Management Discussion and Analysis (continued)

Capital Management (continued)

Capital base (continued)

The following table sets out the composition of the Group's capital base under Basel III at 31 December 2016 and 31 December 2015. A more detailed breakdown of the capital position is available in the Regulatory Disclosures section of our website www.hangseng.com.

Shareholders' equity per balance sheet 117,876 120,963 140,626 141,0871 140,626 141,0871 140,626 141,0871 140,626 141,0871 140,626 141,0871 140,626 141,0871 140,626 141,0871 140,626 141,0871 140,626 141,0871 140,626 141,0871 140,075 140	Common Equity Tier 1 ("CET1") Capital	2016	2015
Sharcholders' equity per balance sheet		117.870	120.963
Additional Tier 1 ("AT1") perpetual capital instrument (6,981) (15,775) (14,037) (14,037) (10,0000) (16,000) (15,775) (14,037)			
Non-controlling interests			(6,981)
Non-controlling interests per balance sheet 60 600	- Unconsolidated subsidiaries	(15,775)	(14,037)
Regulatory deductions to CET1 capital	Non-controlling interests	-	-
Regulatory deductions to CET1 capital (30,103) (30,687) C Cash flow hedging reserve 48 (11) C Changes in own credit risk on fair valued liabilities (14) (6) P roperty revaluation reserves' (23,304) (23,135) Regulatory reserve (6,5945) (6,610) I Intangible assets (407) (421) D Defined benefit pension fund assets (37) (35) D Defined tex assets net of deferred tax liabilities (18) (115) Valuation adjustments (286) (354) Total CET1 Capital 87,767 90,276 AT1 Capital 87,767 90,276 AT1 Capital 6,981 6,981 Total AT1 Capital before and after regulatory deductions 6,981 6,981 Perpetual capital instrument 6,981 6,981 Total Tier 1 ("T1") Capital 94,748 97,257 Tier 2 ("T2") Capital Total T2 capital before regulatory deductions 16,009 15,746 - Term subordinated debt 2,327	- Non-controlling interests per balance sheet	60	-
Cash flow hedging reserve	- Non-controlling interests in unconsolidated subsidiaries	(60)	-
Changes in own credit risk on fair valued liabilities	Regulatory deductions to CET1 capital	(30,103)	(30,687)
Property revaluation reserves (23,304) (23,135) (6,610) (6,610) (11 mignible assets (37) (421)			(11)
Regulatory reserve		` ′	` '
Intangible assets		1 1 1	
Defined benefit pension fund assets (37) (35)		` ' '	, , ,
Deferred tax assets net of deferred tax liabilities		1	` ′
Valuation adjustments (286) (354)		` ′	
Total CET1 Capital 87,767 90,276 AT1 Capital 6,981 6,981 6,981 Total AT1 capital instrument 6,981 6,981 6,981 Total AT1 Capital 6,981 6,981 6,981 Total Tier 1 ("T1") Capital 94,748 97,257 Tier 2 ("T2") Capital 16,009 15,746 - Term subordinated debt 2,327 2,325 - Property revaluation reserves¹ 10,487 10,411 - Impairment allowances and regulatory reserve eligible for inclusion in T2 capital 915 3,195 Regulatory deductions to T2 capital (915) (315) Significant capital investments in unconsolidated financial sector entities (915) (315) Total T2 Capital 15,094 15,431			, ,
AT1 Capital Total AT1 capital before and after regulatory deductions 6,981 6,981 Perpetual capital instrument 6,981 6,981 Total AT1 Capital 6,981 6,981 Total Tier 1 ("T1") Capital 94,748 97,257 Tier 2 ("T2") Capital 16,009 15,746 - Term subordinated debt 2,327 2,325 - Property revaluation reserves¹ 10,487 10,411 - Impairment allowances and regulatory reserve eligible for inclusion in T2 capital 3,195 3,010 Regulatory deductions to T2 capital (915) (315) - Significant capital investments in unconsolidated financial sector entities (915) (315) Total T2 Capital 15,094 15,431	- valuation adjustments	(286)	(354)
Total AT1 capital before and after regulatory deductions 6,981 6,981 - Perpetual capital instrument 6,981 6,981 Total AT1 Capital 6,981 6,981 Total Tier 1 ("T1") Capital 94,748 97,257 Tier 2 ("T2") Capital Total T2 capital before regulatory deductions 16,009 15,746 - Term subordinated debt 2,327 2,325 - Property revaluation reserves¹ 10,487 10,411 - Impairment allowances and regulatory reserve eligible for inclusion in T2 capital (915) (315) Regulatory deductions to T2 capital (915) (315) - Significant capital investments in unconsolidated financial sector entities (915) (315) Total T2 Capital 15,094 15,431	Total CET1 Capital	87,767	90,276
Perpetual capital instrument 6,981 6,981 Total AT1 Capital 6,981 6,981 Total Tier 1 ("T1") Capital 94,748 97,257	•		
Total AT1 Capital 6,981 6,981 Total Tier 1 ("T1") Capital 94,748 97,257 Tier 2 ("T2") Capital 16,009 15,746 - Term subordinated debt 2,327 2,325 - Property revaluation reserves¹ 10,487 10,411 - Impairment allowances and regulatory reserve eligible for inclusion in T2 capital 3,195 3,010 Regulatory deductions to T2 capital (915) (315) - Significant capital investments in unconsolidated financial sector entities (915) (315) Total T2 Capital 15,094 15,431			
Total Tier 1 ("T1") Capital 94,748 97,257 Tier 2 ("T2") Capital 16,009 15,746 Total T2 capital before regulatory deductions 2,327 2,325 Property revaluation reserves¹ 10,487 10,411 Impairment allowances and regulatory reserve eligible for inclusion in T2 capital 3,195 3,010 Regulatory deductions to T2 capital (915) (315) Significant capital investments in unconsolidated financial sector entities (915) (315) Total T2 Capital 15,094 15,431	- Perpetual capital instrument	6,981	6,981
Tier 2 ("T2") Capital Total T2 capital before regulatory deductions Term subordinated debt Property revaluation reserves 1 10,487 10,411 Impairment allowances and regulatory reserve eligible for inclusion in T2 capital 3,195 3,010 Regulatory deductions to T2 capital (915) (315) Significant capital investments in unconsolidated financial sector entities (915) (315) Total T2 Capital 15,094 15,431	Total AT1 Capital	6,981	6,981
Total T2 capital before regulatory deductions Term subordinated debt Property revaluation reserves 1 10,487 10,411 Impairment allowances and regulatory reserve eligible for inclusion in T2 capital Regulatory deductions to T2 capital Significant capital investments in unconsolidated financial sector entities Total T2 Capital 16,009 15,746 2,327 10,411 3,195 3,010 Regulatory deductions to T2 capital 915 (315) (315) Total T2 Capital 15,094 15,431	Total Tier 1 ("T1") Capital	94,748	97,257
Total T2 capital before regulatory deductions Term subordinated debt Property revaluation reserves 1 10,487 10,411 Impairment allowances and regulatory reserve eligible for inclusion in T2 capital Regulatory deductions to T2 capital Significant capital investments in unconsolidated financial sector entities Total T2 Capital 16,009 15,746 2,327 10,411 3,195 3,010 Regulatory deductions to T2 capital 915 (315) (315) Total T2 Capital 15,094 15,431	Tier 2 ("T2") Capital		
- Term subordinated debt - Property revaluation reserves 1 10,487 10,411 - Impairment allowances and regulatory reserve eligible for inclusion in T2 capital 3,195 3,010 Regulatory deductions to T2 capital (915) (315) - Significant capital investments in unconsolidated financial sector entities (915) (315) Total T2 Capital 15,094 15,431		16,009	15,746
Regulatory deductions to T2 capital 3,195 3,010 Regulatory deductions to T2 capital (915) (315) Significant capital investments in unconsolidated financial sector entities (915) (315) Total T2 Capital 15,094 15,431	• •	2,327	2,325
Regulatory deductions to T2 capital Significant capital investments in unconsolidated financial sector entities Total T2 Capital (915) (315) (315) 15,094 15,431	- Property revaluation reserves ¹	10,487	10,411
- Significant capital investments in unconsolidated financial sector entities (915) (315) Total T2 Capital 15,094 15,431	- Impairment allowances and regulatory reserve eligible for inclusion in T2 capital	3,195	3,010
Total T2 Capital 15,094 15,431		(915)	, ,
·	- Significant capital investments in unconsolidated financial sector entities	(915)	(315)
Total Capital 109,842 112,688	Total T2 Capital	15,094	15,431
	Total Capital	109,842	112,688

¹ Includes the revaluation surplus on investment properties which is reported as part of retained profits and related adjustments made in accordance with the Banking (Capital) Rules issued by the HKMA.