

Public Finance Limited

Regulatory Disclosure Statement

For the position date of 30 June 2021

(Unaudited)

Table of contents

Template KM1: Key prudential ratios	1
Template OV1: Overview of RWA.....	3
Template CC1: Composition of regulatory capital	5
Template CC2: Reconciliation of regulatory capital to balance sheet.....	12
Table CCA: Main features of regulatory capital instruments	14
Template CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer	16
Template LR1: Summary comparison of accounting assets against leverage ratio exposure measure	17
Template LR2: Leverage ratio	18
Template CR1: Credit quality of exposures.....	20
Template CR2: Changes in defaulted loans and debt securities	21
Template CR3: Overview of recognized credit risk mitigation	22
Template CR4: Credit risk exposures and effects of recognized credit risk migration – for STC approach	23
Template CR5: Credit risk exposures by asset classes and by risk weights – for STC approach	25
Template CCR3: Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach.....	27
Glossary	28

Template KM1: Key prudential ratios

The table below provides key prudential ratios.

		(a)	(b)	(c)	(d)	(e)
		30 June 2021	31 March 2021	31 December 2020	30 September 2020	30 June 2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	1,279,163	1,315,004	1,254,685	1,292,633	1,225,299
2	Tier 1	1,279,163	1,315,004	1,254,685	1,292,633	1,225,299
3	Total capital	1,331,660	1,368,047	1,309,150	1,348,236	1,282,202
RWA (amount)						
4	Total RWA	5,095,120	5,169,697	5,297,680	5,346,716	5,442,834
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	25.11%	25.44%	23.68%	24.18%	22.51%
6	Tier 1 ratio (%)	25.11%	25.44%	23.68%	24.18%	22.51%
7	Total capital ratio (%)	26.14%	26.46%	24.71%	25.22%	23.56%
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9	Countercyclical capital buffer requirement (%)	1.000%	1.000%	1.000%	1.000%	1.000%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0% (Not applicable)	0% (Not applicable)	0% (Not applicable)	0% (Not applicable)	0% (Not applicable)
11	Total AI-specific CET1 buffer requirements (%)	3.500%	3.500%	3.500%	3.500%	3.500%
12	CET1 available after meeting the AI's minimum capital requirements (%)	18.14%	18.46%	16.71%	17.22%	15.56%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	6,292,996	6,541,042	6,748,814	6,574,678	6,694,400
14	LR (%)	20.33%	20.10%	18.59%	19.66%	18.30%

		(a)	(b)	(c)	(d)	(e)
		30 June 2021	31 March 2021	31 December 2020	30 September 2020	30 June 2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)						
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
16	Total net cash outflows	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
17	LCR (%)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Applicable to category 2 institution only:					
17a	LMR (%)	67.05%	102.96%	66.38%	67.61%	62.94%
Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)						
	Applicable to category 1 institution only:					
18	Total available stable funding	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
19	Total required stable funding	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
20	NSFR (%)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Applicable to category 2A institution only:					
20a	CFR (%)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Template OV1: Overview of RWA

The table below provides an overview of RWA and the related minimum capital requirements by risk type. The Company has adopted standardized approach for both credit risk and operational risk. During the second quarter of 2021, RWA decreased by HK\$75.0 million to HK\$5.10 billion. The decrease of RWA was mainly due to a decrease in credit risk for non-securitization exposures related to loans and advances.

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30 June 2021	31 March 2021	30 June 2021
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitization exposures	3,845,946	3,898,487	307,676
2	Of which STC approach	3,845,946	3,898,487	307,676
2a	Of which BSC approach	0	0	0
3	Of which foundation IRB approach	0	0	0
4	Of which supervisory slotting criteria approach	0	0	0
5	Of which advanced IRB approach	0	0	0
6	Counterparty default risk and default fund contributions	0	0	0
7	Of which SA-CCR approach	0	0	0
7a	Of which CEM	0	0	0
8	Of which IMM(CCR) approach	0	0	0
9	Of which others	0	0	0
10	CVA risk	0	0	0
11	Equity positions in banking book under the simple risk-weight method and internal models method	0	0	0
12	Collective investment scheme ("CIS") exposures – LTA*	Not applicable	Not applicable	Not applicable
13	CIS exposures – MBA*	Not applicable	Not applicable	Not applicable
14	CIS exposures – FBA*	Not applicable	Not applicable	Not applicable
14a	CIS exposures – combination of approaches*	Not applicable	Not applicable	Not applicable
15	Settlement risk	0	0	0
16	Securitization exposures in banking book	0	0	0
17	Of which SEC-IRBA	0	0	0
18	Of which SEC-ERBA (including IAA)	0	0	0
19	Of which SEC-SA	0	0	0
19a	Of which SEC-FBA	0	0	0

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30 June 2021	31 March 2021	30 June 2021
		HK\$'000	HK\$'000	HK\$'000
20	Market risk	0	0	0
21	Of which STM approach	0	0	0
22	Of which IMM approach	0	0	0
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)*	Not applicable	Not applicable	Not applicable
24	Operational risk	1,281,850	1,299,188	102,548
24a	Sovereign concentration risk	0	0	0
25	Amounts below the thresholds for deduction (subject to 250% RW)	25,275	25,275	2,022
26	Capital floor adjustment	0	0	0
26a	Deduction to RWA	57,951	53,253	4,636
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	52,931	48,370	4,234
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	5,020	4,883	402
27	Total	5,095,120	5,169,697	407,610

Point to note:

(i) *Items marked with an asterisk (*) will be applicable only after their respective policy frameworks take effect. Until then, "Not applicable" should be reported in the rows.*

Template CC1: Composition of regulatory capital

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

As at 30 June 2021		(a)	(b)
		Amount HK\$'000	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	671,038	[4]
2	Retained earnings	627,970	[5]+[6]+[7]
3	Disclosed reserves	0	
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	0	
6	CET1 capital before regulatory deductions	1,299,008	
CET1 capital: regulatory deductions			
7	Valuation adjustments	0	
8	Goodwill (net of associated deferred tax liabilities)	0	
9	Other intangible assets (net of associated deferred tax liabilities)	0	
10	Deferred tax assets (net of associated deferred tax liabilities)	10,718	[2]-[3]
11	Cash flow hedge reserve	0	
12	Excess of total EL amount over total eligible provisions under the IRB approach	0	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	0	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	0	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	0	
17	Reciprocal cross-holdings in CET1 capital instruments	0	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	

As at 30 June 2021		(a)	(b)
		Amount HK\$'000	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	9,127	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	9,127	[6]+[7]
26b	Regulatory reserve for general banking risks	0	
26c	Securitization exposures specified in a notice given by the MA	0	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	0	
26e	Capital shortfall of regulated non-bank subsidiaries	0	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	0	
28	Total regulatory deductions to CET1 capital	19,845	
29	CET1 capital	1,279,163	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	0	
31	of which: classified as equity under applicable accounting standards	0	
32	of which: classified as liabilities under applicable accounting standards	0	
33	<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	AT1 capital before regulatory deductions	0	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	0	
38	Reciprocal cross-holdings in AT1 capital instruments	0	

As at 30 June 2021		(a)	(b)
		Amount HK\$'000	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
41	National specific regulatory adjustments applied to AT1 capital	0	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	0	
43	Total regulatory deductions to AT1 capital	0	
44	AT1 capital	0	
45	Tier 1 capital (T1 = CET1 + AT1)	1,279,163	
Tier 2 capital: instruments and provisions			
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 provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	48,390	[1]
51	Tier 2 capital before regulatory deductions	48,390	
Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	0	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	0	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	0	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	0	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0	

As at 30 June 2021		(a)	(b)
		Amount HK\$'000	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0	
56	National specific regulatory adjustments applied to Tier 2 capital	(4,107)	
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	(4,107)	[[6]+[7]] x 45%
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	0	
57	Total regulatory adjustments to Tier 2 capital	(4,107)	
58	Tier 2 capital (T2)	52,497	
59	Total regulatory capital (TC = T1 + T2)	1,331,660	
60	Total RWA	5,095,120	
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	25.11%	
62	Tier 1 capital ratio	25.11%	
63	Total capital ratio	26.14%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	3.500%	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: bank specific countercyclical capital buffer requirement	1.000%	
67	of which: higher loss absorbency requirement	0.000%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	18.14%	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	0	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	10,110	

As at 30 June 2021

		(a)	(b)
		Amount HK\$'000	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	101,321	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	48,390	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	0	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	0	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	<i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	Not applicable	Not applicable
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	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:

	Description	Hong Kong basis HK\$'000	Basel III basis HK\$'000
9	Other intangible assets (net of associated deferred tax liabilities)	0	0
	<u>Explanation</u> As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
10	Deferred tax assets (net of associated deferred tax liabilities)	10,718	0
	<u>Explanation</u> As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
	<u>Explanation</u> For the purpose of determining the total amount of insignificant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

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

Template CC2: Reconciliation of regulatory capital to balance sheet

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

	(a)	(b)	(c)
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	30 June 2021	30 June 2021	
	HK\$'000	HK\$'000	
ASSETS			
Cash and short term placements	1,027,885	764,443	
<i>of which: collective provisions reflected in regulatory capital</i>	(23)	(23)	[1]
Loans and advances and receivables	5,181,096	5,181,096	
<i>of which: collective provisions reflected in regulatory capital</i>	(48,363)	(48,363)	[1]
Held-to-collect debt securities at amortised cost	39,992	39,996	
<i>of which: collective provisions reflected in regulatory capital</i>	(4)	(4)	[1]
Investment properties	25,060	25,060	
Property and equipment	27,254	26,620	
Land held under finance leases	39,143	39,143	
Right-of-use assets	84,147	83,421	
Investments in subsidiaries	0	10,110	
Deferred tax assets	16,718	16,718	[2]
Intangible assets	486	0	
Other assets	135,991	22,950	
TOTAL ASSETS	6,577,772	6,209,557	
EQUITY AND LIABILITIES			
LIABILITIES			
Customer deposits at amortised cost	4,662,336	4,662,336	
Lease liabilities	83,902	83,175	
Current tax payable	16,962	11,962	
Deferred tax liabilities	6,051	6,000	[3]
Other liabilities	191,855	51,355	
TOTAL LIABILITIES	4,961,106	4,814,828	

	(a)	(b)	(c)
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	30 June 2021	30 June 2021	
	HK\$'000	HK\$'000	
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	671,038	671,038	[4]
Reserves	945,628	723,691	
<i>of which: Retained earnings</i>		618,843	[5]
<i>Cumulative fair value gains arising from the revaluation of holdings of land and buildings eligible for inclusion in Tier 2 Capital</i>		4,107	[6]
<i>Cumulative fair value gains arising from the revaluation of holdings of land and buildings not eligible for inclusion in regulatory capital</i>		5,020	[7]
TOTAL EQUITY	1,616,666	1,394,729	
TOTAL EQUITY AND LIABILITIES	6,577,772	6,209,557	

Table CCA: Main features of regulatory capital instruments

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

As at 30 June 2021		(a)
		Quantitative / qualitative information
1	Issuer	Public Finance Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable
3	Governing law(s) of the instrument	Hong Kong Law
<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	Common Equity Tier 1
5	Post-transitional Basel III rules ²	Common Equity Tier 1
6	Eligible at solo / group / solo and group	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK\$671 million
9	Par value of instrument	Not applicable
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	Various
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	Not applicable
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
<i>Coupons / dividends</i>		
17	Fixed or floating dividend / coupon	Floating Dividend
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully Discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible

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

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

As at 30 June 2021

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

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

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

30 June 2021					
		(a)	(c)	(d)	(e)
	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect (%)	RWA used in computation of CCyB ratio	AI-specific CCyB ratio (%)	CCyB amount
			HK\$'000		HK\$'000
1	Hong Kong SAR	1.000%	3,721,529		
2	Sum of above*		3,721,529		
3	Total (including those exposures in a jurisdiction with zero JCCyB ratio)		3,721,529	1.000%	37,215

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

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

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

As at 30 June 2021		(a)
	Item	Value under the LR framework HK\$'000
1	Total consolidated assets as per published financial statements	6,577,772
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(368,215)
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	0
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	0
3a	Adjustments for eligible cash pooling transactions	0
4	Adjustments for derivative contracts	0
5	Adjustment for SFTs (i.e. repos and similar secured lending)	0
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	2,009
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(46)
7	Other adjustments	81,476
8	Leverage ratio exposure measure	6,292,996

Template LR2: Leverage Ratio (“LR”)

The table below provides a detailed breakdown of the components of the LR denominator as at 30 June 2021 and 31 March 2021. There was no material change to the LR at 30 June 2021 as compared to position date of 31 March 2021.

		(a)	(b)
		HK\$'000	
		30 June 2021	31 March 2021
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	6,310,878	6,557,593
2	Less: Asset amounts deducted in determining Tier 1 capital	(19,845)	(19,753)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	6,291,033	6,537,840
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	0	0
5	Add-on amounts for PFE associated with all derivative contracts	0	0
6	Gross-up for collateral provided in respect of derivative contracts where deducted from the balance sheet assets pursuant to the applicable accounting framework	0	0
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	0	0
8	Less: Exempted CCP leg of client-cleared trade exposures	0	0
9	Adjusted effective notional amount of written credit-related derivative contracts	0	0
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	0	0
11	Total exposures arising from derivative contracts	0	0
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	0	0
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	0	0
14	CCR exposure for SFT assets	0	0
15	Agent transaction exposures	0	0
16	Total exposures arising from SFTs	0	0
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	20,086	32,438
18	Less: Adjustments for conversion to credit equivalent amounts	(18,077)	(29,194)
19	Off-balance sheet items	2,009	3,244

		(a)	(b)
		HK\$'000	
		30 June 2021	31 March 2021
Capital and total exposures			
20	Tier 1 capital	1,279,163	1,315,004
20a	Total exposures before adjustments for specific and collective provisions	6,293,042	6,541,084
20b	Adjustments for specific and collective provisions	(46)	(42)
21	Total exposures after adjustments for specific and collective provisions	6,292,996	6,541,042
Leverage ratio			
22	Leverage ratio	20.33%	20.10%

Template CR1: Credit quality of exposures

The table below provides a breakdown of defaulted and non-defaulted loans, debt securities and off-balance sheet exposures. The defaulted loans are individually determined to be impaired after considering the loan overdue more than three months and the qualitative factors such as bankruptcy proceedings, corporate winding-up arrangements and other serious warning signals of repayment ability of counterparties. There were no defaulted debt securities and off-balance sheet exposures as at 30 June 2021.

		30 June 2021						
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of		Allowances / impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a+b-c)
		Defaulted exposures	Non- defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Loans	66,284	5,249,387	134,575	33,281	101,294	0	5,181,096
2	Debt securities	0	39,996	4	0	4	0	39,992
3	Off-balance sheet exposures	0	0	0	0	0	0	0
4	Total	66,284	5,289,383	134,579	33,281	101,298	0	5,221,088

Template CR2: Changes in defaulted loans and debt securities

The table below provides the movement of defaulted loans. During the second quarter 2021, defaulted loans decreased by HK\$26.3 million to HK\$66.3 million. There were no defaulted debt securities as at 30 June 2021 and 31 December 2020 respectively.

		(a)
		Amount
		HK\$'000
1	Defaulted loans and debt securities at end of the previous reporting period (31 Dec 2020)	92,612
2	Loans and debt securities that have defaulted since the last reporting period	104,615
3	Returned to non-defaulted status	(19,966)
4	Amounts written off	(105,484)
5	Other changes*	(5,493)
6	Defaulted loans and debt securities at end of the current reporting period (30 Jun 2021)	66,284

* Other changes include loan repayments

Template CR3: Overview of recognized credit risk mitigation

The table below provides a breakdown of unsecured and secured exposures (net of impairment allowances), including loans and debt securities. The major collateral for secured loans and advances and receivables were customer deposits, properties, taxi licences and vehicles. All debt securities were unsecured and assigned with a grading of Grade Aa3 based on the credit rating of Moody's Investors Service, an external credit agency.

		30 June 2021				
		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Loans	3,282,250	1,898,846	1,898,846	0	0
2	Debt securities	39,992	0	0	0	0
3	Total	3,322,242	1,898,846	1,898,846	0	0
4	Of which defaulted	29,207	3,796	3,796	0	0

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

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

		30 June 2021					
		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
Exposure classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
1	Sovereign exposures	39,996	0	39,996	0	0	0.0%
2	PSE exposures	0	0	0	0	0	N/A
2a	Of which: domestic PSEs	0	0	0	0	0	N/A
2b	Of which: foreign PSEs	0	0	0	0	0	N/A
3	Multilateral development bank exposures	0	0	0	0	0	N/A
4	Bank exposures	748,462	0	748,462	0	149,692	20.0%
5	Securities firm exposures	0	0	0	0	0	N/A
6	Corporate exposures	0	0	0	0	0	N/A
7	CIS exposures	0	0	0	0	0	N/A
8	Cash items	16,024	0	16,024	0	0	0.0%
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	0	0	0	0	0	N/A

		30 June 2021					
		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
Exposure classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
10	Regulatory retail exposures	4,035,457	11,436	4,035,457	0	3,026,593	75.0%
11	Residential mortgage loans	1,213,930	8,650	1,213,930	0	424,876	35.0%
12	Other exposures which are not past due exposures	197,179	0	197,179	0	197,179	100.0%
13	Past due exposures	33,002	0	33,002	0	47,606	144.3%
14	Significant exposures to commercial entities	0	0	0	0	0	N/A
15	Total	6,284,050	20,086	6,284,050	0	3,845,946	61.2%

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

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

		30 June 2021										
HK\$'000		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
Exposure class	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures	39,996	0	0	0	0	0	0	0	0	0	39,996
2	PSE exposures	0	0	0	0	0	0	0	0	0	0	0
2a	Of which: domestic PSEs	0	0	0	0	0	0	0	0	0	0	0
2b	Of which: foreign PSEs	0	0	0	0	0	0	0	0	0	0	0
3	Multilateral development bank exposures	0	0	0	0	0	0	0	0	0	0	0
4	Bank exposures	0	0	748,462	0	0	0	0	0	0	0	748,462
5	Securities firm exposures	0	0	0	0	0	0	0	0	0	0	0
6	Corporate exposures	0	0	0	0	0	0	0	0	0	0	0
7	CIS exposures	0	0	0	0	0	0	0	0	0	0	0
8	Cash items	16,024	0	0	0	0	0	0	0	0	0	16,024

		30 June 2021										
HK\$'000		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
Exposure class	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	0	0	0	0	0	0	0	0	0	0	0
10	Regulatory retail exposures	0	0	0	0	0	4,035,457	0	0	0	0	4,035,457
11	Residential mortgage loans	0	0	0	1,213,930	0	0	0	0	0	0	1,213,930
12	Other exposures which are not past due exposures	0	0	0	0	0	0	197,179	0	0	0	197,179
13	Past due exposures	0	0	0	0	0	0	0	33,002	0	0	33,002
14	Significant exposures to commercial entities	0	0	0	0	0	0	0	0	0	0	0
15	Total	56,020	0	748,462	1,213,930	0	4,035,457	197,179	33,002	0	0	6,284,050

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

The Company has no counterparty default risk exposures by asset classes and by risk weights under STC approach.

		30 June 2021										
HK\$'000		(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)	(i)
	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
	Exposure class											
1	Sovereign exposures	0	0	0	0	0	0	0	0	0	0	0
2	PSE exposures	0	0	0	0	0	0	0	0	0	0	0
2a	Of which: domestic PSEs	0	0	0	0	0	0	0	0	0	0	0
2b	Of which: foreign PSEs	0	0	0	0	0	0	0	0	0	0	0
3	Multilateral development bank exposures	0	0	0	0	0	0	0	0	0	0	0
4	Bank exposures	0	0	0	0	0	0	0	0	0	0	0
5	Securities firm exposures	0	0	0	0	0	0	0	0	0	0	0
6	Corporate exposures	0	0	0	0	0	0	0	0	0	0	0
7	CIS exposures	0	0	0	0	0	0	0	0	0	0	0
8	Regulatory retail exposures	0	0	0	0	0	0	0	0	0	0	0
9	Residential mortgage loans	0	0	0	0	0	0	0	0	0	0	0
10	Other exposures which are not past due exposures	0	0	0	0	0	0	0	0	0	0	0
11	Significant exposures to commercial entities	0	0	0	0	0	0	0	0	0	0	0
12	Total	0	0	0	0	0	0	0	0	0	0	0

Glossary

<u>Abbreviations</u>	<u>Descriptions</u>
AI	Authorized Institution
AT1	Additional Tier 1
BCR	Banking (Capital) Rules
BSC Approach	Basic Approach
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCyB	Counterparty Capital Buffer
CEM	Current Exposure Method
CET1	Common Equity Tier 1
CFR	Core Funding Ratio
CIS	Collective Investment Scheme
CRM	Credit Risk Mitigation
CVA	Credit Valuation Adjustment
DTAs	Deferred Tax Assets
D-SIBs	Domestic Systemically Important bank
ECL	Expected Credit Loss
EL	Expected Loss
FBA	Fall-Back Approach
G-SIBs	Global Systemically Important Banks
HQLA	High Quality Liquid Assets
IAA	Internal Assessment Approach
IMM(CCR) Approach	Internal Models (Counterparty Credit Risk) Approach
IMM Approach	Internal Models Approach
IRB Approach	Internal Ratings-Based Approach
J	Jurisdiction
JCCyB	Jurisdiction Countercyclical Capital Buffer
LAC	Loss-Absorbing Capacity
LCR	Liquidity Coverage Ratio
LMR	Liquidity Maintenance Ratio
LTA	Look Through Approach

Glossary

<u>Abbreviations</u>	<u>Descriptions</u>
LR	Leverage Ratio
MA	Monetary Authority
MBA	Mandate-Based Approach
MSRs	Mortgage Servicing Rights
NSFR	Net Stable Funding Ratio
OBS	Off-Balance Sheet
PFE	Potential Future Exposure
PSE	Public Sector Entity
RW	Risk-Weight
RWA	Risk Weighted Asset/Risk-Weighted Amount
SA-CCR	Standardized Approach (Counterparty Credit Risk)
SEC-ERBA	Securitization External Ratings-Based Approach
SEC-SA	Securitization Standardized Approach
SEC-FBA	Securitization Fall-Back Approach
SEC-IRBA	Securitization Internal Ratings-Based Approach
SFT	Securities Financing Transaction
STC Approach	Standardized (Credit Risk) Approach
STM Approach	Standardized (Market Risk) Approach