

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.

	2016	2015
Common Equity Tier 1 ("CET1") Capital		
Shareholders' equity	117,870	120,963
- Shareholders' equity per balance sheet	140,626	141,981
- Additional Tier 1 ("AT1") perpetual capital instrument	(6,981)	(6,981)
- Unconsolidated subsidiaries	(15,775)	(14,037)
Non-controlling interests	-	-
- Non-controlling interests per balance sheet	60	-
- Non-controlling interests in unconsolidated subsidiaries	(60)	-
Regulatory deductions to CET1 capital	(30,103)	(30,687)
- Cash flow hedging reserve	48	(11)
- Changes in own credit risk on fair valued liabilities	(14)	(6)
- Property revaluation reserves ¹	(23,304)	(23,135)
- Regulatory reserve	(5,945)	(6,610)
- Intangible assets	(407)	(421)
- Defined benefit pension fund assets	(37)	(35)
- Deferred tax assets net of deferred tax liabilities	(158)	(115)
- Valuation adjustments	(286)	(354)
Total CET1 Capital	87,767	90,276
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		
Total T2 capital before regulatory deductions	16,009	15,746
- Term subordinated debt	2,327	2,325
- 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 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.