 | | (46)+(47) |
| 35 Of which AT1 capital instruments issued by subsidiaries subject to phase out arrangements | 10,814 | | (47) |
| 36 AT1 capital before regulatory deductions | 52,198 | | |
| AT1 capital: regulatory deductions | | | |
| 37 Investments in own AT1 capital instruments | – | – | |
| 38 Reciprocal cross-holdings in AT1 capital instruments | – | – | |
| 39 Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | – | – | |
| 40 Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation | – | – | |
| 41 National specific regulatory adjustments applied to AT1 capital | | | |
| 41a Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 1 capital | 25,312 | | |
| 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 | 25,312 | | (48) |
| 42 Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions | – | | |
| 43 Total regulatory deductions to AT1 capital | 25,312 | | |
| 44 AT1 capital | 26,886 | | |
| 45 Tier 1 capital (Tier 1 = CET1 + AT1) | 416,611 | | |

Appendix 1: Transition Disclosures Template (continued)

| | At 30 June 2015 | | Cross-referenced to ** |
|---|---------------------------------|--|------------------------|
| | Component of regulatory capital | Amounts subject to pre- Basel III treatment* | |
| | HK\$m | HK\$m | |
| Tier 2 capital : instruments and provisions | | | |
| 46 Qualifying Tier 2 capital instruments plus any related share premium | 18,606 | | (23) |
| 47 Capital instruments subject to phase out arrangements from Tier 2 capital | | | (25)+(30)+ |
| | 24,053 | | (33) |
| 48 Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group) | 2,924 | | (31) |
| 49 Of which capital instruments issued by subsidiaries subject to phase out arrangements | 2,924 | | (31) |
| 50 Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital | 15,120 | | (4)+(42) |
| 51 Tier 2 capital before regulatory deductions | 60,703 | | |
| 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 | (93) | | |
| 56a Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital | (25,405) | | [(35)+(38)+(43)] 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 | 25,312 | | |
| 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 | 25,312 | | (49) |
| 57 Total regulatory deductions to Tier 2 capital | 3,079 | | |
| 58 Tier 2 capital | 57,624 | | |
| 59 Total capital (Total capital = Tier 1 + Tier 2) | 474,235 | | |
| 60 Total risk weighted assets | 2,723,473 | | |

Appendix 1: Transition Disclosures Template (continued)

| | At 30 June 2015 | | Cross-referenced to ** |
|--|---------------------------------|---|------------------------|
| | Component of regulatory capital | Amounts subject to pre-Basel III treatment* | |
| | HK\$m | HK\$m | |
| Capital ratios (as a percentage of risk weighted assets) | | | |
| 61 CET1 capital ratio | 14.31% | | |
| 62 Tier 1 capital ratio | 15.30% | | |
| 63 Total capital ratio | 17.41% | | |
| 64 Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements) | 4.50% | | |
| 65 Of which capital conservation buffer requirement | 0.00% | | |
| 66 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 | 9.30% | | |
| 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 | | |
| 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 | 14,675 | | |
| 73 Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation | 42,833 | | |
| 74 Mortgage servicing rights (net of related tax liability) | Not applicable | | |
| 75 Deferred tax assets arising from temporary differences (net of related tax liability) | Not applicable | | |
| Applicable caps on the inclusion of provisions in Tier 2 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) | 3,945 | | |
| 77 Cap on inclusion of provisions in Tier 2 under the basic approach and the standardised (credit risk) approach | 3,124 | | |
| 78 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap) | 19,681 | | |
| 79 Cap for inclusion of provisions in Tier 2 under the IRB approach | 11,996 | | |
| Capital instruments subject to phase-out arrangements | | | |
| 80 Current cap on CET1 capital instruments subject to phase out arrangements | Not applicable | | |
| 81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities) | Not applicable | | |
| 82 Current cap on AT1 capital instruments subject to phase out arrangements | 36,099 | | |
| 83 Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities) | – | | |
| 84 Current cap on Tier 2 capital instruments subject to phase out arrangements | 34,345 | | |
| 85 Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities) | – | | |

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

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

Appendix 1: Transition Disclosures Template *(continued)***Notes to the template**

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

| Row No. | Description | At 30 June 2015 | |
|---------|--|--------------------------|--------------------------|
| | | Hong Kong basis HK\$m | Basel III basis HK\$m |
| 10 | Deferred tax assets net of deferred tax liabilities | 1,394 | 86 |

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 AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III.

The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for 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) | 89,229 | 87,576 |
|----|--|--------|--------|

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 1: Transition Disclosures Template (continued)

| | At 31 December 2014 | | |
|--|---------------------------------|---|---------------------------------|
| | 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 | 94,598 | | (33) |
| 2 Retained earnings | 292,147 | | (39)+(43) |
| 3 Disclosed reserves | 104,800 | | (36) |
| 4 Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies) | Not applicable | | |
| Public sector capital injections grandfathered until 1 January 2018 | Not applicable | | |
| 5 Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidated group) | 27,971 | | (44) |
| 6 CET1 capital before regulatory deductions | 519,516 | | |
| CET1 capital: regulatory deductions | | | |
| 7 Valuation adjustments | 2,030 | | (1)+(2)+(5)+(20) |
| 8 Goodwill (net of associated deferred tax liability) | 9,407 | | (9)+(12)+(15)+(26) |
| 9 Other intangible assets (net of associated deferred tax liability) | 5,276 | – | (10)+(13)+(16)+(27) |
| 10 Deferred tax assets net of deferred tax liabilities | 1,485 | | (14) |
| 11 Cash flow hedge reserve | (182) | | (38) |
| 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 | 596 | – | (19)+(21)+(22)+(24) |
| 15 Defined benefit pension fund net assets (net of associated deferred tax liabilities) | 89 | – | (17)+(28) |
| 16 Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet) | – | – | |
| 17 Reciprocal cross-holdings in CET1 capital instruments | – | – | |
| 18 Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | – | – | |
| 19 Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | 28,866 | 100,676 | (4)+(6)+(8)+(11)+(18)-(48)-(49) |
| 20 Mortgage servicing rights (amount above 10% threshold) | Not applicable | | |
| 21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | Not applicable | | |
| 22 Amount exceeding the 15% threshold | Not applicable | | |
| 23 Of which significant investments in the common stock of financial sector entities | Not applicable | | |
| 24 Of which mortgage servicing rights | Not applicable | | |
| 25 Of which deferred tax assets arising from temporary differences | Not applicable | | |
| 26 National specific regulatory adjustments applied to CET1 capital | 80,616 | | |
| 26a Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) | 52,657 | | (37)+(42) |
| 26b Regulatory reserve for general banking risks | 27,959 | | (40) |
| 27 Regulatory deductions applied to CET1 capital due to insufficient Additional Tier 1 (AT1) capital and Tier 2 capital to cover deductions | 1,588 | | (51)-(50) |
| 28 Total regulatory deductions to CET1 capital | 129,771 | | |
| 29 CET1 capital | 389,745 | | |

Appendix 1: Transition Disclosures Template (continued)

| | At 31 December 2014 | | |
|---|------------------------------------|---|-------------------------------|
| | Component of regulatory capital | Amounts subject to pre- Basel III treatment * | Cross- referenced to ** |
| | HK\$m | HK\$m | |
| AT1 capital: instruments | | | |
| 30 Qualifying AT1 capital instruments plus related share premium | 14,737 | | (35) |
| 31 Of which classified as equity under applicable accounting standards | 14,737 | | (35) |
| 32 Of which classified as liabilities under applicable accounting standards | – | | |
| 33 Capital instruments subject to phase out arrangements from AT1 capital | 25,229 | | (31) |
| 34 AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidated group) | 8,784 | | (45)+(46) |
| 35 Of which AT1 capital instruments issued by subsidiaries subject to phase out arrangements | 5,389 | | (46) |
| 36 AT1 capital before regulatory deductions | 48,750 | | (50) |
| AT1 capital: regulatory deductions | | | |
| 37 Investments in own AT1 capital instruments | – | – | |
| 38 Reciprocal cross-holdings in AT1 capital instruments | – | – | |
| 39 Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | – | – | |
| 40 Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation | – | – | |
| 41 National specific regulatory adjustments applied to AT1 capital | 50,338 | | |
| 41a Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 1 capital | 50,338 | | |
| 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 | 50,338 | | (48) |
| 42 Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions | – | | |
| 43 Total regulatory deductions to AT1 capital | 50,338 | | (51) |
| 44 AT1 capital | – | | |
| 45 Tier 1 capital (Tier 1 = CET1 + AT1) | 389,745 | | |
| Tier 2 capital : instruments and provisions | | | |
| 46 Qualifying Tier 2 capital instruments plus any related share premium | 18,613 | | (23) |
| 47 Capital instruments subject to phase out arrangements from Tier 2 capital | 24,072 | | (25)+(29)+ (32) |
| 48 Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group) | 6,810 | | (30)+(47) |
| 49 Of which capital instruments issued by subsidiaries subject to phase out arrangements | 3,297 | | (30) |
| 50 Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital | 14,957 | | (3)+(41) |
| 51 Tier 2 capital before regulatory deductions | 64,452 | | |

Appendix 1: Transition Disclosures Template (continued)

| | At 31 December 2014 | | |
|--|---------------------------------|--|------------------------|
| | 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 | – | (7) |
| 56 National specific regulatory adjustments applied to Tier 2 capital | 25,988 | | |
| 56a Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital | (24,350) | | [(34)+(37)+(42)] 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 | 50,338 | | |
| 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 | 50,338 | | (49) |
| 57 Total regulatory deductions to Tier 2 capital | 29,160 | | |
| 58 Tier 2 capital | 35,292 | | |
| 59 Total capital (Total capital = Tier 1 + Tier 2) | 425,037 | | |
| 60 Total risk weighted assets | 2,707,931 | | |
| Capital ratios (as a percentage of risk weighted assets) | | | |
| 61 CET1 capital ratio | 14.39% | | |
| 62 Tier 1 capital ratio | 14.39% | | |
| 63 Total capital ratio | 15.70% | | |
| 64 Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements) | 4.00% | | |
| 65 Of which capital conservation buffer requirement | 0.00% | | |
| 66 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 | 7.70% | | |
| 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 | | |
| 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 | 10,767 | | |
| 73 Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation | 41,867 | | |
| 74 Mortgage servicing rights (net of related tax liability) | Not applicable | | |
| 75 Deferred tax assets arising from temporary differences (net of related tax liability) | Not applicable | | |

Appendix 1: Transition Disclosures Template *(continued)*

| | At 31 December 2014 | | Cross-referenced to ** |
|--|---------------------------------|--|------------------------|
| | Component of regulatory capital | Amounts subject to pre- Basel III treatment* | |
| | HK\$m | HK\$m | |
| 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) | | 3,992 | |
| 77 Cap on inclusion of provisions in Tier 2 under the basic approach and the standardised (credit risk) approach | | 3,201 | |
| 78 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap) | | 18,478 | |
| 79 Cap for inclusion of provisions in Tier 2 under the IRB approach | | 11,756 | |
| Capital instruments subject to phase-out arrangements | | | |
| 80 Current cap on CET1 capital instruments subject to phase out arrangements | Not applicable | | |
| 81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities) | Not applicable | | |
| 82 Current cap on AT1 capital instruments subject to phase out arrangements | | 41,256 | |
| 83 Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities) | | – | |
| 84 Current cap on Tier 2 capital instruments subject to phase out arrangements | | 39,252 | |
| 85 Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities) | | – | |

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

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

Appendix 1: Transition Disclosures Template *(continued)*Notes to the template

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

| Row No. | Description | At 31 December 2014 | |
|---------|---|--------------------------|--------------------------|
| | | Hong Kong basis HK\$m | Basel III basis HK\$m |
| 10 | Deferred tax assets net of deferred tax liabilities | 1,485 | 138 |

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 AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III.

The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for 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) | 129,542 | 127,872 |
|----|---|---------|---------|

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 2015, 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 2015 | | At 31 December 2014 | |
|--|--|--|--|--|
| | Balance sheet in published financial statements HK\$m | Under regulatory scope of consolidation HK\$m | Balance sheet in published financial statements HK\$m | Under regulatory scope of consolidation HK\$m |
| Assets | | | | |
| Cash and sight balances at central banks | 257,729 | 257,674 | 156,475 | 156,452 |
| Items in the course of collection from other banks | 55,847 | 55,847 | 21,122 | 21,122 |
| Hong Kong Government certificates of indebtedness | 217,864 | 217,864 | 214,654 | 214,654 |
| Trading assets | 363,639 | 363,269 | 407,026 | 406,969 |
| Derivatives | 375,485 | 375,556 | 389,934 | 390,045 |
| Financial assets designated at fair value | 105,293 | 1,694 | 98,195 | 1,257 |
| Reverse repurchase agreements - non-trading | 216,368 | 119,633 | 218,901 | 139,041 |
| Placings with and advances to banks | 513,826 | 499,584 | 488,313 | 467,514 |
| Loans and advances to customers | 2,880,997 | 2,874,801 | 2,815,216 | 2,809,284 |
| Financial investments | 1,549,957 | 1,295,867 | 1,456,493 | 1,223,720 |
| Amounts due from Group companies | 204,904 | 276,950 | 191,694 | 250,968 |
| Investments in subsidiaries | – | 15,570 | – | 15,573 |
| Interests in associates and joint ventures | 119,973 | 117,196 | 116,654 | 113,915 |
| Goodwill and intangible assets | 47,035 | 11,040 | 45,078 | 11,346 |
| Property, plant and equipment | 108,121 | 105,413 | 104,679 | 102,712 |
| Deferred tax assets | 1,335 | 1,295 | 1,436 | 1,386 |
| Other assets | 149,292 | 129,372 | 150,876 | 130,818 |
| Total assets | 7,167,665 | 6,718,625 | 6,876,746 | 6,456,776 |

Appendix 2: Balance Sheet Reconciliation (continued)

| | At 30 June 2015 | | At 31 December 2014 | |
|--|--|---|--|---|
| | Balance sheet in published financial statements HK\$m | Under regulatory scope of consolidation HK\$m | Balance sheet in published financial statements HK\$m | Under regulatory scope of consolidation HK\$m |
| Liabilities | | | | |
| Hong Kong currency notes in circulation | 217,864 | 217,864 | 214,654 | 214,654 |
| Items in the course of transmission to other banks | 82,606 | 82,606 | 31,331 | 31,331 |
| Repurchase agreements - non-trading | 13,131 | 13,131 | 28,379 | 28,379 |
| Deposits by banks | 213,464 | 211,999 | 226,713 | 226,580 |
| Customer accounts | 4,651,473 | 4,632,733 | 4,479,992 | 4,467,372 |
| Trading liabilities | 252,062 | 252,039 | 215,812 | 215,812 |
| Derivatives | 357,510 | 357,856 | 367,128 | 367,226 |
| Financial liabilities designated at fair value | 52,119 | 15,269 | 48,834 | 12,169 |
| Debt securities in issue | 42,756 | 42,756 | 45,297 | 45,266 |
| Retirement benefit liabilities | 6,156 | 6,153 | 5,606 | 5,603 |
| Amounts due to Group companies | 155,657 | 161,512 | 135,814 | 140,523 |
| Other liabilities and provisions | 90,394 | 87,375 | 87,731 | 84,431 |
| Liabilities under insurance contracts | 329,203 | – | 310,182 | – |
| Current tax liabilities | 6,534 | 5,378 | 2,927 | 2,438 |
| Deferred tax liabilities | 19,282 | 13,088 | 18,586 | 12,312 |
| Subordinated liabilities | 12,583 | 12,583 | 12,832 | 12,832 |
| Preference shares | 36,565 | 36,459 | 36,582 | 36,474 |
| Total liabilities | 6,539,359 | 6,148,801 | 6,268,400 | 5,903,402 |
| Equity | | | | |
| Share capital | 96,052 | 96,052 | 96,052 | 96,052 |
| Other equity instruments | 14,737 | 14,737 | 14,737 | 14,737 |
| Other reserves | 99,678 | 98,293 | 107,985 | 104,800 |
| Retained profits | 359,714 | 308,065 | 324,811 | 277,897 |
| Proposed dividend | 7,500 | 7,500 | 14,250 | 14,250 |
| Total shareholders' equity | 577,681 | 524,647 | 557,835 | 507,736 |
| Non-controlling interests | 50,625 | 45,177 | 50,511 | 45,638 |
| Total equity | 628,306 | 569,824 | 608,346 | 553,374 |
| Total equity and liabilities | 7,167,665 | 6,718,625 | 6,876,746 | 6,456,776 |

Appendix 2: Balance Sheet Reconciliation *(continued)*

- 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.

Appendix 2: Balance Sheet Reconciliation (continued)

| | At 30 June 2015 | | Cross-referenced to Definition of Capital Components |
|---|--|--|--|
| | Balance sheet in published financial statements HK\$m | Under regulatory scope of consolidation HK\$m | |
| Assets | | | |
| Cash and sight balances at central banks | 257,729 | 257,674 | |
| Items in the course of collection from other banks | 55,847 | 55,847 | |
| Hong Kong Government certificates of indebtedness | 217,864 | 217,864 | |
| Trading assets | 363,639 | 363,269 | |
| Of which valuation adjustments | | 264 | (1) |
| Derivatives | 375,485 | 375,556 | |
| Of which valuation adjustments | | 757 | (2) |
| Financial assets designated at fair value | 105,293 | 1,694 | |
| Of which valuation adjustments | | 1 | (3) |
| Reverse repurchase agreements - non-trading | 216,368 | 119,633 | |
| Placings with and advances to banks | 513,826 | 499,584 | |
| Loans and advances to customers | 2,880,997 | 2,874,801 | |
| Of which impairment allowances eligible for inclusion in Tier 2 capital | | 1,808 | (4) |
| Financial investments | 1,549,957 | 1,295,867 | |
| Of which significant capital investments in financial sector entities exceeding 10% threshold | | 1,603 | (5) |
| Of which valuation adjustments | | 935 | (6) |
| Amounts due from Group companies | 204,904 | 276,950 | |
| Of which significant capital investments in financial sector entities exceeding 10% threshold | | 1,653 | (7) |
| Of which significant capital investments in financial sector entities exceeding 10% threshold | | 3,172 | (8) |
| Investments in subsidiaries | – | 15,570 | |
| Of which significant capital investment in financial sector entities exceeding 10% threshold | | 15,570 | (9) |
| Interests in associates and joint ventures | 119,973 | 117,196 | |
| Of which goodwill | | 4,120 | (10) |
| Of which intangible assets | | 121 | (11) |
| Of which significant capital investments in financial sector entities exceeding 10% threshold | | 70,122 | (12) |
| Goodwill and intangible assets | 47,035 | 11,040 | |
| Of which goodwill | | 5,105 | (13) |
| Of which intangible assets | | 5,935 | (14) |
| Property, plant and equipment | 108,121 | 105,413 | |
| Deferred tax assets | 1,335 | 1,295 | |
| Of which deferred tax assets net of related tax liabilities | | 1,390 | (15) |
| Of which deferred tax liabilities related to goodwill | – | (91) | (16) |
| Of which deferred tax liabilities related to intangibles | | (4) | (17) |
| Other assets | 149,292 | 129,372 | |
| Of which defined benefit pension fund net assets | | 50 | (18) |
| Of which significant capital investments in financial sector entities exceeding 10% threshold | | 281 | (19) |
| Total assets | 7,167,665 | 6,718,625 | |

Appendix 2: Balance Sheet Reconciliation (continued)

| | At 30 June 2015 | | Cross-referenced to Definition of Capital Components |
|--|--|--|--|
| | Balance sheet in published financial statements HK\$m | Under regulatory scope of consolidation HK\$m | |
| Liabilities | | | |
| Hong Kong currency notes in circulation | 217,864 | 217,864 | |
| Items in the course of transmission to other banks | 82,606 | 82,606 | |
| Repurchase agreements - non-trading | 13,131 | 13,131 | |
| Deposits by banks | 213,464 | 211,999 | |
| Customer accounts | 4,651,473 | 4,632,733 | |
| Trading liabilities | 252,062 | 252,039 | |
| Of which gains and losses due to changes in own credit risk on fair valued liabilities | | 106 | (20) |
| Derivatives | 357,510 | 357,856 | |
| Of which gains and losses due to changes in own credit risk on fair valued liabilities | | 771 | (21) |
| Financial liabilities designated at fair value | 52,119 | 15,269 | |
| Of which gains and losses due to changes in own credit risk on fair valued liabilities | | (81) | (22) |
| Debt securities in issue | 42,756 | 42,756 | |
| Retirement benefit liabilities | 6,156 | 6,153 | |
| Amounts due to Group companies | 155,657 | 161,512 | |
| Of which qualifying Tier 2 capital instruments | | 18,606 | (23) |
| Of which gains and losses due to changes in own credit risk on fair valued liabilities | | 57 | (24) |
| Of which portion eligible for Tier 2 capital instruments, subject to phase out arrangements | | 3,488 | (25) |
| Other liabilities and provisions | 90,394 | 87,375 | |
| Liabilities under insurance contracts | 329,203 | – | |
| Current tax liabilities | 6,534 | 5,378 | |
| Deferred tax liabilities | 19,282 | 13,088 | |
| Of which deferred tax assets net of related tax liabilities | | 4 | (26) |
| Of which deferred tax liabilities related to goodwill | | (3) | (27) |
| Of which deferred tax liabilities related to intangibles | | (746) | (28) |
| Of which deferred tax liabilities related to defined benefit pension fund net assets | | (7) | (29) |
| Subordinated liabilities | 12,583 | 12,583 | |
| Of which portion eligible for Tier 2 capital instruments, subject to phase out arrangements | | 9,324 | (30) |
| Of which portion eligible for Tier 2 capital instruments issued by subsidiaries, subject to phase out arrangements | | 2,924 | (31) |
| Preference shares | 36,565 | 36,459 | |
| Of which portion eligible for AT1 capital instruments, subject to phase out arrangements | | 25,218 | (32) |
| Of which portion eligible for Tier 2 capital instruments, subject to phase out arrangements | | 11,241 | (33) |
| Total liabilities | 6,539,359 | 6,148,801 | |

Appendix 2: Balance Sheet Reconciliation *(continued)*

| | <u>At 30 June 2015</u> | | Cross- referenced to Definition of Capital Components |
|--|---|---|---|
| | Balance sheet in published financial statements HK\$m | Under regulatory scope of consolidation HK\$m | |
| Equity | | | |
| Share capital | 96,052 | 96,052 | |
| Of which portion eligible for inclusion in CET1 capital | | 94,598 | (34) |
| Of which revaluation reserve capitalisation issue | | 1,454 | (35) |
| Other equity instruments | 14,737 | 14,737 | |
| Of which qualifying AT1 capital instruments | | 14,737 | (36) |
| Other reserves | 99,678 | 98,293 | (37) |
| Of which fair value gains arising from revaluation of land and buildings | | 50,670 | (38) |
| Of which cash flow hedging reserves | | 108 | (39) |
| Retained profits | 359,714 | 308,065 | (40) |
| Of which regulatory reserve for general banking risks | | 28,845 | (41) |
| Of which regulatory reserve eligible for inclusion in Tier 2 capital | | 13,312 | (42) |
| Of which fair value gains arising from revaluation of land and buildings | | 4,331 | (43) |
| Proposed dividend | 7,500 | 7,500 | (44) |
| Total shareholders' equity | 577,681 | 524,647 | |
| Non-controlling interests | 50,625 | 45,177 | |
| Of which portion allowable in CET1 capital | | 22,512 | (45) |
| Of which portion allowable in AT1 capital | | 1,429 | (46) |
| Of which portion in AT1 capital, subject to phase out arrangements | | 10,814 | (47) |
| Total equity | 628,306 | 569,824 | |
| Total equity and liabilities | 7,167,665 | 6,718,625 | |

Appendix 2: Balance Sheet Reconciliation (continued)

| | At 31 December 2014 | | Cross-referenced to Definition of Capital Components |
|---|--|--|--|
| | Balance sheet in published financial statements HK\$m | Under regulatory scope of consolidation HK\$m | |
| Assets | | | |
| Cash and sight balances at central banks | 156,475 | 156,452 | |
| Items in the course of collection from other banks | 21,122 | 21,122 | |
| Hong Kong Government certificates of indebtedness | 214,654 | 214,654 | |
| Trading assets | 407,026 | 406,969 | |
| Of which valuation adjustments | | 349 | (1) |
| Derivatives | 389,934 | 390,045 | |
| Of which valuation adjustments | | 777 | (2) |
| Financial assets designated at fair value | 98,195 | 1,257 | |
| Reverse repurchase agreements - non-trading | 218,901 | 139,041 | |
| Placings with and advances to banks | 488,313 | 467,514 | |
| Loans and advances to customers | 2,815,216 | 2,809,284 | |
| Of which impairment allowances eligible for inclusion in Tier 2 capital | | 1,828 | (3) |
| Financial investments | 1,456,493 | 1,223,720 | |
| Of which significant capital investments in financial sector entities exceeding 10% threshold | | 33,419 | (4) |
| Of which valuation adjustments | | 903 | (5) |
| Amounts due from Group companies | 191,694 | 250,968 | |
| Of which significant capital investments in financial sector entities exceeding 10% threshold | | 1,262 | (6) |
| Of which significant capital investments in financial sector entities exceeding 10% threshold | | 3,172 | (7) |
| Investments in subsidiaries | – | 15,573 | |
| Of which significant capital investment in financial sector entities exceeding 10% threshold | | 11,769 | (8) |
| Interests in associates and joint ventures | 116,654 | 113,915 | |
| Of which goodwill | | 4,122 | (9) |
| Of which intangible assets | | 145 | (10) |
| Of which significant capital investments in financial sector entities exceeding 10% threshold | | 82,866 | (11) |
| Goodwill and intangible assets | 45,078 | 11,346 | |
| Of which goodwill | | 5,384 | (12) |
| Of which intangible assets | | 5,962 | (13) |
| Property, plant and equipment | 104,679 | 102,712 | |
| Deferred tax assets | 1,436 | 1,386 | |
| Of which deferred tax assets net of related tax liabilities | | 1,485 | (14) |
| Of which deferred tax liabilities related to goodwill | | (94) | (15) |
| Of which deferred tax liabilities related to intangibles | | (5) | (16) |
| Other assets | 150,876 | 130,818 | |
| Of which defined benefit pension fund net assets | | 106 | (17) |
| Of which significant capital investments in financial sector entities exceeding 10% threshold | | 226 | (18) |
| Total assets | 6,876,746 | 6,456,776 | |

Appendix 2: Balance Sheet Reconciliation (continued)

| | At 31 December 2014 | | Cross-referenced to Definition of Capital Components |
|--|---|---|--|
| | Balance sheet in published financial statements | Under regulatory scope of consolidation | |
| | HK\$m | HK\$m | |
| Liabilities | | | |
| Hong Kong currency notes in circulation | 214,654 | 214,654 | |
| Items in the course of transmission to other banks | 31,331 | 31,331 | |
| Repurchase agreements - non-trading | 28,379 | 28,379 | |
| Deposits by banks | 226,713 | 226,580 | |
| Customer accounts | 4,479,992 | 4,467,372 | |
| Trading liabilities | 215,812 | 215,812 | |
| Of which gains and losses due to changes in own credit risk on fair valued liabilities | | 97 | (19) |
| Of which valuation adjustments | | 1 | (20) |
| Derivatives | 367,128 | 367,226 | |
| Of which gains and losses due to changes in own credit risk on fair valued liabilities | | 492 | (21) |
| Financial liabilities designated at fair value | 48,834 | 12,169 | |
| Of which gains and losses due to changes in own credit risk on fair valued liabilities | | (50) | (22) |
| Debt securities in issue | 45,297 | 45,266 | |
| Retirement benefit liabilities | 5,606 | 5,603 | |
| Amounts due to Group companies | 135,814 | 140,523 | |
| Of which qualifying Tier 2 capital instruments | | 18,613 | (23) |
| Of which gains and losses due to changes in own credit risk on fair valued liabilities | | 57 | (24) |
| Of which portion eligible for Tier 2 capital instruments, subject to phase out arrangements | | 3,490 | (25) |
| Other liabilities and provisions | 87,731 | 84,431 | |
| Liabilities under insurance contracts | 310,182 | – | |
| Current tax liabilities | 2,927 | 2,438 | |
| Deferred tax liabilities | 18,586 | 12,312 | |
| Of which deferred tax liabilities related to goodwill | | (5) | (26) |
| Of which deferred tax liabilities related to intangibles | | (826) | (27) |
| Of which deferred tax liabilities related to defined benefit pension fund net assets | | (17) | (28) |
| Subordinated liabilities | 12,832 | 12,832 | |
| Of which portion eligible for Tier 2 capital instruments, subject to phase out arrangements | | 9,337 | (29) |
| Of which portion eligible for Tier 2 capital instruments issued by subsidiaries, subject to phase out arrangements | | 3,297 | (30) |
| Preference shares | 36,582 | 36,474 | |
| Of which portion eligible for AT1 capital instruments, subject to phase out arrangements | | 25,229 | (31) |
| Of which portion eligible for Tier 2 capital instruments, subject to phase out arrangements | | 11,245 | (32) |
| Total liabilities | 6,268,400 | 5,903,402 | |

Appendix 2: Balance Sheet Reconciliation *(continued)*

| | At 31 December 2014 | | Cross-referenced to Definition of Capital Components |
|--|--|--|--|
| | Balance sheet in published financial statements HK\$m | Under regulatory scope of consolidation HK\$m | |
| Equity | | | |
| Share capital | 96,052 | 96,052 | |
| Of which portion eligible for inclusion in CET1 capital | | 94,598 | (33) |
| Of which revaluation reserve capitalisation issue | | 1,454 | (34) |
| Other equity instruments | 14,737 | 14,737 | |
| Of which qualifying AT1 capital instruments | | 14,737 | (35) |
| Other reserves | 107,985 | 104,800 | (36) |
| Of which fair value gains arising from revaluation of land and buildings | | 48,481 | (37) |
| Of which cash flow hedging reserves | | (182) | (38) |
| Retained profits | 324,811 | 277,897 | (39) |
| Of which regulatory reserve for general banking risks | | 27,959 | (40) |
| Of which regulatory reserve eligible for inclusion in Tier 2 capital | | 13,129 | (41) |
| Of which fair value gains arising from revaluation of land and buildings | | 4,176 | (42) |
| Proposed fourth interim dividend | 14,250 | 14,250 | (43) |
| Total shareholders' equity | 557,835 | 507,736 | |
| Non-controlling interests | 50,511 | 45,638 | |
| Of which portion allowable in CET1 capital | | 27,971 | (44) |
| Of which portion allowable in AT1 capital | | 3,395 | (45) |
| Of which portion in AT1 capital, subject to phase out arrangements | | 5,389 | (46) |
| Of which portion allowable in Tier 2 capital | | 3,513 | (47) |
| Total equity | 608,346 | 553,374 | |
| Total equity and liabilities | 6,876,746 | 6,456,776 | |

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 31 March 2015 and 30 June 2015 was three.

| | 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 assets | | | | |
| 1 Total high quality liquid assets (HQLA) | | 1,417,970 | | 1,367,500 |
| B. Cash outflows | | | | |
| 2 Retail deposits and small business funding, of which: | 2,845,943 | 274,376 | 2,738,847 | 262,591 |
| 3 Stable retail deposits and stable small business funding | 186,685 | 9,334 | 188,439 | 9,422 |
| 4 Less stable retail deposits and less stable small business funding | 2,641,575 | 264,158 | 2,512,969 | 251,297 |
| 5 Retail term deposits and small business term funding | 17,683 | 884 | 37,438 | 1,872 |
| 6 Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which: | 2,144,246 | 1,389,353 | 2,090,592 | 1,368,151 |
| 7 Operational deposits | – | – | – | – |
| 8 Unsecured wholesale funding (other than small business funding) not covered in Row 7 | 2,138,244 | 1,383,351 | 2,087,796 | 1,365,355 |
| 9 Debt securities and prescribed instruments issued by the institution and redeemable with the LCR period | 6,002 | 6,002 | 2,796 | 2,796 |
| 10 Secured funding transactions (including securities swap transactions) | | 934 | | 1,016 |
| 11 Additional requirements, of which: | 379,541 | 187,961 | 434,596 | 238,768 |
| 12 Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements | 142,252 | 141,279 | 182,109 | 181,048 |
| 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) | 237,289 | 46,682 | 252,487 | 57,720 |
| 15 Contracted lending obligations (not otherwise covered in Section B) and other contractual cash outflows | 84,818 | 84,818 | 90,480 | 90,480 |
| 16 Other contingent funding obligations (whether contractual or non-contractual) | 1,862,982 | 12,281 | 1,738,986 | 11,969 |
| 17 Total cash outflows | | 1,949,723 | | 1,972,975 |

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 |
| C. Cash inflows | | | | |
| 18 Secured lending transactions (including securities swap transactions) | 193,750 | 75,485 | 204,074 | 82,273 |
| 19 Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions | 972,860 | 687,761 | 951,911 | 661,789 |
| 20 Other cash inflows | 215,408 | 191,143 | 255,051 | 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 | | 1,417,970 | | 1,367,500 |
| 23 Total net cash outflows | | 995,334 | | 995,326 |
| 24 LCR (%) | | 142.46% | | 137.39% |

Appendix 4: Leverage Ratio Common Disclosure Template

| | Leverage ratio framework | |
|--|-----------------------------|---------------------------------|
| | At 30 June 2015 HK\$m | At 31 December 2014 HK\$m |
| On-balance sheet exposures | | |
| 1 On-balance sheet items (excluding derivatives and SFTs, but including collateral) | 5,796,687 | 5,538,619 |
| 2 Less: Asset amounts deducted in determining Basel III Tier 1 capital (reported as negative amounts) | (167,156) | (179,379) |
| 3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2) | 5,629,531 | 5,359,240 |
| Derivative exposures | | |
| 4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) | 136,923 | 141,297 |
| 5 Add-on amounts for PFE associated with all derivatives transactions | 231,086 | 222,501 |
| 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) | (135) | (177) |
| 9 Adjusted effective notional amount of written credit derivatives | 165,053 | 121,543 |
| 10 Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives (reported as negative amounts) | (147,798) | (104,658) |
| 11 Total derivative exposures (sum of lines 4 to 10) | 385,129 | 380,506 |
| Securities financing transaction exposures | | |
| 12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions | 309,643 | 295,840 |
| 13 Less: Netted amounts of cash payables and cash receivables of gross SFT assets (reported as negative amounts) | – | – |
| 14 CCR exposure for SFT assets | 4,050 | 990 |
| 15 Agent transaction exposures | – | – |
| 16 Total securities financing transaction exposures (sum of lines 12 to 15) | 313,693 | 296,830 |
| Other off-balance sheet exposures | | |
| 17 Off-balance sheet exposure at gross notional amount | 2,252,615 | 2,164,747 |
| 18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) | (1,787,845) | (1,710,746) |
| 19 Off-balance sheet items (sum of lines 17 and 18) | 464,770 | 454,001 |
| Capital and total exposures | | |
| 20 Tier 1 capital | 416,611 | 389,745 |
| 21 Total exposures (sum of lines 3, 11, 16 and 19) | 6,793,123 | 6,490,577 |
| Leverage ratio | | |
| 22 Basel III leverage ratio | 6.13% | 6.00% |

Appendix 5: Leverage Ratio Summary Comparison Table

| | Leverage ratio framework | |
|--|-----------------------------|---------------------------------|
| | At 30 June 2015 HK\$m | At 31 December 2014 HK\$m |
| 1 Total consolidated assets as per published financial statements | 7,167,665 | 6,876,746 |
| 2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation | (449,040) | (419,970) |
| 3 Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure | – | – |
| 4 Adjustments for derivative financial instruments | 9,573 | (9,539) |
| 5 Adjustments for securities financing transactions (i.e. repos and similar secured lending) | 4,050 | 990 |
| 6 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures) | 464,770 | 454,001 |
| 7 Other adjustments | (403,895) | (411,651) |
| 8 Leverage ratio exposure | 6,793,123 | 6,490,577 |

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.