

BPI INTERNATIONAL FINANCE LIMITED

**BANKING DISCLOSURE STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2019
(UNAUDITED)**

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Basis of Preparation

The key prudential ratios related to regulatory capital and buffers, leverage ratio and liquidity ratios of BPI International Finance Limited (the “Company”) are calculated in accordance with the Banking (Capital) Rules (“BCR”) and Banking (Liquidity) Rules (“BLR”), respectively.

These regulatory capital ratios represent the solo/combined ratio of the Company in accordance with section 3C(1) of the BCR. The Company uses the Basic Approach in calculating its credit risk of its non-securitization exposures and Basic Indicator Approach (“BIA”) in calculating its operational risk. The Company is exempted by the HKMA from computing its market risk.

Part I: Key prudential Ratios, Overview of Risk Management and RWA

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)
		31 Mar 2019	31 Dec 2018	30 Sep 2018	30 Jun 2018	31 Mar 2018
	Regulatory capital (amount)(HK\$'000)					
1	Common Equity Tier 1 (CET1)	158,689	163,049	167,435	155,272	155,220
2	Tier 1	158,689	163,049	167,435	155,272	155,220
3	Total capital	160,175	164,871	169,232	156,893	156,898
	RWA (amount)(HK\$'000)					
4	Total RWA	185,889	210,677	194,873	170,572	175,186
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	85.37%	77.39%	85.92%	91.03%	88.60%
6	Tier 1 ratio (%)	85.37%	77.39%	85.92%	91.03%	88.60%
7	Total capital ratio (%)	86.17%	78.26%	86.84%	91.98%	89.56%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.500%	1.875%	1.875%	1.875%	1.875%
9	Countercyclical capital buffer requirement (%)	0	0	0	0	0
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 (%)	2.500%	1.875%	1.875%	1.875%	1.875%
12	CET1 available after meeting the AI's minimum capital requirements (%)	72.42%	64.51%	73.09%	78.23%	75.81%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure (HK\$'000)	440,836	455,644	425,138	448,727	429,846
14	LR (%)	36.00%	35.78%	39.38%	34.60%	36.11%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					

		(a)	(b)	(c)	(d)	(e)
		31 Mar 2019	31 Dec 2018	30 Sep 2018	30 Jun 2018	31 Mar 2018
	Applicable to category 1 institution only:					
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 (%)	378.60%	403.64%	431.03%	333.68%	349.25%
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

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

The Company computes its Liquidity Maintenance Ratio (“LMR”) on a Hong Kong office basis as required under rule 10(1)(a) of the Banking Liquidity Rules. The Liquidity Maintenance Ratios are calculated based on the average value of the LMR for each calendar month as reported in the liquidity position return submitted to the Hong Kong Monetary Authority (“HKMA”).

The decrease in CET1, Tier 1 and Total Capital from last quarter was due to various expenses in the Q1 of 2019 compared to Q4 of 2018. The decrease in RWA in Q1 of 2019 was mainly due to maturity of various exposures which has higher risk ratings compared with the outstanding exposures which resulted to an increased in the Capital Ratio by 7.91% percentage points as compared to Q4 of 2018.

The decrease in the average LMR from the last quarter was mainly due to an increase in the Time Deposit falling within 1 month.

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
		31 Mar 2019 HK\$'000	31 Dec 2018 HK\$'000	31 Mar 2019 HK\$'000
1	Credit risk for non-securitization exposures	118,895	145,779	9,512
2	Of which STC approach	-	-	-
2a	Of which BSC approach	118,895	145,779	9,512
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 (including IAA)	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	-	-	-
21	Of which STM approach	-	-	-
22	Of which IMM approach	-	-	-
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

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		31 Mar 2019 HK\$'000	31 Dec 2018 HK\$'000	31 Mar 2019 HK\$'000
24	Operational risk	67,200	65,400	5,376
24a	Sovereign concentration risk*	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	-	-	-
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	206	502	17
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	206	502	17
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	185,889	210,677	14,871

The decrease in RWAs of HKD 24.79M was mainly due to the maturity of various exposures which has higher risk ratings than the existing exposures.

Part IIC: Leverage Ratio

Table 3 – LR2: Leverage Ratio (“LR”)

The table below provides a detailed breakdown of the components of the Leverage ratio denominator as at 31 March 2019.

		(a)	(b)
		HK\$ '000	
		31 Mar 2019	31 Dec 2018
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	437,887	457,083
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)	436,195	455,391
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	33,147	8,847
18	Less: Adjustments for conversion to credit equivalent amounts	(28,506)	(7,962)
19	Off-balance sheet items	4,641	885
Capital and total exposures			
20	Tier 1 capital	158,689	163,049
20a	Total exposures before adjustments for specific and collective provisions	440,836	456,276
20b	Adjustments for specific and collective provisions	-	(632)
21	Total exposures after adjustments for specific and collective provisions	440,836	455,644
Leverage ratio			
22	Leverage ratio	36.00%	35.78%

Part VI: Market Risk

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

MR2 section is not applicable to the Company for the reason that it is under Basic Approach (BSC).