

BPI INTERNATIONAL FINANCE LIMITED

**BANKING DISCLOSURE STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018
(UNAUDITED)**

Basis of Preparation

The key prudential ratios related to regulatory capital and buffers, leverage ratio and liquidity ratios of BPI International Finance Limited and BPI Remittance Centre (HK) Limited(“the group”) are calculated in accordance with the Banking (Capital) Rules (“BCR”) and Banking (Liquidity) Rules (“BLR”) respectively. The regulatory capital ratios represent the consolidated ratio of the group in accordance with section 3C(1) of the BCR . 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.

Table 1 - KM1: Key prudential ratios

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

		(a)	(b)	(c)	(d)	(e)
		30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
	Regulatory capital (amount)(HK\$'000)					
1	Common Equity Tier 1 (CET1)	188,914	187,623	187,349	186,953	183,425
2	Tier 1	188,914	187,623	187,349	186,953	183,425
3	Total capital	190,631	189,394	188,949	188,625	184,962
	RWA (amount)(HK\$'000)					
4	Total RWA	207,902	211,435	196,325	200,368	187,171
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	90.87%	88.74%	95.43%	93.30%	98.00%
6	Tier 1 ratio (%)	90.87%	88.74%	95.43%	93.30%	98.00%
7	Total capital ratio (%)	91.69%	89.58%	96.24%	94.14%	98.82%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	1.875%	1.875%	1.25%	1.25%	1.25%
9	Countercyclical capital buffer requirement (%)	0	0	0	0.15%	0.19%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	N/A	N/A	N/A	N/A	N/A
11	Total AI-specific CET1 buffer requirements (%)	1.875%	1.875%	1.25%	1.40%	1.44%
12	CET1 available after meeting the AI's minimum capital requirements (%)	77.94%	75.83%	82.49%	80.39%	85.07%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure (HK\$'000)	484,205	463,871	462,230	461,302	443,291
14	LR (%)	39.02%	40.45%	40.53%	40.53%	41.38%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					

		(a)	(b)	(c)	(d)	(e)
		30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
15	Total high quality liquid assets (HQLA)	N/A	N/A	N/A	N/A	N/A
16	Total net cash outflows	N/A	N/A	N/A	N/A	N/A
17	LCR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2 institution only:					
17a	LMR (%)	333.68%	349.25%	289.50%	260.54%	831.36%
Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)						
	Applicable to category 1 institution only:					
18	Total available stable funding	N/A	N/A	N/A	N/A	N/A
19	Total required stable funding	N/A	N/A	N/A	N/A	N/A
20	NSFR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

All figures in 2018 are presented in accordance with the Hong Kong Financial Reporting Standard 9 (“HKFRS 9”) while figures in 2017 are presented in accordance with the Hong Kong Accounting Standard 39 (“HKAS 39”).

The regulatory capital, RWA’s, regulatory capital ratios and additional CET 1 buffer requirements of the group are taken from the Return of Capital Adequacy Ratio submitted to HKMA on a consolidated basis. The movement in CCyb ratio was due to maturity of exposure with private sector in Hong Kong. Other private sector exposures are with China and Philippines, both country has no countercyclical buffer rate or the JCCyb was set at zero.

The Basel III Leverage ratio disclosures in 2018 are taken from the Return of Leverage Ratio submitted to HKMA under Part 1C of the BCR and the Leverage ratio disclosures in 2017 are taken from the Quarterly Template on Leverage Ratio submitted to HKMA.

The institution is categorized as category 2 institution thus Liquidity Coverage Ratio (“LCR”), Net Stable Funding Ratio (“NSFR”) and Core Funding Ratio (“CFR”) are not applicable.

The institution computes its Liquidity Maintenance Ratio (“LMR”) on a Hong Kong office basis as required under rule 10(1)(a) of the Banking Liquidity Rules.

In compare with last quarter, both average liquefiable assets and qualifying liabilities were decrease results in drops on the average LMR.

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 2 - 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.

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30 Jun 2018 HK\$'000	31 Mar 2018 HK\$'000	30 Jun 2018 HK\$'000
1	Credit risk for non-securitization exposures	137,384	141,665	10,991
2	Of which STC approach	-	-	-
2a	Of which BSC approach	137,384	141,665	10,991
3	Of which foundation IRB approach	-	-	-
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	-	-	-
7	Of which SA-CCR*	N/A	N/A	N/A
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	-	-	-
10	CVA risk	-	-	-
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA*	N/A	N/A	N/A
13	CIS exposures – MBA*	N/A	N/A	N/A
14	CIS exposures – FBA*	N/A	N/A	N/A
14a	CIS exposures – combination of approaches*	N/A	N/A	N/A
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	-	-	-
21	Of which STM approach	-	-	-
22	Of which IMM approach	-	-	-

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30 Jun 2018 HK\$'000	31 Mar 2018 HK\$'000	30 Jun 2018 HK\$'000
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)*	N/A	N/A	N/A
24	Operational risk	71,188	70,113	5,695
25	Amounts below the thresholds for deduction (subject to 250% RW)	-	-	-
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	670	343	54
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	670	343	54
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital			
27	Total	207,902	211,435	16,632

During the 2nd quarter of 2018, the total Risk Weighted Assets (RWA's) had a net decrease of HKD 3.5 million which is attributed to movements in the loan portfolio by HKD 12.1 million decreased in RWA's and additional placements and Nostro balances that increased in RWA's.

Table 3 – CC1: Composition of Regulatory Capital

The following table provides the breakdown of regulatory capital according to the scope of regulatory consolidation. The Group has already applied full capital deductions under the BCR. The Capital Disclosure shown below as at 30 June 2018.

		(a)	(b)
		Amount (HK\$ '000)	Cross-reference to Table 4 numbers/letters of the balance sheet under the regulatory scope of consolidation
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	75,000	[b]
2	Retained earnings	116,363	[c]
3	Disclosed reserves	(753)	[f]
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	CET1 capital before regulatory adjustments	190,610	
CET1 capital: regulatory deductions			
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liabilities)	-	
9	Other intangible assets (net of associated deferred tax liabilities)	-	
10	Deferred tax assets (net of associated deferred tax liabilities)	4	[a]
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
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)	-	

		(a)	(b)
		Amount (HK\$ '000)	Cross-reference to Table 4 numbers/letters of the balance sheet under the regulatory scope of consolidation
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)	-	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	1,692	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	-	
26b	Regulatory reserve for general banking risks	1,692	[d]
26c	Securitization exposures specified in a notice given by the MA	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	Total regulatory deductions to CET1 capital	1,696	[a]+[d]
29	CET1 capital	188,914	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
36	AT1 capital before regulatory deductions	-	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	

		(a)	(b)
		Amount (HK\$ '000)	Cross-reference to Table 4 numbers/letters of the balance sheet under the regulatory scope of consolidation
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	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	Total regulatory deductions to AT1 capital	-	
44	AT1 capital	-	
45	Tier 1 capital (T1 = CET1 + AT1)	188,914	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49	<i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,717	[e]
51	Tier 2 capital before regulatory deductions	1,717	
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 (net of eligible short positions)	-	
56	National specific regulatory adjustments applied to Tier 2 capital	-	
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	-	
57	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	1,717	
59	Total regulatory capital (TC = T1 + T2)	190,631	
60	Total RWA	207,902	

		(a)	(b)
		Amount (HK\$ '000)	Cross-reference to Table 4 numbers/letters of the balance sheet under the regulatory scope of consolidation
	Capital ratios (as a percentage of RWA)		
61	CET1 capital ratio	90.87%	
62	Tier 1 capital ratio	90.87%	
63	Total capital ratio	91.69%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	1.875%	
65	of which: capital conservation buffer requirement	1.875%	
66	of which: bank specific countercyclical capital buffer requirement	0%	
67	of which: higher loss absorbency requirement	N/A	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	77.94%	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant capital investments in CET1, AT1 and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	Not applicable	Not applicable
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	Not applicable	Not applicable
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	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 BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	2,387	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	1,717	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	Not applicable	Not applicable
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	Not applicable	Not applicable
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		

		(a)	(b)
		Amount (HK\$ '000)	Cross-reference to Table 4 numbers/letters of the balance sheet under the regulatory scope of consolidation
80	<i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	Not applicable	Not applicable
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	Not applicable
82	<i>Current cap on AT1 capital instruments subject to phase-out arrangements</i>	Not applicable	Not applicable
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	Not applicable
84	<i>Current cap on Tier 2 capital instruments subject to phase-out arrangements</i>	Not applicable	Not applicable
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	670	

Notes:

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

Row No.	Description	Hong Kong basis (HK\$ '000)	Basel III basis (HK\$'000)
10	Deferred tax assets net of deferred tax liabilities	4	-

Explanation

As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs that rely on future profitability of the bank to be realised 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 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.

The movement in the CET 1 capital was due to the profit generated by the group in 2017.

Table 4 – CC2: Reconciliation of Regulatory Capital to Balance Sheet

The table below shows the reconciliation of the capital components from the statement of financial position based on regulatory scope of consolidation to the regulatory capital in Table 3.

	(a)/(b)	(c)
	Balance sheet as in published financial statements/Under regulatory scope of consolidation as at 30 June 2018 HK\$'000	Cross-referenced to definition of Capital Components
Assets		
Cash and short-term funds	196,665	
Placements with banks and other financial institutions maturing between one and twelve months	164,009	
Financial assets designated at amortised cost	11,811	
Loans and advances to customers	21,706	
Prepayments, receivables and other assets	7,050	
Financial investments measured at fair value through other comprehensive income	80,790	
Property, plant and equipment	144	
Deferred tax assets	4	[a]
Total assets	482,179	
Liabilities		
Time deposits from customers	267,345	
Accruals, payables and other liabilities	23,605	
Tax payable	619	
Total liabilities	291,569	
Shareholders' equity		
Paid-in share capital	75,000	
of which: amount eligible for CET1	75,000	[b]
Retained earnings	116,363	[c]
of which: Regulatory Reserves for general banking risk	1,692	[d]
of which: Regulatory Reserve and collective provisions eligible for inclusion in Tier 2 capital	1,717	[e]
Accumulated other comprehensive income	(753)	[f]
Total shareholders' equity	190,610	

The carrying value as reported in published financial statements are the same with the value under the scope regulatory consolidation.

Table 5 – CCA: Main Features of Regulatory Capital Instruments

The table below provides a description on the main features of the CET 1 instruments as at 30 June 2018.

		(a)
		Quantitative / qualitative information
1	Issuer	BPI International Finance Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N.A.
3	Governing law(s) of the instrument	Hong Kong
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules ¹	N.A.
5	Post-transitional Basel III rules ²	Common Equity Tier 1
6	Eligible at solo / group / solo and group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK\$ 75 Million
9	Par value of instrument	N.A.
10	Accounting classification	Shareholders' equity
11	Original date of issuance	16 August 1974
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N.A.
16	Subsequent call dates, if applicable	N.A.
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend / coupon	Floating
18	Coupon rate and any related index	N.A.
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N.A.
25	If convertible, fully or partially	N.A.
26	If convertible, conversion rate	N.A.
27	If convertible, mandatory or optional conversion	N.A.
28	If convertible, specify instrument type convertible into	N.A.

¹ Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the BCR.

² Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR.

		(a)
		Quantitative / qualitative information
29	If convertible, specify issuer of instrument it converts into	N.A.
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N.A.
32	If write-down, full or partial	N.A.
33	If write-down, permanent or temporary	N.A.
34	If temporary write-down, description of write-up mechanism	N.A.
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	N.A.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N.A.

This Main Features of Regulatory Capital Instruments can be found in the Institution's internet website: www.bpi-ift.com.hk

Table 6 – CCyB1: Geographical Distribution of Credit Exposures used in Countercyclical Capital Buffer

The table below provides the group countercyclical capital buffer ratio computed as the aggregate risk-weighted amount ("RWA") of geographically allocated private sector credit exposures (to the extent allocated to jurisdictions on the "ultimate risk" basis) over the sum of RWA for each geographical allocated private sector credit exposures multiplied by its appropriate JCCyB ratio.

		(a)	(c)	(d)	(e)
	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect (%)	RWA used in computation of CCyB ratio (HK\$'000)	AI-specific CCyB ratio (%)	CCyB amount
1			-		
2			-		
3			-		
N+1	Sum		-		
N+2	Total		24,999	0%	0

The group has no credit exposure to private sectors with a non-zero countercyclical buffer ratio. N+2 column C represents the group RWAs for the private sector credit exposures in all jurisdictions with no countercyclical buffer rate or with countercyclical buffer rate set at zero.

Table 7 – LR1: Summary Comparison of Accounting Assets against Leverage Ratio Exposure Measure

The table below represents the reconciliation of the total assets in the published financial statements to the Leverage Ratio exposure measure as at 30 June 2018.

		(a)
	Item	Value under the LR framework (HK\$ '000)
1	Total consolidated assets as per published financial statements	482,179
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
4	Adjustments for derivative contracts	-
5	Adjustment for SFTs (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	3,718
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(695)
7	Other adjustments	(997)
8	Leverage ratio exposure measure	484,205

Other adjustments represents the regulatory provisions for general banking risk (net of specific and collective provisions that are allowed to be excluded from exposure measure) that are deducted in computing Tier 1 capital.

Table 8 – LR2: Leverage Ratio (“LR”)

The table below provides a detailed breakdown of the components of the Leverage ratio denominator as at 30 June 2018

		(a)	(b)
		HK\$ '000	
		30 Jun 2018	31 Mar 2018
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	482,874	460,500
2	Less: Asset amounts deducted in determining Tier 1 capital	1,692	1,692
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	481,182	458,808
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-
5	Add-on amounts for PFE associated with all derivative contracts	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	-	-
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	-	-
11	Total exposures arising from derivative contracts	-	-
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	-	-
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	37,184	54,853
18	Less: Adjustments for conversion to credit equivalent amounts	(33,466)	(49,368)
19	Off-balance sheet items	3,718	5,485
Capital and total exposures			
20	Tier 1 capital	188,914	187,623
20a	Total exposures before adjustments for specific and collective provisions	484,900	464,293
20b	Adjustments for specific and collective provisions	(695)	(422)
21	Total exposures after adjustments for specific and collective provisions	484,205	463,871
Leverage ratio			
22	Leverage ratio	39.02%	40.45%

Table 9- 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 2018.

		(a)	(b)	(c)	(d)
		Gross carrying amounts of		Allowances / Impairments (HK\$'000)	Net values (HK\$'000)
		Defaulted Exposures (HK\$'000)	Non-defaulted Exposures (HK\$'000)		
1	Loans	-	21,706	-	21,706
2	Debt securities	-	92,618	-	92,618
3	Off-balance sheet exposures	-	37,184	-	37,184
4	Total	-	151,508	-	151,508

Table 10- CR2: Changes in defaulted loans and debts securities

		(a)
		Amount (HK\$'000)
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 as at 30 June 2018.

Table 11- 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 2018.

		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured: carrying amount (HK\$'000)	Exposures to be secured (HK\$'000)	Exposures secured by recognized collateral (HK\$'000)	Exposures secured by recognized guarantees (HK\$'000)	Exposures secured by recognized credit derivative contracts (HK\$'000)
1	Loans	-	21,706	21,706	-	-
2	Debt securities	92,618	-	-	-	-
3	Total	92,618	21,706	21,706	-	-
4	Of which defaulted	-	-	-	-	-

Table 12- 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 2018.

		(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 (HK\$'000)	Off-balance sheet amount (HK\$'000)	On-balance sheet amount (HK\$'000)	Off-balance sheet amount (HK\$'000)	RWA (HK\$'000)	RWA density
1	Sovereign exposures	22,696	-	22,696	-	15,685	3.26%
2	PSE exposures	1,862	-	1,862	-	1,862	0.39%
3	Multilateral development bank exposures	-	-	-	-	-	-
4	Bank exposures	422,052	-	422,052	-	87,641	18.19%
5	Cash items	3,007	-	3,007	-	-	-
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	32,196	37,184	32,196	-	32,196	6.68%
9	Significant exposures to commercial entities	-	-	-	-	-	-
10	Total	481,813	37,184	481,813	-	137,384	28.52%

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

Table 13- 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 at 30 June 2018.

Exposure class	Risk Weight									Total credit risk exposures amount (post CCF and post CRM) (HK\$'000)
	(a) 0% (HK\$'000)	(b) 10% (HK\$'000)	(c) 20% (HK\$'000)	(d) 35% (HK\$'000)	(e) 50% (HK\$'000)	(f) 100% (HK\$'000)	(g) 250% (HK\$'000)	(h) Others (HK\$'000)	(i)	
1 Sovereign exposures	-	7,790	-	-	-	14,906	-	-	22,696	
2 PSE exposures	-	-	-	-	-	1,862	-	-	1,862	
3 Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	
4 Bank exposures	-	-	418,015	-	-	4,037	-	-	422,052	
5 Cash items	3,007	-	-	-	-	-	-	-	3,007	
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	37,184	-	-	-	-	32,196	-	-	69,380	
9 Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	
10 □ Total	40,191	7,790	418,015	-	-	53,001	-	-	518,997	

Table 14- CCR1: Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC) (HK\$'000)	PFE (HK\$'000)	Effective EPE (HK\$'000)	Alpha (α) used for computing default risk exposure (HK\$'000)	Default risk exposure after CRM (HK\$'000)	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 as at 30 June 2018.

Table 15- CCR2: CVA capital charge

		(a)	(b)
		EAD post CRM (HK\$'000)	RWA
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	-	-
1	(i) VaR (after application of multiplication factor if applicable)		-
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		-
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	-	-
4	Total	-	-

The Group has no exposures that are subject to CVA capital charge as at 30 June 2018.

Table 16- CCR3: Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for BSC approach

Exposure class	Risk Weight	(a)	(b)	(c)	(c)	(d)	(f)	(g)	(h)	(i)
		0% (HK\$'000)	10% (HK\$'000)	20% (HK\$'000)	35% (HK\$'000)	50% (HK\$'000)	100% (HK\$'000)	250%(H K\$'000)	Others (HK\$'000)	Total default risk exposure after CRM (HK\$'000)
1	Sovereign exposures	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	-	-	-	-	-	-	-
5	CIS exposures ²	-	-	-	-	-	-	-	-	-
6	Other exposures	-	-	-	-	-	-	-	-	-
7	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-
8	Total	-	-	-	-	-	-	-	-	-

The Group has no default risk exposures in respect of derivative contracts and SFT's as at 30 June 2018.

Table 17- 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 (HK\$'000)	Fair value of posted collateral (HK\$'000)
	Segregated (HK\$'000)	Unsegregated (HK\$'000)	Segregated (HK\$'000)	Unsegregated (HK\$'000)		
Cash - domestic currency	-	-	-	-	-	-
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 SFT's as at 30 June 2018.

Table 18- CCR6: Credit –related derivative contracts

	(a)	(b)
	Protection bought (HK\$'000)	Protection sold (HK\$'000)
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 as at 30 June 2018.

Table 19- CCR8: Exposures to CCPs

		(a)	(b)
		Exposure after CRM (HK\$'000)	RWA
1	Exposures of the AI as clearing member or client to qualifying CCPs (total)		-
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	-	-
3	(i) OTC derivative transactions	-	-
4	(ii) Exchange-traded derivative contracts	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets subject to valid cross-product netting agreements	-	-
7	Segregated initial margin	-	
8	Unsegregated initial margin	-	-
9	Funded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	Exposures of the AI as clearing member or client to non-qualifying CCPs (total)		-
12	Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	-	-
13	(i) OTC derivative transactions	-	-
14	(ii) Exchange-traded derivative contracts	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets subject to valid cross-product netting agreements	-	-
17	Segregated initial margin	-	-
18	Unsegregated initial margin	-	-
19	Funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

The Group has no exposures to products requiring CCP's as at 30 June 2018.

SEC1: Securitization exposures in banking book

SEC2: Securitization exposures in trading book

SEC3: Securitization exposures in banking book and associated capital requirements – where AI acts as originator

SEC4: Securitization exposures in banking book and associated capital requirements – where AI acts as investor

Above disclosure sections are not applicable to the Group for the reason that it has no securitization exposures.

MR1: Market risk under STM approach

MR2: RWA flow statements of market risk exposures under IMM approach

MR3: IMM approach values for market risk exposures

MR4: Comparison of VaR estimates with gains or losses

Above disclosure sections are not applicable to the Group for the reason that it is under Basic Approach (BSC).