



The Hongkong and Shanghai Banking
Corporation Limited

Supplementary Notes Appendices
for the year ended 31 December 2015
(unaudited)

Appendices

Contents

Disclosure Statement Supplementary Notes	Page
Appendix 1: Transition Disclosures Template.....	3
Appendix 2: Balance Sheet Reconciliation	13
Appendix 3: Liquidity Coverage Ratio Standard Disclosure Template	21
Appendix 4: Leverage Ratio Common Disclosure Template	23
Appendix 5: Leverage Ratio Summary Comparison Table	24

Appendix 1: Transition Disclosures Template

The following table sets out the detailed composition of the group's regulatory capital using the Transition Disclosures Template as specified by the Hong Kong Monetary Authority ('HKMA'). The table also shows those items that are currently benefiting from the Basel III transitional arrangements, and are consequently subject to the pre-Basel III treatment, as set out in Schedule 4H to the Banking (Capital) Rules.

	At 31 December 2015		
	Component of regulatory capital	Amounts subject to pre-Basel III treatment *	Cross-referenced to **
	HK\$m	HK\$m	
Common equity tier 1 (CET1) capital: instruments and reserves			
1 Directly issued qualifying CET1 capital instruments plus any related share premium	94,598		(31)
2 Retained earnings	327,574		(37)
3 Disclosed reserves	91,906		(34)
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 consolidated group)	22,352		(41)
6 CET1 capital before regulatory deductions	536,430		
CET1 capital: regulatory deductions			
7 Valuation adjustments	1,845		(1)+(2)+(3)+(6)
8 Goodwill (net of associated deferred tax liability)	8,788		(10)+(13)+(16)+(24)
9 Other intangible assets (net of associated deferred tax liability)	5,244	–	(11)+(14)+(25)
10 Deferred tax assets net of deferred tax liabilities	1,863		(15)
11 Cash flow hedge reserve	51		(36)
12 Excess of total EL amount over total eligible provisions under the IRB approach	–	–	
13 Gain-on-sale arising from securitization transactions	–		
14 Gains and losses due to changes in own credit risk on fair valued liabilities	940	–	(19)+(20)+(21)+(23)
15 Defined benefit pension fund net assets (net of associated deferred tax liabilities)	40	–	(17)+(26)
16 Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	–	–	
17 Reciprocal cross-holdings in CET1 capital instruments	–	–	
18 Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–	
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)	39,524	51,774	(5)+(7)+(9)+(12)+(18)-(44)-(45)
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		

Appendix 1: Transition Disclosures Template (continued)

	At 31 December 2015		Cross-referenced to **
	Component of regulatory capital	Amounts subject to pre- Basel III treatment *	
	HK\$m	HK\$m	
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	84,316		
26a Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	56,497		(35)+(40)
26b Regulatory reserve for general banking risks	27,819		(38)
27 Regulatory deductions applied to CET1 capital due to insufficient Additional Tier 1 (AT1) capital and Tier 2 capital to cover deductions	–		
28 Total regulatory deductions to CET1 capital	142,611		
29 CET1 capital	393,819		
AT1 capital: instruments			
30 Qualifying AT1 capital instruments plus related share premium	14,737		(33)
31 Of which classified as equity under applicable accounting standards	14,737		(33)
32 Of which classified as liabilities under applicable accounting standards	–		
33 Capital instruments subject to phase out arrangements from AT1 capital	25,213		(29)
34 AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidated group)	10,876		(42)+(43)
35 Of which AT1 capital instruments issued by subsidiaries subject to phase out arrangements	9,494		(43)
36 AT1 capital before regulatory deductions	50,826		
AT1 capital: regulatory deductions			
37 Investments in own AT1 capital instruments	–	–	
38 Reciprocal cross-holdings in AT1 capital instruments	–	–	
39 Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–	
40 Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	–	–	
41 National specific regulatory adjustments applied to AT1 capital	25,887		
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	25,887		
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	25,887		(44)
42 Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	–		
43 Total regulatory deductions to AT1 capital	25,887		
44 AT1 capital	24,939		
45 Tier 1 capital (Tier 1 = CET1 + AT1)	418,758		

Appendix 1: Transition Disclosures Template (continued)

	At 31 December 2015		
	Component of regulatory capital	Amounts subject to pre- Basel III treatment*	Cross- referenced to **
	HK\$m	HK\$m	
Tier 2 capital : instruments and provisions			
46 Qualifying Tier 2 capital instruments plus any related share premium	19,996		(22)
47 Capital instruments subject to phase out arrangements from Tier 2 capital	17,442		(27)+(30)
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)	1,607		(28)
49 Of which capital instruments issued by subsidiaries subject to phase out arrangements	1,607		(28)
50 Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	14,040		(4)+(39)
51 Tier 2 capital before regulatory deductions	53,085		
Tier 2 capital : regulatory deductions			
52 Investments in own Tier 2 capital instruments	–	–	
53 Reciprocal cross-holdings in Tier 2 capital instruments	–	–	
54 Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–	
55 Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	3,172	–	(8)
56 National specific regulatory adjustments applied to Tier 2 capital	(192)		
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	(26,079)		[(32)+(35)+(40)] x 45%
56b Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	25,887		
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	25,887		(45)
57 Total regulatory deductions to Tier 2 capital	2,980		
58 Tier 2 capital	50,105		
59 Total capital (Total capital = Tier 1 + Tier 2)	468,863		
60 Total risk weighted assets	2,519,407		

Appendix 1: Transition Disclosures Template (continued)

	At 31 December 2015		Cross-referenced to **
	Component of regulatory capital	Amounts subject to pre- Basel III treatment*	
	HK\$m	HK\$m	
Capital ratios (as a percentage of risk weighted assets)			
61 CET1 capital ratio	15.63%		
62 Tier 1 capital ratio	16.62%		
63 Total capital ratio	18.61%		
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)	4.50%		
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	10.61%		
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	10,178		
73 Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	43,334		
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 standardised (credit risk) approach (prior to application of cap)	4,040		
77 Cap on inclusion of provisions in Tier 2 under the basic approach and the standardised (credit risk) approach	3,016		
78 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	19,493		
79 Cap for inclusion of provisions in Tier 2 under the IRB approach	11,024		
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	36,099		
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	31,904		
85 Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	—		

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

** Cross-referenced to Balance Sheet Reconciliation in Appendix 2b.

Appendix 1: Transition Disclosures Template *(continued)***Notes to the template**

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

Row No.	Description	At 31 December 2015	
		Hong Kong basis HK\$m	Basel III basis HK\$m
10	Deferred tax assets net of deferred tax liabilities	1,863	49

Explanation

As set out in paragraph 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), Deferred Tax Assets ('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 Mortgage Servicing Rights ('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.

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)	91,298	89,690
----	--	--------	--------

Explanation

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.

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.

Appendix 1: Transition Disclosures Template (continued)

	At 31 December 2014		
	Component of	Amounts subject	Cross-
	regulatory capital	to pre- Basel III treatment *	referenced to **
	HK\$m	HK\$m	
Common equity tier 1 (CET1) capital: instruments and reserves			
1 Directly issued qualifying CET1 capital instruments plus any related share premium	94,598		(33)
2 Retained earnings	292,147		(39)
3 Disclosed reserves	104,800		(36)
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 consolidated group)	27,971		(43)
6 CET1 capital before regulatory deductions	519,516		
CET1 capital: regulatory deductions			
7 Valuation adjustments	2,030		(1)+(2)+(5)+(20)
8 Goodwill (net of associated deferred tax liability)	9,407		(9)+(12)+(15)+(26)
9 Other intangible assets (net of associated deferred tax liability)	5,276	–	(10)+(13)+(16)+(27)
10 Deferred tax assets net of deferred tax liabilities	1,485		(14)
11 Cash flow hedge reserve	(182)		(38)
12 Excess of total EL amount over total eligible provisions under the IRB approach	–	–	
13 Gain-on-sale arising from securitization transactions	–		
14 Gains and losses due to changes in own credit risk on fair valued liabilities	596	–	(19)+(21)+(22)+(24)
15 Defined benefit pension fund net assets (net of associated deferred tax liabilities)	89	–	(17)+(28)
16 Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	–	–	
17 Reciprocal cross-holdings in CET1 capital instruments	–	–	
18 Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–	
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)	28,866	100,676	(4)+(6)+(8)+(11)+(18)-(47)-(48)
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		

Appendix 1: Transition Disclosures Template (continued)

	At 31 December 2014		Cross-referenced to **
	Component of regulatory capital	Amounts subject to pre- Basel III treatment *	
	HK\$m	HK\$m	
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	80,616		
26a Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	52,657		(37)+(42)
26b Regulatory reserve for general banking risks	27,959		(40)
27 Regulatory deductions applied to CET1 capital due to insufficient Additional Tier 1 (AT1) capital and Tier 2 capital to cover deductions	1,588		(50)-(49)
28 Total regulatory deductions to CET1 capital	129,771		
29 CET1 capital	389,745		
AT1 capital: instruments			
30 Qualifying AT1 capital instruments plus related share premium	14,737		(35)
31 Of which classified as equity under applicable accounting standards	14,737		(35)
32 Of which classified as liabilities under applicable accounting standards	–		
33 Capital instruments subject to phase out arrangements from AT1 capital	25,229		(31)
34 AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidated group)	8,784		(44)+(45)
35 Of which AT1 capital instruments issued by subsidiaries subject to phase out arrangements	5,389		(45)
36 AT1 capital before regulatory deductions	48,750		(49)
AT1 capital: regulatory deductions			
37 Investments in own AT1 capital instruments	–	–	
38 Reciprocal cross-holdings in AT1 capital instruments	–	–	
39 Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–	
40 Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	–	–	
41 National specific regulatory adjustments applied to AT1 capital	50,338		
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	50,338		
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	50,338		(47)
42 Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	–		
43 Total regulatory deductions to AT1 capital	50,338		(50)
44 AT1 capital	–		
45 Tier 1 capital (Tier 1 = CET1 + AT1)	389,745		

Appendix 1: Transition Disclosures Template (continued)

	At 31 December 2014		
	Component of regulatory capital	Amounts subject to pre- Basel III treatment*	Cross- referenced to **
	HK\$m	HK\$m	
Tier 2 capital : instruments and provisions			
46 Qualifying Tier 2 capital instruments plus any related share premium	18,613		(23)
47 Capital instruments subject to phase out arrangements from Tier 2 capital	24,072		(25)+(29)+ (32)
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)	6,810		(30)+(46)
49 Of which capital instruments issued by subsidiaries subject to phase out arrangements	3,297		(30)
50 Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	14,957		(3)+(41)
51 Tier 2 capital before regulatory deductions	64,452		
Tier 2 capital : regulatory deductions			
52 Investments in own Tier 2 capital instruments	–	–	
53 Reciprocal cross-holdings in Tier 2 capital instruments	–	–	
54 Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–	
55 Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	3,172	–	(7)
56 National specific regulatory adjustments applied to Tier 2 capital	25,988		
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	(24,350)		[(34)+(37)+ (42)] x 45%
56b Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	50,338		
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	50,338		(48)
57 Total regulatory deductions to Tier 2 capital	29,160		
58 Tier 2 capital	35,292		
59 Total capital (Total capital = Tier 1 + Tier 2)	425,037		
60 Total risk weighted assets	2,707,931		

Appendix 1: Transition Disclosures Template (continued)

	At 31 December 2014		Cross-referenced to **
	Component of regulatory capital	Amounts subject to pre- Basel III treatment*	
	HK\$m	HK\$m	
Capital ratios (as a percentage of risk weighted assets)			
61 CET1 capital ratio	14.39%		
62 Tier 1 capital ratio	14.39%		
63 Total capital ratio	15.70%		
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)	4.00%		
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	7.70%		
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	10,767		
73 Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	41,867		
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 standardised (credit risk) approach (prior to application of cap)	3,992		
77 Cap on inclusion of provisions in Tier 2 under the basic approach and the standardised (credit risk) approach	3,201		
78 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	18,478		
79 Cap for inclusion of provisions in Tier 2 under the IRB approach	11,756		
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	41,256		
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	39,252		
85 Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	–		

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

** Cross-referenced to Balance Sheet Reconciliation in Appendix 2b.

Appendix 1: Transition Disclosures Template *(continued)***Notes to the template**

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

Row No.	Description	At 31 December 2014	
		Hong Kong basis HK\$m	Basel III basis HK\$m
10	Deferred tax assets net of deferred tax liabilities	1,485	138

Explanation

As set out in paragraph 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), Deferred Tax Assets ('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 Mortgage Servicing Rights ('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.

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)	129,542	127,872
----	---	---------	---------

Explanation

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.

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.

Appendix 2: Balance Sheet Reconciliation

The following tables together provide a reconciliation of the group's consolidated statement of financial position, as published in the 2015 Consolidated Results - Highlights, to the Transition Disclosures Template in Appendix 1 of this document.

- a. The following table sets out the group's consolidated statement of financial position based on the accounting scope of consolidation and the corresponding balances based on the regulatory scope of consolidation.

	At 31 December 2015		At 31 December 2014	
	Balance sheet in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m	Balance sheet in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m
Assets				
Cash and sight balances at central banks	151,103	150,784	156,475	156,452
Items in the course of collection from other banks	25,020	25,020	21,122	21,122
Hong Kong Government certificates of indebtedness	220,184	220,184	214,654	214,654
Trading assets	302,626	302,119	407,026	406,969
Derivatives	380,955	381,092	389,934	390,045
Financial assets designated at fair value	99,095	911	98,195	1,257
Reverse repurchase agreements - non-trading	212,779	120,813	218,901	139,041
Placings with and advances to banks	421,221	408,269	488,313	467,514
Loans and advances to customers	2,762,290	2,757,787	2,815,216	2,809,284
Financial investments	1,716,046	1,444,795	1,456,493	1,223,720
Amounts due from Group companies	244,396	310,861	191,694	250,968
Investments in subsidiaries	–	15,714	–	15,573
Interests in associates and joint ventures	122,438	119,653	116,654	113,915
Goodwill and intangible assets	49,568	10,849	45,078	11,346
Property, plant and equipment	110,064	107,238	104,679	102,712
Deferred tax assets	1,836	1,792	1,436	1,386
Other assets	134,062	114,168	150,876	130,818
Total assets	6,953,683	6,492,049	6,876,746	6,456,776

Appendix 2: Balance Sheet Reconciliation (continued)

	At 31 December 2015		At 31 December 2014	
	Balance sheet in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m	Balance sheet in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m
Liabilities				
Hong Kong currency notes in circulation	220,184	220,184	214,654	214,654
Items in the course of transmission to other banks	30,753	30,753	31,331	31,331
Repurchase agreements - non-trading	16,158	16,158	28,379	28,379
Deposits by banks	148,294	147,620	226,713	226,580
Customer accounts	4,640,076	4,627,328	4,479,992	4,467,372
Trading liabilities	191,851	191,487	215,812	215,812
Derivatives	369,419	369,974	367,128	367,226
Financial liabilities designated at fair value	50,770	14,722	48,834	12,169
Debt securities in issue	40,859	40,859	45,297	45,266
Retirement benefit liabilities	5,809	5,809	5,606	5,603
Amounts due to Group companies	110,073	108,322	135,814	140,523
Other liabilities and provisions	86,920	83,297	87,731	84,431
Liabilities under insurance contracts	340,820	–	310,182	–
Current tax liabilities	2,456	2,010	2,927	2,438
Deferred tax liabilities	18,799	12,835	18,586	12,312
Subordinated liabilities	8,003	8,003	12,832	12,832
Preference shares	36,553	36,451	36,582	36,474
Total liabilities	6,317,797	5,915,812	6,268,400	5,903,402
Equity				
Share capital	96,052	96,052	96,052	96,052
Other equity instruments	14,737	14,737	14,737	14,737
Other reserves	93,031	91,906	107,985	104,800
Retained profits	380,381	327,574	339,061	292,147
Total shareholders' equity	584,201	530,269	557,835	507,736
Non-controlling interests	51,685	45,968	50,511	45,638
Total equity	635,886	576,237	608,346	553,374
Total equity and liabilities	6,953,683	6,492,049	6,876,746	6,456,776

Appendix 2: Balance Sheet Reconciliation *(continued)*

b. The following table expands the balance sheet under the regulatory scope of consolidation to show separately the capital components that are reported in the Transition Disclosures Template in Appendix 1. The capital components in this table contain a reference which shows how these amounts are included in the Transition Disclosures Template in Appendix 1.

	At 31 December 2015		Cross-referenced to Definition of Capital Components
	Balance sheet in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m	
Assets			
Cash and sight balances at central banks	151,103	150,784	
Items in the course of collection from other banks	25,020	25,020	
Hong Kong Government certificates of indebtedness	220,184	220,184	
Trading assets	302,626	302,119	
Of which valuation adjustments		248	(1)
Derivatives	380,955	381,092	
Of which valuation adjustments		843	(2)
Financial assets designated at fair value	99,095	911	
Of which valuation adjustments		1	(3)
Reverse repurchase agreements - non-trading	212,779	120,813	
Placings with and advances to banks	421,221	408,269	
Loans and advances to customers	2,762,290	2,757,787	
Of which impairment allowances eligible for inclusion in Tier 2 capital		1,810	(4)
Financial investments	1,716,046	1,444,795	
Of which significant capital investments in financial sector entities exceeding 10% threshold		1,406	(5)
Of which valuation adjustments		753	(6)
Amounts due from Group companies	244,396	310,861	
Of which significant capital investments in financial sector entities exceeding 10% threshold		1,608	(7)
Of which significant capital investments in financial sector entities exceeding 10% threshold		3,172	(8)
Investments in subsidiaries	–	15,714	
Of which significant capital investment in financial sector entities exceeding 10% threshold		15,714	(9)
Interests in associates and joint ventures	122,438	119,653	
Of which goodwill		3,934	(10)
Of which intangible assets		92	(11)
Of which significant capital investments in financial sector entities exceeding 10% threshold		72,293	(12)
Goodwill and intangible assets	49,568	10,849	
Of which goodwill		4,949	(13)
Of which intangible assets		5,900	(14)
Property, plant and equipment	110,064	107,238	
Deferred tax assets	1,836	1,792	
Of which deferred tax assets net of related tax liabilities		1,863	(15)
Of which deferred tax liabilities related to goodwill		(71)	(16)
Other assets	134,062	114,168	
Of which defined benefit pension fund net assets		48	(17)
Of which significant capital investments in financial sector entities exceeding 10% threshold		277	(18)
Total assets	6,953,683	6,492,049	

Appendix 2: Balance Sheet Reconciliation (continued)

	At 31 December 2015		Cross-referenced to Definition of Capital Components
	Balance sheet in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m	
Liabilities			
Hong Kong currency notes in circulation	220,184	220,184	
Items in the course of transmission to other banks	30,753	30,753	
Repurchase agreements - non-trading	16,158	16,158	
Deposits by banks	148,294	147,620	
Customer accounts	4,640,076	4,627,328	
Trading liabilities	191,851	191,487	
Of which gains and losses due to changes in own credit risk on fair valued liabilities		133	(19)
Derivatives	369,419	369,974	
Of which gains and losses due to changes in own credit risk on fair valued liabilities		794	(20)
Financial liabilities designated at fair value	50,770	14,722	
Of which gains and losses due to changes in own credit risk on fair valued liabilities		(49)	(21)
Debt securities in issue	40,859	40,859	
Retirement benefit liabilities	5,809	5,809	
Amounts due to Group companies	110,073	108,322	
Of which qualifying Tier 2 capital instruments		19,996	(22)
Of which gains and losses due to changes in own credit risk on fair valued liabilities		62	(23)
Other liabilities and provisions	86,920	83,297	
Liabilities under insurance contracts	340,820	–	
Current tax liabilities	2,456	2,010	
Deferred tax liabilities	18,799	12,835	
Of which deferred tax liabilities related to goodwill		(24)	(24)
Of which deferred tax liabilities related to intangibles		(748)	(25)
Of which deferred tax liabilities related to defined benefit pension fund net assets		(8)	(26)
Subordinated liabilities	8,003	8,003	
Of which portion eligible for Tier 2 capital instruments, subject to phase out arrangements		6,204	(27)
Of which portion eligible for Tier 2 capital instruments issued by subsidiaries, subject to phase out arrangements		1,607	(28)
Preference shares	36,553	36,451	
Of which portion eligible for AT1 capital instruments, subject to phase out arrangements		25,213	(29)
Of which portion eligible for Tier 2 capital instruments, subject to phase out arrangements		11,238	(30)
Total liabilities	6,317,797	5,915,812	

Appendix 2: Balance Sheet Reconciliation *(continued)*

	<u>At 31 December 2015</u>		Cross- referenced to Definition of Capital Components
	Balance sheet in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m	
Equity			
Share capital	96,052	96,052	
Of which portion eligible for inclusion in CET1 capital		94,598	(31)
Of which revaluation reserve capitalisation issue		1,454	(32)
Other equity instruments	14,737	14,737	
Of which qualifying AT1 capital instruments		14,737	(33)
Other reserves	93,031	91,906	(34)
Of which fair value gains arising from revaluation of land and buildings		52,098	(35)
Of which cash flow hedging reserves		51	(36)
Retained profits	380,381	327,574	(37)
Of which regulatory reserve for general banking risks		27,819	(38)
Of which regulatory reserve eligible for inclusion in Tier 2 capital		12,230	(39)
Of which fair value gains arising from revaluation of land and buildings		4,399	(40)
Total shareholders' equity	584,201	530,269	
Non-controlling interests	51,685	45,968	
Of which portion allowable in CET1 capital		22,352	(41)
Of which portion allowable in AT1 capital		1,382	(42)
Of which portion in AT1 capital, subject to phase out arrangements		9,494	(43)
Total equity	635,886	576,237	
Total equity and liabilities	6,953,683	6,492,049	

Appendix 2: Balance Sheet Reconciliation (continued)

	At 31 December 2014		Cross-referenced to Definition of Capital Components
	Balance sheet in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m	
Assets			
Cash and sight balances at central banks	156,475	156,452	
Items in the course of collection from other banks	21,122	21,122	
Hong Kong Government certificates of indebtedness	214,654	214,654	
Trading assets	407,026	406,969	
Of which valuation adjustments		349	(1)
Derivatives	389,934	390,045	
Of which valuation adjustments		777	(2)
Financial assets designated at fair value	98,195	1,257	
Reverse repurchase agreements - non-trading	218,901	139,041	
Placings with and advances to banks	488,313	467,514	
Loans and advances to customers	2,815,216	2,809,284	
Of which impairment allowances eligible for inclusion in Tier 2 capital		1,828	(3)
Financial investments	1,456,493	1,223,720	
Of which significant capital investments in financial sector entities exceeding 10% threshold		33,419	(4)
Of which valuation adjustments		903	(5)
Amounts due from Group companies	191,694	250,968	
Of which significant capital investments in financial sector entities exceeding 10% threshold		1,262	(6)
Of which significant capital investments in financial sector entities exceeding 10% threshold		3,172	(7)
Investments in subsidiaries	–	15,573	
Of which significant capital investment in financial sector entities exceeding 10% threshold		11,769	(8)
Interests in associates and joint ventures	116,654	113,915	
Of which goodwill		4,122	(9)
Of which intangible assets		145	(10)
Of which significant capital investments in financial sector entities exceeding 10% threshold		82,866	(11)
Goodwill and intangible assets	45,078	11,346	
Of which goodwill		5,384	(12)
Of which intangible assets		5,962	(13)
Property, plant and equipment	104,679	102,712	
Deferred tax assets	1,436	1,386	
Of which deferred tax assets net of related tax liabilities		1,485	(14)
Of which deferred tax liabilities related to goodwill		(94)	(15)
Of which deferred tax liabilities related to intangibles		(5)	(16)
Other assets	150,876	130,818	
Of which defined benefit pension fund net assets		106	(17)
Of which significant capital investments in financial sector entities exceeding 10% threshold		226	(18)
Total assets	6,876,746	6,456,776	

Appendix 2: Balance Sheet Reconciliation (continued)

	At 31 December 2014		Cross-referenced to Definition of Capital Components
	Balance sheet in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m	
Liabilities			
Hong Kong currency notes in circulation	214,654	214,654	
Items in the course of transmission to other banks	31,331	31,331	
Repurchase agreements - non-trading	28,379	28,379	
Deposits by banks	226,713	226,580	
Customer accounts	4,479,992	4,467,372	
Trading liabilities	215,812	215,812	
Of which gains and losses due to changes in own credit risk on fair valued liabilities		97	(19)
Of which valuation adjustments		1	(20)
Derivatives	367,128	367,226	
Of which gains and losses due to changes in own credit risk on fair valued liabilities		492	(21)
Financial liabilities designated at fair value	48,834	12,169	
Of which gains and losses due to changes in own credit risk on fair valued liabilities		(50)	(22)
Debt securities in issue	45,297	45,266	
Retirement benefit liabilities	5,606	5,603	
Amounts due to Group companies	135,814	140,523	
Of which qualifying Tier 2 capital instruments		18,613	(23)
Of which gains and losses due to changes in own credit risk on fair valued liabilities		57	(24)
Of which portion eligible for Tier 2 capital instruments, subject to phase out arrangements		3,490	(25)
Other liabilities and provisions	87,731	84,431	
Liabilities under insurance contracts	310,182	–	
Current tax liabilities	2,927	2,438	
Deferred tax liabilities	18,586	12,312	
Of which deferred tax liabilities related to goodwill		(5)	(26)
Of which deferred tax liabilities related to intangibles		(826)	(27)
Of which deferred tax liabilities related to defined benefit pension fund net assets		(17)	(28)
Subordinated liabilities	12,832	12,832	
Of which portion eligible for Tier 2 capital instruments, subject to phase out arrangements		9,337	(29)
Of which portion eligible for Tier 2 capital instruments issued by subsidiaries, subject to phase out arrangements		3,297	(30)
Preference shares	36,582	36,474	
Of which portion eligible for AT1 capital instruments, subject to phase out arrangements		25,229	(31)
Of which portion eligible for Tier 2 capital instruments, subject to phase out arrangements		11,245	(32)
Total liabilities	6,268,400	5,903,402	

Appendix 2: Balance Sheet Reconciliation *(continued)*

	At 31 December 2014		Cross-referenced to Definition of Capital Components
	Balance sheet in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m	
Equity			
Share capital	96,052	96,052	
Of which portion eligible for inclusion in CET1 capital		94,598	(33)
Of which revaluation reserve capitalisation issue		1,454	(34)
Other equity instruments	14,737	14,737	
Of which qualifying AT1 capital instruments		14,737	(35)
Other reserves	107,985	104,800	(36)
Of which fair value gains arising from revaluation of land and buildings		48,481	(37)
Of which cash flow hedging reserves		(182)	(38)
Retained profits	339,061	292,147	(39)
Of which regulatory reserve for general banking risks		27,959	(40)
Of which regulatory reserve eligible for inclusion in Tier 2 capital		13,129	(41)
Of which fair value gains arising from revaluation of land and buildings		4,176	(42)
Total shareholders' equity	557,835	507,736	
Non-controlling interests	50,511	45,638	
Of which portion allowable in CET1 capital		27,971	(43)
Of which portion allowable in AT1 capital		3,395	(44)
Of which portion in AT1 capital, subject to phase out arrangements		5,389	(45)
Of which portion allowable in Tier 2 capital		3,513	(46)
Total equity	608,346	553,374	
Total equity and liabilities	6,876,746	6,456,776	

Appendix 3: Liquidity Coverage Ratio Standard Disclosure Template

The number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components as set out in the following table for the quarter ending on 31 December 2015, 30 September 2015, 30 June 2015 and 31 March 2015 was three.

	Quarter ended 31 December 2015		Quarter ended 30 September 2015		Quarter ended 30 June 2015		Quarter ended 31 March 2015	
	Unweighted amount (Average value) HK\$m	Weighted amount (Average value) HK\$m	Unweighted amount (Average value) HK\$m	Weighted amount (Average value) HK\$m	Unweighted amount (Average value) HK\$m	Weighted amount (Average value) HK\$m	Unweighted amount (Average value) HK\$m	Weighted amount (Average value) HK\$m
A. High quality liquid assets								
1 Total high quality liquid assets (HQLA)		1,507,643		1,462,890		1,417,970		1,367,500
B. Cash outflows								
2 Retail deposits and small business funding, of which:	2,838,733	267,643	2,787,703	266,697	2,845,943	274,376	2,738,847	262,591
3 Stable retail deposits and stable small business funding	319,140	15,957	224,949	11,247	186,685	9,334	188,439	9,422
4 Less stable retail deposits and less stable small business funding	2,514,124	251,412	2,546,250	254,625	2,641,575	264,158	2,512,969	251,297
5 Retail term deposits and small business term funding	5,469	274	16,504	825	17,683	884	37,438	1,872
6 Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	2,071,665	1,252,511	2,118,180	1,338,394	2,144,246	1,389,353	2,090,592	1,368,151
7 Operational deposits	132,202	33,001	–	–	–	–	–	–
8 Unsecured wholesale funding (other than small business funding) not covered in Row 7	1,935,196	1,215,243	2,112,498	1,332,712	2,138,244	1,383,351	2,087,796	1,365,355
9 Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period	4,267	4,267	5,682	5,682	6,002	6,002	2,796	2,796
10 Secured funding transactions (including securities swap transactions)		5,351		1,401		934		1,016
11 Additional requirements, of which:	331,053	121,232	315,777	138,008	379,541	187,961	434,596	238,768
12 Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	78,218	77,085	100,310	100,310	142,252	141,279	182,109	181,048
13 Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions	118	118	–	–	–	–	–	–
14 Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)	252,717	44,029	215,467	37,698	237,289	46,682	252,487	57,720
15 Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	89,584	89,584	89,329	89,329	84,818	84,818	90,480	90,480
16 Other contingent funding obligations (whether contractual or non-contractual)	2,085,329	12,642	1,957,862	11,727	1,862,982	12,281	1,738,986	11,969
17 Total cash outflows		1,748,963		1,845,556		1,949,723		1,972,975

Appendix 3: Liquidity Coverage Ratio Standard Disclosure Template (continued)

	Quarter ended 31 December 2015		Quarter ended 30 September 2015		Quarter ended 30 June 2015		Quarter ended 31 March 2015	
	Unweighted amount (Average value) HK\$m	Weighted amount (Average value) HK\$m	Unweighted amount (Average value) HK\$m	Weighted amount (Average value) HK\$m	Unweighted amount (Average value) HK\$m	Weighted amount (Average value) HK\$m	Unweighted amount (Average value) HK\$m	Weighted amount (Average value) HK\$m
C. Cash inflows								
18 Secured lending transactions (including securities swap transactions)	170,270	68,945	180,424	82,565	193,750	75,485	204,074	82,273
19 Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions	901,886	609,516	975,986	682,747	972,860	687,761	951,911	661,789
20 Other cash inflows	156,984	127,302	180,686	146,649	215,408	191,143	255,051	233,587
21 Total cash inflows	1,229,140	805,763	1,337,096	911,961	1,382,018	954,389	1,411,036	977,649
D. Liquidity coverage ratio (Adjusted value)								
22 Total HQLA		1,507,643		1,462,890		1,417,970		1,367,500
23 Total net cash outflows		943,200		933,595		995,334		995,326
24 LCR (%)		159.8%		156.7%		142.5%		137.4%

Appendix 4: Leverage Ratio Common Disclosure Template

	Leverage ratio framework	
	At 31 December 2015 HK\$m	At 31 December 2014 HK\$m
On-balance sheet exposures		
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	5,536,520	5,538,619
2 Less: Asset amounts deducted in determining Basel III Tier 1 capital (reported as negative amounts)	(169,012)	(179,379)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	5,367,508	5,359,240
Derivative exposures		
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	91,620	141,297
5 Add-on amounts for PFE associated with all derivatives transactions	219,161	222,501
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–	–
7 Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions (reported as negative amounts)	–	–
8 Less: Exempted CCP leg of client-cleared trade exposures (reported as negative amounts)	(1,008)	(177)
9 Adjusted effective notional amount of written credit derivatives	211,123	121,543
10 Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives (reported as negative amounts)	(193,992)	(104,658)
11 Total derivative exposures (sum of lines 4 to 10)	326,904	380,506
Securities financing transaction exposures		
12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	334,395	295,840
13 Less: Netted amounts of cash payables and cash receivables of gross SFT assets (reported as negative amounts)	–	–
14 CCR exposure for SFT assets	4,731	990
15 Agent transaction exposures	–	–
16 Total securities financing transaction exposures (sum of lines 12 to 15)	339,126	296,830
Other off-balance sheet exposures		
17 Off-balance sheet exposure at gross notional amount	2,426,025	2,164,747
18 Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts)	(1,944,945)	(1,710,746)
19 Off-balance sheet items (sum of lines 17 and 18)	481,080	454,001
Capital and total exposures		
20 Tier 1 capital	418,758	389,745
21 Total exposures (sum of lines 3, 11, 16 and 19)	6,514,618	6,490,577
Leverage ratio		
22 Basel III leverage ratio	6.43%	6.00%

Appendix 5: Leverage Ratio Summary Comparison Table

	Leverage ratio framework	
	At 31 December 2015 HK\$m	At 31 December 2014 HK\$m
1 Total consolidated assets as per published financial statements	6,953,683	6,876,746
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(461,634)	(419,970)
3 Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	–	–
4 Adjustments for derivative financial instruments	(54,188)	(9,539)
5 Adjustments for securities financing transactions (i.e. repos and similar secured lending)	4,731	990
6 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	481,080	454,001
7 Other adjustments	(409,054)	(411,651)
8 Leverage ratio exposure	6,514,618	6,490,577

Other adjustments mainly represent the Hong Kong Government certificates of indebtedness and assets deducted in determining Basel III Tier 1 capital. These are excluded for deriving the Leverage ratio exposure in accordance with the Leverage Ratio Framework issued by the HKMA.