

Regulatory Disclosures

30 June 2016



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Capital disclosures

Regulatory capital

		At 30 June 2016		
		Component of regulatory capital reported by bank HK\$'m	Amounts subject to pre-BaseI III treatment* HK\$'m	Cross reference to regulatory scope consolidated balance sheet
CET1 capital: instruments and reserves				
1	Directly issued qualifying CET1 capital instruments plus any related share premium	43,043		(5)
2	Retained earnings	133,160		(6)
3	Disclosed reserves	43,081		(8)+(9)+(10)+(11)
4	<i>Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)</i>	Not applicable		
	<i>Public sector capital injections grandfathered until 1 January 2018</i>	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)	733		(12)
6	CET1 capital before regulatory deductions	220,017		
CET1 capital: regulatory deductions				
7	Valuation adjustments	36		Not applicable
8	Goodwill (net of associated deferred tax liability)	0		
9	Other intangible assets (net of associated deferred tax liability)	0		
10	Deferred tax assets net of deferred tax liabilities	56		(2)
11	Cash flow hedge reserve	0		
12	Excess of total EL amount over total eligible provisions under the IRB approach	0		
13	Gain-on-sale arising from securitization transactions	0		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	208		(1)+(3)
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	0		
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	0		
17	Reciprocal cross-holdings in CET1 capital instruments	0		
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)	0		
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)	0		
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	54,915		
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	45,637		(7)+(8)
26b	Regulatory reserve for general banking risks	9,278		(10)
26c	Securitization exposures specified in a notice given by the Monetary Authority	0		
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	0		
26e	Capital shortfall of regulated non-bank subsidiaries	0		
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0		
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	0		
28	Total regulatory deductions to CET1 capital	55,215		
29	CET1 capital	164,802		

Capital disclosures

Regulatory capital (continued)

		At 30 June 2016		
		Component of regulatory capital reported by bank HK\$'m	Amounts subject to pre-Basel III treatment* HK\$'m	Cross reference to regulatory scope consolidated balance sheet
AT1 capital: instruments				
30	Qualifying AT1 capital instruments plus any related share premium	0		
31	of which: classified as equity under applicable accounting standards	0		
32	of which: classified as liabilities under applicable accounting standards	0		
33	<i>Capital instruments subject to phase out arrangements from AT1 capital</i>	0		
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	445		(13)+ [(14)*40%]
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>	277		(14)*40%
36	AT1 capital before regulatory deductions	445		
AT1 capital: regulatory deductions				
37	Investments in own AT1 capital instruments	0		
38	Reciprocal cross-holdings in AT1 capital instruments	0		
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)	0		
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0		
41	National specific regulatory adjustments applied to AT1 capital	0		
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	0		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	0		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	0		
iii	of which: Investments in own CET1 capital instruments	0		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	0		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0		
vi	of which: 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	0		
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	0		
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	0		
43	Total regulatory deductions to AT1 capital	0		
44	AT1 capital	445		
45	Tier 1 capital (Tier 1 = CET1 + AT1)	165,247		
Tier 2 capital: instruments and provisions				
46	Qualifying Tier 2 capital instruments plus any related share premium	0		
47	<i>Capital instruments subject to phase out arrangements from Tier 2 capital</i>	15,435		(4)
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)	224		(15)
49	<i>of which: capital instruments issued by subsidiaries subject to phase out arrangements</i>	0		
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	5,150		Not applicable
51	Tier 2 capital before regulatory deductions	20,809		

Capital disclosures

Regulatory capital (continued)

		At 30 June 2016		
		Component of regulatory capital reported by bank HK\$m	Amounts subject to pre-Basel III treatment* HK\$m	Cross reference to regulatory scope consolidated balance sheet
Tier 2 capital: regulatory deductions				
52	Investments in own Tier 2 capital instruments	0		
53	Reciprocal cross-holdings in Tier 2 capital instruments	0		
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)	0		
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0		
56	National specific regulatory adjustments applied to Tier 2 capital	(20,537)		
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	(20,537)		[(7)+(8)] *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	0		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	0		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	0		
iii	of which: Investments in own CET1 capital instruments	0		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	0		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0		
vi	of which: 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	0		
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	0		
57	Total regulatory deductions to Tier 2 capital	(20,537)		
58	Tier 2 capital	41,346		
59	Total capital (Total capital = Tier 1 + Tier 2)	206,593		

Capital disclosures

Regulatory capital (continued)

		At 30 June 2016	
		Component of regulatory capital reported by bank HK\$m	Amounts subject to pre-BaseI III treatment* HK\$m
59a	Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-BaseI III treatment	0	
i	of which: Mortgage servicing rights	0	
ii	of which: Defined benefit pension fund net assets	0	
iii	of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments	0	
iv	of which: Capital investment in a connected company which is a commercial entity	0	
v	of which: 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	0	
vi	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	0	
60	Total risk weighted assets	886,811	
Capital ratios (as a percentage of risk weighted assets)			
61	CET1 capital ratio	18.58%	
62	Tier 1 capital ratio	18.63%	
63	Total capital ratio	23.30%	
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)	5.991%	
65	of which: capital conservation buffer requirement	0.625%	
66	of which: bank specific countercyclical buffer requirement	0.491%	
67	of which: G-SIB or D-SIB buffer requirement	0.375%	
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	12.63%	
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	773	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	3,037	
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 standardized (credit risk) approach (prior to application of cap)	586	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	500	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	7,504	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	4,650	
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	0	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	0	
84	Current cap on Tier 2 capital instruments subject to phase out arrangements	15,626	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	0	

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

Capital disclosures

Regulatory capital (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	Hong Kong basis HK\$m	Basel III basis HK\$m
9	Other intangible assets (net of associated deferred tax liability)	0	0
	<p><u>Explanation</u></p> <p>As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights (MSRs) 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 follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 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 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs 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 or other credit exposures to connected companies) under Basel III.</p>		
10	Deferred tax assets net of deferred tax liabilities	56	0
	<p><u>Explanation</u></p> <p>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 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.</p> <p>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.</p>		
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)	0	0
	<p><u>Explanation</u></p> <p>For the purpose of determining the total amount of insignificant 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.</p> <p>Therefore, the amount to be deducted as reported in row 18 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 18 (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.</p>		

Capital disclosures

Regulatory capital (continued)

Row No.	Description	Hong Kong basis HK\$'m	Basel III basis HK\$'m
19	<p>Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</p> <p><u>Explanation</u> 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.</p> <p>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.</p>	0	0
39	<p>Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</p> <p><u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant capital investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 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 39 (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.</p>	0	0
54	<p>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)</p> <p><u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant capital investments in Tier 2 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 54 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 54 (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.</p>	0	0
<p>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.</p>			

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

Capital disclosures

Regulatory capital (continued)

Reconciliation of regulatory scope consolidated balance sheet to capital components

	At 30 June 2016		Cross reference to definition of capital components
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	
	HK\$m	HK\$m	
ASSETS			
Cash and balances with banks and other financial institutions	362,459	362,290	
Placements with banks and other financial institutions maturing between one and twelve months	63,980	63,644	
Financial assets at fair value through profit or loss	44,885	44,805	
Derivative financial instruments	44,044	44,044	
- of which: debit valuation adjustments in respect of derivative contracts		87	(1)
Hong Kong SAR Government certificates of indebtedness	108,570	108,570	
Advances and other accounts	1,013,976	1,013,976	
Investment in securities	515,723	515,720	
Interests in subsidiaries	-	623	
Interests in associates and a joint venture	416	416	
Investment properties	16,051	16,125	
Properties, plant and equipment	48,654	48,200	
Deferred tax assets	56	56	(2)
Other assets	43,073	42,994	
Total assets	2,261,887	2,261,463	
LIABILITIES			
Hong Kong SAR currency notes in circulation	108,570	108,570	
Deposits and balances from banks and other financial institutions	299,544	299,544	
Financial liabilities at fair value through profit or loss	13,868	13,868	
Derivative financial instruments	50,410	50,410	
- of which: debit valuation adjustments in respect of derivative contracts		(121)	(3)
Deposits from customers	1,475,395	1,475,914	
Debt securities and certificates of deposit in issue	8,649	8,649	
Other accounts and provisions	53,745	53,688	
Current tax liabilities	3,773	3,747	
Deferred tax liabilities	6,265	6,105	
Subordinated liabilities	19,754	19,754	
- of which: eligible for inclusion in regulatory capital subject to phase out arrangements		15,435	(4)
Total liabilities	2,039,973	2,040,249	

Capital disclosures

Regulatory capital (continued)

Reconciliation of regulatory scope consolidated balance sheet to capital components (continued)

	At 30 June 2016		Cross reference to definition of capital components
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	
	HK\$m	HK\$m	
EQUITY			
Share capital	43,043	43,043	(5)
Reserves	176,661	176,241	
- Retained earnings	132,640	133,160	(6)
- of which: cumulative fair value gains arising from the revaluation of investment properties		11,404	(7)
- Premises revaluation reserve	35,172	34,233	(8)
- Reserve for fair value changes of available-for-sale securities	(425)	(420)	(9)
- Regulatory reserve	9,278	9,278	(10)
- Translation reserve	(4)	(10)	(11)
Capital and reserves attributable to the equity holders of the Bank	219,704	219,284	
Non-controlling interests	2,210	1,930	
- of which: portion eligible for inclusion in CET1 capital		733	(12)
- of which: portion eligible for inclusion in AT 1 capital		168	(13)
- of which: portion eligible for inclusion in AT 1 capital subject to phase out arrangements		692	(14)
- of which: portion eligible for inclusion in Tier 2 capital		224	(15)
Total equity	221,914	221,214	
Total liabilities and equity	2,261,887	2,261,463	

Capital disclosures

Capital instruments

Main features of issued capital instruments		CET1 Capital Ordinary shares	Tier 2 Capital Subordinated notes
1	Issuer	Bank of China (Hong Kong) Limited	Bank of China (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable	Rule 144A: CUSIP - 061199AA3 ISIN - US061199AA35 Regulation S: CUSIP - Y1391CAJ0 ISIN - USY1391CAJ00
3	Governing law(s) of the instrument	Hong Kong law	New York law (other than the provisions of the indenture relating to subordination, which are governed by Hong Kong law)
<i>Regulatory treatment</i>			
4	Transitional Basel III rules [#]	Not applicable	Tier 2
5	Post-transitional Basel III rules ⁺	Common Equity Tier 1	Ineligible
6	Eligible at solo*/group/group & solo	Solo and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Other Tier 2 instruments
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK\$43,043m (as of 30 June 2016)	HK\$15,435m (as of 30 June 2016)
9	Par value of instrument	No par value (refer to Note 1 for details)	USD2,500m in total
10	Accounting classification	Shareholders' equity	Liability - amortized cost
11	Original date of issuance	1 Oct 2001 (refer to Note 2 for details)	11 Feb 2010
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	11 Feb 2020 (unless previously redeemed or purchased and cancelled with the prior written approval of the HKMA)
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	Not applicable	Early redemption for tax reasons; purchases of Notes by the issuer (please refer to "Description of the Notes" in Offering Memorandum dated 12 April 2010 for further details on call dates and redemption amounts)
16	Subsequent call dates, if applicable	Not applicable	Ditto
<i>Coupons / dividends</i>			
17	Fixed or floating dividend/coupon	Floating	Fixed
18	Coupon rate and any related index	Not applicable	5.55%
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable
30	Write-down feature	No	No
31	If write-down, write-down trigger(s)	Not applicable	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable

Capital disclosures

Capital instruments (continued)

		CET1 Capital Ordinary shares	Tier 2 Capital Subordinated notes
Main features of issued capital instruments			
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated notes mentioned in the second column of this main features table	Upon the occurrence of a Subordination Event (Refer to Note 3 for details), subordinated to the claims of depositors and all other unsubordinated creditors of the issuer
36	Non-compliant transitioned features	No	Yes
37	If yes, specify non-compliant features	Not applicable	Does not contain provision to be written down, or converted into ordinary shares, at the point of non-viability
Full terms and conditions of issued capital instruments		Click here to download	Click here to download

Footnote:

[#] Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

⁺ Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

^{*} Include solo-consolidated

Note 1: Pursuant to the Hong Kong Companies Ordinance (Chapter 622) which has commenced operation on 3 March 2014, all shares issued by a company incorporated in Hong Kong before, on and after that commencement date shall have no par value and the relevant concept of authorised share capital is abolished.

Note 2:

- The authorised share capital of Bank of China (Hong Kong) Limited (“BOCHK”), comprising 4 million ordinary shares of HK\$100 each, was subdivided into 400 million ordinary shares of HK\$1 each pursuant to shareholders written resolution of BOCHK passed on 3 Sep 2001.
- On 30 Sep 2001, 400 million shares in the capital of BOCHK were transferred from Bank of China Limited to BOC Hong Kong (Holdings) Limited (“BOCHK Holdings”) pursuant to Supplemental Merger Agreement.
- BOCHK then issued a total of 42,642,840,858 ordinary shares at par value of HK\$1 each to BOCHK Holdings on 1 Oct 2001. Hence, the total issued and paid-up share capital of BOCHK was HK\$43,042,840,858 since 2001.
- The concepts of par value for shares and authorised share capital have been abolished following the commencement of the Hong Kong Companies Ordinance (Chapter 622) as mentioned in Note 1.

Note 3: “Subordination Event” shall occur if an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution or similar proceeding of the issuer in Hong Kong (except for the purposes of a reconstruction, amalgamation or reorganization, the terms of which have previously been approved by a resolution of the noteholders passed at a meeting duly convened and held in accordance with the indenture by a majority of at least 66 $\frac{2}{3}$ % of the votes cast).

Capital disclosures

Countercyclical capital buffer (“CCyB”) ratio

Geographical breakdown of risk-weighted amounts (RWA) in relation to private sector credit exposures

Jurisdiction		At 30 June 2016			
		Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio	CCyB ratio	CCyB amount
		%	HK\$m	%	HK\$m
1	Hong Kong SAR	0.625%	429,501		
2	China	0.000%	57,704		
3	Australia	0.000%	1,701		
4	Belgium	0.000%	36		
5	Bermuda	0.000%	826		
6	Canada	0.000%	114		
7	Cayman Islands	0.000%	3,465		
8	Chinese Taipei	0.000%	4,078		
9	France	0.000%	1,167		
10	Germany	0.000%	509		
11	India	0.000%	24		
12	Indonesia	0.000%	284		
13	Ireland	0.000%	263		
14	Japan	0.000%	441		
15	Macau SAR	0.000%	860		
16	Malaysia	0.000%	871		
17	Netherlands	0.000%	129		
18	Norway	1.500%	13		
19	Panama	0.000%	4,038		
20	Philippines	0.000%	94		
21	Singapore	0.000%	11,057		
22	South Korea	0.000%	1,080		
23	Switzerland	0.000%	347		
24	Thailand	0.000%	2,656		
25	United Kingdom	0.000%	2,460		
26	United States	0.000%	14,307		
27	West Indies UK	0.000%	9,107		
Total			547,132	0.491%	2,685

Leverage ratio disclosures

Leverage ratio

		At 30 June 2016
		HK\$m
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	2,109,010
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(55,093)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	2,053,917
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	22,423
5	Add-on amounts for PFE associated with all derivatives transactions	22,128
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	(4,413)
8	Less: Exempted CCP leg of client-cleared trade exposures	0
9	Adjusted effective notional amount of written credit derivatives	0
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives	0
11	Total derivative exposures	40,138
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	2,498
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	0
14	CCR exposure for SFT assets	0
15	Agent transaction exposures	0
16	Total securities financing transaction exposures	2,498
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	554,542
18	Less: Adjustments for conversion to credit equivalent amounts	(442,794)
19	Off-balance sheet items	111,748
Capital and total exposures		
20	Tier 1 capital	165,247
21	Total exposures	2,208,301
Leverage ratio		
22	Basel III leverage ratio	7.48%

Summary comparison table

		At 30 June 2016
		HK\$m
1	Total consolidated assets as per published financial statements	2,261,887
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(424)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0
4	Adjustments for derivative financial instruments	(3,906)
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	111,748
7	Other adjustments	(161,004)
	<i>of which: Hong Kong SAR Government certificates of indebtedness</i>	<i>(108,570)</i>
8	Leverage ratio exposure	2,208,301

Liquidity information disclosures

Liquidity coverage ratio

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this table	For the quarter ended 30 June 2016: 74 data points		For the quarter ended 31 March 2016: 71 data points	
	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
	HK\$m	HK\$m	HK\$m	HK\$m
Basis of disclosure: consolidated				
A. HIGH QUALITY LIQUID ASSETS				
1 Total high quality liquid assets (HQLA)		413,966		483,393
B. CASH OUTFLOWS				
2 Retail deposits and small business funding, of which:	767,654	55,461	758,444	55,216
3 <i>Stable retail deposits and stable small business funding</i>	267,114	13,356	263,006	13,150
4 <i>Less stable retail deposits and less stable small business funding</i>	335,412	33,541	335,384	33,538
5 <i>Retail term deposits and small business term funding</i>	165,128	8,564	160,054	8,528
6 Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	819,280	395,082	869,613	426,041
7 <i>Operational deposits</i>	262,856	63,672	242,268	57,696
8 <i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>	555,524	330,510	627,310	368,310
9 <i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>	900	900	35	35
10 Secured funding transactions (including securities swap transactions)		7,289		2,137
11 Additional requirements, of which:	321,165	62,417	346,458	67,909
12 <i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collaterals requirements</i>	32,562	32,562	32,669	32,669
13 <i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	0	0	0	0
14 <i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	288,603	29,855	313,789	35,240
15 Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	41,310	41,310	39,453	39,453
16 Other contingent funding obligations (whether contractual or non-contractual)	329,962	5,338	355,651	6,284
17 TOTAL CASH OUTFLOWS		566,897		597,040
C. CASH INFLOWS				
18 Secured lending transactions (including securities swap transactions)	1,209	1,167	645	523
19 Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions	193,178	145,496	165,580	117,935
20 Other cash inflows	42,366	42,011	50,139	49,652
21 TOTAL CASH INFLOWS	236,753	188,674	216,364	168,110
D. LIQUIDITY COVERAGE RATIO				
22 TOTAL HQLA		413,966		483,393
23 TOTAL NET CASH OUTFLOWS		378,223		428,930
24 LCR (%)		109.70%		112.92%

Liquidity information disclosures

Liquidity coverage ratio (continued)

Notes:

- The weighted amount of HQLA is to be calculated as the amount after applying the haircuts as required under the Banking (Liquidity) Rules.
- The unweighted amounts of cash inflows and cash outflows are to be calculated as the principal amounts in the calculation of the LCR as required under the Banking (Liquidity) Rules.
- The weighted amounts of cash inflows and cash outflows are to be calculated as the amounts after applying the inflow and outflow rates as required under the Banking (Liquidity) Rules.
- The adjusted value of total HQLA and the total net cash outflows have taken into account any applicable ceiling as required under the Banking (Liquidity) Rules.

In first half of 2016, the Group has maintained a healthy liquidity position, the LCR remained stable and there was no material change throughout the period. The average LCR of the first and second quarter were 112.92% and 109.70% respectively. The average HKD level 1 HQLA to HKD net cash outflow ratio of first half of 2016 was 41%, well above the regulatory requirement of 20%. The ratios have maintained at stable and healthy levels.

The HQLA consists of cash, balances at central banks and high quality marketable securities issued or guaranteed by sovereigns, central banks, public sector entities or multilateral development banks and non-financial corporate debt securities. In the first half of 2016, the majority of the HQLA was composed of Level 1 HQLA.

The net cash outflow was mainly from retail and corporate customer deposit which are the Group's primary source of funds, together with deposit and balance from bank and other financial institution. To ensure stable, sufficient and diversified source of funds, the Group actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market or by issuing debts in the capital market. Other cash outflow, such as commitment, cash outflow under derivative contract and potential collateral requirement, were minimal to the LCR.

Majority of the Group's customer deposits are denominated in HKD, USD and RMB. As the supply of HKD denominated HQLA in the market is relatively limited, the Group swaps surplus HKD funding into USD and other foreign currencies, part of funding are deployed to investment in HQLA.