

BPI INTERNATIONAL FINANCE LIMITED

**BANKING DISCLOSURE STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPT 2018
(UNAUDITED)**

Basis of Preparation

The key prudential ratios related to regulatory capital and buffers, leverage ratio and liquidity ratios of BPI International Finance Limited and BPI Remittance Centre (HK) Limited(“the group”) are calculated in accordance with the Banking (Capital) Rules (“BCR”) and Banking (Liquidity) Rules (“BLR”) respectively. The regulatory capital ratios represent the consolidated ratio of the group in accordance with section 3C(1) of the BCR . The group uses the basic approach (BSC) in calculating its credit risk of its non-securitization exposures and BIA approach in calculating its operational risk. The group is exempted to compute its market risk.

Table 1 - KM1: Key prudential ratios

The following disclosures are made in accordance with section 16AB in part 2A of the Banking (Disclosure) Rules.

		(a)	(b)	(c)	(d)	(e)
		30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
	Regulatory capital (amount)(HK\$'000)					
1	Common Equity Tier 1 (CET1)	187,535	188,914	187,623	187,349	186,953
2	Tier 1	187,535	188,914	187,623	187,349	186,953
3	Total capital	189,397	190,631	189,394	188,949	188,625
	RWA (amount)(HK\$'000)					
4	Total RWA	230,255	207,902	211,435	196,325	200,368
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	81.45%	90.87%	88.74%	95.43%	93.30%
6	Tier 1 ratio (%)	81.45%	90.87%	88.74%	95.43%	93.30%
7	Total capital ratio (%)	82.26%	91.69%	89.58%	96.24%	94.14%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	1.875%	1.875%	1.875%	1.25%	1.25%
9	Countercyclical capital buffer requirement (%)	0	0	0	0	0.15%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	N/A	N/A	N/A	N/A	N/A
11	Total AI-specific CET1 buffer requirements (%)	1.875%	1.875%	1.875%	1.25%	1.40%
12	CET1 available after meeting the AI's minimum capital requirements (%)	68.51%	77.94%	75.83%	82.49%	80.39%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure (HK\$'000)	446,656	484,205	463,871	462,230	461,302
14	LR (%)	41.99%	39.02%	40.45%	40.53%	40.53%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	N/A	N/A	N/A	N/A	N/A
16	Total net cash outflows	N/A	N/A	N/A	N/A	N/A
17	LCR (%)	N/A	N/A	N/A	N/A	N/A

		(a)	(b)	(c)	(d)	(e)
		30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
	Applicable to category 2 institution only:					
17a	LMR (%)	431.03%	333.68%	349.25%	289.50%	260.54%
Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)						
	Applicable to category 1 institution only:					
18	Total available stable funding	N/A	N/A	N/A	N/A	N/A
19	Total required stable funding	N/A	N/A	N/A	N/A	N/A
20	NSFR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

All figures in 2018 are presented in accordance with the Hong Kong Financial Reporting Standard 9 (“HKFRS 9”) while figures in 2017 are presented in accordance with the Hong Kong Accounting Standard 39 (“HKAS 39”).

The regulatory capital, RWA’s, regulatory capital ratios and additional CET 1 buffer requirements of the group are taken from the Return of Capital Adequacy Ratio submitted to HKMA on a consolidated basis. The movement in CCyb ratio was due to maturity of exposure with private sector in Hong Kong. Other private sector exposures are with China and Philippines, both country has no countercyclical buffer rate or the JCCyb was set at zero.

In compare with last quarter, total RWA increase primarily due to a loan drawdown of USD3.2M, decrease in exposure of other financial assets and increase in operational risk which resulted to an overall decreased in the Capital ratio by 10%.

The Basel III Leverage ratio disclosures in 2018 are taken from the Return of Leverage Ratio submitted to HKMA under Part 1C of the BCR and the Leverage ratio disclosures in 2017 are taken from the Quarterly Template on Leverage Ratio submitted to HKMA.

The institution is categorized as category 2 institution thus Liquidity Coverage Ratio (“LCR”), Net Stable Funding Ratio (“NSFR”) and Core Funding Ratio (“CFR”) are not applicable.

The institution computes its Liquidity Maintenance Ratio (“LMR”) on a Hong Kong office basis as required under rule 10(1)(a) of the Banking Liquidity Rules.

In compare with last quarter, both average liquefiable assets and qualifying liabilities were increase results in increase on the average LMR.

Capital requirements and RWAs

The following disclosure are made in accordance with section 16C in part 2A (Division 2) of the Banking (Disclosure) Rules.

Table 2 - OV1: Overview of RWAs

The following table provides an overview of the capital requirement in terms of detailed breakdown of RWAs for credit risk, market risk and operational risk. The minimum capital requirements are calculated as 8% of the risk weighted assets as of the reporting date.

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30 Sep 2018 HK\$'000	30 Jun 2018 HK\$'000	30 Sep 2018 HK\$'000
1	Credit risk for non-securitization exposures	148,977	137,384	11,918
2	Of which STC approach	-	-	-
2a	Of which BSC approach	148,977	137,384	11,918
3	Of which foundation IRB approach	-	-	-
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	-	-	-
7	Of which SA-CCR*	N/A	N/A	N/A
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	-	-	-
10	CVA risk	-	-	-
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA*	N/A	N/A	N/A
13	CIS exposures – MBA*	N/A	N/A	N/A
14	CIS exposures – FBA*	N/A	N/A	N/A
14a	CIS exposures – combination of approaches*	N/A	N/A	N/A
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	-	-	-
21	Of which STM approach	-	-	-
22	Of which IMM approach	-	-	-

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30 Sep 2018 HK\$'000	30 Jun 2018 HK\$'000	30 Sep 2018 HK\$'000
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)*	N/A	N/A	N/A
24	Operational risk	81,713	71,188	6,537
25	Amounts below the thresholds for deduction (subject to 250% RW)	-	-	-
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	435	670	35
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	435	670	35
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital			
27	Total	230,255	207,902	18,420

During the 3rd quarter of 2018, the total Risk Weighted Assets (RWA's) had a net increase of HKD 22.3 million which is attributed to movements in the loan portfolio by HKD 23 million increased in RWA's and movements in other financial assets by HKD 11.2 million decreased in RWA's and increase in operational risk by HK 10.5 million due to the dividend received from subsidiary.

Table 3 – LR2: Leverage Ratio (“LR”)

The table below provides a detailed breakdown of the components of the Leverage ratio denominator as at 30 September 2018.

		(a)	(b)
		HK\$ '000	
		30 Sep 2018	30 June 2018
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	448,181	482,874
2	Less: Asset amounts deducted in determining Tier 1 capital	1,692	1,692
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	446,489	481,182
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-
5	Add-on amounts for PFE associated with all derivative contracts	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	-	-
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	-	-
11	Total exposures arising from derivative contracts	-	-
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	-	-
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	7,719	37,184
18	Less: Adjustments for conversion to credit equivalent amounts	(6,947)	(33,466)
19	Off-balance sheet items	772	3,718
Capital and total exposures			
20	Tier 1 capital	187,535	188,914
20a	Total exposures before adjustments for specific and collective provisions	447,261	484,900
20b	Adjustments for specific and collective provisions	(605)	(695)
21	Total exposures after adjustments for specific and collective provisions	446,656	484,205
Leverage ratio			
22	Leverage ratio	41.99%	39.02%

MR2: RWA flow statements of market risk exposures under IMM approach

MR2 section is not applicable to the Group for the reason that it is under Basic Approach (BSC).