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# **Citicorp International Limited**

## **Regulatory Capital Disclosures**

- Transition Disclosures
- Balance Sheet Reconciliation
- Main Features of the Capital Instruments Issued

**2016 Annual**

## Transition Disclosures

The following table sets out the detailed composition of the Company's regulatory capital at December 31, 2016 using the Transition Disclosures Template as specified by the HKMA. The table also shows those items that are currently benefiting from the Basel III transitional arrangements, and are consequently subject to the pre-Base III treatment, as set out in Schedule 4H to the Banking (Capital) Rules.

|   | HK\$ thousands  | Amounts subject to pre-Base III treatment* |   | Cross-referenced to Balance Sheet |
|---|---|--|---|-----------------------------------|
|   |   | HK\$ thousands                             |   |                                   |
| <b>CET1 capital: instruments and reserves</b> |   |  |   |                                   |
| 1   | Directly issued qualifying CET1 capital instruments plus any related share premium  | 187,556                                    |   | (2)                               |
| 2   | Retained earnings   | 6,855,271                                  |   | (3)                               |
| 3   | Disclosed reserves  | 88,228                                     |   | (4) + (5)                         |
| 4   | <i>Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)</i>  | Not applicable                             |   |                                   |
|   | <i>Public sector capital injections grandfathered until 1 January 2018</i>  | Not applicable                             |   |                                   |
| 5   | Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group) | 0  |   |                                   |
| 6   | <b>CET1 capital before regulatory deductions</b>  | 7,131,055                                  |   |                                   |
| <b>CET1 capital: regulatory deductions</b>    |   |  |   |                                   |
| 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   | 18,716                                     |   | (1)                               |
| 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  | <b>Total regulatory deductions to CET1 capital</b>  | 18,716                                     |   |                                   |
| 29  | <b>CET1 capital</b>   | 7,112,339                                  |   |                                   |
| <b>AT1 capital: instruments</b>               |   |  |   |                                   |
| 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  | <b>AT1 capital before regulatory deductions</b>   | 0  |   |                                   |

**Transition Disclosures (continued)**

|   | HK\$ thousands  | Amounts subject to pre-<br>Basel III treatment* | Cross-referenced to<br>Balance Sheet |
|---|---|---|--------------------------------------|
|   |   | HK\$ thousands                                  |                                      |
| <b>AT1 capital: regulatory deductions</b>         |   |   |                                      |
| 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  | <b>Total regulatory deductions to AT1 capital</b>   | 0   |                                      |
| 44  | <b>AT1 capital</b>  | 0   |                                      |
| 45  | <b>Tier 1 capital (Tier 1 = CET1 + AT1)</b>   | 7,112,339                                       |                                      |
| <b>Tier 2 capital: instruments and provisions</b> |   |   |                                      |
| 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  | 0   |                                      |
| 51  | <b>Tier 2 capital before regulatory deductions</b>  | 0   |                                      |
| <b>Tier 2 capital: regulatory deductions</b>      |   |   |                                      |
| 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  | <b>Total regulatory deductions to Tier 2 capital</b>  | 0   |                                      |
| 58  | <b>Tier 2 capital</b>   | 0   |                                      |
| 59  | <b>Total capital (Total capital = Tier 1 + Tier 2)</b>  | 7,112,339                                       |                                      |

**Transition Disclosures (continued)**

|   |   | HK\$ thousands | Amounts subject to pre-<br>Basel III treatment* | Cross-referenced to<br>Balance Sheet |
|---|---|----------------|---|--------------------------------------|
|   |   |                | HK\$ thousands                                  |                                      |
| 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  | <b>Total risk weighted assets</b>   | 6,836,298      |   |                                      |
| <b>Capital ratios (as a percentage of risk weighted assets)</b>           |   |                |   |                                      |
| 61  | CET1 capital ratio  | 104.04%        |   |                                      |
| 62  | Tier 1 capital ratio  | 104.04%        |   |                                      |
| 63  | Total capital ratio   | 104.04%        |   |                                      |
| 64  | Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements) | 5.715%         |   |                                      |
| 65  | of which: capital conservation buffer requirement   | 0.625%         |   |                                      |
| 66  | of which: bank specific countercyclical buffer requirement  | 0.590%         |   |                                      |
| 67  | of which: G-SIB or D-SIB buffer requirement   | 0.000%         |   |                                      |
| 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   | 96.04%         |   |                                      |
| <b>National minima (if different from Basel 3 minimum)</b>                |   |                |   |                                      |
| 69  | National CET1 minimum ratio   | Not applicable |   |                                      |
| 70  | National Tier 1 minimum ratio   | Not applicable |   |                                      |
| 71  | National Total capital minimum ratio  | Not applicable |   |                                      |
| <b>Amounts below the thresholds for deduction (before risk weighting)</b> |   |                |   |                                      |
| 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 |   |                                      |
| <b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>   |   |                |   |                                      |
| 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              |   |                                      |
| <b>Capital instruments subject to phase-out arrangements</b>              |   |                |   |                                      |
| 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.

**Transition Disclosures (continued)**

**Notes to the disclosures:**

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 |
|--|--|-----------------|-----------------|
|  | <b>Deferred tax assets net of deferred tax liabilities</b>   | 18,716          | 18,716          |
| <b>10</b>  | <u>Explanation</u><br>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.<br><br>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. |                 |                 |
| Remarks:<br>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

### Balance Sheet Reconciliation

- a. The balance sheet based on the accounting scope of consolidation is used as a starting point and the amount for each item in the published financial statements based on the regulatory scope of consolidation is populated on the side. The scope of regulatory consolidation and that of accounting consolidation of the Company are identical.
- 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. The capital components in this table contain a reference which shows how these amounts are included in the Transition Disclosures Template.

Deductions from capital are reported as positive numbers, and additions to capital as negative numbers.

|   | Balance sheet as<br>in published<br>financial<br>statements | Under regulatory<br>scope of<br>consolidation | Cross reference to<br>Definition of Capital<br>Components |
|---|---|---|---|
| (in thousands of Hong Kong dollar)                                | As at Dec 31, 2016  | As at Dec 31, 2016                            |   |
| <b>Assets</b>   |   |   |   |
| Cash and balances with banks and other financial institutions     | 7,615,282   | 7,615,282                                     |   |
| Available-for-sale financial assets                               | -   | -   |   |
| Fixed assets  | 420   | 420   |   |
| Deferred tax assets   | 18,716  | 18,716  | (1)   |
| Current taxation  | 56,337  | 56,337  |   |
| Other assets  | 96,422  | 96,422  |   |
| <b>Total Assets</b>   | <b>7,787,177</b>  | <b>7,787,177</b>                              |   |
| <b>Liabilities</b>  |   |   |   |
| Deposits and balances from banks and other financial institutions | -   | -   |   |
| Other liabilities   | 656,123   | 656,123                                       |   |
| <b>Total liabilities</b>  | <b>656,123</b>  | <b>656,123</b>                                |   |
| <b>Shareholders' Equity</b>                                       |   |   |   |
| Share capital   | 187,556   | 187,556                                       | (2)   |
| Reserves  | 6,943,498   | 6,943,498                                     |   |
| <i>of which: retained profits</i>                                 |   | 6,855,271                                     | (3)   |
| <i>available-for-sale revaluation reserve</i>                     |   | -   | (4)   |
| <i>capital reserves</i>   |   | 88,227  | (5)   |
| <b>Total shareholders' equity</b>                                 | <b>7,131,054</b>  | <b>7,131,054</b>                              |   |
| <b>Total liabilities and shareholders' equity</b>                 | <b>7,787,177</b>  | <b>7,787,177</b>                              |   |

**Main features of the Capital Instruments Issued**

|                             |   |                                |                                |                                |
|-----------------------------|---|--------------------------------|--------------------------------|--------------------------------|
| 1                           | Issuer  | Citicorp International Limited | Citicorp International Limited | Citicorp International Limited |
| 2                           | Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)                              | NA                             | NA                             | NA                             |
| 3                           | Governing law(s) of the instrument  | Hong Kong                      | Hong Kong                      | Hong Kong                      |
| <i>Regulatory treatment</i> |   |                                |                                |                                |
| 4                           | Transitional Basel III rules <sup>#</sup>   | NA                             | NA                             | NA                             |
| 5                           | Post-transitional Basel III rules <sup>+</sup>  | Common Equity Tier 1           | Common Equity Tier 1           | Common Equity Tier 1           |
| 6                           | Eligible at solo*/group/group & solo  | Solo                           | Solo                           | Solo                           |
| 7                           | Instrument type (types to be specified by each jurisdiction)  | Ordinary shares                | Ordinary shares                | Ordinary shares                |
| 8                           | Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)               | HKD 2                          | HKD 998                        | HKD 187,555,200                |
| 9                           | Par value of instrument   | NA                             | NA                             | NA                             |
| 10                          | Accounting classification   | Shareholders' equity           | Shareholders' equity           | Shareholders' equity           |
| 11                          | Original date of issuance   | 26 October 1970                | 31 October 1970                | 28 May 2007                    |
| 12                          | Perpetual or dated  | Perpetual                      | Perpetual                      | Perpetual                      |
| 13                          | Original maturity date  | no maturity                    | no maturity                    | no maturity                    |
| 14                          | Issuer call subject to prior supervisory approval   | No                             | No                             | No                             |
| 15                          | Optional call date, contingent call dates and redemption amount   | NA                             | NA                             | NA                             |
| 16                          | Subsequent call dates, if applicable  | NA                             | NA                             | NA                             |
| <i>Coupons / dividends</i>  |   |                                |                                |                                |
| 17                          | Fixed or floating dividend/coupon   | Floating                       | Floating                       | Floating                       |
| 18                          | Coupon rate and any related index   | NA                             | NA                             | NA                             |
| 19                          | Existence of a dividend stopper   | No                             | No                             | No                             |
| 20                          | Fully discretionary, partially discretionary or mandatory   | Fully discretionary            | Fully discretionary            | Fully discretionary            |
| 21                          | Existence of step up or other incentive to redeem   | No                             | No                             | No                             |
| 22                          | Noncumulative or cumulative   | Noncumulative                  | Noncumulative                  | Noncumulative                  |
| 23                          | Convertible or non-convertible  | Non-convertible                | Non-convertible                | Non-convertible                |
| 24                          | If convertible, conversion trigger (s)  | NA                             | NA                             | NA                             |
| 25                          | If convertible, fully or partially  | NA                             | NA                             | NA                             |
| 26                          | If convertible, conversion rate   | NA                             | NA                             | NA                             |
| 27                          | If convertible, mandatory or optional conversion  | NA                             | NA                             | NA                             |
| 28                          | If convertible, specify instrument type convertible into  | NA                             | NA                             | NA                             |
| 29                          | If convertible, specify issuer of instrument it converts into   | NA                             | NA                             | NA                             |
| 30                          | Write-down feature  | No                             | No                             | No                             |
| 31                          | If write-down, write-down trigger(s)  | NA                             | NA                             | NA                             |
| 32                          | If write-down, full or partial  | NA                             | NA                             | NA                             |
| 33                          | If write-down, permanent or temporary   | NA                             | NA                             | NA                             |
| 34                          | If temporary write-down, description of write-up mechanism  | NA                             | NA                             | NA                             |
| 35                          | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | NA                             | NA                             | NA                             |
| 36                          | Non-compliant transitioned features   | No                             | No                             | No                             |
| 37                          | If yes, specify non-compliant features  | NA                             | NA                             | NA                             |

**Footnote:**

<sup>#</sup> Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

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

\* Include solo-consolidated