

Public Bank (Hong Kong) Limited

Regulatory Disclosure Statement

**For the position date of 31 December 2019
(Consolidated and Unaudited)**

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Template KM1: Key prudential ratios

The table below provides key prudential ratios.

		(a)	(b)	(c)	(d)	(e)
		31 December 2019	30 September 2019	30 June 2019	31 March 2019	31 December 2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	5,334,073	5,212,289	5,248,640	5,154,276	5,077,274
2	Tier 1	5,334,073	5,212,289	5,248,640	5,154,276	5,077,274
3	Total capital	5,657,151	5,535,824	5,581,068	5,479,809	5,403,481
	RWA (amount)					
4	Total RWA	27,125,207	27,235,962	28,101,034	28,124,220	28,184,838
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	19.66%	19.14%	18.68%	18.33%	18.01%
6	Tier 1 ratio (%)	19.66%	19.14%	18.68%	18.33%	18.01%
7	Total capital ratio (%)	20.86%	20.33%	19.86%	19.48%	19.17%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	1.875%
9	Countercyclical capital buffer requirement (%)	1.804%	2.249%	2.250%	2.245%	1.696%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0% (Not applicable)	0% (Not applicable)	0% (Not applicable)	0% (Not applicable)	0% (Not applicable)
11	Total AI-specific CET1 buffer requirements (%)	4.304%	4.749%	4.750%	4.745%	3.571%
12	CET1 available after meeting the AI's minimum capital requirements (%)	12.86%	12.33%	11.86%	11.48%	11.17%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	41,500,374	40,810,979	42,778,545	42,287,170	42,119,234
14	LR (%)	12.85%	12.77%	12.27%	12.19%	12.05%

		(a)	(b)	(c)	(d)	(e)
		31 December 2019	30 September 2019	30 June 2019	31 March 2019	31 December 2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
16	Total net cash outflows	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
17	LCR (%)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Applicable to category 2 institution only:					
17a	LMR (%)	48.29%	46.76%	49.76%	48.56%	44.52%
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18	Total available stable funding	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
19	Total required stable funding	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
20	NSFR (%)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Applicable to category 2A institution only:					
20a	CFR (%)	130.75%	133.39%	133.90%	130.66%	133.21%

Table OVA: Overview of risk management

For the purpose of risk management and regulatory consolidation, the Group refers to the consolidation of Public Bank (Hong Kong) Limited (the “Bank”) and Public Finance Limited (“Public Finance”). The Group’s risk management is underpinned by the Group’s risk appetite and is subject to the respective Boards’ oversight through the Risk Management Committees (“RMCs”) of the Bank and Public Finance, which are Board Committees overseeing the establishment of company-wide risk management framework, policies and processes. To identify and manage key risks effectively, the Group adopts a risk management framework under which key components of the Group’s business model such as business activities conducted to ensure the sustainability of profitability, core supporting operations to support business activities and the delivery of risk based reports, loan product segments and features, debt securities portfolio mix, geographical segments, pricing and loan recovery strategies, and concentration of customer groups are considered in ascertaining its overall risk profile. The Group reviews its risk profile through regular assessments of both qualitative and quantitative risk factors to monitor prevailing risk levels against the applicable risk appetites regularly (at least annually) approved by the respective Boards. The Group shall review and revise its business model, key business strategies and risk tolerance levels as appropriate pursuant to assessment results of risk profile which may vary from time to time.

RMCs are responsible to assist the respective Boards in discharging the Board’s roles and responsibilities in managing risk and compliance issues including at least the Group’s infrastructures, resources, capital levels and risk controls to manage the risk-taking activities in meeting the risk appetite thresholds and regulatory guidelines. Periodic reports provided by heads of Risk Management Departments (“RMDs”) on the state of the Group’s risk culture, risk exposures and risk management activities are reviewed by the RMCs regularly. The other key dedicated risk committees (i.e. Assets and Liabilities Management Committees (“ALCOs”), Credit Risk Management Committee (“CRMC”), Credit Committees, Operational Risk Management Committees (“ORMCs”)) of the Group are established to ensure that the day-to-day management of the Group’s activities are consistent with the risk appetite, frameworks and policies approved by the Boards or delegated authorities. The ALCOs are responsible to oversee the development and implementation of policies, processes, procedures and limits for the asset and liability management and ensure key risk issues related to interest rate risk and market risk management, balance sheet structure, capital structure and planning, and liquidity and funding risk management are identified and managed within the risk appetite. The CRMC and Credit Committees are responsible to assist RMCs to establish the framework for identifying, measuring, monitoring and controlling credit risk of existing and new products; review credit risk management policies and credit risk tolerance limits (e.g. credit concentration limits of customer groups and industry sectors) as necessary; evaluate and assess the adequacy of strategies to manage the overall credit risk associated with the Group’s activities and ensure that the business units implement credit strategy and policies of the Group; monitor exceptional credit approvals within tolerable limits; regularly monitor and assess the asset quality, credit risk portfolio composition and risk-return trade-off of credit products; and

oversee loan recovery process. The ORMCs are responsible to ensure the effective implementation of the operational risk management framework; oversee the development of operational risk management policies, guidelines, processes, procedures and limits to ensure operational risk is identified and managed within the Group's risk appetite; and evaluate and assess the adequacy of controls to manage operational risk for all material products, activities, processes and systems taking into consideration the changes in the operating environment. Through the execution of operations and management information system reports of the aforesaid dedicated risk committees and with the coordination of RMDs, RMCs regularly review the Group's risk management framework and ensures that all important risk-related measures are implemented according to established policies with appropriate resources. RMCs also ensure that the Group's risk appetite is reflected in key policies and procedures for the execution by business functions.

The Bank Culture Committee ("BCC") of each of the Bank and Public Finance is also established to assist the Boards to communicate, cascade and enforce the risk culture within the Group; develop and adopt a holistic and effective framework for fostering a sound culture; formulate a regular process, with the assistance of relevant committees and departments, to review the effectiveness of the overall culture enhancement initiatives pursued by the Group; approve, review and assess the adequacy of any relevant statement which sets out the Group's culture and behavioural standards annually; and ensure the above-mentioned statement is translated into policies and procedures (including training) that are relevant to the day-to-day work of different levels of staff.

Corporate Culture and Social Responsibility Department is set up at the Bank's level to assist the BCCs to set out in the code of conduct, which is subject to regular review, the culture related behavioural expectation of staff in carrying out their day-to-day responsibilities; build up an effective, continual and regular communication channel to share examples/cases regarding misconduct, improper behaviours and disciplines with the staff and promote an open exchange of view in relation to culture and behavioural standards, design and put in place a clear ownership structure for the core risks and culture reform initiative; ensure that incentive systems (including staff, performance management, remuneration and promotion systems) should not only reward good business performance but also take into consideration adherence (and non-adherence) to the Group's culture and behavioural standards, produce and analyze a dashboard of indicators for assessing the culture of the Group and to help gauge changes over time; set up and review regularly the conflicts of interest policy to ensure that the policy aligns with culture objectives; and recommend the revisions on the policy, if any, to the BCCs.

Senior Management is responsible for implementing the business and risk strategies approved by the Boards, and the risk management systems, processes and controls for managing both the financial and nonfinancial risks to which the Group is exposed. Senior Management is also responsible for cultivating the

risk culture promoted by the Boards, and ensuring that the risk appetite is appropriately translated into risk limits for business lines and legal entities and that those limits are consistent with the Group's overall risk appetite, even under stressed conditions. The culture of risk management is well-integrated throughout the Group and embedded into the respective business practices to enable employees to take into account risks and its impact on the Group in the respective business decision-making. An overview of the magnitude of the risks affecting the Group must be monitored to ensure that the risk-taking activities remain consistent with the approved risk appetite and are periodically reported to the respective risk committees and Senior Management. The key factors to embed risk management into the culture and business operation of the Group are corporate governance; organizational structure with clearly defined roles and responsibilities; effective communication; commitment to compliance with laws, regulations and internal controls; integrity in fiduciary responsibilities; clear policies, procedures and guidelines; and continuous training. The risk management framework of the Group is developed to set out the roles and responsibilities of the respective parties involved in the company-wide risk management; and to establish a risk management process and internal controls that will enable the identification, measurement, continuous monitoring and reporting of all relevant and material risks, including new and emerging risks.

The Group has adopted a "Three Lines of Defence" risk management structure to ensure that roles within the Group are clearly defined in regard to risk management. The first line of defence is provided by the business functions and supporting functions where risks are taken, and they are responsible for day-to-day identification, assessment, management and reporting of key risks (particularly credit risk, operational risk and compliance risk) within their products, activities, processes and systems in the course of conducting business activities; ensuring proper identification, assessment, management and reporting of relevant risk exposures on an ongoing basis and any breaches of risk limits and material risk exposures are promptly reported to the heads of RMDs and the Senior Management; executing risk mitigation strategies and processes, and ensuring that internal controls are consistent with the risk policies and risk appetite approved by the Boards or delegated authorities. The second line of defence is Risk Management Function ("RMF") and Compliance Function. The RMF is performed by RMDs and dedicated heads of departments, and is responsible for identifying, measuring, monitoring, controlling and reporting the Group's overall risk exposures at company-wide and group-wide, portfolio and business line levels to Senior Management, RMCs and the Boards, encompassing risks independently from the first-line of defence. Compliance Function is performed by Compliance Department and dedicated officers, and is responsible for coordinating the identification and assessment of compliance risk at the group-wide level, independently monitoring the compliance and ensuring testing of compliance controls are carried out consistently across the Group. Internal Audit Function supports the Audit Committee to carry out its roles and responsibilities. Being the third-line of defence, Internal Audit Function is performed by Internal Audit Department, and is responsible for providing an independent assessment of the adequacy and reliability of the risk

management processes and system of internal controls and compliance with approved risk policies and regulatory requirements. The head of Internal Audit Department reports directly to the Audit Committee.

Management information systems support risk management processes to facilitate the timely and reliable reporting of risks and enable the identification, measurement, continuous monitoring and reporting of all relevant and material risks of the Group. The risk management processes capture both quantitative and qualitative elements of risks. The key risk areas are documented in risk management related policies and comprise credit risk, credit concentration risk, liquidity risk, interest rate risk, market risk, operational risk, reputation risk, legal risk and strategic risk. The sophistication of the risk management processes takes into consideration the business growth, nature, scale and complexity of its activities and the risk of the operating environment. Information systems are in place to provide information of the size, quality and composition of exposures across risk types, material products and counterparties at all relevant levels.

Key risks are communicated across the Group and material risk management issues and the progress of the implementation of risk measures are reported to the Board/Board Committees and Senior Management in a timely manner so that suitable measures can be initiated at an early stage. Risk monitoring and reporting requirements are established across the Group including the development and the use of key risk indicators to provide early warnings and adverse risk developments. Risk monitoring and reporting are performed at business unit, portfolio, company-wide and group-wide levels. Any deficiencies and limitations in the risk estimates as well as any significant embedded assumptions are communicated/ escalated to the Board/Board Committees and Senior Management. Risk reporting draws on a range of risk analytical tools/ approaches and are subject to independent periodic review by the RMF and Internal Audit Function.

Policies, procedures and processes are in place to evaluate strategic position of the Group when developing appropriate strategies to achieve their strategic goals and objectives. They incorporate at least how environmental influences will affect the Group's business and its use of products or services, technology and delivery channels; analysis of strengths, weaknesses, opportunities and threats of the Group; possible alternative strategies that can be adopted by the Group having regard to corporate goals and objectives; risk tolerance and appetite; flexibility in allowing changes to deal with sudden environmental changes and crisis situations; whether strategies are financially and operationally feasible in capital management and capital related targets. Pursuant to stress-testing program of the Group, the RMF uses techniques such as sensitivity tests and scenario analyses on relevant assets/ portfolios and liabilities including at least loans and advances, debt securities portfolio, bank placements, investment properties and net open positions of financial instruments. The time horizon for regular stress-testing is in the range of 6 months to 3 years in general. Stress-testing exercises of the Group are conducted to identify possible events or stressed scenarios, measure their adverse impact on profitability and capital base or strength and assess the Group's

ability to withstand such impact. Stressed scenarios and analyses are either qualitative or quantitative covering at least the downturn in domestic economy such as adverse changes to the unemployment rate, or gross domestic product growth, or composite price index; increase in hit rate of personal bankruptcy petitions and corporate wind-up orders leading to an increase in the Bank's bad debts; decrease in prices of loan collateral leading to the increase of provisioning level; and rating migrations of counterparties. Stress-testing results are provided by RMDs to Senior Management and relevant risk committees for their feedback and/or decision making such as changes in strategic planning, changes in risk appetite and business model, shift of strategic focus, changes in business initiatives and decisions, risk-mitigating strategies to be taken, and increase or decrease of internal resources devoted to a business or an operation. Pursuant to the Group's risk appetite, the Group is not engaged in complex derivative financial instrument transactions and has no securitization exposures. The continuing effectiveness of mitigants and hedges, if any, for key risks is also monitored regularly (by dedicated risk committees at least bi-monthly). In developing a mitigation strategy or providing risk response, consideration is given to the impact of the chosen mitigation strategy on other risks to ensure all potential risks are accounted for and to avoid giving rise to new unattended risks.

Supplementary information of risk governance structure and risk management issues can be referred to note 36 of the 2019 Annual Report.

Template OV1: Overview of RWA

The table below provides an overview of RWA and the related minimum capital requirements by risk type. The Group has adopted standardized approach for both credit risk and market risk. Regarding operational risk, the Group has adopted basic indicator approach and standardized approach respectively. During the fourth quarter of 2019, RWA decreased by HK\$110.8 million to HK\$27.13 billion. The decrease of RWA was mainly due to decrease in credit risk for non-securitization exposures related to loans and advances.

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		31 December 2019	30 September 2019	31 December 2019
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitization exposures	23,299,508	23,421,797	1,863,961
2	Of which STC approach	23,299,508	23,421,797	1,863,961
2a	Of which BSC approach	0	0	0
3	Of which foundation IRB approach	0	0	0
4	Of which supervisory slotting criteria approach	0	0	0
5	Of which advanced IRB approach	0	0	0
6	Counterparty default risk and default fund contributions	7,107	5,819	569
7	Of which SA-CCR*	Not applicable	Not applicable	Not applicable
7a	Of which CEM	7,107	5,819	569
8	Of which IMM(CCR) approach	0	0	0
9	Of which others	0	0	0
10	CVA risk	3,275	2,175	262
11	Equity positions in banking book under the simple risk-weight method and internal models method	0	0	0
12	Collective investment scheme ("CIS") exposures – LTA*	Not applicable	Not applicable	Not applicable
13	CIS exposures – MBA*	Not applicable	Not applicable	Not applicable
14	CIS exposures – FBA*	Not applicable	Not applicable	Not applicable
14a	CIS exposures – combination of approaches*	Not applicable	Not applicable	Not applicable
15	Settlement risk	0	0	0
16	Securitization exposures in banking book	0	0	0
17	Of which SEC-IRBA	0	0	0
18	Of which SEC-ERBA (including IAA)	0	0	0
19	Of which SEC-SA	0	0	0
19a	Of which SEC-FBA	0	0	0

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		31 December 2019	30 September 2019	31 December 2019
		HK\$'000	HK\$'000	HK\$'000
20	Market risk	1,105,963	1,097,888	88,477
21	Of which STM approach	1,105,963	1,097,888	88,477
22	Of which IMM approach	0	0	0
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)*	Not applicable	Not applicable	Not applicable
24	Operational risk	2,652,138	2,652,000	212,171
24a	Sovereign concentration risk*	Not applicable	Not applicable	Not applicable
25	Amounts below the thresholds for deduction (subject to 250% RW)	156,905	156,905	12,552
26	Capital floor adjustment	0	0	0
26a	Deduction to RWA	99,689	100,622	7,975
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	63,288	65,509	5,063
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	36,401	35,113	2,912
27	Total	27,125,207	27,235,962	2,170,017
Point to note: (i) Items marked with an asterisk (*) will be applicable only after their respective policy frameworks take effect. Until then, "Not applicable" should be reported in the rows.				

Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

The following table shows the differences between the carrying values as reported in the Bank and its subsidiaries' financial statements under the scope of accounting consolidation and the carrying values under the scope of regulatory consolidation, with a breakdown into regulatory risk categories of every item of the assets and liabilities reported in financial statements based on the scope of accounting consolidation.

	31 December 2019						
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets							
Cash and short term placements	4,443,550	4,422,718	4,422,718	0	0	0	0
Placements with banks and financial institutions maturing after one month but not more than twelve months	1,532,536	1,532,536	1,532,536	0	0	0	0
Derivative financial instruments	15,445	15,445	15,445	0	0	0	0

	31 December 2019						
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loans and advances and receivables	28,288,280	28,288,280	28,288,280	0	0	0	0
Equity investments at fair value through other comprehensive income	6,804	6,804	6,804	0	0	0	0
Held-to-collect debt securities at amortised cost	6,078,760	6,078,760	6,078,760	0	0	0	0
Investments in subsidiaries	0	62,763	62,763	0	0	0	0
Deferred tax assets	34,684	34,684	0	0	0	0	34,684
Intangible assets	718	0	0	0	0	0	0
Property and equipment	124,348	124,982	124,982	0	0	0	0
Land held under finance leases	174,818	189,831	189,831	0	0	0	0
Right-of-use assets	169,603	169,109	169,109	0	0	0	0
Investment properties	107,475	107,475	107,475	0	0	0	0
Goodwill	242,342	242,342	0	0	0	0	242,342

31 December 2019							
(a)	(b)	(c)	(d)	(e)	(f)	(g)	
Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:					
		subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other assets	375,800	226,982	226,982	0	0	0	0
Total assets	41,595,163	41,502,711	41,225,685	0	0	0	277,026
Liabilities							
Deposits and balances of banks and other financial institutions at amortized cost	787,235	787,235	0	0	0	0	787,235
Derivative financial instruments	4,651	4,651	0	0	0	0	4,651
Customer deposits at amortized cost	33,941,432	34,181,169	0	0	0	0	34,181,169
Lease Liabilities	173,993	173,495	0	0	0	0	173,495
Current tax payable	63,360	59,938	0	0	0	0	59,938
Deferred tax liabilities	18,179	19,391	0	0	0	0	19,391
Other liabilities	581,100	411,205	0	0	0	0	411,205
Total liabilities	35,569,950	35,637,084	0	0	0	0	35,637,084

Template LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

The following table shows the main sources of differences between the carrying values in financial statements and the exposure amounts used for the calculation of regulatory capital in respect of the assets and liabilities based on the scope of regulatory consolidation.

		31 December 2019				
		(a)	(b)	(c)	(d)	(e)
		Total	Items subject to:			
			credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	41,225,685	41,225,685	0	0	0
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	0	0	0	0	0
3	Total net amount under regulatory scope of consolidation	41,225,685	41,225,685	0	0	0
4	Off-balance sheet amounts	58,477	58,477	0	0	0
5	Differences due to consideration of provisions		85,559	0	0	0
6	Exposure amounts considered for regulatory purposes	41,284,162	41,369,721	0	0	0

Table LIA: Explanations of differences between accounting and regulatory exposure amounts

The basis of consolidation for regulatory purposes is different from that for accounting purposes. In accordance with the Banking (Capital) Rules, the computation of the consolidated total capital ratio and other regulatory capital ratios of the Group based on the consolidation of the Bank and Public Finance is only for purpose of regulatory reporting to the Hong Kong Monetary Authority ("HKMA"). The subsidiaries not included in the computation of the consolidated total capital ratio, other capital adequacy ratios and corresponding capital base, Tier 1 Capital, other capital related components and risk weighted amounts of the Group are Public Bank (Nominees) Limited, Public Credit Limited (In members' voluntary liquidation), Public Futures Limited, Public Pacific Securities Limited (In members' voluntary liquidation), Public Financial Securities Limited, Public Financial Limited, Public Securities Limited and Public Securities (Nominees) Limited.

The key drivers for the differences between accounting and regulatory exposure amounts differences are as follows:

- The carrying amounts reported in the financial statements are after deduction of collective and individual impairment allowances while the exposure amounts for regulatory purposes are before deducting such impairment allowances (except for exposures under Standardized Approach of credit risk from which individual impairment allowances made against the exposures are deducted);
- Counterparty credit risk exposures for regulatory purposes consist of both the current exposures and the potential exposures derived from applying credit conversion factors ("CCFs") to the notional principal of foreign exchange contracts ("FX").

The Group measures its investment properties and derivative financial instruments at fair value using the fair value hierarchy described as follows:

Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

In order to ensure that the valuation estimates are prudent and reliable, fair value is measured under level 1 of the hierarchy (i.e. quoted market prices) as far as possible. Where fair value is determined using level 2 or level 3 of the hierarchy, model inputs or outputs are validated against secondary sources, when appropriate, and the valuation process is also handled by a control function independent from business lines.

Template PV1: Prudent valuation adjustments

The table below provides a breakdown of the constituent elements of valuation. There was no valuation adjustments for all assets measured at fair value (marked to market or marked to model), including non-derivative and derivative instruments, during the year.

		31 December 2019							
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Close-out uncertainty, of which:	0	0	0	0	0	0	0	0
2	<i>Mid-market value</i>	0	0	0	0	0	0	0	0
3	<i>Close-out costs</i>	0	0	0	0	0	0	0	0
4	<i>Concentration</i>	0	0	0	0	0	0	0	0
5	Early termination	0	0	0	0	0	0	0	0
6	Model risk	0	0	0	0	0	0	0	0
7	Operational risks	0	0	0	0	0	0	0	0
8	Investing and funding costs						0	0	0
9	Unearned credit spreads						0	0	0
10	Future administrative costs	0	0	0	0	0	0	0	0
11	Other adjustments	0	0	0	0	0	0	0	0
12	Total adjustments	0	0	0	0	0	0	0	0

Template CC1: Composition of regulatory capital

The table below provides a breakdown of the constituent elements of total regulatory capital. There was no significant change over the year.

		(a)	(b)
		Amount HK\$'000	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
As at 31 December 2019			
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	2,854,045	[5]
2	Retained earnings	2,802,593	[6]+[8]+[9]
3	Disclosed reserves	208,989	[7]+[10]+[11]
4	Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)	Not applicable	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	CET1 capital before regulatory adjustments	5,865,627	
CET1 capital: regulatory deductions			
7	Valuation adjustments	0	
8	Goodwill (net of associated deferred tax liabilities)	242,342	[3]
9	Other intangible assets (net of associated deferred tax liabilities)	0	
10	Deferred tax assets (net of associated deferred tax liabilities)	15,293	[2]-[4]
11	Cash flow hedge reserve	0	
12	Excess of total EL amount over total eligible provisions under the IRB approach	0	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	0	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	0	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	0	
17	Reciprocal cross-holdings in CET1 capital instruments	0	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	

As at 31 December 2019		(a)	(b)
		Amount HK\$'000	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	273,919	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	66,184	[8] + [9]
26b	Regulatory reserve for general banking risks	207,735	[10] + [11]
26c	Securitization exposures specified in a notice given by the MA	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	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	0	
28	Total regulatory deductions to CET1 capital	531,554	
29	CET1 capital	5,334,073	
	AT1 capital: instruments		
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	Capital instruments subject to phase-out arrangements from AT1 capital	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	of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements	0	
36	AT1 capital before regulatory deductions	0	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	0	
38	Reciprocal cross-holdings in AT1 capital instruments	0	

		(a)	(b)
As at 31 December 2019		Amount HK\$'000	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
41	National specific regulatory adjustments applied to AT1 capital	0	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	0	
43	Total regulatory deductions to AT1 capital	0	
44	AT1 capital	0	
45	Tier 1 capital (T1 = CET1 + AT1)	5,334,073	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	0	
47	Capital instruments subject to phase-out arrangements from Tier 2 capital	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	of which: capital instruments issued by subsidiaries subject to phase-out arrangements	0	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	293,294	[1]+[11]
51	Tier 2 capital before regulatory deductions	293,294	
Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	0	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC Liabilities	0	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	0	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	0	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0	

As at 31 December 2019		(a)	(b)
		Amount HK\$'000	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0	
56	National specific regulatory adjustments applied to Tier 2 capital	(29,784)	
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	(29,784)	[[8] + [9]] x 45%
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	0	
57	Total regulatory adjustments to Tier 2 capital	(29,784)	
58	Tier 2 capital (T2)	323,078	
59	Total regulatory capital (TC = T1 + T2)	5,657,151	
60	Total RWA	27,125,207	
	Capital ratios (as a percentage of RWA)		
61	CET1 capital ratio	19.66%	
62	Tier 1 capital ratio	19.66%	
63	Total capital ratio	20.86%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	4.304%	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: bank specific countercyclical capital buffer requirement	1.804%	
67	of which: higher loss absorbency requirement	0.000%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	12.86%	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	6,804	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	62,762	

		(a)	(b)
As at 31 December 2019		Amount HK\$'000	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	356,582	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	293,294	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	0	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	0	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	Current cap on CET1 capital instruments subject to phase-out arrangements	Not applicable	Not applicable
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Not applicable	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	

Notes to the template:

	Description	Hong Kong basis HK\$'000	Basel III basis HK\$'000
9	Other intangible assets (net of associated deferred tax liabilities)	0	0
	<u>Explanation</u> As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") 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 follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs 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 or other credit exposures to connected companies) under Basel III.		
10	Deferred tax assets (net of associated deferred tax liabilities)	15,293	0
	<u>Explanation</u> As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs 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. 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 or other credit exposures to connected companies) under Basel III.		
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
	<u>Explanation</u> For the purpose of determining the total amount of insignificant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

	Description	Hong Kong basis HK\$'000	Basel III basis HK\$'000
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
	<u>Explanation</u> For the purpose of determining the total amount of significant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
	<u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC Liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	0	0
	<u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in Tier 2 capital instruments and non-capital LAC liabilities may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
Remarks: The amount of the 10% threshold and 5% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.			

Template CC2: Reconciliation of regulatory capital to balance sheet

The table below provides a reconciliation between the scope of accounting consolidation and the scope of regulatory consolidation, and shows the link between the consolidated balance sheet of the Bank and its subsidiaries in published financial statements and the numbers that are used in the composition of regulatory capital disclosure template set out in Template CC1 (i.e. composition of regulatory capital). There was no significant change in the expanded balance sheet items over the reporting period.

	(a)	(b)	(c)
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	31 December 2019	31 December 2019	
	HK\$'000	HK\$'000	
Assets			
Cash and short term placements	4,443,550	4,422,718	
<i>of which: collective provisions reflected in regulatory capital</i>	(419)	(419)	[1]
Placements with banks and financial institutions maturing after one month but not more than twelve months	1,532,536	1,532,536	
<i>of which: collective provisions reflected in regulatory capital</i>	(153)	(153)	[1]
Derivative financial instruments	15,445	15,445	
Loans and advances and receivables	28,288,280	28,288,280	
<i>of which: collective provisions reflected in regulatory capital</i>	(147,665)	(147,665)	[1]
Equity investments at fair value through other comprehensive income	6,804	6,804	
Held-to-collect debt securities at amortised cost	6,078,760	6,078,760	
<i>of which: collective provisions reflected in regulatory capital</i>	(610)	(610)	[1]
Investments in subsidiaries	0	62,763	
Deferred tax assets	34,684	34,684	[2]
Intangible assets	718	0	
Property and equipment	124,348	124,982	
Land held under finance leases	174,818	189,831	
Right-of-use assets	169,603	169,109	

	(a)	(b)	(c)
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	31 December 2019	31 December 2019	
	HK\$'000	HK\$'000	
Investment properties	107,475	107,475	
Goodwill	242,342	242,342	[3]
Other assets	375,800	226,982	
TOTAL ASSETS	41,595,163	41,502,711	
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits and balances of banks and other financial institutions at amortised cost	787,235	787,235	
Derivative financial instruments	4,651	4,651	
Customer deposits at amortised cost	33,941,432	34,181,169	
Lease Liabilities	173,993	173,495	
Current tax payable	63,360	59,938	
Deferred tax liabilities	18,179	19,391	[4]
Other liabilities	581,100	411,205	
TOTAL LIABILITIES	35,569,950	35,637,084	

	(a)	(b)	(c)
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	31 December 2019	31 December 2019	
	HK\$'000	HK\$'000	
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK AND ITS SUBSIDIARIES			
Share capital	2,854,045	2,854,045	[5]
Reserves	3,171,168	3,011,582	
<i>Of which: Retained earnings</i>		2,736,410	[6]
<i>Other reserves</i>		1,252	[7]
<i>Cumulative fair value gains arising from the revaluation of holdings of land and buildings eligible for inclusion in Tier 2 Capital</i>		29,784	[8]
<i>Cumulative fair value gains arising from the revaluation of holdings of land and buildings not eligible for inclusion in regulatory capital</i>		36,401	[9]
<i>Regulatory reserve not eligible for inclusion in regulatory capital</i>		63,288	[10]
<i>Regulatory reserve in Tier 2 Capital</i>		144,447	[11]
TOTAL EQUITY	6,025,213	5,865,627	
TOTAL EQUITY AND LIABILITIES	41,595,163	41,502,711	

Table CCA: Main features of regulatory capital instruments

The table below provides a description on the main features of the CET1, Additional Tier 1 and Tier 2 capital instruments, as applicable, that were included in the regulatory capital.

As at 31 December 2019		(a)
		Quantitative / qualitative information
1	Issuer	Public Bank (Hong Kong) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable
3	Governing law(s) of the instrument	Hong Kong Law
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules ¹	Common Equity Tier 1
5	Post-transitional Basel III rules ²	Common Equity Tier 1
6	Eligible at solo / group / solo and group	Group and Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HKD2,854
9	Par value of instrument	Not applicable
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	Various
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	Not applicable
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend / coupon	Floating Dividend
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully Discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible

¹ Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the BCR.

² Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR.

Public Bank (Hong Kong) Limited

As at 31 December 2019

		(a)
		Quantitative / qualitative information
24	If convertible, conversion trigger(s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Not applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable

Template CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer ("CCyB")

The table below provides an overview of the geographical distribution of private sector credit exposures relevant for the calculation of the CCyB ratio.

31 December 2019					
		(a)	(c)	(d)	(e)
	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect (%)	RWA used in computation of CCyB ratio	AI-specific CCyB ratio (%)	CCyB amount
			HK\$'000		HK\$'000
1	Hong Kong SAR	2.000%	17,941,038		
2	Sum of above*		17,941,038		
3	Total (including those exposures in a jurisdiction with zero JCCyB ratio)		19,895,023	1.804%	358,821

* This represented the sum of RWAs for the private sector credit exposures in a jurisdiction with a non-zero JCCyB ratio.

Template LR1: Summary comparison of accounting assets against leverage ratio ("LR") exposure measure

The table below provides the reconciliation of total assets in the published financial statements to the LR exposure measure.

As at 31 December 2019		(a)
	Item	Value under the LR framework HK\$'000
1	Total consolidated assets as per published financial statements	41,595,163
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(92,452)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	0
4	Adjustments for derivative contracts	25,620
5	Adjustment for SFTs (i.e. repos and similar secured lending)	0
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	356,005
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(1,255)
7	Other adjustments	(382,707)
8	Leverage ratio exposure measure	41,500,374

Template LR2: Leverage ratio ("LR")

The table below provides a detailed breakdown of the components of the LR denominator as at 31 December 2019 and 30 September 2019. There was no material change to the LR at 31 December 2019 as compared to position date of 30 September 2019.

		(a)	(b)
		HK\$'000	
		31 December 2019	30 September 2019
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	41,651,558	40,969,685
2	Less: Asset amounts deducted in determining Tier 1 capital	(531,554)	(545,747)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	41,120,004	40,423,938
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)	15,486	2,686
5	Add-on amounts for PFE associated with all derivative contracts	10,134	16,685
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0	0
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	0	0
8	Less: Exempted CCP leg of client-cleared trade exposures	0	0
9	Adjusted effective notional amount of written credit derivative contracts	0	0
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	0	0
11	Total exposures arising from derivative contracts	25,620	19,371
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	0	0
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	0	0
14	CCR exposure for SFT assets	0	0
15	Agent transaction exposures	0	0
16	Total exposures arising from SFTs	0	0
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	3,276,405	3,281,182
18	Less: Adjustments for conversion to credit equivalent amounts	(2,920,400)	(2,912,326)
19	Off-balance sheet items	356,005	368,856

		(a)	(b)
		HK\$'000	
		31 December 2019	30 September 2019
Capital and total exposures			
20	Tier 1 capital	5,334,073	5,212,289
20a	Total exposures before adjustments for specific and collective provisions	41,501,629	40,812,165
20b	Adjustments for specific and collective provisions	(1,255)	(1,186)
21	Total exposures after adjustments for specific and collective provisions	41,500,374	40,810,979
Leverage ratio			
22	Leverage ratio	12.85%	12.77%

Table LIQA: Liquidity risk management

Liquidity risk is the risk that the Group cannot meet its current obligations. Major sources of liquidity risk of the Group are the early or unexpected withdrawals of deposits in cash outflow and the delay in cash inflow from loan repayments. To manage liquidity risk, the Boards of the Bank and Public Finance have established a liquidity risk management framework which incorporates liquidity risk tolerance, management oversight on liquidity risk, liquidity risk and funding strategy, risk related metrics and tools for liquidity risk management, internal liquidity risk pricing, and the manner of reporting significant matters. The major objectives of liquidity risk management framework are to (i) specify the roles and responsibilities of relevant parties on liquidity risk management, (ii) identify, measure and control liquidity risk exposures with proper implementation of funding strategies, (iii) effectively report significant risk related matters for management oversight, and (iv) manage the liquidity profile within risk tolerance. The liquidity risk management framework is cascaded to all business lines to ensure a consistent liquidity risk strategy, policies and practices across the Group. Liquidity risk related policies are reviewed by senior management and dedicated committees, and significant changes in such policies are approved by the Boards of the Bank and Public Finance or committees delegated by the respective Boards.

ALCOs of the Bank and Public Finance monitor the liquidity position as part of the ongoing management of assets and liabilities, and set up trigger limits to monitor liquidity risk. They also closely monitor the liquidity of the subsidiaries on a periodic basis to ensure that the liquidity structure of the subsidiaries' assets, liabilities and commitments can meet their funding needs, and that internal liquidity trigger limits are complied with.

Treasury Department of the Bank and a dedicated department of Public Finance are responsible for the centralised implementation of the strategies and policies approved by the dedicated committees and the respective Boards, and developing operational procedures and controls to ensure the compliance with the aforesaid policies and to minimise operational disruptions in case of a liquidity crisis.

RMDs of the Bank and Public Finance are responsible for day-to-day monitoring of liquidity maintenance ratios, loans to deposits ratios, concentration risk related ratios and other liquidity risk related ratios coupled with the use of cash-flow projections, maturity ladder, stress-testing methodologies and other applicable risk assessment tools and metrics to detect early warning signals and identify vulnerabilities to potential liquidity risk on forward-looking basis with the objective of ensuring different types of liquidity risks of the Group are appropriately identified, measured, assessed and reported. They also carry out analysis based on risk-based management reports, summarise the data from those reports and present the key liquidity information of the Group and key business lines to

the respective ALCOs on a regular (at least monthly) basis. In case of significant issues, such as serious limit excesses or breaches or early warning signals of potential severe impact on the Bank or Public Finance are identified from the aforesaid management reports or market information obtained from Treasury Department and business units, a designated ALCO member will convene a meeting (involving senior management members) to discuss risk related matters and propose actions to ALCO whenever necessary. A high level summary of the liquidity risk performance of the Bank or Public Finance will be presented by the respective ALCOs to their RMCs and the Boards.

The liquidity risk related metrics of the Bank and Public Finance include at least liquidity maintenance ratios (with internal risk tolerance higher than the statutory liquidity maintenance ratio); cash-flow mismatches under normal and different stress scenarios; concentration related limits of deposits and other funding sources, and maturity profile of major assets and liabilities (including on-balance sheet and off-balance sheet items). The systems and procedures are in place to measure and manage liquidity risk by cash-flow projections in both baseline and stressed scenario arising from off-balance sheet exposures and contingent funding obligations. In baseline scenario, expected cash outflow is derived from the aforesaid exposures and obligations including potential drawdowns of unused committed facilities; trade related contingencies; issued letters of credit and financial guarantee unrelated to trade related contingencies; and uncommitted facilities and other contingent obligations with regard to not only the contractual terms in agreements with customers but also the manner of past months' utilisation and genuine drawdowns of the credit facilities; customer relationships and reputational risk perspectives. In stressed scenario, the utilisation and drawdowns of credit facilities are expected to escalate to some extent.

The funding strategies of the Group are to (i) diversify funding sources for mitigating liquidity risk exposures; (ii) minimise disruptions due to operational issues such as transfer of liquidity across group entities; (iii) ensure contingency funding is available to the Group; and (iv) maintain sufficient liquidity cushion to meet critical liquidity needs such as loan commitments and deposit withdrawals in stressed situations. The Group establishes concentration limits of funding sources taking into account the respective risk profiles of the Bank and Public Finance. For instance, intra-group funding and funding from the largest funding provider are restricted to not more than 15% and 10% of total funding sources respectively to reduce reliance on single source of funding. Medium and long term funding is maintained at a level of at least 20% of total funding source to pursue stable funding structure.

Contingency funding plan is formulated to address liquidity needs at different stages including the mechanism for the detection of early warning signals of potential crisis at early stage and obtaining of emergency funding in bank-run scenario at later stage. Designated roles and responsibilities of Crisis

Management Team, departments and business units and their emergency contact information are documented clearly in contingency funding plan policy as part of business continuity planning, and contingency funding measures are in place to set priorities of funding arrangements with counterparties, to set procedures for intraday liquidity risk management and intra-group funding support, to manage media relationship and to communicate with internal and external parties during a liquidity crisis. The stress-testing results are updated and reported to senior management regularly and the results such as survival period for positive cash-flow mismatches are used in contingency funding planning and determination of the required level of liquidity cushion. Based on the results of liquidity stress-testing, standby facilities and liquid assets are maintained to provide liquidity to meet unexpected and material cash outflows in stressed situations.

The Group maintains sufficient liquidity cushion comprising mainly bills, notes or bonds issued by eligible central governments in total amount of not less than HK\$1.5 billion to address critical and emergent liquidity needs on intraday basis and over other different time horizons. The Group is not subject to particular collateral arrangements or requirements in contracts in case there is a credit rating downgrade of entities within the Group.

Apart from cash-flow projections under normal scenario to manage liquidity under different time horizons, different stress scenarios such as institution-specific stress scenario, the general market stress scenario and the combination of such scenarios with assumptions are set and reviewed by dedicated committees and approved by the respective Boards. Under institution-specific stress scenario, loan repayments from some customers are assumed to be delayed. The projected cash inflow would be affected by increased amount of rollover of banking facilities by some corporate customers or reduced by the amount of retail loan delinquencies. Regarding cash-outflow projection, part of undrawn banking facilities are not to be utilised by borrowers or honoured by the Group. The core deposits ratio would decrease as there would be early withdrawals of some fixed deposits before contractual maturity dates or there would be fewer renewals of fixed deposits on the contractual maturity dates. In general market stress scenario, some undrawn banking facilities are not to be honoured upon drawdown as some bank counterparties will not have sufficient liquidity to honour their obligations in market. The Group may pledge or liquidate its liquid assets such as debt securities (including but not limited to treasury bills or notes or bonds issued by eligible central governments) to secure funding to address potential liquidity crisis. Liquidity stress-tests are conducted regularly (at least monthly) and the results are utilised for part of contingency funding plan or for providing insights to management about the latest liquidity position of the Group.

Pursuant to section 97H of the Hong Kong Banking Ordinance and Rules 7 and 8D of the Banking (Liquidity) Rules, the Group and the Bank are required to comply with the liquidity maintenance ratio requirement and core funding ratio requirement whilst Public Finance is required to comply with the liquidity maintenance ratio requirement only.

	2019
Liquidity Maintenance Ratio	
- The Group	48.3%
- The Bank	46.9%
- Public Finance	73.3%
Core Funding Ratio	
- The Group	132.2%
- The Bank	129.4%

The average liquidity maintenance ratios of the Bank and Public Finance are computed using the arithmetic mean of each calendar month's average ratio as reported in the return relating to the liquidity position submitted to the HKMA. The core funding ratio is not applicable to Public Finance.

Liquidity exposures and funding needs are measured and assessed at the level of individual legal entities (i.e. the Bank and its core operating subsidiaries) and Mainland China Office (i.e. Shenzhen Branch and its sub-branches). Pursuant to the HKMA/Securities and Futures Commission's requirements, the transferability of liquidity of the Bank and its operating subsidiaries takes into account the need of compliance with trigger points of liquidity related ratios and minimum liquidity capital level; and other legal and regulatory limitations such as limits of connected exposures and capital related ratios. Pursuant to the requirements of China Banking and Insurance Regulatory Commission, the Mainland China Office of the Bank is required to maintain regulatory liquidity ratios in RMB and foreign currencies of not less than 25%. Due to the foreign exchange controls imposed by the State Administration of Foreign Exchange ("SAFE") in China, cross-border funding flow to and from Mainland China is subject to the supervision and approval of SAFE. In view of the limitation on transferability of liquidity, Mainland China Office has maintained high and sufficient liquidity to meet its business needs. As at 31 December 2019, the liquidity ratios in RMB and foreign currencies of Mainland China Office were more than 100%.

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The table below shows an analysis of financial assets and financial liabilities (including key off-balance sheet items) analysed by principal according to the period that they are expected to be recovered or settled.

	31 December 2019							Total
	Repayable on demand	Up to 1 month	Over 1 month but not more than 3 months	Over 3 month but not more than 12 months	Over 1 year but not more than 5 years	Over 5 years	Repayable within an Indefinite period	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets :								
Gross cash and short term placements	1,127,835	3,316,134	-	-	-	-	-	4,443,969
Gross placements with banks and financial institutions maturing after one month but not more than twelve months	-	-	1,158,967	373,722	-	-	-	1,532,689
Gross loans and advances and receivables	607,579	2,697,457	1,109,274	2,919,286	7,733,480	13,243,938	193,933	28,504,947
Equity investments at fair value through other comprehensive income	-	-	-	-	-	-	6,804	6,804
Gross held-to-collect debt securities at amortised cost	-	896,703	899,327	3,145,272	1,138,068	-	-	6,079,370
Other assets	227	226,216	18,484	48,690	5,314	-	76,869	375,800
Gross foreign exchange contracts	-	522,902	102,926	387,552	-	-	-	1,013,380
Total financial assets	1,735,641	7,659,412	3,288,978	6,874,522	8,876,862	13,243,938	277,606	41,956,959
Financial liabilities :								
Deposits and balances of banks and other financial institutions at amortised cost	161,350	535,885	90,000	-	-	-	-	787,235
Customer deposits at amortised cost	10,839,806	8,018,572	10,474,590	4,601,386	7,078	-	-	33,941,432
Lease liabilities	-	7,989	15,955	65,705	76,367	7,977	-	173,993
Other liabilities	3,098	276,115	88,347	33,425	113	-	180,002	581,100
Gross foreign exchange contracts	-	512,182	102,907	387,497	-	-	-	1,002,586
Total financial liabilities	11,004,254	9,350,743	10,771,799	5,088,013	83,558	7,977	180,002	36,486,346
Net liquidity gap	(9,268,613)	(1,691,331)	(7,482,821)	1,786,509	8,793,304	13,235,961	97,604	5,470,613

Table CRA: General information about credit risk

The Group's business activities are underpinned by its business model and mainly comprise loan business development, investments in held-to-collect debt securities and inter-bank placements without the involvement of complex credit related derivatives, which are major components of the Group's credit risk profile. The business model is reviewed regularly (at least monthly) taking into account factors such as prevailing business and economic conditions, regulatory requirements, credit risk profile and business/ risk appetite, and capital resources to be devoted to support a business activity. In formulating credit risk related policies and setting credit related limits, both regulatory/ statutory requirements (such as exposure to connected parties and single counterparty under the Banking (Exposure Limits) Rules) and risk appetite derived from internal business model are taken into consideration. The risk appetite and underlying credit related limits are reviewed taking into account the interactions among external changes in operating / business conditions, credit profile of customers, and internal changes in business model and strategies. The Group manages its credit risk within a conservative framework and its credit policies, guidelines and risk management processes are regularly reviewed subject to revisions taking into account the aforesaid factors and interactions.

The Group's loan development focuses on secured lending of the Bank and unsecured consumer financing of Public Finance. More than 90% of loan exposures are in Hong Kong. The Group mitigates credit risk by credit protection provided by guarantors and by loan collateral such as customer deposits, properties, listed shares, taxi licences, public light bus licences and vehicles.

RMCs are responsible for setting a credit risk management governance framework, monitoring credit risk independently, and providing recommendations or advice to the Credit Committees and CRMC in managing all credit risk related issues of the Group. Credit Committees of the Group are dedicated to review and amend credit approval criteria and procedures, underwriting standards and credit related limits as appropriate taking into account changes in business strategies, risk appetite, and external environment in which the Group operates. They also monitor the quality of financial assets which are neither past due nor impaired by financial performance indicators (such as the loan-to-value ratio, debts servicing ratio, financial soundness of borrowers and personal guarantees) through meeting discussions and management reports. Loan borrowers subject to legal proceedings, negative comments from other counterparties and rescheduled arrangements are put under watch lists or under the "special mention" grade for management oversight. CRMC is responsible for establishing the framework for identifying, measuring, monitoring and controlling credit risk of the existing and new products. The CRMC reviews credit risk management policies and credit risk tolerable limits, and reports to board-level RMC of the Bank. CRMC is also dedicated to work out proposals of revised credit limit setting processes/ models and revised credit concentration limits with justifications or derived from the aforesaid processes/ models

taking into account stress-testing results arising from limit excesses in particular loan segments. Both Credit Committees and CRMC make recommendations of the above-mentioned revisions of credit related policies, controls and processes after the utilization of internal audit and compliance review results. Exceptions such as material deviations of underwriting standards, breaches of credit related limits and serious financial losses damage to reputation resulting from control lapses will be escalated to RMCs for discussions and further actions as appropriate.

The Group has established policies, procedures, risk profile and management information systems to identify, measure, monitor, control, and report on credit risk. The guidelines for credit risk management have been elaborated in credit risk management policies and loan product manuals of the Group. They incorporate at least delegated lending authorities and limits, credit underwriting criteria, credit monitoring processes, loan classification guidelines, credit recovery procedures and provisioning policies, and are reviewed and updated on an ongoing basis to cater for market changes, statutory requirements and prevailing practices in risk management processes. The Group adopts a “Three Lines of Defence” model for credit risk management. Business units and dedicated departments such as Credit Department and Financial Institutions Department constitute the first line of defence and are responsible for day-to-day identification, assessment, management and reporting of credit risks within their products, activities, processes and systems; ensuring proper reporting of relevant risk exposures on an ongoing basis and any breaches of risk limits and material risk exposures are promptly reported to the head of RMDs and the Senior Management. Heads of RMDs and Compliance Departments of the Group constitute the second line of defence and are the Risk Controllers. The heads of RMDs report to RMCs and work closely with Credit Committees and CRMC to obtain credit risk related information to perform credit risk assessment on loan portfolio and treasury operations independently taking into account at least emerging risk issues and latest market/ regulatory developments. The heads of Compliance Departments also reports to RMCs and are responsible to check against working files and procedures of Credit Department and other involved departments whether they comply with key credit risk management related policies which are formulated in accordance with the guidelines or statutory requirements stipulated by the regulators and within risk appetite of the Group. Being the third line of defence, Internal Audit Departments report to Audit Committees which are responsible for providing assurance on the effectiveness of the Group’s risk management framework including credit risk governance. Internal Audit Departments are responsible for reviewing credit risk related policies, controls and processes (e.g. whistle-blowing mechanism) to determine whether they can fulfil the requirements of the regulators and whether they are adequate to minimize and detect credit control lapses such as fraud cases.

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Supplementary information of credit risk management issues is shown in part “Credit Risk Management” in note 36 of the 2019 Annual Report.

Template CR1: Credit quality of exposures

The table below provides a breakdown of defaulted and non-defaulted loans, debt securities and off-balance sheet exposures. The defaulted loans are individually determined to be impaired after considering the loan overdue more than three months and the qualitative factors such as bankruptcy proceedings, corporate winding-up arrangements and other serious warning signals of repayment ability of counterparties. There were no defaulted debt securities and off-balance sheet exposures as at 31 December 2019.

		31 December 2019						
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of		Allowances / impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
		HK\$'000	HK\$'000		HK\$'000	HK\$'000		
1	Loans	193,933	28,311,014	216,616	69,002	147,614	0	28,288,331
2	Debt securities	0	6,103,153	610	0	610	0	6,102,543
3	Off-balance sheet exposures	0	58,477	51	0	51	0	58,426
4	Total	193,933	34,472,644	217,277	69,002	148,275	0	34,449,300

Template CR2: Changes in defaulted loans and debt securities

The table below provides the movement of defaulted loans. During the fourth quarter of 2019, defaulted loans decreased by HK\$4.4 million to HK\$193.9 million. There were no defaulted debt securities as at 31 December 2019 and 31 December 2018 respectively.

		(a)
		Amount
		HK\$'000
1	Defaulted loans and debt securities at end of the previous reporting period (31 Dec 2018)	198,355
2	Loans and debt securities that have defaulted since the last reporting period	392,262
3	Returned to non-defaulted status	(36,137)
4	Amounts written off	(316,633)
5	Other changes*	(43,914)
6	Defaulted loans and debt securities at end of the current reporting period (31 Dec 2019)	193,933

* Other changes include loan repayments

Table CRB: Additional disclosure related to credit quality of exposures

In general, loans and other similar credit exposures with a specific expiry date are treated as overdue where principal or interest remains unpaid as at a reporting date. Loans and other credit exposures repayable by regular instalments shall be treated as overdue when an instalment payment remains unpaid as at a reporting date. Loans or other similar credit exposures repayable on demand shall be treated as overdue where a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction of the Group, or the credit exposures have remained continuously outside the approved credit limit already advised to the borrower as at a reporting date.

The Group classifies the loans and advances in accordance with the loan classification system required to be adopted for reporting to the HKMA. "Impaired" means "substandard, doubtful or loss in accordance with loan classification system of the HKMA" taking into account both qualitative factors (such as bankruptcy proceedings) and quantitative factors (for example, past due for more than 90 days) regarding credit quality of exposures. There were no loans which were past due for more than 90 days and non-impaired. After the determination of which assets are impaired taking into account the aforesaid factors, individual impairment shall be computed between a credit exposure and a recoverable amount. The recoverable amount takes into account cashflow from various debts collection means (such as realization of eligible collaterals). Collective impairment is computed for loans which are not subject to individual impairment assessment.

In general, a restructured asset is an asset that has been restructured and renegotiated between the Group and the borrower because of a deterioration in the financial position of the borrower or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms, either of interest or of repayment period, are non-commercial to the Group. Such rescheduled asset shall be treated as "impaired" in general. A rescheduled asset may be upgraded from "impaired" to "special mention" if (i) the agreed haircut has been fully written off and all the potential losses have been fully provided upon completion of restructuring; (ii) the Group is satisfied that the borrower will be able to service all future principal and interest payments in accordance with the revised repayment terms. Such asset is however continue to be classified as "rescheduled" until the borrower has serviced all principal and interest payments in accordance with the revised repayment terms continuously for a reasonable period. The reasonable period of continuing repayments for rescheduled assets with monthly payments is 6 months; whilst the reasonable period for other rescheduled assets is a period of continuing repayment of 12 months.

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Rescheduled assets are no longer regarded as "rescheduled" and are at "pass" grade when their revised repayment terms are, or become, commercial to the Group and where there is reasonable assurance that the borrowers will be able to service all future principal and interest payments on the assets in accordance with the revised repayment terms and the borrowers have serviced all principal and interest payments on the assets in accordance with the revised repayment terms continuously for a reasonable period.

Analysis on credit quality of exposures (including off-balance exposures gross of CCF) that are "neither past due nor impaired", "past due but not impaired" and "impaired" is provided as follows:

	31 December 2019			
Credit exposures	Loans exposures	Debt securities	Off-balance sheet exposures	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
- neither past due nor impaired	27,768,607	6,103,153	58,477	33,930,237
- past due but not impaired	542,407	0	0	542,407
- impaired	193,933	0	0	193,933
Total	28,504,947	6,103,153	58,477	34,666,577

Of which,

	31 December 2019			
Credit exposures that are neither past due nor impaired	Loans exposures	Debt securities	Off-balance sheet exposures	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
- pass	27,700,572	6,103,153	58,477	33,862,202
- special mention	68,035	0	0	68,035
Total	27,768,607	6,103,153	58,477	33,930,237

Also, the ageing analysis of loans and advances to customers that are past due but not impaired is as follows:

	31 December 2019			
Credit exposures that are past due but not impaired	Loans exposures	Debt securities	Off-balance sheet exposures	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
- overdue 3 months or less	542,407	0	0	542,407
- overdue more than 3 months	0	0	0	0
Total	542,407	0	0	542,407

The quantitative disclosures of exposures by geographical areas, industry and residual maturity are shown in note 36 and supplementary financial information "Advances to customers by industry sectors" of the 2019 Annual Report. The amounts of impaired exposures and related allowances and write-offs; aging analysis of accounting past due exposures and breakdown of restructured exposures are shown in note 17 of the 2019 Annual Report.

Table CRC: Qualitative disclosures related to credit risk mitigation

In evaluating credit risk associated with an individual customer, a customer group or a counterparty, financial strength and repayment ability are always the first considerations in credit review and approval process. Credit risk is mitigated by obtaining recognized collaterals (including cash deposits, marketable securities, properties, taxi licenses and public light bus licenses) and eligible guarantees (such as standby letter of credit issued by a bank of sound financial strength). Meanwhile, recognized netting is not adopted by the Group.

The relevant policies and processes relating to the use of credit risk mitigation are established and approved by Credit Committees and are subject to regular reviews to ensure the effectiveness of credit risk management. The Group monitors the value of the collateral regularly with respect to the nature of collateral and market practice. Marketable securities are marked-to-market on a daily basis whilst valuations on properties, taxi licenses and public light bus licenses are reviewed periodically (i.e. at least monthly).

Template CR3: Overview of recognized credit risk mitigation

The table below provides a breakdown of unsecured and secured exposures (net of impairment allowances), including loans and debt securities. The major collateral for secured loans and advances and receivables were customer deposits, properties, listed shares, taxi licences, public light bus licences and private/commercial vehicles. All debt securities were unsecured and assigned with a grading of Grade A3 or above based on the credit rating of Moody's Investor Service ("Moody's"), an external credit agency.

		31 December 2019				
		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Loans	4,628,929	23,659,352	23,258,243	401,109	0
2	Debt securities	6,102,543	0	0	0	0
3	Total	10,731,472	23,659,352	23,258,243	401,109	0
4	Of which defaulted	59,828	65,103	65,103	0	0

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Table CRD: Qualitative disclosures on use of ECAI ratings under STC approach

Credit ratings from Moody's are used in the Group for risk-weighting credit risk exposures under the following relevant exposure classes of the Group:

- Sovereign;
- Public sector entity;
- Bank;
- Securities firm; and
- Corporate

Over 90% of bank placements were deposited with banks and financial institutions rated with a grading of Baa2 or above based on the credit rating of Moody's. All issuers of debt securities are either central governments, public sector enterprises or banks with a grading of A3 or above. Over 90% of loan exposures are non-rated. There are no transfers of External Credit Assessment Institutions ("ECAI") issuer ratings to ECAI issue specific ratings onto comparable assets in the banking book.

Template CR4: Credit risk exposures and effects of recognized credit risk mitigation ("CRM") – for STC approach

The table below shows the effect of any recognized CRM on the calculation of credit risk capital requirements under STC approach with additional information of RWA density showing a synthetic metric on riskiness of each exposure class.

		31 December 2019					
		(a)	(b)	(c)	(d)	(e)	(f)
Exposure classes		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
1	Sovereign exposures	2,771,327	0	2,771,327	0	140,035	5.1%
2	PSE exposures	255,508	0	255,508	0	51,102	20.0%
2a	Of which: domestic PSEs	255,508	0	255,508	0	51,102	20.0%
2b	Of which: foreign PSEs	0	0	0	0	0	N/A
3	Multilateral development bank exposures	0	0	0	0	0	N/A
4	Bank exposures	9,045,012	775,034	9,045,012	25,042	3,149,906	34.7%
5	Securities firm exposures	520,116	0	520,116	0	260,058	50.0%
6	Corporate exposures	6,690,892	1,759,589	5,544,872	23,144	5,564,320	99.9%
7	CIS exposures	0	0	0	0	0	N/A
8	Cash items	239,716	0	1,423,753	0	226,786	15.9%
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	0	0	0	0	0	N/A

		31 December 2019					
		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Exposure classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
10	Regulatory retail exposures	10,552,433	1,679,183	10,527,125	10,291	7,901,197	75.0%
11	Residential mortgage loans	8,972,718	75,976	8,968,048	0	3,724,423	41.5%
12	Other exposures which are not past due exposures	2,212,639	0	2,204,600	0	2,298,743	104.3%
13	Past due exposures	114,170	0	114,170	0	146,950	128.7%
14	Significant exposures to commercial entities	0	0	0	0	0	N/A
15	Total	41,374,531	4,289,782	41,374,531	58,477	23,463,520	56.6%

Template CR5: Credit risk exposures by asset classes and by risk weights – for STC approach

The table below provides the breakdown of credit risk exposures by asset classes and by risk weights under STC approach.

		31 December 2019										
	HK\$'000	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
	<div>Risk Weight</div> <div>Exposure class</div>	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures	2,071,154	0	700,173	0	0	0	0	0	0	0	2,771,327
2	PSE exposures	0	0	255,508	0	0	0	0	0	0	0	255,508
2a	Of which: domestic PSEs	0	0	255,508	0	0	0	0	0	0	0	255,508
2b	Of which: foreign PSEs	0	0	0	0	0	0	0	0	0	0	0
3	Multilateral development bank exposures	0	0	0	0	0	0	0	0	0	0	0
4	Bank exposures	0	0	4,628,452	0	4,437,635	0	3,967	0	0	0	9,070,054
5	Securities firm exposures	0	0	0	0	520,116	0	0	0	0	0	520,116
6	Corporate exposures	4,143	0	0	0	0	0	5,563,873	0	0	0	5,568,016
7	CIS exposures	0	0	0	0	0	0	0	0	0	0	0
8	Cash items	289,824	0	1,133,929	0	0	0	0	0	0	0	1,423,753

		31 December 2019										
	HK\$'000	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
	<div>Risk Weight</div> <div>Exposure class</div>	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	0	0	0	0	0	0	0	0	0	0	0
10	Regulatory retail exposures	4,766	0	0	0	0	10,527,125	5,525	0	0	0	10,537,416
11	Residential mortgage loans	0	0	0	7,920,487	0	381,234	666,327	0	0	0	8,968,048
12	Other exposures which are not past due exposures	0	0	0	0	0	0	2,141,838	0	62,762	0	2,204,600
13	Past due exposures	0	0	0	0	0	0	48,610	65,560	0	0	114,170
14	Significant exposures to commercial entities	0	0	0	0	0	0	0	0	0	0	0
15	Total	2,369,887	0	6,718,062	7,920,487	4,957,751	10,908,359	8,430,140	65,560	62,762	0	41,433,008

Table CCRA: Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs)

The Group's relevant counterparty credit risk exposures are applicable to interbank placements and nostro balances; certificates of deposit; held-to-maturity bonds and debt securities; commercial exposures (i.e. standby letters of credit (SBLC), bank guarantees, letter of credit confirmations, trade finance lines); and over-the-counter derivative financial instruments (i.e. foreign exchange contracts). Counterparty credit risk management policy is in place to set the scope for the management of all on- and off-balance sheet credit risk exposures with sovereigns and financial institutions undertaken by the Bank and ensure counterparty credit risk management is consistently applied within the Group.

The Group has adopted the Current Exposure Method for regulatory capital calculation of its counterparty credit risk arising from securities financing transactions and derivative contracts booked in the banking book and trading book.

All transactions with counterparties are to be transacted within approved limits which are put in place to manage pre-settlement and settlement risks. Monitoring of counterparty exposures against respective approved limits for each counterparty is to be conducted on a daily basis. In setting the counterparty limits, actual business needs of the Group based on past months' utilisations; the Group's projected future business needs; credit standing of a counterparty and its related entities; and internal capital set aside for counterparty credit risk exposures are considered. Settlement Risk is managed via settlement via payment-versus-payment channels (where possible) and approved counterparty credit risk limits. The Group also monitors the risk exposure due to fluctuations in the market using the current exposure and the potential exposure value of the transactions. Financial Institutions Department is responsible for the aggregation of the approved limits and outstanding of similar counterparties for the Group and to report quarterly to the Credit Committee of the Bank for review.

The Group is not involved in complex derivative financial instruments (e.g. commodities contracts and equity swap contracts) in general and there are no material counterparty credit risk exposures arising from clearing through CCPs. There are also no other material counterparty credit exposures involving general and specific wrong-way risk and related credit risk mitigation via collateral or guarantee. The Group has adopted the Current Exposure Method ("CEM") for regulatory capital calculation of its counterparty credit risk ("CCR") arising from derivative contracts (i.e. foreign exchange contracts).

As at 31 December 2019, the potential value of the additional collateral pertaining to International Swaps

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and Derivatives Association, Inc. Credit Support Annex (ISDA CSA) downgrade thresholds that the Group would need to post with counterparties in the event of a two-notch downgrade was nil. No recognized credit derivative contract was applied as credit risk mitigation, and no valid bilateral netting agreement was made and taken into account in the calculation of regulatory capital.

Template CCR1: Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

The table below provides a breakdown of counterparty default risk exposures (other than those to CCPs), RWAs, and where applicable, main parameters under the approaches used to calculate default risk exposures in respect of derivative contracts. CEM was adopted by the Group for RWA computation of derivative (mainly foreign exchange) contracts. The Group had no SFTs during the reporting period.

		31 December 2019					
		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	SA-CCR (for derivative contracts)	0	0		1.4	0	0
1a	CEM	15,486	10,134		N/A	25,620	7,107
2	IMM (CCR) approach			0	0	0	0
3	Simple Approach (for SFTs)					0	0
4	Comprehensive Approach (for SFTs)					0	0
5	VaR (for SFTs)					0	0
6	Total						7,107

Template CCR2: CVA capital charge

The table below provides information on CVA capital charge and the CVA calculations based on standardized CVA method.

		31 December 2019	
		(a)	(b)
		EAD post CRM	RWA
		HK\$'000	HK\$'000
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	0	0
1	(i) VaR (after application of multiplication factor if applicable)		0
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		0
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	25,620	3,275
4	Total	25,620	3,275

Template CCR3: Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach

The counterparty default risk exposures by asset classes and by risk weights under STC approach are shown in the table below.

		31 December 2019										
HK\$'000		(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)	(i)
Exposure class	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
1	Sovereign exposures	0	0	0	0	0	0	0	0	0	0	0
2	PSE exposures	0	0	0	0	0	0	0	0	0	0	0
2a	Of which: domestic PSEs	0	0	0	0	0	0	0	0	0	0	0
2b	Of which: foreign PSEs	0	0	0	0	0	0	0	0	0	0	0
3	Multilateral development bank exposures	0	0	0	0	0	0	0	0	0	0	0
4	Bank exposures	0	0	23,141	0	0	0	0	0	0	0	23,141
5	Securities firm exposures	0	0	0	0	0	0	0	0	0	0	0
6	Corporate exposures	0	0	0	0	0	0	0	0	0	0	0
7	CIS exposures	0	0	0	0	0	0	0	0	0	0	0
8	Regulatory retail exposures	0	0	0	0	0	0	2,479	0	0	0	2,479
9	Residential mortgage loans	0	0	0	0	0	0	0	0	0	0	0
10	Other exposures which are not past due exposures	0	0	0	0	0	0	0	0	0	0	0
11	Significant exposures to commercial entities	0	0	0	0	0	0	0	0	0	0	0
12	Total	0	0	23,141	0	0	0	2,479	0	0	0	25,620

Table MRA: Qualitative disclosures related to market risk

RMCs is responsible for assisting the respective Boards of the Bank and Public Finance to oversee and monitor market risk exposures and to set out Risk Management Framework for identifying and managing potential risks of the Group. Under such framework, three lines of defence are adopted for market risk management to promote sound risk culture through a clear focus on key market risks associated with the Group's activities and to provide timely and appropriate responses to inappropriate risk-taking behaviour. The first line of defence comprises market risk owners at Treasury Department and business units. They are primarily responsible for the day-to-day market risk management. The second line of defence refers to the RMDs. The risk controllers of market risk, who are Heads of RMDs, work closely with ALCOs which are responsible for monitoring and reporting of material market risk issues to the RMCs, conducting regular review of market risk trends and setting out market risk management strategy as appropriate. The third line of defence refers to Internal Audit Departments which are under oversight of Audit Committees.

The Group has formulated risk management policy to identify, measure, monitor, control, and report on market risk exposures. Adequate capital resources are set aside to cover those risk exposures. The risk management policy and control limits regarding market risk governance are approved by the RMCs, and are regularly reviewed and updated to align with market changes, statutory requirements, and prevailing practices in market. Risk limits and management action triggers are set with reference to risk appetite of the Bank and Public Finance.

Risk appetite has been defined in accordance with the Group's business strategies and objectives to govern the trading book activities. Currently, our Group is not involved in and does not plan to conduct complex derivative financial contract transactions. Only traditional over-the-counter foreign exchange transactions are conducted at present. Hedging is monitored under market risk management framework.

For measuring and monitoring of market risk exposures, market risk analysis is conducted for all principal currencies with potential loss and impact to capital adequacy. For reporting of market risk, risk reporting for trading book positions is compiled and monitored on a daily basis, and risk reports are prepared for different levels of governances on a regular basis.

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Template MR1: Market risk under STM approach

The table below provides information on market risk RWA. The market risk RWA arose from foreign exchange exposures only. There were no gold contract exposures as at 31 December 2019.

		31 December 2019
		(a)
		RWA
		HK\$'000
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	0
2	Equity exposures (general and specific risk)	0
3	Foreign exchange (including gold) exposures	1,105,963
4	Commodity exposures	0
	Option exposures	
5	Simplified approach	0
6	Delta-plus approach	0
7	Other approach	0
8	Securitization exposures	0
9	Total	1,105,963

Table IRRBBA: Interest rate risk in banking book – risk management objectives and policies

Interest rate risk in banking book (“IRRBB”) is internally defined as current or prospective risk arising from adverse movements in market interest rates to the Group’s positions in the banking book. Changes in market interest rate affect economic value of interest bearing assets, liabilities and off-balance commitments and net interest income from such financial instruments. The primary objective of interest rate risk management is to minimize/contain the potential adverse effects of interest rate movements in economic value of equity (“EVE”) and net interest income (“NII”) by closely monitoring the net repricing gap of the Group’s assets and liabilities.

The IRRBB comprises gap risk, basis risk and option risk. Gap risk arises from changes in interest rates on assets, liabilities and off-balance sheet positions of different maturity. Basis risk arises from imperfect correlation of timing between changes in the rates earned and paid on different instruments with otherwise similar repricing characteristics. Option risk arises from the optional elements embedded in the Group’s assets and liabilities that provide the customer the right to prepay or early repay one’s assets or liabilities such that cash flows related to such financial contracts are altered.

The Boards of the Bank and Public Finance are ultimately responsible for management of IRRBB and define the overall risk appetite for management of IRRBB. The RMCs are responsible for reviewing IRRBB policies, establishing risk limits in relation to EVE and NII in accordance with risk appetite and maintaining management oversight on IRRBB. The ALCOs are responsible for identifying, measuring, evaluating, controlling and monitoring of IRRBB and ensuring the timely implementation of IRRBB management strategy by different departments and business lines in response to changing market conditions. RMDs assess, monitor and report interest rate risk exposures daily against approved risk limits to ALCOs, and table key interest rate risk related matters (such as limit excesses) to the ALCOs at least monthly, and escalate to the RMCs and the Boards for further deliberations/ approval of proposed actions as necessary. The Group manages its IRRBB exposures at a desired level and within its risk tolerance thresholds through strategic planning of balance sheet compositions with matching of repricing maturity for its on-balance sheet instruments and/or off-balance sheet derivatives in each significant currency. Currently, the Group does not use interest rate instruments like interest rate swaps and interest rate futures for hedging purpose as the Group is not engaged in complex business transactions involving derivative financial instruments. Where the Group decides to implement a hedging to manage IRRBB, the hedge accounting treatment is required to be made in accordance with The Hong Kong Financial Reporting Standards. The Group conducts stress testing via scenario analyses to assess the adverse impact of various interest rate shocks on the Group’s EVE and NII, and the outcomes are deliberated in ALCO and RMC meetings. The Group establishes model for IRRBB assessment including yield curve levels’ projection of relevant interest-bearing assets and early redemption of loans. Any revisions to the existing IRRBB model or assessment

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methodology are deliberated by ALCOs and RMCs for the approval by the respective Boards. Internal Audit Departments perform independent reviews on the effectiveness of the IRRBB management system, including but not limited to the implementation/ compliance of the approved policies, monitoring of risk limits, escalation of limit breaches and adequacy of IRRBB assessment methodology.

The Group employs various analytical techniques to measure IRRBB and its impact on EVE and NII on monthly basis, including interest rate repricing profile analysis, and scenario assessment on the Group's EVE and NII under both parallel and non-parallel interest rate shocks.

For computation of the impact on EVE, the Group adopts the six prescribed standardized interest rate shock scenarios defined by the HKMA (namely parallel up, parallel down, steepener, flattener, short rate up, and short rate down) and internal parallel up and down scenarios at 100 basis points.

For computation of the impact on NII over the next twelve months, the Group adopts the standardized and internal parallel up or down scenarios as mentioned above and also the two prescribed standardized basis risk scenarios defined by the HKMA as below:

Scenario 1: All rates except for fixed and managed rates on interest rate-sensitive assets are subject to the parallel up shock; and

Scenario 2: Managed rates on interest rate-sensitive assets are subject to the parallel down shock while other rates remain unchanged.

The key modeling assumptions used by the Group in EVE and NII computation pursuant to the requirements of the HKMA include the followings:

- (i) For EVE computation, commercial margins and other spread components have been excluded in the cash flows used in the computation and discount rate.
- (ii) The repricing maturity of non-maturity deposits is determined based on the earliest date on which their interest rates can be adjusted. Based on such assumption, the repricing maturity of all non-maturity deposits is determined to be one day.
- (iii) Conditional prepayment rates have been computed for the fixed-rate retail loan products based on historical data of past two years or more. Retail term deposits are assumed not subject to early redemption risk given the material early withdrawal penalty imposed by the Group.

- (iv) The Group measures IRRBB exposures separately for each significant currency in view that yield curves for different currencies vary from one to another. The Group's significant currency is defined as currency that accounting for at least 5% of total on-balance sheet interest rate-sensitive position in all currencies and that the aggregate of significant currency should account for at least 90% of total on-balance sheet interest rate-sensitive position. The interest rate correlations between different currencies are assumed to be insignificant.

Template IRRBB1: Quantitative information on interest rate risk in banking book

The table below provides information on interest rate risk in banking book.

		(a)	(b)	(c)	(d)
		ΔEVE		ΔNII	
	Period	31 December 2019	30 September 2019	31 December 2019	30 September 2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Parallel up	(97,963)	(105,711)	76,303	81,596
2	Parallel down	101,519	102,515	(77,058)	(84,191)
3	Steepener	34,034	27,577		
4	Flattener	(50,835)	(43,302)		
5	Short rate up	(77,603)	(79,319)		
6	Short rate down	79,131	76,753		
7	Maximum	101,519	105,711	77,058	84,191
	Period	31 December 2019		30 September 2019	
		HK\$'000		HK\$'000	
8	Tier 1 capital	5,334,073		5,212,289	

Table REMA: Remuneration policy

The Bank has established its Remuneration Committee with written terms of reference in compliance with the requirements of the SPM Module CG-5 on “Guideline on a Sound Remuneration System” (the “Remuneration Guideline”) issued by the HKMA. The Remuneration Committee has been re-organised and combined with the Nomination Committee of the Bank and re-named as “Nomination and Remuneration Committee” with effect from 1 January 2020 (the “Re-organisation”) with the same Chairman and the same composition of members as before the Re-organisation for better efficiency. The Nomination and Remuneration Committee performs basically the same duties of the Nomination Committee and Remuneration Committee before the Re-organisation. Details of its roles and functions are stated in its terms of reference which is available under the “Board Committees” section in the Bank’s website at www.publicbank.com.hk.

As at 31 December 2019, there were five members in the Remuneration Committee and three of them were Independent Non-Executive Directors. The Remuneration Committee was chaired by Mr. Lai Wan, the Independent Non-Executive Co-Chairman of the Bank. The other members were Tan Sri Dato’ Sri Tay Ah Lek, Mr. Lee Chin Guan, Mr. Tang Wing Chew and Mr. Quah Poh Keat.

The Remuneration Committee meets at least once a year to review and make recommendations to the Board of the Bank on the overall remuneration policy (the “Remuneration Policy”), specific remuneration packages and compensation arrangement relating to the termination or appointment of Directors, Chief Executive, senior management and key personnel, and for the formulation and implementation of the Remuneration Policy applicable to all employees of the Bank and its subsidiaries other than Public Finance and its subsidiaries.

During the year, Directors’ fees, annual salary review, allocation of annual discretionary bonus and annual review of the Remuneration Policy and system in compliance with the Remuneration Guideline of the HKMA were reviewed and noted.

Remuneration of the Executive Directors, Chief Executive, senior management and key personnel is determined by reference to factors including the level of workload, responsibilities and commitments, performance and remuneration packages. No individual Director or any of his associates is involved in deciding his own remuneration.

No remuneration was paid to members of the Remuneration Committee for the year 2019 except the Directors’ fees.

The Board of the Bank oversees the formulation, maintenance and implementation of the Remuneration Policy.

The Remuneration Committee of the Bank reviews and recommends the remuneration packages of key senior management personnel of the Bank in accordance with the authorities and responsibilities as

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stipulated in its terms of reference to the Board of the Bank for approval.

Remuneration review is submitted to the Board of the Bank by the Remuneration Committee for approval each year.

The Remuneration Committee of the Bank also works closely with the Human Resources Committee, Nomination Committee, Audit Committee, Risk Management Committee and other dedicated committees and departments to (i) review if there are any material non-compliance issues in relation to internal policy and statutory requirements and make adjustments to payments of remuneration whenever necessary, and (ii) decide upon the appraisal system which fairly measures the performance of each key personnel, and make changes to the system when necessary to meet the changing needs of the Bank.

Regular compliance monitoring is imposed to review the management and operation of the remuneration system.

Human Resources Department continues to take initiatives on all human resources matters while Human Resources Committee continues to function in accordance with its terms of reference.

Recommendations related to Heads of Internal Audit Department, Compliance Department and RMD are submitted to the Audit Committee and RMC, where applicable, for endorsement. Discussions and recommendations related to other employees at managerial level made in the meetings of Human Resources Committee are submitted to the Group Human Resources Committee of Public Bank Berhad, the ultimate holding company of the Bank, and where appropriate, to the Remuneration Committee of the Bank for endorsement while discussions and decisions related to non-managerial employees made in the meetings are normally noted in the Board Executive Committee of the Bank.

The Bank adopted the Remuneration Policy in compliance with the Remuneration Guideline. The Remuneration Policy was initiated by the Human Resources Committee and approved by the Board. The Human Resources Committee also reviews and keeps abreast of the legal and regulatory requirements from time to time, and liaises with risk control units including risk management, financial management and compliance functions to strike a balance among sufficient staff motivation, sound remuneration packages and prudent risk management. Any findings and recommendations to be incorporated into the Remuneration Policy will be put forth to the Remuneration Committee for consideration. Having discussed and agreed upon at the Remuneration Committee, the revisions to the Remuneration Policy will be recommended to the Board for approval. The Remuneration Policy is subject to an annual review.

The Bank's Remuneration Policy encourages employee behaviour that supports the Bank's risk tolerance, risk management framework and long-term financial soundness. The policy is established and implemented in line with the objectives, business strategies and long-term goals of the Bank and formulated in a way that will not encourage excessive risks taking by employees but allows the Bank to attract and retain employees with relevant skills, knowledge and expertise to discharge their specific

functions. The Bank has considered the risks, including market risk, credit risk, liquidity risk and operational risk, when implementing the remuneration measures, which are closely monitored by various management committees and working groups. The Bank considers and reviews the audit reports and various kinds of performance reports to take account of these risks in the remuneration process. Audit reports cover information on asset quality, credit risk management and operational risk management whilst performance reports state various kinds of business performance indicators such as delinquent rate, net impairment ratio, customer deposit, business growth, etc., which are useful for identification of current and future risks. The employees' performances in controlling these current and future risks are linked with their remuneration rewards. The Board will take the overall performance of the Bank, risk management, market trends, and other non-financial measures when deciding the performance bonus pool. This will be adjusted as and when the Bank considers appropriate. There is no change of remuneration measures over the past year.

Basically, the remuneration package consists of fixed and variable remuneration which are offered in cash. Fixed remuneration refers to basic salary, the year end double pay, and other fixed income while variable remuneration refers to discretionary bonus, sales commission and other variable income. The remuneration packages are determined by taking into consideration the evaluation of the job's responsibilities and contribution, the market pay levels for benchmark positions, and employee's performance. The level of remuneration and the proportion of variable remuneration to fixed remuneration of senior management and key personnel are linked to their level of responsibility undertaken and contribution to business performance and enhancements of efficiency and effectiveness of operations.

When the amount of variable remuneration payout exceeds a predetermined percentage or amount of the annual fixed remuneration of the employee, a deferment period of 3 years will be imposed in order to align the incentive awards to be granted to an individual employee with the long-term value creation and the time horizons of risk. The deferred remuneration will be vested gradually over the 3-year deferment period and no faster than on a pro-rata basis. To conform to the spirit of the Remuneration Guideline and not to undermine the risk management advantage by applying deferment of variable remuneration, if there is any deferred remuneration, hedging exposures in respect of the unvested portion of deferred remuneration by any trading, investment or other financial activities will be restricted.

Subject to the decision of the Remuneration Committee in accordance with the internal guidelines, the deferred remuneration will be forfeited and/or clawed back when it is later established that the data on which the performance measurement for a particular year was based is subsequently proven to have been manifestly misstated; or it is later established that the employee concerned has committed fraud or other malfeasance, or violated any legislation, code or internal control policies of the Bank; or there has been a significant downward restatement of the financial performance of the Bank; or the employment of the employee is terminated.

The award of variable remuneration to the senior management, key personnel and risk taking employees is subject to the aforesaid deferral mechanism which will be reviewed by the Remuneration Committee at

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least annually and subject to change when necessary.

The remuneration of the employees within the risk control function, including those performing risk management, accounts, audit, compliance and credit management functions, etc., is determined by the performance of individual employees and is independent of the business they oversee. The performance factors of the appraisees in carrying out their core job responsibilities under their respective job functions are assessed in the performance appraisals. Appropriate remuneration will be recommended based on the results of the appraisals annually.

The Bank uses a comprehensive performance measurement framework that incorporates both financial and non-financial performance in determining the size and allocation of variable remuneration. The financial metrics link the variable remuneration to the profits, revenue and other performance measures of the Bank as a whole, and the contribution of business units or departments and an individual employee to the Bank as well. The applicable and material risks associated with the activities of employees, the cost and quantity of capital required to support the risks taken, and the cost and quantity of liquidity risk in the conduct of business are also taken into consideration. The non-financial metrics capture the performance on qualitative aspects such as the compliance with risk management policies, adherence to legal, regulatory and ethical standards; customer satisfaction; and effectiveness and efficiency of supporting operations. Given the importance in both financial achievements and non-financial factors, poor performance will result in reduction of or elimination to the variable remuneration. Adverse performance in non-financial factors will override outstanding financial achievement, and thus, the employee's performance can be assessed comprehensively.

An annual review of the remuneration system and the Remuneration Policy of the Bank was conducted by the Remuneration Committee at the end of 2019. The review concludes that the remuneration system and the Remuneration Policy are consistent with the principles set out in the Remuneration Guideline.

Template REM1: Remuneration awarded during financial year

The table below provides the quantitative information on remuneration for the Bank's senior management and key personnel, split into fixed and variable remuneration. Senior management comprises Chief Executive, two Alternate Chief Executives, Financial Controller and Head of Treasury. Key personnel comprises (1) individual employees whose duties or activities in the course of employment involve the assumption of material risks or the taking on material exposures on behalf of the Bank Group; (2) the key personnel within risk control functions; and (3) other personnel who plays a pivotal role within the Bank. There was no variable remuneration in shares or share-linked instruments which had been granted for the year ended 31 December 2019.

			31 December 2019	
			(a)	(b)
Remuneration amount (HK\$'000) and quantitative information			Senior management	Key personnel
1	Fixed remuneration	Number of employees	5	11
2		Total fixed remuneration	9,616	10,214
3		Of which: cash-based	9,616	10,214
4		Of which: deferred	0	0
5		Of which: shares or other share-linked instruments	0	0
6		Of which: deferred	0	0
7		Of which: other forms	0	0
8		Of which: deferred	0	0
9	Variable remuneration	Number of employees	5	11
10		Total variable remuneration	3,997	2,913
11		Of which: cash-based	3,997	2,913
12		Of which: deferred	0	0
13		Of which: shares or other share-linked instruments	0	0
14		Of which: deferred	0	0
15		Of which: other forms	0	0
16		Of which: deferred	0	0
17	Total remuneration		13,613	13,127

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Template REM2: Special payments

No senior management or key personnel had been awarded new sign-on awards or severance payments or paid guaranteed bonuses shows in the table below.

		31 December 2019					
		(a)	(b)	(c)	(d)	(e)	(f)
Special payments		Guaranteed bonuses		Sign-on awards		Severance payments	
		Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
			HK\$'000		HK\$'000		HK\$'000
1	Senior management	0	0	0	0	0	0
2	Key personnel	0	0	0	0	0	0

Template REM3: Deferred remuneration

There were no deferred remuneration awarded, paid out and reduced through performance adjustments for the year ended 31 December 2019 and there was no outstanding deferred remuneration to senior management and key personnel as at 31 December 2019.

		31 December 2019				
		(a)	(b)	(c)	(d)	(e)
Deferred and retained remuneration		Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Senior management					
2	Cash	0	0	0	0	0
3	Shares	0	0	0	0	0
4	Cash-linked instruments	0	0	0	0	0
5	Other	0	0	0	0	0
6	Key personnel					
7	Cash	0	0	0	0	0
8	Shares	0	0	0	0	0
9	Cash-linked instruments	0	0	0	0	0
10	Other	0	0	0	0	0
11	Total	0	0	0	0	0

Glossary

<u>Abbreviations</u>	<u>Descriptions</u>
AI	Authorized Institution
AT1	Additional Tier 1
BCR	Banking (Capital) Rules
BSC	Basic Approach
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CEM	Current Exposure Method
CET1	Common Equity Tier 1
CFR	Core Funding Ratio
CIS	Collective Investment Scheme
CRM	Credit Risk Mitigation
CVA	Credit Valuation Adjustment
DTAs	Deferred Tax Assets
D-SIBs	Domestic Systemically Important Banks
EAD	Exposure At Default
EL	Expected Loss
ECL	Expected Credit Loss
EPE	Expected Positive Exposure
EVE	Economic Value of Equity
Δ EVE	Change in projected economic value of equity
FBA	Fall-Back Approach
G-SIBs	Global Systemically Important Banks
HQLA	High Quality Liquid Assets
IMM	Internal Models Method
IRB	Internal Ratings-Based Approach
IRRBB	Interest Rate Risk in Banking Book
J	Jurisdiction
JCCyB	Jurisdiction Countercyclical Capital Buffer
LAC	Loss-Absorbing Capacity

Glossary

<u>Abbreviations</u>	<u>Descriptions</u>
LCR	Liquidity Coverage Ratio
LMR	Liquidity Maintenance Ratio
LTA	Look Through Approach
LR	Leverage Ratio
MA	Monetary Authority
MBA	Mandate-Based Approach
MSRs	Mortgage Servicing Rights
NII	Net Interest Income
Δ NII	Change in projected net interest income
NSFR	Net Stable Funding Ratio
OBS	Off-Balance Sheet
PFE	Potential Future Exposure
PSE	Public Sector Entity
RW	Risk-Weight
RWA	Risk-Weighted Asset/Risk-Weighted Amount
SA-CCR	Standardized Approach (Counterparty Credit Risk)
SEC-ERBA	Securitization External Ratings-Based Approach
SEC-SA	Securitization Standardized Approach
SEC-FBA	Securitization Fall-Back Approach
SEC-IRBA	Securitization Internal Ratings-Based Approach
SFT	Securities Financing Transaction
STC	Standardized (Credit Risk) Approach
STM	Standardized (Market Risk) Approach
VaR	Value-At-Risk