HONG KONG MONETARY AUTHORITY
香港金融管理局

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19 August 2013

The Chief Executive
All locally incorporated authorized institutions

Dear Sir/Madam,

Basel III Implementation – Standard Templates for Disclosures in Relation to Regulatory Capital

I am writing to inform you that, following consultation with the two industry associations, the HKMA is issuing the final version of the standard templates (including associated explanatory text) to be used by locally incorporated authorized institutions for the purpose of making disclosure in relation to their capital base under the Banking (Disclosure) (Amendment) Rules 2013 ("BDAR 2013"). A copy is enclosed for your reference.

Please ensure that your institution uses these standard templates to meet the disclosure obligations required by subsections (1)(a), (b), (c), (e) and (f) of section 24 and section 45 respectively of BDAR 2013 for making interim and annual financial disclosures relating to a balance sheet date on or after 30 June 2013.

The standard templates, in both English and Chinese (except for the illustrative example on reconciliation which is available only in English) can be accessed through the "Basel III" icon on the HKMA's public (http://www.hkma.gov.hk) or through the private website (http://www.stet.iclnet.hk/index.htm).

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Should you have any questions regarding the templates, please feel free to contact Miss Theresa Kwan on 2878-1093 or Mr Raymond Tsui on 2878-1623.

Yours faithfully,

Karen Kemp
Executive Director (Banking Policy)

Encl.

c.c. The Chairman, The Hong Kong Association of Banks
The Chairman, The DTC Association
FSTB (Attn. Mr Jackie Liu)

Basel III Implementation –

Standard Templates for Disclosures in Relation to Regulatory Capital

1. Introduction

1.1 The Banking (Disclosure) (Amendment) Rules 2013 ("BDAR 2013"), which came into operation from 30 June 2013, amend the Banking (Disclosure) Rules ("BDR") (Cap 155M) to implement the disclosure requirements set out in the text of the Basel standard on the *Composition of capital disclosure requirements* ("Basel disclosure standard") released by the Basel Committee on Banking Supervision in June 2012.

1.2 To give effect to the Basel disclosure standard, which is designed to enhance the consistency and comparability of disclosures made by banks across jurisdictions, section 6(1)(ab) of the BDR[1] empowers the Monetary Authority ("MA") to specify the format, and the standard disclosure templates, to be used by an authorized institution ("AI") in presenting the information required to be disclosed under the BDR.

1.3 Section 24(2) and section 45(2) of the BDR provide that, for the purposes of making interim and annual financial disclosures, an AI must make the disclosures required by subsections (1)(a), (b), (c), (e) and (f) of section 24 and section 45 respectively by using the standard disclosure templates specified by the MA.

2. Purpose

2.1 This is to specify the format of the standard disclosure templates which the HKMA requires an AI to adopt for the purposes of the BDR. The standard disclosure templates are substantially similar to those set out in the Basel disclosure standard.

[1] Unless otherwise specified, section references used in this paper are to those of the BDR as amended by the BDAR 2013.

3. Application

3.1 The standard templates will be required to be used by all locally incorporated AIs, except those that are able to meet the exemption criteria outlined in section 3(7) or section 3(8) of the BDR, as the case requires.

3.2 AIs will be required to use the templates, in the manner described below, from the date of the publication of their first set of financial statements relating to a balance sheet date on or after 30 June 2013.

4. Capital Disclosures Template

4.1 Set out at Annex 1 is the "Capital Disclosures Template" (together with an Explanatory Note for its application) that an AI is required to use for making disclosures on the elements of its regulatory capital specified in subsections (1)(a), (b), (e) and (f) of section 24 and section 45 of the BDR under either of the following circumstances:

(i) where the AI is making disclosures relating to a balance sheet date on or after 1 January 2018 when the phase-in period for capital deductions has ended, or

(ii) where the disclosures the AI is making in relation to any balance sheet date prior to 1 January 2018 already reflect full capital deductions (i.e. the AI has fully phased-in capital deductions within a shorter period than the transition period permitted under section 3 of Schedule 4H of the BCR), in which case the AI must disclose clearly that it is using this template because it has already applied full capital deductions under the BCR.

4.2 Any AI making disclosures on the basis of full capital deduction in either of the above circumstances will not be required to make disclosures under the "Transition Disclosures Template" described in the next section.

5. Transition Disclosures Template

5.1 Until such time as an AI can make disclosures in relation to a balance sheet date on which it has fully phased in the capital deductions in the BCR, it is required to make disclosures on the breakdown of its regulatory capital using the "Transition Disclosures

Template" included (together with an Explanatory Note for its application) at Annex 2.

5.2 As its name suggests, the template should be used by an AI to make disclosures during the transition period only. It will be replaced by the "Capital Disclosures Template" once the transitional period for introducing regulatory capital deductions is over. Accordingly, unless an AI elects to phase-in the capital deductions required under the BCR in advance of the timeline in the BCR, it should use the Transition Disclosures Template for all reporting periods relating to a balance sheet date on or after 30 June 2013 until the phase-in of regulatory capital deductions under the BCR ends on 1 January 2018.

6. Main Features Template

6.1 Under sections 24(1)(c) and 45(1)(c) of the BDR, an AI must describe in its disclosures the main features of the Common Equity Tier 1, Additional Tier 1 and Tier 2 capital instruments which it has issued. The "Main Features Template" set out at Annex 3 is prescribed by the HKMA for this purpose. The template sets out the minimum level of summary information that an AI must disclose in respect of each regulatory capital instrument issued. Where necessary, an AI should expand the template in order to cover any key features of an instrument that are not already included in the template, by inserting sub-rows under existing rows or additional rows under the last row (i.e. without affecting the original row numbers of the template).

6.2 To provide an overview of its capital structure, an AI should complete the template covering all outstanding capital instruments as of 30 June 2013 and subsequent issues made thereafter. The template must therefore include disclosures relating to capital instruments which are subject to the transitional arrangements. An AI should also report each capital instrument (including ordinary shares) in a separate column of the template, such that the completed template will provide a "Main Features Report" that summarises all of the regulatory capital instruments of the AI.

6.3 According to section 24(6) (and similarly section 45(6)) of the BDR, an AI must update the information included in the template as soon as practicable. An AI must ensure that the template is updated and made publicly available whenever a capital instrument is issued or repaid and whenever there is any redemption, conversion/write-down or other material change in the nature of an existing capital instrument.

7. Balance Sheet Reconciliation

7.1 For the purposes of meeting the disclosure requirement specified in section 24(1)(b) and section 45(1)(b) of the BDR, an AI is required to disclose a full reconciliation of all capital components to its audited financial statements based on a "3-step approach" to show the link between the balance sheet in the published financial statements and the numbers which are used in the Capital Disclosures Template or the Transition Disclosures Template (whichever is applicable). The HKMA recommends that the three steps be reflected in an AI's disclosures in the manner summarised below and as further explained and illustrated at Annex 4.

Step 1: An AI should disclose the reported balance sheet under the regulatory scope of consolidation. If, however, the scope of regulatory consolidation and that of accounting consolidation of an AI are identical, it will not be required to undertake this step. Instead, it should disclose this fact and move to Step 2.

Step 2: An AI should expand the rows in relation to the balance sheet under the regulatory scope of consolidation to display all components which are included in the Capital Disclosures Template or Transition Disclosures Template (whichever is applicable).

Step 3: Finally, an AI should map each of the components that are disclosed in Step 2 to the Capital Disclosures Template or Transition Disclosures Template (whichever is applicable) by inserting a cross-reference for each row item.

8. Medium of disclosure

8.1 Under sections 24(3) and 45(3) of the BDR, an AI must include the standard disclosure templates in the interim or annual financial statements which it publishes or, alternatively, the interim or annual financial statements must include a direct link to the relevant sections of the AI's website where the full set of completed standard disclosure templates can be found. In this regard, an AI will be required to maintain a "Regulatory Disclosures" section on its website where all the information relating to the disclosure of regulatory capital will be housed. The direct link to this page must be prominently displayed on the home page of an AI's website such that capital related disclosures will be easily available to market participants. In cases where disclosure requirements have been met through publicly available regulatory reports, the Regulatory Disclosures section of an AI's website will have to provide specific links to these reports.

Annex 1

Capital Disclosures Template

	CET1 capital: instruments and reserves	
1	Directly issued qualifying CET1 capital instruments plus any related share premium	0
2	Retained earnings	0
3	Disclosed reserves	0
4	*Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)*	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)	0
6	**CET1 capital before regulatory deductions**	0
	CET1 capital: regulatory deductions	
7	Valuation adjustments	0
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	0
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	0
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	0
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	0
26b	Regulatory reserve for general banking risks	0
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**	0
29	**CET1 capital**	0
	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	*Capital instruments subject to phase out arrangements from AT1 capital*	0
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	0

35	*of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements*	0
36	**AT1 capital before regulatory deductions**	0
	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
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**	0
45	**Tier 1 capital (Tier 1 = CET1 + AT1)**	0
	Tier 2 capital: instruments and provisions	
46	Qualifying Tier 2 capital instruments plus any related share premium	0
47	*Capital instruments subject to phase out arrangements from Tier 2 capital*	0
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)	0
49	*of which: capital instruments issued by subsidiaries subject to phase out arrangements*	0
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	0
51	**Tier 2 capital before regulatory deductions**	0
	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	0
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	0
57	**Total regulatory deductions to Tier 2 capital**	0
58	**Tier 2 capital**	
59	**Total capital (Total capital = Tier 1 + Tier 2)**	0
60	**Total risk weighted assets**	0
	Capital ratios (as a percentage of risk weighted assets)	
61	CET1 capital ratio	#DIV/0!
62	Tier 1 capital ratio	#DIV/0!
63	Total capital ratio	#DIV/0!
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3B of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	0.00%
65	*of which: capital conservation buffer requirement*	0.00%
66	*of which: bank specific countercyclical buffer requirement*	0.00%
67	*of which: G-SIB or D-SIB buffer requirement*	0.00%
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.3B of the BCR	0.00%
	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	0

73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0
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)	0
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	0
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	0
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	0
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	
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*	0
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	0

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	Basel III basis
9	**Other intangible assets (net of associated deferred tax liability)**	0	0
	Explanation 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.		
10	**Deferred tax assets net of deferred tax liabilities**	0	0
	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 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. 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.		
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
	Explanation 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.		

	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.		
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	0
	<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. 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.		
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	0
	<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.		
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	0
	<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.		
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.			

<u>Abbreviations</u>:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

Capital Disclosures Template – Explanatory Note

1. To facilitate international comparison, an authorized institution ("AI"), in making disclosures based on this template, must reproduce all rows (i.e. from number 1 to number 85) except for the subdivisions of rows under row numbers 26, 41 and 56 (e.g. 26a, 26b, 26c etc) where the AI may select or insert rows to include items that are applicable to it. Where the item described in any particular row is not applicable to an AI (e.g. because the AI does not have the item or the item is not applicable to Hong Kong), the AI must still retain the row and include an indication that the item is not applicable in its disclosures.

2. Certain emphases are incorporated in the presentation of the template to better explain its structure:

   (i) Rows with item titles in italics are rows that will be deleted after all the ineligible capital instruments have been fully phased out (i.e. from 1 January 2022 onwards[1]).

   (ii) Shaded rows with borders indicate as follows:

   - A row shaded dark grey introduces a new section which provides details of a certain component of regulatory capital.

   - A row shaded light grey, with no thick border, represents the sum of cells in the relevant section above it.

   - A row shaded light grey, with a thick border, indicates a key component of regulatory capital and the regulatory capital ratios.

   - A row shaded yellow represents an item that is not applicable to Hong Kong.

3. The table below provides a detailed explanation of the item in each row of the template. Where appropriate, references to relevant sections of the Banking (Capital) Rules ("BCR") are also included for ease of reference.

[1] According to paragraph 94(g) of the Basel III text, recognition of capital instruments that no longer qualify as non-common equity Tier 1 capital or Tier 2 capital will be capped at 90% of the notional amount of such instruments outstanding on 1 January 2013, with the cap reducing by 10% in each subsequent year (i.e. until 1 January 2022).

Row number	**Explanatory note**
1	Instruments issued by an AI that meet all the qualifying criteria for Common Equity Tier 1 ("CET1") capital as set out in Schedule 4A of the BCR. This should be equal to the sum of ordinary shares (and any related share premium) and other capital instruments (in the case of non-joint stock companies) which meet the qualifying criteria. This item should be net of treasury stock and other investments in own shares to the extent that such investments are already derecognized on the balance sheet under the relevant accounting standards. Other paid-in capital elements must be excluded. All minority interests must be excluded.
2	Retained earnings, prior to all regulatory deductions, in accordance with section 38(1)(c) of the BCR. This row should include an AI's unaudited profit or loss for the current financial year and profit or loss of the immediately preceding financial year pending audit completion. Dividends are to be removed in accordance with the applicable accounting standards, i.e. they should be removed from this row when they are removed from the balance sheet of the AI.
3	Disclosed reserves (including accumulated other comprehensive income), prior to all regulatory deductions.
4	Directly issued capital instruments subject to phase out from CET1. This row is only applicable to non-joint stock companies which are not relevant in the case of Hong Kong.
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties. Only the amount that is eligible for inclusion in the CET1 capital of the consolidation group should be reported here, as determined by the application of Schedule 4D of the BCR.
6	Sum of rows 1 to 5.
7	Prudential valuation adjustments according to the requirements of section 43(1)(g) of the BCR and paragraph 4.5 of the Supervisory Policy Manual module on "Financial Instrument Fair Value Practices" (CA-S-10).
8	Goodwill net of deferred tax liabilities, as referred to in section 43(1)(a) of the BCR.
9	Other intangible assets, including mortgage servicing rights ("MSRs"), if any (net of related deferred tax liabilities), as referred to in section 43(1)(b) of the BCR.
10	Deferred tax assets ("DTAs") (net of related deferred tax liabilities), as set out in section 43(1)(d) of the BCR.

Row number	**Explanatory note**
11	Cumulative cash-flow hedge reserves that relate to the hedging of financial instruments that are not fair valued on the balance sheet (including projected cash flows) described in section 38(2)(a) of the BCR.
12	Excess of total EL amount over total eligible provisions under the internal ratings-based ("IRB") approach as described in section 43(1)(i) of the BCR.
13	Gain-on-sale arising from securitization transactions in which the AI is the originating institution as referred to in section 43(1)(e) of the BCR.
14	Gains and losses due to changes in own credit risk on fair valued liabilities, as described in section 38(2)(b) of the BCR, and debit valuation adjustments in respect of derivative contracts as referred to in section 43(1)(h) of the BCR.
15	Defined-benefit pension fund net assets (net of deferred tax liabilities), to which the AI cannot demonstrate unrestricted and unfettered access to the satisfaction of the Monetary Authority, the amount to be deducted as referred to in section 43(1)(c) of the BCR.
16	Investments in own CET1 capital instruments, as referred to in section 43(1)(l) of the BCR.
17	Reciprocal cross-holdings in CET1 capital instruments, as referred to in section 43(1)(m) of the BCR.
18	Amount of insignificant capital investments in CET1 capital instruments issued by financial sector entities outside the scope of regulatory consolidation that is in excess of the 10% threshold according to Schedule 4F of the BCR after taking into account any amount of loans, facilities or other credit exposures that is required (i) by section 46(2) of the BCR to be aggregated with this item for the purpose of determining the excess amount, and (ii) by section 43(1)(o) of the BCR to be deducted from CET1 capital.
19	Amount of significant capital investments in CET1 capital instruments issued by financial sector entities outside the scope of regulatory consolidation that is in excess of the 10% threshold according to Schedule 4G of the BCR, after taking into account any amount of loans, facilities or other credit exposures that is required (i) by section 46(2) of the BCR to be aggregated with this item for the purpose of determining the excess amount, and (ii) by section 43(1)(p) of the BCR to be deducted from CET1 capital.

Row number	Explanatory note
20	This row is not applicable in the case of Hong Kong given that any amount of MSRs on an AI's balance sheet will be included in row 9 (other intangible assets) and fully deducted in accordance with section 43(1)(b) of the BCR.
21	This row is not applicable in the case of Hong Kong given that DTAs, net of deferred tax liabilities, will be included in row 10 and fully deducted from CET1 capital in accordance with section 43(1)(d) of the BCR.
22	This row is irrelevant as the "15% threshold" is not applicable to Hong Kong since MSRs and DTAs are required to be fully deducted under the BCR.
23	This row is irrelevant as the "15% threshold" is not applicable to Hong Kong since MSRs and DTAs are required to be fully deducted under the BCR.
24	This row is irrelevant as the "15% threshold" is not applicable to Hong Kong since MSRs and DTAs are required to be fully deducted under the BCR.
25	This row is irrelevant as the "15% threshold" is not applicable to Hong Kong since MSRs and DTAs are required to be fully deducted under the BCR.
26	Specific regulatory adjustments that the Monetary Authority requires AIs to apply to CET1 capital in addition to the adjustments required under Basel III, to be calculated as the sum of rows 26a to 26f and any other new rows inserted between rows 26 and 27, if applicable.
26a	Cumulative fair value gains arising from revaluation of land and buildings (covering both own-use and investment properties) as set out in section 38(2)(c) and (d) of the BCR.
26b	Regulatory reserve for general banking risks as referred to in section 38(2)(e) of the BCR.
26c	Any securitization exposures specified in a notice given by the Monetary Authority pursuant to section 43(1)(f) of the BCR.
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings as referred to in section 43(1)(j) of the BCR.
26e	Capital shortfall of regulated non-bank subsidiaries as specified in section 43(1)(k) of the BCR.
26f	Amount of the sum of any capital investment in commercial connected entities that is in excess of 15% of the capital base of the

Row number	Explanatory note
	AI (as reported in its capital adequacy return as at the immediately preceding calendar quarter end date according to section 43(1)(n) of the BCR), taking into account any amount of loans, facilities or other credit exposures that is required by section 46(1) of the BCR to be aggregated with this item for the purpose of determining the excess amount subject to deduction.
27	Regulatory deductions applied to CET1 capital due to insufficient Additional Tier 1 ("AT1") capital being available to cover deductions, as required under section 43(1)(r) of the BCR. If the amount reported in row 43 exceeds the amount reported in row 36, the excess is to be reported here.
28	Total regulatory deductions to CET1 capital, to be calculated as the sum of rows 7 to 19 plus rows 26 and 27.
29	CET1 capital, to be calculated as row 6 minus row 28.
30	Instruments issued by an AI that meet all the qualifying criteria for AT1 capital as set out in Schedule 4B of the BCR, and any related share premium as referred to in section 39(1)(b) of the BCR. All instruments issued by subsidiaries of the consolidation group should be excluded from this row. This row may however include AT1 capital instruments issued by an SPV of the institution only if it meets the requirements set out in section 39(3) and Schedule 4B of the BCR.
31	The amount of instruments in row 30 classified as equity under applicable accounting standards.
32	The amount of instruments in row 30 classified as liabilities under applicable accounting standards.
33	Capital instruments subject to phase out from AT1 capital in accordance with the requirements of Schedule 4H of the BCR.
34	Applicable amount of capital instruments issued by consolidated bank subsidiaries and held by third parties allowed to be recognized in consolidated AT1 capital in accordance with Schedule 4D of the BCR.
35	The amount reported in row 34 that relates to instruments subject to phase out from AT1 capital in accordance with Schedule 4H of the BCR.
36	The sum of rows 30, 33 and 34.
37	Investments in own AT1 capital instruments, as referred to in section 47(1)(a) of the BCR.

Row number	Explanatory note
38	Reciprocal cross-holdings in AT1 capital instruments, as referred to in section 47(1)(b) of the BCR.
39	Amount of insignificant capital investments in AT1 capital instruments issued by financial sector entities outside the scope of regulatory consolidation that is in excess of the 10% threshold according to Schedule 4F of the BCR, and is required to be deducted from AT1 capital in accordance with section 47(1)(c) of the BCR.
40	Amount of significant capital investments in AT1 capital instruments issued by financial sector entities outside the scope of regulatory consolidation that is required to be deducted from AT1 capital in accordance with section 47(1)(d) of the BCR.
41	Specific regulatory deductions that the Monetary Authority requires AIs to apply to AT1 capital in addition to the adjustments required under Basel III, to be calculated as the sum of any other new rows inserted between rows 41 and 42, if applicable.
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital being available to cover deductions. If the amount reported in row 57 exceeds the amount reported in row 51, the excess is to be reported here.
43	The sum of rows 37 to 40 (or 41 if applicable) and 42.
44	AT1 capital, to be calculated as row 36 minus row 43. If the amount reported in row 43 exceeds the amount reported in row 36, include the excess amount in row 27 and report zero here.
45	Tier 1 capital, to be calculated as row 29 plus row 44.
46	Instruments issued by an AI that meet all the qualifying criteria for Tier 2 capital as set out in Schedule 4C of the BCR and any related share premium as referred to in section 40(1)(b) of the BCR. All instruments issued by subsidiaries of the consolidation group should be excluded from this row. This row may however include Tier 2 capital instruments issued by an SPV of the institution only if it meets the requirements set out in section 40(3) and Schedule 4C of the BCR.
47	Capital instruments subject to phase out from Tier 2 capital in accordance with the requirements of Schedule 4H of BCR.
48	Applicable amount of capital instruments issued by consolidated bank subsidiaries and held by third parties allowed to be recognized in consolidated Tier 2 capital in accordance with Schedule 4D of BCR.

Row number	Explanatory note
49	The amount reported in row 48 that relates to capital instruments subject to phase out from Tier 2 capital in accordance with the requirements of Schedule 4H of BCR.
50	The aggregate amount of the institution’s regulatory reserve for general banking risks and collective provisions related to the basic (“BSC”) approach and/or the standardized (credit risk) approach (“STC approach”) and the standardized (securitization) approach (“STC(S) approach”), surplus provisions for exposures calculated by using the IRB approach, and the portion of the institution’s total regulatory reserve for general banking risks and collective provisions that is apportioned to the internal ratings-based (securitization) approach (“IRB(S) approach”), allowed to be included in Tier 2 capital, calculated in accordance with section 42 of the BCR.
51	The sum of rows 46 to 48 and 50.
52	Investments in own Tier 2 capital instruments, as referred to in section 48(1)(a) of the BCR.
53	Reciprocal cross-holdings in Tier 2 capital instruments, as referred to in section 48(1)(b) of the BCR.
54	Amount of insignificant capital investments in Tier 2 capital instruments issued by financial sector entities outside the scope of regulatory consolidation that is in excess of the 10% threshold according to Schedule 4F of the BCR, and is required to be deducted from Tier 2 capital in accordance with section 48(1)(c) of the BCR.
55	Amount of significant capital investments in Tier 2 capital instruments issued by financial sector entities outside the scope of regulatory consolidation that is required to be deducted from Tier 2 capital in accordance with section 48(1)(d) of the BCR.
56	Specific regulatory adjustments that the Monetary Authority requires AIs to apply to Tier 2 capital in addition to the minimum adjustments required under Basel III, to be calculated as the sum of any new rows inserted between rows 56 and 57, if applicable.
56a	The portion (i.e. 45%) of the property revaluation reserve that is permitted to be included / added back as Tier 2 capital under section 40(1)(d) of the BCR. This item has the effect of reducing the total regulatory deductions to Tier 2 capital and must be reported as a negative figure.
57	The sum of rows 52 to 56.

Row number	Explanatory note
58	Tier 2 capital, to be calculated as row 51 minus row 57. If the amount reported in row 57 exceeds the amount reported in row 51, include the excess amount in row 42 and report zero here.
59	Total capital, to be calculated as row 45 plus row 58.
60	Total risk weighted assets of the reporting group.
61	CET1 capital ratio (as a percentage of risk weighted assets), to be calculated as row 29 divided by row 60 (expressed as a percentage).
62	Tier 1 capital ratio (as a percentage of risk weighted assets), to be calculated as row 45 divided by row 60 (expressed as a percentage).
63	Total capital ratio (as a percentage of risk weighted assets), to be calculated as row 59 divided by row 60 (expressed as a percentage).
64	Institution-specific buffer requirement (minimum CET1 requirement, plus capital conservation buffer, plus countercyclical buffer requirements, plus any G-SIB or D-SIB requirements, all expressed as a percentage of risk weighted assets), to be calculated as 4.5% minimum CET1 requirement, plus 2.5% capital conservation buffer requirement, plus the institution-specific countercyclical buffer requirement (calculated in accordance with the applicable countercyclical buffer requirements in force in the jurisdictions in which the AI has exposures) and the institution specific G-SIB or D-SIB requirements. The CET1 requirement reported in this row does not take into account any "Pillar 2 add-on" which may form part of an AI's minimum CET1 requirement in Hong Kong.
65	The amount in row 64 (expressed as a percentage of risk weighted assets) that relates to the capital conservation buffer (i.e. AIs will report 2.5% here).
66	The amount in row 64 (expressed as a percentage of risk weighted assets) that relates to the institution-specific countercyclical buffer requirement.
67	The amount in row 64 (expressed as a percentage of risk weighted assets) that relates to any G-SIB or D-SIB requirements applicable to the AI.
68	CET1 capital which is in excess of the sum of (i) the 4.5% minimum CET1 requirement under section 3B of the BCR; and (ii) any other CET1 capital required to meet the minimum Tier 1 and Total capital requirements under sections 43(1)(r) and 47(1)(g) of the BCR.

Row number	**Explanatory note**
69	This row is not applicable in the case of Hong Kong where the CET1 capital ratio is as defined under Basel III.
70	This row is not applicable in the case of Hong Kong where the Tier 1 capital ratio is as defined under Basel III.
71	This row is not applicable in the case of Hong Kong where the Total capital ratio is as defined under Basel III.
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities outside the regulatory scope of consolidation, to the extent that such holdings are not reported in row 18, row 39 and row 54.
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the regulatory scope of consolidation, to the extent that such holdings are not reported in row 19.
74	This row is not applicable in the case of Hong Kong. Please refer to row 20.
75	This row is not applicable in the case of Hong Kong. Please refer to row 21.
76	Amount of an AI's regulatory reserve for general banking risks and collective impairment allowances related to the BSC approach and/or the STC approach and the STC(S) approach eligible for inclusion in Tier 2 capital, calculated in accordance with section 42(1) or 42(2) of the BCR, where applicable, prior to the application of the cap.
77	Cap for inclusion of regulatory reserve for general banking risks and collective impairment allowances related to the BSC approach and/or the STC approach and the STC(S) approach in Tier 2 capital, calculated in accordance with section 42(1) or 42(2) of the BCR, where applicable.

Row number	Explanatory note
78	The sum of surplus provisions for exposures calculated by using the IRB approach and the portion of an AI's total regulatory reserve for general banking risks and collective provisions that is apportioned to the IRB(S) approach in Tier 2 capital, calculated in accordance with section 42(2), (3) and (4) of the BCR, prior to the application of the cap.
79	Cap for inclusion of surplus provisions for exposures calculated by using the IRB approach and the portion of an AI's total regulatory reserve for general banking risks and collective provisions that is apportioned to the IRB(S) approach in Tier 2 capital, calculated in accordance with section 42(2), (3) and (4) of the BCR.
80	This row is only applicable to non-joint stock companies which are not relevant in the case of Hong Kong.
81	This row is only applicable to non-joint stock companies which are not relevant in the case of Hong Kong.
82	Current cap on AT1 capital instruments subject to phase-out arrangements, calculated according to Schedule 4H of the BCR.
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities).
84	Current cap on Tier 2 capital instruments subject to phase-out arrangements, calculated according to Schedule 4H of the BCR.
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities).

4. Given that certain capital elements under the BCR carry a more conservative definition relative to those under the Basel III framework, an AI is required to separately disclose the impact of each of these different definitions in the "Notes to the template" to facilitate comparison by market participants of its capital position with banks in other jurisdictions. In this regard, an AI should make disclosures in accordance with those notes. Where appropriate, an AI should include additional description to substantiate the difference in cases where the standard description does not adequately explain the specific circumstances of the AI.

Annex 2

Transition Disclosures Template

			Amounts subject to pre-Basel III treatment*
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	0	
2	Retained earnings	0	
3	Disclosed reserves	0	
4	*Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)*	Not applicable	
	Public sector capital injections grandfathered until 1 January 2018	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)	0	
6	**CET1 capital before regulatory deductions**	0	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	0	
8	Goodwill (net of associated deferred tax liability)	0	
9	Other intangible assets (net of associated deferred tax liability)	0	0
10	Deferred tax assets net of deferred tax liabilities	0	
11	Cash flow hedge reserve	0	
12	Excess of total EL amount over total eligible provisions under the IRB approach	0	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	0	0
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	0	0
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	0	0
17	Reciprocal cross-holdings in CET1 capital instruments	0	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	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	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	0	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	0	
26b	Regulatory reserve for general banking risks	0	
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	0
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0	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**	0	

29	**CET1 capital**	0	
	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	*Capital instruments subject to phase out arrangements from AT1 capital*	0	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	0	
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements*	0	
36	**AT1 capital before regulatory deductions**	0	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	0	0
38	Reciprocal cross-holdings in AT1 capital instruments	0	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	0
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	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**	0	
45	**Tier 1 capital (Tier 1 = CET1 + AT1)**	0	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	0	
47	*Capital instruments subject to phase out arrangements from Tier 2 capital*	0	
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)	0	
49	*of which: capital instruments issued by subsidiaries subject to phase out arrangements*	0	
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	0	
51	**Tier 2 capital before regulatory deductions**	0	
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	0	0
53	Reciprocal cross-holdings in Tier 2 capital instruments	0	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	0

55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	0
56	National specific regulatory adjustments applied to Tier 2 capital	0	
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	0	
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**	0	
58	**Tier 2 capital**	0	
59	**Total capital (Total capital = Tier 1 + Tier 2)**	0	
59a	Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment		
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**	0	
	Capital ratios (as a percentage of risk weighted assets)		
61	CET1 capital ratio	#DIV/0!	
62	Tier 1 capital ratio	#DIV/0!	
63	Total capital ratio	#DIV/0!	
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)	0.00%	
65	*of which: capital conservation buffer requirement*	0.00%	
66	*of which: bank specific countercyclical buffer requirement*	0.00%	
67	*of which: G-SIB or D-SIB buffer requirement*	0.00%	
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	0.00%	
	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	0
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0
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)	0
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	0
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	0
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	0
	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*	0
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.

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	Basel III basis
9	**Other intangible assets (net of associated deferred tax liability)**	0	0
	Explanation 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.		
10	**Deferred tax assets net of deferred tax liabilities**	0	0
	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 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.		

	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.		
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
	<u>Explanation</u> 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. 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.		
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	0
	<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. 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.		
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	0
	<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.		
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	0
	<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.		

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.

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

Transition Disclosures Template - Explanatory Note

1. This template is substantially similar to the Capital Disclosures Template, except for the following modifications:

   - Modification 1: An "Amounts subject to pre-Basel III treatment" column has been added for an authorized institution ("AI") to report the amount of each regulatory deduction item that is still subject during the transitional period to either the previous 50/50 deduction treatment from core capital and supplementary capital or to risk-weighting under the pre-amended Banking (Capital) Rules ("BCR")[1]. The portion of the amount, which has already been transitioned to the new "Basel III treatment" under the amended BCR, will be reported under the main column alongside this additional column.

   - Modification 2: While the "Amounts subject to pre-Basel III treatment" column shows the amount of each regulatory deduction item that is subject to the "pre-Basel III treatment", it is also necessary to show how this amount is included in the calculation of an AI's regulatory capital. To this end, rows 41a, 56b and 59a are added with subdivisions under rows 41, 56 and 59 for an AI to show the amount of each item subject to "pre-Basel III treatment". An AI may add any further subdivisions under rows 41a, 56b and 59a as applicable.

2. The following examples illustrate how the above two modifications are intended to operate:

   Example for Modification 1

   In 2014, an AI is required to make a deduction from Common Equity Tier 1 ("CET1") capital of 20% of the amount which would previously have been deducted 50/50 from core capital and supplementary capital under the pre-Basel III treatment in accordance with the transitional arrangements set out in Schedule 4H of the BCR. Presuming an AI using the internal ratings-based approach to calculate its credit risk capital requirement has an excess of total EL amount over total eligible provisions ("shortfall of provisions") of $100mn, the AI is required to deduct $20mn (i.e. 20% of $100mn) from CET1 capital. For disclosure purposes, the AI will report $20mn in the first of the two empty cells in row 12 and report $80mn in the second of the two cells, indicating that the latter is yet to be subject to the "Basel III treatment" under the amended BCR. The sum of the two cells will be equal to the total amount of regulatory deductions (i.e. $100mn) required.

[1] These refer to the version of the BCR in force on 31 December 2012.

Examples for Modification 2

Continuing from the above example, the pre-Basel III treatment requires that any shortfall of provisions is to be deducted from core capital and supplementary capital. For this purpose, 2 rows have been inserted after row 41 and row 56 respectively, to indicate that during the transitional period some shortfall of provisions will continue to be deducted equally from Tier 1 capital and Tier 2 capital. As such, the $80mn reported in the last cell of row 12 will be divided into two equal portions (i.e. $40mn each) and reported in row 41ai and row 56bi.

Now, presume that the AI currently risk-weights defined benefit pension fund net assets at 200%. In 2014, the defined benefit pension fund assets amount to $50mn and the amended BCR will ultimately require these to be deducted. However, the transitional arrangements set out in Schedule 4H of the BCR will only require the AI to deduct 20% of the assets in 2014. This means that the AI will report $10mn in the first cell in row 15 and $40mn in the second cell (the sum of the two cells is therefore equal to the total amount of regulatory deduction required). The AI will disclose in a subdivision row under row 59aii a figure of $80mn ($40mn x 200%).

Similarly, where an AI has insignificant capital investments in financial sector entities amounting to $110mn which are risk-weighted at 125% based on the pre-Basel III treatment, assume that of these investments, ultimately $100mn will be deducted from CET1 capital once the transitional arrangements are completed. In 2014, under the transitional arrangements in Schedule 4H of the BCR, the AI will need to deduct $20mn of the investments and report this in the first cell in row 18 and will report the remaining $80mn in the second cell. The AI will then make a disclosure in a row inserted under row 59 to indicate that such assets are risk-weighted at 125% during the transitional period, that is the AI will report a figure of $100mn in the row inserted under row 59, being the risk-weighted amount of such assets (i.e. $80mn x 125%).

3. Given that certain capital elements under the BCR carry a more conservative definition relative to those under the Basel III framework, an AI is required to separately disclose the impact of each of these different definitions in the "Notes to the template" to facilitate comparison by market participants of its capital position with banks in other jurisdictions. In this regard, an AI should make disclosures in accordance with those notes. Where appropriate, an AI should include additional description to substantiate the difference in cases where the standard description does not adequately explain the specific circumstances of the AI.

Annex 3

Main Features Template

1	Issuer	
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	
3	Governing law(s) of the instrument	
	Regulatory treatment	
4	Transitional Basel III rules[#]	
5	Post-transitional Basel III rules[+]	
6	Eligible at solo*/group/group & solo	
7	Instrument type (types to be specified by each jurisdiction)	
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	
9	Par value of instrument	
10	Accounting classification	
11	Original date of issuance	
12	Perpetual or dated	
13	Original maturity date	
14	Issuer call subject to prior supervisory approval	
15	Optional call date, contingent call dates and redemption amount	
16	Subsequent call dates, if applicable	
	Coupons / dividends	
17	Fixed or floating dividend/coupon	
18	Coupon rate and any related index	
19	Existence of a dividend stopper	
20	Fully discretionary, partially discretionary or mandatory	
21	Existence of step up or other incentive to redeem	
22	Noncumulative or cumulative	
23	Convertible or non-convertible	
24	If convertible, conversion trigger (s)	
25	If convertible, fully or partially	
26	If convertible, conversion rate	
27	If convertible, mandatory or optional conversion	
28	If convertible, specify instrument type convertible into	
29	If convertible, specify issuer of instrument it converts into	
30	Write-down feature	
31	If write-down, write-down trigger(s)	
32	If write-down, full or partial	
33	If write-down, permanent or temporary	
34	If temporary write-down, description of write-up mechanism	
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	
36	Non-compliant transitioned features	
37	If yes, specify non-compliant features	

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*

Main Features Template - Explanatory Note

1. For reporting the main features of each outstanding regulatory capital instrument using the template, an AI must complete all of the shaded cells and insert "NA" if the cell is not applicable for a particular capital instrument.

2. The following table provides a more detailed explanation of reporting requirements for each of the grey cells, including, where relevant, the list of standard options from which an AI should select as the input for a particular cell.

Row number	Explanatory Note
1	Identifies the legal entity which is the issuer of the instrument. *Free text*
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) *Free text*
3	Specifies the governing law(s) of the instrument *Free text*
4	Specifies the regulatory capital treatment (if the instrument is subject to the transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules) (i.e. the component of capital that the instrument is being phased-out from). *Enter: [Common Equity Tier 1] [Additional Tier 1] [Tier 2]*
5	Specifies the regulatory capital treatment (if the instrument is <u>not</u> subject to the transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules). *Enter: [Common Equity Tier 1] [Additional Tier 1] [Tier 2] [Ineligible]*
6	Specifies the level(s) within the group at which the instrument is included in capital. *Enter: [Solo*] [Group] [Solo and Group]* **[Solo] includes solo-consolidated*
7	Specifies the instrument type, varying by jurisdiction. Helps provide more granular understanding of features, particularly during transition. *Enter: [Ordinary shares] [Perpetual non-cumulative preference*

	shares] [Perpetual debt instruments] [Perpetual cumulative preference shares] [Redeemable non-cumulative preference shares] [Redeemable cumulative preference shares] [Other Tier 2 instruments] [Others: please specify]
8	Specifies amount recognized in regulatory capital. Where more than one capital instrument is subject to the phase-out arrangements in a particular tier of capital, the AI may specify the total amount recognized in that tier of capital for all such instruments instead of the amount recognized for each individual capital instrument. *Free text*
9	Par value of the instrument *Free text*
10	Specifies accounting classification. Helps to assess loss absorbency. *Enter: [Shareholders' equity] [Liability – amortised cost] [Liability – fair value option] [Non-controlling interest in consolidated subsidiary]*
11	Specifies date of issuance. *Free text*
12	Specifies whether dated or perpetual. *Enter: [Perpetual] [Dated]*
13	For dated instrument, specifies original maturity date (day, month and year). For perpetual instrument put "no maturity". *Free text*
14	Specifies whether there is an issuer call option. Helps to assess permanence. *Enter: [Yes] [No]*
15	For instrument with issuer call option, specifies first date of call if the instrument has a call option on a specific date (day, month and year) and, in addition, specifies if the instrument has a tax and/or regulatory event call. Also specifies the redemption price. Helps to assess permanence. *Free text*
16	Specifies the existence and frequency of subsequent call dates, if applicable. Helps to assess permanence. *Free text*
17	Specifies whether the coupon/dividend is fixed over the life of the instrument, floating over the life of the instrument, currently fixed but will move to a floating rate in the future, currently floating but will move to a fixed rate in the future. *Enter: [Fixed], [Floating] [Fixed to floating], [Floating to fixed]*

18	Specifies the coupon rate of the instrument and any related index that the coupon/dividend rate references. *Free text*
19	Specifies whether the non payment of a coupon or dividend on the instrument prohibits the payment of dividends on ordinary shares (i.e. whether there is a dividend stopper). *Enter: [Yes] [No]*
20	Specifies whether the issuer has full discretion, partial discretion or no discretion over whether a coupon/dividend is paid. If an AI has full discretion to cancel coupon/dividend payments under all circumstances it must select "fully discretionary" (including when there is a dividend stopper that does not have the effect of preventing the AI from cancelling payments on the instrument). If there are conditions that must be met before payment can be cancelled (e.g. capital below a certain threshold), the AI must select "partially discretionary". If the AI is unable to cancel the payment outside of insolvency the AI must select "mandatory". *Enter: [Fully discretionary] [Partially discretionary] [Mandatory]*
21	Specifies whether there is a step-up or other incentive to redeem. *Enter: [Yes] [No]*
22	Specifies whether dividends / coupons are cumulative or non cumulative. *Enter: [Noncumulative] [Cumulative]*
23	Specifies whether the instrument is convertible or not. Helps to assess loss absorbency. *Enter: [Convertible] [Non-convertible]*
24	Specifies the conditions under which the instrument will convert, including point of non-viability. Where one or more authorities have the ability to trigger conversion, the authorities should be listed. For each of the authorities it should be stated whether it is the terms of the contract of the instrument that provide the legal basis for the authority to trigger conversion (a contractual approach) or whether the legal basis is provided by statutory means (a statutory approach). *Free text.*
25	For each conversion trigger separately, specifies whether the instrument will: (i) always convert fully; (ii) may convert fully or partially; or (iii) will always convert partially. *Free text referencing one of the options above*

26	Specifies rate of conversion into the more loss absorbent instrument. Helps to assess the degree of loss absorbency. *Free text*
27	For convertible instruments, specifies whether conversion is mandatory or optional. Helps to assess loss absorbency. *Enter: [Mandatory] [Optional] [NA]*
28	For convertible instruments, specifies instrument type convertible into. Helps to assess loss absorbency. *Enter: [Common Equity Tier 1] [Additional Tier 1] [Tier 2] [Other: please specify]*
29	If convertible, specifies issuer of instrument into which it converts. *Free text*
30	Specifies whether there is a write down feature. Helps to assess loss absorbency. *Enter: [Yes] [No]*
31	Specifies the trigger at which write-down occurs, including point of non-viability. Where one or more authorities have the ability to trigger write-down, the authorities should be listed. For each of the authorities it should be stated whether it is the terms of the contract of the instrument that provide the legal basis for the authority to trigger write-down (a contractual approach) or whether the legal basis is provided by statutory means (a statutory approach). *Free text*
32	For each write-down trigger separately, specifies whether the instrument will: (i) always be written down fully: (ii) may be written down partially; or (iii) will always be written down partially. Helps assess the level of loss absorbency at write-down. *Free text referencing one of the options above*
33	For write down instrument, specifies whether write down is permanent or temporary. Helps to assess loss absorbency. *Enter: [Permanent] [Temporary] [NA]*
34	For instrument that has a temporary write-down, description of write-up mechanism. Not applicable in the case of Hong Kong as no write-up is allowed. *Enter: [NA]*
35	Specifies instrument to which it is most immediately subordinate. Helps to assess loss absorbency on gone-concern basis. Where applicable, AIs should specify the column numbers of the

	instruments in the completed main features template to which the instrument is most immediately subordinate. *Free text*
36	Specifies whether there are non-compliant features. *Enter: [Yes] [No]*
37	If there are non-compliant features, AIs must identify them. Helps to assess instrument loss absorbency. *Free text*

Annex 4

Illustration of the 3-Step Approach to Balance Sheet Reconciliation

(figures used for illustrative purpose only)

Step 1

Under Step 1, an AI must use its balance sheet in its published financial statements based on the accounting scope of consolidation (2nd column below) as a starting point and report the amount for each item in the published financial statements based on the regulatory scope of consolidation (3rd column below). If there are items in the balance sheet under the regulatory scope of consolidation that are not present in the published balance sheet, the AI must add rows to cover them in the reconciliation and report zero in the 2nd column.

(Condensed balance sheet for illustrative purpose)	**Balance sheet as in published financial statements**	**Under regulatory scope of consolidation**
(in Millions)	**As at period end**	**As at period end**
Assets		
Cash and due from banks	12,000	11,000
Interest-bearing deposits with banks	15,000	13,000
Securities	50,000	45,000
Repurchase agreements and other similar secured lending	1,000	1,000
Loans		
- Retail	255,000	251,000
- Wholesale	250,000	249,000
Investments for account of segregated fund holders	357	0
Other		
- Derivatives	20,000	20,000
- Other assets	81,180	81,180
Total assets	**684,537**	**671,180**
Liabilities		
Deposits	448,180	435,180
Insurance and investment contracts for account of segregated fund holders	357	0
Other		
- Derivatives	55,000	55,000
- Other liabilities	114,000	114,000
Provisions	5,000	5,000
Subordinated debt	10,000	10,000
Irredeemable non-cumulative preference shares	5,000	5,000
Total liabilities	**637,537**	**624,180**
Shareholders' Equity		
Equity attributable to shareholders	46,100	46,100
Non-controlling interests	900	900
Total shareholders' equity	47,000	47,000
Total liabilities and shareholders' equity	**684,537**	**671,180**

Step 2

Under Step 2, an AI must expand the balance sheet under the regulatory scope of consolidation to identify all the capital components that are reported in the Capital Disclosures Template set out in Annex 1, or the Transition Disclosures Template set out in Annex 2, as applicable. Each capital component should be given a number in the 4th column that can be used as a cross-reference as explained in Step 3. The AI is only required to expand the balance sheet to the extent necessary for all of the applicable capital components to be included (i.e. the more complex the balance sheet of the AI, the more items would need to be disclosed.

An AI should report deductions from capital as positive numbers, and additions to capital as negative numbers.

(Condensed balance sheet for illustrative purposes)	**Balance sheet as in published financial statements**	**Under regulatory scope of consolidation**	**Cross reference to Definition of Capital Components**
	As at period end	**As at period end**	
Assets			
Cash and due from banks	12,000	11,000	
Interest-bearing deposits with banks	15,000	13,000	
Securities	50,000	45,000	
of which: insignificant capital investments in financial sector entities exceeding 10% threshold		1,000	**(1)**
Repurchase agreements and other similar secured lending	1,000	1,000	
Loans			
- Retail	255,000	251,000	
- Wholesale	250,000	249,000	
Investments for account of segregated fund holders	357	-	
Other			
- Derivatives	20,000	20,000	
- Other assets	81,180	81,180	
of which: goodwill		5,000	**(2)**
other intangible assets		5,000	**(3)**
deferred tax assets		2,000	**(4)**
defined benefit pension fund net assets		1,200	**(5)**
significant capital investments in financial sector entities exceeding 10% threshold		2,500	**(6)**
Total assets	**684,537**	**671,180**	
Liabilities			
Deposits	448,180	435,180	
Insurance and investment contracts for account of segregated fund holders	357	-	
Other			
- Derivatives	55,000	55,000	
- Other liabilities	114,000	114,000	
of which : gains and losses due to changes in own credit risk on fair valued liabilities		200	**(7)**
deferred tax liabilities related to goodwill		-	**(8)**
deferred tax liabilities related to intangibles		1,000	**(9)**
deferred tax liabilities related to defined pension fund net assets		200	**(10)**
other deferred tax liabilities		300	**(11)**
Impairment allowances	5,000	5,000	
of which: collective impairment allowances reflected in regulatory capital		500	**(12)**
Excess of total EL amount over total eligible provisions under the IRB Approach		(250)	**(13)**
Subordinated debt	10,000	10,000	
of which: subordinated debt not eligible for inclusion in regulatory capital		-	**(14)**
subordinated debt eligible for inclusion in regulatory capital		9,800	**(15)**
Irredeemable non-cumulative preference shares	5,000	5,000	**(16)**

Total liabilities	**637,537**	**624,180**	
Shareholders' Equity			
Equity attributable to shareholders	46,100	46,100	
of which: paid-in share capital		15,100	**(17)**
retained earnings		26,000	**(18)**
accumulated other comprehensive income (loss), other than cash flow hedge reserves and forex unrealised gains/losses		(450)	**(19)**
cash flow hedge reserves		(150)	**(20)**
forex unrealised gains/losses		100	**(21)**
preferred shares		4,500	**(22)**
other capital instruments		1,000	**(23)**
Non-controlling interests	900	900	**(24)**
of which: portion eligible for inclusion in CET1 capital		500	**(25)**
portion eligible for inclusion in Tier 1 capital		50	**(26)**
portion eligible for inclusion in Tier 2 capital		50	**(27)**
portion not eligible for inclusion in regulatory capital		300	**(28)**
Total shareholders' equity	47,000	47,000	
Total liabilities and shareholders' equity	**684,537**	**671,180**	

Step 3

Under Step 3, an AI must add a column to the Capital Disclosures Template set out in Annex 1, or to the Transition Disclosures Template set out in Annex 2, as applicable, to cross reference figures to those in the 4th column of the expanded balance sheet in Step 2. For the purpose of this illustration, the Transition Disclosures Template is used.

Extract of Transition Disclosures Template (with added column)

		Component of regulatory capital reported by bank	Amounts subject to pre-Basel III treatment	Cross-referenced* to
	CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	15,100		**(17)**
2	Retained earnings	26,000		**(18)**
3	Disclosed reserves and accumulated other comprehensive income	(500)		**(19) + (20) + (21)**
4	*Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)*			
	Public sector capital injections grandfathered until 1 January 2018			
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)	500		**(25)**
6	**CET1 capital before regulatory deductions**	**41,100**		
	CET1 capital: regulatory deductions			
7	Valuation adjustments	0		
8	Goodwill (net of associated deferred tax liability)	5,000		**(2) - (8)**
9	Other intangible assets (net of associated deferred tax liability)	4,000	[transition arrangement only available for MSR, if any]	**(3) - (9)**
10	Deferred tax assets net of deferred tax liabilities	1,700		**(4) - (11)**
11	Cash flow hedge reserve	(150)		**(20)**
12	Excess of total EL amount over total eligible provisions under the IRB approach	50	200	**(13) - (29) - (30)**
13	Gain-on-sale arising from securitization transactions	0		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	200	[transition arrangement only available for DVA, if any]	**(7)**
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	200	800	**[(5) - (10)] x 20%**
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)	200	800	**(1) - (31) - (32)**
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)	500	2000	**(6) - (33) - (34)**
20	Mortgage servicing rights (amount above 10% threshold)			
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)			
22	Amount exceeding the 15% threshold			
23	of which: significant investments in the common stock of financial sector entities			
24	of which: mortgage servicing rights			
25	of which: deferred tax assets arising from temporary differences			
26	National specific regulatory adjustments applied to CET1 capital			
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	0		
26b	Regulatory reserve for general banking risks	0		
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**	**11,700**		
29	**CET1 capital**	**29,400**		
	AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	10,500		
31	of which: classified as equity under applicable accounting standards	5,500		**(22) + (23)**
32	of which: classified as liabilities under applicable accounting standards	5,000		**(16)**
33	*Capital instruments subject to phase out arrangements from AT1 capital*	0		
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group and eligible portion subject to phase out)	290		**(26) + [(28) * 80%]**
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements*	240		
36	**AT1 capital before regulatory deductions**	**10,790**		
	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	1,500		
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	1,500		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	100		**(29)**
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	400		**(31)**
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	1,000		**(33)**
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	0		
43	**Total regulatory deductions to AT1 capital**	**1,500**		
44	**AT1 capital**	**9,290**		
45	**Tier 1 capital (Tier 1 = CET1 + AT1)**	**38,690**		
	Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	9,800		**(15)**
47	*Capital instruments subject to phase out arrangements from Tier 2 capital*	0		
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)	50		**(27)**
49	*of which: capital instruments issued by subsidiaries subject to phase out arrangements*	0		
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	500		**(12)**
51	**Tier 2 capital before regulatory deductions**	**10,350**		
	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	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	1,500		
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	0		
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	1,500		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	100		**(30)**
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	400		**(32)**
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	1,000		**(34)**
57	**Total regulatory deductions to Tier 2 capital**	**1,500**		
58	**Tier 2 capital**	**8,850**		
59	**Total capital (Total capital = Tier 1 + Tier 2)**	**47,540**		

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

Footnote:

* Cross-referenced to Consolidated Balance Sheet in Step 2