

BPI INTERNATIONAL FINANCE LIMITED

**BANKING DISCLOSURE STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2019
(UNAUDITED)**

BPI INTERNATIONAL FINANCE LIMITED

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Basis of Preparation

The key prudential ratios related to regulatory capital and buffers, leverage ratio and liquidity ratios of BPI International Finance Limited (the “Company”) are calculated in accordance with the Banking (Capital) Rules (“BCR”) and Banking (Liquidity) Rules (“BLR”), respectively.

These regulatory capital ratios represent the solo/combined ratio of the Company under section 3C(1) of the BCR. The Company uses the Basic Approach (“BSC”) in calculating the credit risk of its non-securitization exposures and the Basic Indicator Approach (“BIA”) in calculating its operational risk. The Company is exempt by the Hong Kong Monetary Authority (“HKMA”) from computing its market risk.

Part I: Key prudential Ratios and Overview of RWA

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 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	147,371	150,940	158,689	163,049	167,435
2	Tier 1	147,371	150,940	158,689	163,049	167,435
3	Total capital	148,804	152,491	160,175	164,871	169,232
	RWA (amount)					
4	Total RWA	184,755	190,450	185,889	210,677	194,873
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	79.77%	79.25%	85.37%	77.39%	85.92%
6	Tier 1 ratio (%)	79.77%	79.25%	85.37%	77.39%	85.92%
7	Total capital ratio (%)	80.54%	80.07%	86.17%	78.26%	86.84%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	1.875%	1.875%
9	Countercyclical capital buffer requirement (%)	0	0	0	0	0
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 (%)	2.500%	2.500%	2.500%	1.875%	1.875%
12	CET1 available after meeting the AI’s minimum capital requirements (%)	66.79%	66.32%	72.42%	64.51%	73.09%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	388,819	425,749	440,836	455,644	425,138
14	LR (%)	37.90%	35.45%	36.00%	35.78%	39.38%
	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

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		(a)	(b)	(c)	(d)	(e)
		30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
17	LCR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2 institution only:					
17a	LMR (%)	352.60%	396.76%	378.60%	403.64%	431.03%
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

The Company is under category 2 institution; thus, the following does not apply: Liquidity Coverage Ratio (“LCR”), Net Stable Funding Ratio (“NSFR”), and Core Funding Ratio (“CFR”).

The regulatory capital, RWA’s, risk-based regulatory capital ratios, and additional buffer requirements are from the Return of Capital Adequacy Ratio submitted to the HKMA on a solo/combined basis under section 3C(1) of the BCR.

The Basel III Leverage ratio disclosures are from the Return of Leverage Ratio submitted to the HKMA under Part 1C of the Banking Capital Rules.

The Company computes its Liquidity Maintenance Ratio (“LMR”) on a Hong Kong office basis as required under rule 10(1)(a) of the Banking Liquidity Rules. The LMR is calculated based on the average value of the LMR for each calendar month, as reported in the Return of Liquidity position submitted to the HKMA and the ratios presented above are the quarterly average LMR for the reporting period.

The decrease in the average LMR from the last quarter was mainly due to the decline in the various marketable debt securities due to maturity.

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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 a 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 2019 HK\$'000	30 Jun 2019 HK\$'000	30 Sep 2019 HK\$'000
1	Credit risk for non-securitization exposures	114,676	124,116	9,174
2	Of which STC approach	-	-	-
2a	Of which BSC approach	114,676	124,116	9,174
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 (including IAA)	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	-	-	-
21	Of which STM approach	-	-	-
22	Of which IMM approach	-	-	-
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

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		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30 Sep 2019 HK\$'000	30 Jun 2019 HK\$'000	30 Sep 2019 HK\$'000
24	Operational risk	70,338	66,475	5,627
24a	Sovereign concentration risk*	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	-	-	-
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	259	141	21
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	259	141	21
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	184,755	190,450	14,780

The Company has no sovereign concentration risk for the reporting period.

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Part IIC: Leverage Ratio

Table 3 – LR2: Leverage Ratio (“LR”)

The table below provides a detailed breakdown of the components of the Leverage ratio denominator as at 30 Sept 2019.

		(a)	(b)
		HK\$ '000	
		30 Sep 2019	30 Jun 2019
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	385,844	422,775
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)	384,152	421,083
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	33,336	33,327
18	Less: Adjustments for conversion to credit equivalent amounts	(28,669)	(28,661)
19	Off-balance sheet items	4,667	4,666
Capital and total exposures			
20	Tier 1 capital	147,371	150,940
20a	Total exposures before adjustments for specific and collective provisions	388,819	425,749
20b	Adjustments for specific and collective provisions	-	-
21	Total exposures after adjustments for specific and collective provisions	388,819	425,749
Leverage ratio			
22	Leverage ratio	37.90%	35.45%

The increase in the Leverage ratio was due to the decrease in the total leverage ratio (LR) exposure measure from the last quarter, mainly due to the decline in the Time Deposits due to withdrawals upon maturity.

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Part VI: Market Risk

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

MR2 section does not apply to the Company for the reason that it is under Basic Approach (BSC).