

BPI INTERNATIONAL FINANCE LIMITED

**BANKING DISCLOSURE STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH
2018 (UNAUDITED)**

Basis of Preparation

The regulatory capital or the capital charge of the group is calculated in accordance with the Banking (Capital) Rules. The group uses the basic approach (BSC) in calculating its credit risk of its non-securitization exposures and BIA approach in calculating its operational risk. The group is exempted from including market risk in the calculation of its capital adequacy ratio.

Key capital ratio

The following disclosure are made in accordance with section 16ZQ in part 2B of the Banking (Disclosure) Rules.

Capital Ratio

The calculation of the capital adequacy ratio as at 31st March 2018 is based on the Banking (Capital) Rules ("BCR"). The capital adequacy ratio represent the consolidated ratio of the Company and its subsidiary, BPI Remittance Centre (HK) Limited computed in accordance with section 3C(1) of the BCR.

		31 March 2018
	Footnotes	%
Common Equity Tier 1 ("CET1") capital ratio	1	88.7379%
Tier 1 Capital Ratio	2	88.7379%
Total Capital Ratio	3	89.5755%
		HK\$'000
CET1 Capital		187,623
Tier 1 Capital		187,623
Total Capital		189,394
Total Risk-weighted assets		211,435

- 1 Common Equity Tier 1 ('CET1') capital ratio equals to CET1 capital divided by Total risk-weighted assets
- 2 Tier 1 capital ratio equals to Tier 1 capital divided by Total risk-weighted assets
- 3 Total capital ratio equals to Total capital divided by Total risk-weighted assets

Leverage Ratio

The leverage ratio was introduced into the Basel III framework as a non-risk-based backstop limit, to supplement risk-based capital requirements. It aims to constrain the build-up of excess leverage in the banking sector, introducing additional safeguards against model risk and management errors. The ratio is a volume-based measure calculated as Basel III tier 1 capital divided by total on-and off-balance sheet exposure net of collective and specific provisions that are allowed to be excluded from Exposure Measure as at 31 March 2018.

		31 March 2018
Leverage Ratio	Footnotes 1	% 40.4472%
<i>Capital and leverage ratio exposure measure</i>		HK\$'000
Tier 1 Capital		187,623
Total Exposure Measure		463,871

1 Leverage ratio equals to Tier 1 capital divided by Total exposure measure

Capital requirements and RWAs

The following disclosures are made in accordance with section 16C in part 2A (Division 2) of the Banking (Disclosure) Rules.

Overview of RWAs

The below tables provides an overview of the capital requirement in terms of detailed breakdown of RWAs for credit risk and operational risk. The minimum capital requirements are calculated as 8% of the risk weighted assets as of the reporting date.

	RWAs		Minimum Capital Requirements
	31 Mar 2018	31 Dec 2017	31 Mar 2018
	HK\$'000	HK\$'000	HK\$'000
1 Credit risk for non-securitization exposures	141,665	127,975	11,333
2 - Of which STC approach	-	-	-
2a - Of which BSC approach	141,665	127,975	11,333
3 - Of which IRB approach	-	-	-
4 Counterparty credit risk	-	-	-
5 - Of which SA-CCR	-	-	-
5a - Of which CEM	-	-	-
6 - Of which IMM (CCR) approach	-	-	-
7 Equity positions in the banking book under the market-based approach	-	-	-
8 CIS exposures – LTA	-	-	-
9 CIS exposures – MBA	-	-	-
10 CIS exposures – FBA	-	-	-
11 Settlement risk	-	-	-
12 Securitization exposures in banking book	-	-	-
13 - Of which IRB(S) approach - ratings-based method	-	-	-
14 - Of which IRB(S) approach - supervisory formula method	-	-	-
15 - Of which STC(S) approach	-	-	-
16 Market risk	-	-	-
17 - Of which STM approach	-	-	-
18 - Of which IMM approach	-	-	-
19 Operational risk	70,113	68,350	5,609
20 - Of which BIA approach	70,113	68,350	5,609
21 - Of which STO approach	-	-	-
21a - Of which ASA approach	-	-	-
22 - Of which AMA approach	N/A	N/A	N/A
23 Amounts below the thresholds for deduction (subject to 250% RW)	-	-	-

Overview of RWAs - continued

	RWAs		Minimum Capital Requirements
	31 Mar 2018	31 Dec 2017	31 Mar 2018
	HK\$'000	HK\$'000	HK\$'000
24 Capital floor adjustment	-	-	-
24a Deduction to RWA	-	-	-
24b - Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	343	-	27
24c - Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	-	-	-
25 Total	211,435	196,325	16,915

During the first quarter of 2018, the Total Risk Weighted Assets (RWAs) had a net increase of HKD15.1 million which is attributed to movements in the loan portfolio by HKD16.3 million that increased RWAs and maturities of investments in debt securities that decreased RWAs.