Annex 2

Leverage Ratio Common Disclosure Template

	Item	Leverage ratio framework HK$ equivalent
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	0
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	0
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	0
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	0
5	Add-on amounts for PFE associated with all derivatives transactions	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	Total derivative exposures (sum of lines 4 to 10)	0
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	CCR exposure for SFT assets	0
15	Agent transaction exposures	0
16	Total securities financing transaction exposures (sum of lines 12 to 15)	0

	Item	Leverage ratio framework HK$ equivalent
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	0
18	(Adjustments for conversion to credit equivalent amounts)	0
19	Off-balance sheet items (sum of lines 17 and 18)	0
Capital and total exposures		
20	Tier 1 capital	0
21	Total exposures (sum of lines 3, 11, 16 and 19)	0
Leverage ratio		
22	**Basel III leverage ratio**	**#DIV/0!**

Leverage Ratio Common Disclosure Template – Explanatory Note

The table below provides an explanation of the item described in each row of the Leverage Ratio ("LR") Standard Disclosure Template and the respective cross reference to the equivalent items in the Quarterly Template on Leverage Ratio.[1]

Row number	Explanatory note	Reference to Quarterly Template
On-balance sheet exposures		
1	On-balance sheet assets, excluding on-balance sheet derivative and securities financing transaction (SFT) assets but including on-balance sheet derivatives collateral and collateral for SFTs. Where an AI is a note-issuing bank, the AI's on-balance sheet exposure shall not include, for the purpose of this template, any certificates of indebtedness issued under the Exchange Fund Ordinance and held by the AI as cover for legal tender notes issued by it.	(1) in column 1
2	Deductions from Tier 1 capital in accordance with sections 38(2)(a), (c), (d) and (e), 43 and 47 of the BCR, reported as negative amounts.	(1)(a) in column 2
3	Sum of lines 1 and 2.	-
Derivative exposures		
4	Replacement cost associated with all derivatives transactions, net of cash variation margin received and with, where applicable, bilateral netting under a valid bilateral netting agreement.	(2)(a) in column 2
5	Add-on amounts for potential future exposure ("PFE") associated with all derivative transactions.	(2)(b) in column 2
6	Gross-up for collateral provided in respect of derivative transactions where the provision of that collateral has reduced the value of the AI's balance sheet assets pursuant to the operative accounting framework.	(2)(c) in column 2

[1] Quarterly Template on Leverage Ratio can be accessed at the following link: http://www.hkma.gov.hk/eng/key-functions/banking-stability/basel-3/basel-3_implementation_leverage_ratio_20140509.shtml.

Row number	Explanatory note	Reference to Quarterly Template
7	Deductions of receivables assets in respect of cash variation margin provided in derivatives transactions, reported as negative amounts.	(2)(f) in column 2
8	Exempted trade exposures associated with the central counterparty ("CCP") leg of derivatives transactions resulting from client-cleared transactions, reported as negative amounts.	(2)(g) in column 2
9	Adjusted effective notional amount for written credit derivatives.	(2)(d) in column 2
10	Adjusted effective notional offsets and permitted deductions from add-on amounts for PFE of written credit derivatives, reported as negative amounts.	(2)(e) in column 2
11	Sum of lines 4–10.	-
Securities financing transaction (SFT) exposures		
12	Gross SFT assets with no recognition of any accounting netting other than novation with qualifying central counterparties (in which case the final contractual exposure is to replace the gross SFT assets amount as set out in footnote 15 of the LR framework[2]), removing any securities received under an SFT where the AI has recognised the securities as an asset on its balance sheet per the first bullet of paragraph 10.3(b)(ii) of the LR framework; and adjusting for any sales accounting transactions in accordance with paragraph 10.3(b)(vi) of the LR framework.	(3)(a) in column 2
13	Adjustment for netted amount of cash payables and cash receivables of gross SFT assets, reported as negative amounts, if all the criteria as set out in paragraph 10.3(b)(ii)(A) to (C) of the LR framework are met.	(3)(b) in column 2
14	Counterparty credit risk exposures for SFT assets.	(3)(c) in column 2
15	Agent transaction exposures.	(3)(d) in column 2
16	Sum of lines 12–15.	-

[2] "LR framework" refers to the "Leverage Ratio Framework" set out at Annex 1 to the completion instructions for the Quarterly Template on Leverage Ratio.

Row number	Explanatory note	Reference to Quarterly Template
Other off-balance sheet exposures		
17	Total off-balance sheet exposure amounts on a gross notional basis, before any adjustment for credit conversion factors (CCFs).	Summation of 4(a) to 4(d) in column 1
18	Reduction in gross amount of off-balance sheet exposures due to the application of CCFs according to paragraph 10.4(a) and (b) of the LR framework, reported as negative amounts.	Summation of 4(a) to 4(d) in column 1 minus (4) in column 3
19	Sum of lines 17 and 18.	-
Calculation of the LR		
20	Tier 1 capital as determined under the Banking (Capital) Rules.	(6) in column 3
21	Sum of lines 3, 11, 16 and 19.	(5) in column 3
22	Calculated as row 20 divided by row 21 (expressed as a percentage).	(7) in column 3