



Fubon Bank (Hong Kong) Limited

Regulatory Disclosures Statement

As at 31 December 2018

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Table of Contents

Introduction	.....	- 3 -
Template KM1: Key prudential ratios	.....	- 4 -
Table OVA: Overview of risk management	.....	- 6 -
Template OV1: Overview of RWA	.....	- 9 -
Template PV1: Prudent valuation adjustments	.....	- 10 -
Template CC1: Composition of regulatory capital	.....	- 11 -
Template CC2: Reconciliation of regulatory capital to balance sheet	.....	- 17 -
Table CCA: Main features of regulatory capital instruments	.....	- 19 -
Template CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer	.....	- 22 -
Template LR1: Summary comparison of accounting assets against leverage ratio exposure measure	.....	- 22 -
Template LR2: Leverage ratio	.....	- 23 -
Table LIQA: Liquidity risk management	.....	- 24 -
Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories	.....	- 30 -
Template LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements	.....	- 32 -
Table LIA: Explanations of differences between accounting and regulatory exposure amounts	.....	- 33 -
Table CRA: General information about credit risk	.....	- 34 -
Template CR1: Credit quality of exposures	.....	- 36 -
Template CR2: Changes in defaulted loans and debt securities	.....	- 36 -
Table CRB: Additional disclosure related to the credit quality of exposures	.....	- 37 -
Table CRC: Qualitative disclosures in relation to credit risk mitigation	.....	- 41 -
Template CR3: Overview of recognized credit risk mitigation	.....	- 42 -
Table CRD: Qualitative disclosures on the use of ECAI ratings under the STC approach	.....	- 42 -
Template CR4: Credit risk exposure and the effects of recognized credit risk mitigations	.....	- 44 -
Template CR5: Credit risk exposures by asset classes and by risk weights	.....	- 45 -
Table CCRA: Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs)	.....	- 46 -
Template CCR1: Analysis of counterparty default risk exposure (other than those to CCPs) by approach	.....	- 46 -
Template CCR2: CVA capital charge	.....	- 47 -
Template CCR3: Counterparty default risk exposures (other than those to CCPs) by asset class and by risk weights	.....	- 48 -
Template CCR5: Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)	.....	- 49 -
Table MRA: Qualitative disclosures related to market risk	.....	- 49 -

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018

Template MR1:	Market risk under STM approach.....	- 50 -
Template IRRBB:	Interest rate exposures in banking book.....	- 51 -
Table REMA:	Remuneration policy	- 52 -
Template REM1:	Remuneration awarded during financial year.....	- 54 -
Template REM2:	Special payments	- 54 -
Template REM3:	Deferred remuneration	- 55 -
Abbreviations	.....	- 56 -

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018**Introduction**

This Regulatory Disclosures Statement is prepared in accordance with the Banking (Disclosures) Rules (“BDR”) for Fubon Bank (Hong Kong) Limited and its subsidiaries. The information contained in this statement, together with the Group’s consolidated financial statements and disclosures made in the Bank’s website under the page “Regulatory Disclosures”, comply fully with the applicable disclosure provisions of the BDR issued by the Hong Kong Monetary Authority (“HKMA”) under section 60A of the Hong Kong Banking Ordinance.

This statement is prepared in consolidated basis for regulatory purposes, which is different from the basis of consolidation for accounting basis. For the details of the basis of consolidation, please refer to Note (A) of the Group’s consolidated financial statements.

The terms “collective impairment allowances / collective provision” represents impairment allowances recognised for financial assets categorized under Stage 1 and Stage 2 under the Group’s accounting policies, while the terms “individual impairment allowances / specific provision” represents impairment allowances recognised on financial assets categorized under Stage 3 under the Group’s accounting policies. For details of the categorization of different stages of a financial asset and the methodology in arriving the impairment allowances on each stage, please refer to Note 2(h), 2(p) and 44(a)(viii) of the Group’s consolidated financial statements.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template KM1: Key prudential ratios

	(a)	(b)	(c)	(d)	(e)	
	As at 31 December 2018	As at 30 September 2018	As at 30 June 2018	As at 31 March 2018	As at 31 December 2017	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	10,656,716	8,148,809	7,919,565	8,094,176	8,202,763
2	Tier 1	10,656,716	9,656,606	9,427,362	9,601,973	9,671,328
3	Total capital	13,104,641	11,999,704	11,804,076	11,991,218	12,182,359
RWA (amount)						
4	Total RWA	63,607,565	63,264,416	63,606,427	62,430,846	62,717,439
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	16.7538%	12.8806%	12.4509%	12.9650%	13.0789%
6	Tier 1 ratio (%)	16.7538%	15.2639%	14.8214%	15.3802%	15.4205%
7	Total capital ratio (%)	20.6023%	18.9675%	18.5580%	19.2072%	19.4242%
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	1.8750%	1.8750%	1.8750%	1.8750%	1.2500%
9	Countercyclical capital buffer requirement (%)	1.6110%	1.6200%	1.6110%	1.6100%	1.0800%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
11	Total AI-specific CET1 buffer requirements (%)	3.4860%	3.4950%	3.4860%	3.4850%	2.3300%
12	CET1 available after meeting the AI's minimum capital requirements (%)	10.7538%	8.3806%	7.9509%	8.4650%	8.5789%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	105,629,504	101,895,349	102,637,841	97,482,849	99,417,202
14	LR (%)	10.0888%	9.4770%	9.1851%	9.8499%	9.7280%
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 (%)	59.9690%	56.6127%	54.4139%	48.3102%	49.6857%

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template KM1: Key prudential ratios (continued)

	(a)	(b)	(c)	(d)	(e)	
	As at 31 December 2018	As at 30 September 2018	As at 30 June 2018	As at 31 March 2018	As at 31 December 2017	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
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 (%)	158.2187%	150.6411%	148.9268%	143.0232%	Not applicable

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018**Table OVA: Overview of risk management**

In meeting its overall responsibilities to the shareholders, depositors, creditors, employees and other stakeholders, the Board of Directors (“Board”) has to ensure that there is a competent executive management capable of running the Bank in a sound, efficient and profitable manner. In relation to risk management, the responsibilities of the Board include establishing, approving and reviewing risk management strategies and policies of the Bank to ensure that the various types of risk inherent in the Bank’s operations and business (including credit, market, interest rate, liquidity, operational, reputation, legal and strategic) are regularly identified, measured, monitored and controlled.

The Board has established several Board committees to assist it in carrying out its risk management responsibilities including the Audit Committee, Risk Committee and Executive Credit Committee. In addition, a number of management level committees have been set up by the Board to oversee the effectiveness of the Bank’s daily risk management including the Asset and Liability Committee, Internal Control Committee and Credit Committee.

(i) Audit Committee

The Audit Committee oversees the Bank’s financial reporting process, its systems of internal control, the internal audit function and the risk management process. In particular, the oversight undertaken by the Audit Committee on the internal audit function includes approval of the Internal Audit Charter and the annual audit plan, review of internal audit reports and special investigation reports issued, and ensuring that appropriate management actions are taken following major audit findings.

(ii) Risk Committee

The Risk Committee (“RC”) establishes the Bank’s overall risk appetite and risk management framework, and oversees Senior Management’s implementation of the Bank’s risk policies. The RC annually reviews and endorses the Bank’s risk appetite statement and risk management strategies. It oversees the establishment and maintenance by Senior Management of appropriate infrastructure, resources and systems for risk management, particularly in relation to compliance with relevant legal and regulatory requirements and adherence to the approved risk appetite and related policies, and the adoption of best practices wherever feasible. The RC is required to ensure that the staff responsible for implementing risk management systems and controls are sufficiently independent of the risk taking units in the Bank.

(iii) Executive Credit Committee

The Executive Credit Committee (“ECC”) has the delegated authority to approve credit proposals, credit policies and other credit related matters which require the approval of the Board.

(iv) Asset and Liability Committee

The Asset and Liability Committee (“ALCO”) is responsible for providing oversight of the Bank’s operations relating to interest rate risk, market risk and liquidity risk (collectively known as “financial risks”) as well as capital management. The committee initiates, reviews and endorses for the RC or the Board’s approval the Bank’s policies on financial risks and capital management. It approves guidelines relating to such policies, reviews and approves all major financial risk management reports. ALCO also oversees the Bank’s investment activities by establishing investment strategies within policies laid down by the RC and reviews actual performance.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018**Table OVA: Overview of risk management (continued)***(v) Internal Control Committee*

The Internal Control Committee ("ICC") provides oversight of the Bank's exposure to operational and legal risks, ensuring the Bank has in place an effective internal control framework, providing guidance to the Bank in establishing a sound system of internal control, and monitoring system to ensure overall compliance within the Bank.

To ensure an effective internal control framework is in place, the ICC reviews policies and approves guidelines relating to internal control and management of operational and legal risks, receives and discusses reports submitted by various risk management units and promotes internal control culture. To maintain an adequate system of internal control, the ICC reviews and discusses major operational risk events, and the progress of rectification of adverse audit findings and control self-assessments.

(vi) Credit Committee

The Credit Committee ("CC") reviews and endorses credit policies and credit risk profile of the Bank for ECC approval, and reviews and approves credit related guidelines. The CC also reviews and approves requests for credit facilities that are within its authority as delegated by the Board, and reviews and endorses requests for credit facilities before their submission to the ECC for approval.

The CC will also conduct on-going reviews of the market environment and credit quality and make necessary policy recommendations to the ECC to ensure that the credit risk profile of the Bank is within the established risk appetite. In this regard, the CC will provide periodic and timely credit related management and stress testing reports to the ECC for review.

The Bank has established policies and procedures to identify and measure different type of risks (namely credit risk, market risk, liquidity risk and operational risk), to set appropriate risk limits as derived from its risk appetite statements and risk appetite indicators and control measures, and to monitor the risks and limits continuously by means of reliable and up-to-date management and information systems. These policies and procedures, including limit excess follow-up procedures, are distributed to the relevant risk taking and risk management units for execution and monitoring. Regular training courses are conducted in order to ensure that all staff are familiar with the key principles of the Bank's code of conduct. The Bank continuously modifies and enhances its risk management policies and measurement and reporting systems to reflect changes in markets, products and best practice risk management processes. The key features of the risk measurement systems include measuring risks by early warning indicators limits, and regular stress testing. Internal audit also perform regular audits to ensure compliance with the Bank's policies and procedures.

The Bank has established an organizational structure such that risk management functions are independent of risk taking units. The risk management functions independently measure and provide key risk information, including asset quality, liquidity profile, capital adequacy ratio and the risk exposures, and limit monitoring results to the RC and to senior management on a regular basis.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018

Table OVA: Overview of risk management (continued)

Stress testing

Stress testing is an essential risk management tool to assess the Bank's vulnerability in "stressed" business conditions and the Bank's capacity to withstand the impact of stressed situations in terms of profitability, liquidity and capital adequacy. The Bank's stress-testing programme will include various regular stress tests on individual risk areas and portfolios, and also the Bank-wide Stress Test which will use an integrated approach to produce stress test on a legal entity basis and on a consolidated basis, providing a spectrum of perspectives at product-, business- and entity-specific levels, where applicable.

Stress testing methods, including quantitative and qualitative techniques, range from sensitivity tests to scenario analyses and reverse stress tests. Stress testing will be conducted under different scenarios along a spectrum of events and severity levels for all relevant risk factors of the Bank, as well as the interactions between such risk factors. Relevant management committees review results of stress tests and any potential risks and vulnerabilities identified on a timely basis, discuss and decide any necessary management actions required.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template OV1: Overview of RWA

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		As at 31 December 2018 HK\$'000	As at 30 September 2018 HK\$'000	As at 31 December 2018 HK\$'000
1	Credit risk for non-securitization exposures	60,980,289	58,112,903	4,878,423
2	Of which STC approach	60,980,289	58,112,903	4,878,423
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	-	-	-
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	722,930	1,009,896	57,834
7	Of which SA-CCR*	Not applicable	Not applicable	Not applicable
7a	Of which CEM	277,234	381,232	22,179
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	445,696	628,664	35,655
10	CVA risk	66,113	85,475	5,289
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
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	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	93,275	53,488	7,462
21	Of which STM approach	93,275	53,488	7,462
22	Of which IMM approach	-	-	-
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	3,086,713	3,068,663	246,937
25	Amounts below the thresholds for deduction (subject to 250% RW)	160,893	2,319,165	12,871

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template OV1: Overview of RWA (continued)

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		As at 31 December 2018 HK\$'000	As at 30 September 2018 HK\$'000	As at 31 December 2018 HK\$'000
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	1,502,648	1,385,174	120,212
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
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	1,502,648	1,385,174	120,212
27	Total	63,607,565	63,264,416	5,088,604

* Not applicable in the case of Hong Kong

Template PV1: Prudent valuation adjustments

		As at 31 December 2018							
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
1	Close-out uncertainty, of which:	-	-	-	-	-	-	-	-
2	Mid-market value	-	-	-	-	-	-	-	-
3	Close-out costs	-	-	-	-	-	-	-	-
4	Concentration	-	-	-	-	-	-	-	-
5	Early termination	-	-	-	-	-	-	-	-
6	Model risk	-	-	-	-	-	-	-	-
7	Operational risks	-	-	-	-	-	-	-	-
8	Investing and funding costs	-	-	-	-	-	-	-	-
9	Unearned credit spreads	-	-	-	-	-	-	-	-
10	Future administrative costs	-	-	-	-	-	-	-	-
11	Other adjustments	-	-	-	-	-	-	-	-
12	Total adjustments	-	-	-	-	-	-	-	-

In the evaluation process of the valuation adjustment, if any, the Bank would assess the market data input (the correctness and update of the market data) and the model risk (the appropriateness of the model use). Other elements are not taken into consideration as the impact is considered to be insignificant.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template CC1: Composition of regulatory capital

		(a)	(b)
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		As at 31 December 2018	As at 31 December 2018
		HK\$'000	HK\$'000
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	4,830,448	(8)
2	Retained earnings	5,267,331	(9) + (10)
3	Disclosed reserves	3,827,638	(11) + (12) + (13) + (14)
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)	-	
6	CET1 capital before regulatory adjustments	13,925,417	
CET1 capital: regulatory deductions			
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liabilities)	-	
9	Other intangible assets (net of associated deferred tax liabilities)	-	
10	Deferred tax assets (net of associated deferred tax liabilities)	-	
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	Not applicable	Not applicable
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	
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)	-	
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)	-	

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template CC1: Composition of regulatory capital (continued)

		(a)	(b)
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		As at 31 December 2018	As at 31 December 2018
		HK\$'000	HK\$'000
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	3,268,701	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	2,732,088	(11) + (12)
26b	Regulatory reserve for general banking risks	536,613	(13)
26c	Securitization exposures specified in a notice given by the MA	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	Total regulatory deductions to CET1 capital	3,268,701	
29	CET1 capital	10,656,716	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
36	AT1 capital before regulatory deductions	-	

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template CC1: Composition of regulatory capital (continued)

		(a)	(b)
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		As at 31 December 2018	As at 31 December 2018
		HK\$'000	HK\$'000
AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
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)	-	
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	Total regulatory deductions to AT1 capital	-	
44	AT1 capital	-	
45	Tier 1 capital (T1 = CET1 + AT1)	10,656,716	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	615,372	(7) * 40%
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)	-	
49	<i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	603,113	(1) + (2) + (3) + (4) + (5) + (6) + (13)
51	Tier 2 capital before regulatory deductions	1,218,485	
Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments	-	
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)	-	
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template CC1: Composition of regulatory capital (continued)

		(a)	(b)
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		As at 31 December 2018	As at 31 December 2018
		HK\$'000	HK\$'000
56	National specific regulatory adjustments applied to Tier 2 capital	(1,229,440)	
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	(1,229,440)	-[(11) + (12)] * 45%
57	Total regulatory adjustments to Tier 2 capital	(1,229,440)	
58	Tier 2 capital (T2)	2,447,925	
59	Total regulatory capital (TC = T1 + T2)	13,104,641	
60	Total RWA	63,607,565	
	Capital ratios (as a percentage of RWA)		
61	CET1 capital ratio	16.7538%	
62	Tier 1 capital ratio	16.7538%	
63	Total capital ratio	20.6023%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	3.486%	
65	of which: capital conservation buffer requirement	1.875%	
66	of which: bank specific countercyclical capital buffer requirement	1.611%	
67	of which: higher loss absorbency requirement	Not applicable	Not applicable
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	10.7538%	
	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 capital investments in CET1, AT1 and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	661,650	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	64,357	

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template CC1: Composition of regulatory capital (continued)

		(a)	(b)
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		As at 31 December 2018	As at 31 December 2018
		HK\$'000	HK\$'000
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)	603,113	
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	772,860	
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)	Not applicable	Not applicable
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	Not applicable	Not applicable
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>	-	
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	-	
84	<i>Current cap on Tier 2 capital instruments subject to phase-out arrangements</i>	1,538,430	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	-	

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018

Template CC1: Composition of regulatory capital (continued)

Notes to Template CC1

	Description	Hong Kong basis	Basel III basis
9	Other intangible assets (net of associated deferred tax liabilities)	-	-
10	Deferred tax assets (net of associated deferred tax liabilities)	-	-
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)	-	-
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)	-	-
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)	-	-
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)	-	-

Remarks: The amount of the 10% 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.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template CC2: Reconciliation of regulatory capital to balance sheet

	(a)	(b)	(c)
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at 31 December 2018	As at 31 December 2018	
	HK\$'000	HK\$'000	
Assets			
Gross cash and short-term funds	5,983,620	5,983,620	
Less: Collective impairment allowances	2,053	2,053	(1)
Gross balances with banks and other financial institutions	2,063,007	2,063,007	
Less: Collective impairment allowances	2,745	2,745	(2)
Trading assets	1,898,372	1,898,372	
Derivative financial instruments	796,595	796,595	
Gross advances to customers	47,929,870	47,929,870	
Less: Individual impairment allowances	196,876	196,876	
Less: Collective impairment allowances	33,754	33,754	(3)
Gross trade bills	908,041	908,041	
Less: Collective impairment allowances	77	77	(4)
Accrued interest and other assets	1,385,311	1,377,177	
Gross debt securities measured at amortised cost	36,912,373	36,912,373	
Less: Collective impairment allowances	22,606	22,606	(5)
Equity securities designated at fair value through other comprehensive income	809,330	809,330	
Investment in subsidiaries	-	8,162	
Amount due from subsidiaries	-	41,701	
Fixed assets	4,312,504	4,312,504	
Assets held for sale	45,827	53,443	
Deferred tax assets	7	2	
Total assets	102,786,746	102,836,086	

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template CC2: Reconciliation of regulatory capital to balance sheet (continued)

	(a)	(b)	(c)
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at 31 December 2018	As at 31 December 2018	
	HK\$'000	HK\$'000	
Liabilities			
Deposits and balances of banks and other financial institutions	9,467,425	9,467,425	
Deposits from customers	68,247,798	68,247,798	
Trading liabilities	1,898,372	1,898,372	
Certificates of deposit issued	4,551,273	4,551,273	
Debt securities issued	388,774	388,774	
Derivative financial instruments	133,347	133,347	
Other liabilities	1,836,703	1,801,987	
of which: collective impairment allowances on off-balance sheet items		5,265	(6)
Liabilities associated with assets held for sale	25	-	
Amounts due to subsidiaries	-	182,271	
Deferred tax liabilities	676,552	676,552	
Subordinated notes issued	1,562,870	1,562,870	
of which: subordinated notes subject to phase out arrangements		1,538,430	(7)
Total liabilities	88,763,139	88,910,669	
Share capital			
Share capital	4,830,448	4,830,448	(8)
Reserves			
Reserves	9,193,159	9,094,969	
of which: retained earnings		3,397,665	(9)
of which: comprehensive income for the period		1,869,666	(10)
of which: premises revaluation reserve (arising from independent professional valuations carried out in November 1989)		52,669	(11)
of which: premises revaluation reserve		2,679,419	(12)
of which: regulatory reserve		536,613	(13)
of which: investment revaluation reserve		558,937	(14)
Total equity	14,023,607	13,925,417	
Total equity and liabilities	102,786,746	102,836,086	

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Table CCA: Main features of regulatory capital instruments

		Ordinary shares	USD200 million 6.125% subordinated notes due 2020
1	Issuer	Fubon Bank (Hong Kong) Limited	Fubon Bank (Hong Kong) Limited
2	Unique identifier - ISIN	N.A.	XS0561639211
3	Governing law(s) of the instrument	Companies Ordinance	English law, except for the provisions relating to subordination, which are governed by, and shall be construed in accordance with, Hong Kong law.
	<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	N.A.	Tier 2
5	Post-transitional Basel III rules ²	Common Equity Tier 1	N.A.
6	Eligible at solo/group/group & solo	Solo	Solo
7	Instrument type	Ordinary shares	Other
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	(HK\$ million) 4,830	(HK\$ million) 615
9	Par value of instrument	N.A.	The subordinated notes with total face value of USD200 million issued in registered form in denominations of USD100,000 each and integral multiples of USD1,000 in excess thereof
10	Accounting classification	Shareholders' equity	Liability - amortised cost
11	Original date of issuance	27 January 1970	30 November 2010
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	N.A.	30 November 2020
14	Issuer call subject to prior supervisory approval	No	Yes

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.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Table CCA: Main features of regulatory capital instruments (continued)

		Ordinary shares	USD200 million 6.125% subordinated notes due 2020
15	Optional call date, contingent call dates and redemption amount	N.A.	If at any time the HKMA determines (having regard to the applicable regulatory framework) that these subordinated notes no longer qualify as supplementary capital, the Bank may, on or after 1 January 2013 at its option and subject to the prior written approval of the HKMA, provide notice to such effect to Noteholders, such notice being a "Change in Status Notice".
16	Subsequent call dates, if applicable	N.A.	N.A.
	<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Floating	Fixed
18	Coupon rate and any related index	N.A.	6.125% per annum, payable semi-annually in arrears.
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Table CCA: Main features of regulatory capital instruments (continued)

		Ordinary shares	USD200 million 6.125% subordinated notes due 2020
24	If convertible, conversion trigger (s)	N.A.	N.A.
25	If convertible, fully or partially	N.A.	N.A.
26	If convertible, conversion rate	N.A.	N.A.
27	If convertible, mandatory or optional conversion	N.A.	N.A.
28	If convertible, specify instrument type convertible into	N.A.	N.A.
29	If convertible, specify issuer of instrument it converts into	N.A.	N.A.
30	Write-down feature	No	No
31	If write-down, write-down trigger(s)	N.A.	N.A.
32	If write-down, full or partial	N.A.	N.A.
33	If write-down, permanent or temporary	N.A.	N.A.
34	If temporary write-down, description of write-up mechanism	N.A.	N.A.
35	Position in subordination hierarchy in liquidation	Rank after USD200 million 6.125% subordinated notes due 2020	Subordinated to depositors, general creditors and all other unsubordinated creditors of the Bank
36	Non-compliant transitioned features	No	Yes
37	If yes, specify non-compliant features	N.A.	Absence of non-viability loss absorption criteria

The Group disclosed the full terms and conditions of its capital instruments issued as of the end of the reporting period in its website (<https://www.fubonbank.com.hk>) under the page “Regulatory Disclosures” in accordance with section 16FE of the BDR.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer

As at 31 December 2018					
HK\$'000					
	(a)	(b)	(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
1	Hong Kong SAR	1.875%	46,297,239		
2	United Kingdom (excludes Guernsey, Isle of Man and Jersey)	1.000%	38,104		
3	Sum		46,335,343		
4	Total		53,903,174	1.611%	1,024,718

Template LR1: Summary comparison of accounting assets against leverage ratio exposure measure

		(a)
		As at 31 December 2018
	Item	Value under the LR framework HK\$'000
1	Total consolidated assets as per published financial statements, before netting of collective and specific provisions	103,044,857
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	48,336
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
4	Adjustments for derivative contracts	275,351
5	Adjustment for SFTs (i.e. repos and similar secured lending)	445,696
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	5,342,076
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(263,376)
7	Other adjustments	(3,263,436)
8	Leverage ratio exposure measure	105,629,504

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template LR2: Leverage ratio

		(a)	(b)
		HK\$'000	
		As at 31 December 2018	As at 30 September 2018
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	95,359,223	91,738,063
2	Less: Asset amounts deducted in determining Tier 1 capital	(3,268,701)	(4,167,538)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	92,090,522	87,570,525
Derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	798,392	1,005,553
5	Add-on amounts for PFE associated with all derivative contracts	337,907	313,854
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	-	-
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	-	-
11	Total exposures arising from derivative contracts	1,136,299	1,319,407
Securities Financing Transactions (SFTs)			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	6,878,287	7,973,235
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	445,696	628,664
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	7,323,983	8,601,899
Off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	36,221,137	34,486,363
18	Less: Adjustments for conversion to credit equivalent amounts	(30,879,061)	(29,837,407)
19	Off-balance sheet items	5,342,076	4,648,956

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template LR2: Leverage ratio (continued)

		(a)	(b)
		HK\$'000	
		As at 31 December 2018	As at 30 September 2018
Capital and total exposures			
20	Tier 1 capital	10,656,716	9,656,606
20a	Total exposures before adjustments for specific and collective provisions	105,892,880	102,140,787
20b	Adjustments for specific and collective provisions	(263,376)	(245,438)
21	Total exposures after adjustments for specific and collective provisions	105,629,504	101,895,349
Leverage ratio			
22	Leverage ratio	10.0888%	9.4770%

Table LIQA: Liquidity risk management

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitment and to capitalise on opportunities for business expansion. This includes the Group's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature, to comply with the statutory liquidity maintenance ratio, and to make new loans and investments as opportunities arise. The Group maintains a stable and diversified funding base of core retail and corporate customer deposits as well as portfolios of highly liquid assets.

Policy and guidelines on liquidity risk management are established to build up a sound liquidity risk management framework and controls appropriate for the Bank's business and in compliance with the regulatory requirements. The Liquidity Risk Management Policy covers the Bank's liquidity risk management strategy, risk management mechanism to identify, measure, monitor and control liquidity risks, and also the Bank's contingency funding plan. The Liquidity Risk Management Guideline covers the risk measurement, risk reporting and operational requirements in implementing the Banks' liquidity management strategy. These policy and guidelines are both reviewed by the ALCO, comprising of senior management of business lines and risk management teams, and are approved by the RC and the ALCO respectively.

The RC reviews and approves the Group's risk appetite statement at least annually. The Group's liquidity risk management strategy and principle is to maintain a healthy liquidity position with adequate stock of liquid assets, well-diversified funding structure relying on a broad customer deposit portfolio with prudent loan-to-deposit ratio and money market funding ratio and appropriate size of off-balance sheet liabilities to support the Bank's liquidity needs under both normal and stressed conditions.

It is the responsibility of the Group's management to ensure compliance with local regulatory requirements and limits set by the RC. Liquidity is managed on a daily basis by the Group's Funding Desk unit. The Funding Desk unit is responsible for ensuring that the Group has adequate liquidity for all operations, ensuring that the funding mix is appropriate so as to avoid maturity mismatches and to minimise price and reinvestment rate risk in the case of a maturity gap, and monitoring relevant markets for the adequacy of funding and liquidity.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018**Table LIQA: Liquidity risk management (continued)**

Compliance with liquidity and funding requirements is monitored by the ALCO and is reported to the RC on a regular basis. This process includes:

- maintaining balances within relevant regulatory requirements;
- projecting cash flows under various stress scenarios and considering the level of liquid assets necessary in relation thereto;
- maintaining adequate intraday liquidity position and assessing how the intraday liquidity profile will change in conditions of stress;
- monitoring balance sheet liquidity and loan to deposit ratios against internal requirements;
- maintaining a diverse range of funding sources with adequate back-up facilities;
- managing the concentration and profile of debt maturities;
- managing lending commitments to customers within pre-determined management alert triggers;
- managing debt financing plans;
- monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensuring a satisfactory overall funding mix;
- maintaining funding contingency plans, which identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systematic or other crises, while minimising adverse long-term implications for the business; and
- managing liquidity on a legal entity and on a group basis. Intragroup funding transactions are carried out at arm's length and treated in the same way as transactions with non-related third parties and controlled within pre-determined management alert triggers.

Primary sources of funding

Customer deposits form a significant part of the Group's overall funding. The Group places considerable importance on the stability of these deposits, which is achieved through the Group's retail and corporate banking activities and by maintaining depositor confidence in the Group's capital strength. In order to lengthen the duration of the funding, the Group issues certificates of deposit with different maturities from time to time. Interbank markets are also accessed for the purposes of providing additional funding, maintaining a regular presence in local money markets and optimising asset and liability maturities.

The management of funding and liquidity risk

As part of its liquidity risk management, the Group focuses on a number of components, including maintaining sufficient liquid assets, maintaining diversified sources of liquidity, reserving necessary funding capacity and contingency planning. The Group manages liquidity risk by holding sufficient liquid assets (e.g. cash and short term funds and securities) of appropriate quality to ensure that short term funding requirements are covered within prudential levels. Debt securities held are marked to the market on daily basis to ensure their market liquidity. The Group also adopts a funding strategy that is to achieve diversification of funding by controlling the concentration of top depositors, wholesale funding and reliance on foreign exchange swap markets. Moreover, adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material cash outflows in the ordinary course of business.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018**Table LIQA: Liquidity risk management (continued)****The management of funding and liquidity risk (continued)**

In addition to observing the statutory liquidity ratio, the Group has established different liquidity risk metrics, including but not limited to the liquidity maintenance ratio, loan-to-deposit ratio, cumulative cash flow gap, concentration of funding sources and medium-term funding ratio to measure and analyse its liquidity risks. Financial Control Division is responsible for measurement and monitoring of these liquidity metrics and reporting to the ALCO regularly.

The Group assesses and monitors the structure of balance sheet and also the concentration of funding sources from time to time with use of different risk metrics. During the year 2018:

- Loan-to-deposits ratio was kept below 80% for the aggregate position of all currencies and also not exceeding respective management alert trigger levels for each significant lending currency;
- Core funding ratio, which measures medium-term funding demand and use exceeded 125%;
- Undrawn commitments were maintained not exceeding HK\$9.0 billion;
- Single depositor concentration was maintained below 5% of total customer deposits;
- Concentration of the top 10 depositors was maintained below 20% of total customer deposits;
- Swapped fund ratio (measuring reliance on foreign exchange and/or currency swap markets) was maintained below 15%;
- Medium-term funding ratio was maintained above 5%;
- Wholesale funding was kept below 20% of total funding;
- Certificates of deposit and other debt securities issued did not exceed 10% of total customer deposits (including certificates of deposit and other debt securities issued); and
- Intragroup funding was maintained at minimal level not exceeding USD53 million.

Core deposits

The Group monitors the stability of customer deposits by means of the core deposit ratio, which is the ratio of core deposits to total customer deposits. The Group categorizes customer deposits into core deposits after taking into consideration of nature of deposits, relationship history with customers and stability of customer's total balance. An alert trigger level is set on the core deposits ratio which is monitored by the ALCO. Core deposits ratio was maintained above 25% throughout the year 2018.

Loan to deposit ratio

The Group emphasises the importance of customer deposits as a source of funds to finance lending to customers, and mitigate against reliance on short-term interbank funding. A limit on the loan to deposit ratio is established and approved by the RC and monitored by the ALCO. Management alert triggers are also set on loan to deposit ratio for significant lending currencies and monitored by the ALCO.

Cash flow projection and stress testing

The Group conducts cash flow analysis and cash flow projection arising from on- and off-balance sheet items over a set of time horizons on a regular basis to identify funding needs in specific time buckets. The Group also regularly performs stress tests on its liquidity position. In the stress test, both on- and off-balance sheet items with a cash flow impact are considered, with applicable hypothetical and historical assumptions. Three stressed scenarios, namely an institution-specific crisis scenario, a general market crisis scenario, and a combined scenario are adopted with minimum survival period defined pursuant to HKMA's Supervisory Policy Manual guideline "Sound Systems and Controls for Liquidity Risk Management". Stress testing assumptions are reviewed and approved by the ALCO regularly to ensure their continued appropriateness.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018**Table LIQA: Liquidity risk management (continued)****The management of funding and liquidity risk (continued)***Liquidity Cushion*

The Group maintains a stock of high-quality readily liquefiable assets as a liquidity cushion against a range of stressed scenarios. The eligible assets are unencumbered, low credit risk and low market risk. The liquidity cushion is segregated from debt securities held for trading purposes. A certain portion of the liquidity cushion is made up of the most liquid and readily marketable assets (such as debt securities issued by government or multinational development banks) that can be easily liquidated to meet funding needs in the initial phase of liquidity stress.

The size of the liquidity cushion should be adequate to meet the Group's day-to-day liquidity needs and also emergency funding needs under both normal and stress market conditions. The minimum required size of the liquidity cushion is determined with reference to the funding gap generated from the Group's regular liquidity stress testing results. Management alert triggers are established by the ALCO to ensure sufficient size of liquidity cushion is maintained and appropriate diversification among the liquidity cushion is achieved. The size and mix of the liquidity cushion is reviewed by the ALCO regularly.

Size and mix of liquidity cushion were maintained above all relevant management alert triggers throughout the year 2018:

- net long position of Exchange Fund Bills/Notes held was maintained at not less than HK\$1.0 billion;
- assets eligible for Lenders of Last Resort purpose was maintained at not less than 30% of total customer deposits;
- level 1 high-quality readily liquefiable assets were maintained at not less than 8.5% of total customer deposits;
- non-financial institution high-quality readily liquefiable assets were maintained at not less than 25% of total customer deposits; and
- total high-quality readily liquefiable assets were maintained at not less than 30% of total customer deposits.

Contingent liquidity risk

The Group provides customers with committed and standby facilities. These facilities increase the funding requirements of the Group when customers drawdown. The liquidity risk associated with the potential drawdown on committed facilities is factored into our stressed scenarios and a management alert trigger is set for these facilities.

Contingency funding plan

The Group has formulated a Contingency Funding Plan ("CFP") that describes the Group's strategy for dealing with any liquidity problem and the procedures for making up cash flow deficits in emergency situations. The CFP is designed to be pro-active and pre-emptive. The Group utilises early warning indicators, which cover both qualitative and quantitative measures, monitoring both internal and external factors. Should there be any early signs of significant impact on the Group's liquidity position, the management would be informed for their consideration. Once the CFP is triggered, a Crisis Management Team, which is led by senior management, is formed to handle the crisis. Strategy and procedures in obtaining contingency funding, as well as roles and responsibilities of parties concerned are clearly stated. The CFP also includes the analysis of cash flow projections to estimate potential liquidity needs under stress scenarios.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018**Table LIQA: Liquidity risk management (continued)****The management of funding and liquidity risk (continued)***Contingency funding plan (continued)*

The CFP is subject to regular testing to ensure its effectiveness and operational feasibility, particularly in respect of the availability of the contingency sources of funding listed in it. The CFP is also subject to review and update on a regular basis to ensure it remains robust over time. Any changes to the CFP would be approved by the RC.

Moreover, in accordance with the HKMA's Supervisory Policy Manual Guideline "Recovery Planning", the Group has established a Recovery Plan, which has been approved by the Board. The Recovery Plan helps ensure that the Group is able to recover quickly from period of severe stress and preserve or restore its liquidity level. The Recovery Plan is subject to regular, at least annual, review and update.

Liquidity exposures

The Group's liquidity exposures are measured on a consolidated basis which comprises the Bank and Fubon Credit (Hong Kong) Limited as designated by the HKMA for regulatory purposes.

Fubon Credit (Hong Kong) Limited maintains a minimal loan portfolio not exceeding HK\$10 million without borrowings and new lending, and maintains liquidity maintenance ratio over 100% throughout the year 2018.

The Bank also maintains average liquidity maintenance and core funding ratios well above the statutory minimum ratios of 25% and 50% respectively throughout the year 2018.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Table LIQA: Liquidity risk management (continued)

The Group reported its analysis of on-balance sheet and off-balance sheet exposure based on the remaining contractual maturity at the end of the reporting period as below:

	2018							Undated or overdue HK\$'000
	Total HK\$'000	Repayable on demand HK\$'000	Within 1 month HK\$'000	Over 1 month but within 3 months HK\$'000	Over 3 months but within 1 year HK\$'000	Over 1 year but within 5 years HK\$'000	Over 5 years HK\$'000	
On-balance sheet assets								
Balances due from banks	7,682,391	3,421,584	2,190,861	1,518,810	551,136	-	-	-
Debt securities, prescribed instruments and structured financial instruments held	30,664,750	30,664,750	-	-	-	-	-	-
Acceptances and bills of exchange held	1,124,633	11,480	763,296	229,090	120,767	-	-	-
Loans and advances to non-bank customers	47,792,219	218,426	11,378,528	2,980,229	5,071,360	15,895,051	12,103,906	144,719
Other assets	26,182,499	12,581,949	4,021,307	840,423	2,306,997	1,077,860	-	5,353,963
	113,446,492	46,898,189	18,353,992	5,568,552	8,050,260	16,972,911	12,103,906	5,498,682
Off-balance sheet claims	6,266,197	-	2,122,479	4,143,718	-	-	-	-
On-balance sheet liabilities								
Deposits from customers	68,342,251	19,506,964	20,377,602	18,173,259	10,275,469	8,957	-	-
Balances due to banks	3,596,304	440,745	1,249,752	1,905,807	-	-	-	-
Debt securities, prescribed instruments and structured financial instruments issued and outstanding	5,209,205	8,217	1,192,036	409,334	1,879,618	1,720,000	-	-
Other liabilities	21,327,108	11,943,341	4,615,933	660,181	2,320,060	1,094,842	-	692,751
Capital and reserves	15,471,380	-	-	-	8,261	1,562,870	-	13,900,249
	113,946,248	31,899,267	27,435,323	21,148,581	14,483,408	4,386,669	-	14,593,000
Off-balance sheet obligations	42,239,907	19,531	16,125,888	4,828,042	3,049,765	18,172,433	44,248	-
Contractual maturity mismatch		14,979,391	(23,084,740)	(16,264,353)	(9,482,913)	(5,586,191)	12,059,658	(9,094,318)
Cumulative contractual maturity mismatch		14,979,391	(8,105,349)	(24,369,702)	(33,852,615)	(39,438,806)	(27,379,148)	(36,473,466)

The definition of contractual maturity of this analysis follows the Completion Instruction in respect of Part 4 of Return on Liquidity Monitoring Tools issued by the HKMA.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

As at 31 December 2018							
HK\$'000							
(a)	(b)	(c)	(d)	(e)	(f)	(g)	
Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:					not subject to capital requirements or subject to deduction from capital
		subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework		
Assets							
Cash and short-term funds	5,981,567	5,981,567	5,983,620	-	-	-	(2,053)
Balances with banks and other financial institutions	2,060,262	2,060,262	2,063,007	-	-	-	(2,745)
Trading assets	1,898,372	1,898,372	-	-	-	1,898,372	-
Derivative financial instruments	796,595	796,595	-	796,595	-	486,323	-
Advances to customers	47,699,240	47,699,240	47,121,552	611,442	-	-	(33,754)
Trade bills	907,964	907,964	908,041	-	-	-	(77)
Accrued interest and other assets	1,385,311	1,377,177	1,312,290	64,887	-	348	-
Debt securities measured at amortised cost	36,889,767	36,889,767	36,912,373	-	-	-	(22,606)
Equity securities designated at fair value through other comprehensive income	809,330	809,330	809,330	-	-	-	-
Investment in subsidiaries	-	8,162	8,162	-	-	-	-
Amounts due from subsidiaries	-	41,701	41,701	-	-	-	-
Fixed assets	4,312,504	4,312,504	4,312,504	-	-	-	-
Assets held for sale	45,827	53,443	53,443	-	-	-	-
Deferred tax assets	7	2	-	-	-	-	-
Total assets	102,786,746	102,836,086	99,526,023	1,472,924	-	2,385,043	(61,235)

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (continued)

As at 31 December 2018							
HK\$'000							
(a)	(b)	(c)	(d)	(e)	(f)	(g)	
Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:					
		subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital	
Liabilities							
Deposits and balances of banks and other financial institutions	9,467,425	9,467,425	-	5,979,423	-	-	3,488,002
Deposits from customers	68,247,798	68,247,798	-	-	-	-	68,247,798
Trading liabilities	1,898,372	1,898,372	-	-	-	1,898,372	-
Certificates of deposit issued	4,551,273	4,551,273	-	-	-	-	4,551,273
Debt securities issued	388,774	388,774	-	-	-	-	388,774
Derivative financial instruments	133,347	133,347	-	133,347	-	63,983	-
Other liabilities	1,836,703	1,801,987	-	69,768	-	348	1,732,219
Liabilities associated with assets held for sale	25	-	-	-	-	-	-
Amounts due to subsidiaries	-	182,271	-	-	-	-	182,271
Deferred tax liabilities	676,552	676,552	-	-	-	-	676,552
Subordinated notes issued	1,562,870	1,562,870	-	-	-	-	1,562,870
Total liabilities	88,763,139	88,910,669	-	6,182,538	-	1,962,703	80,829,759

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		As at 31 December 2018				
		HK\$'000				
		(a)	(b)	(c)	(d)	(e)
		Total	Items subject to:			
			credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	102,897,321	99,526,023	-	1,472,924	2,385,043
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	8,080,910	-	-	6,182,538	1,962,703
3	Total net amount under regulatory scope of consolidation	94,816,411	99,526,023	-	(4,709,614)	422,340
4	Off-balance sheet amounts	36,221,137	2,075,303	-	-	-
5	Reclassification of other liabilities	4,260	4,260	-	-	-
N	Exposure amounts considered for regulatory purposes	131,041,808	101,605,586	-	(4,709,614)	422,340

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018

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

- (a) The differences between column (a) and column (b) of Template LI1 are due to difference in consolidation basis by the Bank with its subsidiaries and interests in associates.
- (b) The main driver for the differences between accounting values and amounts considered for regulatory purposes is the application of CCFs on off-balance sheet amounts.
- (c) The Group established Guideline: Market Risk Valuation to govern the valuation process. Generally, the valuation can be separated to Mark-to-Market and Mark-to-Model.

Mark-to-market is a methodology for valuation of the position based on market closing prices sourced independently. Quoted prices in active markets must be used when available as they are considered the best basis on which to determine fair value. When obtaining fair market price for mark-to-market, whenever it is applicable, the data transparency, liquidity, and the prudent side of the bid-ask should be considered. When mark-to-market quotations are not be available, mark-to-model methodology should be used.

Mark-to-model is a valuation model conducted with data deriving from market data input. This valuation model could be an external model or an in-house developed model. When calculating fair market price using the mark-to-model method, the suitability, coverage, limitations of the model, and the consistence and completeness of the market input used need to be considered.

The Group's Market Risk Management department ("MRM") has established an independent price verification ("IPV") process through which market prices and model inputs used for mark-to-market and mark-to-model purposes are verified for their appropriateness and accuracy on a quarterly basis and the result will be reported to the ALCO. In consideration of the complexity and liquidity of various products, MRM has set up internal alert thresholds for validating the valuations of different products. These internal alert thresholds and any subsequent amendments reflecting variance of the price difference must be endorsed by the Head of MRM.

MRM is also responsible to produce a "Market Risk Valuation Adjustment Report" that describes the IPV results and report any valuation adjustment case to the ALCO on quarterly basis. In the valuation adjustment, if any, the market data input (the correctness and update of the market data) and the model risk (the appropriateness of the model use) would be considered to assess the adjustment is needed or not. The report needs to be reviewed and approved by the ALCO.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018**Table CRA: General information about credit risk**

Credit risk is the risk of suffering financial loss in the event that the Group's customers or counterparties fail to fulfil their obligations to the Group. It arises mainly from loans and advances, debt securities held and counterparty credit risk arising from derivative contracts entered into with customers or counterparties. It can also arise from trading and treasury activities.

The Group manages credit risk through a framework of controls to ensure credit risk taking activities are based on sound principles and in line with the overall business objectives of the Group. It has established a set of credit policies and procedures which define credit risk taking criteria, credit approval authorities delegated from the Board, credit monitoring processes, credit rating and scoring systems and loan impairment criteria.

The Board has delegated credit approval authorities to the following committees in descending order of authority: the Executive Credit Committee ("ECC"), the Credit Committee ("CC") and the Wholesale Credit Committee ("WCC").

The ECC serves as the credit committee of the Board to review and approve credits that require the approval of the Board. In addition, it approves the Group's credit policies and credit risk profile, taking into consideration relevant law and regulations.

The CC is a management level committee that provides management oversight of the Group's credit risk management. It ensures that the Group has in place an effective credit risk management framework and that its credit risks are within the credit policies and credit risk profile as specified by the Board or its delegated committees. The CC reviews and endorses credit policies and credit risk profile for the ECC's approval, and reviews and approves credit related guidelines. It also conducts on-going review of the market environment and makes necessary policy recommendations to the ECC to ensure that the credit risk profile of the Group is within its risk appetite. The CC also reviews and approves credits that are within its authority as delegated by the Board.

The WCC reviews and approves corporate credits that are within its authority as delegated by the Board.

The credit risk units, Enterprise Credit Risk Management Department, Special Assets Management Department and Retail Credit Risk Oversight & Data Analytics Team, provide centralized management of credit risk for corporate credits and retail credits respectively. They are responsible for:

- independent evaluation of corporate credit applications;
- monitoring loan portfolio and conducting regular analysis;
- managing problem corporate credits to achieve the highest recovery;
- recommending loan classification, impairment and charge-off; and
- reporting to the CC and ECC regularly on aspects of the loan portfolio.

Compliance reviews are conducted by an independent unit on an ongoing basis to ensure compliance with applicable laws and regulations, standards, guidelines and codes of practices. The internal audit function of the Group is an independent appraisal function set up with the primary objective of evaluating the internal control system and compliance with laws, regulatory guidelines and internal control policies.

Credit risk limits are set at different levels, including portfolio and individual customer levels, taking into consideration various factors including market situation, capital requirement and the returns.

Credit risk management procedures are designed to promote early detection of customer, industry or product exposures that require special monitoring. Overall portfolio risk is monitored on an on-going basis. Regular risk management reports covering information on large exposures, country exposures, industry exposures, loan quality and loan impairment level are submitted to the CC, ECC and RC.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018**Table CRA: General information about credit risk (continued)**

Specific policies and measures to address different kinds of credit related activities are set out below:

(i) Institutional Banking

Credit risk from Institutional Banking is managed by conducting thorough credit evaluation, credit mitigation through collateral and guarantee, internal credit rating system and post-approval monitoring system. Subject to the size of the credit, value of collateral and the internal credit rating of the customer, different levels of credit approval authority are required. Credit decisions take into account facility structure, tenor, repayment ability of the obligor and credit mitigation through collateral and guarantee.

The Group has established limits for credit exposure to individual industry and customer groups, regardless of whether the credit exposure is funded or non-funded. The Group also undertakes ongoing credit review and monitoring at several levels. The relevant policies and procedures take into account the rules under the Hong Kong Banking Ordinance, regulatory requirements of the HKMA and best market practices.

(ii) Retail Banking

Credit risk from Retail Banking is product driven, arising from retail loan products such as credit cards, unsecured personal loans, merchant receivable financing, mortgage loans and loans secured by wealth management products. Because of the homogeneous nature of these products, credit risk management is primarily based on statistical analyses of risks with respect to different types of product, collateral and customer. The Group determines product terms and desired customer profiles on a regular basis by developing, validating and fine-tuning internal scorecards and stress testing models.

(iii) Counterparty credit risk

Unlike on-balance sheet instruments, where the credit risk is generally represented by the principal value of loans or other financial instruments, credit risk for counterparties of derivatives is the positive replacement cost together with an estimate for the potential future exposure from changes in market value. These credit exposures are managed as part of the overall credit limits to the counterparties. The credit risk exposure on derivatives is disclosed in Note 17(b) to the Group's financial statements. The Group uses the current exposure method for the purpose of providing capital for such counterparty exposures.

Wrong way risk occurs when the credit exposure to a counterparty is adversely correlated with the credit quality of that counterparty. Credit exposures and potential losses may increase as a result of adverse change in market conditions. The Group has set up policies and procedures to control wrong-way risk.

(iv) Credit-related commitments

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in extending loans to customers. These transactions are, therefore, subject to the same credit application, portfolio management and collateral requirements as for loan transactions.

(v) Concentration of credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of customers or counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's financial risk exposure is diversified by customer group, industry and product, but is concentrated in Hong Kong.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template CR1: Credit quality of exposures

		As at 31 December 2018 HK\$'000			
		(a)	(b)	(c)	(d)
		Gross carrying amounts of		Allowances / impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Loans	252,787	47,677,083	230,630	47,699,240
2	Debt securities	-	38,810,745	22,606	38,788,139
3	Off-balance sheet exposures	-	3,380,725	5,265	3,375,460
4	Total	252,787	89,868,553	258,501	89,862,839

Template CR2: Changes in defaulted loans and debt securities

		As at 31 December 2018
		(a)
		HK\$'000
1	Defaulted loans and debt securities at end of the previous reporting period	252,387
2	Loans and debt securities that have defaulted since the last reporting period	36,293
3	Returned to non-defaulted status	(2,247)
4	Amounts written off	(14,472)
5	Other changes (<i>Note 1</i>)	(19,174)
6	Defaulted loans and debt securities at end of the current reporting period	252,787

Note 1: Other changes mainly represents repayment received during the current reporting period.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018

Table CRB: Additional disclosure related to the credit quality of exposures

The Group reported past due exposures for all exposures that have become overdue as of the reporting date for accounting purposes and disclosed in Note 44(a) of the Group's financial statements and this table. For regulatory purposes, the Group reported past due exposures when they come overdue for more than one month, except for consumer loans that are repayable by regular monthly instalments, where the Group reported past due exposures when they become overdue for more than three months.

The Group classified its exposures in accordance with the loan classification system and considered the exposures as impaired exposures if they are classified as "substandard", "doubtful" or "loss". There are no differences on the definition of impaired exposures between accounting purposes and regulatory purposes.

Loans and advances that are past due for more than 90 days but are not impaired amounted to HK\$23,267,000 as of 31 December 2018. The Group considered such exposures not to be impaired as all outstanding principal and accrued interest is fully secured by collateral.

The carrying amount of the Group's assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If any objective evidence that assets are impaired includes observable data that has an impact on the future cash flows of assets comes to the attention of the Group, the carrying amount is generally reduced to the estimated recoverable amount by means of a charge to profit or loss.

The approach and treatment of impairment allowance of different types of assets are elaborated in the Group's impairment allowance policy.

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of deterioration in the financial position of the borrower, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are non-commercial to the Group.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Table CRB: Additional disclosure related to the credit quality of exposures (continued)
Breakdown of exposures by geographical areas

	As at 31 December 2018			
	HK\$'000			
	Hong Kong	China	Others	Total
Loans	40,441,972	6,752,584	735,314	47,929,870
Debt securities	16,554,787	8,909,015	13,346,943	38,810,745
Off-balance sheet exposures	2,877,647	128,604	374,474	3,380,725
Total	59,874,406	15,790,203	14,456,731	90,121,340

Breakdown of exposures by industry

	As at 31 December 2018								
	HK\$'000								
	Banking sector	Property development	Purchase of residential properties	Property investment	Financial concerns	Sovereign	Wholesale and retail trade	Others	Total
Loans	-	5,736,538	9,376,721	8,234,920	3,663,387	-	5,247,282	15,671,022	47,929,870
Debt securities	13,347,990	4,811,456	-	-	3,278,592	7,136,970	-	10,235,737	38,810,745
Off-balance sheet exposures	-	795,237	-	-	561,760	-	1,178,395	845,333	3,380,725
Total	13,347,990	11,343,231	9,376,721	8,234,920	7,503,739	7,136,970	6,425,677	26,752,092	90,121,340

Breakdown of exposures by geographical areas and industry is disclosed for segment which constitutes more than 10% of the Group's total RWA for credit risk only. Other segments which constitutes less than 10% of the Group's total RWA for credit risk are disclosed on an aggregate basis under the category "others".

Breakdown of exposures by residual maturity

	As at 31 December 2018						
	HK\$'000						
	1 month or less (include overdue exposures)	Over 1 month but within 3 months	Over 3 months but within 6 months	Over 6 months but within 1 year	Over 1 year but within 5 years	Over 5 years	Total
Loans	11,863,830	2,967,865	1,577,407	3,499,093	15,914,642	12,107,033	47,929,870
Debt securities	2,606,645	4,525,764	4,394,274	3,877,458	19,871,447	3,535,157	38,810,745
Off-balance sheet exposures	351,297	912,557	26,360	452,569	1,592,916	45,026	3,380,725
Total	14,821,772	8,406,186	5,998,041	7,829,120	37,379,005	15,687,216	90,121,340

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Table CRB: Additional disclosure related to the credit quality of exposures (continued)
Breakdown of impaired exposures by geographical areas

	As at 31 December 2018 HK\$'000			
	Hong Kong	Singapore	China	Total
Loans	117,472	73,669	42,090	233,231
Debt securities	-	-	-	-
Off-balance sheet exposures	-	-	-	-
Total	117,472	73,669	42,090	233,231

Breakdown of impaired exposures by industry

	As at 31 December 2018 HK\$'000				
	Wholesale and retail trade	Manufacturing	Property investment	Others	Total
Loans	158,601	42,090	24,336	8,204	233,231
Debt securities	-	-	-	-	-
Off-balance sheet exposures	-	-	-	-	-
Total	158,601	42,090	24,336	8,204	233,231

Breakdown of allowances of impaired exposures by geographical areas

	As at 31 December 2018 HK\$'000			
	Hong Kong	Singapore	China	Total
Loans	92,158	62,628	42,090	196,876
Debt securities	-	-	-	-
Off-balance sheet exposures	-	-	-	-
Total	92,158	62,628	42,090	196,876

Breakdown of allowances of impaired exposures by industry

	As at 31 December 2018 HK\$'000			
	Wholesale and retail trade	Manufacturing	Others	Total
Loans	147,335	42,090	7,451	196,876
Debt securities	-	-	-	-
Off-balance sheet exposures	-	-	-	-
Total	147,335	42,090	7,451	196,876

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Table CRB: Additional disclosure related to the credit quality of exposures (continued)
Aging analysis of accounting past due exposures

	As at 31 December 2018 HK\$'000			
	Overdue 3 months or less	Overdue 6 months or less but over 3 months	Overdue 1 year or less but over 6 months	Total
Loans	535,146	13,272	9,995	558,413
Debt securities	-	-	-	-
Off-balance sheet exposures	-	-	-	-
Total	535,146	13,272	9,995	558,413

Breakdown of restructured exposures, between impaired and not impaired exposures

	As at 31 December 2018 HK\$'000		
	Impaired exposures	Non-impaired exposures	Total restructured exposures
Loans	4,684	-	4,684
Debt securities	-	-	-
Off-balance sheet exposures	-	-	-
Total	4,684	-	4,684

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018**Table CRC: Qualitative disclosures in relation to credit risk mitigation**

The Group's credit evaluation focuses primarily on the obligor's repayment ability from its cash flow and financial condition. In addition, the Group employs various credit risk mitigation techniques such as appropriate facility structuring, posting of collateral and/or third party support as well as transfer of risk to other third parties, which form an integral part of the credit risk management process. There is immaterial credit and market risk concentration within the credit risk mitigations used by the Group. The most commonly used credit risk mitigation measures are provided below:

Collateral

The Group holds collateral against its credit exposures to customers mainly in the form of cash deposits, marketable securities, mortgage interests over properties and guarantees. The Group also has in place policies and procedures that govern the assessment, acceptance and the periodic valuation of the collateral. Collateral taken to secure credit exposures is revalued periodically ranging from daily to annually depending on the type of collateral. For treasury operations, collateral management is based on daily marked-to-market positions.

Master netting agreements

Collateral generally is not held over credit exposures to banks, except for securities held as part of reverse repurchase and securities borrowing activities. However, where applicable, the Group manages its credit exposures to banks by entering into master netting arrangements whenever it is appropriate and feasible to do so. The netting arrangement results in the settlement of counterparty exposure on a net basis in the event a default occurs.

The Group's preferred agreement for documenting derivative activity is the ISDA Master Agreement which covers the contractual framework within which dealing activity across a full range of over-the-counter derivative products is conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by such agreement if either party defaults or upon the occurrence of other pre-agreed termination events.

It is also common for the Group to execute a Credit Support Annex with counterparties in conjunction with the ISDA Master Agreement to mitigate the market risk inherent in derivative transactions.

Other credit risk mitigation measures

The Group may also employ other types of credit mitigation, such as guarantees and letters of credit, mainly for corporate exposures. As the value of these types of collateral is conditional upon other credit related factors, their financial effect has not been quantified.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template CR3: Overview of recognized credit risk mitigation

		As at 31 December 2018				
		HK\$'000				
		(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
1	Loans	43,191,553	4,507,687	558,407	3,949,280	-
2	Debt securities	36,710,449	2,077,690	-	2,077,690	-
3	Total	79,902,002	6,585,377	558,407	6,026,970	-
4	Of which defaulted	206,946	45,841	45,841	-	-

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

The Group uses credit ratings from Moody's Investors Service and Standard and Poor's Rating Services to determine the risk-weight of the following exposure classes for credit risk under STC approach according to Part 4 of the Banking (Capital) Rules:

- (i) Sovereign;
- (ii) Public sector entity;
- (iii) Bank;
- (iv) Securities firm;
- (v) Corporate; and
- (vi) Collective investment scheme.

An exposure under exposure classes (i) to (vi) that consist of a debt obligation issued or undertaken by any person or an interest in a collective investment scheme, where the exposure has one or more than one ECAI issue specific rating, the Group:

- (a) if the exposure has only one ECAI issue specific rating, uses that rating;
- (b) if the exposure has two or more ECAI issue specific ratings the use of which would result in the allocation of different risk-weights to the exposure, uses any one of those ratings except the one which would result in the allocation of the lowest of those different risk-weights.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018

Table CRD: Qualitative disclosures on the use of ECAI ratings under the STC approach (continued)

Where an exposure under exposure classes (i) to (v) does not have an ECAI issue specific rating, and the person to whom the Group has the exposure has an ECAI issuer rating but does not have a long-term ECAI issue specific rating assigned to a debt obligation issued or undertaken by the person, the Group:

- (a) uses the ECAI issuer rating if the use of the ECAI issuer rating would result in the allocation of a risk-weight to the exposure that would be equal to, or higher than, the risk-weight allocated to the exposure on the basis that the person has neither an ECAI issuer rating nor an ECAI issue specific rating assigned to a debt obligation issued or undertaken by the person. The ECAI issuer rating is only applicable to unsecured exposures to the person as an issuer that are not subordinated to other exposures to that person; and the exposure to the person ranks equally with, or is subordinated to, the unsecured exposures referred to above;
- (b) uses the ECAI issuer rating if the use of the ECAI issuer rating would result in the allocation of a risk-weight to the exposure that would be lower than the risk-weight allocated to the exposure on the basis that the person has neither an ECAI issuer rating nor an ECAI issue specific rating assigned to a debt obligation issued or undertaken by the person. The ECAI issuer rating is only applicable to unsecured exposures to the person as an issuer that are not subordinated to other exposures to that person; and the exposure to the person is not subordinated to other exposures to the person as an issuer.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template CR4: Credit risk exposure and the effects of recognized credit risk mitigations

		As at 31 December 2018					
		(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 HK\$'000	Off-balance sheet amount HK\$'000	On-balance sheet amount HK\$'000	Off-balance sheet amount HK\$'000	RWA HK\$'000	RWA density %
1	Sovereign exposures	5,504,457	-	7,159,876	-	37,381	0.52
2	PSE exposures	903,405	-	1,074,571	-	214,914	20.00
2a	Of which: domestic PSEs	903,405	-	1,074,571	-	214,914	20.00
2b	Of which: foreign PSEs	-	-	-	-	-	-
3	Multilateral development bank exposures	2,977,974	-	2,977,974	-	-	-
4	Bank exposures	19,153,823	-	20,633,935	-	7,410,824	35.92
5	Securities firm exposures	294,344	-	294,344	-	147,172	50.00
6	Corporate exposures	46,227,061	15,839,878	42,834,586	1,960,522	37,660,176	84.07
7	CIS exposures	149,618	172,680	149,618	86,340	235,958	100.00
8	Cash items	177,216	-	687,380	-	33,229	4.83
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-
10	Regulatory retail exposures	4,713,813	20,208,579	4,664,974	28,441	3,520,062	75.00
11	Residential mortgage loans	12,592,145	-	12,304,427	-	5,027,707	40.86
12	Other exposures which are not past due exposures	6,707,371	-	6,619,542	-	6,619,542	100.00
13	Past due exposures	64,700	-	64,700	-	73,324	113.33
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	Total	99,465,927	36,221,137	99,465,927	2,075,303	60,980,289	60.05

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template CR5: Credit risk exposures by asset classes and by risk weights

		As at 31 December 2018										
		HK\$'000										
Exposure class	Risk Weight	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures	6,972,969	-	186,907	-	-	-	-	-	-	-	7,159,876
2	PSE exposures	-	-	1,074,571	-	-	-	-	-	-	-	1,074,571
2a	Of which: domestic PSEs	-	-	1,074,571	-	-	-	-	-	-	-	1,074,571
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	2,977,974	-	-	-	-	-	-	-	-	-	2,977,974
4	Bank exposures	-	-	9,687,147	-	10,946,788	-	-	-	-	-	20,633,935
5	Securities firm exposures	-	-	-	-	294,344	-	-	-	-	-	294,344
6	Corporate exposures	-	-	455,408	-	13,541,213	-	30,798,487	-	-	-	44,795,108
7	CIS exposures	-	-	-	-	-	-	235,958	-	-	-	235,958
8	Cash items	521,236	-	166,144	-	-	-	-	-	-	-	687,380
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-	-	-
10	Regulatory retail exposures	-	-	-	-	-	4,693,415	-	-	-	-	4,693,415
11	Residential mortgage loans	-	-	-	10,850,164	-	896,453	557,810	-	-	-	12,304,427
12	Other exposures which are not past due exposures	-	-	-	-	-	-	6,619,542	-	-	-	6,619,542
13	Past due exposures	-	-	565	-	-	-	45,983	18,152	-	-	64,700
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	10,472,179	-	11,570,742	10,850,164	24,782,345	5,589,868	38,257,780	18,152	-	-	101,541,230

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Table CCRA: Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs)

Unlike on-balance sheet instruments, where the credit risk is generally represented by the principal value of loans or other financial instruments, credit risk for counterparties of derivatives is the positive replacement cost together with an estimate for the potential future exposure from changes in market value. These credit exposures are managed as part of the overall credit limits to the counterparties. The credit risk exposure on derivatives is disclosed in Note 17(b) to the Group's financial statements. The Group uses the current exposure method for the purpose of providing capital for such counterparty exposures.

Wrong way risk occurs when the credit exposure to a counterparty is adversely correlated with the credit quality of that counterparty. Credit exposures and potential losses may increase as a result of adverse change in market conditions. The Group has set up policies and procedures to control wrong-way risk.

The counterparty credit risk mitigation refers to Table CRC.

Under the terms of our current collateral obligations under derivative contracts, we estimate based on the positions as at 31 December 2018 that the Group would not be required to post additional collateral in the event of one notch downgrade in the Group's credit ratings.

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

		As at 31 December 2018					
		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
		HK\$'000	HK\$'000			HK\$'000	HK\$'000
1	SA-CCR (for derivative contracts)	-	-		-	-	-
1a	CEM	798,392	337,907		N/A	677,345	277,234
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					899,328	445,696
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	Total						722,930

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template CCR2: CVA capital charge

		As at 31 December 2018	
		(a)	(b)
		EAD post CRM	RWA
		HK\$'000	HK\$'000
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	-	-
1	(i) VaR (after application of multiplication factor if applicable)		-
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		-
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	677,345	66,113
4	Total	677,345	66,113



FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018

Template CCR3: Counterparty default risk exposures (other than those to CCPs) by asset class and by risk weights

		As at 31 December 2018										(i)
		HK\$'000										
Exposure class	Risk Weight	(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)	Total default risk exposure after CRM
	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others		
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	591,557	-	259,817	-	-	-	-	-	851,374
5	Securities firm exposures	-	-	-	-	454,244	-	-	-	-	-	454,244
6	Corporate exposures	-	-	-	-	-	-	112,452	-	-	-	112,452
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	93,870	-	-	-	-	93,870
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	64,734	-	-	-	64,734
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	Total	-	-	591,557	-	714,061	93,870	177,186	-	-	-	1,576,674

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template CCR5: Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)

	As at 31 December 2018					
	HK\$'000					
	(a)	(b)	(c)	(d)	(e)	(f)
	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	28,915	-	-	-	-	-
Cash - other currencies	186,590	-	-	-	5,979,423	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	215,505	-	-	-	5,979,423	-

Table MRA: Qualitative disclosures related to market risk

Market risk arises on all market risk sensitive financial instruments, including securities, foreign exchange contracts, equity and other derivative instruments, as well as from the statement of financial position or structural positions. The Group transacts in the money market, foreign exchange market, equity market and capital market giving rise to market risk exposures. Positions are taken as a result of the execution of customers' orders, and market making activities, and offsetting transactions taken in order to hedge the Group's open position. The Group does not engage in significant proprietary trading.

The objective of market risk management is to avoid excessive exposure of earnings and equity to loss and to reduce the Group's exposure to the volatility inherent in financial instruments.

The Board reviews and approves policies for the management of market risks including dealing authorities and limits. The Board has delegated the responsibility for ongoing general market risk management to the ALCO. This committee articulates the interest rate view of the Group and decides on future business strategy with respect to interest rates. It also reviews and sets funding policy and ensures adherence to risk management objectives.

The Group has also established clear market risk policies, including limits, reporting lines and control procedures, which are reviewed regularly and approved by the Board. Market risk is managed within various limits approved by the Board. These limits are determined for each financial instrument and include limits on product volume, gross and net positions, position concentrations, mark to market limits, stop loss limits and risk position limits. These limits are reviewed and endorsed by the ALCO and approved by the Board at least annually. The regular limit monitoring is performed daily and the result is reported to the ALCO members. The risk exposures are also reported to the RC at least monthly.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Table MRA: Qualitative disclosures related to market risk (continued)

The sale of derivatives to customers as risk management products and the subsequent use of derivatives to manage the resulting position is an integral part of the Group's business activities. These instruments are also used to manage the Group's own exposures to market risk as part of its asset and liability management process. The principal derivative instruments used by the Group are interest rate and foreign exchange rate related contracts, which are primarily over-the-counter derivatives. The Group also purchases exchange traded derivatives. Most of the Group's derivatives positions have been entered into to meet customer demand and to hedge these and other positions.

One of the tools used by the Group to monitor and limit market risk exposure is Value-at-risk (VAR). VAR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The calculation uses the historical simulation method as the means to estimate the statistical confidence level.

The VAR technique is only effective for potential loss events which are not correlated. The Group therefore augments its VAR limits with other positions and sensitivity limit structures. Additionally, the Group applies a wide range of sensitivity analysis and stress testing, both on individual portfolios and on the Group's consolidated positions to assess the potential impact on the Group's earnings as a result of extreme movements in market prices.

Template MR1: Market risk under STM approach

		As at 31 December 2018 HK\$'000
		(a)
		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	39,962
2	Equity exposures (general and specific risk)	12,663
3	Foreign exchange (including gold) exposures	40,650
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitization exposures	-
9	Total	93,275

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018

Template IRRBB: Interest rate exposures in banking book

Interest rate risk primarily results from timing differences in the repricing of interest-bearing assets, liabilities and commitments while structural interest rate risk arises primarily from the deployment of non-interest bearing liabilities, including shareholders' funds and current accounts, as well as from certain fixed rate loans and liabilities. Structural interest rate risk is monitored by the ALCO.

In accordance with the prudential return "Interest Rate Risk Exposures" issued by the HKMA, the Group calculates, on a quarterly basis, the impact on earnings over the next 12 months under a scenario of which all interest rates other than prime rises 200 basis points. The analysis is performed under the assumption that the portfolio remains unchanged irrespective of the interest rate movement. The Group does not adjust for potential loan prepayment in this analysis and considers deposits without a fixed maturity to be repriced on the next business day.

At 31 December 2018, if other market variables including prime rate were held constant, an increase in HKD market interest rates of 200 basis points would result in an increase in earnings over the next 12 months of HK\$156 million, and increase in economic value of HK\$44 million; while an increase in USD market interest rates of 200 basis points would result in an increase in earnings over the next 12 months of HK\$3 million, or an increase in economic value of HK\$27 million.

Conversely, if other market variables including prime rate were held constant, a decrease in HKD market interest rates of 200 basis points would result in a decrease in earnings over the next 12 months of HK\$156 million, and decrease in economic value of HK\$44 million; while a decrease in USD market interest rates of 200 basis points would result in a decrease in earnings over the next 12 months of HK\$3 million respectively, or a decrease in economic value of HK\$27 million.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018**Table REMA: Remuneration policy****Disclosure on remuneration****Overview of the Bank's remuneration system**

The Bank's remuneration system is applicable to all staff of the Bank and its subsidiaries and documented in the Bank's Remuneration Policy and related guidelines. The Nomination and Remuneration Committee ("NRC"), whose composition and mandate is set out in Note (H)(ii) of the Group's consolidated financial statements, is responsible for overseeing the remuneration system of the Bank. During the financial year, two meetings were held by the NRC and it reviewed and approved the Bank's Remuneration Policy. The Bank has finetuned its Remuneration Policy to better comply with the deferral requirements of the HKMA upon a recommendation made by KPMG, an external consultant, in the annual assessment on the Bank's remuneration system in 2018.

The Bank's remuneration system is based on the following principles:

- alignment of compensation to its profitability, risk and capital;
- maximization of employees' and the Bank's performance;
- attraction and retention of talented and skilled staff;
- calibration to the differing needs of each division and staff's levels of responsibility; and
- benchmarking against industry norms should be done at least on bi-annual basis to check the reasonableness of the compensation by peers.

The remuneration packages of the Bank's staff may comprise fixed and variable components which are structured to reflect the prevailing context in which the Bank operates and the Bank's intended performance. Fixed pay includes base salary, fixed allowance and year-end double pay, while variable pay may cover sales incentives and year-end discretionary bonuses.

Salary increments and bonuses of staff not covered by sales incentive schemes are determined according to a performance evaluation guideline covering both achievement of Key Performance Indicators and Workplace Behaviour measures. These include both risk and compliance related measures where appropriate.

Basically, the performance assessment and remuneration of risk and compliance employees are recommended by the heads of the risk and compliance functions and approved by Chief Executive Officer, while those of the heads are recommended by Chief Executive Officer and approved by the NRC. The relevant arrangements are documented in the remuneration policy and relevant guidelines.

According to the Bank's existing mechanism, Senior Management refers to those senior executives who are responsible for the oversight of the Bank's strategy and activities. They include the following positions:

- Chief Executive Officer & Managing Director
- Executive Director(s)
- Alternate Chief Executive(s)
- Executive Vice President(s)

Key Personnel refers to those executives, other than Senior Management, whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposures on behalf of the Bank; currently the Management Business Committee Members and Department Heads in Financial Markets Division.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018**Table REMA: Remuneration policy (continued)****Risk, performance assessment and variable remuneration**Risk assessment and variable remuneration

It is stipulated in the Bank's Remuneration Policy that factors including (i) cost of capital required to support any risks involved in implementing the bonuses, (ii) capital adequacy requirements not being affected and (iii) timing and likelihood of potential future revenue incorporated into current earnings to cover the bonuses contemplated are considered when determining the size and allocation of variable remuneration. Factors including Return on Equity, Capital Adequacy Ratio and financial performance forecast for the next three years are also presented to the NRC. For the Sales staff who are eligible for sales incentives, it is the Bank's policy to avoid incentive setting at such a level that it induces excessive risk taking. Consideration of the cost and quantity of capital required to support the risks taken, the cost and quantity of the liquidity risk assumed in the conduct of business and the timing and likelihood of potential future revenues incorporated into current earnings are documented in the Bank's relevant guideline.

Performance assessment and variable remuneration

Basically, business units are assessed according to achievement of their Key Performance Indicators and compliance of internal and regulatory requirements. For individual staff, their performances are assessed according to achievement of Key Performance Indicators and Workplace Behaviours which include various qualitative measurements such as compliance of the Bank's core values: integrity, sincerity, professionalism and innovation.

Individual staff member's remuneration is basically determined by various factors including but not limited to the individual staff's performance, the performance of the staff's business unit and the overall performance of the Bank as well as market sentiment.

As stipulated in the Bank's Remuneration Policy, the calculation of bonus pool is affected by the overall financial performance of the Bank. In the event that the Bank's financial performance deteriorates, the total amount of bonus pool approved by the NRC could be reduced.

According to the Bank's Remuneration Policy, if a staff member's variable pay in cash exceeds pre-determined thresholds, a portion of it will be deferred for up to 6 months for general staff and 36 months for Senior Management, reflecting their relative responsibilities and roles.

According to the Bank's Remuneration Policy, if a staff member is found not meeting the relevant vesting criteria by actions such as fraud or violation of regulatory requirements or of the Bank's policies, a claw-back mechanism may be applied to deferred variable pay.

The Bank uses cash in variable pay to incentivize staff to meet the long and short term business goals of the Bank, for staff retention and to limit inappropriate risk taking. In particular, the Bank's sales incentive schemes are capped so as to limit mis-selling. Share options are currently not offered as incentives as the Bank is a wholly owned subsidiary of Fubon Financial Holding Co., Ltd. ("FFHC") and the NRC considers that the performance of FFHC's shares is too remote from the performance of the Bank.

As mentioned in above, the Bank considers basically the use of cash in variable remuneration is appropriate in view of the size of the Bank and the portion of variable remuneration in the total remuneration of staff.

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template REM1: Remuneration awarded during financial year

The following table summarised quantitative information on remuneration for the financial year ended 31 December 2018.

Remuneration amount and quantitative information			(a)
			Senior Management and Key Personnel
1	Fixed remuneration	Number of employees	24 (including 1 staff departed in Jan 2019)
2		Total fixed remuneration	HK\$51.73 million
3		Of which: cash-based	HK\$51.73 million
4		Of which: deferred	NIL
5		Of which: shares or other share-linked instruments	NIL
6		Of which: deferred	NIL
7		Of which: other forms	NIL
8		Of which: deferred	NIL
9	Variable remuneration	Number of employees	23
10		Total variable remuneration	HK\$9.11 million
11		Of which: cash-based	HK\$9.11 million
12		Of which: deferred	HK\$1.20 million
13		Of which: shares or other share-linked instruments	NIL
14		Of which: deferred	NIL
15		Of which: other forms	NIL
16		Of which: deferred	NIL
17	Total remuneration		HK\$60.84 million

The aggregate quantitative information on remuneration for the Bank's Senior Management and Key Personnel for the financial year is set out above. Separate figures are not given for Senior Management as the number of executives is so small that individuals' remuneration could be easily deduced from disclosure of a breakdown of the figures.

Template REM2: Special payments

The following table summarised quantitative information on special payments for the financial year.

		(a)	(b)	(c)	(d)	(e)	(f)
Special payments		Guaranteed bonuses		Sign-on awards		Severance payments	
		Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
1	Senior management	NIL	NIL	NIL	NIL	NIL	NIL
2	Key personnel	NIL	NIL	NIL	NIL	NIL	NIL

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018
Template REM3: Deferred remuneration

The following table summarised quantitative information on deferred remuneration for the financial year.

		(a)	(b)	(c)	(d)	(e)
Deferred and retained remuneration		Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
1	Senior management	HK\$3.14 million	NIL	NIL	NIL	HK\$1.07 million
2	Cash	HK\$3.14 million	NIL	NIL	NIL	HK\$1.07 million
3	Shares	NIL	NIL	NIL	NIL	NIL
4	Cash-linked instruments	NIL	NIL	NIL	NIL	NIL
5	Other	NIL	NIL	NIL	NIL	NIL
6	Key personnel	NIL	NIL	NIL	NIL	NIL
7	Cash	NIL	NIL	NIL	NIL	NIL
8	Shares	NIL	NIL	NIL	NIL	NIL
9	Cash-linked instruments	NIL	NIL	NIL	NIL	NIL
10	Other	NIL	NIL	NIL	NIL	NIL
11	Total	HK\$3.14 million	NIL	NIL	NIL	HK\$1.07 million

FUBON BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENT
As at 31 December 2018

Abbreviations

AMA	Advanced measurement approach
ASA	Alternative standardised approach
AT1	Additional tier 1
Bank/Group	Fubon Bank (Hong Kong) Limited
BIA	Basic indicator approach
Board	Board of Directors
BSC	Basic approach
CCF	Credit conversion factor
CCP	Central counterparty
CEM	Current exposure method
CIS	Collective investment scheme
CRM	Credit risk mitigation
CVA	Credit valuation adjustment
EAD	Exposure at default
HKMA	Hong Kong Monetary Authority
Hong Kong	The Hong Kong Special Administrative Region of the People's Republic of China
IRB	Internal ratings-based approach
IRB(s)	Internal ratings-based (securitisation) approach
IMM	Internal models approach
IMM(CCR)	Internal models (counterparty credit risk) approach
N/A	Not applicable
PSE	Public sector entity
RWA	Risk-weighted asset/risk-weighted amount
SA-CCR	Standardised approach for counterparty
SFT	Securities financing transaction
STC	Standardised (credit risk) approach
STC(S)	Standardised (securitisation) approach
STM	Standardised (market risk) approach
STO	Standardised (operational risk) approach
VaR	Value at risk