

## **PUBLIC BANK (HONG KONG) LIMITED**

### Regulatory Disclosure

31 December 2016

The figures and financial information relating to the year ended 31 December 2015 and 2016 included in this attachment (either in hardcopy or softcopy) are not the Bank's statutory annual consolidated financial statements for the years. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Bank has delivered the statutory annual consolidated financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance, and will deliver the statutory annual consolidated financial statements for the year ended 31 December 2016 in due course.

The Bank's auditor has reported on the statutory annual consolidated financial statements of the Bank for the years ended 31 December 2015 and 2016. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Companies Ordinance.

**PUBLIC BANK (HONG KONG) LIMITED**
**REGULATORY DISCLOSURE**
**As at 31 December 2016**
**(a) Disclosure of regulatory capital instruments**
**Main Features Template**

|    |                                                                                                                   |                                 |
|----|-------------------------------------------------------------------------------------------------------------------|---------------------------------|
| 1  | Issuer                                                                                                            | Public Bank (Hong Kong) Limited |
| 2  | Unique identifier (eg 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 <sup>#</sup>                                                                         | Common Equity Tier 1            |
| 5  | Post-transitional Basel III rules <sup>+</sup>                                                                    | Common Equity Tier 1            |
| 6  | Eligible at solo*/group/group & solo                                                                              | Group and Solo                  |
| 7  | Instrument type (types to be specified by each jurisdiction)                                                      | Ordinary Shares                 |
| 8  | Amount recognised in regulatory capital (Hong Kong Dollar Currency in thousand, as of most recent reporting date) | 2,854,045                       |
| 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 | Noncumulative or cumulative                                                                                       | Non-cumulative                  |
| 23 | Convertible or non-convertible                                                                                    | Non-convertible                 |
| 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                  |

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|    |                                                                                                               |                |
|----|---------------------------------------------------------------------------------------------------------------|----------------|
| 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) | Not applicable |
| 36 | Non-compliant transitioned features                                                                           | No             |
| 37 | If yes, specify non-compliant features                                                                        | Not applicable |

**Footnote:**

- # *Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules*
- + *Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules*
- \* *Include solo-consolidated*

**PUBLIC BANK (HONG KONG) LIMITED**
**REGULATORY DISCLOSURE**

As at 31 December 2016

**(b) The breakdown of CET1 capital, Additional Tier 1 capital, Tier 2 capital and regulatory deductions for Public Bank (Hong Kong) Limited and its subsidiary (the "Group")**
**Capital Disclosures Template based on Annex 1**

|                                               |                                                                                                                                                                                         | HK\$'000       |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| <b>CET1 capital: instruments and reserves</b> |                                                                                                                                                                                         |                |
| 1                                             | Directly issued qualifying CET1 capital instruments plus any related share premium                                                                                                      | 2,854,045      |
| 2                                             | Retained earnings                                                                                                                                                                       | 1,953,733      |
| 3                                             | Disclosed reserves                                                                                                                                                                      | 432,398        |
| 4                                             | <i>Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)</i>                                                                    | 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                                             | <b>CET1 capital before regulatory deductions</b>                                                                                                                                        | 5,240,176      |
| <b>CET1 capital: regulatory deductions</b>    |                                                                                                                                                                                         |                |
| 7                                             | Valuation adjustments                                                                                                                                                                   | 0              |
| 8                                             | Goodwill (net of associated deferred tax liability)                                                                                                                                     | 242,342        |
| 9                                             | Other intangible assets (net of associated deferred tax liability)                                                                                                                      | 0              |
| 10                                            | Deferred tax assets net of deferred tax liabilities                                                                                                                                     | 15,210         |
| 11                                            | Cash flow hedge reserve                                                                                                                                                                 | 0              |
| 12                                            | Excess of total EL amount over total eligible provisions under the IRB approach                                                                                                         | 0              |
| 13                                            | Gain-on-sale 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 capital 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 capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)     | 0              |
| 20                                            | Mortgage servicing rights (amount above 10% threshold)                                                                                                                                  | Not applicable |
| 21                                            | Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)                                                                       | Not applicable |
| 22                                            | Amount exceeding the 15% threshold                                                                                                                                                      | Not applicable |
| 23                                            | of which: significant investments in the common stock of financial sector entities                                                                                                      | Not applicable |
| 24                                            | of which: mortgage servicing rights                                                                                                                                                     | Not applicable |
| 25                                            | of which: deferred tax assets arising from temporary differences                                                                                                                        | Not applicable |
| 26                                            | National specific regulatory adjustments applied to CET1 capital                                                                                                                        | 465,403        |
| 26a                                           | Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)                                                                      | 26,665         |
| 26b                                           | Regulatory reserve for general banking risks                                                                                                                                            | 438,738        |
| 26c                                           | Securitization exposures specified in a notice given by the Monetary Authority                                                                                                          | 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                                            | <b>Total regulatory deductions to CET1 capital</b>                                                                                                                                      | 722,955        |
| 29                                            | <b>CET1 capital</b>                                                                                                                                                                     | 4,517,221      |
| <b>AT1 capital: instruments</b>               |                                                                                                                                                                                         |                |
| 30                                            | Qualifying AT1 capital instruments plus any related share premium                                                                                                                       | 0              |

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|                                                                 |                                                                                                                                                                                                                       |                |
|-----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| 31                                                              | of which: classified as equity under applicable accounting standards                                                                                                                                                  | 0              |
| 32                                                              | of which: classified as liabilities under applicable accounting standards                                                                                                                                             | 0              |
| 33                                                              | <i>Capital instruments subject to phase out arrangements from AT1 capital</i>                                                                                                                                         | 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                                                              | <i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>                                                                                                                     | 0              |
| 36                                                              | <b>AT1 capital before regulatory deductions</b>                                                                                                                                                                       | 0              |
| <b>AT1 capital: regulatory deductions</b>                       |                                                                                                                                                                                                                       |                |
| 37                                                              | Investments in own AT1 capital instruments                                                                                                                                                                            | 0              |
| 38                                                              | Reciprocal cross-holdings in AT1 capital instruments                                                                                                                                                                  | 0              |
| 39                                                              | Insignificant capital 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 capital 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                                                              | <b>Total regulatory deductions to AT1 capital</b>                                                                                                                                                                     | 0              |
| 44                                                              | <b>AT1 capital</b>                                                                                                                                                                                                    | 0              |
| 45                                                              | <b>Tier 1 capital (Tier 1 = CET1 + AT1)</b>                                                                                                                                                                           | 4,517,221      |
| <b>Tier 2 capital: instruments and provisions</b>               |                                                                                                                                                                                                                       |                |
| 46                                                              | Qualifying Tier 2 capital instruments plus any related share premium                                                                                                                                                  | 0              |
| 47                                                              | <i>Capital instruments subject to phase out arrangements from Tier 2 capital</i>                                                                                                                                      | 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                                                              | <i>of which: capital instruments issued by subsidiaries subject to phase out arrangements</i>                                                                                                                         | 0              |
| 50                                                              | Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital                                                                                            | 297,225        |
| 51                                                              | <b>Tier 2 capital before regulatory deductions</b>                                                                                                                                                                    | 297,225        |
| <b>Tier 2 capital: regulatory deductions</b>                    |                                                                                                                                                                                                                       |                |
| 52                                                              | Investments in own Tier 2 capital instruments                                                                                                                                                                         | 0              |
| 53                                                              | Reciprocal cross-holdings in Tier 2 capital instruments                                                                                                                                                               | 0              |
| 54                                                              | Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)                               | 0              |
| 55                                                              | Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation                                                              | 0              |
| 56                                                              | National specific regulatory adjustments applied to Tier 2 capital                                                                                                                                                    | (11,999)       |
| 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                                               | (11,999)       |
| 57                                                              | <b>Total regulatory deductions to Tier 2 capital</b>                                                                                                                                                                  | (11,999)       |
| 58                                                              | <b>Tier 2 capital</b>                                                                                                                                                                                                 | 309,224        |
| 59                                                              | <b>Total capital (Total capital = Tier 1 + Tier 2)</b>                                                                                                                                                                | 4,826,445      |
| 60                                                              | <b>Total risk weighted assets</b>                                                                                                                                                                                     | 27,198,613     |
| <b>Capital ratios (as a percentage of risk weighted assets)</b> |                                                                                                                                                                                                                       |                |
| 61                                                              | CET1 capital ratio                                                                                                                                                                                                    | 16.61%         |
| 62                                                              | Tier 1 capital ratio                                                                                                                                                                                                  | 16.61%         |
| 63                                                              | Total capital ratio                                                                                                                                                                                                   | 17.75%         |
| 64                                                              | Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3B of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements) | 5.691%         |
| 65                                                              | <i>of which: capital conservation buffer requirement</i>                                                                                                                                                              | 0.625%         |
| 66                                                              | <i>of which: bank specific countercyclical buffer requirement</i>                                                                                                                                                     | 0.566%         |
| 67                                                              | <i>of which: G-SIB or D-SIB buffer requirement</i>                                                                                                                                                                    | 0.000%         |
| 68                                                              | CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3B of the BCR                                                               | 9.750%         |
| <b>National minima (if different from Basel 3 minimum)</b>      |                                                                                                                                                                                                                       |                |
| 69                                                              | National CET1 minimum ratio                                                                                                                                                                                           | Not applicable |
| 70                                                              | National Tier 1 minimum ratio                                                                                                                                                                                         | Not applicable |
| 71                                                              | National Total capital minimum ratio                                                                                                                                                                                  | Not applicable |

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| <b>Amounts below the thresholds for deduction (before risk weighting)</b>                                            |                                                                                                                                                                                                                  |                |
|----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| 72                                                                                                                   | Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation | 6,804          |
| 73                                                                                                                   | Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation                                                           | 64,262         |
| 74                                                                                                                   | Mortgage servicing rights (net of related tax liability)                                                                                                                                                         | Not applicable |
| 75                                                                                                                   | Deferred tax assets arising from temporary differences (net of related tax liability)                                                                                                                            | Not applicable |
| <b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>                                              |                                                                                                                                                                                                                  |                |
| 76                                                                                                                   | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardized (credit risk) approach (prior to application of cap)                                      | 451,048        |
| 77                                                                                                                   | Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach                                                                                                    | 297,225        |
| 78                                                                                                                   | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)                                                                                    | 0              |
| 79                                                                                                                   | Cap for inclusion of provisions in Tier 2 under the IRB approach                                                                                                                                                 | 0              |
| <b>Capital instruments subject to phase-out arrangements<br/>(only applicable between 1 Jan 2018 and 1 Jan 2022)</b> |                                                                                                                                                                                                                  |                |
| 80                                                                                                                   | <i>Current cap on CET1 capital instruments subject to phase out arrangements</i>                                                                                                                                 | Not applicable |
| 81                                                                                                                   | <i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>                                                                                                                   | Not applicable |
| 82                                                                                                                   | <i>Current cap on AT1 capital instruments subject to phase out arrangements</i>                                                                                                                                  | 0              |
| 83                                                                                                                   | <i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>                                                                                                            | 0              |
| 84                                                                                                                   | <i>Current cap on Tier 2 capital instruments subject to phase out arrangements</i>                                                                                                                               | 0              |
| 85                                                                                                                   | <i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>                                                                                                         | 0              |

**Notes to the template:**

Elements where a more conservative definition has been applied in the BCR relative to that set out in Basel III capital standards:

| Row No. | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Hong Kong basis | Basel III basis |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
|         | <b>Other intangible assets (net of associated deferred tax liability)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 0               | 0               |
| 9       | <p><u>Explanation</u></p> <p>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.</p>                                                                                                                                                                         |                 |                 |
| 10      | <p><b>Deferred tax assets net of deferred tax liabilities</b></p> <p><u>Explanation</u></p> <p>As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs that rely on future profitability 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.</p> <p>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 and other credit exposures to connected companies) under Basel III.</p> | 15,210          | 0               |

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|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                |   |   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|
| <b>18</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>   | 0 | 0 |
| <p><u>Explanation</u></p> <p>For the purpose of determining the total amount of insignificant capital 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 Monetary Authority 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.</p> <p>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.</p> |                                                                                                                                                                                                |   |   |
| <b>19</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>     | 0 | 0 |
| <p><u>Explanation</u></p> <p>For the purpose of determining the total amount of significant capital 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 Monetary Authority 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.</p> <p>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.</p>   |                                                                                                                                                                                                |   |   |
| <b>39</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>    | 0 | 0 |
| <p><u>Explanation</u></p> <p>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 capital 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.</p>                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                |   |   |
| <b>54</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b> | 0 | 0 |
| <p><u>Explanation</u></p> <p>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 capital investments in Tier 2 capital instruments 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.</p>                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                |   |   |
| <p>Remarks:</p> <p>The amount of the 10% / 15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the Banking (Capital) Rules.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                |   |   |

**Abbreviations:**

CET1: Common Equity Tier 1

AT1: Additional Tier 1

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**REGULATORY DISCLOSURE**
**As at 31 December 2015**
**(b) The breakdown of CET1 capital, Additional Tier 1 capital, Tier 2 capital and regulatory deductions for the Group (Continued)**

| <b>Capital Disclosures Template based on Annex 1</b> |                                                                                                                                                                                         | <b>HK\$'000</b> |
|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| <b>CET1 capital: instruments and reserves</b>        |                                                                                                                                                                                         |                 |
| 1                                                    | Directly issued qualifying CET1 capital instruments plus any related share premium                                                                                                      | 2,854,045       |
| 2                                                    | Retained earnings                                                                                                                                                                       | 1,740,072       |
| 3                                                    | Disclosed reserves                                                                                                                                                                      | 501,284         |
| 4                                                    | <i>Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)</i>                                                                    | 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                                                    | <b>CET1 capital before regulatory deductions</b>                                                                                                                                        | 5,095,401       |
| <b>CET1 capital: regulatory deductions</b>           |                                                                                                                                                                                         |                 |
| 7                                                    | Valuation adjustments                                                                                                                                                                   | 0               |
| 8                                                    | Goodwill (net of associated deferred tax liability)                                                                                                                                     | 242,342         |
| 9                                                    | Other intangible assets (net of associated deferred tax liability)                                                                                                                      | 0               |
| 10                                                   | Deferred tax assets net of deferred tax liabilities                                                                                                                                     | 17,077          |
| 11                                                   | Cash flow hedge reserve                                                                                                                                                                 | 0               |
| 12                                                   | Excess of total EL amount over total eligible provisions under the IRB approach                                                                                                         | 0               |
| 13                                                   | Gain-on-sale 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 capital 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 capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)     | 0               |
| 20                                                   | Mortgage servicing rights (amount above 10% threshold)                                                                                                                                  | Not applicable  |
| 21                                                   | Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)                                                                       | Not applicable  |
| 22                                                   | Amount exceeding the 15% threshold                                                                                                                                                      | Not applicable  |
| 23                                                   | of which: significant investments in the common stock of financial sector entities                                                                                                      | Not applicable  |
| 24                                                   | of which: mortgage servicing rights                                                                                                                                                     | Not applicable  |
| 25                                                   | of which: deferred tax assets arising from temporary differences                                                                                                                        | Not applicable  |
| 26                                                   | National specific regulatory adjustments applied to CET1 capital                                                                                                                        | 481,656         |
| 26a                                                  | Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)                                                                      | 26,214          |
| 26b                                                  | Regulatory reserve for general banking risks                                                                                                                                            | 455,442         |
| 26c                                                  | Securitization exposures specified in a notice given by the Monetary Authority                                                                                                          | 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                                                   | <b>Total regulatory deductions to CET1 capital</b>                                                                                                                                      | 741,075         |
| 29                                                   | <b>CET1 capital</b>                                                                                                                                                                     | 4,354,326       |
| <b>AT1 capital: instruments</b>                      |                                                                                                                                                                                         |                 |
| 30                                                   | Qualifying AT1 capital instruments plus any related share premium                                                                                                                       | 0               |



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|                                                                 |                                                                                                                                                                                                                       |                |
|-----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| 31                                                              | of which: classified as equity under applicable accounting standards                                                                                                                                                  | 0              |
| 32                                                              | of which: classified as liabilities under applicable accounting standards                                                                                                                                             | 0              |
| 33                                                              | <i>Capital instruments subject to phase out arrangements from AT1 capital</i>                                                                                                                                         | 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                                                              | <i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>                                                                                                                     | 0              |
| 36                                                              | <b>AT1 capital before regulatory deductions</b>                                                                                                                                                                       | 0              |
| <b>AT1 capital: regulatory deductions</b>                       |                                                                                                                                                                                                                       |                |
| 37                                                              | Investments in own AT1 capital instruments                                                                                                                                                                            | 0              |
| 38                                                              | Reciprocal cross-holdings in AT1 capital instruments                                                                                                                                                                  | 0              |
| 39                                                              | Insignificant capital 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 capital 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                                                              | <b>Total regulatory deductions to AT1 capital</b>                                                                                                                                                                     | 0              |
| 44                                                              | <b>AT1 capital</b>                                                                                                                                                                                                    | 0              |
| 45                                                              | <b>Tier 1 capital (Tier 1 = CET1 + AT1)</b>                                                                                                                                                                           | 4,354,326      |
| <b>Tier 2 capital: instruments and provisions</b>               |                                                                                                                                                                                                                       |                |
| 46                                                              | Qualifying Tier 2 capital instruments plus any related share premium                                                                                                                                                  | 0              |
| 47                                                              | <i>Capital instruments subject to phase out arrangements from Tier 2 capital</i>                                                                                                                                      | 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                                                              | <i>of which: capital instruments issued by subsidiaries subject to phase out arrangements</i>                                                                                                                         | 0              |
| 50                                                              | Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital                                                                                            | 287,984        |
| 51                                                              | <b>Tier 2 capital before regulatory deductions</b>                                                                                                                                                                    | 287,984        |
| <b>Tier 2 capital: regulatory deductions</b>                    |                                                                                                                                                                                                                       |                |
| 52                                                              | Investments in own Tier 2 capital instruments                                                                                                                                                                         | 0              |
| 53                                                              | Reciprocal cross-holdings in Tier 2 capital instruments                                                                                                                                                               | 0              |
| 54                                                              | Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)                               | 0              |
| 55                                                              | Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation                                                              | 0              |
| 56                                                              | National specific regulatory adjustments applied to Tier 2 capital                                                                                                                                                    | (11,796)       |
| 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                                               | (11,796)       |
| 57                                                              | <b>Total regulatory deductions to Tier 2 capital</b>                                                                                                                                                                  | (11,796)       |
| 58                                                              | <b>Tier 2 capital</b>                                                                                                                                                                                                 | 299,780        |
| 59                                                              | <b>Total capital (Total capital = Tier 1 + Tier 2)</b>                                                                                                                                                                | 4,654,106      |
| 60                                                              | <b>Total risk weighted assets</b>                                                                                                                                                                                     | 25,860,372     |
| <b>Capital ratios (as a percentage of risk weighted assets)</b> |                                                                                                                                                                                                                       |                |
| 61                                                              | CET1 capital ratio                                                                                                                                                                                                    | 16.84%         |
| 62                                                              | Tier 1 capital ratio                                                                                                                                                                                                  | 16.84%         |
| 63                                                              | Total capital ratio                                                                                                                                                                                                   | 18.00%         |
| 64                                                              | Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3B of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements) | 4.5%           |
| 65                                                              | <i>of which: capital conservation buffer requirement</i>                                                                                                                                                              | 0.0%           |
| 66                                                              | <i>of which: bank specific countercyclical buffer requirement</i>                                                                                                                                                     | 0.0%           |
| 67                                                              | <i>of which: G-SIB or D-SIB buffer requirement</i>                                                                                                                                                                    | 0.0%           |
| 68                                                              | CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3B of the BCR                                                               | 10.0%          |
| <b>National minima (if different from Basel 3 minimum)</b>      |                                                                                                                                                                                                                       |                |
| 69                                                              | National CET1 minimum ratio                                                                                                                                                                                           | Not applicable |
| 70                                                              | National Tier 1 minimum ratio                                                                                                                                                                                         | Not applicable |
| 71                                                              | National Total capital minimum ratio                                                                                                                                                                                  | Not applicable |

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| <b>Amounts below the thresholds for deduction (before risk weighting)</b>                                        |                                                                                                                                                                                                                  |                |
|------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| 72                                                                                                               | Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation | 8,804          |
| 73                                                                                                               | Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation                                                           | 64,162         |
| 74                                                                                                               | Mortgage servicing rights (net of related tax liability)                                                                                                                                                         | Not applicable |
| 75                                                                                                               | Deferred tax assets arising from temporary differences (net of related tax liability)                                                                                                                            | Not applicable |
| <b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>                                          |                                                                                                                                                                                                                  |                |
| 76                                                                                                               | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardized (credit risk) approach (prior to application of cap)                                      | 471,167        |
| 77                                                                                                               | Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach                                                                                                    | 287,984        |
| 78                                                                                                               | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)                                                                                    | 0              |
| 79                                                                                                               | Cap for inclusion of provisions in Tier 2 under the IRB approach                                                                                                                                                 | 0              |
| <b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b> |                                                                                                                                                                                                                  |                |
| 80                                                                                                               | Current cap on CET1 capital instruments subject to phase out arrangements                                                                                                                                        | Not applicable |
| 81                                                                                                               | Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)                                                                                                                          | 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:**

Elements where a more conservative definition has been applied in the BCR relative to that set out in Basel III capital standards:

| Row No. | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Hong Kong basis | Basel III basis |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
|         | <b>Other intangible assets (net of associated deferred tax liability)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 0               | 0               |
| 9       | <p><u>Explanation</u></p> <p>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.</p>                                                                                                                                                                         |                 |                 |
| 10      | <p><b>Deferred tax assets net of deferred tax liabilities</b></p> <p><u>Explanation</u></p> <p>As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs that rely on future profitability 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.</p> <p>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 and other credit exposures to connected companies) under Basel III.</p> | 17,077          | 0               |

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|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                |   |   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|
| <b>18</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>   | 0 | 0 |
| <p><u>Explanation</u><br/> For the purpose of determining the total amount of insignificant capital 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 Monetary Authority 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.</p> <p>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.</p> |                                                                                                                                                                                                |   |   |
| <b>19</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>     | 0 | 0 |
| <p><u>Explanation</u><br/> For the purpose of determining the total amount of significant capital 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 Monetary Authority 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.</p> <p>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.</p>   |                                                                                                                                                                                                |   |   |
| <b>39</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>    | 0 | 0 |
| <p><u>Explanation</u><br/> 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 capital 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.</p>                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                |   |   |
| <b>54</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b> | 0 | 0 |
| <p><u>Explanation</u><br/> 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 capital investments in Tier 2 capital instruments 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.</p>                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                |   |   |
| <p>Remarks:<br/> The amount of the 10% / 15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the Banking (Capital) Rules.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                |   |   |

**Abbreviations:**

CET1: Common Equity Tier 1

AT1: Additional Tier 1

**PUBLIC BANK (HONG KONG) LIMITED**
**REGULATORY DISCLOSURE**
**(c) Reconciliation between the Group's accounting and regulatory balance sheets**

|                                                                                                           | As at 31 December 2016                                                   |                                                  | As at 31 December 2015                                                   |                                                  |
|-----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------------|
|                                                                                                           | Consolidated balance sheet as in published financial statements HK\$'000 | Under regulatory scope of consolidation HK\$'000 | Consolidated balance sheet as in published financial statements HK\$'000 | Under regulatory scope of consolidation HK\$'000 |
| Balance sheet                                                                                             |                                                                          |                                                  |                                                                          |                                                  |
| <b>ASSETS</b>                                                                                             |                                                                          |                                                  |                                                                          |                                                  |
| Cash and short term placements                                                                            | 4,255,829                                                                | 4,253,086                                        | 3,927,210                                                                | 3,925,005                                        |
| Placements with banks and financial institutions maturing after one month but not more than twelve months | 2,222,825                                                                | 2,222,825                                        | 1,018,133                                                                | 1,018,133                                        |
| Derivative financial instruments                                                                          | 412                                                                      | 412                                              | 3,864                                                                    | 3,864                                            |
| Loans and advances and receivables                                                                        | 28,807,836                                                               | 28,807,836                                       | 29,290,179                                                               | 29,290,179                                       |
| Available-for-sale financial assets                                                                       | 6,804                                                                    | 6,804                                            | 6,804                                                                    | 6,804                                            |
| Held-to-maturity investments                                                                              | 5,693,861                                                                | 5,693,861                                        | 5,342,872                                                                | 5,342,872                                        |
| Investments in subsidiaries                                                                               | 0                                                                        | 66,008                                           | 0                                                                        | 66,008                                           |
| Interests in a joint venture                                                                              | 1,606                                                                    | 1,500                                            | 1,892                                                                    | 1,500                                            |
| Deferred tax assets                                                                                       | 28,247                                                                   | 28,247                                           | 25,771                                                                   | 25,771                                           |
| Tax recoverable                                                                                           | 10,055                                                                   | 10,055                                           | 0                                                                        | 0                                                |
| Intangible assets                                                                                         | 718                                                                      | 0                                                | 718                                                                      | 0                                                |
| Property and equipment                                                                                    | 88,741                                                                   | 76,291                                           | 67,346                                                                   | 68,081                                           |
| Land held under finance leases                                                                            | 104,464                                                                  | 133,924                                          | 101,178                                                                  | 117,630                                          |
| Investment properties                                                                                     | 106,087                                                                  | 106,087                                          | 63,137                                                                   | 63,137                                           |
| Goodwill                                                                                                  | 242,342                                                                  | 242,342                                          | 242,342                                                                  | 242,342                                          |
| Other assets                                                                                              | 128,995                                                                  | 132,214                                          | 143,317                                                                  | 148,378                                          |
| <b>TOTAL ASSETS</b>                                                                                       | <b>41,698,822</b>                                                        | <b>41,781,492</b>                                | <b>40,234,763</b>                                                        | <b>40,319,704</b>                                |
|                                                                                                           |                                                                          |                                                  |                                                                          |                                                  |
| <b>EQUITY AND LIABILITIES</b>                                                                             |                                                                          |                                                  |                                                                          |                                                  |
| <b>LIABILITIES</b>                                                                                        |                                                                          |                                                  |                                                                          |                                                  |
| Deposits and balances of banks and other financial institutions at amortised cost                         | 929,392                                                                  | 929,392                                          | 984,093                                                                  | 984,093                                          |
| Derivative financial instruments                                                                          | 23,157                                                                   | 23,157                                           | 588                                                                      | 588                                              |
| Customer deposits at amortised cost                                                                       | 33,879,348                                                               | 34,170,521                                       | 33,165,823                                                               | 33,429,461                                       |
| Certificates of deposit issued at amortised cost                                                          | 1,072,778                                                                | 1,072,778                                        | 499,977                                                                  | 499,977                                          |
| Current tax payable                                                                                       | 14,060                                                                   | 14,327                                           | 22,654                                                                   | 21,933                                           |
| Deferred tax liabilities                                                                                  | 11,738                                                                   | 13,037                                           | 7,420                                                                    | 8,694                                            |
| Other liabilities                                                                                         | 402,172                                                                  | 318,104                                          | 335,538                                                                  | 279,557                                          |
| <b>TOTAL LIABILITIES</b>                                                                                  | <b>36,332,645</b>                                                        | <b>36,541,316</b>                                | <b>35,016,093</b>                                                        | <b>35,224,303</b>                                |
|                                                                                                           |                                                                          |                                                  |                                                                          |                                                  |
| <b>EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK</b>                                                          |                                                                          |                                                  |                                                                          |                                                  |
| Issued capital                                                                                            | 2,854,045                                                                | 2,854,045                                        | 2,854,045                                                                | 2,854,045                                        |
| Reserves                                                                                                  | 2,512,132                                                                | 2,386,131                                        | 2,364,625                                                                | 2,241,356                                        |
| <b>TOTAL EQUITY</b>                                                                                       | <b>5,366,177</b>                                                         | <b>5,240,176</b>                                 | <b>5,218,670</b>                                                         | <b>5,095,401</b>                                 |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                                                       | <b>41,698,822</b>                                                        | <b>41,781,492</b>                                | <b>40,234,763</b>                                                        | <b>40,319,704</b>                                |

**PUBLIC BANK (HONG KONG) LIMITED**
**REGULATORY DISCLOSURE**
**(c) Reconciliation between the Group's accounting and regulatory balance sheets (Continued)**

|                                                                                                                                                        | Consolidated<br>balance sheet<br>as in published<br>financial<br>statements<br>HK\$'000 | Under<br>regulatory<br>scope of<br>consolidation<br>HK\$'000 | Cross<br>reference to<br>definition of<br>capital<br>components |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------------------|
| Balance sheet as at 31 December 2016                                                                                                                   |                                                                                         |                                                              |                                                                 |
| <b>ASSETS</b>                                                                                                                                          |                                                                                         |                                                              |                                                                 |
| Cash and short term placements                                                                                                                         | 4,255,829                                                                               | 4,253,086                                                    |                                                                 |
| Placements with banks and financial institutions maturing<br>after one month but not more than twelve months                                           | 2,222,825                                                                               | 2,222,825                                                    |                                                                 |
| Derivative financial instruments                                                                                                                       | 412                                                                                     | 412                                                          |                                                                 |
| Loans and advances and receivables<br><i>of which: collective impairment allowances reflected in regulatory capital</i>                                | 28,807,836                                                                              | 28,807,836                                                   | (1)                                                             |
| Available-for-sale financial assets                                                                                                                    | 6,804                                                                                   | 6,804                                                        |                                                                 |
| Held-to-maturity investments                                                                                                                           | 5,693,861                                                                               | 5,693,861                                                    |                                                                 |
| Investments in subsidiaries                                                                                                                            | 0                                                                                       | 66,008                                                       |                                                                 |
| Interests in a joint venture                                                                                                                           | 1,606                                                                                   | 1,500                                                        |                                                                 |
| Deferred tax assets                                                                                                                                    | 28,247                                                                                  | 28,247                                                       | (2)                                                             |
| Tax recoverable                                                                                                                                        | 10,055                                                                                  | 10,055                                                       |                                                                 |
| Intangible assets                                                                                                                                      | 718                                                                                     | 0                                                            |                                                                 |
| Property and equipment                                                                                                                                 | 88,741                                                                                  | 76,291                                                       |                                                                 |
| Land held under finance leases                                                                                                                         | 104,464                                                                                 | 133,924                                                      |                                                                 |
| Investment properties                                                                                                                                  | 106,087                                                                                 | 106,087                                                      |                                                                 |
| Goodwill                                                                                                                                               | 242,342                                                                                 | 242,342                                                      | (3)                                                             |
| Other assets                                                                                                                                           | 128,995                                                                                 | 132,214                                                      |                                                                 |
| <b>TOTAL ASSETS</b>                                                                                                                                    | <b>41,698,822</b>                                                                       | <b>41,781,492</b>                                            |                                                                 |
| <b>EQUITY AND LIABILITIES</b>                                                                                                                          |                                                                                         |                                                              |                                                                 |
| <b>LIABILITIES</b>                                                                                                                                     |                                                                                         |                                                              |                                                                 |
| Deposits and balances of banks and other financial institutions at amortised cost                                                                      | 929,392                                                                                 | 929,392                                                      |                                                                 |
| Derivative financial instruments                                                                                                                       | 23,157                                                                                  | 23,157                                                       |                                                                 |
| Customer deposits at amortised cost                                                                                                                    | 33,879,348                                                                              | 34,170,521                                                   |                                                                 |
| Certificates of deposit issued at amortised cost                                                                                                       | 1,072,778                                                                               | 1,072,778                                                    |                                                                 |
| Current tax payable                                                                                                                                    | 14,060                                                                                  | 14,327                                                       |                                                                 |
| Deferred tax liabilities                                                                                                                               | 11,738                                                                                  | 13,037                                                       | (4)                                                             |
| Other liabilities                                                                                                                                      | 402,172                                                                                 | 318,104                                                      |                                                                 |
| <b>TOTAL LIABILITIES</b>                                                                                                                               | <b>36,332,645</b>                                                                       | <b>36,541,316</b>                                            |                                                                 |
| <b>EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK</b>                                                                                                       |                                                                                         |                                                              |                                                                 |
| Issued capital                                                                                                                                         | 2,854,045                                                                               | 2,854,045                                                    | (5)                                                             |
| Reserves                                                                                                                                               | 2,512,132                                                                               | 2,386,131                                                    |                                                                 |
| <i>of which: Retained earnings</i>                                                                                                                     |                                                                                         | 1,927,068                                                    | (6)                                                             |
| <i>Other reserves</i>                                                                                                                                  |                                                                                         | (6,340)                                                      | (7)                                                             |
| <i>Cumulative fair value gains arising from the revaluation of<br/>holdings of land and buildings eligible for inclusive in Tier 2 Capital</i>         |                                                                                         | 11,999                                                       | (8)                                                             |
| <i>Cumulative fair value gains arising from the revaluation of<br/>holdings of land and buildings not eligible for inclusive in regulatory capital</i> |                                                                                         | 14,666                                                       | (9)                                                             |
| <i>Regulatory reserve not eligible for inclusive in regulatory capital</i>                                                                             |                                                                                         | 153,823                                                      | (10)                                                            |
| <i>Regulatory reserve in Tier 2 Capital</i>                                                                                                            |                                                                                         | 284,915                                                      | (11)                                                            |
| <b>TOTAL EQUITY</b>                                                                                                                                    | <b>5,366,177</b>                                                                        | <b>5,240,176</b>                                             |                                                                 |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                                                                                                    | <b>41,698,822</b>                                                                       | <b>41,781,492</b>                                            |                                                                 |

**PUBLIC BANK (HONG KONG) LIMITED**
**REGULATORY DISCLOSURE**
**(c) Reconciliation between the Group's accounting and regulatory balance sheets (Continued)**

|                                                                                                                                                        | Consolidated<br>balance sheet<br>as in published<br>financial<br>statements<br>HK\$'000 | Under<br>regulatory<br>scope of<br>consolidation<br>HK\$'000 | Cross<br>reference to<br>definition of<br>capital<br>components |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------------------|
| Balance sheet as at 31 December 2015                                                                                                                   |                                                                                         |                                                              |                                                                 |
| <b>ASSETS</b>                                                                                                                                          |                                                                                         |                                                              |                                                                 |
| Cash and short term placements                                                                                                                         | 3,927,210                                                                               | 3,925,005                                                    |                                                                 |
| Placements with banks and financial institutions maturing<br>after one month but not more than twelve months                                           | 1,018,133                                                                               | 1,018,133                                                    |                                                                 |
| Derivative financial instruments                                                                                                                       | 3,864                                                                                   | 3,864                                                        |                                                                 |
| Loans and advances and receivables                                                                                                                     | 29,290,179                                                                              | 29,290,179                                                   |                                                                 |
| <i>of which: collective impairment allowances reflected in regulatory capital</i>                                                                      |                                                                                         | (15,725)                                                     | (1)                                                             |
| Available-for-sale financial assets                                                                                                                    | 6,804                                                                                   | 6,804                                                        |                                                                 |
| Held-to-maturity investments                                                                                                                           | 5,342,872                                                                               | 5,342,872                                                    |                                                                 |
| Investments in subsidiaries                                                                                                                            | 0                                                                                       | 66,008                                                       |                                                                 |
| Interests in a joint venture                                                                                                                           | 1,892                                                                                   | 1,500                                                        |                                                                 |
| Deferred tax assets                                                                                                                                    | 25,771                                                                                  | 25,771                                                       | (2)                                                             |
| Tax recoverable                                                                                                                                        | 0                                                                                       | 0                                                            |                                                                 |
| Intangible assets                                                                                                                                      | 718                                                                                     | 0                                                            |                                                                 |
| Property and equipment                                                                                                                                 | 67,346                                                                                  | 68,081                                                       |                                                                 |
| Land held under finance leases                                                                                                                         | 101,178                                                                                 | 117,630                                                      |                                                                 |
| Investment properties                                                                                                                                  | 63,137                                                                                  | 63,137                                                       |                                                                 |
| Goodwill                                                                                                                                               | 242,342                                                                                 | 242,342                                                      | (3)                                                             |
| Other assets                                                                                                                                           | 143,317                                                                                 | 148,378                                                      |                                                                 |
| <b>TOTAL ASSETS</b>                                                                                                                                    | <b>40,234,763</b>                                                                       | <b>40,319,704</b>                                            |                                                                 |
| <b>EQUITY AND LIABILITIES</b>                                                                                                                          |                                                                                         |                                                              |                                                                 |
| <b>LIABILITIES</b>                                                                                                                                     |                                                                                         |                                                              |                                                                 |
| Deposits and balances of banks and other financial institutions at amortised cost                                                                      | 984,093                                                                                 | 984,093                                                      |                                                                 |
| Derivative financial instruments                                                                                                                       | 588                                                                                     | 588                                                          |                                                                 |
| Customer deposits at amortised cost                                                                                                                    | 33,165,823                                                                              | 33,429,461                                                   |                                                                 |
| Certificates of deposit issued at amortised cost                                                                                                       | 499,977                                                                                 | 499,977                                                      |                                                                 |
| Current tax payable                                                                                                                                    | 22,654                                                                                  | 21,933                                                       |                                                                 |
| Deferred tax liabilities                                                                                                                               | 7,420                                                                                   | 8,694                                                        | (4)                                                             |
| Other liabilities                                                                                                                                      | 335,538                                                                                 | 279,557                                                      |                                                                 |
| <b>TOTAL LIABILITIES</b>                                                                                                                               | <b>35,016,093</b>                                                                       | <b>35,224,303</b>                                            |                                                                 |
| <b>EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK</b>                                                                                                       |                                                                                         |                                                              |                                                                 |
| Issued capital                                                                                                                                         | 2,854,045                                                                               | 2,854,045                                                    | (5)                                                             |
| Reserves                                                                                                                                               | 2,364,625                                                                               | 2,241,356                                                    |                                                                 |
| <i>of which: Retained earnings</i>                                                                                                                     |                                                                                         | 1,713,858                                                    | (6)                                                             |
| <i>Other reserves</i>                                                                                                                                  |                                                                                         | 45,842                                                       | (7)                                                             |
| <i>Cumulative fair value gains arising from the revaluation of<br/>holdings of land and buildings eligible for inclusive in Tier 2 Capital</i>         |                                                                                         | 11,796                                                       | (8)                                                             |
| <i>Cumulative fair value gains arising from the revaluation of<br/>holdings of land and buildings not eligible for inclusive in regulatory capital</i> |                                                                                         | 14,418                                                       | (9)                                                             |
| <i>Regulatory reserve not eligible for inclusive in regulatory capital</i>                                                                             |                                                                                         | 183,183                                                      | (10)                                                            |
| <i>Regulatory reserve in Tier 2 Capital</i>                                                                                                            |                                                                                         | 272,259                                                      | (11)                                                            |
| <b>TOTAL EQUITY</b>                                                                                                                                    | <b>5,218,670</b>                                                                        | <b>5,095,401</b>                                             |                                                                 |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                                                                                                    | <b>40,234,763</b>                                                                       | <b>40,319,704</b>                                            |                                                                 |

**PUBLIC BANK (HONG KONG) LIMITED**
**REGULATORY DISCLOSURE**

As at 31 December 2016

**(c) Reconciliation between the Group's accounting and regulatory balance sheets (Continued)**
**Extract of Capital Disclosures Template based on Annex 1**

|                                               | Component of<br>regulatory<br>capital<br>reported by<br>the Group<br>HK\$'000                                                                                                           | Cross-<br>referenced to<br>consolidated<br>balance sheet |                   |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|-------------------|
| <b>CET1 capital: instruments and reserves</b> |                                                                                                                                                                                         |                                                          |                   |
| 1                                             | Directly issued qualifying CET1 capital instruments plus any related share premium                                                                                                      | 2,854,045                                                | (5)               |
| 2                                             | Retained earnings                                                                                                                                                                       | 1,953,733                                                | (6) + (8) + (9)   |
| 3                                             | Disclosed reserves                                                                                                                                                                      | 432,398                                                  | (7) + (10) + (11) |
| 4                                             | <i>Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)</i>                                                                    | 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                                             | <b>CET1 capital before regulatory deductions</b>                                                                                                                                        | 5,240,176                                                |                   |
| <b>CET1 capital: regulatory deductions</b>    |                                                                                                                                                                                         |                                                          |                   |
| 7                                             | Valuation adjustments                                                                                                                                                                   | 0                                                        |                   |
| 8                                             | Goodwill (net of associated deferred tax liability)                                                                                                                                     | 242,342                                                  | (3)               |
| 9                                             | Other intangible assets (net of associated deferred tax liability)                                                                                                                      | 0                                                        |                   |
| 10                                            | Deferred tax assets net of deferred tax liabilities                                                                                                                                     | 15,210                                                   | (2) - (4)         |
| 11                                            | Cash flow hedge reserve                                                                                                                                                                 | 0                                                        |                   |
| 12                                            | Excess of total EL amount over total eligible provisions under the IRB approach                                                                                                         | 0                                                        |                   |
| 13                                            | Gain-on-sale 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 capital 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 capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)     | 0                                                        |                   |
| 20                                            | Mortgage servicing rights (amount above 10% threshold)                                                                                                                                  | Not applicable                                           |                   |
| 21                                            | Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)                                                                       | Not applicable                                           |                   |
| 22                                            | Amount exceeding the 15% threshold                                                                                                                                                      | Not applicable                                           |                   |
| 23                                            | of which: significant investments in the common stock of financial sector entities                                                                                                      | Not applicable                                           |                   |
| 24                                            | of which: mortgage servicing rights                                                                                                                                                     | Not applicable                                           |                   |
| 25                                            | of which: deferred tax assets arising from temporary differences                                                                                                                        | Not applicable                                           |                   |
| 26                                            | National specific regulatory adjustments applied to CET1 capital                                                                                                                        | 465,403                                                  |                   |
| 26a                                           | Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)                                                                      | 26,665                                                   | (8) + (9)         |
| 26b                                           | Regulatory reserve for general banking risks                                                                                                                                            | 438,738                                                  | (10) + (11)       |
| 26c                                           | Securitization exposures specified in a notice given by the Monetary Authority                                                                                                          | 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                                                        |                   |

**PUBLIC BANK (HONG KONG) LIMITED**

|                                                   |                                                                                                                                                                                         |           |                   |
|---------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-------------------|
| 28                                                | <b>Total regulatory deductions to CET1 capital</b>                                                                                                                                      | 722,955   |                   |
| 29                                                | <b>CET1 capital</b>                                                                                                                                                                     | 4,517,221 |                   |
| <b>AT1 capital: instruments</b>                   |                                                                                                                                                                                         |           |                   |
| 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                                                | <i>Capital instruments subject to phase out arrangements from AT1 capital</i>                                                                                                           | 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                                                | <i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>                                                                                       | 0         |                   |
| 36                                                | <b>AT1 capital before regulatory deductions</b>                                                                                                                                         | 0         |                   |
| <b>AT1 capital: regulatory deductions</b>         |                                                                                                                                                                                         |           |                   |
| 37                                                | Investments in own AT1 capital instruments                                                                                                                                              | 0         |                   |
| 38                                                | Reciprocal cross-holdings in AT1 capital instruments                                                                                                                                    | 0         |                   |
| 39                                                | Insignificant capital 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 capital 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                                                | <b>Total regulatory deductions to AT1 capital</b>                                                                                                                                       | 0         |                   |
| 44                                                | <b>AT1 capital</b>                                                                                                                                                                      | 0         |                   |
| 45                                                | <b>Tier 1 capital (Tier 1 = CET1 + AT1)</b>                                                                                                                                             | 4,517,221 |                   |
| <b>Tier 2 capital: instruments and provisions</b> |                                                                                                                                                                                         |           |                   |
| 46                                                | Qualifying Tier 2 capital instruments plus any related share premium                                                                                                                    | 0         |                   |
| 47                                                | <i>Capital instruments subject to phase out arrangements from Tier 2 capital</i>                                                                                                        | 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                                                | <i>of which: capital instruments issued by subsidiaries subject to phase out arrangements</i>                                                                                           | 0         |                   |
| 50                                                | Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital                                                              | 297,225   | (1) + (11)        |
| 51                                                | <b>Tier 2 capital before regulatory deductions</b>                                                                                                                                      | 297,225   |                   |
| <b>Tier 2 capital: regulatory deductions</b>      |                                                                                                                                                                                         |           |                   |
| 52                                                | Investments in own Tier 2 capital instruments                                                                                                                                           | 0         |                   |
| 53                                                | Reciprocal cross-holdings in Tier 2 capital instruments                                                                                                                                 | 0         |                   |
| 54                                                | Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | 0         |                   |
| 55                                                | Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation                                | 0         |                   |
| 56                                                | National specific regulatory adjustments applied to Tier 2 capital                                                                                                                      | (11,999)  |                   |
| 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                 | (11,999)  | ((8) + (9)) x 45% |
| 57                                                | <b>Total regulatory deductions to Tier 2 capital</b>                                                                                                                                    | (11,999)  |                   |
| 58                                                | <b>Tier 2 capital</b>                                                                                                                                                                   | 309,224   |                   |
| 59                                                | <b>Total capital (Total capital = Tier 1 + Tier 2)</b>                                                                                                                                  | 4,826,445 |                   |

**Abbreviations:**

CET1: Common Equity Tier 1

AT1: Additional Tier 1



**PUBLIC BANK (HONG KONG) LIMITED**
**REGULATORY DISCLOSURE**

As at 31 December 2015

**(c) Reconciliation between the Group's accounting and regulatory balance sheets (Continued)**
**Extract of Capital Disclosures Template based on Annex 1**

|                                               | Component of<br>regulatory<br>capital<br>reported by<br>the Group<br>HK\$'000                                                                                                           | Cross-<br>referenced to<br>consolidated<br>balance sheet |                   |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|-------------------|
| <b>CET1 capital: instruments and reserves</b> |                                                                                                                                                                                         |                                                          |                   |
| 1                                             | Directly issued qualifying CET1 capital instruments plus any related share premium                                                                                                      | 2,854,045                                                | (5)               |
| 2                                             | Retained earnings                                                                                                                                                                       | 1,740,072                                                | (6) + (8) + (9)   |
| 3                                             | Disclosed reserves                                                                                                                                                                      | 501,284                                                  | (7) + (10) + (11) |
| 4                                             | <i>Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)</i>                                                                    | 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                                             | <b>CET1 capital before regulatory deductions</b>                                                                                                                                        | 5,095,401                                                |                   |
| <b>CET1 capital: regulatory deductions</b>    |                                                                                                                                                                                         |                                                          |                   |
| 7                                             | Valuation adjustments                                                                                                                                                                   | 0                                                        |                   |
| 8                                             | Goodwill (net of associated deferred tax liability)                                                                                                                                     | 242,342                                                  | (3)               |
| 9                                             | Other intangible assets (net of associated deferred tax liability)                                                                                                                      | 0                                                        |                   |
| 10                                            | Deferred tax assets net of deferred tax liabilities                                                                                                                                     | 17,077                                                   | (2) - (4)         |
| 11                                            | Cash flow hedge reserve                                                                                                                                                                 | 0                                                        |                   |
| 12                                            | Excess of total EL amount over total eligible provisions under the IRB approach                                                                                                         | 0                                                        |                   |
| 13                                            | Gain-on-sale 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 capital 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 capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)     | 0                                                        |                   |
| 20                                            | Mortgage servicing rights (amount above 10% threshold)                                                                                                                                  | Not applicable                                           |                   |
| 21                                            | Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)                                                                       | Not applicable                                           |                   |
| 22                                            | Amount exceeding the 15% threshold                                                                                                                                                      | Not applicable                                           |                   |
| 23                                            | of which: significant investments in the common stock of financial sector entities                                                                                                      | Not applicable                                           |                   |
| 24                                            | of which: mortgage servicing rights                                                                                                                                                     | Not applicable                                           |                   |
| 25                                            | of which: deferred tax assets arising from temporary differences                                                                                                                        | Not applicable                                           |                   |
| 26                                            | National specific regulatory adjustments applied to CET1 capital                                                                                                                        | 481,656                                                  |                   |
| 26a                                           | Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)                                                                      | 26,214                                                   | (8) + (9)         |
| 26b                                           | Regulatory reserve for general banking risks                                                                                                                                            | 455,442                                                  | (10) + (11)       |
| 26c                                           | Securitization exposures specified in a notice given by the Monetary Authority                                                                                                          | 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                                                        |                   |

**PUBLIC BANK (HONG KONG) LIMITED**

|                                                   |                                                                                                                                                                                         |           |                   |
|---------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-------------------|
| 28                                                | <b>Total regulatory deductions to CET1 capital</b>                                                                                                                                      | 741,075   |                   |
| 29                                                | <b>CET1 capital</b>                                                                                                                                                                     | 4,354,326 |                   |
| <b>AT1 capital: instruments</b>                   |                                                                                                                                                                                         |           |                   |
| 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                                                | <i>Capital instruments subject to phase out arrangements from AT1 capital</i>                                                                                                           | 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                                                | <i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>                                                                                       | 0         |                   |
| 36                                                | <b>AT1 capital before regulatory deductions</b>                                                                                                                                         | 0         |                   |
| <b>AT1 capital: regulatory deductions</b>         |                                                                                                                                                                                         |           |                   |
| 37                                                | Investments in own AT1 capital instruments                                                                                                                                              | 0         |                   |
| 38                                                | Reciprocal cross-holdings in AT1 capital instruments                                                                                                                                    | 0         |                   |
| 39                                                | Insignificant capital 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 capital 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                                                | <b>Total regulatory deductions to AT1 capital</b>                                                                                                                                       | 0         |                   |
| 44                                                | <b>AT1 capital</b>                                                                                                                                                                      | 0         |                   |
| 45                                                | <b>Tier 1 capital (Tier 1 = CET1 + AT1)</b>                                                                                                                                             | 4,354,326 |                   |
| <b>Tier 2 capital: instruments and provisions</b> |                                                                                                                                                                                         |           |                   |
| 46                                                | Qualifying Tier 2 capital instruments plus any related share premium                                                                                                                    | 0         |                   |
| 47                                                | <i>Capital instruments subject to phase out arrangements from Tier 2 capital</i>                                                                                                        | 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                                                | <i>of which: capital instruments issued by subsidiaries subject to phase out arrangements</i>                                                                                           | 0         |                   |
| 50                                                | Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital                                                              | 287,984   | (1) + (11)        |
| 51                                                | <b>Tier 2 capital before regulatory deductions</b>                                                                                                                                      | 287,984   |                   |
| <b>Tier 2 capital: regulatory deductions</b>      |                                                                                                                                                                                         |           |                   |
| 52                                                | Investments in own Tier 2 capital instruments                                                                                                                                           | 0         |                   |
| 53                                                | Reciprocal cross-holdings in Tier 2 capital instruments                                                                                                                                 | 0         |                   |
| 54                                                | Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | 0         |                   |
| 55                                                | Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation                                | 0         |                   |
| 56                                                | National specific regulatory adjustments applied to Tier 2 capital                                                                                                                      | (11,796)  |                   |
| 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                 | (11,796)  | ((8) + (9)) x 45% |
| 57                                                | <b>Total regulatory deductions to Tier 2 capital</b>                                                                                                                                    | (11,796)  |                   |
| 58                                                | <b>Tier 2 capital</b>                                                                                                                                                                   | 299,780   |                   |
| 59                                                | <b>Total capital (Total capital = Tier 1 + Tier 2)</b>                                                                                                                                  | 4,654,106 |                   |

**Abbreviations:**

CET1: Common Equity Tier 1

AT1: Additional Tier 1