

BPI INTERNATIONAL FINANCE LIMITED

**BANKING DISCLOSURE STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017
(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 to compute its market risk.

Key capital ratio

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

Table 1: Capital Ratio

The calculation of the capital adequacy ratio as at 30th June 2017 is based on the Banking (Capital) Rules ("BCR"). The capital adequacy ratio represent the consolidated ratio of the Company and BPI Remittance Centre (HK) Limited computed in accordance with section 3C(1) of the BCR.

		30 June 2017
	Footnotes	%
Common Equity Tier 1 ("CET1") capital ratio	1	98.00%
Tier 1 Capital Ratio	2	98.00%
Total Capital Ratio	3	98.82%
		HK\$'000
CET1 Capital		183,425
Tier 1 Capital		183,425
Total Capital		184,962
Total Risk-weighted assets		187,171

- 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 as at 30 June 2017.

	30 June 2017
	%
Table 2: Leverage Ratio	
	Footnotes
	1
	41.38%
<i>Capital and leverage ratio exposure measure</i>	HK\$'000
Tier 1 Capital	183,425
Total Exposure Measure	443,291

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

Capital requirements and RWAs

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

Table 3- OV1: Overview of RWAs

The following table provides an overview of the capital requirement in terms of detailed breakdown of RWAs for credit risk, market 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
	30 Jun 2017	31 Mar 2017	30 June 2017
	HK\$'000	HK\$'000	HK\$'000
1 Credit risk for non-securitisation exposures	122,983	121,753	9,839
2 - Of which STC approach	-	-	-
2a - Of which BSC approach	122,983	121,753	9,839
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	64,188	62,525	5,135
20 - Of which BIA approach	64,188	62,525	5,135
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
	30 Jun 2017	31 Mar 2017	30 June 2017
	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	-	-	-
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	187,171	184,278	14,974

During the 2nd quarter of 2017, the total Risk Weighted Assets (RWAs) increased by HKD 2.9M of which HKD 1M was due to additional placement made by the group and increased in RWAs for operational risk.

Table 4- CR1: Credit Quality of Exposures

The following table provides an overview of the credit quality of on- and off-balance sheet exposures as at 30 June 2017.

		(a)	(b)	(c)	(d)
		Gross carrying amounts of		Allowances / impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Loans	-	14,837	-	14,837
2	Debt securities	-	131,633	-	131,633
3	Off-balance sheet exposures	-	7,138	-	7,138
4	Total	-	153,608	-	153,608

Table 5- CR2: Changes in defaulted loans and debts securities

		(a)
		Amount
1	Defaulted loans and debt securities at end of the previous reporting period	-
2	Loans and debt securities that have defaulted since the last reporting period	-
3	Returned to non-defaulted status	-
4	Amounts written off	-
5	Other changes	-
6	Defaulted loans and debt securities at end of the current reporting period	-

The group does not have any defaulted loans and debt securities for the reporting period.

Table 6- CR3: Overview of recognized credit risk mitigation

The following table discloses the extent of credit risk exposures covered by different types of recognized CRM as at 30 June 2017.

		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
1	Loans	-	14,837	14,837	-	-
2	Debt securities	131,633	-	-	-	-
3	Total	131,633	14,837	14,837	-	-
4	Of which defaulted	-	-	-	-	-

Table 6- CR4: Credit risk exposures and effects of recognized credit risk mitigation (BSC approach)

The following table illustrates the effect of any recognized CRM on the calculation of capital requirements as at 30 June 2017.

		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Exposure classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures	41,557	-	41,557	-	17,104	3.86%
2	PSE exposures	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-
4	Bank exposures	367,300	-	367,300	-	76,693	17.33%
5	Cash items	4,534	-	4,534	-	-	-
6	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-
7	Residential mortgage loans	-	-	-	-	-	-
8	Other exposures	29,186	7,138	29,186	-	29,186	6.59%
9	Significant exposures to commercial entities	-	-	-	-	-	-
10	Total	442,577	7,138	442,577	-	122,983	27.78%

The group currently does not recognize collateral in calculating risk-weighted assets; hence, the exposures pre-CRM and post-CRM are equivalent.

Table 7- CR5: Credit risk exposures by asset classes and by risk weights (BSC Approach)

The following table presents the breakdown of credit risk exposures by asset classes and by risk weights as of 30 June 2017.

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	Risk Weight	0%	10%	20%	35%	50%	100%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
Exposure class										
1	Sovereign exposures	-	27,170	-	-	-	14,387	-	-	41,557
2	PSE exposures	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	363,260	-	-	4,040	-	-	367,300
5	Cash items	4,534	-	-	-	-	-	-	-	4,534
6	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-
7	Residential mortgage loans	-	-	-	-	-	-	-	-	-
8	Other exposures	-	-	-	-	-	29,186	-	-	29,186
9	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-
10	▫ Total	4,534	27,170	363,260	-	-	47,613	-	-	442,577

Table 8- CCR1: Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR (for derivative contracts)	-	-		-	-	-
1a	CEM	-	-		-	-	-
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					-	-
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	Total						-

The group has no derivative contracts and SFTs exposures for the reporting period.

Table 9- CCR5: Composition of collateral for counterparty default risk exposures

	(a)	(b)	(c)	(d)	(e)	(f)
	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency ¹	-	-	-	-	-	-
Cash - other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	-	-

The group has no collateral posted and recognized collateral received in the context of derivative contracts or SFTs.

Table 10- CCR6: Credit –related derivative contracts

	(a)	(b)
	Protection bought	Protection sold
Notional amounts		
Single-name credit default swaps	-	-
Index credit default swaps	-	-
Total return swaps	-	-
Credit-related options	-	-
Other credit-related derivative contracts	-	-
Total notional amounts	-	-
Fair values		
Positive fair value (asset)	-	-
Negative fair value (liability)	-	-

The group has no derivative contracts exposure for the reporting period.