

Capital adequacy ratios and regulatory capital disclosures

(i) Regulatory capital disclosures

	Component of regulatory capital	Cross-reference to financial position reconciliation
	At 31-Dec-2017	
	USD	
CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	3
2	Retained earnings	4+5+6
3	Disclosed reserves	7
4	<i>Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)</i>	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	0
6	CET1 capital before regulatory deductions	
	289,290,909	
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	2
	921,224	
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	4,249,965
26a	Regulatory reserve for general banking risks	5
	4,249,965	
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	
	5,171,189	
29	CET1 capital	
	284,119,720	
AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	0
31	of which: classified as equity under applicable accounting standards	0
32	of which: classified as liabilities under applicable accounting standards	0
33	<i>Capital instruments subject to phase out arrangements from AT1 capital</i>	0
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	0
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>	0
36	AT1 capital before regulatory deductions	0

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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)	284,119,720	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	0	
47	<i>Capital instruments subject to phase out arrangements from Tier 2 capital</i>	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	<i>of which: capital instruments issued by subsidiaries subject to phase out arrangements</i>	0	
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	5,312,457	1+5
51	Tier 2 capital before regulatory deductions	5,312,457	
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	
57	Total regulatory deductions to Tier 2 capital	0	
58	Tier 2 capital	5,312,457	
59	Total capital (Total capital = Tier 1 + Tier 2)	289,432,177	
60	Total risk weighted assets	1,001,860,517	
Capital ratios (as a percentage of risk weighted assets)			
61	CET1 capital ratio	28.36%	
62	Tier 1 capital ratio	28.36%	
63	Total capital ratio	28.89%	
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)	6.20%	
65	<i>of which: capital conservation buffer requirement</i>	1.25%	
66	<i>of which: bank specific countercyclical buffer requirement</i>	0.45%	
67	<i>of which: G-SIB or D-SIB buffer requirement</i>	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	23.86%	
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	

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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)	5,312,457	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	5,312,457	
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:

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 (USD)	Basel III basis (USD)
	Deferred tax assets net of deferred tax liabilities	921,224	0
10	<p><u>Explanation</u></p> <p>As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs that rely on future profitability of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III.</p> <p>The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities and other credit exposures to connected companies) under Basel III.</p>		

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

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Capital adequacy ratios and regulatory capital disclosures (continued)

(ii) Financial position reconciliation

	At 31-Dec-2017	Cross reference to Definition of Capital Components
	USD	
ASSETS		
Cash and balances with banks and other financial institutions	15,813,418	
Placements with banks and other financial institutions	50,000,000	
Trade bills	309,106,276	
Trading assets	46,707,476	
Loans and advances	543,853,177	
<i>of which: collective impairment allowances reflected in regulatory capital</i>	1,062,492	1
Available-for-sale investments	399,839,138	
Property and equipment	1,042,525	
Tax recoverable	887,776	
Interest receivable and other assets	15,282,365	
Deferred tax assets	27,436	
<i>of which: Deferred tax assets related to property and equipment and impairment allowances</i>	921,224	2
TOTAL ASSETS	1,382,559,587	
EQUITY AND LIABILITIES		
LIABILITIES		
Deposits and balances of banks and other financial institutions	626,308,704	
Deposits from customers	2,057,687	
Trading liabilities	366,110	
Certificates of deposit issued	437,751,740	
Interest payable and other liabilities	26,784,437	
TOTAL LIABILITIES	1,093,268,678	
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	140,000,000	3
Reserves	149,290,909	
<i>of which: Retained profits</i>	120,389,191	4
<i> : Regulatory reserve</i>	4,249,965	5
<i> : Current profit/(loss)</i>	20,128,635	6
<i> : accumulated other comprehensive income</i>	4,523,118	7
TOTAL EQUITY	289,290,909	
TOTAL EQUITY AND LIABILITIES	1,382,559,587	

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Capital adequacy ratios and regulatory capital disclosures (continued)

(iii) Main features of outstanding regulatory capital instrument

1	Issuer	KDB Asia Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Not Applicable
3	Governing law(s) of the instrument	Hong Kong Special Administrative Region of the People's Republic of China
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules [#]	Not Applicable
5	Post-transitional Basel III rules [*]	Common Equity Tier 1
6	Eligible at solo*/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	USD 140 Million
9	Par value of instrument	USD 1 each
10	Accounting classification	Shareholders' equity
11	Original date of issuance	23 Feb 2007 (USD 50 Million) 18 Mar 2005 (USD 20 Million) 24 Jul 2002 (USD 10 Million) 20 Sep 1999 (USD 25 Million) 29 Mar 1995 (USD 20 Million) 5 Mar 1990 (USD 5 Million) 20 Jan 1986 (USD 10 Million)
12	Perpetual or dated	Perpetual
13	Original maturity date	Not Applicable
14	Issuer call subject to prior supervisory approval	Not Applicable
15	Optional call date, contingent call dates and redemption amount	Not Applicable
16	Subsequent call dates, if applicable	Not Applicable
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	Not Applicable
19	Existence of a dividend stopper	Not Applicable
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	Not Applicable
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	Not Applicable
25	If convertible, fully or partially	Not Applicable
26	If convertible, conversion rate	Not Applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not Applicable
32	If write-down, full or partial	Not Applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not Applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not Applicable

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