

If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

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Non-collateralised Structured Products

Base Listing Document relating to Structured Products to be issued by



The Bank of East Asia, Limited

(incorporated with limited liability in Hong Kong)

This document, for which we accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) for the purpose of giving information with regard to us and our warrants (“**Warrants**”), callable bull/bear contracts (“**CBBCs**”) and other structured products (together, the “**Structured Products**”) to be listed on the Stock Exchange from time to time. This document may be updated and/or amended from time to time by way of addenda.

We, having made all reasonable enquiries, confirm that to the best of our knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

The Structured Products involve derivatives. Investors should not invest in the Structured Products unless they fully understand and are willing to assume the risks associated with them. Investors are warned that the price of the Structured Products may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the Structured Products and carefully study the risk factors set out in this document and, where necessary, seek professional advice, before they invest in the Structured Products.

The Structured Products constitute our general unsecured contractual obligations and of no other person and will rank equally among themselves with all our other unsecured obligations (save for those obligations preferred by law) upon liquidation. If you purchase the Structured Products, you are relying upon our creditworthiness and have no rights under the Structured Products against (a) the company which has issued the underlying securities; (b) the trustee or the manager of the underlying unit trust; or (c) the index compiler of any underlying index or any company constituting the underlying index. If we become insolvent or default on our obligations under the Structured Products, you may not be able to recover all or even part of the amount due under the Structured Products (if any).

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IMPORTANT INFORMATION

What is this document about?

This document is for information purposes only and does not constitute an offer, an advertisement or an invitation to the public to subscribe for or to acquire any Structured Products.

What documents should you read before investing in the Structured Products?

You must read this document (including any addendum to this document to be issued from time to time) together with the relevant supplemental listing document (including any addendum to such supplemental listing document to be issued from time to time) (together, “**Listing Documents**”) before investing in the Structured Products. A supplemental listing document will be issued on the issue date of each series of Structured Products, which will include detailed commercial terms of the relevant series. You should carefully study the risk factors set out in the Listing Documents.

Is there any guarantee or collateral for the Structured Products?

No. Our obligations under the Structured Products are neither guaranteed by any third party, nor collateralised with any of our assets or other collateral. When you purchase our Structured Products, you are relying on our creditworthiness only, and of no other person. If we become insolvent or default on our obligations under the Structured Products, you can only claim as an unsecured creditor of the Issuer. In such event, you may not be able to recover all or even part of the amount due under the Structured Products (if any).

Are we regulated by the Hong Kong Monetary Authority referred to in Rule 15A.13(2) or the Securities and Futures Commission referred to in Rule 15A.13(3)?

We are a licensed bank regulated by, among others, the Hong Kong Monetary Authority.

Are we rated by any credit rating agencies?

Our credit ratings as of 5 April 2016 are:

<i>Rating Agency</i>	<i>Rating</i>
	A3
Moody’s Investors Service Inc. (“ Moody’s ”)	(negative outlook)
	A
Standard & Poor’s Ratings Services (“ S&P ”)	(negative outlook)

The credit ratings are only an assessment by the rating agencies of our overall financial capacity to pay its debts.

A3 is among the top three major credit rating categories and is the seventh highest investment-grade ranking of the ten investment-grade ratings (including 1, 2 and 3 sub-grades) assigned by Moody’s. A is among the top three major credit rating categories and is the sixth highest investment-grade ranking of the ten investment-grade ratings (including + or — sub-grades) assigned by S&P. Please refer to the brief guide in Appendix 4 to this document to what such credit ratings mean.

You may visit the following website for updated information of our credit ratings:

http://www.hkbea.com/hk/ci/investor_comm/credit_ratings/index.htm

Rating agencies usually receive a fee from companies that they rate.

When evaluating our creditworthiness, you should not solely rely on our credit ratings because:

- (a) a credit rating is not a recommendation to buy, sell or hold the Structured Products;
- (b) ratings of companies may involve difficult-to-quantify factors such as market competition, the success or failure of new products and markets and managerial competence;
- (c) a high credit rating is not necessarily indicative of low risk. Our credit ratings as

of 5 April 2016 are for reference only. Any downgrading of our ratings could result in a reduction in the value of the Structured Products;

- (d) a credit rating is not an indication of the liquidity or volatility of the Structured Products; and
- (e) a credit rating may be downgraded if our credit quality declines.

The Structured Products are not rated.

Our credit ratings are subject to change or withdrawal at any time within each rating agency's sole discretion. You should conduct your own research using publicly available sources to obtain the latest information with respect to our ratings from time to time.

Are we subject to any litigation?

Save as disclosed in this document, we and our subsidiaries have no litigation or claims of material importance pending or threatened against us or them.

Authorisation for the issue of the Structured Products

Our management, pursuant to the approval by our Marketing Strategic Group and Senior Management Meeting, authorised the issue of the Structured Products on 19 January 2010 and 29 September 2011.

Has our financial position changed since last financial year-end?

Save as disclosed in this document, there has been no material adverse change in our financial or trading position since 31 December 2015.

Do you need to pay any transaction cost?

The Stock Exchange charges a trading fee of 0.005 per cent. and the Securities and Futures Commission charges a transaction levy of 0.0027 per cent. in respect of each transaction effected on the Stock Exchange payable by each of the seller and the buyer and calculated on the value of the consideration for the Structured Products. The levy for the investor compensation fund is currently suspended.

Do you need to pay any Hong Kong tax?

No tax is payable in Hong Kong by way of withholding or otherwise in respect of:

- (a) dividends of any company which has issued the underlying shares;
- (b) distributions of any trust which has issued the underlying units; or
- (c) any capital gains arising on the sale of the underlying assets or Structured Products,

except that Hong Kong profits tax may be chargeable on any such gains in the case of certain persons carrying on a trade, profession or business in Hong Kong.

You do not need to pay any stamp duty in respect of purely cash settled Structured Products.

Placing and sale

No action has been or will be taken by us that would permit a public offering of any series of Structured Products or possession or distribution of any offering material in relation to any Structured Products in any jurisdiction (other than Hong Kong) where action for the purpose is required. No offers, sales, re-sales, transfers or deliveries of any Structured Products, or distribution of any offering material relating to the Structured Products may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and which will not impose any obligation on us.

Where can you inspect the relevant documents?

The following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at our office at 10 Des Voeux Road Central, Hong Kong:

- (a) our annual report for the year ended 31 December 2015;
- (b) the consent letter of the auditor, KPMG (“Auditor”);
- (c) this document and any addendum to this document;

- (d) the supplemental listing document as long as the relevant series of Structured Products is listed on the Stock Exchange; and
- (e) the instrument executed by us by way of deed poll dated 22 July 2010 (“**Instrument**”) as defined in General Condition 1 (see Appendix 1).

Requests for photocopies of the above documents will be subject to a reasonable fee which reflects the cost of making such copies.

The Listing Documents are also available on:

- (a) in respect of warrants, the website of the Stock Exchange at <http://www.hkex.com.hk/eng/dwrc/search/listsearch.asp>; and
- (b) in respect of CBBCs, the website of the Stock Exchange at <http://www.hkex.com.hk/eng/cbbc/search/listsearch.asp>.

各上市文件亦可於下列網站瀏覽：

- (a) 就權證而言，聯交所的網站
http://www.hkex.com.hk/chi/dwrc/search/listsearch_c.asp;
及
- (b) 就牛熊證而言，聯交所的網站
http://www.hkex.com.hk/chi/cbbc/search/listsearch_c.asp。

Has the Auditor consented to the inclusion of its report to the Listing Documents?

Our Auditor has given and has not withdrawn its written consent to the inclusion of its report dated 15 February 2016 in this document and/or the references to its name in the Listing Documents, in the form and context in which they are included. Its report was not prepared for incorporation into this document.

The Auditor does not hold our shares or shares in our subsidiaries, nor does it have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities or securities of any of our subsidiaries.

Authorised representatives

Lau Ching Ching and Law Chun Tak, Alson, both of 10 Des Voeux Road Central, Hong Kong, are our authorised representatives.

How can you get further information about us?

You may visit www.hkbea.com/warrants to obtain further information about us.

You must note that the information on our website will be of a general nature and cannot be relied upon as accurate and/or correct and will not have been prepared exclusively for the purposes of any particular financial instrument issued by us, including the Structured Products.

Governing law of the Structured Products

All contractual documentation for the Structured Products will be governed by, and construed in accordance with, the laws of Hong Kong.

The Listing Documents are not the sole basis for making an investment decision

The Listing Documents do not take into account your investment objectives, financial situation or particular needs. Nothing in the Listing Documents should be construed as a recommendation by us or our affiliates to invest in the Structured Products or the underlying asset of the Structured Products.

No person has been authorised to give any information or to make any representations other than those contained in this document in connection with the Structured Products, and, if given or made, such information or representations must not be relied upon as having been authorised by us.

The Stock Exchange and HKSCC have made no assessment of, nor taken any responsibility for, our financial soundness or the merits of investing in any Structured Products, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

Capitalised terms

Unless otherwise specified, capitalised terms used in this document have the meanings set out in the General Conditions set out in Appendix 1 and the Product Conditions applicable to the relevant series of Structured Products set out in Appendix 2 and Appendix 3 (together, the “**Conditions**”).

OVERVIEW OF WARRANTS

What is a derivative warrant?

A derivative warrant linked to a share, a unit, an index or other asset (“**Underlying Assets**”, each an “**Underlying Asset**”) is an instrument which gives the holder an investment exposure to the Underlying Asset by reference to a pre-set price or level called the Exercise Price or Strike Level on the Expiry Date. It usually costs a fraction of the value of the Underlying Asset.

A derivative warrant may provide leveraged return to you (but conversely, it could also magnify your losses).

How and when can you get back your investment?

Our Warrants are European style warrants. This means they will be automatically exercised on the Expiry Date, entitling the holder to a potential cash amount called the “**Cash Settlement Amount**” (if positive) according to the Conditions in the Listing Documents.

You will receive the Cash Settlement Amount (if any) less any Exercise Expenses upon expiry. If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable to you upon expiry and you will lose all of your investment in the Structured Products.

How do our Warrants work?

The potential payoff upon expiry of the Warrants is calculated by us by reference to the difference between:

- (a) for Warrants linked to a share or unit, the Exercise Price and the Average Price; and
- (b) for Warrants over index, the Strike Level and the Closing Level.

Call Warrant

A call Warrant is suitable for an investor holding a bullish view of the price or level of the Underlying Asset during the term of the Warrant.

A call Warrant will be exercised if the Average Price or Closing Level is greater than the Exercise Price or Strike Level (as the case may be). The more the Average Price or Closing Level exceeds the Exercise Price or Strike Level (as the

case may be), the higher the payoff upon expiry. If the Average Price or Closing Level is at or below the Exercise Price or Strike Level (as the case may be), an investor in the call Warrant will lose all of his investment.

Put Warrant

A put Warrant is suitable for an investor holding a bearish view of the price or level of the Underlying Asset during the term of the Warrant.

A put Warrant will be exercised if the Average Price or Closing Level is below the Exercise Price or Strike Level (as the case may be). The more the Average Price or Closing Level is below the Exercise Price or Strike Level (as the case may be), the higher the payoff upon expiry. If the Exercise Price or Strike Level is at or below the Average Price or Closing Level (as the case may be), an investor in the put Warrant will lose all of his investment.

What are the factors determining the price of a derivative warrant?

The price of a warrant generally depends on the prevailing price or level of the Underlying Asset. However, throughout the term of a warrant, its price will be influenced by a number of factors, including:

- (a) the Exercise Price or Strike Level of the warrants;
- (b) the value and volatility of the price or the level of the Underlying Asset (being a measure of the fluctuation in the price or level of the Underlying Asset);
- (c) the time remaining to expiry: generally, the longer the remaining life of the warrant, the greater its value;
- (d) interim interest rates and expected dividend payments or other distributions on the Underlying Asset or on any components comprising the underlying index;
- (e) the liquidity of the Underlying Asset or the futures contracts relating to the underlying index;
- (f) the supply and demand for the warrant;

(g) our related transaction cost; and

(h) our creditworthiness.

What is your maximum loss?

Your maximum loss in Warrants will be limited to your entire investment amount plus any transaction cost.

How can you get information about the warrants after issue?

You may visit the Stock Exchange website at <http://www.hkex.com.hk/eng/prod/secprod/dwrc/dw.htm> to obtain further information on derivative warrants or any notice given by us or the Stock Exchange in relation to our Warrants.

OVERVIEW OF CBBCS

What are CBBCs?

CBBCs are a type of Structured Products that track the performance of an Underlying Asset. CBBCs can be issued on different types of Underlying Assets as prescribed by the Stock Exchange from time to time, including:

- (a) shares listed on the Stock Exchange;
- (b) unit trusts listed on the Stock Exchange;
- (c) Hang Seng Index, Hang Seng China Enterprises Index and Hang Seng China H-Financials Index; and/or
- (d) overseas securities, indices, currencies, commodities (such as oil, gold and platinum) or commodity futures.

A list of eligible Underlying Assets for CBBCs is available on the website of the Stock Exchange at http://www.hkex.com.hk/eng/prod/secprod/cbbc/underlying_latest.htm.

CBBCs are issued either as bull CBBCs or bear CBBCs, allowing you to take either bullish or bearish positions on the Underlying Asset.

Bull CBBCs are designed for investors who have an optimistic view on the Underlying Asset. Bear CBBCs are designed for investors who have a pessimistic view on the Underlying Asset.

CBBCs have a mandatory call feature (the “**Mandatory Call Event**”) and, subject to the limited circumstances set out in the relevant Conditions in which a Mandatory Call Event may be reversed, we must terminate our CBBCs upon the occurrence of a Mandatory Call Event. See “What is the mandatory call feature of CBBCs?” below for further information.

There are 2 categories of CBBCs, namely:

- (a) Category R CBBCs; and
- (b) Category N CBBCs.

Your entitlement following the occurrence of a Mandatory Call Event will depend on the category of the CBBCs. See “Category R CBBCs vs Category N CBBCs” below for further information.

If no Mandatory Call Event occurs, the CBBCs will be exercised automatically on the Expiry Date by payment of a Cash Settlement Amount (if any) on the Settlement Date. The Cash Settlement Amount (if any) payable at expiry represents the difference between the Closing Price/Closing Level of the Underlying Asset on the Valuation Date and the Strike Price/Strike Level. See “Category R CBBCs vs Category N CBBCs” below.

What is the mandatory call features of CBBCs?

Mandatory Call Event

Subject to the limited circumstances set out in the relevant Product Conditions in which a Mandatory Call Event may be reversed, we must terminate the CBBCs if a Mandatory Call Event occurs. A Mandatory Call Event occurs if the Spot Price/Spot Level of the Underlying Asset is:

- (a) at or below the Call Price/Call Level (in the case of a bull CBBC); or
- (b) at or above the Call Price/Call Level (in the case of a bear CBBC),

at any time during the Observation Period.

The Observation Period starts from and includes the Observation Commencement Date of the relevant CBBCs and ends on and includes the Trading Day immediately preceding the Expiry Date.

Subject to the limited circumstances set out in the relevant Product Conditions in which a Mandatory Call Event may be reversed and such modification and amendment as may be prescribed by the Stock Exchange from time to time:

- (a) all trades in the CBBCs concluded via auto-matching or manually after the time of the occurrence of a Mandatory Call Event; and
- (b) where the Mandatory Call Event occurs during a pre-opening session or closing auction session (if applicable), all auction trades in the CBBCs concluded in such session and all manual trades concluded after the end of the pre-order matching period in such session,

will be invalid and will be cancelled, and will not be recognised by us or the Stock Exchange.

The time at which a Mandatory Call Event occurs will be determined by reference to:

- (a) in respect of CBBCs over single equities listed on the Stock Exchange or CBBCs over single unit trusts, the Stock Exchange's automatic order matching and execution system time at which the Spot Price is at or below the Call Price (in the case of a bull CBBC) or is at or above the Call Price (in the case of a bear CBBC); or
- (b) in respect of CBBCs over index, the time the relevant Spot Level is published by the Index Compiler at which the Spot Level is at or below the Call Level (in the case of a bull CBBC) or is at or above the Call Level (in the case of a bear CBBC),

subject to the rules and requirements as prescribed by the Stock Exchange from time to time.

Category R CBBCs vs. Category N CBBCs

The supplemental listing document for the relevant series of CBBCs will specify whether the CBBCs are Category R CBBCs or Category N CBBCs.

“Category R CBBCs” refer to CBBCs for which the Call Price/Call Level is different from their Strike Price/Strike Level. In respect of a series of Category R CBBCs, you may receive a cash payment called the Residual Value upon the occurrence of a Mandatory Call Event. The amount of the Residual Value payable (if any) is calculated by reference to:

- (a) in respect of a series of bull CBBCs, the difference between the Minimum Trade Price/Minimum Index Level of the Underlying Asset and the Strike Price/Strike Level; and
- (b) in respect of a series of bear CBBCs, the difference between the Strike Price/Strike Level and the Maximum Trade Price/Maximum Index Level of the Underlying Asset.

“Category N CBBCs” refer to CBBCs for which the Call Price/Call Level is equal to their Strike

Price/Strike Level. In respect of a series of Category N CBBCs, you will not receive any cash payment following the occurrence of a Mandatory Call Event.

You must read the applicable Conditions and the relevant supplemental listing document to obtain further information on the calculation formula of the Residual Value applicable to Category R CBBCs.

You may lose all of your investment in a particular series of CBBCs if:

- (a) in the case of a series of bull CBBCs, the Minimum Trade Price/Minimum Index Level of the Underlying Asset is equal to or less than the Strike Price/Strike Level; or
- (b) in the case of a series of bear CBBCs, the Maximum Trade Price/Maximum Index Level of the Underlying Asset is equal to or greater than the Strike Price/Strike Level.

How is the funding cost calculated?

The issue price of a series of CBBCs represents the difference between the initial reference spot price/spot level of the Underlying Asset as at the launch date of the CBBC and the Strike Price/Strike Level, plus the applicable funding cost.

The initial funding cost applicable to each series of CBBCs will be specified in the relevant supplemental listing document and will fluctuate throughout the life of the CBBCs as the funding rate changes from time to time. The funding rate is a rate determined by us based on one or more of the following factors, including but not limited to the Strike Price/Strike Level, the prevailing interest rate, the expected life of the CBBCs, expected notional dividends or distributions in respect of the Underlying Asset and the margin financing provided by us.

Further details about the funding cost applicable to a series of CBBCs will be described in the relevant supplemental listing document.

Do you own the Underlying Asset?

CBBCs convey no interest in the Underlying Asset. We may choose not to hold the Underlying Asset or any derivatives contracts linked to the Underlying Asset. There is no restriction through the issue of the CBBCs on the ability of us and/or

our affiliates to sell, pledge or otherwise convey all right, title and interest in any Underlying Asset or any derivatives products linked to the Underlying Asset.

Where can you find the Product Conditions applicable to our CBBCs?

You should review the Product Conditions applicable to each type of the CBBCs before your investment.

The Product Conditions applicable to each type of our CBBCs are set out in Parts A, B and C of Appendix 3 (as may be supplemented by any addendum or the relevant supplemental listing document).

What are the factors determining the price of a series of CBBCs?

The price of a series of CBBCs tend to mirror the movement in the value of the Underlying Asset in dollar value (on the assumption of an entitlement ratio of one CBBC to one unit of the Underlying Asset).

However, throughout the term of a CBBC, its price will be influenced by a number of factors, including:

- (a) the Strike Price/Strike Level and the Call Price/Call Level;
- (b) the likelihood of the occurrence of a Mandatory Call Event;
- (c) for Category R CBBCs only, the probable range of the Residual Value payable upon the occurrence of a Mandatory Call Event;
- (d) the time remaining to expiry;
- (e) the interim interest rates and expected dividend payments or other distributions on the Underlying Asset or on any components comprising the underlying index;
- (f) the supply and demand for the CBBCs;
- (g) the probable range of the Cash Settlement Amounts;
- (h) the liquidity of the Underlying Asset or futures contracts relating to the underlying index;

- (i) our related transaction cost; and
- (j) our creditworthiness.

What is your maximum loss in CBBCs?

Your maximum loss in CBBCs will be limited to your entire investment amount plus any transaction cost.

How can you get information about the CBBCs after issue?

You may visit the Stock Exchange website at <http://www.hkex.com.hk/eng/prod/secprod/cbbc/intro.htm> to obtain further information on CBBCs or any notice given by us or the Stock Exchange in relation to our CBBCs.

INFORMATION ABOUT US

Place of incorporation

The Bank of East Asia, Limited (“**BEA**”) is incorporated in Hong Kong with limited liability.

Profile and activities

Established in 1918, BEA is the largest independent local bank in Hong Kong, with total consolidated assets of HK\$781.4 billion (US\$100.8 billion) as of 31 December, 2015.

BEA is dedicated to helping its customers grow and prosper through the provision of a comprehensive range of corporate banking, personal banking, wealth management, and investment services that it provides to a diverse customer base. Products and services include syndicated loans, trade finance, deposit-taking, foreign currency savings, remittances, mortgage loans, consumer loans, credit cards, Cyberbanking, retail investment and wealth management services, private banking, Renminbi services, foreign exchange margin trading, broking services, Mandatory Provident Fund services, and general and life insurance.

The BEA Group’s subsidiaries further broaden the Bank’s product offering to meet the increasingly diverse and sophisticated needs of a burgeoning customer base. BEA’s wholly-owned subsidiaries, BEA Life Limited and Blue Cross (Asia-Pacific) Insurance Limited, serve as the Bank’s life insurance and general insurance arms, respectively, and provide a comprehensive range of insurance solutions for individual and corporate customers. A global provider of integrated business, corporate, and investor services, Tricor Holding Limited, helps clients build their businesses by offering outsourced expertise in business support functions.

BEA is the operator of one of the largest banking networks in Hong Kong, with 90 branches, 55 SupremeGold Centres, and 9 i-Financial Centres throughout the city. In addition, BEA Group operates more than 125 outlets in Mainland China and maintains an active presence in Southeast Asia, the United Kingdom and the United States.

For more information on the BEA Group, please visit the Bank’s homepage at www.hkbea.com.

Management of BEA

The Board of Directors is the most senior body within BEA with ultimate responsibility for the strategy and management of the company and for the supervision of its executive management.

The following table sets out the 21 members of the Board of Directors as of 29 February, 2016:

Board of Directors	Title
Dr. the Hon. Sir David LI Kwok-po	Chairman & Chief Executive
Professor Arthur LI Kwok-cheung	Non-executive Director (Deputy Chairman)
Dr. Allan WONG Chi-yun	Independent Non-executive Director (Deputy Chairman)
Mr. WONG Chung-hin	Independent Non-executive Director
Mr. Aubrey LI Kwok-sing	Non-executive Director
Mr. Winston LO Yau-lai	Independent Non-executive Director
Tan Sri Dr. KHOO Kay-peng	Independent Non-executive Director
Mr. Richard LI Tzar-kai	Independent Non-executive Director
Mr. Kenneth LO Chin-ming	Independent Non-executive Director

Board of Directors**Title**

Mr. Eric LI Fook-chuen	Non-executive Director
Mr. Stephen Charles LI Kwok-sze	Non-executive Director
Mr. William DOO Wai-hoi	Independent Non-executive Director
Mr. KUOK Khoon-ean	Independent Non-executive Director
Mr. Valiant CHEUNG Kin-piu	Independent Non-executive Director
Dr. Isidro FAINÉ CASAS	Non-executive Director
Dr. Peter LEE Ka-kit	Non-executive Director
Mr. Adrian David LI Man-kiu	Executive Director & Deputy Chief Executive
Mr. Brian David LI Man-bun	Executive Director & Deputy Chief Executive
Mr. Daryl NG Win-kong	Independent Non-executive Director
Mr. Masayuki OKU	Non-executive Director
Dr. Rita FAN HSU Lai-tai	Independent Non-executive Director

RISK FACTORS

Not all of the risk factors described below will be applicable to a particular series of Structured Products. Please consider all risks carefully prior to investing in any Structured Products and consult your professional independent financial adviser and legal, accounting, tax and other advisers with respect to any investment in the Structured Products. Please read the following section together with the risk factors set out in the relevant supplemental listing document.

General risks relating to us

Non-collateralised Structured Products

The Structured Products are not secured on any of our assets or any collateral. Each series of Structured Products constitutes our general unsecured contractual obligations and of no other person and will rank equally with our other unsecured contractual obligations and with our unsecured and unsubordinated debt. At any given time, the number of our Structured Products outstanding may be substantial.

Credit risk

If you purchase our Structured Products, you are relying upon our creditworthiness and have no rights under these products against:

- (a) any company which issues the underlying shares;
- (b) the trustee or the manager of the underlying trust; or
- (c) any index compiler of the underlying index.

As our obligations under the Structured Products are unsecured, we do not guarantee the repayment of your investment in any Structured Product.

If we become insolvent or default on our obligations under the Structured Products, you may not be able to recover all or even part of the amount due under the Structured Products (if any).

Any downgrading of our ratings could result in a reduction in the value of the Structured Products.

No deposit liability or debt obligation

We are obliged to deliver to you the Cash Settlement Amount under the General Conditions and the relevant Product Conditions of each series of Structured Product upon expiry. We do not

intend (expressly, implicitly or otherwise) to create a deposit liability or a debt obligation of any kind by the issue of any Structured Product.

Conflicts of interest

We and our subsidiaries (the “**Group**”) engages in financial activities for our own account or the account of others. The Group, in connection with our other business activities, may possess or acquire material information about the Underlying Assets to which a Structured Product is linked. Such activities may involve or otherwise affect the Underlying Assets in a manner that may cause consequences adverse to you or otherwise create conflicts of interests in connection with the issue of Structured Products by us. Such actions and conflicts may include, without limitation, the purchase and sale of securities and exercise of creditor rights. The Group:

- (a) has no obligation to disclose such information about the Underlying Assets or such activities. The Group and our officers and directors may engage in any such activities without regard to the issue of Structured Products by us or the effect that such activities may directly or indirectly have on any Structured Product;
- (b) may from time to time engage in transactions involving the Underlying Assets for our proprietary accounts and/or for accounts under our management and/or to hedge against the market risk associated with issuing the Structured Products. Such transactions may have a positive or negative effect on the price or level of the Underlying Assets and consequently upon the value of the relevant series of Structured Products;
- (c) may from time to time act in other capacities with regard to the Structured Products, such as in an agency capacity and/or as the liquidity provider; and/or

(d) may issue other derivative instruments in respect of the Underlying Assets and the introduction of such competing products into the market place may affect the value of the relevant series of Structured Products.

General risks in relation to Structured Products

You may lose all your investment in the Structured Products

Structured Products involve a high degree of risk, and are subject to a number of risks which may include interest, time value, market and/or political risks. Structured Products may expire worthless.

Options, warrants and equity linked instruments are priced primarily on the basis of the price or level of the Underlying Asset, the volatility of the Underlying Asset's price or level and the time remaining to expiry of the Structured Product.

The price of Structured Products generally may fall in value as rapidly as they may rise and you should be prepared to sustain a significant or total loss of the purchase price of the Structured Products. Assuming all other factors are held constant, the more the underlying share price, unit price or index level of a Structured Product moves in a direction against you and the shorter its remaining term to expiration, the greater the risk that you will lose all or a significant part of your investment.

"European Style" Structured Products are only exercisable on their respective Expiry Dates and may not be exercised by you prior to the relevant Expiry Date. Accordingly, if on such Expiry Date the Cash Settlement Amount is zero or negative, you will lose the value of your investment.

The risk of losing all or any part of the purchase price of a Structured Product upon expiration means that, in order to recover and realise a return on your investment, you must generally anticipate correctly the direction, timing and magnitude of any change in the price or level of the Underlying Asset specified in the relevant supplemental listing document.

Changes in the price or level of an Underlying Asset can be unpredictable, sudden and large and such changes may result in the price or level of the Underlying Asset moving in a direction which

will negatively impact upon the return on your investment. You therefore risk losing your entire investment if the price or level of the relevant Underlying Asset does not move in the anticipated direction.

The value of the Structured Products may be disproportionate or opposite to the movement in price or level of the Underlying Assets

An investment in Structured Products is not the same as owning the Underlying Assets or having a direct investment in the Underlying Asset. The market values of Structured Products are linked to the relevant Underlying Assets and will be influenced (positively or negatively) by it or them but any change may not be comparable and may be disproportionate. It is possible that while the price or level of the Underlying Assets increases, the value of the Structured Product decreases.

If you intend to purchase any series of Structured Products to hedge against the market risk associated with investing in the Underlying Asset specified in the relevant supplemental listing document, you should recognise the complexities of utilizing Structured Products in this manner. For example, the value of the Structured Products may not exactly correlate with the price or level of the Underlying Asset. Due to fluctuations in supply and demand for Structured Products, there is no assurance that their value will correlate with movements of the Underlying Asset.

Possible illiquidity of secondary market

It is not possible to predict if and to what extent a secondary market may develop in any series of Structured Products and at what price such series of Structured Products will trade in the secondary market and whether such market will be liquid or illiquid. The fact that the Structured Products are listed does not necessarily lead to greater liquidity than if they were not listed.

A lessening of the liquidity of the affected series of Structured Products may cause, in turn, an increase in the volatility associated with the price of such Structured Products.

While we have, or will appoint, a liquidity provider for the purposes of making a market for each series of Structured Products, there may be circumstances outside our control or the appointed liquidity provider's control where the appointed liquidity provider's ability to make a

market in some or all series of Structured Products is limited, restricted, and/or without limitation, frustrated. In such circumstances we will use our best endeavours to appoint an alternative liquidity provider.

Interest rates

Value of the Structured Products in the secondary market may be sensitive to movements in interest rates. A variety of factors influence interest rates such as macro economic, governmental, speculative and market sentiment factors. Such fluctuations may have an impact on the value of the Structured Products at any time prior to valuation of the Underlying Assets relating to the Structured Products.

Time decay

The settlement amount of certain series of Structured Products at any time prior to expiration may be less than the trading price of such Structured Products at that time. The difference between the trading price and the settlement amount will reflect, among other things, a “time value” of the Structured Products. The “time value” of the Structured Products will depend upon, among others, the length of the period remaining to expiration and expectations concerning the range of possible future prices or levels of the Underlying Assets. The value of a Structured Product is likely to decrease over time. Therefore, the Structured Products should not be viewed as products for long term investments.

Taxes

You may be required to pay stamp duty or other taxes or other documentary charges. If you are in doubt as to your tax position, you should consult your own independent tax advisers. In addition, you should be aware that tax regulations and their application by the relevant taxation authorities may change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. See “Do you need to pay any Hong Kong tax?” in the section headed “Important Information” on page 2 for further information.

Modification to the Conditions

Under the Conditions, we may, without your consent, effect any modification of the terms and conditions applicable to the Structured Products or the Instrument which, in our opinion is:

- (a) not materially prejudicial to the interests of the holder of the Structured Products generally (without considering the circumstances of any individual holder or the tax or other consequences of such modification in any particular jurisdiction);
- (b) of a formal, minor or technical nature;
- (c) made to correct a manifest error; or
- (d) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Possible early termination for illegality or impracticability

If we determine in good faith and in a commercially reasonable manner that, for reasons beyond our control, it has become or it will become illegal or impracticable:

- (a) for us to perform our obligations under the Structured Products in whole or in part as a result of (i) the adoption of or any change in any relevant law or regulation or (ii) the promulgation of, or any change, in the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation, (each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for us or our affiliates to maintain our hedging arrangements with respect to the Structured Product due to a Change in Law Event,

we may terminate early such Structured Products. If we terminate early the Structured Products, we will, if and to the extent permitted by applicable law, pay an amount determined by us in good faith and in commercially reasonable manner to be the fair market value notwithstanding the

illegality or impracticability less the cost to us of unwinding any related hedging arrangements. Such amount may be substantially less than your initial investment and may be zero.

Exchange rate risk

There may be an exchange rate risk in the case of cash settled Structured Products where the Cash Settlement Amount will be converted from a foreign currency into the Settlement Currency. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation. Fluctuations in foreign exchange rates, foreign political and economic developments and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Structured Products. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies.

Risks in relation to the Underlying Asset

You have no right to the Underlying Asset

Unless specifically indicated in the Conditions, you will not be entitled to any:

- (a) voting rights or rights to receive dividends or other distributions or any other rights that a holder of the underlying shares or units would normally be entitled to; or
- (b) voting rights or rights to receive dividends or other distributions or any other rights with respect to any company constituting any underlying index.

Valuation risk

An investment in Structured Products may involve valuation risk with regards to the Underlying Asset to which the particular series of Structured Products relate. The price or level of the Underlying Asset may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions,

macro economic factors, speculation and, where the Underlying Asset is an index, changes in the formula for or the method of calculating the index.

You must be experienced with dealings in these types of Structured Products and must understand the risks associated with dealings in such products. You should reach an investment decision only after careful consideration, with your advisers, of the suitability of any Structured Product in light of your particular financial circumstances, the information regarding the relevant Structured Product and the particular Underlying Asset to which the value of the relevant Structured Product relates.

Adjustment related risk

Certain events relating to the Underlying Asset require or, as the case may be, permit us to make certain adjustments or amendments to the Conditions. You have limited anti-dilution protection under the Conditions of the Structured Products. We may, in our sole and absolute discretion, adjust, among other things, the Entitlement, the Exercise Price, the Strike Level or any other terms (including without limitation the closing price or the closing level of the Underlying Asset) of any series of Structured Product. However, we are not required to make an adjustment for every event that may affect an Underlying Asset, in which case the market price of the Structured Product and the return upon the expiry of the Structured Product may be affected.

In the case of Structured Products which relate to an index, the level of the index may be published by the index compiler at a time when one or more shares comprising the index are not trading. If this occurs on the Valuation Date but such occurrence does not constitute a Market Disruption Event under the Conditions, then the value of such share(s) may not be included in the level of the index. In addition, certain events relating to the index (including a material change in the formula or the method of calculating the index or a failure to publish the index) permit us to determine the level of the index on the basis of the formula or method last in effect prior to such change in formula or method.

Suspension of trading

Prior to the Expiry Date, if trading or dealing in the Underlying Assets is suspended on the Stock Exchange, trading or dealing in the relevant series of Structured Product will be suspended for a similar period. The value of the Structured Products will decrease over time as the length of the period remaining to expiration becomes shorter. You should note that in the case of a prolonged suspension period, the market price of the Structured Products may be subject to a significant impact of time decay of such prolonged suspension period and may fluctuate significantly upon resumption of trading after the suspension period of the Structured Products. This may adversely affect your investment in the Structured Products.

Delay in settlement

Unless otherwise specified in the relevant Conditions, in the case of any expiry of Structured Products, there may be a time lag between the date on which the Structured Products expire and the time the applicable settlement amount relating to such event is determined. Any such delay between the time of expiry and the determination of the settlement amount will be specified in the relevant Conditions.

However, such delay could be significantly longer, particularly in the case of a delay in the expiry of such Structured Products arising from a determination by us that a Market Disruption Event, Settlement Disruption Event or delisting of a company has occurred at any relevant time or that adjustments are required in accordance with the Conditions.

The applicable settlement amount may change significantly during any such period, and such movement or movements could decrease or modify the settlement amount of the Structured Products.

You should note that in the event of a Settlement Disruption Event or a Market Disruption Event, payment of the Cash Settlement Amount may be delayed as more fully described in the Product Conditions.

Risks relating to Structured Products over trusts

General risks

In the case of Structured Products which relate to units of a trust:

- (a) we and our affiliates do not have the ability to control or predict the actions of the trustee or the manager of the relevant trust. Neither the trustee nor the manager of the relevant trust (i) is involved in the offer of any Structured Product in any way, or (ii) has any obligation to consider the interests of the holders of any Structured Product in taking any corporate actions that might affect the value of any Structured Product; and
- (b) we have no role in the relevant trust. The manager of the relevant trust is responsible for making strategic, investment and other trading decisions with respect to the management of the relevant trust consistent with its investment objectives and in compliance with the investment restrictions as set out in the constitutive documents of the relevant trust. The manner in which the relevant trust is managed and the timing of the manager's actions may have a significant impact on the performance of the relevant trust. Hence, the market price of the relevant units is also subject to these risks.

Exchange traded funds

In the case of Structured Products linked to units of an exchange traded fund (“ETF”), you should note that:

- (a) an ETF is exposed to the economic, political, currency, legal and other risks of a specific sector or market related to the underlying asset pool or index or market that the ETF is designed to track;
- (b) there may be disparity between the performance of the ETF and the performance of the underlying asset pool or index or market that the ETF is designed to track as a result of, for example, failure of the tracking strategy, currency differences, fees and expenses; and

(c) where the underlying asset pool or index or market that the ETF tracks is subject to restricted access, the efficiency in the unit creation or redemption to keep the price of the ETF in line with its net asset value may be disrupted, causing the ETF to trade at a higher premium or discount to its net asset value. Hence, the market price of the Structured Products will also be indirectly subject to these risks.

Synthetic exchange traded funds

Additionally, where the Underlying Asset comprises the units of an ETF adopting a synthetic replication investment strategy to achieve its investment objectives by investing in financial derivative instruments linked to the performance of an underlying asset pool or index that the ETF is designed to track (“**Synthetic ETF**”), you should note that:

- (a) investments in financial derivative instruments will expose the Synthetic ETF to the credit, potential contagion and concentration risks of the counterparties who issued such financial derivative instruments. As such counterparties are predominantly international financial institutions, the failure of one such counterparty may have a negative effect on other counterparties of the Synthetic ETF. Even if the Synthetic ETF has collateral to reduce the counterparty risk, there may still be a risk that the market value of the collateral has fallen substantially when the Synthetic ETF seeks to realise the collateral; and
- (b) the Synthetic ETF may be exposed to higher liquidity risk if the Synthetic ETF invests in financial derivative instruments which do not have an active secondary market.

The above risks may have a significant impact on the performance of the relevant ETF or Synthetic ETF and hence the market price of Structured Products linked to such ETF or Synthetic ETF.

RQFII A-share ETF (“RQFII ETF”)

An RQFII ETF is issued and traded outside Mainland China with direct investment in the Mainland China’s A-share markets through the Renminbi Qualified Foreign Institutional Investor

(“**RQFII**”) regime. Where the Underlying Asset comprises the units of an RQFII ETF, you should note that, amongst others:

- (a) the novelty and untested nature of an RQFII ETF make it riskier than traditional ETFs investing directly in more developed markets. The policy and rules for RQFII prescribed by the Mainland China government are new and subject to change, and there may be uncertainty to its implementation. The uncertainty and change of the laws and regulations in Mainland China may adversely impact on the performance of the relevant trust and the trading price of the relevant units;
- (b) as disclosed in its offering documents, an RQFII ETF primarily invests in securities traded in the Mainland China’s A-share markets and is subject to concentration risk. Investment in the Mainland China’s A-share markets (which are inherently stock markets with restricted access) involves certain risks and special considerations as compared with investment in more developed economies or markets, such as greater political, tax, economic, foreign exchange, liquidity and regulatory risks. The operation of an RQFII ETF may also be affected by interventions by the applicable government(s) and regulators in the financial markets; and
- (c) an RQFII ETF will utilize its manager’s RQFII quota allocated to such fund under the RQFII regime. In the event that RQFII quota allocated to the RQFII ETF is reached and the manager is unable to acquire additional RQFII quota for the RQFII ETF, the manager may need to suspend creation of further units of the RQFII ETF, and therefore may affect liquidity in unit trading of the RQFII ETF. In such event, the trading price of a unit of the RQFII ETF is likely to be at a significant premium to its net asset value, and may be highly volatile.

The above risks may have a significant impact on the performance of the relevant units and the price of the Structured Products.

Please read the offering documents of the relevant RQFII ETF to understand its key features and risks.

RQFII ETF traded through dual counters model

Where the Underlying Asset comprises the units of an RQFII ETF which adopts the dual counters model for trading its units on the Stock Exchange in Renminbi (“**RMB**”) and Hong Kong dollars (“**HKD**”) separately, the novelty and relatively untested nature of the Stock Exchange’s dual counters model may bring the following additional risks:

- (a) the Structured Products may be linked to the HKD-traded units or the RMB-traded units. If the Underlying Asset is the HKD-traded units, movements in the trading prices of the RMB-traded units should not directly affect the price of the Structured Products. Similarly, if the Underlying Asset is the RMB-traded units, movements in the trading prices of the HKD-traded units should not directly affect the price of the Structured Products;
- (b) if there is a suspension of inter-counter transfer of such units between the HKD counter and the RMB counter for any reason, such units will only be able to be traded in the relevant currency counter on the Stock Exchange, which may affect the demand and supply of such units and have an adverse effect on the price of the Structured Products; and
- (c) the trading price on the Stock Exchange of the HKD-traded units and RMB-traded units may deviate significantly due to different factors, such as market liquidity, RMB conversion risk, supply and demand in each counter and the exchange rate between RMB and HKD. Changes in the trading price of the Underlying Asset in HKD or RMB (as the case may be) may adversely affect the price of the Structured Products.

Real estate investment trust (“REIT”)

Where the Underlying Asset comprises the units of a REIT, you should note that the investment objective of a REIT is to invest in a real estate portfolio. Each REIT is exposed to risks relating to investments in real estate, including but not limited to (a) adverse changes in political or economic conditions; (b) changes in interest rates and the availability of debt or equity financing, which may result in an inability by the REIT to maintain or improve the real estate portfolio and

finance future acquisitions; (c) changes in environmental, zoning and other governmental rules; (d) changes in market rents; (e) any required repair and maintenance of the portfolio properties; (f) breach of any property laws or regulations; (g) the relative illiquidity of real estate investment; (h) real estate taxes; (i) any hidden interests in the portfolio properties; (j) any increase in insurance premiums and (k) any uninsurable losses.

There may also be disparity between the market price of the units of a REIT and the net asset value per unit. This is because the market price of the units of a REIT also depends on many factors, including but not limited to (a) the market value and perceived prospects of the real estate portfolio; (b) changes in economic or market conditions; (c) changes in market valuations of similar companies; (d) changes in interest rates; (e) the perceived attractiveness of the units of the REIT against those of other equity securities; (f) the future size and liquidity of the market for the units and the REIT market generally; (g) any future changes to the regulatory system, including the tax system and (h) the ability of the REIT to implement its investment and growth strategies and to retain its key personnel.

The above risks may have a significant impact on the performance of the relevant units and the price of the Structured Products.

Risk relating to CBBCs

Correlation between the price of a CBBC and the price/level of the Underlying Asset

When the Underlying Asset of a CBBC is trading at a price/level close to its Call Price/Call Level, the price of that CBBC tends to be more volatile and any change in the value of that CBBC at such time may be incomparable and disproportionate to the change in the price/level of the Underlying Asset.

Mandatory Call Event is irrevocable except in limited circumstances

A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

- (a) system malfunction or other technical errors of HKEX (such as the setting up of wrong Call Price/Call Level and other parameters),

and such event is reported by the Stock Exchange to us and we and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or

- (b) manifest errors caused by the relevant third party price source where applicable (such as miscalculation of the index level by the relevant index compiler), and such event is reported by us to the Stock Exchange and we and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked,

in each case, such mutual agreement must be reached between the Stock Exchange and us no later than such time as prescribed in the relevant supplemental listing document. Upon revocation of the Mandatory Call Event, trading of the CBBCs will resume and any trade cancelled after such Mandatory Call Event will be reinstated.

Non-recognition of Post MCE Trades

The Stock Exchange and its recognised exchange controller, HKEX, shall not incur any liability (whether based on contract, tort (including, without limitation, negligence), or any other legal or equitable grounds and without regard to the circumstances giving rise to any purported claim except in the case of wilful misconduct on the part of the Stock Exchange and/or HKEX) for any direct, consequential, special, indirect, economic, punitive, exemplary or any other loss or damage suffered or incurred by us or any other party arising from or in connection with the Mandatory Call Event or the suspension of trading (“**Trading Suspension**”) or the non-recognition of trades after a Mandatory Call Event (“**Non-Recognition of Post MCE Trades**”), including without limitation, any delay, failure, mistake or error in the Trading Suspension or Non-Recognition of Post MCE Trades.

We and our affiliates shall not have any responsibility towards you for any losses suffered as a result of the Trading Suspension and/or Non-Recognition of Post MCE Trades in connection with the occurrence of a Mandatory Call Event, notwithstanding that such Trading Suspension or Non-Recognition of Post MCE Trades may have occurred as a result of an error in the observation of the event.

Residual Value will not include residual funding cost

For Category R CBBCs, the Residual Value (if any) payable by us following the occurrence of a Mandatory Call Event will not include the residual funding cost for the CBBCs. You will not receive any residual funding cost back from us upon early termination of a Category R CBBC following the occurrence of a Mandatory Call Event.

Delay in announcements of a Mandatory Call Event

The Stock Exchange will notify the market as soon as practicable after the CBBC has been called. You must however be aware that there may be delay in the announcements of a Mandatory Call Event due to technical errors or system failures and other factors that are beyond our control or the control of the Stock Exchange.

Our hedging activities may adversely affect the price/level of the Underlying Asset

We and/or any of our affiliates may carry out activities that minimise our risks related to the CBBCs, including effecting transactions for our own account or for the account of our customers and hold long or short positions in the Underlying Asset whether for risk reduction purposes or otherwise. In addition, in connection with the offering of any CBBCs, we and/or any of our affiliates may enter into one or more hedging transactions with respect to the Underlying Asset. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by us and/or any of our affiliates, we and/or any of our affiliates may enter into transactions in the Underlying Asset which may affect the market price, liquidity or price/level of the Underlying Asset and/or the value of CBBCs and which could be deemed to be adverse to your interests. We and/or our affiliates are likely to modify our hedging positions throughout the life of the CBBCs whether by effecting transactions in the Underlying Asset or in derivatives linked to the Underlying Asset. Further, it is possible that the advisory services which we and/or our affiliates provide in the ordinary course of our business could lead to an adverse impact on the value of the Underlying Asset.

Unwinding of hedging arrangements

The trading and/or hedging activities of us or our affiliates related to CBBCs and/or other financial instruments issued by us from time to time may have an impact on the price/level of the Underlying Asset and may trigger a Mandatory Call Event. In particular, when the Underlying Asset is trading close to the Call Price/Call Level, our unwinding activities may cause a fall or rise (as the case may be) in the trading price/level of the Underlying Asset, leading to a Mandatory Call Event as a result of such unwinding activities.

In respect of Category N CBBCs, we or our affiliates may unwind any hedging transactions entered into by us in relation to the CBBCs at any time even if such unwinding activities may trigger a Mandatory Call Event.

In respect of Category R CBBCs, before the occurrence of a Mandatory Call Event, we or our affiliates may unwind our hedging transactions relating to the CBBCs in proportion to the amount of the CBBCs we repurchase from time to time. Upon the occurrence of a Mandatory Call Event, we or our affiliates may unwind any hedging transactions in relation to the CBBCs. Such unwinding activities after the occurrence of a Mandatory Call Event may affect the trading price/level of the Underlying Asset and consequently the Residual Value for the CBBCs.

Risks relating to the legal form of the Structured Products

Each series of Structured Products will be represented by a global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by HKSCC from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS).

Structured Product issued in global registered form held on your behalf within a clearing system effectively means evidence of your title and efficiency of ultimate delivery of the Cash Settlement Amount will be subject to the CCASS Rules. Amongst the risks, you should note that:

- (a) you will not receive any definitive certificates where the Structured Product is to remain in the name of HKSCC Nominees Limited for its entire life;

- (b) any register that is maintained by us or on our behalf, while available for inspection by you, will not be capable of registering any interests other than that of the legal title owner, in other words, it will record at all times that the Structured Products are being held by HKSCC Nominees Limited;
- (c) you will have to rely solely upon your broker/custodians and the statements you receive from such party as evidence of your interests in the investment;
- (d) notices or announcements will be published on the HKEX website and/or released by HKSCC to its participants via CCASS. You will need to check the HKEX website regularly and/or rely on your brokers/custodians to obtain such notices/announcements; and
- (e) following the Expiry Date and the determination by us of the Cash Settlement Amount (if any), our obligations to you will be duly fulfilled by payment of the Cash Settlement Amount (if any) to HKSCC Nominees Limited as the “holder” of the Structured Products in accordance with the Conditions. HKSCC or HKSCC Nominees Limited will then distribute the received Cash Settlement Amount to the respective CCASS participants in accordance with the CCASS Rules.

Payments made by us to certain holders with respect to the Structured Products may be subject to United States withholding tax under the United States Foreign Account Tax Compliance Act.

The Foreign Account Tax Compliance Act (“**FATCA**”) generally imposes a 30 per cent. United States withholding tax on certain United States source payments, including interest (and original issue discount), dividends (and “dividend equivalent” payments), or other fixed or determinable annual or periodical gain, profits, and income, and on the gross proceeds from a disposition of property of a type which can produce United States source interest or dividends (“**Withholdable Payments**”), if paid to a foreign financial institution (including amounts paid to a foreign financial institution on behalf of a holder), unless such institution enters into an agreement with the U.S. Treasury to collect and provide to the U.S. Treasury substantial information regarding United States account

holders (including certain account holders that are foreign entities with United States owners) with such institution, or such institution otherwise complies with its obligations under FATCA. A Structured Product may constitute an account for these purposes. FATCA also generally imposes a withholding tax of 30 per cent. on Withholdable Payments made to a nonfinancial foreign entity unless such entity provides the withholding agent with a certification that it does not have any substantial United States owners or a certification identifying the direct and indirect substantial United States owners of the entity, or otherwise establishes an exemption.

In addition, under FATCA, “passthru payments” made by a foreign financial institution to “recalcitrant holders” or noncompliant foreign financial institutions are subject to a 30 per cent. United States withholding tax. A “recalcitrant holder” generally is a holder of an account with a foreign financial institution that fails to comply with certain requests for information that will help enable the relevant foreign financial institution to comply with its obligations under FATCA (a Structured Product may constitute an account for these purposes). Pursuant to U.S. Treasury regulations, a passthru payment is any Withholdable Payment and any “foreign passthru payment”, which has yet to be defined.

If we determine that withholding is appropriate with respect to the Structured Products, we (or an applicable withholding agent) would be entitled to withhold taxes at the applicable statutory rate without being required to pay any additional amounts with respect to amounts so withheld.

Effect of the combination of risk factors unpredictable

Two or more risk factors may simultaneously have an effect on the value of a series of Structured Products such that the effect of any individual risk factor may not be predictable. No assurances can be given as to the effect any combination of risk factors may have on the value of a series of Structured Products.

UNITED STATES TAXATION

The Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act (“**FATCA**”) (Sections 1471 through 1474 of the Code) generally imposes a 30 per cent. United States withholding tax on certain United States source payments, including interest (and original issue discount), dividends (and “dividend equivalent” payments), or other fixed or determinable annual or periodical gain, profits, and income, and on the gross proceeds from a disposition of property of a type which can produce United States source interest or dividends (“**Withholdable Payments**”), if paid to a foreign financial institution (including amounts paid to a foreign financial institution on behalf of a holder), unless such institution enters into an agreement with the U.S. Treasury to collect and provide to the U.S. Treasury substantial information regarding United States account holders (including certain account holders that are foreign entities with United States owners) with such institution, or such institution otherwise complies with its obligations under FATCA. A Structured Product may constitute an account for these purposes. FATCA also generally imposes a withholding tax of 30 per cent. on Withholdable Payments made to a nonfinancial foreign entity unless such entity provides the withholding agent with a certification that it does not have any substantial United States owners or a certification identifying the direct and indirect substantial United States owners of the entity, or otherwise establishes an exemption. Under certain circumstances, a holder may be eligible for refunds or credits of such taxes.

In addition, under FATCA, “passthru payments” made by a foreign financial institution to “recalcitrant holders” or noncompliant foreign financial institutions are subject to a 30 per cent. United States withholding tax. A “recalcitrant holder” generally is a holder of an account with a foreign financial institution that fails to comply with certain requests for information that will help enable the relevant foreign financial institution to comply with its obligations under FATCA (a Structured Product may constitute an account for these purposes). Pursuant to U.S. Treasury regulations, a passthru payment is any Withholdable Payment and any “foreign passthru payment”, which has yet to be defined.

Under the current United States Treasury regulations and related guidance, the 30 per cent. United States withholding tax on “recalcitrant holders” or noncompliant foreign financial institutions generally may be imposed on “foreign passthru payments” made by us with respect to the Structured Products after the later of (i) 31 December 2018 or (ii) the date of publication in the U.S. Federal Register of final regulations defining the term “foreign passthru payment.” However, payments on an obligation will not be treated as “foreign passthru payments” if such obligation is outstanding on or before the date that is six months after the date on which final regulations defining the term “foreign passthru payment” are filed with the U.S. Federal Register.

If we determine that withholding is appropriate with respect to the Structured Products, we (or an applicable withholding agent) would be entitled to withhold taxes at the applicable statutory rate without being required to pay any additional amounts with respect to amounts so withheld.

Foreign financial institutions and nonfinancial foreign entities located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules. Holders are urged to consult with their own tax advisors regarding the possible implications of FATCA on their investment in the Structured Products.

The above summary only applies to you if you are a Non-U.S. Holder. You are a Non-U.S. Holder unless you are: (1) an individual citizen or resident of the United States; (2) a corporation, partnership or other entity (excluding a trust) that is formed or organized under the laws of the United States or any political subdivision of the United States (or is taxable as an entity so formed or organized); (3) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; (4) a trust that is subject to the jurisdiction of a U.S. court and for which one or more “United States persons” (as defined in the U.S. Internal Revenue Code) control all of the substantial decisions, or has otherwise made an appropriate election under the U.S. tax regulations.

APPENDIX 1
GENERAL CONDITIONS OF STRUCTURED PRODUCTS

These General Conditions relate to each series of Structured Products and must be read in conjunction with, and are subject to, the relevant Product Conditions set out in Appendix 2 and Appendix 3 to this Base Listing Document and the supplemental terms and conditions contained in the Supplemental Listing Document in relation to the particular series of Structured Products. These General Conditions and the relevant Product Conditions together constitute the Conditions of the relevant Structured Products, and will be endorsed on the Global Certificate representing the relevant Structured Products. The Supplemental Listing Document in relation to the issue of any series of Structured Products may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these General Conditions and the relevant Product Conditions, replace or modify these General Conditions and the relevant Product Conditions for the purpose of such series of Structured Products.

1. Definitions

“**Base Listing Document**” means the base listing document relating to Structured Products dated 6 April 2016 and issued by the Issuer (including any addenda to such base listing document issued by the Issuer from time to time);

“**Board Lot**” has the meaning given to it in the relevant Supplemental Listing Document;

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“**CCASS**” means the Central Clearing and Settlement System established and operated by the HKSCC;

“**CCASS Rules**” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“**CCASS Settlement Day**” has the meaning ascribed to the term “Settlement Day” in the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time, subject to such modification and amendment prescribed by HKSCC from time to time.

“**Conditions**” means, in respect of a particular series of Structured Products, these General Conditions and the applicable Product Conditions;

“**Designated Bank Account**” means the relevant bank account designated by each Holder;

“**Exercise Expenses**” means, in respect of each series of Structured Products, any charges or expenses (including any taxes or duties) which are incurred in respect of the exercise of a Board Lot of Structured Products;

“**Expiry Date**” means the date specified as such in the relevant Supplemental Listing Document;

“**General Conditions**” means these general terms and conditions. These General Conditions apply to each series of Structured Products;

“**Global Certificate**” means, in respect of the relevant Structured Products, a global certificate registered in the name of the Nominee;

“**HKSCC**” means Hong Kong Securities Clearing Company Limited;

“**Holder**” means, in respect of each series of Structured Products, each person who is for the time being shown in the Register as the holder of the Structured Products, and such person shall be treated by the Issuer as the absolute owner and holder of the Structured Products;

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“**Index**” means the index specified as such in the relevant Supplemental Listing Document in respect of each series of Structured Products;

“**Instrument**” means an instrument dated 22 July 2010 (as amended, supplemented or replaced from time to time) executed by the Issuer by way of deed poll pursuant to which the Issuer creates and grants to the Holders certain rights in relation to the Structured Products;

“**Issuer**” means The Bank of East Asia, Limited;

“**Listing Date**” means the date specified as such in the relevant Supplemental Listing Document and on which dealing of the Structured Products on the Stock Exchange commences;

“**Nominee**” means HKSCC Nominees Limited (or such other nominee company as may be used by HKSCC from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS);

“**Product Conditions**” means, in respect of each series of Structured Products, the product specific terms and conditions that apply to that particular series of Structured Products;

“**Register**” means, in respect of each series of Structured Products, the register of the Holders of such series of Structured Products kept by the Issuer outside Hong Kong;

“**Settlement Currency**” means the currency specified as such in the relevant Supplemental Listing Document;

“**Settlement Disruption Event**” means an event which is beyond the control of the Issuer and as a result of which, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date;

“**Share**” means the share specified as such in the relevant Supplemental Listing Document in respect of each series of Structured Products;

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited;

“**Structured Products**” means derivative warrants (“**Warrants**”), callable bull/bear contracts (“**CBBCs**”) or such other structured products to be issued by the Issuer from time to time. References to “**Structured Products**” are to be construed as references to a particular series of Structured Products and, unless the context otherwise requires, any further structured products issued pursuant to General Condition 8; and

“**Supplemental Listing Document**” means the supplemental listing document relating to a particular series of Structured Products.

Other capitalised terms will, unless otherwise defined, have the meanings given to them in the Base Listing Document, the relevant Product Conditions, the relevant Supplemental Listing Document and/or the Global Certificate.

2. Form, Status, Transfer and Additional Costs and Expenses

2.1 Form

The Structured Products are issued in registered form subject to and with the benefit of the Instrument. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Instrument. A copy of the Instrument is available for inspection at the offices of the Issuer.

The Structured Products are represented by a Global Certificate. No definitive certificate will be issued. The Structured Products can only be exercised by the Nominee.

2.2 Status of the Issuer's obligations

The settlement obligation of the Issuer in respect of the Structured Products represents general unsecured contractual obligations of the Issuer and of no other person which rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated contractual obligations of the Issuer, except for obligations accorded preference by mandatory provisions of applicable law.

Structured Products represent general contractual obligations of the Issuer, and are not, nor is it the intention (expressed, implicit or otherwise) of the Issuer to create by the issue of Structured Products deposit liabilities of the Issuer or a debt obligation of any kind.

2.3 Transfer of Structured Products

Transfers of Structured Products may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the CCASS Rules.

2.4 Additional Costs and Expenses

Holders shall be responsible for additional costs and expenses in connection with any exercise of the Structured Products including the Exercise Expenses which amount shall, subject to the General Condition 3.2 and to the extent necessary, be payable to the Issuer and collected from the Holders.

3. Rights and Exercise Expenses relating to the Structured Products

3.1 Entitlement of Holders

Every Board Lot initially entitles the Holders, upon due exercise or early expiration (as the case may be) and upon compliance with these General Conditions and the applicable Product Conditions, the rights to receive payment of the Cash Settlement Amount, if any.

3.2 Holders responsible for Exercise Expenses

Upon exercise or early expiration of a particular series of Structured Products, the Holders of such series will be required to pay a sum equal to all the expenses resulting from the exercise or early expiration of such Structured Products. To effect such payment an amount equivalent to the Exercise Expenses shall be deducted from the Cash Settlement Amount in accordance with the applicable Product Conditions.

4. Purchase

The Issuer or any of its subsidiaries may at any time purchase Structured Products at any price in the open market or by tender or by private treaty. Any Structured Products so purchased may be held or resold or surrendered for cancellation.

5. Global Certificate

A Global Certificate representing the Structured Products will be deposited with CCASS in the name of the Nominee. The Global Certificate must be executed manually on behalf of the Issuer by authorised person(s) or attorney(s) of the Issuer.

6. Meetings of Holders and Modification

6.1 Meetings of Holders

The Instrument contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Instrument) of a modification of the provisions of the Structured Products or of the Instrument.

Any resolution to be passed in a meeting of the Holders shall be decided by poll. A meeting may be convened by the Issuer or by Holders holding not less than 10 per cent. of the Structured Products for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Structured Products for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Holders whatever the number of Structured Products so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Holders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all Holders, whether or not they are present at the meeting.

Resolutions can be passed in writing without a meeting of the Holders being held if passed unanimously.

6.2 Modification

The Issuer may, without the consent of the Holders, effect any modification of the terms and conditions of the Structured Products or the Instrument which, in the opinion of the Issuer, is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holders or the tax or other consequences of such modification in any particular jurisdiction);
- (b) of a formal, minor or technical nature;
- (c) made to correct a manifest error; or
- (d) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Any such modification shall be binding on the Holders and shall be notified to them by the Issuer as soon as practicable thereafter in accordance with General Condition 7.

7. Notices

All notices to the Holders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. The Issuer shall not be required to despatch copies of the notice to the Holders.

8. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Holders, to create and issue further structured products so as to form a single series with the Structured Products.

9. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under the Conditions will be made in good faith and in a commercially reasonable manner.

10. Governing Law

The Structured Products and the Instrument are governed by and construed in accordance with the laws of Hong Kong. The Issuer and each Holder (by its purchase of the Structured Products) submit for all purposes in connection with the Structured Products and the Instrument to the non-exclusive jurisdiction of the courts of Hong Kong.

11. Language

A Chinese translation of these Conditions will be made available for collection during normal office hours from the Issuer at 10 Des Voeux Road Central, Hong Kong. In the event of any inconsistency between the Chinese translation and the English version of these Conditions, the English version of these Conditions prevails.

12. Prescription

Claims against the Issuer for payment of any amount in respect of the relevant Structured Products will become void unless made within ten years of the Expiry Date or the end of the MCE Valuation Period (as the case may be) and thereafter, any sums payable in respect of such Structured Products shall be forfeited and shall revert to the Issuer.

13. Illegality or Impracticability

The Issuer is entitled to terminate the Structured Products if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the Structured Products in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change, in the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the Structured Products due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Structured Products held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with General Condition 7.

14. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to the Conditions has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the Structured Products.

APPENDIX 2
PRODUCT CONDITIONS OF WARRANTS

The following pages set out the Product Conditions in respect of different types of Warrants.

	Page
PART A — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER SINGLE EQUITIES	29
PART B — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER INDEX	36
PART C — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER UNIT TRUSTS	41

PART A
PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER SINGLE EQUITIES

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants.

1. Definitions

For the purposes of these Product Conditions:

“**Average Price**” means the arithmetic mean of the closing prices of one Share (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustment to such closing prices as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) in respect of each Valuation Date;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount payable in the Settlement Currency calculated by the Issuer in accordance with the following formula:

(a) In the case of a series of Call Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Average Price} - \text{Exercise Price}) \times \text{one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

(b) In the case of a series of Put Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Exercise Price} - \text{Average Price}) \times \text{one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Company**” means the company specified as such in the relevant Supplemental Listing Document;

“**Entitlement**” means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Exercise Price**” means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Market Disruption Event**” means:

(a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in:

(i) the Shares; or

- (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or

- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“**Product Conditions**” means these product terms and conditions. These Product Conditions apply to each series of cash settled Warrants over single equities;

“**Settlement Date**” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

“**Share**” means the share specified as such in the relevant Supplemental Listing Document; and

“**Valuation Date**” means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date.

For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Shares on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

- (i) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

Trading in Warrants on the Stock Exchange shall cease prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Supplemental Listing Document or the Global Certificate.

2. Exercise of Warrants

2.1 Exercise of warrants in Board Lots

The Warrants may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

The Warrants will be deemed to be automatically exercised on the Expiry Date (without notice given to the Holders) if the Issuer determines that the Cash Settlement Amount is positive. The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount.

2.3 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer on the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 2, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

2.4 Record in the Register

Upon automatic exercise of the Warrants on the Expiry Date of the Warrants in accordance with the Conditions, or in the event the Warrants have expired worthless, the Issuer will, with effect from the first Business Day following the Expiry Date, remove the names of each Holder from the Register in respect of the number of relevant Warrants which are the subject of the automatic exercise or the number of relevant Warrants which have expired worthless, as the case may be, and thereby cancel the relevant Warrants and the Global Certificate.

2.5 Cash Settlement

Upon the automatic exercise of Warrants in accordance with the Conditions, the Issuer will pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date, by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

Upon the occurrence of a Settlement Disruption Event, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with this Product Condition 2.5.

3. Adjustments

Adjustments may be made by the Issuer to the number of Shares to which the Warrants relate on the basis of the following provisions:

3.1 Rights Issues

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement (“**Rights Issue Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price being the closing price of an existing Share as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Shares are traded on a Cum-Rights basis

R: Subscription price per new Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

3.2 Bonus Issues

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

Adjustment Component = $1 + N$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of Shares for each Share held prior to the Bonus Issue,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Bonus Issue Adjustment Date.

3.3 *Subdivisions and Consolidations*

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) takes effect.

3.4 *Restructuring Events*

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion) so that the Warrants shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event, and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as

practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

3.5 Cash Distribution

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share’s closing price as derived from the daily quotation sheet of the Stock Exchange on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the Share as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Share

OD: The amount of Ordinary Dividend per Share, provided that the Ordinary Dividend and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Dividend and Cash Distribution are different

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Cash Distribution Adjustment Date.

3.6 Other Adjustments

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.7 Notice of Determinations

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with General Condition 7.

4. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose. In the case of voluntary liquidation, the unexercised Warrants will lapse and shall cease to be valid on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

5. Delisting

5.1 Adjustments following delisting

If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Product Conditions in such manner and make such adjustments and amendments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the circumstances of any individual Holder or the tax or other consequences that may result in any particular jurisdiction).

5.2 Listing on another exchange

Without prejudice to the generality of Product Condition 5.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of the Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

5.3 Adjustments binding

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7 as soon as practicable after they are determined.

PART B
PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER INDEX

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants.

1. Definitions

For the purposes of these Product Conditions:

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (I) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (II) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

(a) In the case of a series of Call Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Closing Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

(b) In the case of a series of Put Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Strike Level} - \text{Closing Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Closing Level**” means the level specified as such in the relevant Supplemental Listing Document;

“**Divisor**” means the number specified as such in the relevant Supplemental Listing Document;

“**Exchange Rate**” means the rate specified as such in the relevant Supplemental Listing Document;

“**First Exchange Rate**” means the rate specified as such in the relevant Supplemental Listing Document;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Index**” means the index specified as such in the relevant Supplemental Listing Document;

“**Index Compiler**” means the index compiler specified as such in the relevant Supplemental Listing Document;

“**Index Business Day**” means a day on which the Index Exchange is scheduled to open for trading for its regular trading sessions;

“**Index Currency Amount**” has the meaning given to it in the relevant Supplemental Listing Document;

“**Index Exchange**” means the index stock exchange specified as such in the relevant Supplemental Listing Document;

“**Interim Currency**” means the currency specified in the relevant Supplemental Listing Document;

“**Market Disruption Event**” means:

- (a) the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index;
 - (ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
 - (iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of this definition:

- (1) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and
 - (2) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or
- (b) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued;

- (c) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or
- (d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in these Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

“Product Conditions” means these product terms and conditions. These Product Conditions apply to each series of Warrants over index;

“Second Exchange Rate” means the rate specified as such in the relevant Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Closing Level is determined in accordance with the Conditions;

“Strike Level” means the level specified as such in the relevant Supplemental Listing Document;

“Successor Index Compiler” means a successor to the Index Compiler acceptable to the Issuer; and

“Valuation Date” means the date specified in the relevant Supplemental Listing Document, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

Trading in Warrants on the Stock Exchange shall cease prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Supplemental Listing Document or the Global Certificate.

2. Exercise of Warrants

2.1 Exercise of warrants in Board Lots

The Warrants may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

The Warrants will be deemed to be automatically exercised on the Expiry Date (without notice given to the Holders) if the Issuer determines that the Cash Settlement Amount is positive. The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount.

2.3 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer on the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 2, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

2.4 Record in the Register

Upon automatic exercise of the Warrants on the Expiry Date of the Warrants in accordance with the Conditions, or in the event the Warrants have expired worthless, the Issuer will, with effect from the first Business Day following the Expiry Date, remove the names of each Holder from the Register in respect of the number of relevant Warrants which are the subject of the automatic exercise or the number of relevant Warrants which have expired worthless, as the case may be, and thereby cancel the relevant Warrants and the Global Certificate.

2.5 *Cash Settlement*

Upon the automatic exercise of Warrants in accordance with the Conditions, the Issuer will pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date, by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

Upon the occurrence of a Settlement Disruption Event, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with this Product Condition 2.5.

3. Adjustments to the Index

3.1 Successor Index Compiler Calculates and Reports Index

If the Index is:

- (a) not calculated and announced by the Index Compiler but is calculated and published by a Successor Index Compiler; or
- (b) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index,

then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

3.2 Modification and Cessation of Calculation of Index

If:

- (a) on or prior to the Valuation Date, the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities, contracts or commodities and other routine events), or
- (b) on the Valuation Date, the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of the published level for the Index, the level for the Index as at the Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities, contracts or commodities that comprised the Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on the relevant exchange).

3.3 Other Adjustments

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.4 Notice of Determinations

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with General Condition 7.

PART C
PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER UNIT TRUSTS

These Product Conditions will, together with the General Conditions and supplemental terms and conditions contained in the relevant Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants.

1. Definitions

For the purposes of these Product Conditions:

“**Average Price**” shall be the arithmetic mean of the closing prices of one Unit (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustment to such closing prices as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) in respect of each Valuation Date;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount payable in the Settlement Currency calculated by the Issuer in accordance with the following formula:

(a) In the case of a series of Call Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Average Price} - \text{Exercise Price}) \times \text{one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

(b) In the case of a series of Put Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Exercise Price} - \text{Average Price}) \times \text{one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Entitlement**” means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Exercise Price**” means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Market Disruption Event**” means:

(a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in:

(i) the Units; or

- (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or

- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“**Product Conditions**” means these product terms and conditions. These Product Conditions apply to each series of cash settled Warrants over unit trusts;

“**Settlement Date**” means the third CCASS Settlement Day after later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

“**Trust**” means the trust specified as such in the relevant Supplemental Listing Document;

“**Unit**” means the unit specified as such in the relevant Supplemental Listing Document; and

“**Valuation Date**” means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date.

For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Units on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

- (i) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (ii) the Issuer shall determine the closing price of the Units on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

Trading in Warrants on the Stock Exchange shall cease prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Supplemental Listing Document or the Global Certificate.

2. Exercise of Warrants

2.1 Exercise of warrants in Board Lots

The Warrants may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

The Warrants will be deemed to be automatically exercised on the Expiry Date (without notice given to the Holders) if the Issuer determines that the Cash Settlement Amount is positive. The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount.

2.3 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer on the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 2, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

2.4 Record in the Register

Upon automatic exercise of the Warrants on the Expiry Date of the Warrants in accordance with the Conditions, or in the event the Warrants have expired worthless, the Issuer will, with effect from the first Business Day following the Expiry Date, remove the names of each Holder from the Register in respect of the number of relevant Warrants which are the subject of the automatic exercise or the number of relevant Warrants which have expired worthless, as the case may be, and thereby cancel the relevant Warrants and the Global Certificate.

2.5 Cash Settlement

Upon the automatic exercise of Warrants in accordance with the Conditions the Issuer will pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date, by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

Upon the occurrence of a Settlement Disruption Event, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with this Product Condition 2.5.

3. Adjustments

Adjustments may be made by the Issuer to the number of Units to which the Warrants relate on the basis of the following provisions:

3.1 Rights Issues

If and whenever the Trust shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a “**Rights Offer**”), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement (“**Rights Issue Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Unit price being the closing price of an existing Unit as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Units are traded on a Cum-Rights basis

R: Subscription price per new Unit specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Right

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“**Rights**” means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

3.2 *Bonus Issues*

If and whenever the Trust shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Trust or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

Adjustment Component = $1 + N$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of Units for each Units held prior to the Bonus Issue,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Bonus Issue Adjustment Date.

3.3 *Subdivisions and Consolidations*

If and whenever the Trust shall subdivide its Units or any class of its outstanding Units into a greater number of units (a “**Subdivision**”) or consolidate the Units or any class of its outstanding Units into a smaller number of units (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) takes effect.

3.4 *Restructuring Events*

If it is announced that the Trust is to or may merge with or into any other trust or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Trust is the surviving entity in a merger) or that it is to, or may, sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion) so that the Warrants shall, after such Restructuring Event, relate to the number of units of the trust(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted**

Securities”) and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event, and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Units shall not be affected by this paragraph and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Units shall include any such cash.

3.5 Cash Distribution

No adjustment will be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) (“**Ordinary Distribution**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Trust, such as a cash bonus, special distribution or extraordinary distribution, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Unit’s closing price as derived from the daily quotation sheet of the Stock Exchange on the day of announcement by the Trust.

If and whenever the Trust shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the Unit as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Unit

OD: The amount of Ordinary Distribution per Unit, provided that the Ordinary Distribution and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be zero if the ex-entitlement dates of the relevant Ordinary Distribution and Cash Distribution are different

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Cash Distribution Adjustment Date.

3.6 *Other Adjustments*

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.7 *Notice of Determinations*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with General Condition 7.

4. **Termination or Liquidation**

In the event of a Termination or the liquidation or dissolution of the trustee of the Trust (including any successor trustee appointed from time to time) (“**Trustee**”) (in its capacity as trustee of the Trust) or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee’s undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose. In the case of a Termination, the unexercised Warrants will lapse and shall cease to be valid on the effective date of the Termination, in the case of a voluntary liquidation, the unexercised Warrants will lapse and shall cease to be valid on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, the unexercised Warrants will lapse and shall cease to be valid on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee’s undertaking, property or assets, the unexercised Warrants will lapse and shall cease to be valid on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

For the purpose of this Product Condition 4, “**Termination**” means:

- (a) the Trust is terminated, or the Trustee or the manager of the Trust (including any successor manager appointed from time to time) (“**Manager**”) is required to terminate the Trust under the trust deed (“**Trust Deed**”) constituting the Trust or applicable law, or the termination of the Trust commences;
- (b) the Trust is held or is conceded by the Trustee or the Manager not to have been constituted or to have been imperfectly constituted;
- (c) the Trustee ceases to be authorised under the Trust to hold the property of the Trust in its name and perform its obligations under the Trust Deed; or
- (d) the Trust ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

5. Delisting

5.1 Adjustments following delisting

If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to these Product Conditions in such manner and make such adjustments and amendments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the circumstances of any individual Holder or the tax or other consequences that may result in any particular jurisdiction).

5.2 Listing on another exchange

Without prejudice to the generality of Product Condition 5.1, where the Units are, or, upon the delisting, become, listed on any other stock exchange, these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of the Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

5.3 Adjustment binding

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7 as soon as practicable after they are determined.

APPENDIX 3
PRODUCT CONDITIONS OF CBBCS

The following pages set out the Product Conditions in respect of different types of CBBCs.

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PART A
PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS
OVER SINGLE EQUITIES

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs.

1. Definitions

For the purposes of these Product Conditions:

“**Call Price**” means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount payable in the Settlement Currency calculated by the Issuer in accordance with the following formula:

(a) following a Mandatory Call Event:

(i) in the case of a series of Category R CBBCs, the Residual Value; or

(ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) in the case of a series of bull CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Closing Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

(ii) in the case of a series of bear CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Closing Price}) \times \text{one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Category N CBBCs**” means a series of CBBCs where the Call Price is equal to the Strike Price;

“**Category R CBBCs**” means a series of CBBCs where the Call Price is different from the Strike Price;

“**Closing Price**” means the official closing price of one Share (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustment to such closing price as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) as of the Valuation Date;

“**Company**” means the company specified as such in the relevant Supplemental Listing Document;

“**Entitlement**” means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Mandatory Call Event**” occurs if the Spot Price is:

- (a) in the case of a series of bull CBBCs, at or below the Call Price; or
- (b) in the case of a series of bear CBBCs, at or above the Call Price, at any time during a Trading Day in the Observation Period;

“**Market Disruption Event**” means:

- (a) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in:
 - (i) the Shares; or
 - (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal have been issued; or

- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“**Maximum Trade Price**” means the highest Spot Price of the Shares (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“**MCE Valuation Period**” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Stock Exchange during which the Mandatory Call Event occurs is the “**1st Session**”) and up to the end of the trading session on the Stock Exchange immediately following the 1st Session (“**2nd Session**”) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed, the MCE Valuation Period shall be extended to the end of the subsequent trading session following the 2nd Session during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market

Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Trading Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed. In that case:

- (a) the period commencing from the 1st Session up to, and including, the last trading session on the Stock Exchange of the fourth Trading Day immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and
- (b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

- (i) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and
- (ii) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one trading session only;

“**Minimum Trade Price**” means the lowest Spot Price of the Shares (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“**Observation Commencement Date**” means the date specified as such in the relevant Supplemental Listing Document;

“**Observation Period**” means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

“**Post MCE Trades**” has the meaning given to it in the relevant Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“**Product Conditions**” means these product terms and conditions. These Product Conditions apply to each series of cash settled CBBCs over single equities;

“**Residual Value**” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula:

- (a) in the case of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Minimum Trade Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

- (b) in the case of a series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Maximum Trade Price}) \times \text{one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

“**Settlement Date**” means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

“**Share**” means the share specified as such in the relevant Supplemental Listing Document;

“**Spot Price**” means:

- (a) in respect of a continuous trading session of the Stock Exchange, the price per Share concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and
- (b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange (as the case may be), the final Indicative Equilibrium Price (as defined in the Trading Rules) of the Share (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable), as the case may be, in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time.

“**Strike Price**” means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Trading Day**” means any day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions;

“**Trading Rules**” means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time; and

“**Valuation Date**” means the Trading Day immediately preceding the Expiry Date provided if, in the determination of the Issuer, a Market Disruption Event has occurred on that day, the Valuation Date shall be postponed until the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

- (a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the Closing Price having regard to the then prevailing market conditions, the last reported trading price of the Share on the Stock Exchange and such other factors as the Issuer determines to be relevant.

2. Exercise of CBBCs

2.1 Exercise of CBBCs in Board Lots

CBBCs may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is positive.

2.3 Mandatory Call Event

- (a) Subject to Product Condition 2.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (if any) on the relevant Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.
- (b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:
 - (i) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or
 - (ii) manifest errors caused by the relevant third party where applicable and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Trading Day of the Stock Exchange immediately following the day on which the Mandatory Call Event occurs, or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

2.4 Entitlement

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

2.5 Cancellation

Upon early expiration of the CBBCs at the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date, the Issuer will, with effect from the first Business

Day following the MCE Valuation Period or the Expiry Date (as the case may be) remove the name of the Holder from the Register in respect of the number of CBBCs which have expired or exercised (as the case may be) and thereby cancel the relevant CBBCs and if applicable, the Global Certificate.

2.6 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holder in accordance with this Product Condition 2, shall be notified by the Issuer to the Holder as soon as practicable after determination thereof and shall be paid by the Holder to the Issuer immediately upon demand.

2.7 Cash Settlement

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be), the Issuer will, in respect of every Board Lot, pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

2.8 Responsibility of Issuer

The Issuer or its agents shall not have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions. The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the Shares.

2.9 Liability of Issuer

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and the Issuer shall not incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. The Issuer shall not under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

2.10 Trading

Subject to Product Condition 2.3(b), trading in CBBCs on the Stock Exchange shall cease:

- (a) immediately upon the occurrence of a Mandatory Call Event; or
- (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session),

whichever is the earlier.

3. Adjustments

3.1 Rights Issues

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement (“**Rights Issue Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E Where:

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price being the closing price of an existing Share as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Shares are traded on a Cum-Rights basis

R: Subscription price per new Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

3.2 *Bonus Issues*

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = 1 + N$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of Shares for each Share held prior to the Bonus Issue,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Bonus Issue Adjustment Date.

3.3 *Subdivisions and Consolidations*

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) takes effect.

3.4 *Restructuring Events*

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion) so that the

CBBCs shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the CBBCs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

3.5 Cash Distribution

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share’s closing price on the day of announcement by the Company, or it is instructed by the Stock Exchange.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the existing Share as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Share

OD: The amount of Ordinary Dividend per Share, provided that the Ordinary Dividend and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Dividend and Cash Distribution are different

In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Cash Distribution Adjustment Date.

3.6 *Other Adjustments*

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.7 *Notice of Determinations*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

4. **Liquidation**

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose. In the case of voluntary liquidation, the unexercised CBBCs will lapse and shall cease to be valid on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of the applicable law.

5. **Delisting**

5.1 *Adjustments following delisting*

If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the circumstances of any individual Holder or the tax or other consequences that may result in any particular jurisdiction).

5.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 5.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, the Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of the Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

5.3 *Adjustments binding*

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7 as soon as practicable after they are determined.

PART B
PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS
OVER INDEX

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs.

1. Definitions

For the purposes of these Product Conditions:

“**Call Level**” means the level specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (I) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (II) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

(a) following a Mandatory Call Event:

(i) in the case of a series of Category R CBBCs, the Residual Value; or

(ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) in the case of a series of bull CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Closing Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

(ii) in the case of a series of bear CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Strike Level} - \text{Closing Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Category N CBBCs**” means a series of CBBCs where the Call Level is equal to the Strike Level;

“**Category R CBBCs**” means a series of CBBCs where the Call Level is different from the Strike Level;

“**Closing Level**” has the meaning given to it in the relevant Supplemental Listing Document;

“**Divisor**” means the number specified as such in the relevant Supplemental Listing Document;

“Exchange Rate” means the rate specified as such in the relevant Supplemental Listing Document;

“First Exchange Rate” means the rate specified as such in the relevant Supplemental Listing Document;

“General Conditions” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“Index” means the index specified as such in the relevant Supplemental Listing Document;

“Index Business Day” means a day on which the Index Exchange is scheduled to open for trading for its regular trading sessions;

“Index Compiler” has the meaning given to it in the relevant Supplemental Listing Document;

“Index Currency Amount” has the meaning given to it in the relevant Supplemental Listing Document;

“Index Exchange” means the index exchange specified as such in the relevant Supplemental Listing Document;

“Interim Currency” means the currency specified as such in the relevant Supplemental Listing Document;

“Mandatory Call Event” occurs if the Spot Level is:

- (a) in the case of a series of bull CBBCs, at or below the Call Level; or
- (b) in the case of a series of bear CBBCs, at or above the Call Level,

at any time during an Index Business Day in the Observation Period;

“Market Disruption Event” means:

- (a) the occurrence or existence, on any Trading Day or Index Business Day during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index;
 - (ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contract are traded; or
 - (iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of this definition:

- (1) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and
- (2) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or

- (b) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal have been issued;

- (c) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or
- (d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in these Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

“**Maximum Index Level**” means the highest Spot Level during the MCE Valuation Period;

“**MCE Valuation Period**” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Index Exchange during which the Mandatory Call Event occurs is the “**1st Session**”) and up to the end of the trading session on the Index Exchange immediately following the 1st Session (“**2nd Session**”) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which the Spot Levels are available, the MCE Valuation Period shall be extended to the end of the subsequent trading session on the Index Exchange following the 2nd Session during which Spot Levels are available for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Index Business Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which Spot Levels are available. In that case:

- (a) the period commencing from the 1st Session up to, and including, the last trading session of the fourth Index Business Day on the Index Exchange immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and
- (b) the Issuer shall determine the Maximum Index Level or the Minimum Index Level (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Level of the Index and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Levels available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Index Level or the Minimum Index Level (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

(i) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and

(ii) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one trading session only;

“**Minimum Index Level**” means the lowest Spot Level during the MCE Valuation Period;

“**Observation Commencement Date**” means the date specified as such in the relevant Supplemental Listing Document;

“**Observation Period**” means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

“**Post MCE Trades**” has the meaning given to it in the relevant Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“**Price Source**”, if applicable, has the meaning given to it in the relevant Supplemental Listing Document;

“**Product Conditions**” means these product terms and conditions. These Product Conditions apply to each series of cash settled CBBCs over index;

“**Residual Value**” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (I) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (II) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

(a) In the case of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{(\text{Minimum Index Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

(b) In the case of a series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{(\text{Strike Level} - \text{Maximum Index Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

“**Second Exchange Rate**” means the rate specified as such in the relevant Supplemental Listing Document;

“**Settlement Date**” means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Level is determined in accordance with the Conditions (as the case may be);

“Spot Level” means:

- (a) if no Price Source is specified, the spot level of the Index as compiled and published by the Index Compiler; or
- (b) if a Price Source is specified, the spot level of the Index as published on the Price Source;

“Strike Level” means the level specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“Trading Day” means any day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions; and

“Valuation Date” means the date specified as such in the relevant Supplemental Listing Document, provided that, if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event, provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

2. Exercise of CBBCs

2.1 Exercise of CBBCs in Board Lots

CBBCs may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is positive.

2.3 Mandatory Call Event

- (a) Subject to Product Condition 2.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (if any) on the relevant Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.
- (b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:
 - (i) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or
 - (ii) manifest errors caused by the relevant third party where applicable (such as miscalculation of the index level by the Index Compiler) and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Trading Day of the Stock Exchange immediately following the day on which the Mandatory Call Event occurs, or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

2.4 Entitlement

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

2.5 Cancellation

Upon early expiration of the CBBCs at the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date, the Issuer will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be) remove the name of the Holder from the Register in respect of the number of CBBCs which have expired or exercised (as the case may be) and thereby cancel the relevant CBBCs and if applicable, the Global Certificate.

2.6 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holder in accordance with this Product Condition 2, shall be notified by the Issuer to the Holder as soon as practicable after determination thereof and shall be paid by the Holder to the Issuer immediately upon demand.

2.7 Cash Settlement

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be), the Issuer will, in respect of every Board Lot, pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

2.8 *Responsibility of Issuer*

The Issuer or its agents shall not have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions. The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the constituent securities, contracts, commodities or currencies comprising the Index.

2.9 *Liability of Issuer*

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and the Issuer shall not incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. The Issuer shall not under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

2.10 *Trading*

Subject to Product Condition 2.3(b), trading in CBBCs on the Stock Exchange shall cease:

- (a) immediately upon the occurrence of a Mandatory Call Event; or
- (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session),

whichever is the earlier.

3. **Adjustments**

3.1 *Successor Index Compiler Calculates and Reports Index*

If the Index is:

- (a) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the “**Successor Index Compiler**”) acceptable to the Issuer; or
- (b) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index,

then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

3.2 *Modification and Cessation of Calculation of Index*

If:

- (a) on or prior to the Valuation Date, the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities, contracts, commodities or currencies and other routine events); or

- (b) on the Valuation Date, the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at the Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities, contracts, commodities or currencies that comprised the Index immediately prior to that change or failure (other than those securities, contracts, commodities or currencies that have since ceased to be listed on the relevant exchange).

3.3 Other Adjustments

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.4 Notice of Determinations

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holder. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

PART C
PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS
OVER SINGLE UNIT TRUSTS

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs.

1. Definitions

For the purposes of these Product Conditions:

“**Call Price**” means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount payable in the Settlement Currency calculated by the Issuer in accordance with the following formula:

(a) following a Mandatory Call Event:

(i) in the case of a series of Category R CBBCs, the Residual Value; or

(ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) in the case of a series of bull CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Closing Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

(ii) in the case of a series of bear CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Closing Price}) \times \text{one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Category N CBBCs**” means a series of CBBCs where the Call Price is equal to the Strike Price;

“**Category R CBBCs**” means a series of CBBCs where the Call Price is different from the Strike Price;

“**Closing Price**” means the official closing price of one Unit (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustment to such closing price as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) as of the Valuation Date;

“**Entitlement**” means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Mandatory Call Event**” occurs if the Spot Price is:

- (a) in the case of a series of bull CBBCs, at or below the Call Price; or
- (b) in the case of a series of bear CBBCs, at or above the Call Price,

at any time during any Trading Day in the Observation Period;

“**Market Disruption Event**” means:

- (a) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in:
 - (i) the Units; or
 - (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal have been issued; or

- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“**Maximum Trade Price**” means the highest Spot Price of the Units (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“**MCE Valuation Period**” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Stock Exchange during which the Mandatory Call Event occurs is the “**1st Session**”) and up to the end of the trading session on the Stock Exchange immediately following the 1st Session (“**2nd Session**”) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Units is permitted on the Stock Exchange with no limitation imposed, the MCE Valuation Period shall be extended to the end of the subsequent trading session following the 2nd Session during which trading in the Units is permitted on the Stock Exchange with no limitation imposed for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith

that each trading session on each of the four Trading Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Units is permitted on the Stock Exchange with no limitation imposed. In that case:

- (a) the period commencing from the 1st Session up to, and including, the last trading session on the Stock Exchange of the fourth Trading Day immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and
- (b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

- (i) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and
- (ii) the afternoon session and the closing auction session (if applicable) of the same day, shall each be considered as one trading session only;

“**Minimum Trade Price**” means the lowest Spot Price of the Units (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“**Observation Commencement Date**” means the date specified as such in the relevant Supplemental Listing Document;

“**Observation Period**” means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

“**Post MCE Trades**” has the meaning given to it in the relevant Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“**Product Conditions**” means these product terms and conditions. These Product Conditions apply to each series of cash settled CBBCs over single unit trusts;

“**Residual Value**” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula:

- (a) in the case of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Minimum Trade Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

(b) in the case of a series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Maximum Trade Price}) \times \text{one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

“**Settlement Date**” means the third CCASS Settlement Day after: (a) the end of the MCE Valuation Period; or (b) the later of: (i) the Expiry Date; and (ii) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

“**Spot Price**” means:

- (a) in respect of a continuous trading session of the Stock Exchange, the price per Unit concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and
- (b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange (as the case may be), the final Indicative Equilibrium Price (as defined in the Trading Rules) of the Unit (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable), as the case may be, in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time.

“**Strike Price**” means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Trading Day**” means any day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions;

“**Trading Rules**” means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time;

“**Trust**” means the trust specified as such in the relevant Supplemental Listing Document;

“**Unit**” means the unit specified as such in the relevant Supplemental Listing Document; and

“**Valuation Date**” means the Trading Day immediately preceding the Expiry Date provided that if, in the determination of the Issuer, a Market Disruption Event has occurred on that day, the Valuation Date shall be postponed until the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

- (a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the Closing Price having regard to the then prevailing market conditions, the last reported trading price of the Unit on the Stock Exchange and such other factors as the Issuer determines to be relevant.

2. Exercise of CBBCs

2.1 Exercise of CBBCs in Board Lots

CBBCs may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is positive.

2.3 Mandatory Call Event

- (a) Subject to Product Condition 2.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (if any) on the relevant Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.
- (b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:
 - (i) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or
 - (ii) manifest errors caused by the relevant third party where applicable and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Trading Day of the Stock Exchange immediately following the day on which the Mandatory Call Event occurs, or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

2.4 Entitlement

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

2.5 Cancellation

Upon early expiration of the CBBCs at the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date, the Issuer will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be) remove the name of the Holder from the Register in respect of the number of CBBCs which have expired or exercised (as the case may be) and thereby cancel the relevant CBBCs and if applicable, the Global Certificate.

2.6 *Exercise Expenses*

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holder in accordance with this Product Condition 2, shall be notified by the Issuer to the Holder as soon as practicable after determination thereof and shall be paid by the Holder to the Issuer immediately upon demand.

2.7 *Cash Settlement*

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be), the Issuer will, in respect of every Board Lot, pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

2.8 *Responsibility of Issuer*

The Issuer or its agents shall not have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions. The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the Units.

2.9 *Liability of Issuer*

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and the Issuer shall not incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. The Issuer shall not under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

2.10 *Trading*

Subject to Product Condition 2.3(b), trading in CBBCs on the Stock Exchange shall cease:

- (a) immediately upon the occurrence of a Mandatory Call Event; or
- (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session),

whichever is the earlier.

3. Adjustments

3.1 Rights Issues

If and whenever the Trust shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a “**Rights Offer**”), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement (“**Rights Issue Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Unit price being the closing price of an existing Unit as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Units are traded on a Cum-Rights basis

R: Subscription price per new Unit specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Rights

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“**Rights**” means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

3.2 Bonus Issues

If and whenever the Trust shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Trust or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

Adjustment Component = $1 + N$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of Units for each Unit held prior to the Bonus Issue,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Bonus Issue Adjustment Date.

3.3 *Subdivisions and Consolidations*

If and whenever the Trust shall subdivide its Units or any class of its outstanding Units into a greater number of units (a “**Subdivision**”) or consolidate the Units or any class of its outstanding Units into a smaller number of units (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) takes effect.

3.4 *Restructuring Events*

If it is announced that the Trust is to or may merge with or into any other trust or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Trust is the surviving entity in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion) so that the CBBCs shall, after such Restructuring Event, relate to the number of units of the trust(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the CBBCs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Units shall not be affected by this paragraph and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Units shall include any such cash.

3.5 Cash Distribution

No adjustment will be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) (“**Ordinary Distribution**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Trust, such as a cash bonus, special distribution or extraordinary distribution, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Unit’s closing price on the day of announcement by the Trust, or it is instructed by the Stock Exchange.

If and whenever the Trust shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the existing Unit as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Unit

OD: The amount of Ordinary Distribution per Unit, provided that the Ordinary Distribution and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Distribution and Cash Distribution are different

In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Cash Distribution Adjustment Date.

3.6 Other Adjustments

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.7 *Notice of Determinations*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

4. **Termination or Liquidation**

In the event of a Termination or the liquidation or dissolution of the trustee of the Trust (including any successor trustee appointed from time to time) (“**Trustee**”) (in its capacity as trustee of the Trust) or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee’s undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose. In the case of a Termination, the unexercised CBBCs will lapse and shall cease to be valid on the effective date of the Termination, in the case of a voluntary liquidation, the unexercised CBBCs will lapse and shall cease to be valid on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee’s undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of the applicable law.

For the purpose of this Product Condition 4, “**Termination**” means:

- (i) the Trust is terminated, or the Trustee or the manager of the Trust (including any successor manager appointed from time to time) (“**Manager**”) is required to terminate the Trust under the trust deed (“**Trust Deed**”) constituting the Trust or applicable law, or the termination of the Trust commences;
- (ii) the Trust is held or is conceded by the Trustee or the Manager not to have been constituted or to have been imperfectly constituted;
- (iii) the Trustee ceases to be authorised under the Trust to hold the property of the Trust in its name and perform its obligations under the Trust Deed; or
- (iv) the Trust ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

5. **Delisting**

5.1 *Adjustments following delisting*

If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the circumstances of any individual Holder or the tax or other consequences that may result in any particular jurisdiction).

5.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 5.1, where the Units are, or, upon the delisting, become, listed on any other stock exchange, the Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of the Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

5.3 *Adjustments binding*

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7 as soon as practicable after they are determined.

APPENDIX 4

BRIEF GUIDE TO CREDIT RATINGS

Information set out in this Appendix 4 is based on, extracted or reproduced from the website of S&P at <https://ratings.standardandpoors.com> and the website of Moody's at <https://www.moody's.com>, as at 5 April 2016. Information appearing on those websites does not form part of this document, and we accept no responsibility for the accuracy or completeness of the information appearing on those websites, except that we have accurately extracted and reproduced such information in this Appendix 4 and take responsibility for such extraction and reproduction. We have not separately verified such information. There can be no assurance that such information will not be revised by the relevant rating agency in the future and we have no responsibility to notify you of such change. If you are unsure about any information provided in this Appendix 4 and/or what a credit rating means, you should seek independent professional advice.

What is a credit rating?

A credit rating is a forward looking opinion by a credit rating agency of a company's overall ability to meet its financial obligations. The focus is on the company's capacity to pay its debts as they become due. The rating does not necessarily apply to any specific obligation.

What do the credit ratings mean?

Below are guidelines issued by S&P and Moody's on what each of their investment-grade ratings means as at the date of 5 April 2016.

S&P long-term issuer credit ratings

AAA

An obligor rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest issuer credit rating assigned by S&P.

AA

An obligor rated 'AA' has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree.

A

An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

BBB

An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

Plus (+) or minus (-)

The above ratings (except for 'AAA') may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Please refer to <https://ratings.standardandpoors.com/about/about-credit-ratings> for further details.

Moody's long-term ratings definitions

Aaa

Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.

Aa

Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A

Obligations rated A are considered to be upper-medium grade and are subject to low credit risk.

Baa

Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

Modifiers "1", "2" and "3"

Moody's appends numerical modifiers 1, 2 and 3 to each of the above generic rating classifications (except for Aaa). The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Please refer to <https://www.moodys.com/Pages/amr002002.aspx> for further details.

Rating Outlooks

A rating outlook indicates the potential direction of a long-term credit rating over the intermediate term (for example, this is typically six months to two years for S&P). A rating outlook issued by S&P or Moody's will usually indicate whether the potential direction is likely to be "positive", "negative", "stable" or "developing". Please refer to the abovementioned websites of the relevant credit rating agencies for further details regarding rating outlooks published by the relevant credit rating agencies.

APPENDIX 5
AUDITOR'S REPORT AND OUR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

This information in this Appendix 5 has been extracted from our Annual Report for the year ended 31 December 2015. References to page numbers on the following pages are to the page numbers of such Annual Report.

INDEPENDENT AUDITOR'S REPORT



TO THE MEMBERS OF THE BANK OF EAST ASIA, LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of The Bank of East Asia, Limited ("the Bank") and its subsidiaries (together "the Group") set out on pages 142 to 287, which comprise the consolidated statement of financial position as at 31st December, 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st December, 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Hong Kong, 15th February, 2016

CONSOLIDATED INCOME STATEMENT

綜合收益表

For the year ended 31st December, 2015 截至2015年12月31日止年度

			2015	2014
		Notes 附註	HK\$ Mn 港幣百萬元	Restated 重報 HK\$ Mn 港幣百萬元
Interest income	利息收入	5	23,588	25,457
Interest expense	利息支出	6	(11,654)	(12,782)
Net interest income	淨利息收入		11,934	12,675
Fee and commission income	服務費及佣金收入	7	5,016	5,023
Fee and commission expense	服務費及佣金支出		(917)	(877)
Net fee and commission income	服務費及佣金收入淨額		4,099	4,146
Net trading profits	交易溢利淨額	8	229	870
Net result from financial instruments designated at fair value through profit or loss	指定為通過損益以反映公平價值金融工具的淨表現	9	(35)	(130)
Net hedging (loss)/profit	對沖(虧損)/溢利淨額	10	(10)	3
Net insurance revenue	保險業務淨收入	11	372	323
Other operating income	其他經營收入	12	475	345
Non-interest income	非利息收入		5,130	5,557
Operating income	經營收入		17,064	18,232
Operating expenses	經營支出	13	(9,732)	(9,849)
Operating profit before impairment losses	未扣除減值損失之經營溢利		7,332	8,383
Impairment losses on loans and advances	貸款及墊款減值損失	14	(2,042)	(990)
Write back of impairment losses on held-to-maturity investments	持至到期投資減值損失回撥	31	-	3
Impairment losses on available-for-sale financial assets	可供出售金融資產減值損失		(17)	(14)
Impairment losses	減值損失		(2,059)	(1,001)
Operating profit after impairment losses	已扣除減值損失後之經營溢利		5,273	7,382
Net profit/(loss) on sale of held-to-maturity investments	出售持至到期投資之淨溢利/(虧損)		3	(2)
Net profit on sale of available-for-sale financial assets	出售可供出售金融資產之淨溢利	15	257	101
Net loss on sale of loans and receivables	出售貸款及應收賬項之淨虧損		(2)	-
Net profit/(loss) on disposal of subsidiaries/associates	出售附屬公司/聯營公司之淨溢利/(虧損)		2	(4)
Net gain on disposal of fixed assets	出售固定資產之淨溢利	16	109	74
Valuation gains on investment properties	重估投資物業盈利	35	549	228
Share of profits less losses of associates	應佔聯營公司溢利減虧損	33	558	645
Profit for the year before taxation	年度內除稅前溢利		6,749	8,424
Income tax	所得稅	17	(1,111)	(1,650)
Profit for the year after taxation	年度內除稅後溢利		5,638	6,774
Attributable to:	可歸屬於:			
Owners of the parent	本集團股東	42(i)	5,522	6,661
Non-controlling interests	非控股權益	43	116	113
Profit after taxation	除稅後溢利		5,638	6,774
Earnings per share	每股盈利		HK\$港幣元	HK\$港幣元
Basic	基本	20	1.95	2.72
Diluted	攤薄	20	1.95	2.72

The notes on pages 149 to 287 form part of these financial statements. Details of dividends payable to equity shareholders of the Bank attributable to the profit for the year are set out in Note 19.

第149至287頁之附註屬本財務報表之一部分。有關屬年度內溢利並應付予本行股東之股息詳情已詳載於附註19。

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

綜合全面收益表

For the year ended 31st December, 2015 截至2015年12月31日止年度

		2015	2014
		Notes 附註	Restated 重報
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Net profit	淨溢利	5,638	6,774
Other comprehensive income for the year:	年內其他全面收益：		
Items that will not be reclassified to income statement:	不可轉回收益表的項目：		
Premises:	行址：		
– unrealised surplus on revaluation of premises	– 重估行址所產生的未實現盈餘	42(b)	2
Items that may be reclassified subsequently to income statement:	以後可能轉回收益表的項目：		
Premises:	行址：		
– deferred taxes	– 遞延稅項	42(b)	1
Available-for-sale investment revaluation reserve:	可供出售投資的重估儲備：		
– fair value changes recognised (from)/to equity	– (轉自)/計入股東權益的公平價值變動	42(g)	915
– fair value changes reclassified from/(to) income statement:	– 轉自/(轉入)收益表的公平價值變動：		
– on impairment and amortisation	– 減值及攤銷	42(g)	8
– on disposal	– 出售	42(g)	(79)
– deferred taxes	– 遞延稅項	42(g)	(164)
Share of changes in equity of associates	應佔聯營公司權益的變動	42(h)	(9)
Exchange differences on translation of:	因折算產生的匯兌差額：		
– accounts of overseas branches, subsidiaries and associates	– 海外分行、附屬公司及聯營公司的賬項		(990)
Other comprehensive income	其他全面收益	(2,496)	(316)
Total comprehensive income	全面收益總額	3,142	6,458
Total comprehensive income attributable to:	全面收益總額可歸屬於：		
Owners of the parent	本集團股東	3,051	6,350
Non-controlling interests	非控股權益	91	108
		3,142	6,458

The notes on pages 149 to 287 form part of these financial statements.

第149至287頁之附註屬本財務報表之一部分。

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

綜合財務狀況表

As at 31st December, 2015 2015年12月31日

		Notes 附註	2015 HK\$ Mn 港幣百萬元	2014 HK\$ Mn 港幣百萬元
ASSETS	資產			
Cash and balances with banks and other financial institutions	現金及在銀行和其他金融機構的結存	24	69,122	70,358
Placements with banks and other financial institutions	在銀行及其他金融機構的存款	25	80,828	50,769
Trade bills	貿易票據	26	19,532	60,675
Trading assets	交易用途資產	27	5,335	2,885
Financial assets designated at fair value through profit or loss	指定為通過損益以反映公平價值的金融資產	28	4,336	8,713
Positive fair value of derivatives	衍生工具的正公平價值	46(b)(iii)	6,205	3,537
Advances to customers and other accounts	客戶墊款及其他賬項	29	473,088	482,140
Available-for-sale financial assets	可供出售金融資產	30	93,595	86,816
Held-to-maturity investments	持至到期投資	31	6,199	6,747
Investments in associates	聯營公司投資	33	5,763	6,083
Fixed assets	固定資產	35	13,297	13,117
– Investment properties	– 投資物業		4,891	4,544
– Other property and equipment	– 其他物業及設備		8,406	8,573
Goodwill and intangible assets	商譽及無形資產	34	3,883	3,955
Deferred tax assets	遞延稅項資產	36(b)	181	96
Total Assets	資產總額		781,364	795,891
EQUITY AND LIABILITIES	股東權益及負債			
Deposits and balances of banks and other financial institutions	銀行及其他金融機構的存款及結餘		32,126	33,323
Deposits from customers	客戶存款		540,743	548,184
Trading liabilities	交易用途負債	37(a)	889	21
Negative fair value of derivatives	衍生工具的負公平價值	46(b)(iii)	6,909	4,823
Certificates of deposit issued	已發行存款證		37,277	44,398
– Designated at fair value through profit or loss	– 指定為通過損益以反映公平價值		16,457	14,444
– At amortised cost	– 攤銷成本		20,820	29,954
Current taxation	本期稅項	36(a)	1,325	1,172
Debt securities issued	已發行債務證券		13,597	22,424
– Designated at fair value through profit or loss	– 指定為通過損益以反映公平價值		2,539	7,595
– At amortised cost	– 攤銷成本		11,058	14,829
Deferred tax liabilities	遞延稅項負債	36(b)	534	686
Other accounts and provisions	其他賬項及準備	37(b)	45,327	50,081
Loan capital – at amortised cost	借貸資本 – 攤銷成本	38	16,996	17,335
Total Liabilities	負債總額		695,723	722,447
Share capital	股本	40	33,815	25,217
Reserves	儲備	42	43,598	43,663
Total equity attributable to owners of the parent	歸屬於本集團股東權益總額		77,413	68,880
Additional equity instruments	額外股本工具	41	5,016	–
Non-controlling interests	非控股權益	43	3,212	4,564
Total Equity	股東權益總額		85,641	73,444
Total Equity and Liabilities	股東權益及負債總額		781,364	795,891

Approved and authorised for issue by the Board on 15th February, 2016.

Chairman and Chief Executive
DirectorsDavid LI Kwok-po
Winston LO Yau-lai

董事會於2016年2月15日核准及授權發布。

主席兼行政總裁 李國寶
董事 羅友禮

The notes on pages 149 to 287 form part of these financial statements.

第149至287頁之附註屬本財務報表之一部分。

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

綜合權益變動表

For the year ended 31st December, 2015 截至2015年12月31日止年度

		Capital reserve – staff share		Exchange revaluation reserve	Investment revaluation reserve	Revaluation reserve of bank premises	Capital reserve	General reserve	Other reserves ³	Retained profits	Additional equity instruments	Non-controlling interests	Total equity	
		Share capital	options issued											
		資本儲備 – 已發行職員認股權	匯兌重估儲備	投資重估儲備	行址重估儲備	資本儲備	一般儲備	其他儲備 ³	留存溢利	總額	額外股本工具	非控股權益	權益總額	
		HKS Mn	HKS Mn	HKS Mn	HKS Mn	HKS Mn	HKS Mn	HKS Mn	HKS Mn	HKS Mn	HKS Mn	HKS Mn	HKS Mn	
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	
At 1st January, 2015	於2015年1月1日	25,217	84	1,970	1,660	1,642	228	13,930	4,300	19,849	68,880	-	4,564	73,444
Changes in equity	權益變動													
Profit for the year	年度內溢利	-	-	-	-	-	-	-	-	5,522	5,522	-	116	5,638
Other comprehensive income	其他全面收益	-	-	(2,132)	(277)	(3)	-	-	(59)	-	(2,471)	-	(25)	(2,496)
Total comprehensive income	全面收益總額	-	-	(2,132)	(277)	(3)	-	-	(59)	5,522	3,051	-	91	3,142
Issue of additional equity instruments ¹	發行額外股本工具 ¹	-	-	-	-	-	-	-	-	-	-	5,016	-	5,016
Shares issued in lieu of dividend (Note 40)	以股代息發行的股份 (附註40)	1,856	-	-	-	-	-	-	-	1,856	-	-	-	1,856
Subscription of new shares (Note 40)	發行新股 (附註40)	6,576	-	-	-	-	-	-	-	6,576	-	-	-	6,576
Shares issued under Staff Share Option Schemes (Note 40)	根據僱員認股計劃發行的股份 (附註40)	150	-	-	-	-	-	-	-	150	-	-	-	150
Equity settled share-based transaction (Note 42(f))	以股份為基礎作支付之交易 (附註42(f))	-	22	-	-	-	-	-	-	22	-	-	-	22
Transfer	轉賬	16	(16)	-	-	-	2	23	425	(450)	-	-	-	-
Dividends declared or approved during the year	年度內已宣布或核准派發股息	-	-	-	-	-	-	-	-	(2,911)	(2,911)	-	(82)	(2,993)
Redemption of Hybrid Tier 1 capital instruments ² (Notes 42(i) and 43)	贖回混合一級資本工具 ² (附註42(i)和43)	-	-	-	-	-	-	-	-	(211)	(211)	-	(1,361)	(1,572)
At 31st December, 2015	於2015年12月31日	33,815	90	(162)	1,383	1,639	230	13,953	4,666	21,799	77,413	5,016	3,212	85,641

1. During the year, the Bank issued HK\$5,038 million (USD650 million) undated non-cumulative subordinated Additional Tier 1 capital securities ("AT1"). Direct issuance costs of HK\$22 million are accounted for as a deduction from the equity instruments.

2. During the year, the Bank redeemed HK\$1,361 million Hybrid Tier 1 capital instruments which are classified as non-controlling interests in the consolidated financial statements, through exchange offer with AT1 (HK\$672 million) and tender offer (HK\$900 million). The purchase premium of HK\$211 million paid in excess of the carrying amount of the non-controlling interests acquired was charged to retained profits.

3. Other reserves include statutory reserve and other reserves.

1. 年內，本行發行港幣50.38億元(美元6.50億)無到期日非累積後償額外股本工具(「額外股本工具」)。直接發行成本港幣2,200萬元經已入賬，並從股本工具中扣除。

2. 年內，本行以交換要約(港幣6.72億元)和收購要約(港幣9億元)方式贖回港幣13.61億元於綜合財務報表中分類為非控股權益之混合一級資本工具。支付超過購入非控股權益賬面值之溢價港幣2.11億元經已於留存溢利中支銷。

3. 其他儲備包括法定儲備及其他儲備。

The notes on pages 149 to 287 form part of these financial statements.

第149至287頁之附註屬本財務報表之一部分。

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

綜合權益變動表(續)

For the year ended 31st December, 2014 截至2014年12月31日止年度

		Share capital	Share premium	Capital reserve – staff share options issued	Exchange revaluation reserve	Investment revaluation reserve	Revaluation reserve of bank premises	Capital reserve	General reserve	Other reserves ³	Retained profits	Total	Non-controlling interests	Total equity
		股本	股份溢價	資本儲備 – 已發行僱員認股權	匯兌重估儲備	投資重估儲備	行址重估儲備	資本儲備	一般儲備	其他儲備 ³	留存溢利	總額	非控股權益	權益總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
At 1st January, 2014 (As restated)	於2014年1月1日 (重報)	5,724	17,770	69	2,955	980	1,639	200	13,877	3,690	16,778	63,682	4,552	68,234
Changes in equity	權益變動													
Profit for the year	年度內溢利	-	-	-	-	-	-	-	-	-	6,661	6,661	113	6,774
Other comprehensive income	其他全面收益	-	-	-	(985)	680	3	-	-	(9)	-	(311)	(5)	(316)
Total comprehensive income	全面收益總額	-	-	-	(985)	680	3	-	-	(9)	6,661	6,350	108	6,458
Shares issued in lieu of dividend (Note 40)	以股代息發行的股份 (附註40)	1,664	-	-	-	-	-	-	-	-	-	1,664	-	1,664
Shares issued under Staff Share Option Schemes (Note 40)	根據僱員認股計劃發行的股份(附註40)	50	-	-	-	-	-	-	-	-	-	50	-	50
Shares issued expense	發行股份支出	-	-	-	-	-	-	(2)	-	-	-	(2)	-	(2)
Equity settled share-based transaction (Note 42(f))	以股份為基礎作支付之交易(附註42(f))	-	-	24	-	-	-	-	-	-	-	24	-	24
Transfer	轉賬	9	-	(9)	-	-	-	30	53	619	(702)	-	-	-
Dividends declared or approved during the year	年度內已宣布或核准派發股息	-	-	-	-	-	-	-	-	-	(2,888)	(2,888)	(96)	(2,984)
Transition to no-par value regime on 3rd March, 2014 (Note 40)	過渡至於2014年3月3日之無票面值制度(附註40)	17,770	(17,770)	-	-	-	-	-	-	-	-	-	-	-
At 31st December, 2014	於2014年12月31日	25,217	-	84	1,970	1,660	1,642	228	13,930	4,300	19,849	68,880	4,564	73,444

3. Other reserves include statutory reserve and other reserves.

3. 其他儲備包括法定儲備及其他儲備。

The notes on pages 149 to 287 form part of these financial statements.

第149至287頁之附註屬本財務報表之一部分。

CONSOLIDATED CASH FLOW STATEMENT

綜合現金流量表

For the year ended 31st December, 2015 截至2015年12月31日止年度

	Notes 附註	2015 HK\$ Mn 港幣百萬元	2014 HK\$ Mn 港幣百萬元
OPERATING ACTIVITIES	經營業務活動		
Profit for the year before taxation	年度內除稅前溢利	6,749	8,424
Adjustments for:	調整：		
Charge for impairment losses on loans and advances	貸款及墊款減值損失支銷	2,042	990
Charge for impairment allowances on held-to-maturity investments and available-for-sale financial assets	持至到期投資和可供出售金融資產之減值準備支銷	17	11
Share of profits less losses of associates	應佔聯營公司溢利減虧損	(558)	(645)
Net (profit)/loss on sale of held-to-maturity investments	出售持至到期投資之淨(溢利)/虧損	(3)	2
Net profit on sale of available-for-sale financial assets	出售可供出售金融資產之淨溢利	(257)	(101)
Net (profit)/loss on disposal of subsidiaries and associates	出售附屬公司及聯營公司之淨(溢利)/虧損	(2)	4
Net gain on disposal of fixed assets	出售固定資產之淨溢利	(109)	(74)
Interest expense on certificates of deposit, debt securities and loan capital issued	已發行存款證、債務證券及借貸資本利息支出	1,843	1,855
Depreciation on fixed assets	固定資產折舊	523	664
Dividend income from available-for-sale financial assets	可供出售金融資產股息收入	(40)	(28)
Amortisation of intangible assets	無形資產攤銷	32	32
Amortisation of premium/discount on certificates of deposit, debt securities and loan capital issued	已發行存款證、債務證券及借貸資本的溢價/折扣攤銷	236	218
Revaluation gains on certificates of deposit, debt securities and loan capital issued	重估已發行存款證、債務證券及借貸資本盈利	(45)	(5)
Valuation gains on investment properties	重估投資物業盈利	(549)	(228)
Equity settled share-based payment expenses	以股份為基礎作支付費用	22	24
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	營運資金變動前的經營溢利	9,901	11,143
(Increase)/decrease in operating assets:	經營資產(增)/減額：		
Cash and balances with banks with original maturity beyond three months	原本期限為3個月以上的現金及其他銀行存款的結存	7,644	926
Placements with banks and other financial institutions with original maturity beyond three months	原本期限為3個月以上的銀行及其他金融機構存款	5,407	(10,544)
Trade bills	貿易票據	41,143	(735)
Trading assets	交易用途資產	(906)	2,420
Financial assets designated at fair value through profit or loss	指定為通過損益以反映公平價值的金融資產	4,377	2,893
Positive fair value of derivatives	衍生工具的正公平價值	(2,668)	88
Advances to customers	客戶墊款	881	(38,559)
Advances to banks and other financial institutions	銀行及其他金融機構墊款	24	(50)
Held-to-maturity debt securities	持至到期債務證券	(208)	(1,319)
Available-for-sale financial assets	可供出售金融資產	(10,436)	(17,789)
Other accounts and accrued interest	其他賬項及應計利息	6,397	3,829
Increase/(decrease) in operating liabilities:	經營負債增/(減)額：		
Deposits and balances of banks and other financial institutions	銀行及其他金融機構的存款及結餘	(1,197)	4,400
Deposits from customers	客戶存款	(7,441)	13,213
Trading liabilities	交易用途負債	868	10
Negative fair value of derivatives	衍生工具的負公平價值	2,086	278
Other accounts and provisions	其他賬項及準備	(4,564)	(4,139)
Exchange adjustments	匯兌調整	(2,506)	(962)
NET CASH INFLOW/(OUTFLOW) FROM OPERATIONS	經營活動現金流入/(流出)淨額	48,802	(34,897)
Income tax paid	已付所得稅		
Hong Kong profits tax paid	已付香港利得稅	(794)	(919)
Outside Hong Kong profits tax paid	已付海外利得稅	(383)	(982)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	源自/(用於)經營業務活動之現金淨額	47,625	(36,798)

The notes on pages 149 to 287 form part of these financial statements.

第149至287頁之附註屬本財務報表之一部分。

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

綜合現金流量表(續)

For the year ended 31st December, 2015 截至2015年12月31日止年度

	Notes 附註	2015 HK\$ Mn 港幣百萬元	2014 HK\$ Mn 港幣百萬元
INVESTING ACTIVITIES	投資活動		
Dividends received from associates	收取聯營公司股息	35	172
Dividends received from available-for-sale equity securities	收取可供出售股份證券股息	40	28
Purchase of equity securities	購入股份證券	(2,174)	(1,985)
Proceeds from sale of equity securities	出售股份證券所得款項	1,931	1,780
Purchase of fixed assets	購入固定資產	(446)	(305)
Purchase of investment properties	購入投資物業	(20)	(44)
Proceeds from disposal of fixed assets	出售固定資產所得款項	158	130
Purchase of shareholding in associates	購入聯營公司權益	(61)	(1,139)
Proceeds from disposal of an associate	出售一間聯營公司所得款項	1	–
Purchase of subsidiaries	購入附屬公司 47(a)	(1)	(23)
NET CASH USED IN INVESTING ACTIVITIES	用於投資活動之現金淨額	(537)	(1,386)
FINANCING ACTIVITIES	融資活動		
Ordinary dividends paid	支付普通股股息	(817)	(991)
Distribution to Hybrid Tier 1 issue holders	派發予混合一級資本工具持有人 19(c)	(320)	(330)
Subscription of new shares	認購新股 40	6,576	–
Issue of ordinary share capital	發行普通股股本 40	150	50
Issue of additional equity instruments	發行額外股本工具	4,344	–
Issue of certificates of deposit	發行存款證	61,503	67,798
Issue of debt securities	發行債務證券	11,150	26,426
Issue of loan capital	發行借貸資本	–	3,863
Redemption of Hybrid Tier 1 issued	贖回已發行混合一級資本工具	(900)	–
Redemption of certificates of deposit issued	贖回已發行存款證	(68,298)	(66,414)
Redemption of debt securities issued	贖回已發行債務證券	(19,462)	(8,621)
Interest paid on loan capital	支付借貸資本利息	(1,032)	(755)
Interest paid on certificates of deposit issued	支付已發行存款證利息	(731)	(620)
Interest paid on debt securities issued	支付已發行債務證券利息	(271)	(243)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(用於)/源自融資活動之現金淨額	(8,108)	20,163
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	現金及等同現金項目淨增/(減)額	38,980	(18,021)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	於1月1日之現金及等同現金項目 47(b)	71,986	90,007
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER	於12月31日之現金及等同現金項目 47(b)	110,966	71,986
Cash flows from operating activities included:	源自經營業務活動的現金流量包括：		
Interest received	利息收入	23,857	27,469
Interest paid	利息支出	12,238	14,357
Dividend received	股息收入	80	71

The notes on pages 149 to 287 form part of these financial statements.

第149至287頁之附註屬本財務報表之一部分。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

1. PRINCIPAL ACTIVITIES 主要業務

The Bank and its subsidiaries (the “Group”) are engaged in the provision of banking and related financial services, and business, corporate and investor services.

本行及其附屬公司(「本集團」)的主要業務為提供銀行及有關的金融服務、以及商務、企業及投資者服務。

2. SIGNIFICANT ACCOUNTING POLICIES 主要會計政策

(a) Statement of Compliance

These financial statements have been prepared in accordance with all applicable HKFRS, which collective term includes all applicable individual HKFRS, HKAS and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the requirements of Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Listing Rules. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting period of the Group and the Bank. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of Preparation of the Financial Statements

The financial statements for the year ended 31st December, 2015 comprise the Group and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- financial instruments classified as trading, designated at fair value through profit or loss and available-for-sale (Note 2(f)(ii));
- derivative financial instruments (Notes 2(f)(ii), (vi) and 2(g)); and
- investment properties (Note 2(h)(ii)).

The preparation of financial statements in conformity with HKFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

(a) 符合指引聲明

本財務報表乃按照香港會計師公會頒布所有適用的《香港財務報告準則》，其整體已包括個別適用的《香港財務報告準則》、《香港會計準則》及詮釋，以及香港一般採用的會計原則及《公司條例》的要求。本財務報表亦符合《上市規則》有關的披露規定。本集團採納的主要會計政策簡列如下。

香港會計師公會已頒布數項新增及經修訂的《香港財務報告準則》，並於本年度本集團及本行的會計期首次生效或可被提早採納。附註3提供因首次應用該等準則而引致會計政策變動的資料，而該等資料只包括與本集團有關而須反映在本期及去年會計期的財務報表。

(b) 財務報表編製基準

截至2015年12月31日止年度的財務報表包括本集團及其應佔聯營公司之權益。

除以下資產及負債是以公平價值列賬外，本財務報表是以原值成本作為計量基準。有關詳情載列於下列會計政策：

- 分類作交易用途、指定通過損益以反映公平價值及可供出售的金融工具(附註2(f)(ii))；
- 衍生金融工具(附註2(f)(ii)，(vi)及2(g))；及
- 投資物業(附註2(h)(ii))。

按《香港財務報告準則》之要求，在編製財務報表時，管理層須作判斷、估計及假設從而影響政策實施及資產和負債、及收入與支出之呈報金額。有關估計及假設乃按在既定情況下可合理地相信，根據過往之經驗及其他因素，作出判斷那些未能從其他來源確定的資產及負債的賬面值。實際結果可能與此等估計不盡相同。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Details of judgements made by management in the application of HKFRS that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 53.

(c) Basis of Consolidation

These consolidated financial statements cover the consolidated position of the Bank and all subsidiaries unless otherwise stated and the Group's interest in associates. For information required to be reported in accordance with the Banking (Disclosures) Rules, the basis of consolidation is set out in Note 1 in the Unaudited Supplementary Financial Information.

(i) Subsidiaries and Non-controlling interests

The consolidated financial statements include the financial statements of the Bank and all its subsidiaries made up to 31st December each year. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the net profit and total comprehensive income for the year between non-controlling interests and equity shareholders of the Bank.

有關估計及假設須持續作檢討。若修訂只影響該修訂期，會計估計的修訂於該修訂期內確認；或如該修訂影響本期及未來會計期，則於修訂期及未來會計期內確認。

在附註53內，管理層已解釋實施對財務報表有重大影響的《香港財務報告準則》所作的詳細判斷及不明朗估計的主要來源。

(c) 綜合基準

除另外陳述外，本綜合財務報表包括本行及其所有附屬公司及本集團所佔聯營公司之權益的綜合狀況。根據《銀行業(披露)規則》所要求匯報的資料，所採納的綜合基準已在未經審核補充財務資料附註1列載。

(i) 附屬公司及非控股權益

本綜合財務報表包括本行及其所有附屬公司截至各相關年度之12月31日止的財務報表。附屬公司為本集團所控制之實體。當透過參與從而令本集團面對或獲取不同之回報，及有能力透過控制該實體而影響所獲取之回報，本集團被視作可控制該實體。在評估本集團是否有控制權時，只考慮實質的權力(由本集團及其他人士所擁有)。

附屬公司之投資由控制權生效日起至控制權失效日止在綜合財務報表內計算。在編製綜合財務報表時，集團之間的結餘，交易及現金流及任何因集團之間交易所產生的未實現溢利均被抵銷。跟未實現盈利相同，因集團之間交易所產生的未實現虧損亦同樣被抵銷，但只局限於未有減值證據。

非控股權益指無論是直接或間接並不歸屬於本行之附屬公司的權益部分，及本集團並未與該等權益持有者達成附加協議，致令本集團整體上對該等權益產生符合金融負債定義的法定義務。就每一業務合併而言，本集團可選擇按公平價值或非控股權益按比例應佔該附屬公司的可辨識淨資產以計量非控股權益。

非控股權益在綜合財務狀況表內的股東權益中列示，但與可歸屬於本集團股東權益分開。非控股權益佔本集團之業績，在綜合收益表內以分配年度溢利之形式列示，而在綜合全面收益表則以分配年度全面收益總額予非控股權益與及可歸屬於本集團股東權益之形式列示。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (Note 2(c)(ii)).

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost less any impairment losses, if any (Note 2(k)).

(ii) Associates

The consolidated financial statements include the attributable share of the results and reserves of associates based on financial statements prepared at dates not earlier than three months prior to 31st December, 2015. An associate is a company in which the Group or the Bank has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method unless it is classified as held-for-sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the associate's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (Note 2(j) and 2(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the associates and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the associate's other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associates, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For these purposes, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except when unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

本集團將不導致喪失控股權之附屬公司權益的變動按權益交易方式入賬，即只調整在綜合權益內之控股及非控股權益的金額以反映其相關權益的變動，但不調整商譽及確認盈虧。

當本集團喪失對一附屬公司之控股權，將按出售該附屬公司之所有權益入賬，而所產生的盈虧確認為損益。任何在喪失控股權日仍保留該前度附屬公司之權益按公平價值確認，而此金額被視為初始確認一金融資產(附註2(f))的公平價值，或(如適用)按成本初始確認一聯營公司投資(附註2(c)(ii))。

在本行的財務狀況表中，附屬公司投資是以成本減除任何減值損失(附註2(k))列賬。

(ii) 聯營公司

本綜合財務報表包括根據截至2015年12月31日止之前不超過三個月的財務報表所編製應佔聯營公司的業績及儲備。聯營公司是指本集團或本行可對其管理發揮重大影響力，包括參予其財務及經營政策的決策，但並不控制或共同控制其管理層。

除非分類為持有作出售用途，聯營公司投資是以權益會計法在綜合財務報表內入賬。根據權益會計法，投資的入賬方法是先以成本另調整本集團於購入後應佔該聯營公司的可辨識淨資產所超出成本之任何金額。往後，需調整在收購後本集團應佔聯營公司淨資產之變動及在(附註2(j)和2(k))所載有關投資的減值損失。任何超出於收購日之成本、本集團應佔聯營公司收購後和已除稅的業績及年度內之任何減值損失均在綜合收益表內確認，而本集團應佔聯營公司收購後和已除稅之其他全面收益項目則在綜合全面收益表內確認。

除本集團對該聯營公司所作具法律或推定義務或替該公司償付的承擔外，當本集團應佔該聯營公司的虧損超出本集團應佔該聯營公司之權益時，超出的虧損將不被確認，而本集團應佔該聯營公司之權益將被減值至零。因此，本集團應佔該聯營公司權益即按權益會計法計算投資賬面值，及實質上構成本集團應佔該聯營公司淨資產的長期權益。

本集團與聯營公司交易而產生之未實現溢利及虧損，按本集團應佔該聯營公司之權益為限作沖銷。若有證據顯示未實現虧損屬資產轉讓的減值損失，則須立即於損益賬內確認。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former associate at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(f)).

The Bank accounts for the results of associates to the extent of dividends received. Investments in associates are stated in the Bank's statement of financial position at cost less any impairment losses (Note 2(k)).

An associate is considered material if it is material to either income statement or statement of financial position of the Group in two consecutive years.

(d) Translation of Foreign Currencies

Foreign currencies transactions during the year are translated into Hong Kong dollars at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the end of the reporting period. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Hong Kong dollars using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

Exchange differences relating to investments at fair value through profit or loss and derivative financial instruments are included in gains less losses from trading securities or financial instruments designated at fair value through profit or loss. All other exchange differences relating to monetary items are presented as gains less losses from dealing in foreign currencies in the income statement. Differences arising on translation of available-for-sale equity instruments are recognised in other comprehensive income and accumulated separately in equity.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Items of statement of financial position, including goodwill arising on consolidation of foreign operations acquired on or after 1st January, 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1st January, 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to the income statement when the profit or loss on disposal is recognised.

當本集團喪失對一聯營公司之重大影響力，將按出售該聯營公司之所有權益入賬，而所產生的盈虧確認為損益。任何在喪失控股權日仍保留該前度聯營公司之權益按公平價值確認，而此金額被視為初始確認一金融資產(附註2(f))的公平價值。

本行按照已收取股息計算應佔聯營公司業績。在本行的財務狀況表中，聯營公司投資是以成本減除任何減值損失(附註2(k))列賬。

若連續兩年對於本集團的收益表或財務狀況表有重大影響，該聯營公司會被視為重大。

(d) 外幣換算

年度內的外幣交易按交易日的匯率折算為港幣。以外幣為單位的貨幣性資產及負債按報告期結束日的匯率折算為港幣。匯兌盈虧則計入收益表內。

以原值成本列賬但以外幣為單位的非貨幣性資產及負債按交易日的匯率折算為港幣。以外幣為單位及按公平價值列賬的非貨幣性資產及負債按釐定其公平價值日的匯率折算。

有關通過損益以反映公平價值投資及衍生金融工具的匯兌差額分別包括於交易用途證券淨盈虧或指定通過損益以反映公平價值投資淨盈虧。其他有關貨幣性資產及負債的匯兌差額則於收益表之外幣買賣溢利項下列示。因折算可供出售股份證券而產生的差額則於其他全面收益內確認，並在股東權益內分開累計。

海外業務之業績按交易日相約的匯率折算為港幣。財務狀況表的項目中，包括於2005年1月1日或以後因收購海外業務而在綜合時所產生的商譽，按報告期結束日的匯率折算為港幣。產生的匯兌差額直接在其他全面收益內確認，並在股東權益之匯兌儲備內分開累計。因於2005年1月1日以前收購海外業務而在綜合時所產生的商譽按收購海外業務日的匯率折算。

當確認出售海外業務的損益時，因該海外業務產生的累計匯兌差額由股東權益計入收益表。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(e) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Interest income

Interest income for all interest-bearing financial instruments is recognised in the income statement on an accruals basis using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

For impaired loans, the accrual of interest income based on the original terms of the loan is discontinued, but any increase in the present value of impaired loans due to the passage of time is reported as interest income.

(ii) Net income from financial instruments designated at fair value through profit or loss and net trading income

Net income from financial instruments designated at fair value through profit or loss and net trading income comprises all gains and losses from changes in fair value (net of accrued coupon) of such financial assets and financial liabilities, together with foreign exchange differences and dividend income attributable to those financial instruments.

(iii) Fee and commission income

Fee and commission income is recognised in the income statement when the corresponding service is provided, except where the fee is charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, the fee is recognised as income in the accounting period in which the costs or risk is incurred and is accounted for as interest income.

Origination or commitment fees received/paid by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without the Group making a loan, the fee is recognised as revenue on a straight-line basis over the commitment period.

(e) 收入確認

收入按已收或應收價款的公平價值釐定。假設經濟利益有可能流向本集團及收入和支出(如適用)屬可靠計量的，在收益表內確認收入的方法如下：

(i) 利息收入

所有帶息金融工具的利息收入按有效利率方法於收益表內以應計基準列作利息收入。

有效利率方法是一種計算攤銷成本及分配利息收入於相關期間的方法。有效利率是可準確將金融工具在預計年內產生之未來現金支出或收入折算為現值，或在較短期內折算為該金融工具賬面值的利率(如適用)。當計算有效利率時，本集團在估計現金流須考慮金融工具的所有合約條款，但不包括未來信貸損失。有效利率組成部分的計算包括所有合約對手之間的費用及基點支出或收入、交易成本及其他所有溢價或折扣。

就減值貸款而言，根據貸款原本條款計算的應計利息收入終止，但因隨時間過去令致減值貸款之現值增加則列作利息收入。

(ii) 指定通過損益以反映公平價值金融工具的淨收入及淨交易收入

指定通過損益以反映公平價值金融工具的淨收入及淨交易收入包括所有金融資產及金融負債之公平價值變動產生的盈虧(減除應計利息)，以及應歸屬於該等金融工具的匯兌差額及股息收入。

(iii) 服務費及佣金收入

服務費及佣金收入在有關服務提供時確認在收益表內，但如服務費是為彌補持續為客戶提供一項服務的成本或承受風險而收取或費用性質為利息則除外。在此情況下，服務費在成本或風險產生的會計期內列作收入，並按利息收入入賬。

因本集團開展或購入金融資產而產生之開立或承擔服務費收入／支出須遞延及確認為有效利率之調整。如承擔期滿而本集團毋須貸款，該服務費按承擔期限以直線法列作收入。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

(iv) Finance income from finance leases

Finance income implicit in finance leases is recognised as interest income over the period of the lease so as to produce an approximately constant periodic rate of return of the outstanding net investment in the leases for each accounting period.

(v) Rental income from operating leases

Rental income received under operating leases is recognised as other operating income in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals receivable are recognised as income in the accounting period in which they are earned.

(vi) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established unconditionally. Dividend income from listed investments is recognised when the share price of the investment is quoted ex-dividend.

(f) Financial Instruments

(i) Initial recognition

The Group classifies its financial instruments into different categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred. The categories are: fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial instruments are measured initially at fair value, which normally will be equal to the transaction price plus, in case of a financial asset or financial liability not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or issue of the financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

The Group recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets at fair value through profit or loss, available for sales or held to maturity and financial liabilities at fair value through profit or loss or debts issued are recognised using trade date accounting. Other financial assets and financial liabilities are recognised using settlement date accounting. From these date, any gains and losses arising from changes in fair value of the financial assets or financial liabilities measured at fair value are recorded.

(iv) 融資租賃收入

融資租賃隱含財務收入按租賃年期確認為利息收入，以令每個會計年度期間剩餘的淨租賃投資回報大致相同。

(v) 經營租賃租金收入

除非有更具有代表性的基準衡量從租賃資產獲取利益的模式，其經營租賃之租金收入按該租期所涵蓋的年期以等額分期確認為其他經營收入。經營租賃協議所涉及的激勵措施均在收益表中確認為租賃淨收款總額的組成部分。或有租金以賺取該收入的會計期間列作收入。

(vi) 股息收入

非上市投資股息收入在股東收取權被無條件確立時才予以確認。上市投資股息收入則在該投資的股價除息時才被確認。

(f) 金融工具

(i) 初始確認

本集團根據於初始期購入資產或產生負債時之原定用途，以分類其金融工具。種類包括通過損益以反映公平價值、貸款和應收賬款、持至到期投資、可供出售金融資產及其他金融負債。

金融工具於初始期按公平價值計量，而公平價值大致與交易價相同。如金融資產或金融負債不屬於通過損益以反映公平價值，則包括直接歸屬於購入之金融資產或發行金融負債的交易成本。通過損益以反映公平價值的金融資產或金融負債的交易成本立即作費用支銷。

當本集團成為金融工具合約其中一方時確認金融資產和金融負債。以有規律方式購買或出售通過損益以反映公平價值、可供出售或持至到期金融資產及通過損益以反映公平價值的金融負債俱按交易日會計法計算。其他金融資產和金融負債則按結算日會計法計算。該等金融資產及金融負債因公平價值變動而產生的盈利及虧損由該日起計算。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(ii) Categorisation

Fair value through profit or loss

This category comprises financial assets and financial liabilities held for trading, and those designated at fair value through profit or loss upon initial recognition, but excludes those investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured.

Trading financial instruments are financial assets or financial liabilities which are acquired or incurred principally for the purpose of trading, or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are recognised initially, and are subsequently remeasured, at fair value, and classified as assets when their fair value is positive, or as liabilities when their fair value is negative. Derivatives that do not qualify for hedge accounting (Note 2(g)) are accounted for as trading instruments.

Financial instruments are designated at fair value through profit or loss upon initial recognition when:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or
- the separation of the embedded derivatives from the financial instrument is not prohibited.

Financial assets and financial liabilities under this category are carried at fair value. Changes in the fair value are included in the income statement in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds or the net payment and the carrying value is included in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than (a) those that the Group intends to sell immediately or in the near term, which will be classified as held for trading; (b) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (c) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale. Loans and receivables mainly comprise placements with banks and other financial institutions, trade bills and loans and advances to customers.

(ii) 分類

通過損益以反映公平價值

此類別包括持有作交易用途和初始被指定為通過損益以反映公平價值的金融資產及金融負債，但不包括沒有市場報價的股份證券投資，及其公平價值是不能夠可靠計量的。

作交易用途的金融工具包括購入金融資產或產生金融負債，主要是作短期出售或屬可辨識金融工具組合的一部分，該組合是整體管理的，及有證據顯示近期有短期出售以賺取利潤的模式。衍生工具於初始確認，及後按公平價值重新計量，以及當公平價值為正值時分類為資產，或當公平價值為負值時分類為負債。不符合會計對沖法(附註2(g))的衍生工具列作交易工具。

在以下情況於初始確認為指定為通過損益以反映公平價值的金融工具：

- 該資產或負債是按公平價值作內部管理、評估及呈報；
- 該指定可抵銷或重大地減低可能產生的會計錯配；
- 該資產或負債包含嵌入衍生工具，而該嵌入衍生工具可重大地改變按合約產生的現金流；或
- 將嵌入衍生工具從金融工具內分開是不被禁止的。

屬於此類別的金融資產及金融負債按公平價值入賬。因公平價值變動產生之未實現盈利和虧損計入在期內發生的收益表。於出售或重購時，出售所得或支付淨額與賬面值的差額計入收益表。

貸款和應收賬款

貸款和應收賬款為固定或可確定付款金額及沒有活躍市場報價的非衍生金融資產，但不包括(a)本集團有計劃於短期內出售而被區分為持有作交易用途；(b)本集團於初始期已指定為通過損益以反映公平價值或可供出售；或(c)本集團可能不能收回大部分初始投資(但不包括因信貸轉壞的原因)，則須分類為可供出售。貸款和應收賬款主要包括在銀行及其他金融機構的存款、貿易票據及客戶貸款及墊款。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

Securities classified as loans and receivables typically comprise securities issued by the same customers with whom the Group has a lending relationship that are not quoted in an active market. Investment decisions for credit substitute securities are subject to the same credit approval processes as loans, and the Group bears the same customer risk as it does for loans extended to those customers. Additionally the yield and maturity terms are generally directly negotiated by the Group with the issuer. These securities include commercial paper, short term debentures and preference shares issued by the borrower.

Loans and receivables and securities classified as loans and receivables are carried at amortised cost using the effective interest method, less impairment losses, if any (Note 2(k)).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity which the Group has the positive intention and ability to hold to maturity, other than (a) those that the Group, upon initial recognition, designates as at fair value through profit or loss or available-for-sale; and (b) those that meet the definition of loans and receivables.

Held-to-maturity investments are carried at amortised cost using the effective interest method less impairment losses, if any (Note 2(k)).

If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held-to-maturity, it shall be reclassified as available-for-sale and remeasured at fair value.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other three categories above. They include financial assets intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in the market environment.

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income and accumulated separately in equity, except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which are recognised in the income statement.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be measured reliably, and derivatives that are linked to and must be settled by delivery of such unquoted equity securities are carried at cost less impairment losses, if any (Note 2(k)).

When the available-for-sale financial assets are sold, gains or losses on disposal include the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments which are previously recognised in other comprehensive income shall be reclassified from equity to the income statement.

分類為貸款和應收賬款的證券中，較具代表性的包括由客戶發行而在活躍市場沒有報價的證券，而該客戶是本集團在其批發銀行業務中有借貸關係的相同客戶。作出代替信貸之證券的投資決定與貸款的信貸審批程序相同，尤如本集團須承擔等同借款予同一客戶的風險。另外，回報及到期日條款普遍是透過本集團與客戶直接磋商。此類證券包括商業票據、短期債券及由借款人發行的優先股份。

貸款和應收賬款及分類為貸款和應收賬款的證券按有效利率方法計算攤銷成本並減除任何減值損失入賬(附註2(k))。

持至到期投資

持至到期投資包括有固定或可確定付款金額及有固定期限的非衍生金融資產而本集團有明確意向和能力持至到期日，但不包括(a)本集團於初始期已指定為通過損益以反映公平價值或可供出售，及(b)符合貸款和應收賬款之定義。

持至到期投資採用有效利率方法計算攤銷成本並減除任何減值損失入賬(附註2(k))。

若因意向或能力改變而引致不再適合分類為持至到期投資，則將重新分類為可供出售並按公平價值計量。

可供出售金融資產

可供出售金融資產是被指定為可供出售的非衍生金融資產，或並非分類為以上三種類別的金融資產。它包括計劃作不定期限持有的金融資產，但可能因應流動資金之需要或市場環境轉變而出售。

可供出售金融資產按公平價值列賬。除減值損失和貨幣性資產之外匯盈虧(如債務證券)在收益表內確認外，因公平價值的變動所產生的未實現盈虧於其他全面收益內確認，並在股東權益內分開累計。

在活躍市場中沒有市場報價而其公平價值是不能夠可靠計量的股份證券投資，及與之掛勾及在結算時須交出該無報價股份證券的衍生工具，按成本減除任何減值損失(附註2(k))列賬。

當出售可供出售金融資產時，出售盈虧包括出售所得款項淨額與賬面值的差額，以及曾經確認為其他全面收益之累計公平價值調整須由股東權益重新分類而轉入收益表。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

Other financial liabilities

Financial liabilities, other than trading liabilities and those designated at fair value through profit or loss, are measured at amortised cost using the effective interest method.

(iii) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

(iv) Derecognition

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset, together with substantially all the risks and rewards of ownership, have been transferred.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

The Group uses the weighted average or first-in first-out method, where appropriate, to determine realised gains and losses to be recognised in the income statement on derecognition.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(vi) Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. The embedded derivatives are separated from the host contract and accounted for as a derivative when (a) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; and (b) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in the income statement.

When the embedded derivative is separated, the host contract is accounted for in accordance with note (ii) above.

其他金融負債

除作交易用途及通過損益以反映公平價值的金融負債外，金融負債按有效利率方法計算攤銷成本入賬。

(iii) 計量公平價值之原則

金融工具的公平價值是於報告期結束日根據其市場報價但未減除將來的估計出售成本。

如沒有公眾知悉的最後交易價格或在認可交易所的市場報價，或從經紀／交易員獲得屬於非交易所買賣的金融工具報價，又或該市場並不活躍，此工具的公平價值按估值模式估值，而該估值模式可根據實際市場交易提供可靠的估計價格。

當採用現金流折讓價格模式，估計將來現金流按管理層的最佳估計及採用的貼現率是在報告期結束日適用於相同條款工具的市場利率。當採用其他價格模式時，參數是在報告期結束日的市場價格資料。

(iv) 終止確認

當從金融資產獲得現金流的法定權利屆滿或已將重大風險及回報擁有權同時轉移後，本集團終止確認金融資產。

當合約的義務已被履行、取消或期滿，本集團終止確認金融負債。

本集團採用加權平均法或先進先出法(如適用)以釐定在終止確認時須在收益表確認的已實現盈利和虧損。

(v) 抵銷

只有具法定權利抵銷確認金額及計劃以淨額結算，或同時變賣資產以清償負債，金融資產和金融負債互相抵銷，並在財務狀況表內以淨額列示。

(vi) 嵌入衍生工具

嵌入衍生工具屬於一種混合(結合)式工具的組成部分，該工具包括衍生工具及一主合約，並可改變該結合式工具的現金流，其作用類似一張獨立的衍生工具。當(a)該嵌入衍生工具的經濟特性及風險與主合約並非緊密關連的；及(b)混合(結合)式工具並非按公平價值計量及將公平價值變動於收益表內確認，嵌入衍生工具將與主合約分開並按衍生工具入賬。

當嵌入衍生工具被分開處理，主合約根據上述附註(ii)入賬。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

(g) Hedging

Hedge accounting recognises the offsetting effects on the income statement of changes in the fair values of the hedging instrument and the hedged item. The Group assesses and documents whether the financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risks both at hedge inception and on an ongoing basis. The Group discontinues prospectively hedge accounting when (a) the hedging instrument expires or is sold, terminated or exercised; (b) the hedge no longer meets the criteria for hedge accounting; or (c) the Group revokes the designation.

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, or the foreign currency risk of a committed future transaction, the effective part of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in the income statement.

If the hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to the income statement in the same period or periods during which the hedged forecast transaction affects the income statement. When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to the income statement immediately.

(g) 對沖

對沖會計法是確認因用作對沖工具與被對沖項目因公平價值變動而在收益表內產生之相互抵銷損益的影響。於衍生工具開始列作對沖工具及在對沖期間，本集團會評估及記錄用作對沖交易的金融工具是否有效地對沖相關項目的公平價值變動或現金流之風險。當 (a) 該用作對沖工具到期或已出售、終止或行使；(b) 該對沖交易不再符合對沖會計法的要求；或 (c) 本集團取消對沖指定，本集團會停止繼續採用對沖會計法。

(i) 現金流量對沖

當衍生金融工具被指定對沖已確認資產或負債的不既定現金流量，或是甚有可能發生的預計交易，或已承諾未來交易之外匯風險，其有效對沖部分的盈利或虧損或重新計量衍生金融工具至公平價值會在其他全面收益內確認，並在股東權益中的對沖儲備內分開累計。而無效對沖部份的盈利或虧損則立即在收益表內確認。

如因對沖預計交易而其後須確認為非金融資產或非金融負債，其相關之盈虧由股東權益重新分類並包括在該非金融資產或負債的初始成本或其他賬面值內。如因對沖一項預計交易而其後須確認為金融資產或金融負債，其相關之盈虧由股東權益重新分類並計入相同期間或當購入資產或引起負債而影響該期間之收益表(如當確認為利息收入或支出)。

就現金流量對沖而言，除以上兩段政策已涵蓋外，其相關之盈虧由股東權益重新分類並包括在相同期間或受對沖預計交易所影響期間的收益表。當用作對沖工具已到期或出售、終止或行使，或當本集團取消指定對沖關係但對沖預計交易預期仍會發生，截至此期間所累計的盈利或虧損仍保留在股東權益內，直至交易發生時按以上的政策確認。如預計對沖交易不會發生，在股東權益內的累計盈利或虧損會立即由股東權益轉入收益表。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(ii) Fair value hedges

A fair value hedge seeks to offset risks of changes in the fair value of recognised asset or liability that will give rise to a gain or loss being recognised in the income statement.

The hedging instrument is measured at fair value, with fair value changes recognised in the income statement. The carrying amount of the hedged item is adjusted by the amount of the changes in fair value of hedging instrument attributable to the risk being hedged. This adjustment is recognised in the income statement to offset the effect of the gain or loss on the hedging instrument.

When a hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting, or the Group revokes designation of the hedge relationship, any adjustment up to that point, to a hedged item for which the effective interest method is used, is amortised to the income statement as part of the recalculated effective interest rate of the item over its remaining life.

(iii) Hedge effectiveness testing

In order to qualify for hedge accounting, the Group carries out prospective effectiveness testing to demonstrate that it expects the hedge to be highly effective at the inception of the hedge and throughout its life. Actual effectiveness (retrospective effectiveness) is also demonstrated on an ongoing basis.

The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. The method which the Group adopts for assessing hedge effectiveness will depend on its risk management strategy.

For fair value hedge relationships, the Group utilises the cumulative dollar offset method or regressive analysis as effectiveness testing methodologies. For cash flow hedge relationship, the Group utilises the change in variable cash flow method or the cumulative dollar offset method using the hypothetical derivative approach.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness, the changes in fair value or cash flows must offset each other in the range of 80 per cent to 125 per cent for the hedge to be deemed effective.

(ii) 公平價值對沖

公平價值對沖用作抵銷已確認資產或負債因公平價值變動產生須在收益表內入賬的盈利和虧損的風險。

對沖工具按公平價值列賬，而公平價值的變動在收益表內入賬。被對沖項目的賬面值按對沖工具所對沖之風險的價格變動予以調整。此調整在收益表內入賬以抵銷對沖工具產生的盈利和虧損。

當用作對沖工具到期或已出售，終止或行使，或當對沖不再符合對沖會計法的要求，或本集團取消對沖指定關係，所有截至此期間內按有效利率方式調整的被對沖項目，會按該項目餘下年期當作重新計算有效利率在收益表內攤銷。

(iii) 對沖效用測試

為符合對沖會計法，本集團必須進行兩種測試：在開始對沖時進行「預計效用」測試，顯示預期成效極高；在對沖期內持續進行「追溯效用」測試，證明實際有效。

有關各對沖關係之文件載有如何評估對沖效用。本集團採納之對沖效用評估方法，是按照既定風險管理策略而實施。

對於公平價值對沖關係，本集團採用累計價值抵銷法作為效用測試之方法。對於現金流量對沖關係，本集團會測試現金流量的變動或對沖組合的規模是否充足，或以模擬衍生工具方式，運用累計價值抵銷法測試。

就預計效用而言，對沖工具必須被預期為在劃定對沖期間內，能高度有效地抵銷對沖風險之公平價值或現金流量之變動。就實際效用而言，公平價值或現金流量之變動抵銷額在80%至125%範圍才被視為有效。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

(h) Properties

- (i) Bank premises are stated in the statement of financial position at cost or at Directors' valuation as of 1989, by reference to an independent professional valuation, less accumulated depreciation and accumulated impairment loss (Note 2(k)).

When a deficit arises on revaluation, it will be charged to the income statement, to the extent that it exceeds the amount held in the bank premises revaluation reserve in respect of that same asset immediately prior to the revaluation; and when a surplus arises on revaluation, it will be credited to the income statement, to the extent that a deficit on revaluation in respect of that same asset had previously been charged to the income statement.

In preparing these financial statements, advantage has been taken of the transitional provisions set out in paragraph 80A of HKAS 16 "Property, Plant and Equipment" issued by the HKICPA, with the effect that bank premises have not been revalued to fair value at the end of the reporting period.

- (ii) Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. Investment properties are valued semi-annually by external independent valuation companies, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued. No allowance has been made in the valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale.

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for as described in Note 2(e).

When a bank property is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the bank property immediately prior to transfer and its fair value is recognised as a revaluation of bank premises as described in Note 2(h)(i).

If an investment property becomes owner-occupied, it is reclassified as bank premises and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

A property interest under an operating lease is classified and accounted for as an investment property when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value. Lease payments are accounted for as described in Note 2(l).

(h) 物業

- (i) 行址是按成本或於1989年董事參照獨立專業評估作出的估值，減除累計折舊及減值損失(附註2(k))後於財務狀況表中列賬。

當重估出現虧損時，於收益表支銷的金額，只限於超過以往因重估相同行址而存入行址重估儲備的結餘；當重估出現盈餘時，存入收益表內的金額不可超過以往因重估相同行址曾於收益表支銷的重估虧損。

在編製此等財務報表時，由於可採用香港會計師公會頒布的《香港會計準則》第16號「物業、廠房及設備」第80A段所載的過渡條款，故行址並未在報告期結束日重估至公平價值。

- (ii) 投資物業是持有用作賺取租金收益或資本增值或二者皆是的物業。投資物業按公平價值列賬。投資物業由外來獨立估價公司每半年作估值，該公司擁有適當認可專業資格及對估物業的所在地和類別有近期經驗。估值並未計算任何抵押、按揭、欠款、及在出售時可能產生的任何費用或稅項。

因公平價值變動而產生的損益在收益表內入賬。投資物業租金收入按附註2(e)所載計算。

如附註2(h)(i)所載，當一項銀行物業因其用途改變而須轉作投資物業時，該物業於轉賬日前的賬面值與公平價值之差額視作行址重估。

如一投資物業轉為自用，該物業須重新分類為行址。於重新分類日的公平價值視作日後作會計用途的成本值。

本集團以經營租賃方式持有用作租金收入或資本增值或二者皆是的物業權益分類為投資物業。此等以經營租賃方式持有的物業權益按公平價值列賬。租金付款按附註2(l)所載入賬。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(iii) Profit or loss on disposal of bank premises and investment properties is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the income statement upon disposal. Any surplus that is included in the bank premises revaluation reserve related to the bank premises disposed is transferred to the general reserve.

(i) Amortisation and Depreciation

(i) Bank premises

Freehold land is not amortised. Leasehold land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease. Leasehold land is amortised on a straight line basis over the remaining term of the lease. Buildings are depreciated on a straight line basis at rates calculated to write off the cost or valuation of each building over its estimated useful life of 50 years or the remaining lease period of the land on which it is situated, whichever is the shorter.

Investment properties are not depreciated.

(ii) Other fixed assets

Other fixed assets are stated in the statement of financial position at cost less accumulated depreciation and impairment losses, which is calculated on a straight line basis to write off the assets over their estimated useful lives from 4 to 20 years.

(j) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (Note 2(k)).

On disposal of a cash generating unit, or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit and loss on disposal.

Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

(iii) 出售行址及投資物業的損益是以出售所得款項淨額與資產賬面值的差價計算，並在出售時於收益表內入賬。任何有關之重估行址盈餘於出售時從行址重估儲備撥入一般儲備內。

(i) 攤銷及折舊

(i) 行址

永久業權之土地不予攤銷。用作經營租賃的租賃土地，而其公平價值是不能夠與租賃於初始時已存在之建築物的公平價值分開計量，則當作持有融資租賃入賬。租賃土地以直線法按租賃剩餘年期攤銷。建築物的成本或估值以直線法按其預計使用年限50年或其座落土地剩餘租賃期兩者中的較短期限計算折舊。

投資物業是不予折舊。

(ii) 其他固定資產

其他固定資產是按成本減累計折舊及減值損失於財務狀況表中列賬。該等資產是以直線法按照由4年至20年的預計使用年期計算折舊。

(j) 商譽

商譽指

(i) 對價轉讓的公平價值、任何被購入者的非控股權益金額及以往本集團曾經持有該被購入者的股東權益公平價值的總和；超出

(ii) 本集團在收購日計量應佔該被購入者之可辨識資產及負債的公平價值淨額。

當(ii)是大於(i)時，此超出金額立即在損益賬確認為一項議價收購的盈利。

商譽按成本減除累計減值損失列賬。因商業合併而產生的商譽被分配予每一現金生產單位，或一組合之現金生產單位，而預計該現金生產單位是可从商業合併中獲得協同效應，以及須每年接受減值測試(附註2(k))。

在年度內出售單一現金生產單位或聯營公司，計算出售溢利時計入任何可歸屬購入商譽的金額。

由內部產生之商譽及品牌的開支按在發生期間內確認為支出。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

(k) Impairment of Assets

At each end of the reporting period, the carrying amount of the Group's assets are reviewed to determine whether there is objective evidence of impairment. If internal and external sources of information indicate such evidence exists, the carrying amount is reduced to the estimated recoverable amount and an impairment loss is recognised in the income statement.

(i) Loans and receivables

The impairment losses of loans and receivables are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets). Receivables with a short duration are not discounted if the effect of discounting is immaterial.

The total allowance for impairment losses consists of two components: individual impairment allowances, and collective impairment allowances.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The individual impairment allowance is based upon management's best estimate of the present value of the cash flows which are expected to be received discounted at the original effective interest rate. In estimating these cash flows, management makes judgements about the borrower's financial situation and the net realisable value of any underlying collateral or guarantees in favour of the Group. Each impaired asset is assessed on its own merits.

In assessing the need for collective impairment allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, the Group makes assumptions both to define the way the Group models inherent losses and to determine the required input parameters, based on historical experience and current economic conditions.

The accuracy of the impairment allowances the Group makes depends on how well the Group can estimate future cash flows for individually assessed impairment allowances and the model assumptions and parameters used in determining collective impairment allowances. While this necessarily involves judgment, the Group believes that the impairment allowances on loans and advances to customers are reasonable and supportable.

(k) 資產減值損失

本集團須於報告期結束日檢討資產的賬面值以判斷是否有客觀減值證據。如對內及對外資料來源均顯示減值證據存在，須減低賬面值至可收回金額，而減值損失於收益表內入賬。

(i) 貸款和應收賬款

貸款和應收賬款的減值損失，是根據資產賬面值及估計未來現金流按資產原本之有效利率(即於初始時確認該等資產之有效利率)折算為現值，以二者之差額計算。如果折算現值後的影響不大，不會折算短期應收賬款。

減值損失準備總額包括兩部分：個別減值準備，及整體減值準備。

本集團首先評估客觀減值證據是否個別存在於個別重大金融資產，及整體存在於非個別重大金融資產。若本集團判斷客觀減值證據並不存在於個別評估金融資產，無論重大與否，本集團將有相同風險特性的金融資產歸類，及作整體減值評估。已作個別減值評估的資產而減值損失已持續確認，該資產不會包括於整體減值評估內。

個別減值準備是根據管理層的最佳估計將可能收回之現金流按原本的有效利率折算為現值。在估計現金流時，管理層須判斷借款人的財政狀況及給予本集團的抵押品或擔保之可變現淨值。並須評估每宗減值資產的自身價值。

當評估所需的整體減值準備時，管理層須考慮的因素包括信貸質素、組合規模、信貸集中、及經濟因素。為求估計所需的準備，本集團根據過往之經驗和現時之經濟情況作假設以模擬潛在損失及判斷所需之參數。

撥備的準確性，須視乎本集團能否在評估個別準備時準確估計交易對手的未來現金流及在判斷整體減值準備時所採用的假設模式及參數。雖然視乎判斷而定，本集團相信貸款損失準備是合理和足夠的。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

All loans and receivables are reviewed and analysed periodically. Any subsequent changes to the amounts and timing of the expected future cash flows compared to the prior estimates that can be linked objectively to an event occurring after the write-down, will result in a change in the impairment allowances on loans and receivables and will be charged or credited to the income statement. A reversal of impairment losses is limited to the loans and receivables' carrying amount that would have been determined had no impairment loss been recognised in prior years.

Where there is no reasonable prospect of recovery, the loan and the related interest receivables are written off.

Loans and receivables with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Renegotiated loans and receivables are subject to ongoing monitoring to determine whether they remain impaired or past due.

(ii) Held-to-maturity investments

Impairment on held-to-maturity investments is considered at both an individual and collective level. The individual impairment allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at asset's original effective interest rate, where the effect of discounting is material.

All significant assets found not to be individually impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

(iii) Available-for-sale financial assets

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that had been recognised in the fair value reserve is reclassified to the income statement. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the income statement.

For unquoted available-for-sale equity securities that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the equity securities and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset, where the effect of discounting is material.

所有貸款和應收賬款須定期作檢討及分析。在較後期間，任何因估計未來現金流的金額及時間與先前估計的有所轉變，而該轉變是可客觀地與撇銷後發生的事件有關連，從而導致貸款和應收賬款之減值損失準備亦需改變，該轉變會支銷或存入收益表。減值損失之轉回只限於假設該貸款和應收賬款於過往從來未有確認減值損失的賬面值。

倘再無合理預期可收回時，則貸款及相關的應收利息會被撇銷。

經重訂條款的貸款和應收賬款是因借款人的財政狀況惡化而須重組的貸款，而本集團已顧及借款人的財政狀況而有所讓步，否則會不作此考慮。經重訂的貸款和應收賬款須持續受監控以判斷它們是否仍然已減值或逾期。

(ii) 持至到期投資

持至到期投資之減值按個別及整體層面考慮。當折算的效果是重大的，個別減值準備按資產賬面值，及估計未來現金流按資產原本之有效利率折算為現值，以二者之差額計算減值損失。

如所有重大資產毋須作個別減值，則須為已發生而未被發現的減值作整體評估。非個別重大資產按相同風險特性歸類及作整體減值評估。

若在較後期間，減值損失的金額減少而該減少是可客觀地與確認減值損失後發生的事件有關連，減值損失轉回收益表內。減值損失轉回收益表的金額不能超過假設該資產於往年從來未有確認減值損失的賬面值。

(iii) 可供出售金融資產

當有客觀證據顯示可供出售金融資產已減值，已直接確認在公平價值儲備內的累計虧損會被轉入收益表內。須於損益賬內入賬的累計虧損金額，是購入成本(減除任何本金償還及攤銷)與現時公平價值二者之差額，再減除往年已於收益表內入賬的減值損失。

按成本列賬之無報價可供出售股份證券，當折算的效果是重大的，股份證券的賬面值及估計未來現金流按相同金融資產的現時市場回報率折算為現值，以二者之差額計算減值損失。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

Impairment losses recognised in the income statement in respect of available-for-sale equity securities are not reversed through the income statement. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in the income statement.

(iv) Other assets

Internal and external sources of information are reviewed at each end of the reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property and equipment (other than properties carried at revalued amounts);
- investments in subsidiaries and associates;
- goodwill; and
- intangible assets

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, if measurable, or value in use, if determinable.

已確認於收益表之可供出售股份證券的減值損失是不能轉回收益表。其後該資產之公平價值增加則直接確認在其他全面收益。

而可供出售債務證券之公平價值增加，而該增加是可客觀地與已確認減值損失後發生的事件有關連，減值損失可轉回。在此情況下，轉回減值損失於收益表內入賬。

(iv) 其他資產

在報告期結束日，須檢討對內及對外資料來源以辨識以下資產是否有減值徵兆或，除商譽外，以往已確認之減值損失是否仍然存在或可能已經減少：

- 物業及設備(以重估金額列賬的物業除外)；
- 附屬及聯營公司投資；
- 商譽；及
- 無形資產

如任何該等徵兆存在，須估計該資產的可收回金額。此外，商譽須每年估計可收回金額以確定是否有減值徵兆。

可收回金額之計算

可收回金額是公平價值減出售成本及使用價值二者中之較高者。在評估使用價值時，會採用一項當時市場評估的時間值及相對於該資產的風險的稅前折扣率將估計未來現金流量折實為現在價值。當某資產未能大部分地獨立於其他資產產生現金流量，其可收回金額取決於可獨立地產生現金流量的最小資產組合(即單一現金生產單位)。

減值損失之確認

當資產的賬面值或其所屬的現金生產單位超過可收回金額時，須於收益表內確認減值損失。有關確認現金生產單位減值損失時，首先減低分配予現金生產單位(或其單位群組)之賬面值，其後再按比例減低在該單位(或其單位群組)其他資產的賬面值，但該資產的賬面值不可低過其個別公平價值減出售成本(如可計量的話)或使用值(如可確定的話)。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(v) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the year (Note 2(k)(i) to (iv)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not the income statement.

(l) Leased Assets

Leases of assets under which the lessee assumes substantially all the risks and rewards of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and rewards of ownership are classified as operating leases.

(i) Assets held under finance leases

The amounts due from lessees in respect of finance leases are recorded in the statement of financial position as advances to customers at the amounts of net investment which represent the total rentals receivable under finance leases less unearned income. Revenue arising from finance leases is recognised in accordance with the Group's revenue recognition policies, as set out in Note 2(e).

(ii) Assets held for use in operating leases

Where the Group leases out assets under operating leases, the leased assets are included in the statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in Note 2(i) except where the asset is classified as an investment property. Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(k). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in Note 2(e).

減值損失之轉回

除商譽外的有關資產，如在用來釐定可收回金額的估計發生有利的變化，則減值損失會被轉回。商譽的減值損失不可轉回。

減值損失轉回只局限至該資產的賬面值，猶如該等減值損失從未在往年被確認。

減值損失轉回在該被確認的年度計入收益表內。

(v) 中期財務報告及減值

根據《上市規則》，本集團須按《香港會計準則》第34號「中期財務報告」編製有關年度首6個月的中期財務報告。於中期期末，本集團採用等同年末的減值測試、確認、及轉回標準(附註2(k)(i)至(iv))。

商譽、可供出售股份證券及無報價的股份證券所確認於中期期間的減值損失，均不能在較後期間轉回。就算假如該減值只在與該中期期間有關之年底作評估而該減值損失是不會發生、或損失之金額會較小，在此情況下亦不可轉回。因此，如可供出售股份證券的公平價值在每年餘下期間、或後期的其他任何期間增加，增加的金額只能在其他全面收益而非收益表內確認。

(l) 租賃資產

由承租人承擔絕大部分擁有權的相關風險及報酬的資產租賃列為融資租賃。出租人並未轉讓擁有權的所有風險及報酬的資產租賃列為經營租賃。

(i) 以融資租賃購入的資產

當本行為融資出租人時，按融資租賃而租出資產的投資淨額，即應收租金總額減未賺取收入，在財務狀況表列作客戶貸款。來自融資租賃的收入會根據本行的收入確認政策附註2(e)所載計算。

(ii) 用作經營租賃的資產

除該資產已分類為投資物業，當本集團以經營租賃方式租出資產，該資產根據其性質包括在財務狀況表內，及按附註2(i)所載(如適用者)本集團的折舊會計政策計算折舊。減值損失是根據會計政策附註2(k)所載計算。來自經營租賃的收入是根據本行的收入確認政策附註2(e)所載計算。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(m) Repossession of Assets

In the recovery of impaired loans and advances, the Group may take possession of the collateral assets through court proceedings or voluntary delivery of possession by the borrowers. In accordance with the Group's accounting policy set out in Note 2(k), impairment allowances for impaired loans and advances are maintained after taking into account the net realisable value of the collateral assets, usually resulting in a partial write-off of the loans and advances against impairment allowances. Repossessed assets are reported under other assets if it is highly probable that their carrying amount will be recovered through a sale transaction rather than through continuing use and the assets are available for sale in their present condition. Related loans and advances are then written off.

Repossessed assets are recorded at the lower of the amount of the related loans and advances and fair value less costs to sell at the date of exchange. They are not depreciated or amortised.

Impairment losses on initial classification and on subsequent remeasurement are recognised in the income statement.

(n) Income Tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

(iii) 經營租賃費用

當本集團使用經營租賃資產，除非有其他更具代表性的基準以衡量從該等經營租賃資產獲得利益的模式，其租賃付款按該租賃期所涵蓋的會計年期以等額分期記入收益表。經營租賃協議所涉及的激勵措施均在收益表中確認為租賃淨付款的組成部分。或有租金在其產生的會計期內在收益表支銷。

(m) 收回資產

在收回減值貸款時，本集團會通過法庭程序或借款人自願交出擁有權收回抵押品資產。根據本集團附註2(k)所載的會計政策，計算減值貸款之減值準備已顧及抵押品資產之可變現淨值，通常引致須在減值準備內撇銷部分貸款。如大有可能須透過變賣而不是持續使用該資產，及該資產可在現況下出售，收回資產視作其他資產列賬。有關貸款及墊款隨後撇銷。

收回資產按有關貸款的金額或於轉換日已減除出售成本後之公平價值，按兩者之較低者入賬。收回資產毋須計算折舊或攤銷。

在初始期分類及後期再計量所引致的減值損失於收益表確認。

(n) 所得稅

(i) 本年度所得稅包括本期及遞延稅項資產和負債的變動。除該稅款與其他全面收益或股東權益有關而須在其他全面收益或股東權益確認的金額外，本期稅項及遞延稅項資產和負債的變動計入收益表內。

(ii) 本期稅項為年度應課稅收入按報告期結束日已生效或基本上已生效的稅率計算的預計應付稅項，並已包括以往年度的應付稅項的任何調整。

(iii) 遞延稅項資產及負債是因納稅基礎計算的資產及負債與其賬面值之間的差異而分別產生的可扣稅及應課稅的暫時性差異。遞延稅項資產也包括未使用的稅損及稅項抵免。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing deductible temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(h)(ii), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

除了若干有限的例外情況外，所有遞延稅項負債及未來可能有應課稅溢利予以抵銷的遞延稅項資產均予確認。未來有應課稅溢利可支持由可扣稅之暫時性差異引致遞延稅項資產之確認，包括現存之應課稅暫時性差異的轉回，但該等差異須屬於同一稅務機關及應課稅實體，以及預計在同期內該可扣稅之暫時性差異轉回或在若干期限內由該遞延稅項資產產生的稅損可以收回或留存。相同標準應用在判斷現時可扣稅暫時性差異能否支持由未使用的稅損或稅免產生的遞延稅項資產確認，即如果是屬於同一稅務機關及應課稅實體，以及預計在某期間內因該稅損或稅免可使用而轉回時，會計入該等差異。

在有限例外情況下，不確認遞延稅項資產及負債的暫時性差異包括不可扣稅的商譽、初始時已確認不影響會計及應課稅溢利的資產或負債(須不是商業合併的一部分)、及有關投資附屬公司的暫時性差異，就應課稅差異而言，當本集團可控制該差異轉回的時間而該差異在可見將來不會轉回；而就可扣稅差異而言，除非該差異在可見將來可以轉回。

當投資物業根據附註2(h)(ii)所載按公平價值列賬，除該物業是需折舊的及以一商業模式持有，而其目的是要透過時間使用而非出售該物業以獲取隱含於該物業之重大經濟利益，確認遞延稅項的金額按該物業於結算日假設以賬面值出售的稅率計算。在其他情況下，確認遞延稅項的金額是根據預期變現或償還該資產及負債的賬面值的方式，按在報告日已生效或基本上已生效的稅率計算。遞延稅項資產及負債不作折讓。

於報告期結束日，本行須重新檢視有關的遞延稅項資產的賬面金額，對預期不再有足夠的應課稅溢利以實現相關稅務利益予以扣減。可轉回之金額不可超過預期將來出現足夠可供扣減的應課稅溢利。

由派發股息引起的額外所得稅在有關股息的支付責任獲確立時確認。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Bank or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Bank or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Insurance Reserves and Provisions for Outstanding Claims

Insurance reserves, except those attributable to long term business, represent the proportion of retained premiums written in the year relating to the period of risk from 1st January in the following year to the subsequent date of expiry of policies which is carried forward as a provision for unearned premiums and calculated on a daily basis.

The insurance reserve for long term business is ascertained by actuarial valuation.

Full provision is made for the estimated cost of claims notified but not settled at the end of the reporting period and for the estimated cost of claims incurred but not reported by that date, after deducting the amounts due from reinsurers. Provision has also been made for the estimated cost of servicing claims notified but not settled at the end of the reporting period and to meet expenses on claims incurred but not reported at the end of the reporting period.

These reserves and provisions are classified as other accounts and provisions.

(iv) 本期稅項與遞延稅項結餘及其變動之金額會分別列示而不會相互抵銷。本行或本集團只有在有合法權利對本期稅項資產及負債抵銷及符合以下附帶條件的情況下，才對本期及遞延稅項資產及負債作出抵銷：

- 就本期稅項資產及負債而言，本行或本集團計劃支付淨額或同時收回資產及償還負債；或
- 有關的遞延稅項資產及負債屬同一稅務機關對以下機構徵收所得稅而產生：
 - 同一個應課稅實體；或
 - 不同的應課稅實體，並預計在未來期間會償還或收回重大遞延稅項負債或資產，該實體計劃以淨額形式變現本期稅項資產及償還本期稅項負債，或同時變現及償還。

(o) 保險基金及未付索償準備

不包括長期業務部分，保險基金指年度內收取但已作保留的保金部分，而有關的風險是屬於下年度1月1日至保單到期日為止，該保留保金視作未賺取保費準備並按每日計算。

長期業務的保險基金是按精算估值。

本集團已就在報告期結束日只已通知但未償付以及已發生但未匯報的索償，經扣除了分保人欠款，作出了充足的準備。此外，已就在報告期結束日已通知但未償付的索償及已發生但未匯報索償而引致的估計費用作出了充足的準備。

此等基金及準備分類為其他賬項及準備。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(p) Provisions and Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Bank has a legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Employee Benefits

(i) Salaries, bonuses and leave benefits

Employee entitlements to salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are recognised when the absences occur.

(ii) Performance-related bonus plan

Liabilities for performance-related bonus plan, which are due wholly within twelve months after the end of the reporting period, are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Retirement benefits

Retirement benefits are provided to eligible staff of the Group. Hong Kong employees enjoy retirement benefits under either the Mandatory Provident Fund Exempted ORSO Scheme ("MPFEOS") or the Mandatory Provident Fund Scheme ("MPFS"). Both are defined contribution schemes. The employer's monthly contributions to both schemes are at a maximum of 10% of each employee's monthly salary.

The pension schemes covering all the Group's PRC and overseas employees are defined contribution schemes at various funding rates, and are in accordance with local practices and regulations.

The cost of all these schemes is charged to the income statement for the period concerned and the assets of all these schemes are held separately from those of the Group. Under the MPFEOS, the employer's contribution is not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Under the MPFS, the employer's contribution is reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(p) 準備及或然負債

當負債的限期或金額不確定，但有可能因過去事項構成法律或推定義務而須付出經濟利益以償責任，並能對此作可靠估計，此負債便確認為準備。當金額的時間值屬重大的，準備金額須按估計清償負債支出的現值列賬。

倘可能不需要付出經濟利益，或不能對金額作可靠估計，除非付出的機會是極微，則此項責任會視作或然負債披露。如潛在義務的存在須視乎會否發生一項或多項未來事件才獲確定，除非付出經濟利益的機會是極微，此潛在義務亦視作或然負債披露。

(q) 僱員福利

(i) 薪酬、花紅及假期福利

僱員應享有的薪酬、年終花紅、有薪年假、旅行假期及其他同種類之非金錢性質福利於確立時確認。至報告期結束日已撥備因僱員提供服務所享有之年假的估計負債。

僱員應享有的病假及分娩假於發生時確認。

(ii) 表現獎勵花紅計劃

因僱員提供服務而本集團有現存法律或推定義務於報告期結束後12個月內須全數支付表現獎勵花紅計劃的負債，對此並能作可靠估計，便須予以確認為負債。

(iii) 退休福利

本集團為其合資格的員工提供退休福利。香港員工可獲得強積金豁免的職業退休計劃或強制性公積金計劃的保障。此兩個計劃同時是定額供款計劃。僱主對兩項計劃的每月供款，上限是每位僱員月薪的10%。

本集團為所有國內及海外員工而設的退休計劃是定額供款計劃，供款率按當地慣例及規定而制定。

上述所有計劃的成本計算在相關期間的收益表內。所有此類計劃的資產均與本集團的資產分開處理。強積金豁免的退休保障計劃中，僱主的供款不會因某些僱員於未完全享有僱主的供款前離開計劃所沒收的供款而減少。而強制性公積金計劃方面，僱主的供款則會因某些僱員於未完全享有僱主的供款前離開計劃所沒收的供款而減少。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

(iv) Share based payments

The option exercise price is equal to the higher of:

- (a) the closing price of the Bank's shares in the Stock Exchange's daily quotation sheet on the date of grant of the relevant options; and
- (b) an amount equivalent to the average closing price of the Bank's shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant of the relevant options.

When the options are exercised, equity is increased by the amount of the proceeds received. The fair value of share options granted to employees is recognised as an expense in the income statement with a corresponding increase in a capital reserve within equity. The fair value is measured at the grant date using the trinomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to those share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged or credited to the income statement for the year of the review unless the original expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Bank's shares.

The equity amount is recognised in capital reserve until either the option is exercised and new shares allotted (when it is transferred to share capital) or the option expires (when it is released directly to retained profits).

(r) Related Parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

(iv) 以股份為基礎作支付

認股權的行使價為以下之最高者：

- (a) 於授出認股權當日日本行股份在聯交所日報表的收市價；及
- (b) 相等於緊接授出有關認股權當日之前五個營業日，本行股份在聯交所日報表的平均收市價。

當認股權被行使時，所得款項計入股東權益。授予僱員之認股權的公平價值於收益表內確認為支出，而在股東權益賬內的資本儲備作相應的增加。公平價值乃採用三項式期權定價模式，按認股權授予日計算，並顧及授予認股權的條款。當僱員須符合歸屬期條件才可無條件享有該等認股權，估計公平價值總額在歸屬期內攤分入賬，並已考慮認股權歸屬的或然率。

估計可歸屬認股權的數目須在歸屬期內作出檢討。除非原本支出符合資產確認之要求，任何已在往年確認的累積公平價值之所需調整須在檢討期內的收益表支銷或回撥，並在資本儲備作相應調整。在歸屬日，除非因未能符合歸屬條件引致權利喪失純粹與本行股份的市價有關，確認為支出之金額按歸屬認股權的實際數目作調整(並在資本儲備作相應調整)。

屬股東權益金額確認為資本儲備內，直至當認股權被行使及分配新股時(轉入股本)，或當認股權之有效期屆滿時(轉入留存溢利)。

(r) 關聯人士

在編製本財務報表時，與本集團關聯人士是指：

- (a) 個人或該個人之近親家庭成員，如該個人在以下情況下視為與本集團有關聯：
 - (i) 可控制或共同控制本集團；
 - (ii) 對本集團有重大影響力；或
 - (iii) 是本集團或本集團之母公司的主要管理人員之成員。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint venture of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.
- (b) 在以下任何情況下，一實體會視為與本集團有關聯：
- (i) 該實體及本集團皆是同一集團成員（即每一間母公司、附屬公司及同系附屬公司與其他有關聯）。
- (ii) 一實體是另一實體的聯營公司或合營公司（或該聯營公司或合營公司與該另一實體均屬同一集團）。
- (iii) 兩個實體是同一第三者的合營公司。
- (iv) 一實體是一第三者的合營公司而另一實體則是該第三者的聯營公司。
- (v) 該實體是提供福利予本集團或與本集團有關聯之實體的僱員離職後之福利計劃。
- (vi) 該實體受在(a)項中所辨識的個人所控制或共同控制。
- (vii) 在(a)(i)項中所辨識的個人而該個人對該實體有重大影響力，或該個人是該實體（或是該實體的母公司）的主要管理人員之成員。
- (viii) 該實體或是其集團中一部分之任何成員，而提供主要管理人員服務予本集團或本集團之母公司。

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

個人的近親家庭成員指可影響，或受該個人影響，他們與該實體交易的家庭成員。

(s) Segment Reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(s) 分部報告

營運分部，及在財務報表列報的每一分部項目金額，是從財務資料中辨識出來的，並定期地提供予本集團的最高行政管理層作為資源分配，以及評核本集團各業務部分和區域所在地的表現。

除非分部有相同經濟特性及在產品和服務之性質、生產程序之性質、客戶類別和等級、用作銷售產品和提供服務之方法、及監管環境之性質是相同的，個別重大的營運分部不會在財務報表內合計。如它們擁有以上大部份的標準，並非個別重大的營運分部可能會被合計。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) 主要會計政策(續)

(t) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition including cash, balances with banks and other financial institutions, treasury bills, other eligible bills and certificates of deposit that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(u) Deposits, Debt Securities Issued and Subordinated Liabilities

Deposits, debt securities issued and subordinated liabilities are the Group's sources of debt funding.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Subsequent to initial recognition deposits, debt securities issued and subordinated liabilities are measured at their amortised cost using the effective interest method, except where the Group designates liabilities at fair value through profit or loss.

(v) Assets Held for Sale

Non-current assets and disposal groups (including both the assets and liabilities of the disposal groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when: (i) their carrying amounts will be recovered principally through sale; (ii) they are available for sale in their present condition; and (iii) their sale is highly probable.

Immediately before the initial classification as held for sale, the carrying amounts of the asset (or assets and liabilities in the disposal group) are measured in accordance with applicable HKFRS. On subsequent remeasurement of a disposal group, the carrying amounts of the assets and liabilities that are not within the scope of the measurement requirements of HKFRS5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with applicable HKFRS before the fair value less costs to sell of the disposal group is determined.

Income earned and expenses incurred on assets and liabilities of disposal groups held for sale continue to be recognised in the appropriate line items in the income statement until the transaction is complete.

(t) 現金及等同現金項目

就編製現金流量表而言，現金及等同現金項目包括由購入日起少於3個月到期的結餘，包括現金、銀行及其他金融機構結餘、國庫債券、及其他受較低風險影響價值及隨時可轉換成預知金額的合格票據及存款證。

(u) 存款、已發行債務證券及後償負債

存款、已發行債務證券及後償負債是本集團籌募資金的來源。

本集團按該工具合約條款的實質分類資本工具為金融負債或股本工具。

在初始確認後，除本集團指定為通過損益的負債外，存款、已發行債務證券及後償負債按有效利率方式計算攤銷成本。

(v) 持有作出售資產

當(i)其賬面值將主要需通過出售才可收回；(ii)它們可以在現況下可供出售；(iii)出售之機會率是非常高的，非流動資產及出售組別(包括出售組別的資產和負債)按其賬面值及公平價值減出售成本，兩者之較低者，分類為持有作出售資產。

在被初始分類為持有作出售之前，資產的賬面值(或出售組別的資產和負債)按適用的《香港財務報告準則》計算。而往後在重新計算出售組別時，在未決定出售組別的公平價值減成本前，非在《香港財務報告準則》第五號「持有作出售資產的非流動資產及結束營運」所覆蓋的計算要求的資產和負債之賬面值，按適用的《香港財務報告準則》計算。

出售組別的資產和負債之已賺取收入和已發生支出仍繼續在收益表內之有關項目中確認，直至交易完成。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

3. CHANGES IN ACCOUNTING POLICIES 會計政策之變動

The HKICPA has issued the following amendments to HKFRS that are first effective for the current accounting period of the Group:

- Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRS are discussed below:

Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the Group has no defined benefit plans.

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

香港會計師公會已頒布數項對本集團本期會計期可首次生效之修訂《香港財務報告準則》:

- 修訂《香港會計準則》第十九號「僱員福利—定額福利計劃—僱員供款」
- 《香港財務報告準則》年度改進2010-2012周期
- 《香港財務報告準則》年度改進2011-2013周期

本集團並未採納任何於本會計期尚未生效的新準則或詮釋。採納修訂《香港財務報告準則》的影響闡釋如下:

修訂《香港會計準則》第十九號「僱員福利—定額福利計劃—僱員供款」

該修訂引進一項緩解以減低若干根據定額福利計劃下僱員或第三者供款所引起會計的複雜性。當該等供款是可適用於該修訂所提供之實質便利，可容許公司將供款用作減低在某期間內提供有關服務的成本，而並非包括在計算定額福利負債內。因本集團並無定額福利計劃，該修訂對本財務報表並無任何影響。

《香港財務報告準則》年度改進2010-2012周期

該兩周期的年度改進包括對九項準則及其它準則相應的修訂。其中，《香港會計準則》第二十四號「關聯人士之披露」經已修訂以擴大關聯人士的定義，以涵蓋由管理實體提供主要管理人員服務予該匯報實體，及需披露獲取由管理實體提供主要管理人員服務所引起的金額。因本集團並無獲取由管理實體提供主要管理人員服務，該修訂對本財務報表並無任何影響。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

4. BANK-LEVEL STATEMENT OF FINANCIAL POSITION 銀行層面之財務狀況表

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
ASSETS	資產		
Cash and balances with banks and other financial institutions	現金及在銀行和其他金融機構的結存	34,538	26,952
Placements with banks and other financial institutions	在銀行及其他金融機構的存款	37,021	8,031
Trade bills	貿易票據	12,054	51,609
Trading assets	交易用途資產	2,316	1,642
Financial assets designated at fair value through profit or loss	指定為通過損益以反映公平價值的金融資產	3,886	8,287
Positive fair value of derivatives	衍生工具的正公平價值	3,106	2,440
Advances to customers and other accounts	客戶墊款及其他賬項	298,396	299,967
Amounts due from subsidiaries	附屬公司欠款	16,093	22,690
Available-for-sale financial assets	可供出售金融資產	67,284	60,175
Held-to-maturity investments	持至到期投資	4,198	3,474
Investments in subsidiaries	附屬公司投資	18,018	17,315
Investments in associates	聯營公司投資	3,265	3,203
Fixed assets	固定資產	8,041	7,675
– Investment properties	– 投資物業	4,251	3,957
– Other property and equipment	– 其他物業及設備	3,790	3,718
Goodwill and intangible assets	商譽及無形資產	1,460	1,460
Deferred tax assets	遞延稅項資產	85	74
Total Assets	資產總額	509,761	514,994
EQUITY AND LIABILITIES	股東權益及負債		
Deposits and balances of banks and other financial institutions	銀行及其他金融機構的存款及結餘	19,989	21,988
Deposits from customers	客戶存款	339,441	342,979
Trading liabilities	交易用途負債	889	21
Negative fair value of derivatives	衍生工具的負公平價值	4,091	3,758
Certificates of deposit issued	已發行存款證	39,477	45,353
– Designated at fair value through profit or loss	– 指定為通過損益以反映公平價值	16,457	14,444
– At amortised cost	– 攤銷成本	23,020	30,909
Amounts due to subsidiaries	欠附屬公司款項	1,874	1,803
Current taxation	本期稅項	977	960
Debt securities issued	已發行債務證券	13,597	21,173
– Designated at fair value through profit or loss	– 指定為通過損益以反映公平價值	2,539	7,595
– At amortised cost	– 攤銷成本	11,058	13,578
Deferred tax liabilities	遞延稅項負債	399	580
Other accounts and provisions	其他賬項及準備	5,919	6,169
Loan capital	借貸資本	19,894	21,848
– Designated at fair value through profit or loss	– 指定為通過損益以反映公平價值	2,898	4,513
– At amortised cost	– 攤銷成本	16,996	17,335
Total Liabilities	負債總額	446,547	466,632
Share capital	股本	33,815	25,217
Reserves	儲備	24,383	23,145
Total equity attributable to owners of the Bank	歸屬於本行股東權益總額	58,198	48,362
Additional equity instruments	額外股本工具	5,016	–
		63,214	48,362
Total Equity and Liabilities	股東權益及負債總額	509,761	514,994

Approved and authorised for issue by the Board on 15th February, 2016.

董事會於2016年2月15日核准及授權發布。

Chairman and Chief Executive
Directors

David LI Kwok-po
Winston LO Yau-lai

主席兼行政總裁
董事
李國寶
羅友禮

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

5. INTEREST INCOME 利息收入

		2015	2014
		HK\$ Mn 港幣百萬元	Restated 重報 HK\$ Mn 港幣百萬元
Securities classified as held-to-maturity or available-for-sale	分類為持至到期或可供出售的證券	2,458	2,253
Trading assets	交易用途資產	159	124
Financial assets designated at fair value through profit or loss	指定為通過損益以反映公平價值金融資產	141	278
Loans, deposits with banks and financial institutions, and trade bills	貸款、在銀行和其他金融機構的存款、及貿易票據	20,830	22,802
		23,588	25,457

Included above is interest income accrued on impaired financial assets of HK\$339 million (2014: HK\$133 million) which includes interest income on unwinding of discount on loan impairment losses of HK\$110 million (2014: HK\$20 million) (Note 29(b)) for the year ended 31st December, 2015.

以上包括截至2015年12月31日止年度減值金融資產的應計利息港幣3.39億元(2014年:港幣1.33億元),其中包括釋放貸款減值損失之折扣的利息收入港幣1.1億元(2014年:港幣2,000萬元)(附註29(b))。

Included within interest income is HK\$23,513 million (2014: HK\$25,175 million), before hedging effect, for financial assets that are not recognised at fair value through profit or loss.

在不包括對沖影響前,來自非按公平價值確認損益的金融資產之利息收入為港幣235.13億元(2014年:港幣251.75億元)。

For the transactions where interest rate risk is hedged, the periodic payments and receipts arising from interest rate contracts which are qualifying hedging instruments for or individually managed in conjunction with interest bearing financial assets are first netted together and then combined with the interest income from the corresponding financial assets.

就已對沖利率風險的交易而言,作為帶息金融資產的合格對沖工具或可個別地與帶息金融資產共同管理的利率合約所產生的定期支出及收入首先抵銷,淨額與其相關金融資產產生的利息收入合併。

6. INTEREST EXPENSE 利息支出

		2015	2014
		HK\$ Mn 港幣百萬元	Restated 重報 HK\$ Mn 港幣百萬元
Customer deposits, deposits of banks and other financial institutions and certificates of deposit issued which are stated at amortised cost	按攤銷成本列賬的客戶存款、銀行及其他金融機構的存款及已發行存款證	10,480	11,692
Debt securities issued	已發行債務證券		
– at amortised cost	– 攤銷成本	242	333
– designated at fair value through profit or loss	– 指定為通過損益以反映公平價值	263	222
Subordinated notes carried at amortised cost	按攤銷成本列賬的後償票據	650	528
Other borrowings	其他借款	19	7
		11,654	12,782

Included within interest expense is HK\$11,643 million (2014: HK\$12,803 million), before hedging effect, for financial liabilities that are not recognised at fair value through profit or loss.

在不包括對沖影響前,來自非按公平價值確認損益的金融負債之利息支出為港幣116.43億元(2014年:港幣128.03億元)。

For the transactions where interest rate risk is hedged, the periodic payments and receipts arising from interest rate contracts which are qualifying hedging instruments for or individually managed in conjunction with interest bearing financial liabilities are first netted together and then combined with the interest expense from the corresponding financial liabilities.

就已對沖利率風險的交易而言,作為帶息金融負債的合格對沖工具或可個別地與帶息金融負債共同管理的利率合約所產生的定期支出及收入首先抵銷,淨額與其相關金融負債產生的利息支出合併。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

7. FEE AND COMMISSION INCOME 服務費及佣金收入

Fee and commission income arises from the following services:

源自下列服務的服務費及佣金收入：

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Corporate services	企業服務	1,194	1,132
Credit cards	信用卡	947	905
Loans, overdrafts and guarantees	貸款、透支及擔保	861	946
Trade finance	貿易融資	481	576
Securities and brokerage	證券及經紀	449	357
Other retail banking services	其他零售銀行服務	353	447
Trust and other fiduciary activities	信託及其他代理業務	187	182
Others	其他	544	478
Total fee and commission income	服務費及佣金收入總額	5,016	5,023
of which:	其中：		
Net fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading nor designated at fair value through profit or loss	由非持作交易用途或指定為通過損益以反映公平價值列賬之金融資產或負債所產生之淨服務費收入(不包括用作計算有效利率之金額)	4,125	4,168
Fee income	服務費收入	5,016	5,023
Fee expenses	服務費支出	(891)	(855)

8. NET TRADING PROFITS 交易溢利淨額

		2015	2014
		HK\$ Mn 港幣百萬元	Restated 重報 HK\$ Mn 港幣百萬元
(Loss)/profit on dealing in foreign currencies and funding swaps	外幣買賣及外匯掉期(虧損)/溢利	(440)	1,584
Profit on trading securities	交易用途證券溢利	63	139
Net gain/(loss) on derivatives	衍生工具淨盈利/(虧損)	566	(896)
Dividend income from listed trading securities	交易用途上市證券的股息收入	40	43
		229	870

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

9. NET RESULT FROM FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS 指定為通過損益以反映公平價值金融工具的淨表現

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Revaluation gain on debts issued	重估已發行債務盈利	13	40
Profit on sale of debts issued	出售已發行債務溢利	3	5
Revaluation loss on financial assets	重估其他金融資產虧損	(49)	(172)
Loss on sale of financial assets	出售金融資產淨虧損	(2)	(3)
		(35)	(130)

10. NET HEDGING (LOSS)/PROFIT 對沖(虧損)/溢利淨額

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Fair value hedges	公平價值對沖		
– Net gain on hedged items attributable to the hedged risk	– 可歸屬於被對沖項目之對沖風險產生的淨盈利	71	96
– Net loss on hedging instruments	– 用作對沖工具的淨虧損	(81)	(93)
		(10)	3

There was insignificant ineffectiveness recognised in the Group's income statement arising from cash flow hedge for the years 2015 and 2014.

於2015年及2014年，因現金流對沖所產生並已在本集團收益表內確認之無效部分是不重大的。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

11. NET INSURANCE REVENUE 保險業務淨收入

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
(a)	Net insurance revenue (a) 保險業務淨收入		
	Net interest income 淨利息收入	354	294
	Net trading loss 交易虧損淨額	(12)	(7)
	Net loss from financial instruments designated at fair value through profit or loss 指定為通過損益以反映公平價值金融工具的淨虧損	(5)	–
	Net hedging loss 對沖虧損淨額	(3)	–
	Net insurance premium and other income (b) 淨保費及其他收入 (b)	2,758	2,277
	Other operating income 其他經營收入	3	6
		3,095	2,570
	Net insurance claims and expenses (c) 保險索償及支出淨額 (c)	(2,833)	(2,337)
		262	233
	Operating expenses 經營支出	(3)	(3)
	Impairment loss on available-for-sale financial assets 可供出售金融資產減值損失	(60)	(5)
	Net profit on sale of available-for-sale financial assets 出售可供出售金融資產之淨溢利	173	98
		372	323
(b)	Net insurance premium and other income (b) 淨保費及其他收入		
	Gross insurance premium income 保費收入總額	2,958	2,623
	Reinsurer's share of gross insurance premium income 保費收入總額之分保份額	(200)	(346)
		2,758	2,277
(c)	Net insurance claims and expenses (c) 保險索償及支出淨額		
	Claims, benefits and surrenders paid 已付索償、利益及退保	1,906	1,390
	Movement in provisions 準備金變動	848	894
		2,754	2,284
	Reinsurers' share of claim, benefits and surrenders paid 已付索償、利益及退保之分保份額	(50)	(35)
	Reinsurers' share of movement in provisions 準備金變動之分保份額	(5)	(12)
		(55)	(47)
		2,699	2,237
	Net insurance commission expenses 保險佣金支出淨額	134	100
		2,833	2,337

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

12. OTHER OPERATING INCOME 其他經營收入

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Dividend income from available-for-sale financial assets	可供出售金融資產股息收入		
– listed	– 上市	16	11
– unlisted	– 非上市	24	17
Rental from safe deposit boxes	保險箱租金收入	86	80
Rental income on properties	物業租金收入	221	149
Others	其他	128	88
		475	345

13. OPERATING EXPENSES 經營支出

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Contributions to defined contribution plan*	定額供款公積金供款*		
– Hong Kong	– 香港	163	152
– Outside Hong Kong	– 香港以外	363	363
Equity-settled share-based payment expenses	以股份為基礎作支付的費用	22	24
Salaries and other staff costs	薪金及其他員工成本	4,790	4,945
Total staff costs	員工成本總額	5,338	5,484
Premises and equipment expenses excluding depreciation	不包括折舊的物業及設備支出		
– Rental of premises	– 物業租金	697	671
– Maintenance, repairs and others	– 保養、維修及其他	581	570
Total premises and equipment expenses excluding depreciation	不包括折舊的物業及設備支出總額	1,278	1,241
Depreciation on fixed assets** (Note 35)	固定資產折舊** (附註35)	523	664
Amortisation of intangible assets (Note 34(b))	無形資產攤銷(附註34(b))	32	32

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

13. OPERATING EXPENSES (CONTINUED) 經營支出(續)

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Other operating expenses	其他經營支出		
– Stamp duty, overseas and PRC business taxes, and value added taxes	– 印花稅、海外及中華人民共和國營業稅，及增值稅	644	727
– Legal and professional fees	– 法律及專業服務費	457	414
– Communications, stationery and printing	– 通訊、文具及印刷	348	340
– Advertising expenses	– 廣告費	341	261
– Business promotions and business travel	– 業務推廣及商務旅遊	193	206
– Card related expenses	– 有關信用卡支出	150	102
– Insurance expenses	– 保險費	57	37
– Administration expenses of corporate services	– 企業服務的行政費	20	15
– Audit fee	– 核數師酬金	17	17
– Membership fees	– 會員費	16	17
– Bank charges	– 銀行收費	10	10
– Donations	– 捐款	5	5
– Bank licence	– 銀行牌照費	4	4
– Others	– 其他	299	273
Total other operating expenses	其他經營支出總額	2,561	2,428
Total operating expenses***	經營支出總額***	9,732	9,849

* Forfeited contributions totalling HK\$15 million (2014: HK\$15 million) were utilised to reduce the Group's contribution during the year. There were no forfeited contributions available for reducing future contributions at the year end (2014: Nil).

* 年內沒收之供款共港幣1,500萬元(2014年：港幣1,500萬元)已被用作減少本集團的供款。於年末並無任何被沒收而可用作減低將來之供款(2014年：無)。

** During the year, the Group revised the useful lives of certain fixed assets. The revisions were accounted for prospectively as a change in accounting estimates and as a result, the impact for current year and expected impact for future years on depreciation charges are as follows:

** 本集團於年內修訂若干固定資產的使用年限。該修訂視作會計估計變動並只於往後會計年度入賬。因此，該修訂對年內的折舊影響及於未來會計年度的折舊預期影響如下：

Current year 年內		Increase/(decrease) in depreciation charges 折舊支出增加/(減少)				
2015	2016	Future years 未來會計年度				Later 往後
HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	2017	2018	2019	HK\$ Mn 港幣百萬元	
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	
(87)	(36)	4	21	34	64	

*** Included in operating expenses are direct operating expenses of HK\$23 million (2014: HK\$32 million) in respect of investment properties which generated rental income during the year.

*** 年度內經營支出中包括由有租金收益的投資物業產生的直接經營支出，金額為港幣2,300萬元(2014年：港幣3,200萬元)。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
財務報表附註(續)

14. IMPAIRMENT LOSSES ON LOANS AND ADVANCES 貸款及墊款減值損失

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Net charge for impairment losses on loans and advances	貸款及墊款減值損失 支銷淨額		
Individual impairment loss	個別減值損失		
– new provisions	– 新撥備	1,571	927
– releases	– 回撥	(103)	(118)
– recoveries	– 收回	(120)	(224)
		1,348	585
Collective impairment loss	整體減值損失		
– new provisions (Note 29(b))	– 新撥備(附註29(b))	694	405
Net charge to income statement	於收益表支銷淨額	2,042	990

15. NET PROFIT ON SALE OF AVAILABLE-FOR-SALE FINANCIAL ASSETS
出售可供出售金融資產之淨溢利

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Net revaluation gain transferred from reserves (Note 42(g))	由儲備轉撥的重估盈利淨額 (附註42(g))	327	79
(Loss)/profit arising in current year	年度內產生的(虧損)/溢利	(70)	22
		257	101

16. NET GAIN ON DISPOSAL OF FIXED ASSETS 出售固定資產之淨溢利

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Net gain on disposal of bank premises, furniture, fixtures and equipment	出售行址、傢俬、裝修及設備之 淨溢利	109	74

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

17. INCOME TAX 所得稅

(a) Taxation in the consolidated income statement represents:

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Current tax – Hong Kong	本期稅項 – 香港		
Tax for the year (Note 36(a))	本年度稅項(附註36(a))	772	777
Under-provision in respect of prior years	往年度撥備不足	32	35
		804	812
Current tax – outside Hong Kong	本期稅項 – 香港以外		
Tax for the year	本年度稅項	616	942
Write back of over-provision in respect of prior years	往年度撥備過剩的回撥	(65)	(21)
		551	921
Deferred tax	遞延稅項		
Origination and reversal of temporary differences (Note 36(b))	暫時性差異的產生及轉回(附註36(b))	(244)	(83)
		1,111	1,650

The provision for Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the year.

香港利得稅稅款是以年度預計應課稅溢利按稅率16.5%(2014年: 16.5%)計算。

Taxation for overseas branches and subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

海外分行及附屬公司的稅款亦按其經營所在國家現行稅率計算。

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

(b) 稅項支出與會計溢利按適用稅率計算稅項的對賬：

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Profit before tax	除稅前溢利	6,749	8,424
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	根據相關國家適用之利得稅稅率按除稅前溢利計算的名義稅款	1,113	1,608
Tax effect of non-deductible expenses	不可扣減支出的稅項影響	350	296
Tax effect of non-taxable revenue	毋須課稅收入的稅項影響	(310)	(264)
Tax effect of tax losses not recognised	未確認的稅損的稅項影響	9	15
Recognition of deferred tax assets on prior year tax losses	往年稅損確認為遞延稅項資產	(14)	(15)
(Write back of over-provision)/Under-provision in respect of prior years	(撥備過剩的回撥)/往年度撥備不足	(33)	14
Others	其他	(4)	(4)
Actual tax expense	實際稅項支出	1,111	1,650

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

18. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT 可歸屬於本集團股東溢利

The consolidated profit attributable to owners of the parent includes a profit of HK\$3,795 million (2014: HK\$3,534 million) which has been dealt with in the financial statements of the Bank.

可歸屬於本集團股東綜合溢利包括已計入本行財務報表內的溢利港幣37.95億元(2014年:港幣35.34億元)。

Reconciliation of the above amount to the Bank's profit for the year

本行年度內溢利與上述金額之對賬

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Amount of consolidated profit attributable to equity holders dealt with in the Bank's financial statements	已計入本行財務報表之可歸屬於本集團股東綜合溢利	3,795	3,534
Final dividends from subsidiaries and associates attributable to the profits of the previous financial year and general reserves, approved and paid during the year	來自往年度附屬公司及聯營公司溢利及一般儲備之末期股息，並在年度內核准及派發	176	195
Bank's profit for the year	本行年度內溢利	3,971	3,729

19. DIVIDENDS 股息

(a) Dividends attributable to the year

(a) 應屬本年度股息

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Interim dividend declared and paid of HK\$0.38 per share on 2,617 million shares (2014: HK\$0.43 per share on 2,329 million shares) (Note 42(i))	已宣布派發及支付中期股息予26.17億股每股港幣0.38元(2014年:23.29億股每股港幣0.43元)(附註42(i))	994	1,001
Second interim dividend paid in respect of the previous financial year on shares issued under the share option schemes subsequent to the end of the reporting period and before the close of the Register of Members of the Bank, of HK\$0.68 per share (2014: HK\$0.68 per share)	已支付在報告期結束後及本行股票過戶登記截止日前根據認股計劃發行股份屬上年度每股港幣0.68元的第二次中期股息(2014年:每股港幣0.68元)	1	-
Second interim dividend of HK\$0.50 per share on 2,641 million shares (2014: HK\$0.68 per share on 2,347 million shares)	第二次中期股息予26.41億股每股港幣0.50元(2014年:23.47億股每股港幣0.68元)	1,320	1,596
		2,315	2,597

The second interim dividend has not been recognised as a liability at the end of the reporting period.

於報告期結束日該第二次中期股息並未確認為負債。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

19. DIVIDENDS (CONTINUED) 股息(續)

(b) Dividends attributable to the previous financial year, approved and paid during the year

(b) 於年度核准及支付屬上年度股息

		2015		2014	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Second interim dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.68 per share on 2,347 million shares (2014: HK\$0.68 per share on 2,290 million shares) (Note 42(i))	年度內核准及支付予23.47億股每股港幣0.68元(2014年: 22.90億股每股港幣0.68元)的上年度第二次中期股息(附註42(i))		1,597		1,557

(c) Distribution to holders of Hybrid Tier 1 capital instruments

(c) 派發予混合一級資本工具持有人

		2015		2014	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Interest paid or payable on the Hybrid Tier 1 capital instruments, the details of which are disclosed in Note 42(i)	已付或應付予混合一級資本工具持有人的利息，詳情已在附註42(i)內披露		320		330

20. EARNINGS PER SHARE 每股盈利

(a) Basic earnings per share

The calculation of basic earnings per share is based on earnings of HK\$4,991 million (2014: HK\$6,331 million) after the distribution of HK\$320 million (2014: HK\$330 million) to Hybrid Tier 1 issue holders and deduction of HK\$211 million (2014: Nil) premium paid to partial redemption of Hybrid Tier 1 capital instruments, and on the weighted average of 2,561 million (2014: 2,324 million) ordinary shares outstanding during the year, calculated as follows:

Weighted average number of ordinary shares

(a) 每股基本盈利

每股基本盈利乃按照已扣減派發予混合一級資本工具持有人港幣3.20億元(2014年: 港幣3.30億元)及已扣除所支付用作贖回部份混合一級資本工具的溢價港幣2.11億元(2014年: 無)後之溢利港幣49.91億元(2014年: 港幣63.31億元)及年度內已發行普通股份的加權平均數25.61億股(2014年: 23.24億股)·計算之方法如下:

普通股份的加權平均數

		2015		2014	
		Number of shares	Number of shares	Number of shares	Number of shares
		股份數目	股份數目	股份數目	股份數目
		Mn 百萬	Mn 百萬	Mn 百萬	Mn 百萬
Issued ordinary shares at 1st January	於1月1日的已發行普通股	2,347		2,290	
Effect of subscription of new shares	認購新股的影響	171		-	
Effect of share options exercised and shares issued in lieu of dividends	已行使認股權及以股代息發行新股的影響	43		34	
Weighted average number of ordinary shares at 31st December	於12月31日普通股份的加權平均數	2,561		2,324	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on earnings of HK\$4,991 million (2014: HK\$6,331 million) after the distribution of HK\$320 million (2014: HK\$330 million) to Hybrid Tier 1 issue holders and deduction of HK\$211 million (2014: Nil) premium paid to partial redemption of Hybrid Tier 1 capital instruments, and on 2,561 million (2014: 2,325 million) ordinary shares, being the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of all dilutive potential shares.

Weighted average number of ordinary shares (diluted)

(b) 每股攤薄盈利

每股攤薄盈利乃按照已扣減派發予混合一級資本工具持有人港幣3.20億元(2014年: 港幣3.30億元)及已扣除所支付用作贖回部份混合一級資本工具的溢價港幣2.11億元(2014年: 無)後之溢利港幣49.91億元(2014年: 港幣63.31億元)及就年內所有具備潛在攤薄影響的普通股作出調整得出的普通股份的加權平均數25.61億股(2014年: 23.25億股)計算。

普通股份的加權平均數(攤薄)

		2015	2014
		Number of shares	Number of shares
		股份數目	股份數目
		Mn 百萬	Mn 百萬
Weighted average number of ordinary shares at 31st December	於12月31日普通股份的加權平均數	2,561	2,324
Effect of deemed issue of ordinary shares under the Bank's share option schemes for nil consideration	假設按認股權計劃發行但不計價款的普通股份之影響	-	1
Weighted average number of ordinary shares (diluted) at 31st December	於12月31日普通股份的加權平均數(攤薄)	2,561	2,325

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

21. DIRECTORS' REMUNERATION 董事酬金

Directors' remuneration disclosed pursuant to section 383(1) of the Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

根據《公司條例》第383(1)條及《公司(披露董事利益資料)規則》第2部之規定披露董事酬金如下：

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Share options	Retirement scheme contributions	2015 Total
	袍金	薪金、津貼及實物收益	酌情花紅	認股權	退休計劃供款	總額
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Chairman and Chief Executive 主席兼行政總裁						
Dr. the Hon. Sir David LI Kwok-po 李國寶爵士	0.8	10.6	8.1	7.5	1.0	28.0
Executive Director and Deputy Chief Executive 執行董事兼副行政總裁						
Mr. Adrian David LI Man-kiu 李民橋先生	0.3	3.8	1.8	2.4	0.4	8.7
Mr. Brian David LI Man-bun 李民斌先生	0.3	3.8	1.8	2.4	0.4	8.7
Non-executive Directors 非執行董事						
Prof. Arthur LI Kwok-cheung 李國章教授	0.4	—	—	—	—	0.4
Mr. Aubrey LI Kwok-sing 李國星先生	0.5	—	—	—	—	0.5
Mr. Eric LI Fook-chuen 李福全先生	0.5	—	—	—	—	0.5
Mr. Stephen Charles LI Kwok-sze 李國仕先生	0.3	—	—	—	—	0.3
Dr. Isidro FAINÉ CASAS 范禮賢博士	0.4	—	—	—	—	0.4
Dr. Peter LEE Ka-kit 李家傑博士	0.3	—	—	—	—	0.3
Mr. Masayuki OKU 奧正之先生	0.1	—	—	—	—	0.1
Independent Non-executive Directors 獨立非執行董事						
Dr. Allan WONG Chi-yun 黃子欣博士	0.6	—	—	—	—	0.6
Mr. WONG Chung-hin 黃頌顯先生	0.4	—	—	—	—	0.4
Mr. Winston LO Yau-lai 羅友禮先生	0.7	—	—	—	—	0.7
Tan Sri Dr. KHOO Kay-peng 丹斯里邱繼炳博士	0.4	—	—	—	—	0.4
Mr. Richard LI Tzar-kai 李澤楷先生	0.3	—	—	—	—	0.3
Mr. Kenneth LO Chin-ming 駱錦明先生	0.5	—	—	—	—	0.5
Mr. William DOO Wai-hoi 杜惠愷先生	0.4	—	—	—	—	0.4
Mr. KUOK Khoon-ean 郭孔濱先生	0.4	—	—	—	—	0.4
Mr. Valiant CHEUNG Kin-piu 張建標先生	0.8	—	—	—	—	0.8
Mr. Daryl NG Win-kong 黃永光先生	0.2	—	—	—	—	0.2
	8.6	18.2	11.7	12.3	1.8	52.6

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

		Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Share options	Retirement scheme contributions	2014 Total
		袍金	薪金、津貼及實物收益	酌情花紅	認股權	退休計劃供款	總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Chairman and Chief Executive 主席兼行政總裁							
Dr. the Hon. Sir David LI Kwok-po	李國寶爵士	0.6	10.2	13.4	8.3	1.0	33.5
Executive Director and Deputy Chief Executive 執行董事兼副行政總裁							
Mr. Adrian David LI Man-kiu ¹	李民橋先生 ¹	0.2	1.5	1.2	1.2	0.1	4.2
Mr. Brian David LI Man-bun ¹	李民斌先生 ¹	0.2	1.5	1.2	1.2	0.1	4.2
Non-executive Directors 非執行董事							
Prof. Arthur LI Kwok-cheung	李國章教授	0.4	—	—	—	—	0.4
Mr. Aubrey LI Kwok-sing	李國星先生	0.4	—	—	—	—	0.4
Mr. Richard LI Tzar-kai	李澤楷先生	0.3	—	—	—	—	0.3
Mr. Eric LI Fook-chuen	李福全先生	0.4	—	—	—	—	0.4
Mr. Stephen Charles LI Kwok-sze	李國仕先生	0.3	—	—	—	—	0.3
Dr. Isidro FAINÉ CASAS	范禮賢博士	0.3	—	—	—	—	0.3
Dr. Peter LEE Ka-kit	李家傑博士	0.3	—	—	—	—	0.3
Independent Non-executive Directors 獨立非執行董事							
Dr. Allan WONG Chi-yun	黃子欣博士	0.5	—	—	—	—	0.5
Mr. WONG Chung-hin	黃頌顯先生	0.4	—	—	—	—	0.4
Mr. Winston LO Yau-lai	羅友禮先生	0.6	—	—	—	—	0.6
Tan Sri Dr. KHOO Kay-peng	丹斯里邱繼炳博士	0.3	—	—	—	—	0.3
Dr. Thomas KWOK Ping-kwong	郭炳江博士	0.4	—	—	—	—	0.4
Mr. Kenneth LO Chin-ming	駱錦明先生	0.4	—	—	—	—	0.4
Mr. William DOO Wai-hoi	杜惠愷先生	0.4	—	—	—	—	0.4
Mr. KUOK Khoon-ean	郭孔演先生	0.3	—	—	—	—	0.3
Mr. Valiant CHEUNG Kin-piu	張建標先生	0.7	—	—	—	—	0.7
		7.4	13.2	15.8	10.7	1.2	48.3

¹ Appointed Executive Director of the Bank with effect from 2nd August, 2014, with remuneration calculated on a pro-rata basis therefrom.

¹ 由2014年8月2日起獲委任為本行執行董事，酬金自即日起按比例計算。

Included in the above remuneration were share options granted to ED under the Bank's Staff Share Option Schemes. The details of these benefits in kind are disclosed under the paragraph "Information on Share Options" in the Report of the Directors and Note 39.

上述酬金包括執行董事根據本行的僱員認股計劃獲授予認股權。有關此等實物收益的詳情載於董事會報告書的「認股權資料」及賬項附註39內。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

22. FIVE TOP-PAID EMPLOYEES 5名薪酬最高的僱員

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Salaries and other emoluments	薪金及其他酬金	29	26
Performance-related bonuses	表現獎勵花紅	15	25
Share options	認股權	17	19
Pension contributions	退休金供款	2	3
		63	73

The remuneration of the five top-paid employees is within the following bands:

5名薪酬最高的僱員的金額範圍如下：

	2015	2014
	Number of Employees 僱員人數	Number of Employees 僱員人數
HK\$港幣元		
8,500,001 – 9,000,000	3	–
9,000,001 – 9,500,000	1	–
9,500,001 – 10,000,000	–	4
28,000,001 – 28,500,000	1	–
33,000,001 – 33,500,000	–	1

Included in the emoluments of the five top-paid employees were the emoluments of 3 (2014: 3) Directors and 2 (2014: 2) senior management members. Their director's emoluments have been included in Note 21 above.

5名薪酬最高的僱員中包括3位(2014年：3位)董事及2位(2014年：2位)高層管理人員。他們的董事酬金已包括於上述附註21內。

23. SEGMENT REPORTING 分部報告

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's senior management for the purposes of resource allocation and performance assessment, the Group has presented the following nine reportable segments. No operating segments have been aggregated to form the following reportable segments.

本集團按分處管理其業務，而分處則由業務及地區混合組成。分部資料的列報與內部匯報予本集團的高層管理人員作為資源分配及表現評核的方式是一致的。本集團列報以下九個可匯報分部。營運分部並未包括在以下的可匯報分部內。

(a) Business segments

The Group has identified the following nine reportable segments.

Personal banking, which includes branch operations, personal internet banking, consumer finance, property loans and credit card business in Hong Kong.

Corporate banking, which includes corporate lending and loan syndication, asset based lending, commercial lending and securities lending in Hong Kong.

Treasury markets, which include treasury operations and securities dealing in Hong Kong.

(a) 營業分部

本集團已辨識以下九個可匯報分部。

個人銀行包括在香港之分行營運、個人電子網絡銀行、消費貸款、按揭貸款及信用卡業務。

企業銀行包括在香港之企業借貸及銀團貸款、資產融資、商業貸款及證券業務貸款。

財資市場包括在香港之財資運作及證券買賣。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

Wealth management, which includes private banking business and related assets in Hong Kong.

財富管理包括提供予在香港之私人銀行業務及相關資產。

Financial institutions, which includes trade financing activities with correspondent banks in Hong Kong.

金融機構包括在香港之全球同業間的銀行代理行及金融貿易業務。

Other Hong Kong banking operations, which mainly include insurance business, trust business, securities & futures broking, money lender activities and corporate financial advisory in Hong Kong.

其他香港銀行業務主要包括在香港之保險業務、信託業務、證券及期貨經紀、放債人業務及企業財務諮詢。

China operations mainly include the back office unit for China operations in Hong Kong, all branches, subsidiaries and associates operated in China, except those subsidiaries carrying out corporate services, data processing and other back office operations in China.

中國業務主要包括在香港支援中國業務的後勤單位、所有在中國經營的分行、附屬公司及聯營公司，但不包括在中國經營企業服務和資料處理及其他後勤支援之附屬公司。

Overseas operations include the back office unit for overseas banking operations in Hong Kong, all branches, subsidiaries and associates operated in overseas, except those subsidiaries carrying out corporate services in overseas.

國際業務包括在香港支援國際銀行業務的後勤單位、所有在海外經營的分行、附屬公司及聯營公司，但不包括在海外經營企業服務之附屬公司。

Corporate services include company secretarial services, share registration and business services, and offshore corporate and trust services.

企業服務包括公司秘書服務、股票登記及商業服務、以及離岸企業及信託服務。

Other businesses include property-related business, supporting units of Hong Kong operations, investment properties, bank premises, the net results of other subsidiaries in Hong Kong except for those subsidiaries which are included in other Hong Kong banking operations.

其他業務包括與地產有關的業務、香港業務之後勤單位、投資物業、行址及在香港之其他附屬公司的業績(除已包括在其他香港銀行業務內的附屬公司)。

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

在評估分部表現及分配分部間的資源時，集團的高層管理人員根據以下基準監控可歸屬於每一可匯報分部之業績、資產及負債：

Segment assets include all tangible assets, intangible assets and financial assets with the exception of interests in associates, deferred tax assets and other corporate assets. Segment liabilities include deposits, financial liabilities and other liabilities attributable to the individual segments.

分部資產包括所有有形資產、無形資產及金融資產(聯營公司之權益除外)、遞延稅項資產及其他企業資產。分部負債包括存款、金融負債及可歸屬於個別分部的其他負債。

Revenue and expenses are allocated to the reportable segments with reference to interest and fee and commission income generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses do not include the Group's share of revenue and expenses arising from the activities of the Group's associates. Other than reporting inter-segment income, assistance provided by one segment to another, including sharing of assets, is not measured.

收入與支出按有關分部所產生的利息及服務費用和佣金收入、及由有關分部引致的支出或可歸屬於有關分部產生之折舊或攤銷來分配予可匯報分部。分部收入與支出並不包括集團之聯營公司的活動所產生集團應佔之收入與支出。除匯報分部間的收入外，由一分部提供協助予另一分部，包括分享資產，並未計算在內。

In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning revenue (including inter-segment lending), interest expense, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

除接收有關稅前溢利的分部資料外，有關分部收入(包括分部間之借款)、利息支出、折舊、攤銷及減值損失和提供予分部營運之非流動分部資產的增置等資料亦提供予管理層。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

23. SEGMENT REPORTING (CONTINUED) 分部報告(續)

(a) Business segments (continued)

(a) 營業分部(續)

		2015														
		Hong Kong banking operations 香港銀行業務										Total reportable segments 可匯報		Inter-segment elimination 分部間之		Total
		Personal banking	Corporate banking	Treasury markets	Wealth management	Financial institutions	Others	China operations	Overseas operations	Corporate services	Others	Inter-segment elimination	Total			
		個人銀行	企業銀行	財資市場	財富管理	金融機構	其他	中國業務	國際業務	企業服務	其他	交易抵銷	總額			
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn		
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元		
Net interest income/(expense)	淨利息收入/(支出)	2,694	2,451	(22)	337	52	312	4,775	1,172	5	11,776	158	-	11,934		
Non-interest income/(expense)	非利息收入/(支出)	819	526	(413)	457	17	737	1,254	160	1,196	4,753	743	(366)	5,130		
Operating income	經營收入	3,513	2,977	(435)	794	69	1,049	6,029	1,332	1,201	16,529	901	(366)	17,064		
Operating expenses	經營支出	(1,823)	(216)	(140)	(197)	(13)	(636)	(3,924)	(465)	(834)	(8,248)	(1,850)	366	(9,732)		
Operating profit/(loss) before impairment losses	未扣除減值損失之經營溢利/(虧損)	1,690	2,761	(575)	597	56	413	2,105	867	367	8,281	(949)	-	7,332		
(Charge for)/Write back of impairment losses on loans and advances and other accounts	貸款及墊款及其他賬項的減值損失(支銷)/回撥	(128)	(110)	-	(9)	-	(56)	(1,704)	(29)	(11)	(2,047)	5	-	(2,042)		
Impairment losses on available-for-sale financial assets	可供出售金融資產之減值損失	-	-	(15)	-	-	(2)	-	-	-	(17)	-	-	(17)		
Operating profit/(loss) after impairment losses	已扣除減值損失後之經營溢利/(虧損)	1,562	2,651	(590)	588	56	355	401	838	356	6,217	(944)	-	5,273		
Profit/(Loss) on sale of fixed assets, loans and receivable, held-to-maturity investments and available-for-sale financial assets	出售固定資產、貸款及應收賬項、持至到期投資及可供出售金融資產之溢利/(虧損)	(2)	1	93	-	-	9	151	-	(1)	251	116	-	367		
Profit on sale of subsidiaries/associates	出售附屬公司/聯營公司之溢利	-	-	-	-	-	-	-	-	2	2	-	-	2		
Valuation gains on investment properties	重估投資物業盈利	-	-	-	-	-	-	-	49	3	52	497	-	549		
Share of profits less losses of associates	應佔聯營公司溢利減虧損	-	-	-	-	-	(3)	182	378	1	558	-	-	558		
Profit/(Loss) before taxation	除稅前溢利/(虧損)	1,560	2,652	(497)	588	56	361	734	1,265	361	7,080	(331)	-	6,749		
Depreciation for the year	年內折舊	(61)	(1)	(2)	(3)	-	(25)	(232)	(18)	(28)	(370)	(153)	-	(523)		
Segment assets	分部資產	68,719	142,731	165,533	25,627	7,022	18,231	321,280	88,083	2,269	839,495	17,912	(81,806)	775,601		
Investments in associates	聯營公司投資	-	-	-	-	-	50	1,102	4,591	20	5,763	-	-	5,763		
Total assets	資產總額	68,719	142,731	165,533	25,627	7,022	18,281	322,382	92,674	2,289	845,258	17,912	(81,806)	781,364		
Total liabilities	負債總額	279,214	1,124	80,117	21,436	6	13,958	275,796	77,011	405	749,067	2,148	(55,492)	695,723		
Capital expenditure incurred during the year	年度內資本開支	48	-	2	-	-	16	154	14	131	365	104	-	469		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

		2014 Restated 重報												
		Hong Kong banking operations 香港銀行業務								Total	Inter-segment elimination		Total	
		Personal banking	Corporate banking	Treasury markets	Wealth management	Financial institutions	Others	China operations	Overseas operations	Corporate services	reportable segments 可匯報	Others	segment elimination 分部間之 交易抵銷	Total
		個人銀行 HK\$ Mn 港幣百萬元	企業銀行 HK\$ Mn 港幣百萬元	財資市場 HK\$ Mn 港幣百萬元	財富管理 HK\$ Mn 港幣百萬元	金融機構 HK\$ Mn 港幣百萬元	其他 HK\$ Mn 港幣百萬元	中國業務 HK\$ Mn 港幣百萬元	國際業務 HK\$ Mn 港幣百萬元	企業服務 HK\$ Mn 港幣百萬元	分部總額 HK\$ Mn 港幣百萬元	其他 HK\$ Mn 港幣百萬元	交易抵銷 HK\$ Mn 港幣百萬元	總額 HK\$ Mn 港幣百萬元
Net interest income	淨利息收入	2,572	2,168	65	271	154	264	5,958	1,114	6	12,572	102	1	12,675
Non-interest income	非利息收入	753	669	40	354	25	635	1,458	160	1,141	5,235	668	(346)	5,557
Operating income	經營收入	3,325	2,837	105	625	179	899	7,416	1,274	1,147	17,807	770	(345)	18,232
Operating expenses	經營支出	(1,653)	(201)	(143)	(193)	(13)	(607)	(4,318)	(484)	(803)	(8,415)	(1,779)	345	(9,849)
Operating profit/(loss) before impairment losses	未扣除減值損失之經營溢利/(虧損)	1,672	2,636	(38)	432	166	292	3,098	790	344	9,392	(1,009)	-	8,383
(Charge for)/Write back of impairment losses on loans and advances and other accounts	貸款及墊款及其他賬項的減值損失(支銷)/回撥	(114)	(74)	1	(2)	-	(32)	(877)	113	(4)	(989)	(1)	-	(990)
Impairment losses on held-to-maturity investments and available-for-sale financial assets	持至到期投資及可供出售金融資產之減值損失	-	-	(11)	-	-	-	-	-	-	(11)	-	-	(11)
Operating profit/(loss) after impairment losses	已扣除減值損失後之經營溢利/(虧損)	1,558	2,562	(48)	430	166	260	2,221	903	340	8,392	(1,010)	-	7,382
Profit/(Loss) on sale of fixed assets, held-to-maturity investments and available-for-sale financial assets	出售固定資產、持至到期投資及可供出售金融資產之溢利/(虧損)	-	27	74	-	-	4	69	-	(1)	173	-	-	173
Loss on sale of subsidiaries	出售附屬公司之虧損	-	-	-	-	-	-	-	(4)	-	(4)	-	-	(4)
Valuation gains on investment properties	重估投資物業溢利	-	-	-	-	-	-	-	-	-	-	228	-	228
Share of profits less losses of associates	應佔聯營公司溢利減虧損	-	-	-	-	-	(5)	223	426	1	645	-	-	645
Profit/(Loss) before taxation	除稅前溢利/(虧損)	1,558	2,589	26	430	166	259	2,513	1,325	340	9,206	(782)	-	8,424
Depreciation for the year	年內折舊	(71)	(2)	(4)	(4)	(1)	(28)	(322)	(20)	(26)	(478)	(186)	-	(664)
Segment assets	分部資產	58,929	173,050	140,170	29,917	9,813	17,536	372,623	102,380	2,222	906,640	18,030	(134,862)	789,808
Investments in associates	聯營公司投資	-	-	-	-	-	55	972	5,036	20	6,083	-	-	6,083
Total assets	資產總額	58,929	173,050	140,170	29,917	9,813	17,591	373,595	107,416	2,242	912,723	18,030	(134,862)	795,891
Total liabilities	負債總額	278,557	1,164	94,513	23,218	4	13,355	328,698	91,134	387	831,030	2,379	(110,962)	722,447
Capital expenditure incurred during the year	年度內資本開支	28	1	2	7	-	33	116	9	42	238	85	-	323

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

23. SEGMENT REPORTING (CONTINUED) 分部報告(續)

(b) Geographical segments

The information concerning geographical analysis has been classified by the location of the principal operations of the subsidiaries, or in the case of the Bank itself, by the location of the branches of the Bank responsible for reporting the results or booking the assets.

(b) 地區分部

按地區分部之資料是根據附屬公司的主要業務所在地點，或就本行而言，則按負責報告業績或將資產入賬之分行地點予以劃分。

		2015					
		Hong Kong	People's Republic of China	Other Asian Countries	Others	Inter-segment elimination	Total
		香港	中華人民共和國	其他亞洲國家	其他	分部間之交易抵銷	總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Operating income	經營收入	9,234	6,368	1,012	892	(442)	17,064
Profit before taxation	除稅前溢利	4,480	778	767	724	-	6,749
Total assets	資產總額	465,519	308,726	40,885	48,776	(82,542)	781,364
Total liabilities	負債總額	398,241	275,804	34,678	42,820	(55,820)	695,723
Contingent liabilities and commitments	或然負債及承擔	70,449	159,151	4,450	8,430	-	242,480
Capital expenditure during the year	年度內資本開支	182	164	117	6	-	469

		2014					
		Hong Kong	People's Republic of China	Other Asian Countries	Others	Inter-segment elimination	Total
		香港	中華人民共和國	其他亞洲國家	其他	分部間之交易抵銷	總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Operating income	經營收入	9,081	7,716	1,052	795	(412)	18,232
Profit before taxation	除稅前溢利	4,130	2,735	847	712	-	8,424
Total assets	資產總額	465,465	361,094	58,701	46,233	(135,602)	795,891
Total liabilities	負債總額	413,374	328,728	52,201	39,462	(111,318)	722,447
Contingent liabilities and commitments	或然負債及承擔	71,153	168,579	4,808	4,028	-	248,568
Capital expenditure during the year	年度內資本開支	158	129	29	7	-	323

24. CASH AND BALANCES WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (Note 47(b))

現金及在銀行和其他金融機構的結存(附註47(b))

		2015	2014
		HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元
Cash in hand	現金	1,379	1,597
Balances with central banks	在中央銀行的結存	36,339	48,274
Balances with banks and other financial institutions	在銀行和其他金融機構的結存	31,404	20,487
		69,122	70,358

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

25. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (Note 47(b)) 在銀行及其他金融機構的存款(附註47(b))

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Placements with banks and authorised institutions	在銀行及認可金融機構的存款	80,828	50,769
Placements with central banks	在中央銀行的存款	-	-
		80,828	50,769
Maturing	到期期限		
- within one month	- 1個月內	62,384	26,536
- between one month and one year	- 1個月至1年內	18,444	24,233
		80,828	50,769

26. TRADE BILLS 貿易票據

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Gross trade bills	貿易票據總額	19,533	60,679
Less: Individual impairment allowances	減：個別減值準備	(1)	(4)
		19,532	60,675

Movement of individual impairment allowances

個別減值準備的變動

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
At 1st January	於1月1日	4	4
Net provisions released back to income statement	撥回收益表的準備淨額	-	(8)
Amounts written off	撤銷額	(3)	-
Recoveries	收回額	-	8
At 31st December	於12月31日	1	4

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

27. TRADING ASSETS 交易用途資產

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Treasury bills (including Exchange Fund Bills) (Note 47(b))	國庫債券(包括外匯基金票據) (附註47(b))	1,178	78
Certificates of deposits held (Note 47(b))	持有的存款證(附註47(b))	1,192	–
Debt securities (Note 47(b))	債務證券(附註47(b))	1,620	1,412
Equity securities	股份證券	1,345	1,374
Investment funds	投資基金	–	21
		5,335	2,885
Issued by:	發行機構:		
Central governments and central banks	中央政府和中央銀行	1,189	129
Public sector entities	公營機構	8	52
Banks and other financial institutions	銀行及其他金融機構	2,768	1,170
Corporate entities	企業實體	1,370	1,501
Other entities	其他實體	–	33
		5,335	2,885
Analysed by place of listing:	按上市地區分析:		
Debt securities	債務證券		
Listed in Hong Kong	在香港上市	11	13
Listed outside Hong Kong	在香港以外地區上市	25	113
		36	126
Unlisted	非上市	3,954	1,364
		3,990	1,490
Equity securities	股份證券		
Listed in Hong Kong	在香港上市	1,124	1,131
Listed outside Hong Kong	在香港以外地區上市	221	243
		1,345	1,374
Investment funds	投資基金		
Listed in Hong Kong	在香港上市	–	7
Listed outside Hong Kong	在香港以外地區上市	–	14
		–	21
		5,335	2,885

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
財務報表附註(續)

28. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS
指定為通過損益以反映公平價值的金融資產

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Certificates of deposit held (Note 47(b))	持有的存款證(附註47(b))	476	1,495
Debt securities (Note 47(b))	債務證券(附註47(b))	3,410	6,792
Equity securities	股份證券	326	353
Investment funds	投資基金	124	73
		4,336	8,713
Issued by:	發行機構:		
Central governments and central banks	中央政府和中央銀行	90	94
Banks and other financial institutions	銀行及其他金融機構	2,012	5,072
Corporate entities	企業實體	2,110	3,474
Other entities	其他實體	124	73
		4,336	8,713
Analysed by place of listing:	按上市地區分析:		
Debt securities	債務證券		
Listed in Hong Kong	在香港上市	797	1,093
Listed outside Hong Kong	在香港以外地區上市	1,589	3,597
		2,386	4,690
Unlisted	非上市	1,500	3,597
		3,886	8,287
Equity securities	股份證券		
Listed in Hong Kong	在香港上市	116	128
Listed outside Hong Kong	在香港以外地區上市	210	225
		326	353
Investment funds	投資基金		
Listed in Hong Kong	在香港上市	20	-
Listed outside Hong Kong	在香港以外地區上市	15	9
		35	9
Unlisted	非上市	89	64
		124	73
		4,336	8,713

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

29. ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS 客戶墊款及其他賬項

(a) Advances to customers and other accounts

(a) 客戶墊款及其他賬項

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
(i)	Advances to customers 客戶墊款	441,506	443,287
	Less: Impairment allowances 減：減值準備		
	– Individual 一個別	(1,021)	(419)
	– Collective 一整體	(1,360)	(935)
		439,125	441,933
(ii)	Other accounts 其他賬項		
	Advances to banks and other financial institutions 銀行及其他金融機構墊款	31	55
	Less: Impairment allowances 減：減值準備		
	– Individual 一個別	(1)	(1)
		30	54
	Notes and bonds (Note 47(b)) 債券(附註47(b))	1	1
	Certificates of deposit held (Note 47(b)) 持有的存款證(附註47(b))	–	116
	Accrued interest 應計利息	2,635	2,904
	Customer liabilities under acceptances 承兌客戶負債	20,602	26,460
	Other accounts 其他賬項	9,778	10,703
		33,016	40,184
	Less: Impairment allowances 減：減值準備		
	– Individual 一個別	(19)	(13)
	– Collective 一整體	(19)	(18)
		32,978	40,153
	Assets held for sale (Note 56) 持有作出售資產(附註56)	955	–
		473,088	482,140

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(b) Impairment allowances against advances and other accounts

(b) 墊款及其他賬項之減值準備

		2015							
		Advances to customers 客戶墊款		Advances to banks 銀行墊款		Other accounts 其他賬項		Total 總額	
		Individual 個別	Collective 整體	Individual 個別	Collective 整體	Individual 個別	Collective 整體	Individual 個別	Collective 整體
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
At 1st January	於1月1日	419	935	1	-	13	18	433	953
New provisions charged to income statement	收益表內支銷的新準備	1,548	692	-	-	23	2	1,571	694
Net provisions released back to income statement	撥回收益表的準備淨額	(109)	-	-	-	(4)	-	(113)	-
Amounts written off	撇銷額	(801)	(219)	-	-	(6)	-	(807)	(219)
Recoveries	收回額	120	-	-	-	-	-	120	-
Effect of discounting (Note 5)	計算折扣的影響(附註5)	(110)	-	-	-	-	-	(110)	-
Transfer	轉賬	7	-	-	-	(7)	-	-	-
Exchange adjustments	匯兌調整	(53)	(48)	-	-	-	(1)	(53)	(49)
At 31st December	於12月31日	1,021	1,360	1	-	19	19	1,041	1,379

		2014							
		Advances to customers 客戶墊款		Advances to banks 銀行墊款		Other accounts 其他賬項		Total 總額	
		Individual 個別	Collective 整體	Individual 個別	Collective 整體	Individual 個別	Collective 整體	Individual 個別	Collective 整體
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
At 1st January	於1月1日	323	699	2	-	13	17	338	716
New provisions charged to income statement	收益表內支銷的新準備	863	403	-	-	64	2	927	405
Net provisions released back to income statement	撥回收益表的準備淨額	(308)	-	(1)	-	(5)	-	(314)	-
Amounts written off	撇銷額	(691)	(153)	-	-	(5)	-	(696)	(153)
Recoveries	收回額	215	-	-	-	1	-	216	-
Effect of discounting (Note 5)	計算折扣的影響(附註5)	(20)	-	-	-	-	-	(20)	-
Transfer	轉賬	54	-	-	-	(54)	-	-	-
Exchange adjustments	匯兌調整	(17)	(14)	-	-	(1)	(1)	(18)	(15)
At 31st December	於12月31日	419	935	1	-	13	18	433	953

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

29. ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS (CONTINUED) 客戶墊款及其他賬項(續)

(c) Advances to customers – by industry sectors

The analysis of gross advances to customers and the percentage of secured advances by industry sector is based on the categories and definitions used by the HKMA.

(c) 客戶墊款 – 按行業分類

按行業分類的客戶墊款總額及有抵押墊款的百分比是按照金管局所採用的類別和定義。

		2015		2014	
		Gross advances	% of secured advances	Gross advances	% of secured advances
		墊款總額 HK\$ Mn 港幣百萬元	有抵押墊款 的百分比 % 百分率	墊款總額 HK\$ Mn 港幣百萬元	有抵押墊款 的百分比 % 百分率
Loans for use in Hong Kong	在香港使用的貸款				
Industrial, commercial and financial	工商金融				
– Property development	– 物業發展	13,009	67.44	17,177	71.40
– Property investment	– 物業投資	41,890	87.44	38,906	86.53
– Financial concerns	– 金融企業	10,011	70.44	15,562	82.32
– Stockbrokers	– 股票經紀	2,894	85.34	1,901	95.94
– Wholesale and retail trade	– 批發與零售業	18,250	67.56	21,070	56.15
– Manufacturing	– 製造業	4,494	55.72	7,090	50.93
– Transport and transport equipment	– 運輸與運輸設備	5,758	80.15	6,835	67.01
– Recreational activities	– 娛樂活動	155	56.66	138	56.53
– Information technology	– 資訊科技	1,251	27.87	836	15.53
– Others	– 其他	21,370	76.27	19,113	69.23
– Sub-total	– 小計	119,082	76.51	128,628	73.10
Individuals	個人				
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	– 購買「居者有其屋計劃」、「私人參建居屋計劃」及「租者置其屋計劃」樓宇的貸款	1,050	100.00	1,058	100.00
– Loans for the purchase of other residential properties	– 購買其他住宅物業的貸款	40,805	100.00	33,052	100.00
– Credit card advances	– 信用卡墊款	4,552	0.00	5,079	0.00
– Others	– 其他	21,191	83.99	19,181	82.12
– Sub-total	– 小計	67,598	88.25	58,370	85.42
Total loans for use in Hong Kong	在香港使用的貸款總額	186,680	80.76	186,998	76.95
Trade finance	貿易融資	5,998	66.66	5,527	59.14
Loans for use outside Hong Kong*	在香港以外使用的貸款*	248,828	66.25	250,762	71.38
Total advances to customers	客戶墊款總額	441,506	72.39	443,287	73.57

* Loans for use outside Hong Kong include the following loans for use in Mainland China.

* 在香港以外使用的貸款包括以下在中國內地使用的貸款。

		2015		2014	
		Gross advances	% of secured advances	Gross advances	% of secured advances
		墊款總額 HK\$ Mn 港幣百萬元	有抵押墊款 的百分比 % 百分率	墊款總額 HK\$ Mn 港幣百萬元	有抵押墊款 的百分比 % 百分率
Property development	物業發展	42,468	60.86	40,010	60.01
Property investment	物業投資	33,439	95.63	32,701	98.51
Wholesale and retail trade	批發與零售業	22,931	75.90	32,072	80.53
Manufacturing	製造業	8,687	46.67	11,224	61.73
Others	其他	77,247	53.85	73,200	61.45
		184,772	65.42	189,207	70.80

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

Individually impaired loans, as well as relevant information, in respect of industry sectors which constitute 10% or more of total advances to customers are as follows:

以下按行業分類並佔客戶墊款總額百分之十或以上的墊款中已個別減值的貸款、以及相關資料如下：

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
(i) Property development	(i) 物業發展		
a. Individually impaired loans	a. 已個別減值的貸款	39	42
b. Individual impairment allowance	b. 個別減值準備	5	10
c. Collective impairment allowance	c. 整體減值準備	222	116
d. Provision charged to income statement	d. 於收益表支銷的準備		
– individual impairment loss	– 個別減值損失	174	1
– collective impairment loss	– 整體減值損失	136	67
e. Written off	e. 撇銷	–	–
(ii) Property investment	(ii) 物業投資		
a. Individually impaired loans	a. 已個別減值的貸款	598	299
b. Individual impairment allowance	b. 個別減值準備	24	3
c. Collective impairment allowance	c. 整體減值準備	269	175
d. Provision charged to income statement	d. 於收益表支銷的準備		
– individual impairment loss	– 個別減值損失	63	13
– collective impairment loss	– 整體減值損失	130	67
e. Written off	e. 撇銷	33	9
(iii) Loans for purchase of residential properties	(iii) 購買其他住宅物業的貸款		
a. Individually impaired loans	a. 已個別減值的貸款	356	236
b. Individual impairment allowance	b. 個別減值準備	23	12
c. Collective impairment allowance	c. 整體減值準備	141	82
d. Provision charged to income statement	d. 於收益表支銷的準備		
– individual impairment loss	– 個別減值損失	80	23
– collective impairment loss	– 整體減值損失	57	29
e. Written off	e. 撇銷	50	11
(iv) Wholesale and retail trade	(iv) 批發與零售業		
a. Individually impaired loans	a. 已個別減值的貸款	1,455	633
b. Individual impairment allowance	b. 個別減值準備	502	74
c. Collective impairment allowance	c. 整體減值準備	146	124
d. Provision charged to income statement	d. 於收益表支銷的準備		
– individual impairment loss	– 個別減值損失	727	318
– collective impairment loss	– 整體減值損失	74	57
e. Written off	e. 撇銷	189	286
(v) Hotels	(v) 酒店		
a. Individually impaired loans	a. 已個別減值的貸款	912	637
b. Individual impairment allowance	b. 個別減值準備	56	58
c. Collective impairment allowance	c. 整體減值準備	63	49
d. Provision charged to income statement	d. 於收益表支銷的準備		
– individual impairment loss	– 個別減值損失	62	59
– collective impairment loss	– 整體減值損失	29	22
e. Written off	e. 撇銷	62	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

29. ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS (CONTINUED) 客戶墊款及其他賬項(續)

(d) Advances to customers – by geographical areas

The information concerning the breakdown of the gross amount of advances to customers by countries or geographical areas is derived according to the location of the counterparties after taking into account any transfer of risk. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

(d) 客戶墊款 – 按區域分類

客戶墊款總額按國家或區域的分類，是根據交易對手的所在地，並已顧及轉移風險因素。一般而言，有關墊款的債權獲得並非交易對手所在地的國家的一方擔保，或該債權的履行對象是某銀行的海外分行，而該銀行的總辦事處並非設於交易對手的所在地，風險便確認為由一個國家轉移到另一個國家。

		2015				
		Total advances to customers	Advances overdue for over three months	Impaired advances to customers	Individual impairment allowance	Collective impairment allowance
		客戶墊款總額	逾期3個月以上的客戶墊款	減值客戶墊款	個別減值準備	整體減值準備
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Hong Kong	香港	181,968	243	643	152	263
People's Republic of China	中華人民共和國	212,621	3,809	4,037	818	978
Other Asian Countries	其他亞洲國家	19,376	22	155	35	51
Others	其他	27,541	5	138	16	68
Total	總額	441,506	4,079	4,973	1,021	1,360
% of total advances to customers	佔客戶墊款總額的百分比			1.13%		
Market value of security held against impaired advances to customers	減值客戶墊款抵押品市值			8,239		

		2014				
		Total advances to customers	Advances overdue for over three months	Impaired advances to customers	Individual impairment allowance	Collective impairment allowance
		客戶墊款總額	逾期3個月以上的客戶墊款	減值客戶墊款	個別減值準備	整體減值準備
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Hong Kong	香港	186,000	226	404	95	248
People's Republic of China	中華人民共和國	213,984	1,784	2,108	307	563
Other Asian Countries	其他亞洲國家	20,813	79	143	17	68
Others	其他	22,490	7	81	–	56
Total	總額	443,287	2,096	2,736	419	935
% of total advances to customers	佔客戶墊款總額的百分比			0.62%		
Market value of security held against impaired advances to customers	減值客戶墊款抵押品市值			4,680		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

Impaired loans and advances are individually assessed loans with objective evidence of impairment on an individual basis. The above information by countries or geographical areas is derived according to the location of the counterparties after taking into account any transfer of risk.

減值貸款及墊款是個別出現客觀減值證據而須個別評估的貸款。以上按國家或區域分類的資料，是根據交易對手的所在地並已顧及轉移風險因素。

(e) Advances to customers – net investment in finance leases

Advances to customers include net investment in equipment leased under finance leases. The total minimum lease payments receivable under finance leases and their present values at the year end are as follows:

(e) 客戶墊款 – 融資租賃的淨投資額

客戶墊款包括以融資租賃形式租出的設備。根據融資租賃應收的最低租賃付款總額，及其現值如下：

		2015			2014		
		Present value of the minimum lease payments	Interest income relating to future periods	Total minimum lease payments	Present value of the minimum lease payments	Interest income relating to future periods	Total minimum lease payments
		最低租賃付款現值	相關未來利息收入	最低租賃付款總額	最低租賃付款現值	相關未來利息收入	最低租賃付款總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Amounts receivable:	應收賬款：						
Within one year	1年以內	1,172	161	1,333	1,336	181	1,517
After one year but within five years	1年以後至5年內	1,660	320	1,980	1,694	295	1,989
After five years	5年以後	2,921	499	3,420	2,594	427	3,021
		5,753	980	6,733	5,624	903	6,527
Less: Individual impairment allowances	減：個別減值準備	(30)			(8)		
Net investment in finance leases	融資租賃的淨投資額	5,723			5,616		

The net investment in finance leases is carried on the statement of financial position as advances to customers and other accounts. No accrual is made for the interest income relating to future periods.

融資租賃的淨投資額被視作客戶墊款及其他賬項在財務狀況表中列賬，未來期間的利息收入並無計算。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

30. AVAILABLE-FOR-SALE FINANCIAL ASSETS 可供出售金融資產

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Treasury bills (including Exchange Fund Bills) (Note 47(b))	國庫債券(包括外匯基金票據) (附註47(b))	17,920	27,906
Certificates of deposit held (Note 47(b))	持有的存款證(附註47(b))	2,228	1,626
Debt securities (Note 47(b))	債務證券(附註47(b))	70,136	54,116
Equity securities	股份證券	2,832	2,895
Investment funds	投資基金	479	273
		93,595	86,816
Issued by:	發行機構:		
Central governments and central banks	中央政府和中央銀行	19,013	28,238
Public sector entities	公營機構	553	691
Banks and other financial institutions	銀行及其他金融機構	32,582	27,788
Corporate entities	企業實體	40,927	29,788
Other entities	其他實體	520	311
		93,595	86,816
Analysed by place of listing:	按上市地區分析:		
Debt securities	債務證券		
Listed in Hong Kong	在香港上市	18,236	12,511
Listed outside Hong Kong	在香港以外地區上市	21,344	11,391
		39,580	23,902
Unlisted	非上市	50,704	59,746
		90,284	83,648
Equity securities	股份證券		
Listed in Hong Kong	在香港上市	800	766
Listed outside Hong Kong	在香港以外地區上市	1,501	1,376
		2,301	2,142
Unlisted	非上市	531	753
		2,832	2,895
Investment funds	投資基金		
Listed in Hong Kong	在香港上市	92	–
Listed outside Hong Kong	在香港以外地區上市	63	29
		155	29
Unlisted	非上市	324	244
		479	273
		93,595	86,816

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

31. HELD-TO-MATURITY INVESTMENTS (Note 47(b)) 持至到期投資(附註47(b))

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Treasury bills (including Exchange Fund Bills)	國庫債券(包括外匯基金票據)	1,143	737
Certificates of deposit held	持有的存款證	1,478	2,710
Debt securities	債務證券	3,578	3,300
		6,199	6,747
Issued by:	發行機構:		
Central governments and central banks	中央政府和中央銀行	1,850	1,546
Public sector entities	公營機構	22	22
Banks and other financial institutions	銀行及其他金融機構	1,156	2,495
Corporate entities	企業實體	3,171	2,684
		6,199	6,747
Analysed by place of listing:	按上市地區分析:		
Debt securities	債務證券		
Listed in Hong Kong	在香港上市	2,673	1,905
Listed outside Hong Kong	在香港以外地區上市	1,588	1,590
		4,261	3,495
Unlisted	非上市	1,938	3,252
		6,199	6,747
Fair value:	公平價值:		
Listed securities	上市證券	4,309	3,516
Unlisted securities	非上市證券	1,940	3,218
		6,249	6,734

Movement of impairment allowances

減值準備的變動

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
At 1st January	於1月1日	-	-
Net provisions released back to income statement	撥回收益表的準備淨額	-	(3)
Recoveries	收回額	-	3
At 31st December	於12月31日	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

32. INVESTMENTS IN SUBSIDIARIES 附屬公司投資

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary.

以下摘要只包括對本集團的業績、資產或負債有重大影響的附屬公司。此等股份屬普通股股份。

Details of these companies are as follows:

此等公司的詳情如下：

Name of company 公司名稱	Place of incorporation and operation 註冊及營業地點	Issued and paid-up capital 已發行及繳足股本	% Held by		Nature of business 業務性質
			The Bank 銀行 所佔權益	The Group 集團 所佔權益	
Ample Delight Limited 承悅有限公司	Hong Kong 香港	HK\$港幣450,000,000元		100%	Investment holding 投資控股
Bank of East Asia (Trustees) Limited 東亞銀行(信託)有限公司	Hong Kong 香港	HK\$港幣150,000,000元	100%		Trustee 信託服務
* BEA Blue Sky Real Estate Fund L.P.	Cayman Islands 開曼群島	NIL		50.5%	Acting as a Limited Partner to BEA/AGRE China Real Estate Fund, L.P. 出任BEA/ARGE China Real Estate Fund, L.P.有限責任合夥人
BEA Consortium GS Investors L.P.	BVI 英屬處女群島	NIL		100%	Acting as a limited partner of a limited partnership 有限責任合夥人
BEA Life Limited 東亞人壽保險有限公司	Hong Kong 香港	HK\$港幣500,000,000元	100%		Life insurance 人壽保險
BEA Union Investment Management Limited 東亞聯豐投資管理有限公司	Hong Kong 香港	HK\$港幣374,580,000元	51%		Asset management 資產管理
Blue Care JV (BVI) Holdings Limited	BVI 英屬處女群島	HK\$港幣20,000,000元		80%	Investment holding 投資控股
Blue Cross (Asia-Pacific) Insurance Limited 藍十字(亞太)保險有限公司	Hong Kong 香港	HK\$港幣625,000,000元	100%		Insurance 保險
Caribbean Corporate Services Ltd.	Barbados 巴巴多斯	BDS\$2,000巴巴多斯元		60.49%	Corporate secretarial and accounting services 法人團體秘書及會計服務
Central Town Limited 滙中興業有限公司	Hong Kong 香港	HK\$港幣2元	100%		Property investment 物業投資

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

Name of company 公司名稱	Place of incorporation and operation 註冊及營業地點	Issued and paid-up capital 已發行及繳足股本	% Held by		Nature of business 業務性質
			The Bank 銀行 所佔權益	The Group 集團 所佔權益	
Century Able Limited 階潤有限公司	Hong Kong 香港	HK\$港幣929,752,849元		100%	Investment holding 投資控股
Chongqing Dongrong Business Consultancy Company Limited 重慶市東榮商務諮詢有限公司	PRC 中華人民共和國	HK\$港幣6,300,000元		100%	Business consultancy services 商業諮詢服務
Chongqing Liangjiang New Area Credit Gain Finance Company Limited 重慶兩江新區領達小額貸款 有限公司	PRC 中華人民共和國	US\$50,000,000美元	100%		Micro-finance loan 小額貸款
Corona Light Limited	BVI 英屬處女群島	HK\$港幣929,752,849元		100%	Investment holding 投資控股
Credit Gain Finance Company Limited 領達財務有限公司	Hong Kong 香港	HK\$港幣390,000,000元	100%		Money lenders 放債人
Crystal Gleaming Limited	BVI 英屬處女群島	HK\$港幣929,752,849元	100%		Investment holding 投資控股
Dean Street Property Limited	BVI 英屬處女群島	GBP英鎊1,900,000元		100%	Property development 物業發展
East Asia Electronic Data Processing (Guangzhou) Limited (Note 1) 東亞電子資料處理(廣州)有限公司 (附註1)	PRC 中華人民共和國	US\$3,000,000美元		100%	Servicing 服務
East Asia Facility Management Limited 東亞設施管理有限公司	Hong Kong 香港	HK\$港幣10,000元		100%	Facility management 設施管理
* East Asia Holding Company, Inc.	U.S.A. 美國	US\$5美元	100%		Bank holding company 銀行控股公司
East Asia Indonesian Holdings Limited	Seychelles 塞舌爾	US\$100,000美元		100%	Investment holding 投資控股
East Asia International Trustees Limited	BVI 英屬處女群島	US\$1,301,000美元		100%	Trustee services 信託服務
East Asia Investments Holdings (BVI) Ltd.	BVI 英屬處女群島	HK\$港幣186,038,725元	100%		Investment holding 投資控股
East Asia Properties Holding Company Limited 東亞物業控股有限公司	Hong Kong 香港	HK\$港幣6,510,000元	100%		Investment holding 投資控股

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

32. INVESTMENTS IN SUBSIDIARIES (CONTINUED) 附屬公司投資(續)

Name of company 公司名稱	Place of incorporation and operation 註冊及營業地點	Issued and paid-up capital 已發行及繳足股本	% Held by		Nature of business 業務性質
			The Bank 銀行 所佔權益	The Group 集團 所佔權益	
East Asia Property Agency Company Limited 東亞物業代理有限公司	Hong Kong 香港	HK\$港幣1,000,000元	100%		Property agency 物業代理
East Asia Property Holdings (Jersey) Limited	BVI 英屬處女群島	GBP英鎊9元	100%		Property holding 物業持有
East Asia Secretaries (BVI) Limited	BVI 英屬處女群島	HK\$港幣300,000,000元		75.61%	Investment holding 投資控股
East Asia Securities Company Limited 東亞證券有限公司	Hong Kong 香港	HK\$港幣25,000,000元	100%		Securities broking 證券買賣
East Asia Strategic Holdings Limited	BVI 英屬處女群島	US\$50,000,000美元	100%		Investment holding 投資控股
Innovate Holdings Limited	BVI 英屬處女群島	US\$1美元(Ordinary 普通股) US\$324,345,000美元 (with a liquidation preference of US\$1,000 per share 附有每股1,000美元之 清盤優先權)	100%		Special purpose vehicle company specially set up for BEA's Hybrid Tier 1 issue 為東亞銀行混合一級 資本而成立之特定 目的投資工具公司
Keen Sight Development Limited	BVI 英屬處女群島	US\$29,490,000美元	100%		Investment holding 投資控股
Powerhouse Worldwide Limited	BVI 英屬處女群島	US\$29,490,000美元		100%	Investment holding 投資控股
Shaanxi Fuping BEA Rural Bank Corporation (Note 1) 陝西富平東亞村鎮銀行有限責任公司 (附註1)	PRC 中華人民共和國	CNY人民幣20,000,000元	100%		Banking and other financial businesses 銀行及有關的金融 服務
Shenzhen Credit Gain Finance Company Limited (Note 1) 深圳市領達小額貸款有限公司 (附註1)	PRC 中華人民共和國	CNY人民幣300,000,000元	100%		Micro-finance loan 小額貸款

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

Name of company 公司名稱	Place of incorporation and operation 註冊及營業地點	Issued and paid-up capital 已發行及繳足股本	% Held by		Nature of business 業務性質
			The Bank 銀行 所佔權益	The Group 集團 所佔權益	
Skyray Holdings Limited	BVI 英屬處女群島	HK\$港幣450,000,000元	100%		Investment holding 投資控股
Speedfull Limited	BVI 英屬處女群島	HK\$港幣450,000,000元		100%	Investment holding 投資控股
The Bank of East Asia (China) Limited (Note 1) 東亞銀行(中國)有限公司 (附註1)	PRC 中華人民共和國	CNY人民幣11,160,000,000元	100%		Banking and related financial services 銀行及有關的金融服務
Tricor Consultancy (Beijing) Limited (Note 1) 東亞卓佳諮詢(北京)有限公司 (附註1)	PRC 中華人民共和國	US\$1,850,000美元		75.61%	Business consultancy in China 國內商業諮詢
Tricor Europe (Holdings) Limited	Hong Kong 香港	HK\$港幣1元		75.61%	Investment holding 投資控股
Tricor Holdings Limited	BVI 英屬處女群島	US\$7,001美元		75.61%	Investment holding 投資控股
Tricor Holdings Pte. Ltd.	Singapore 新加坡	S\$新加坡幣5,000,002元		75.61%	Investment holding 投資控股
Tricor Investor Services Limited 卓佳證券登記有限公司	Hong Kong 香港	HK\$港幣10,000,000元		75.61%	Investor services 投資者服務
Tricor Japan Holdings GK	Japan 日本	JPY1,000,000日圓		52.93%	Nominee company 受託代管公司
Tricor Outsourcing (Thailand) Ltd.	Thailand 泰國	THB泰銖10,000,000元		57.46%	Business outsourcing 業務外包
Tricor Services (BVI) Limited	BVI 英屬處女群島	US\$250,000美元		75.61%	Registered agent and trustee services 註冊代理及信託服務
Tricor Services (Macau) Limited 卓佳專業商務(澳門)有限公司	Macau 澳門	MOP25,000澳門元		75.61%	Business services 商業服務

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

32. INVESTMENTS IN SUBSIDIARIES (CONTINUED) 附屬公司投資(續)

Name of company 公司名稱	Place of incorporation and operation 註冊及營業地點	Issued and paid-up capital 已發行及繳足股本	% Held by		Nature of business 業務性質
			The Bank 銀行 所佔權益	The Group 集團 所佔權益	
Tricor Services (Malaysia) Sdn. Bhd.	Malaysia 馬來西亞	RM馬幣5,672,484元		68.05%	Investment holding 投資控股
Tricor Services Limited 卓佳專業商務有限公司	Hong Kong 香港	HK\$港幣10,000,000元		75.61%	Business, corporate and investor services 商業、企業及投資者 服務

* Companies not audited by KPMG. The financial statements of the subsidiaries not audited by KPMG reflect total net assets and total income constituting approximately 0.8% and 0.0% respectively of the related consolidated totals.

Notes:

1. Represents a wholly foreign owned enterprise registered under the PRC laws.
2. The above subsidiaries have no non-controlling interests material to the Group except for Innovate Holdings Limited.

The following table lists out the information relating to Innovate Holdings Limited, the only subsidiary of the group which has a material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Non-current assets	非流動資產	2,514	3,878
Net assets	淨資產	2,514	3,878
Carrying amount of NCI	非控制性權益之賬面值	2,514	3,878
Revenue	收入	-	-
Profit for the year	年度溢利	-	-
Total comprehensive income	全面收益總額	-	-
Profit allocated to NCI	分配予非控制性權益之溢利	-	-
Dividend paid or payable to NCI	已付或應付予非控制性權益之股息	320	330

Details on the accounting treatment of the above NCI are set out in Notes 19(c) and 43.

* 非由畢馬威會計師事務所審核的公司。非由畢馬威會計師事務所審核的附屬公司財務報表之資產總額及收入總額分別佔相關綜合總額的0.8%及0.0%。

附註：

1. 指一根據中華人民共和國法例註冊之全資擁有外資企業。
2. 除Innovate Holdings Limited外，以上附屬公司之非控制性權益對本集團並不重大。

下表列載本集團內唯一有重大非控制性權益之附屬公司，Innovate Holdings Limited。以下之財務摘要是指並未沖銷任何集團之間交易的金額。

以上非控制性權益的會計處理方法之詳情已在附註19(c)及43內列載。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

33. INVESTMENTS IN ASSOCIATES 聯營公司投資

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Share of net assets	應佔淨資產	5,391	5,711
Goodwill	商譽	372	372
		5,763	6,083
Less: Impairment allowances	減：減值準備	-	-
		5,763	6,083

Loans to associates amounting to HK\$233 million (2014: HK\$233 million) are included under placements with banks and other financial institutions.

聯營公司貸款共港幣2.33億元(2014年：港幣2.33億元)已包括在在銀行及其他金融機構的存款。

The following list contains only the particulars of principal associates which are not individually material to the Group:

以下列載只包括對本集團個別地沒有重大影響的主要聯營公司：

Name of company 公司名稱	Place of incorporation and operation 註冊及營業地點	% of ordinary shares 普通股 held by		Nature of business 業務性質
		The Bank 銀行所佔權益	The Group 集團所佔權益	
Listed 上市				
AFFIN Holdings Berhad	Malaysia 馬來西亞	23.52%		Investment holding 投資控股
Unlisted 非上市				
Brilliance- BEA Auto Finance Co., Ltd.	PRC 中華人民共和國		22.5%	Auto finance and other related financial businesses 汽車貸款及其他有關金融業務
Dolford Property Holdings Limited	BVI 英屬處女群島		30%	Investment holding 投資控股
Founder BEA Trust Company Limited 方正東亞信託有限公司	PRC 中華人民共和國	19.99%		Trust and other financial businesses 信託及其他金融資產

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

33. INVESTMENTS IN ASSOCIATES (CONTINUED) 聯營公司投資(續)

Name of company 公司名稱	Place of incorporation and operation 註冊及營業地點	% of ordinary shares 普通股 held by		Nature of business 業務性質
		The Bank 銀行所佔權益	The Group 集團所佔權益	
Industrial and Commercial Bank of China (Canada) 中國工商銀行(加拿大)有限公司	Canada 加拿大	20%		Banking services 銀行服務
Industrial and Commercial Bank of China (USA) N.A. 中國工商銀行(美國)	U.S.A. 美國		20%	Banking services 銀行服務
Platinum Holdings Company Limited	Cayman Islands 開曼群島	29.99%		Investment holding 投資控股
PT. Bank Resona Perdania	Indonesia 印尼		30%	Banking and related financial services 銀行及有關金融服務

		2015 HK\$ Mn 港幣百萬元	2014 HK\$ Mn 港幣百萬元
Aggregate information of associates that are not individually material	個別不重大聯營公司之總和資料		
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	個別不重大聯營公司在綜合財務報表 之總和賬面值	5,763	6,083
Aggregate amounts of the Group's share of those associates'	本集團佔該等聯營公司之總和 金額		
Profit from continuing operations	源自持續營運溢利	558	645
Post-tax profit or loss from discontinued operations	源自已停止營運之除稅後溢利或虧損	-	-
Other comprehensive income	其他全面收益	(902)	(310)
Total comprehensive income	全面收益總額	(344)	335
Reconciliation of carrying amounts to the Group's total interest in the associates	賬面值與本集團於聯營公司的 權益對賬		
Carrying amount of material associates	重大聯營公司之賬面值	-	-
Carrying amount of individual immaterial associates	個別不重大聯營公司之賬面值	5,763	6,083
Interest in associates in the consolidated financial statements	在綜合財務報表中聯營公司權益	5,763	6,083

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

34. GOODWILL AND INTANGIBLE ASSETS 商譽及無形資產

Goodwill and intangible assets include goodwill arising on business combinations and acquired intangible assets. Acquired intangible assets are amortised over their estimated economic useful life.

商譽及無形資產包括因業務合併產生的商譽及購入無形資產。購入無形資產按其估計經濟使用期攤銷。

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Goodwill	商譽	2,685	2,722
Acquired intangible assets	購入無形資產	1,198	1,233
		3,883	3,955

(a) Goodwill

(a) 商譽

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
At 1st January	於1月1日	2,722	2,724
Additions through acquisition of subsidiaries	經收購附屬公司的增置	1	17
Exchange adjustments	匯兌調整	(38)	(19)
At 31st December	於12月31日	2,685	2,722

Impairment tests for cash-generating units containing goodwill

包含商譽的現金生產單位之減值測試

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to business segments as follows:

本集團按業務分部分配商譽予可辨識的現金生產單位如下：

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Personal banking	個人銀行	849	849
Corporate banking	企業銀行	453	453
Treasury markets	財資市場	158	158
Corporate services	企業服務	1,177	1,214
Others	其他	48	48
		2,685	2,722

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

34. GOODWILL AND INTANGIBLE ASSETS (CONTINUED) 商譽及無形資產(續)

(a) Goodwill (continued)

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The pre-tax discount rate used for value-in-use calculations is 11.36%–11.50% (2014: 11.34%–11.50%) and the long-term growth rate is 2.2%–6% (2014: 3.5%–10%).

Management determined the budgeted net profit based on past performance and its expectation for market development. The weighted average growth rates used are consistent with the internal forecasts.

(b) Intangible assets (other than goodwill)

Intangible assets consist of building naming rights only. Intangible assets are stated at cost less accumulated amortisation and impairment loss (Note 2(k)(iv)).

Amortisation of intangible assets with finite useful lives is charged to the income statement over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available to use and their estimated useful lives are as follows:

Naming rights: Over the shorter of the lease period of building or land

Both the period and method of amortisation are reviewed annually.

(a) 商譽(續)

現金生產單位的可收回金額則根據使用價值計算。計算方法按照管理層已核准的5年財務預算的現金流作估計。超過5年期間的現金流按下述的估計利率作推斷。增長率不可超過該現金生產單位所經營業務的長期平均增長率。

用於計算使用價值的除稅前折扣率為11.36%–11.50% (2014: 11.34%–11.50%) 及長期增長率為2.2%–6% (2014: 3.5%–10%)。

管理層根據過往表現及預計市場發展以釐定預算淨溢利。所採用的加權平均增長率與內部預測是一致的。

(b) 無形資產(商譽除外)

無形資產只包括建築物命名權。無形資產按成本減除累計攤銷及減值損失列賬(附註2(k)(iv))。

有限定可用期的無形資產按其估計可用期於收益表內攤銷。以下有限定可用期的無形資產由可供使用日起按以下的估計可用期攤銷：

命名權按建築物或土地兩者較短的租賃期

每年須檢討其期限及攤銷方法。

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Cost	成本		
At 1st January	於1月1日	1,419	1,419
Transfer to asset classified as assets held for sale (Note 56)	轉至分類為持有作出售資產(附註56)	(14)	–
Exchange adjustments	匯兌調整	(2)	–
At 31st December	於12月31日	1,403	1,419
Accumulated amortisation	累計攤銷		
At 1st January	於1月1日	(186)	(153)
Amortisation charge for the year (Note 13)	年度內攤銷(附註13)	(32)	(32)
Transfer to asset classified as assets held for sale (Note 56)	轉至分類為持有作出售資產(附註56)	12	–
Exchange adjustments	匯兌調整	1	(1)
At 31st December	於12月31日	(205)	(186)
Carrying amount at 31st December	於12月31日賬面值	1,198	1,233

Note: HK\$2 million was transferred to assets held for sale (see Note 56).

附註：港幣200萬元轉至持有作出售資產(見附註56)。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

35. FIXED ASSETS 固定資產

		Investment properties	Bank premises	2015 Furniture, fixtures and equipment	Sub-total	Total
		投資物業	行址	傢俬、裝修及設備	小計	總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Cost or valuation	成本或估值					
At 1st January, 2015	於2015年1月1日	4,544	8,729	5,003	13,732	18,276
Additions	增置	22	67	379	446	468
Additions through acquisition	經收購的增置	-	-	1	1	1
Revaluation surplus	重估盈餘	549	-	-	-	549
Transfer from bank premises to investment properties	由行址轉入投資物業	24	(24)	-	(24)	-
Revaluation surplus on bank premises transferred to investment properties (Note 42(b))	行址重估盈餘轉入投資物業(附註42(b))	-	12	-	12	12
Transfer to asset classified as assets held for sale (Note 56)	轉至分類為持有作出售資產(附註56)	-	-	(70)	(70)	(70)
Transfer from investment properties to bank premises	由投資物業轉入行址	(222)	222	-	222	-
Redevelopment cost	重建成本	(2)	-	-	-	(2)
Disposals	出售	-	(43)	(118)	(161)	(161)
Exchange adjustments	匯兌調整	(24)	(260)	(102)	(362)	(386)
At 31st December, 2015	於2015年12月31日	4,891	8,703	5,093	13,796	18,687
Accumulated depreciation and amortisation	累計折舊及攤銷					
At 1st January, 2015	於2015年1月1日	-	1,491	3,668	5,159	5,159
Charge for the year (Note 13)	年度內支銷(附註13)	-	175	348	523	523
Revaluation surplus on bank premises transferred to investment properties (Note 42(b))	行址重估盈餘轉入投資物業(附註42(b))	-	(2)	-	(2)	(2)
Transfer to asset classified as assets held for sale (Note 56)	轉至分類為持有作出售資產(附註56)	-	-	(62)	(62)	(62)
Written off on disposal	出售時撇銷	-	(8)	(104)	(112)	(112)
Exchange adjustments	匯兌調整	-	(43)	(73)	(116)	(116)
At 31st December, 2015	於2015年12月31日	-	1,613	3,777	5,390	5,390
Net book value at 31st December, 2015	賬面淨值於2015年12月31日	4,891	7,090	1,316	8,406	13,297
The gross amounts of the above assets are stated:	上述資產的總額列示如下:					
At cost	按成本	-	7,891	5,093	12,984	12,984
At Directors' valuation - 1989	按董事估值 - 1989年	-	812	-	812	812
At professional valuation - 2015	按專業估值 - 2015年	4,891	-	-	-	4,891
		4,891	8,703	5,093	13,796	18,687

Note: HK\$8 million was transferred to assets held for sale (see Note 56).

附註: 港幣800萬元轉至持有作出售資產(見附註56)。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

35. FIXED ASSETS (CONTINUED) 固定資產(續)

		Investment properties	Bank premises	2014 Furniture, fixtures and equipment	Sub-total	Total
		投資物業	行址	傢俬、裝修及設備	小計	總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Cost or valuation	成本或估值					
At 1st January, 2014	於2014年1月1日	4,400	8,875	5,057	13,932	18,332
Additions	增置	1	10	295	305	306
Additions through acquisition	經收購的增置	-	-	6	6	6
Revaluation surplus	重估盈餘	228	-	-	-	228
Transfer from bank premises to investment properties	由行址轉入投資物業	3	(3)	-	(3)	-
Revaluation surplus on bank premises transferred to investment properties (Note 42(b))	行址重估盈餘轉入投資物業(附註42(b))	-	2	-	2	2
Transfer from investment properties to bank premises	由投資物業轉入行址	(84)	84	-	84	-
Transfer from furniture, fixtures and equipment to bank premises	由傢俬、裝修及設備轉入行址	-	49	(49)	-	-
Reclassify to other accounts	重新分類至其他賬項	(30)	(72)	-	(72)	(102)
Redevelopment cost	重建成本	43	-	-	-	43
Disposals	出售	-	(65)	(245)	(310)	(310)
Exchange adjustments	匯兌調整	(17)	(151)	(61)	(212)	(229)
At 31st December, 2014	於2014年12月31日	4,544	8,729	5,003	13,732	18,276
Accumulated depreciation and amortisation	累計折舊及攤銷					
At 1st January, 2014	於2014年1月1日	-	1,314	3,488	4,802	4,802
Additions through acquisition	經收購的增置	-	-	5	5	5
Charge for the year (Note 13)	年度內支銷(附註13)	-	178	486	664	664
Transfer from furniture, fixtures and equipment to bank premises	由傢俬、裝修及設備轉入行址	-	36	(36)	-	-
Written off on disposal	出售時撇銷	-	(19)	(235)	(254)	(254)
Exchange adjustments	匯兌調整	-	(18)	(40)	(58)	(58)
At 31st December, 2014	於2014年12月31日	-	1,491	3,668	5,159	5,159
Net book value at 31st December, 2014	賬面淨值 於2014年12月31日	4,544	7,238	1,335	8,573	13,117
The gross amounts of the above assets are stated:	上述資產的總額列示如下:					
At cost	按成本	-	7,917	5,003	12,920	12,920
At Directors' valuation - 1989	按董事估值 - 1989年	-	812	-	812	812
At professional valuation - 2014	按專業估值 - 2014年	4,544	-	-	-	4,544
		4,544	8,729	5,003	13,732	18,276

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

物業公平價值之釐定

(i) 公平價值分級

根據《香港財務報告準則》第十三號/釐定公平價值/三級公平價值分級之分類定義，下表列示本集團於報告期末按重覆發生基準以釐定物業之公平價值。分級予每一分級之公平價值釐定取決於以下所採用的估值模式的參數之可觀察性及重要性：

第一級估值：釐定公平價值只採用第一級參數，即於釐定日在活躍市場相同資產或負債的未經調整報價。

第二級估值：釐定公平價值採用第二級參數，即不符合第一級的可觀察參數，及未採用重要的非可觀察參數。非可觀察參數是指沒有市場資料之參數。

第三級估值：釐定公平價值採用重要的非可觀察參數。

		Fair value at 31st December, 2015 於2015年12月31日 之公平價值		Fair value measurements as at 31st December, 2015 categorised into 於2015年12月31日釐定公平價值之分類					
				Level 1 第一級		Level 2 第二級		Level 3 第三級	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Recurring fair value measurement	重覆發生的公平價值釐定								
Investment properties	投資物業								
Commercial – Hong Kong	商業 – 香港	4,330		–		–		4,330	
Commercial – People's Republic of China	商業 – 中華人民共和國	428		–		–		428	
Commercial – Others	商業 – 其他	133		–		–		133	
		4,891		–		–		4,891	

		Fair value at 31st December, 2014 於2014年12月31日 之公平價值		Fair value measurements as at 31st December, 2014 categorised into 於2014年12月31日釐定公平價值之分類					
				Level 1 第一級		Level 2 第二級		Level 3 第三級	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Recurring fair value measurement	重覆發生的公平價值釐定								
Investment properties	投資物業								
Commercial – Hong Kong	商業 – 香港	4,033		–		–		4,033	
Commercial – People's Republic of China	商業 – 中華人民共和國	448		–		–		448	
Commercial – Others	商業 – 其他	63		–		–		63	
		4,544		–		–		4,544	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

35. FIXED ASSETS (CONTINUED) 固定資產(續)

Fair value measurement of properties (continued)

(i) Fair value hierarchy (continued)

During the year ended 31st December, 2015 and 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued by independent valuers as at 31st December, 2015 and 2014.

Investment properties in Hong Kong were valued at HK\$4,330 million (2014: HK\$4,033 million) as at 31st December, 2015 by an independent valuer, Savills Valuation and Professional Services Limited, Chartered Surveyors, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The valuation has been incorporated in the financial statements as at 31st December, 2015 and it was performed on an open market value basis. Details of valuation techniques are described below:

(ii) Information about Level 3 fair value measurements

	Valuation techniques 估值模式	Unobservable input 非可觀察輸入參數
Investment properties 投資物業	Income capitalisation approach 收入還原法	Market rental 市場租金 Capitalisation rate 還原率
	Direct comparison approach 直接比較法	Premium (discount) on quality of the buildings 樓宇質素溢價(折扣)

Investment properties not under construction

The fair value of investment properties is determined by adoption of the Income Capitalisation Approach whereby the existing rental income of all lettable units of the property are capitalised for their respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the valuation date. Upon expiry of the existing tenancies, each unit is assumed to be let at its market rent as at the valuation date, which in turn capitalised at the market yield as expected by investors for each type of property. Due consideration has been given to expectations of the renewals of Government lease upon its expiry. The summation of the capitalised value of the term income for the leased portion, the capitalised value of the reversion income as appropriately deferred for the leased portion and the capitalised value for the vacant portion provides the market value of the property.

The market rentals of all lettable units are made (a) by reference to the rentals fetched in the property and/or (b) by reference to the lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yields achieved in analysed market sales transactions and the market expectation from property investors. This expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating costs, risk factor and the like.

物業公平價值之釐定(續)

(i) 公平價值分級(續)

截至2015年及2014年12月31日止年度，沒有第一級和第二級兩者之間的轉移，亦未有第三級的轉入或轉出。本集團的政策是只確認於匯報期期末公平價值分級之間發生的轉移。

於2015年及2014年12月31日，所有本集團的投資物業均由獨立估值師估價。

於2015年12月31日，香港投資物業的估值為港幣43.30億元(2014年：港幣40.33億元)。該等物業由獨立估值師—特許測量師第一太平戴維斯，其僱員具香港測量師學會士資歷並對估值物業的所在地及類別有近期經驗。估值是以公開市場價值為基礎，並已計入2015年12月31日之賬項內。估值模式詳述如下：

(ii) 有關第三級釐定公平價值資料

非正在建築中的投資物業

投資物業的公平價值是按採納收入還原法計算，其方法是將現時物業已出租單位之租金收入按其分別未到期租約條款還原，而空置單位則假設於估價日每一單位可按市值租金租出，再根據投資者預期每一類別物業之市場回報來還原。其中已顧及並預期政府之租約於期限屆滿後可續約。出租部分期間收入之還原值、已適當遞延出租部分之歸還收入的還原值及空置部分之還原值之總和計算出物業的市場價值。

所有已租出單位市場租金之計算是(a)參考由物業賺取的租金及/或(b)參考鄰近所租出之類同物業。採納之還原率是參考分析市場出售交易得出之回報及物業投資者對市場的預期。此預期回報已潛在反映投資的質素、預期未來租金增長和資本增值的潛力、營運成本、風險因素及其他。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

As a supporting approach to the Income Capitalisation Approach, the Direct Comparison Approach is also adopted as a check for the valuation. Comparable sales transactions of similar properties in the locality are collected and analysed each in terms of a price per square footage. The collected comparables are then adjusted to take account of the discrepancies between the property and comparables in terms of time, location, age, building quality and the like.

The fair value measurement is positively correlated to the market rental and negatively correlated to the capitalisation rate.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

除收入還原法外，亦採納直接比較法以核實估值。在鄰近可比較類同物業之出售交易會被收集及分析，以計算每一平方呎的價值。已收集之比較資料根據物業及可比較資料的差異，並按時間、位置、樓齡、樓宇質素及其他作調整。

釐定公平價值與市場租金有正面相互關聯及與還原率有負面相互關聯。

期間該等第三級公平價值釐定之餘額變動如下：

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Investment properties – Commercial – Hong Kong 投資物業 – 商業 – 香港			
At 1st January 於1月1日		4,033	3,843
Transfer from bank premises to investment properties 由行址轉入投資物業		24	3
Transfer from investment properties to bank premises 由投資物業轉入行址		(222)	(84)
Revaluation surplus 重估盈餘		497	228
Redevelopment cost 重建成本		(2)	43
At 31st December 於12月31日		4,330	4,033
Investment properties – Commercial – People's Republic of China 投資物業 – 商業 – 中華人民共和國			
At 1st January 於1月1日		448	459
Exchange adjustments 匯兌調整		(20)	(11)
At 31st December 於12月31日		428	448
Investment properties – Commercial – Others 投資物業 – 商業 – 其他			
At 1st January 於1月1日		63	98
Additions 增置		22	1
Revaluation surplus 重估盈餘		52	–
Reclassify to other accounts 重新分類至其他賬項		–	(30)
Exchange adjustments 匯兌調整		(4)	(6)
At 31st December 於12月31日		133	63

Fair value adjustment of investment properties is recognised in the line item “valuation gains on investment properties” on the face of the consolidated income statement.

All the gains recognised in the income statement for the year arise from the properties held at the end of the reporting period.

投資物業的公平價值調整在綜合收益表上之「重估投資物業盈利」項下確認。

所有確認於年度收益表之盈利均源自於報告期結束日持有之物業。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

35. FIXED ASSETS (CONTINUED) 固定資產(續)

The net book value of bank premises and investment properties comprises:

行址及投資物業的賬面淨值包括：

	2015		2014	
	Investment properties 投資物業 HK\$ Mn 港幣百萬元	Bank premises 行址 HK\$ Mn 港幣百萬元	Investment properties 投資物業 HK\$ Mn 港幣百萬元	Bank premises 行址 HK\$ Mn 港幣百萬元
Freeholds 永久業權				
Held outside Hong Kong 在香港以外地區	111	614	63	660
Leaseholds 租借地				
Held in Hong Kong 在香港				
On long lease (over 50 years) 長期租約(50年以上)	3,958	1,381	3,697	1,218
On medium-term lease (10–50 years) 中期租約(10至50年)	372	1,286	336	1,316
Held outside Hong Kong 在香港以外地區				
On long lease (over 50 years) 長期租約(50年以上)	22	94	–	39
On medium-term lease (10–50 years) 中期租約(10至50年)	428	3,660	448	3,940
On short-term lease (below 10 years) 短期租約(10年以下)	–	55	–	65
	4,891	7,090	4,544	7,238

The Group leases out investment properties under operating leases. The leases typically run for an initial period from 1 to 10 years, with an option to renew the leases after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

集團以經營租賃形式租出投資物業。租賃年期通常由1年至10年，到期日後可再續約但其他條款須另議。所有租約並不包括或有租金。

Rental income receivable from investment properties held for use under operating leases amounted to HK\$221 million in 2015 (2014: HK\$149 million). There was no contingent rental recognised during the year 2015 (2014: Nil).

於年內，以經營租賃形式租出的投資物業之應收租金為港幣2.21億元(2014年：港幣1.49億元)。2015年年度內未有確認或有租金(2014年：無)。

The total future minimum lease payments of bank premises and investment properties held for use under non-cancellable operating leases are receivable as follows:

以不可撤銷經營租賃作出租的行址及投資物業的未來最低應收租賃付款總額如下：

	2015		2014	
	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Within one year 1年以內	224		193	
After one year but within five years 1年以後至5年內	211		204	
After five years 5年以後	1		21	
	436		418	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

36. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION 財務狀況表內的所得稅

(a) Current taxation in the statement of financial position represents: (a) 資產負債表內的本期稅項為：

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Provision for Hong Kong profits tax for the year (Note 17(a))	本年度香港利得稅準備 (附註17(a))	772	777
Provisional profits tax paid	已付暫繳利得稅	(704)	(616)
		68	161
Balance of profits tax provision relating to prior years	以往年度利得稅準備 餘額	662	561
Taxation outside Hong Kong	在香港以外稅項	595	450
		1,325	1,172

(b) Deferred tax assets and liabilities recognised

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

(b) 遞延稅項資產及負債確認

確認於綜合財務狀況表中遞延稅項(資產)/負債的組成部分及年內之變動如下：

		2015						
		Depreciation allowances in excess of related depreciation	Revaluation of properties	Impairment losses on financial assets	Revaluation of available- for-sale securities	Tax losses	Others	Total
Deferred tax arising from:		超過有關折舊 的折舊免稅額	物業重估	金融資產的 減值損失	可供出售 證券重估	稅損	其他	總額
遞延稅項源自:		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
At 1st January, 2015	於2015年1月1日	325	197	10	157	(9)	(90)	590
(Credited)/charged to income statement (Note 17(a))	收益表內(存入)/支銷 (附註17(a))	(40)	(18)	(284)	-	(2)	100	(244)
Charged/(credited) to reserves (Notes 42(b) and (g))	儲備內支銷/(存入) (附註42(b)及(g))	-	17	-	(6)	-	-	11
Transfer to asset classified as assets held for sale (Note 56)	轉至分類為持有 作出售資產 (附註56)	-	-	-	-	5	-	5
Transfer	轉賬	-	-	(1)	-	(11)	12	-
Exchange and other adjustments	匯兌及其他調整	-	(3)	5	(2)	(1)	(8)	(9)
At 31st December, 2015	於2015年12月31日	285	193	(270)	149	(18)	14	353

Note: HK\$5 million was transferred to assets held for sale (see Note 56).

附註：港幣500萬元轉至持有作出售資產(見附註56)。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

36. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)
財務狀況表內的所得稅(續)

(b) Deferred tax assets and liabilities recognised (continued)

(b) 遞延稅項資產及負債確認(續)

Deferred tax arising from: 遞延稅項源自：		2014						Total 總額
		Depreciation allowances in excess of related depreciation 超過有關折舊的折舊免稅額	Revaluation of properties 物業重估	Impairment losses on financial assets 金融資產的減值損失	Revaluation of available-for-sale securities 可供出售證券重估	Tax losses 稅損	Others 其他	
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	
At 1st January, 2014	於2014年1月1日	388	199	117	(9)	(11)	(157)	527
(Credited)/charged to income statement (Note 17(a))	收益表內(存入)/支銷(附註 17(a))	(63)	1	(105)	–	2	82	(83)
(Credited)/charged to reserves (Notes 42(b) and (g))	儲備內(存入)/支銷(附註42(b)及(g))	–	(1)	–	164	–	–	163
Exchange and other adjustments	匯兌及其他調整	–	(2)	(2)	2	–	(15)	(17)
At 31st December, 2014	於2014年12月31日	325	197	10	157	(9)	(90)	590

		2015		2014	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Net deferred tax assets recognised on the statement of financial position	確認於財務狀況表的遞延稅項資產淨額		(181)		(96)
Net deferred tax liabilities recognised on the statement of financial position	確認於財務狀況表的遞延稅項負債淨額		534		686
			353		590

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$974 million (2014: HK\$1,017 million) as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. Under the current tax legislation, the expiry dates of the tax losses were as follows:

(c) 未確認遞延稅項資產

由於可能未來沒有適用於有關稅務機關及實體的應課稅溢利以彌補有關虧損，本集團並未確認累計稅損港幣9.74億元(2014年：港幣10.17億元)為遞延稅項資產。根據現時稅務條例，該等稅損的到期日如下：

		2015		2014	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Expiring within 5 years	於五年內到期		72		56
Expiring more than 5 years	五年後到期		92		114
No expiry date	無到期日		810		847
			974		1,017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

37. OTHER LIABILITIES 其他負債

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
(a)	Trading liabilities 交易用途負債		
	Exchange fund bills sold 外匯基金票據空倉	888	1
	Shares sold 股份空倉	1	20
		889	21
(b)	Other accounts and provisions 其他賬項及準備		
	Accrued interest payable 應計應付利息	4,269	4,853
	Acceptance draft payable 應付承兌票據	20,602	26,460
	Liabilities held for sale (Note 56) 持有作出售負債(附註56)	225	-
	Other accounts 其他賬項	20,231	18,768
		45,327	50,081

38. LOAN CAPITAL 借貸資本

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
USD600 million subordinated notes, measured at amortised cost	按攤銷成本列賬的6億美元後償票據	4,887	4,899
USD500 million subordinated notes (under the Euro Medium Term Note Programme), measured at amortised cost	按攤銷成本列賬的5億美元後償票據(按歐洲形式中期票據計劃)	3,895	3,907
SGD800 million subordinated notes (under the Euro Medium Term Note Programme), measured at amortised cost	按攤銷成本列賬的8億新加坡元後償票據(按歐洲形式中期票據計劃)	4,330	4,667
USD500 million subordinated notes (under the Euro Medium Term Note Programme), measured at amortised cost	按攤銷成本列賬的5億美元後償票據(按歐洲形式中期票據計劃)	3,884	3,862
		16,996	17,335

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

38. LOAN CAPITAL (CONTINUED) 借貸資本(續)

The Group has not had any defaults of principal, interest or other breaches with respect to its debt securities during the years ended 31st December, 2015 and 2014.

Two tranches of loan capital of face value totalling HK\$4,650 million (USD600 million) and carrying amount totalling HK\$4,887 million (2014: HK\$4,899 million) were issued on 16th July, 2010 (USD450 million) and on 23rd July, 2010 (USD150 million) by the Bank. These subordinated notes carrying a coupon rate of 6.125% qualifying as Tier 2 capital are listed on the Singapore Stock Exchange and will mature on 16th July, 2020. Hedge ineffectiveness of HK\$5 million loss in 2015 (2014: HK\$4 million loss) was recorded under fair value hedge accounting.

Loan capital of face value of HK\$3,875 million (USD500 million) and carrying amount of HK\$3,895 million (2014: HK\$3,907 million) represents 6.375% subordinated notes (under the Euro Medium Term Note Programme) qualifying as Tier 2 capital issued on 4th November, 2011 by the Bank. The notes are listed on the Singapore Stock Exchange and will mature on 4th May, 2022. Hedge ineffectiveness of HK\$0.1 million loss in 2015 (2014: HK\$2 million loss) was recorded under the fair value hedge accounting for the USD400 million subordinated notes. The fair value as of 31st December, 2015 for the USD100 million subordinated notes was HK\$808 million (USD104.3 million) (2014: HK\$837 million (USD107.9 million)).

Loan capital of face value of HK\$4,385 million (SGD800 million) and carrying amount of HK\$4,330 million (2014: HK\$4,667 million) represents two tranches of 4.25% subordinated notes (under the Euro Medium Term Note Programme) qualifying as Tier 2 capital issued on 13th March, 2012 (SGD600 million) and on 27th April, 2012 (SGD200 million) by the Bank. The notes are listed on the Singapore Stock Exchange and will mature on 13th September, 2022. Hedge ineffectiveness of HK\$0.9 million profit in 2015 (2014: HK\$8 million profit) was recorded under the fair value hedge accounting.

Loan capital of face value of HK\$3,875 million (USD500 million) and carrying amount of HK\$3,884 million (2014: HK\$3,862 million) represents 4.25% subordinated notes (under the Euro Medium Term Note Programme) qualifying as Tier 2 capital issued on 20th November, 2014 by the Bank. The notes are listed on the Hong Kong Stock Exchange and will mature on 20th November, 2024. Hedge ineffectiveness of HK\$1 million profit in 2015 (2014: HK\$2 million loss) was recorded under the fair value hedge accounting.

截至2015及2014年12月31日止年度內本集團對其所發行之債務證券的本金和利息並無違約或不履行。

兩宗票面值總額港幣46.50億元(6億美元)及賬面值總額港幣48.87億元(2014年: 港幣48.99億元)的借貸資本, 是指由本行於2010年7月16日(4.5億美元)及於2010年7月23日(1.5億美元)發行年息6.125%, 並評定為二級資本的後償票據。該票據於新加坡交易所上市, 並將於2020年7月16日到期。在2015年, 因採用公平價值對沖會計法而錄得的無效對沖部分虧損為港幣500萬元(2014年: 港幣400萬元虧損)。

票面值港幣38.75億元(5億美元), 即賬面值港幣38.95億元(2014年: 港幣39.07億元)的借貸資本, 是指由本行於2011年11月4日發行年息6.375%, 並評定為二級資本的後償票據(按歐洲形式中期票據計劃發行)。該等票據於新加坡交易所上市, 並將於2022年5月4日到期。就其中4億美元後償票據而言, 在2015年, 因採用公平價值對沖會計法而錄得的無效對沖部分虧損為港幣10萬元(2014年: 港幣200萬元虧損)。於2015年12月31日, 其中1億美元後償票據的公平價值則為港幣8.08億元(1.043億美元)(2014年12月31日: 港幣8.37億元(1.079億美元))。

票面值港幣43.85億元(8億新加坡元)及賬面值港幣43.30億元(2014年: 港幣46.67億元)的借貸資本, 是指由本行於2012年3月13日(6億新加坡元)及於2012年4月27日(2億新加坡元)發行兩宗年息4.25%, 並評定為二級資本的後償票據(按歐洲形式中期票據計劃發行)。該等票據於新加坡交易所上市, 並將於2022年9月13日到期。在2015年, 因採用公平價值對沖會計法而錄得的無效對沖部分溢利港幣90萬元(2014年: 港幣800萬元溢利)。

票面值港幣38.75億元(5億美元)及賬面值港幣38.84億元(2014年: 港幣38.62億元)的借貸資本, 是指由本行於2014年11月20日發行年息4.25%, 並評定為二級資本的後償票據(按歐洲形式中期票據計劃發行)。該等票據於香港交易所上市, 並將於2024年11月20日到期。在2015年, 因採用公平價值對沖會計法而錄得的無效對沖部分溢利港幣100萬元(2014年: 港幣200萬元虧損)。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

39. EQUITY SETTLED SHARE-BASED TRANSACTIONS 以股份為基礎作支付的交易

The Bank has adopted Staff Share Option Schemes whereby the Board may at its discretion grant to any employees, including ED and Chief Executive, of the Group options to subscribe for ordinary shares of the Bank. Except as provided otherwise in the rules of the relevant Schemes, share options granted under Staff Share Option Scheme 2007, may be exercised during the period beginning on the first anniversary of the Date of Grant and ending on the fifth anniversary of the Date of Grant while share options granted under the 2011 Scheme may be exercised beginning on the Vesting Date and ending on the fifth anniversary of the Vesting Date. All options were granted for nil consideration.

本行所採納的僱員認股計劃是董事會可酌情發出認股權予本集團之任何僱員，包括執行董事及行政總裁，以認購本行普通股股份。除有關計劃的規則另有規定外，根據2007年僱員認股計劃所授予的認股權的行使期限為授予日的第1周年開始至授予日的第5周年止，而根據2011計劃所授予的認股權的行使期限為歸屬日開始至歸屬日的第5周年止。所有認股權均以不計價款形式發出。

(a) Particulars of share options:

(i) Share options granted under Staff Share Option Scheme 2007 in year 2010:

(a) 認股權詳情：

(i) 在2010年期間根據2007年僱員認股計劃所授予的認股權：

Date of grant 授予日期	Vesting period 有效期	Exercise period 行使期	Exercise price per share 每股行使價 HK\$ 港幣元
06/7/2010	06/7/2010–05/7/2011	06/7/2011–06/7/2015	28.49

(ii) Share options granted under 2011 Scheme in years 2011 to 2014:

(ii) 在2011年至2014年根據2011計劃所授予的認股權：

Date of grant 授予日期	Tranche 部分	Vesting period 有效期	Exercise period 行使期	Exercise price per share 每股行使價 HK\$ 港幣元
05/5/2011	T1	05/5/2011–04/5/2012	05/5/2012–05/5/2017	32.00
05/5/2011	T2	05/5/2011–04/5/2013	05/5/2013–05/5/2018	32.00
05/5/2011	T3	05/5/2011–04/5/2014	05/5/2014–05/5/2019	32.00
10/5/2012	T1	10/5/2012–09/5/2013	10/5/2013–10/5/2018	28.99
10/5/2012	T2	10/5/2012–09/5/2014	10/5/2014–10/5/2019	28.99
10/5/2012	T3	10/5/2012–09/5/2015	10/5/2015–10/5/2020	28.99
03/5/2013	T1	03/5/2013–02/5/2014	03/5/2014–03/5/2019	31.40
03/5/2013	T2	03/5/2013–02/5/2015	03/5/2015–03/5/2020	31.40
03/5/2013	T3	03/5/2013–02/5/2016	03/5/2016–03/5/2021	31.40
02/5/2014	T1	02/5/2014–01/5/2015	02/5/2015–02/5/2020	32.50
02/5/2014	T2	02/5/2014–01/5/2016	02/5/2016–02/5/2021	32.50
02/5/2014	T3	02/5/2014–01/5/2017	02/5/2017–02/5/2022	32.50

(iii) Share options granted under 2011 Scheme in year 2015:

(iii) 在2015年根據2011計劃所授予的認股權：

Date of grant 授予日期	Tranche 部分	Vesting period 有效期	Exercise period 行使期	Exercise price per share 每股行使價 HK\$ 港幣元
04/5/2015	T1	04/5/2015–03/5/2016	04/5/2016–04/5/2021	34.15
04/5/2015	T2	04/5/2015–03/5/2017	04/5/2017–04/5/2022	34.15
04/5/2015	T3	04/5/2015–03/5/2018	04/5/2018–04/5/2023	34.15

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

39. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED) 以股份為基礎作支付的交易(續)

(b) The number and weighted average exercise prices of share options are as follows: (b) 已行使認股權的數目及加權平均行使價如下：

		2015		2014	
		Weighted average exercise price 加權平均行使價 HK\$ 港幣元	Number of options 認股權數目 Mn 百萬	Weighted average exercise price 加權平均行使價 HK\$ 港幣元	Number of options 認股權數目 Mn 百萬
Outstanding at the beginning of the year	年初結餘	30.98	25	30.21	21
Exercised during the year	年度內行使	29.03	(5)	27.10	(2)
Granted during the year	年度內授予	34.15	6	32.50	6
Lapsed during the year	年度內失效	-	-	-	-
Outstanding at the end of the year	年末結餘	32.10	26	30.98	25
Exercisable at the end of the year	年末可供行使	31.20	14	30.48	14

The weighted average share price at the date of exercise for share options exercised during the year was HK\$32.38 (2014: HK\$31.83).

年度內於行使認股權當日的加權平均股價為港幣32.38元(2014年：港幣31.83元)。

The options outstanding at 31st December, 2015 had an exercise price from HK\$28.99 to HK\$34.15 (2014: from HK\$28.49 to HK\$32.50) and a weighted average remaining contractual life of 4.49 years (2014: 4.32 years).

於2015年12月31日，尚未行使認股權的行使價由港幣28.99元至港幣34.15元(2014年：由港幣28.49元至港幣32.50元)，及剩餘合約年期之加權平均數為4.49年(2014年：4.32年)。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a trinomial lattice model. The contractual life of the option is used as an input into this model.

		2015	2014
Fair value at measurement date	於計量日的公平價值		
– Tranche 1	– 一部分1	HK\$港幣2.80元	HK\$港幣4.93元
– Tranche 2	– 一部分2	HK\$港幣2.80元	HK\$港幣5.04元
– Tranche 3	– 一部分3	HK\$港幣2.73元	HK\$港幣5.08元
Share price	股價	HK\$港幣34.15元	HK\$港幣32.50元
Exercise price	行使價	HK\$港幣34.15元	HK\$港幣32.50元
Expected volatility (expressed as weighted average volatility used in the modelling under trinomial lattice model)	預計波幅(以三項式期權定價模式內採用的加權平均波幅)	14.25%	22.14%
Option life	認股權年期		
– Tranche 1	– 一部分1	6 years年	6 years年
– Tranche 2	– 一部分2	7 years年	7 years年
– Tranche 3	– 一部分3	8 years年	8 years年
Expected dividends	預計股息	5.06%-5.40%	4.76%-5.11%
Risk-free interest rate (based on Exchange Fund Notes)	無風險利率(根據外匯基金票據)	1.14%	1.34%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

(c) 認股權的公平價值及假設

獲得服務以換取認股權的公平價值按授予認股權的公平價值計量。授予認股權之估計公平價值按三項式期權定價模式。認股權的合約年期為該定價模式的參數。

預計波幅是根據過往之波幅(以認股權的加權剩餘年期計算)，再調整因公眾知悉的資訊影響未來波幅的預計變動。預計股息按過往的股息。主觀輸入假設的變動可能重大影響公平價值的估計。

認股權的授予須符合服務條件。該服務條件並未納入計算於授予日獲得服務的公平價值。授予認股權與市場情況並無關係。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

40. SHARE CAPITAL 股本

		2015		2014	
		No. of shares		No. of shares	
		Mn 百萬	HK\$ Mn 港幣百萬元	Mn 百萬	HK\$ Mn 港幣百萬元
Ordinary shares issued and fully paid:	已發行及繳足普通股:				
At 1st January	於1月1日	2,347	25,217	2,290	5,724
Subscription of new shares	發行新股	223	6,576	–	–
Shares issued under Staff Share Option Schemes	根據僱員認股計劃發行的股份	5	150	2	50
Transition to no-par value regime on 3rd March 2014 (Note)	過渡至2014年3月3日之無票面值制度(附註)	–	–	–	17,770
Transfer of the fair value of options from capital reserve – share options issued (Note 42(f))	認股權的公平價值轉自資本儲備—已發行認股權(附註42(f))	–	16	–	9
Shares issued in lieu of dividends	以股代息發行的股份	66	1,856	55	1,664
At 31st December	於12月31日	2,641	33,815	2,347	25,217

Note: The transaction to the no-par value regime under the Companies Ordinance occurred automatically on 3rd March, 2014. On that date, the share premium account and any capital redemption reserve were subsumed into share capital in accordance with section 37 of Schedule 11 to the Ordinance. These changes did not impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been made in accordance with the requirement of Parts 4 and 5 of the Ordinance.

附註：根據《公司條例》而過渡至無票面值制度已於2014年3月3日自動生效。於該日，股份溢價賬及任何資本贖回儲備皆按《公司條例》附表11第37條被歸納為股本。此變動對已發行股份數目或任何股東的相關權益並無任何影響。由該日起，所有股本之變動已根據《公司條例》第4部及第5部之要求。

Pursuant to the approved Staff Share Option Schemes (the “Schemes”), options to purchase ordinary shares in the Bank were granted to eligible employees. The option price of the Schemes equals the fair value of the underlying shares at the date of grant. Except as provided otherwise in the rules of the relevant Schemes, the share options granted under the Scheme 2007 will be exercisable between the first and the fifth anniversaries of the date of grant while share options granted under 2011 Scheme will be exercisable on the Vesting Date and ending on the fifth anniversary of the Vesting Date.

根據已核准的僱員認股權計劃(「計劃」)，認股權授予合格僱員以認購本行的普通股股份。認股權行使價與相關股份於授予日的公平價值相同。除在有關計劃的規則另有規定外，根據2007僱員認股計劃所授予的認股權的行使期限為授予日的第1周年開始至授予日的第5周年止，而根據2011計劃所授予的認股權的行使期限則由歸屬日開始至歸屬日的第5周年止。

Shares issued under Staff Share Option Schemes

During the year, options were exercised to subscribe for 5 million ordinary shares in the Bank at a consideration of HK\$150 million which was credited to share capital account. HK\$16 million has been transferred from the capital reserve to the share capital account in accordance with policy set out in Note 2(q)(iv).

根據僱員認股權計劃發行的股份

年度內，已行使認股權以認購本行普通股500萬股之代價為港幣1.50億元，並已存入股本。根據會計政策附註2(q)(iv)所載，已由資本儲備轉撥港幣1,600萬元往股本內。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

41. ADDITIONAL EQUITY INSTRUMENTS 額外股本工具

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
USD650 million undated non-cumulative subordinated capital securities	6.50億美元無到期日非累積後償資本證券	5,016	—

On 2nd December, 2015, the Bank issued undated non-cumulative subordinated capital securities ("Additional Tier 1 Capital Securities") with a face value of US\$650 million (equivalent to HK\$5,016 million net of related issuance costs). The Additional Tier 1 Capital Securities are undated and bear a 5.50% coupon until the first call date on 2 December 2020. The coupon will be reset every five years if the Additional Tier 1 Capital Securities are not redeemed to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus 3.834% per annum.

The first scheduled coupon payment date will be 2nd June, 2016 and the coupon shall be payable semi-annually. The Bank has the right to cancel coupon payment (subject to the requirement as set out in the terms and conditions of the Additional Tier 1 Capital Securities) and the coupon cancelled shall not be cumulative. However, the Bank is stopped from declaring dividend to its ordinary shareholders unless the next scheduled coupon payment is paid.

The principal of the Additional Tier 1 Capital Securities will be written off up to the amount as directed or agreed with the HKMA if the HKMA notifies the Bank that in the opinion of the HKMA, the Bank would become non-viable if there is no written off of the principal.

The Bank has a call option to redeem all the outstanding capital securities from 2nd December, 2020 or any subsequent coupon payment date, but subject to restriction as set out in the terms and conditions.

於2015年12月2日，本行發行面值6.50億美元(扣除有關發行成本後等值港幣50.16億元)無到期日非累積後償資本證券「額外一級資本證券」。該額外一級資本證券是無到期日及附帶5.50%息率，直至2020年12月2日的第一次收回日。如該額外一級資本證券並未按相等於當時五年期美國庫券息率加年息3.834%之固定利率贖回，息率將會按每五年重新釐定。

第一次預定利息支付日為2016年6月2日，而利息將按每半年支付。本行有權取消支付利息(但須受該額外一級資本證券已列載之條款及細則所規限)及已取消之利息是不可累積的。除非下次預定利息經已支付，本行是禁止宣布派發股息予普通股股東。

如金管局通知本行並認為本行如不撇銷本金將無法繼續經營，該額外一級資本證券之本金將會按與經金管局協商後或接受其指令下撇銷。

由2020年12月2日起或以後任何利息支付日，本行可行使購入權以贖回所有現存的資本證券，但須受已列載之條款及細則所規限。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

42. RESERVES 儲備

		The Group 集團		The Bank 銀行	
		2015	2014	2015	2014
		Restated 重報			
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
(a)	General reserve (a) 一般儲備				
	At 1st January 於1月1日	13,930	13,877	13,441	13,441
	Transfer from retained profits 撥自留存溢利	23	53	-	-
	At 31st December 於12月31日	13,953	13,930	13,441	13,441
(b)	Revaluation reserve on bank premises (b) 行址重估儲備				
	At 1st January 於1月1日	1,642	1,639	1,581	1,578
	Recognition of deferred tax liabilities (Note 36(b)) 確認遞延稅項負債 (附註36(b))	(17)	1	(4)	1
	Revaluation surplus on bank premises transferred to investment properties 行址重估盈餘轉入投資物業	14	2	14	2
	At 31st December 於12月31日	1,639	1,642	1,591	1,581
(c)	Statutory reserves (c) 法定儲備				
	At 1st January 於1月1日	4,285	3,666	-	-
	Transfer from retained profits 撥自留存溢利	425	619	-	-
	At 31st December 於12月31日	4,710	4,285	-	-
(d)	Capital reserve (d) 資本儲備				
	At 1st January 於1月1日	228	200	-	-
	Transfer from retained profits 撥自留存溢利	2	30	-	-
	Shares issued expense 發行股份支出	-	(2)	-	-
	At 31st December 於12月31日	230	228	-	-
(e)	Exchange revaluation reserve (e) 匯兌重估儲備				
	At 1st January 於1月1日	1,970	2,955	64	98
	Exchange adjustments 匯兌調整	(2,132)	(985)	(58)	(34)
	At 31st December 於12月31日	(162)	1,970	6	64
(f)	Capital reserve – staff share options issued (f) 資本儲備 – 已發行僱員認股權				
	At 1st January 於1月1日	84	69	84	69
	Transfer of the fair value of options to share capital (Note 40) 認股權公平價值撥入股本 (附註40)	(16)	(9)	(16)	(9)
	Additions 增加	22	24	22	24
	At 31st December 於12月31日	90	84	90	84

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

		The Group 集團		The Bank 銀行	
		2015	2014	2015	2014
		Restated 重報			
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
(g)	Investment revaluation reserve	(g)	投資重估儲備		
	At 1st January		於1月1日	1,660	980
	Changes in fair value of securities		證券的公平價值變動	(17)	915
	Reversal upon disposal (Note 15)		於出售時轉回(附註15)	(327)	(79)
	Recognition of deferred tax liabilities (Note 36(b))		確認遞延稅項負債(附註36(b))	6	(164)
	Impairment loss and amortisation		減值損失及攤銷	61	8
	Other movement		其他變動	-	-
	At 31st December		於12月31日	1,383	1,660
(h)	Other reserves	(h)	其他儲備		
	At 1st January		於1月1日	15	24
	Share of changes in equity of associates		應佔聯營公司權益的變動	(59)	(9)
	At 31st December		於12月31日	(44)	15
(i)	Retained profits	(i)	留存溢利		
	At 1st January		於1月1日	19,849	16,778
	Net profit for the year		年度內溢利	5,522	6,661
	Transfer to general reserve		撥入一般儲備	(23)	(53)
	Transfer to statutory reserve		撥入法定儲備	(425)	(619)
	Transfer to capital reserve		撥入資本儲備	(2)	(30)
	Premium paid for partial redemption of Hybrid Tier 1		贖回部分混合一級資本之溢價	(211)	-
	Other movement		其他變動	-	-
	Dividends (Note 19)		股息(附註19)		
	- Interim dividend		- 中期股息	(994)	(1,001)
	- Second interim dividend		- 第二次中期股息	(1,597)	(1,557)
	- Hybrid Tier 1		- 混合一級資本	(320)	(330)
	At 31st December		於12月31日	21,799	19,849
(j)	Total reserves	(j)	儲備總額	43,598	43,663

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

42. RESERVES (CONTINUED) 儲備(續)

General reserve was set up from the transfer of retained earnings and the realised revaluation surplus on disposal of properties.

Revaluation reserve on bank premises and exchange revaluation reserve have been set up and are dealt with in accordance with the accounting policies adopted for the revaluation of bank premises and foreign currency translation.

Statutory reserves are set up to satisfy the statutory requirements of certain overseas subsidiaries and associates mainly for the purpose of covering unidentified potential losses on risk assets in addition to those recognised under the prevailing accounting requirements in their jurisdictions.

Capital reserve represents the capitalisation of subsidiaries' and associates' reserves.

Capital reserve – staff share options issued comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Bank recognised in accordance with the accounting policy adopted for share based payment in Note 2(q)(iv).

Investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale securities held until the securities are derecognised and is dealt with in accordance with the accounting policies in Notes 2(f) and (k).

Other reserves represent share of changes in equity of associates in respect of investment revaluation reserve and revaluation reserve of bank premises.

A regulatory reserve is maintained to satisfy the provisions of the Banking Ordinance for prudential supervision purposes by earmarking amounts in respect of losses which the Bank will or may incur on loans and advances and investments in addition to impairment losses recognised. Movements in the reserve are earmarked directly through retained earnings and in consultation with the HKMA. As at 31st December, 2015, HK\$5,269 million (2014: HK\$5,715 million) was included in the retained profits in this respect which was distributable to equity holders of the Group subject to consultation with the HKMA.

At 31st December, 2015 the aggregate amount of reserves available for distribution to equity holders of the Bank was HK\$15,158 million (2014: HK\$13,681 million). After the end of the reporting period the directors declared a second interim dividend of HK\$0.50 per ordinary share (2014: HK\$0.68 per share), amounting to HK\$1,320 million (2014: HK\$1,596 million). The dividend has not been recognised as a liability at the end of the reporting period.

一般儲備的建立，包括來自留存溢利及出售物業時的已實現重估盈餘。

行址及匯兌重估儲備的建立及處理是根據重估行址和外幣折算所採用的會計政策。

法定儲備是用作滿足若干海外附屬公司及聯營公司之法定要求，主要用途為除按當地現行會計要求下已確認而需額外涵蓋風險資產的不可辨別之可能損失。

資本儲備指附屬公司及聯營公司儲備的資本化發行。

資本儲備(已發行僱員認股權)包括根據已採納有關附註2(q)(iv)所載以股份為基礎作支付的會計政策確認授予本行僱員之實際或估計未行使認股權數目的公平價值。

投資重估儲備包括持有可供出售證券直至證券被終止確認的累計公平價值變動淨額，有關處理的會計政策已詳載於附註2(f)和(k)。

其他儲備包括應佔聯營公司權益之投資重估儲備及重估行址儲備的變動。

為符合《銀行業條例》有關審慎監管的規定，本行需在規管儲備中維持超過已確認減值損失的可能貸款減值損失金額。經諮詢金管局後，儲備的變動已直接在留存溢利內劃定。於2015年12月31日，留存溢利中包括與此有關屬可派發予本集團股東港幣52.69億元(2014年：港幣57.15億元)，但派發前須諮詢金管局。

於2015年12月31日，可派發予本行股東的儲備總額為港幣151.58億元(2014年：港幣136.81億元)。在報告期結束後董事宣布派發第二次中期股息每股普通股港幣0.50元(2014年：每股港幣0.68元)，總額達港幣13.20億元(2014年：港幣15.96億元)。於報告期結束日並未確認該股息為負債。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

43. NON-CONTROLLING INTERESTS 非控股權益

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
At 1st January	於1月1日	4,564	4,552
– final dividend in respect of previous year	– 上年度末期股息	(82)	(96)
– partial redemption of Hybrid Tier 1	– 贖回部分混合一級資本	(1,361)	–
Other comprehensive income	其他全面收益	(25)	(5)
Profit for the year	年度內溢利	116	113
At 31st December	於12月31日	3,212	4,564

The non-controlling interests include HK\$2,514 million (2014: HK\$3,878 million) of Hybrid Tier 1 capital instruments.

The Hybrid Tier 1 capital instruments comprising step-up subordinated notes (“Notes”) of face value HK\$2,514 million (USD324 million) and carrying amount of HK\$2,898 million at bank level (2014: face value HK\$3,878 million (USD500 million) and carrying amount of HK\$4,513 million at bank level) and non-cumulative preference shares (“Innovate Preference Shares”) of HK\$2,514 million (USD324 million) (2014: HK\$3,878 million (USD500 million)) were issued respectively by the Bank and by Innovate Holdings Limited, a wholly owned subsidiary of the Bank, on 5th November, 2009. The Notes bear a fixed interest rate of 8.5% per annum and will mature on 5th November, 2059. The Innovate Preference Shares are perpetual securities on which no dividend is payable. The Notes and the Innovate Preference Shares are listed, and traded together as units, on the Singapore Stock Exchange. The Hybrid Tier 1 capital instruments are qualified as Additional Tier 1 capital of the Bank and the Group. In the consolidated financial statements, the Notes are eliminated and the Innovate Preference Shares are classified as non-controlling interests.

During the year, the Bank redeemed HK\$1,361 million Hybrid Tier 1 capital instruments which are classified as non-controlling interests in the consolidated financial statements, through exchange offer with Additional Tier 1 capital securities (HK\$672 million) and tender offer (HK\$900 million). The purchase premium of HK\$211 million paid in excess of the carrying amount of the non-controlling interests acquired was charged to retained profits.

非控股權益包括港幣25.14億元(2014年：港幣38.78億元)的混合一級資本工具。

混合一級資本工具包括分別由本行發行面值港幣25.14億元(3.24億美元)及在銀行層面之賬面值港幣28.98億元(2014年：面值港幣38.78億元(5億美元)及銀行層面之賬面值港幣45.13億元)步陞後償票據(「票據」)及由本行一全資附屬公司Innovate Holdings Limited所發行賬面值港幣25.14億元(3.24億美元)非累積優先股份(「Innovate」優先股)，發行日期為2009年11月5日。該票據之固定利率為年息8.5%，並將於2059年11月5日到期。Innovate優先股份是毋須支付股息的無到期日證券。該票據及Innovate優先股份是於新加坡交易所上市及以單位組合形式交易。混合一級資本工具已被評定為本行及本集團的額外一級資本。在綜合財務報表中，票據已被抵銷及Innovate優先股份則被分類為非控股權益。

年內，本行以交換要約(港幣6.72億元)和收購要約(港幣9億元)方式贖回港幣13.61億元於綜合財務報表中分類為非控股權益之混合一級資本工具。支付超過購入非控股權益賬面值之溢價港幣2.11億元經已於留存溢利中支銷。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

44. FINANCIAL RISK MANAGEMENT 財務風險管理

This section presents information on the Group's management of principal risks.

The Group has established an effective risk governance and management framework in line with the requirements set out by the HKMA and other regulators. This framework is built around a structure that enables the Board and Management to discharge their risk management-related responsibilities with appropriate delegation and checks and balances. These responsibilities include defining risk appetite in accordance with the Group's business strategies and objectives, formulating risk policies that govern the execution of those strategies, and establishing procedures and limits for the approval, control, monitoring, and remedy of risks.

The RIC stands at the highest level of the Group's risk governance structure below the Board. It is chaired by the Chairman & Chief Executive and includes two INED(s) and three NED(s). The RIC provides direct oversight of the formulation of institutional risk appetite, which documents the levels of risk that the Group is willing to undertake with regard to its financial capacity, strategic direction, prevailing market conditions, and regulatory requirements.

The RIC also ensures that the Group's risk appetite is reflected in the policies and procedures that Management adopts to execute its business functions. Through the Crisis Management Committee, Risk Management Committee, Credit Committee, Asset and Liability Management Committee, and Operational Risk Management Committee at the executive level – and with overall coordination by the Risk Management Division – the RIC regularly reviews the Group's risk management framework and ensures that all important risk-related tasks are performed according to established policies with appropriate resources.

The Crisis Management Committee and Risk Management Committee comprise the Group's Chairman & Chief Executive, Senior Advisors, Senior Management and the Group Chief Risk Officer.

The specialised risk management committees – namely, Credit Committee, Asset and Liability Management Committee, and Operational Risk Management Committee – comprise the Group's Senior Advisors, Senior Management, the Group Chief Risk Officer and where appropriate division heads from the relevant areas.

本部分載述有關本集團財務風險管理的資料。

按照金管局及其他監管機構發出的規定，本集團已建立一個有效的風險管治及管理架構。該架構的構造令董事會及管理層能夠以適當授權和制衡履行彼等的風險管理相關職責。該等職責包括根據本集團的業務策略及目標制定風險偏好及風險政策，以管理上述策略的執行，並設立風險審批、控制、監控及補救的程序及限制。

風險委員會為本集團僅次於董事會的最高風險管治單元，由主席兼行政總裁擔任主席，其他成員包括兩名獨立非執行董事及三名非執行董事。風險委員會直接監督機構風險偏好的制定，而機構風險偏好列明本集團就其財務能力、策略性指引、目前市況及監管要求而言可承擔的風險水平。

風險委員會亦確保本集團的風險偏好反映於政策及程序上，讓管理層行使其業務職能時採納。透過行政人員層面的危機管理委員會、風險管理委員會、信貸委員會、資產負債管理委員會及營運風險管理委員會以及風險管理處的協調，風險委員會定期檢討本集團的風險管理架構，並確保所有與風險相關的重要任務符合既有政策以適當資源完成。

危機管理委員會及風險管理委員會由本集團主席兼行政總裁、高級顧問、高層管理人員和集團風險總監組成。

專責風險管理委員會包括信貸委員會、資產負債管理委員會及營運風險管理委員會由本集團高級顧問、高層管理人員、集團風險總監及(在適當情況下)其他有關方面的處級主管組成。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

To ensure that roles within the organisation are clearly defined in regard to risk management, BEA has adopted a “Three Lines of Defence” risk management structure. The first line of defence comprises the Bank’s business units and functional units, which are responsible for the management of the risks that they incur in the course of their activities. The Risk Management Division and Compliance Division provide independent oversight over the risk takers as the second line of defence. Reporting directly to the AC, the Bank’s Internal Audit Division serves as the third line of defence. The Internal Audit Division assists the AC in its oversight of the Bank’s overall risk management and internal control systems by conducting periodic reviews to assess the adequacy of the Bank’s risk management framework, control, and governance processes as designed by the first and second lines of defence.

To identify and manage all potential risks in a more holistic and effective manner, the Bank will implement an enterprise risk management framework in 2016.

The Group has formulated policies to identify, measure, monitor, control, and report on the various types of risk and, where appropriate, to allocate adequate capital to cover those risks. These policies are reviewed and enhanced on a regular basis to align with market changes, statutory requirements, and best practices in risk management processes. The Group’s major risk management policies and control limits are approved by the Board and are monitored and regularly reviewed. The Board has delegated the responsibility for on-going risk management to the RIC, Risk Management Committee and specialised risk management committees. Significant risk management related issues are required to be reported to the Board to assist its oversight of risk management. Moreover, on daily basis, the Group Chief Risk Officer is responsible for overseeing the Bank Group’s risk management issues which include, but not limited to, the risk management infrastructure, strategies, appetites, culture, and resources.

Stress testing is an integral part of our risk management. The Group regularly performs stress-tests on the principal risks, where appropriate, to assess the potential impact of stressed business conditions (including hypothetical situations such as a significant economic downturn in Mainland China and Hong Kong) on the Group’s financial positions, in particular, capital adequacy, profitability, and liquidity. Whenever necessary, a prompt management response will be developed and executed to mitigate potential impacts.

As required of all Authorised Institutions under the HKMA’s Supervisory Policy Manual on “Recovery Planning”, the Bank has established a Group Recovery Plan, which has been approved by the Board. The Group Recovery Plan helps ensure that the Bank is able to recover quickly from periods of severe stress and preserve or restore its capital and liquidity levels.

為確保風險管理責任於組織內分工明確，本行已採納「三道防線」風險管理架構。第一道防線由本行各業務單位及職能單位組成，負責管理其在業務過程中產生的風險。第二道防線由風險管理處及合規處組成，獨立監督風險承受單元。第三道防線為直接向審核委員會匯報的稽核處。稽核處定期評估本行由第一及第二道防線所設計的風險管理架構、監控及管治流程的充裕性，以協助審核委員會監督本行的整體風險管理及內部監控系統。

為了更全面及更有效地識別及管理所有潛在風險，本行將於2016年設立企業風險管理架構。

本集團已制定政策，以識別、衡量、監察、控制及匯報各類風險，並於適當的情況下調配資本以抵禦該等風險。相關政策均定期檢討及改善，以符合市場轉變及法定要求，及達致風險管理程序中的最佳做法。本集團的主要風險管理政策及控制限額由董事會批准，並且受到監控及定期檢討。董事會已將持續管理風險的責任授予風險委員會、風險管理委員會及專責風險管理委員會。與重要風險管理相關的事項須上報至董事會，以協助董事會監督風險管理。此外，集團風險總監的日常職責為監督集團風險管理相關事項，包括但不限於風險管理基礎架構及策略、風險偏好、風險管治文化及有關資源。

壓力測試為本集團風險管理的重要部分。本集團定期對相關的主要風險進行壓力測試，評估受壓營商環境(包括中國內地及香港出現嚴重經濟下滑等假設情景)對本集團的財務狀況，尤其是資本充足、盈利能力及流動資金，可能產生的影響。有需要時，管理層亦會果斷制訂並執行應對措施以減低潛在影響。

根據金管局監管政策手冊對所有認可機構有關「恢復規劃」的要求，本行已制定集團恢復計劃，該計劃已獲董事會批准。集團恢復計劃有助確保本行在遇到嚴峻壓力時能夠迅速復元，並維持或恢復資本及流動性水平。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

44. FINANCIAL RISK MANAGEMENT (CONTINUED) 財務風險管理(續)

Each new product launch must go through an approval process, which includes business and financial analysis and risk assessment. New products are reviewed and assessed by the New Products Evaluation Working Group, endorsed by the Steering Group (chaired by the Bank's Group Chief Risk Officer and comprising the division heads of supporting units), and approved by the Risk Management Committee.

(a) Credit risk management

Credit risk arises from the possibility that a customer or counterparty in a transaction may default. Such risk may arise from counterparty risks from loans and advances, issuer risks from the securities business and counterparty risks from trading activities.

The Credit Committee is responsible for managing all credit risk-related issues of the Group, while the Credit Risk Management Department under the Risk Management Division of the Group is responsible for monitoring activities relating to credit risk. The Group identifies and manages credit risk by defining the target market segment, formulating appropriate credit policies, and carrying out credit assessment and monitoring of asset quality. Credit risk control limits are set for different levels. Risk, return, and market situation are considered when setting all limits. Active limit monitoring is undertaken.

In evaluating the credit risk associated with an individual customer or counterparty, financial strength and repayment ability are always the primary considerations. Credit risk may be mitigated by obtaining collateral from the customer or counterparty.

The Group has established policies, procedures, and rating systems to identify, measure, monitor, control and report on credit risk. In this connection, guidelines for management of credit risk have been laid down in the Group's Credit Risk Management Manual. These guidelines stipulate delegated lending authorities, credit underwriting criteria, credit monitoring process, internal rating structure, credit recovery and provisioning policy. They are reviewed and enhanced on an ongoing basis to cater for market changes, statutory requirements and best practices in risk management processes.

The Group's credit risk management for the major types of credit risk is depicted as follows:

(i) Corporate and bank credit risk

The Group has laid down policies and procedures to evaluate the potential credit risk of a particular counterparty or transaction and to approve the transaction. For corporate and bank customers, the Group has different internal rating systems that are applied to each counterparty. For exposure classified as Specialised Lending in particular, supervisory slotting criteria are used. To monitor concentration risk, the Group has preset limits for exposures to individual industries and for borrowers and groups of borrowers. The Group also has a review process to ensure that the level of review and approval is proper and will depend on the size of the facility and rating of the credit.

每一個新產品的推出，須通過審批過程，包括業務和財務分析和風險評估。這些新產品首先由新產品評審工作組審核及評估，並由督導組認可及由風險管理委員會批准。督導組的主席為集團風險總監，並由支援職能的處級主管組成。

(a) 信貸風險管理

信貸風險源於客戶或交易對手未能履行其承擔，可來自本集團貸款及墊款中的交易對手風險、證券業務的發行商風險和交易活動的交易對手風險。

信貸委員會負責管理所有與本集團信貸風險有關的事務，而本集團風險管理處轄下的信貸風險管理部則負責監察與信貸風險有關的活動。本集團透過設定目標市場分部、制定適當的信貸政策和執行信貸評核程序，以及監控資產素質，來識別和管理信貸風險。信貸風險控制限額設有不同層次。釐定所有限額時會考慮風險、回報及市場情況，並且採用積極限額監控程序。

本集團在評估與個別客戶或交易對手相關的信貸風險時，雖然可藉客戶或交易對手的抵押品減低信貸風險，然而他們的財政實力以及還款能力才是本集團的主要考慮因素。

本集團已制訂多項政策、程序及評級系統，以識別、衡量、監察、控制及匯報本集團所承受的信貸風險。在此方面，本集團已將信貸風險管理指引詳列於信貸風險管理手冊內，對信貸權限授權、授信標準、信貸監控程序、內部評級架構、信貸追收及撥備政策訂下規定。本集團持續檢討和改善該等指引，以配合市場轉變、有關法定要求及風險管理程序的最佳做法。

本集團就下列各類主要信貸風險實行信貸風險管理：

(i) 企業及銀行信貸風險

本集團已制訂多項政策及程序，以評估特定交易對手或交易的潛在信貸風險，以及決定批核有關交易與否。就企業及銀行客戶而言，本集團已制定適用於所有交易對手的內部評級系統。監管分類準則尤其適用於歸類為專門性借貸的風險承擔。為監控信貸集中的潛在風險，本集團已就個別行業及不同的借款人和借款人團體預設風險承擔限額。本集團亦已釐定檢討程序，確保按照貸款的規模和信貸評級，為貸款進行適當的檢討和審批。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

The Group undertakes on-going credit analysis and monitoring at several levels. The policies are designed to promote early detection of counterparty, industry or product exposures that require special monitoring. The overall portfolio risk as well as individual impaired loans and potential impaired loans are monitored on a regular basis.

(ii) Retail credit risk

The Group's retail credit policy and approval process are designed for the fact that there are high volumes of relatively homogeneous and small value transactions in each retail loan category. The design of internal rating system and formulation of credit policies are primarily based on the demographic factors and the loss experience of the loan portfolios. The Group monitors its own and industry experience to determine and periodically revise product terms and desired customer profiles.

(iii) Credit for treasury transactions

The credit risk of the Group's treasury transactions is managed in the same way as the Group manages its corporate and bank lending risk. The Group applies an internal rating system to its counterparties and sets individual counterparty limits.

(iv) Credit – related commitment

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

(v) Master netting arrangements

To mitigate credit risks, the Group enters into master netting arrangements with same counterparties. Netting agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will be terminated and all amounts outstanding will be settled on a net basis. Except for the event of default, all outstanding transactions with the counterparty are settled on a gross basis and generally do not result in offsetting the assets and liabilities in the statement of financial position.

本集團持續進行多個層次的信貸分析和監控。有關政策乃旨在儘早發現需要特別監控的交易對手、行業或產品的風險承擔。交易組合的整體風險和個別減值貸款及潛在減值貸款，均定期予以監控。

(ii) 零售信貸風險

本集團的零售信貸政策和審批程序是因應各類零售貸款中均有大量類似的小額交易而制定的。在設計內部評級系統和制訂信貸政策時，本集團的主要考慮因素包括人口結構因素和有關貸款組合過往的損失。本集團監控本身和行業狀況以釐定和定期修訂產品條款和目標客戶組合。

(iii) 財資交易的信貸風險

本集團採用企業及銀行信貸風險的管理方法，管理本集團財資交易的信貸風險，包括引用內部評級系統處理交易對手及設定個別交易對手的風險限額。

(iv) 與信貸有關的承諾

與信貸有關的承諾和或有事項的風險，本質上與提供貸款予客戶時的信貸風險相同。因此，有關交易必須符合客戶申請貸款時所要達到的信貸申請、組合保存和抵押要求。

(v) 淨額結算總安排

本集團與其相對對手簽訂淨額結算總安排以減低信貸風險。若發生違約事件，根據淨額結算協議，所有與該對手之交易會終止及所有結餘金額以淨額結算。除發生違約事件外，所有與對手之交易會以總額結算及在財務狀況表中的資產和負債通常不會互相抵銷。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

44. FINANCIAL RISK MANAGEMENT (CONTINUED) 財務風險管理(續)

(a) Credit risk management (continued)

(v) Master netting arrangements (continued)

The following tables present details of financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

(a) 信貸風險管理(續)

(v) 淨額結算總安排(續)

下表列示受抵銷、具法律效力之淨額結算總安排及相近協議約束的金融工具詳情。

		2015				
		Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related financial instruments that are not set off	Net amount
		已確認金融資產總額	於財務狀況表中抵銷之已確認金融負債總額	於財務狀況表中列示的金融資產淨額	未於財務狀況表中抵銷之相關金額	淨額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Assets	資產					
Positive fair value of derivatives	衍生工具的正公平價值	28	-	28	(28)	-
Other accounts	其他賬項	403	(387)	16	-	16
Total	總額	431	(387)	44	(28)	16

		2015				
		Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related financial instruments that are not set off	Net amount
		已確認金融負債總額	於財務狀況表中抵銷之已確認金融資產總額	於財務狀況表中列示的金融負債淨額	未於財務狀況表中抵銷之相關金額	淨額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Liabilities	負債					
Negative fair value of derivatives	衍生工具的負公平價值	140	-	140	(28)	112
Other accounts	其他賬項	519	(387)	132	-	132
Total	總額	659	(387)	272	(28)	244

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

		2014				
		Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position 於財務狀況表 中抵銷之 已確認金融 負債總額 HK\$ Mn 港幣百萬元	Net amounts of financial assets presented in the statement of financial position 於財務狀況表 中列示的 金融資產淨額 HK\$ Mn 港幣百萬元	Related financial instruments that are not set off 未有於 財務狀況表 中抵銷之 相關金額 HK\$ Mn 港幣百萬元	Net amount 淨額 HK\$ Mn 港幣百萬元
Assets	資產					
Positive fair value of derivatives	衍生工具的正公平價值	103	–	103	(91)	12
Other accounts	其他賬項	1,031	(643)	388	–	388
Total	總額	1,134	(643)	491	(91)	400
		2014				
		Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position 於財務狀況表 中抵銷之 已確認金融 資產總額 HK\$ Mn 港幣百萬元	Net amounts of financial liabilities presented in the statement of financial position 於財務狀況表 中列示的 金融負債淨額 HK\$ Mn 港幣百萬元	Related financial instruments that are not set off 未有於 財務狀況表 中抵銷之 相關金額 HK\$ Mn 港幣百萬元	Net amount 淨額 HK\$ Mn 港幣百萬元
Liabilities	負債					
Negative fair value of derivatives	衍生工具的負公平價值	156	–	156	(91)	65
Other accounts	其他賬項	643	(643)	–	–	–
Total	總額	799	(643)	156	(91)	65

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

44. FINANCIAL RISK MANAGEMENT (CONTINUED) 財務風險管理(續)

(a) Credit risk management (continued)

(vi) Concentration of credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's credit portfolio is diversified along geographic, industry and product sectors.

The Group monitors its concentration risk by adopting appropriate risk control measures, such as setting limits on exposures to different industries and loan portfolios.

(vii) Maximum exposure

The maximum exposure to credit risk at the end of the reporting period without taking into consideration of any collateral held or other credit enhancements is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. A summary of the maximum exposure is as follows:

(a) 信貸風險管理(續)

(vi) 信貸集中的風險

信貸集中的風險源於交易對手團體受到地區、經濟或行業因素的影響，而該等團體的整體信貸風險承擔對本集團的總體風險承擔至關重要。本集團的信貸組合分散覆蓋不同地區、行業和產品。

本集團一直採用適當的風險控制措施，例如就不同行業和貸款組合釐定限額，以監控信貸集中的風險。

(vii) 最高風險

於報告期結束日並未計算任何抵押品或其他信貸提升的最高信貸風險，即指每一項已減除任何減值準備的金融資產在財務狀況表的賬面值。最高風險摘要如下：

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Cash and balances with banks, central banks and other financial institutions	現金及在銀行、中央銀行和其他金融機構的結存	67,743	68,761
Placements with banks, central banks and other financial institutions	在銀行、中央銀行和其他金融機構的存款	80,828	50,769
Trade bills	貿易票據	19,532	60,675
Trading assets	交易用途資產	3,990	1,489
Financial assets designated at fair value through profit or loss	指定為通過損益以反映公平價值的金融資產	3,886	8,287
Positive fair value of derivatives	衍生工具的正公平價值	6,205	3,537
Loans and advances to customers	客戶貸款及墊款	439,125	441,933
Available-for-sale financial assets	可供出售金融資產	90,284	83,648
Held-to-maturity investments	持至到期投資	6,199	6,747
Other assets	其他資產	33,635	39,820
Financial guarantees and other credit related contingent liabilities	財務擔保及其他與信貸有關的或然負債	34,465	34,254
Loan commitments and other credit related commitments	貸款承擔及其他與信貸有關的承擔	208,015	214,314
		993,907	1,014,234

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(viii) Credit quality of loans and advances

Loans and advances to banks are only made to banks with good credit standing. The credit quality of loans and advances to customers can be analysed as follows:

(viii) 貸款及墊款的信貸質素

銀行貸款及墊款只提供予信貸信譽優良之銀行。客戶貸款及墊款的信貸質素分析如下：

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Gross loans and advances to customers	客戶貸款及墊款總額		
– neither past due nor impaired	– 無逾期及減值	435,669	439,607
– past due but not impaired	– 有逾期但未有減值	864	944
– impaired	– 已減值	4,973	2,736
		441,506	443,287

Of which:

其中：

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Gross loans and advances to customers that are neither past due nor impaired	無逾期及減值的客戶貸款及墊款總額		
– pass	– 合格	422,886	435,385
– special mention	– 需要關注	12,783	4,222
		435,669	439,607

The Group classifies the loans and advances in accordance with the loan classification system required to be adopted for reporting to the HKMA.

本集團根據用作匯報予金管局的貸款分類系統以分類貸款。

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

已逾期但未有減值之客戶貸款及墊款的年期分析如下：

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Gross loans and advances to customers that are past due but not impaired	有逾期但未有減值的客戶貸款及墊款總額		
– overdue 3 months or less	– 逾期3個月以下	864	944

Loans and advances that would be past due or impaired had the terms not been renegotiated amounted to HK\$77 million as at 31st December, 2015 (2014: HK\$83 million).

於2015年12月31日，假如並未重訂條款而可能變作逾期或減值貸款及墊款的金額為港幣7,700萬元(2014年：港幣8,300萬元)。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

44. FINANCIAL RISK MANAGEMENT (CONTINUED) 財務風險管理(續)

(a) Credit risk management (continued)

(ix) Credit quality of financial assets other than loans and advances

Credit risk of treasury transactions is managed in the same way as the Group manages its corporate and bank lending risk and risk gradings are applied to the counterparties with individual counterparty limits set.

At the end of the reporting period, the credit quality of investment in debt securities analysed by designation of external credit assessment institution, Moody's Investor Services, or equivalent, is as follows:

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Aaa	Aaa	10,035	11,158
Aa1 to Aa3	Aa1至Aa3	19,538	26,133
A1 to A3	A1至A3	34,225	32,118
P-1 (Short term)	P-1(短期)	251	587
Baa1 to Baa3	Baa1至Baa3	23,379	14,585
Below Baa3	Baa3以下	3,438	4,008
(NB)	(註)	90,866	88,589
Unrated	無評級	13,494	11,699
Total	總額	104,360	100,288

NB: As at 31st December 2015, the Group has debt securities of HK\$2,435 million with investment grade assigned by PRC local rating agencies (2014: HK\$4,580 million).

註：於2015年12月31日，本集團持有中國國內評級機構給予投資級別之債務證券價值港幣24.35億元(2014年：港幣45.80億元)。

(x) Collateral and other credit enhancements

The Group has established guidelines on the acceptability of various classes of collateral and determined the corresponding valuation parameters. The guidelines and collateral valuation parameters are subject to regular reviews to ensure their effectiveness over credit risk management.

The extent of collateral coverage over the Group's loans and advances to customer depends on the type of customers and the product offered. Types of collateral include residential properties (in the form of mortgages over property), other properties, other registered securities over assets, cash deposits, standby letters of credit and guarantees. Collateral generally is not held over balances and placements with banks and other financial institutions, and loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. The Group takes possession of collateral through court proceedings or voluntary delivery of possession by the borrowers during the course of the recovery of impaired loans and advances. These repossessed assets are reported in the statement of financial position within "other assets" (Note 2(m)). If the recovery from the repossessed assets exceeds the corresponding exposure, the surplus fund is made available either to repay the borrower's other secured loans with lower priority or is returned to the borrower.

(a) 信貸風險管理(續)

(ix) 非貸款及墊款金融資產的信貸質素

資金交易的信貸風險管理方法，與本集團管理其企業及銀行借貸的方法一致及風險級別是適用於設有個別對手限額的對手。

於報告期結束日，按照外部信貸評級機構，穆迪投資服務，或相同等級的評級機構，所指定之債務證券投資的信貸質素分析如下：

(x) 抵押品及其他信用提升

本集團已制訂可接受不同類別抵押品的指引，並釐定相關估值參數。本集團會定期檢討指引及抵押品估值參數，以確保信貸風險管理的成效。

本集團客戶貸款及墊款的抵押品範圍乃視乎客戶類別及所提供產品而定。抵押品類別包括住宅物業(以物業按揭形式)、其他物業、其他登記抵押資產、現金存款、備用信用證及擔保。除持有用作反向回購及證券借貸活動的抵押品外，在銀行及其他金融機構的結存及存款，以及銀行貸款及墊款一般不需要抵押品。在收回減值貸款及墊款時，本集團會通過法庭程序或借款人自願交出擁有權收回抵押品。該等收回資產於財務狀況表中以「其他資產」列賬(附註2(m))。倘從收回資產所得之追收額超出相關風險承擔時，則會使用盈餘資金償還借款人優先次序較低的已抵押貸款或退回予借款人。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured with the exception of asset-based securities and similar instruments, which are secured by pools of financial assets. However the credit risk may be implicit in the terms or reflected in the fair value of the corresponding instruments.

The Group's preferred agreement for documenting derivatives activity is the ISDA Master Agreement which covers the contractual framework within which dealing activity across a full range of over-the-counter products is conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement, if either party defaults or following other pre-agreed termination events. It is also common for the Group to execute a Credit Support Annex in conjunction with the ISDA Master Agreement with the counterparty under which collateral is passed between the parties to mitigate the market contingent counterparty risk inherent in the outstanding position.

For contingent liabilities and commitments that are unconditionally cancellable (Note 46), the Group will assess the necessity to withdraw the credit line when there is a concern over the credit quality of the customers. Accordingly, the exposure to significant credit risk is considered as minimal. For commitments that are not unconditionally cancellable, the Group assesses the necessity of collateral depending on the type of customer and the product offered.

The lower of gross loan amount and the estimate of the fair value of collateral and other credit enhancements held against financial assets is as follows:

持有用作非貸款及墊款金融資產的抵押品，是按照工具之性質決定。除以一籃子金融資產作抵押的資產融資證券及相同工具外，債務證券、庫券及其他認可票據一般俱屬無抵押的。然而，信貸風險可能隱含於相關工具的條款內或於相關工具的公平價值中反映。

ISDA的主合約為本集團處理衍生交易文件的優先合約，當中涵蓋合約框架，而在合約框架之下，本集團可進行一系列的場外產品交易活動，如其中一方違約或發生其他預先協定的終止事件，則按合約約束參與者以淨額結算合約涵蓋的所有未履行交易。本集團亦會在簽訂ISDA的主合約的同時，與交易對手簽訂信貸附約，據此，抵押品可於訂約方之間轉交，以降低出現在未履約情況下的內在市場或然交易對手風險。

對於或然負債及可無條件取消的承擔(附註46)，如本集團對客戶的信貸質素有疑慮，則會評估是否需要撤回信貸額。因此，本集團面臨重大信貸風險機會視為微乎其微。對於不可無條件取消的承擔，本集團會視乎客戶類別及所提供產品評估是否需要進行抵押。

貸款總額及持有作抵押金融資產之抵押品及其他信用提升的估計公平價值兩者之較低者如下：

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Fair value of collateral and other credit enhancements held against financial assets that are:	持有作抵押金融資產之抵押品及其他信用提升的公平價值如下：		
– neither past due nor impaired	– 無逾期及減值	314,160	322,591
– past due but not impaired	– 有逾期但未有減值	809	931
		314,969	323,522

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

44. FINANCIAL RISK MANAGEMENT (CONTINUED) 財務風險管理(續)

(b) Market risk management

Market risk refers to the risk of adverse price movements arising from all market risk-sensitive financial instruments, including debt securities, foreign exchange contracts, equity and derivative instruments, as well as from structured products. The aim in managing market risk is to reduce the Group's exposure to the volatility inherent in financial instruments.

The Asset and Liability Management Committee deals with all market risk related issues of the Group. It is also responsible for conducting a regular review of interest rate trends and deciding the corresponding future business strategy. The Asset & Liability Management Department under the Risk Management Division of the Group is responsible for monitoring activities relating to market risk.

The use of derivatives for proprietary trading and the sale of derivatives to customers as risk management products 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 derivatives instruments used by the Group are interest rate, foreign exchange and equity-related contracts, in the form of both over-the-counter derivatives and exchange traded derivatives. Most of the Group's derivatives positions have been entered into to meet customer demand and to manage the risk of these and other trading positions.

In this connection, the key types of market risk that must be managed are:

(i) Currency risk

The Group's foreign currency positions arise from foreign exchange dealing (including derivatives), commercial banking operations, and structural foreign currency exposures. The Group's non-structural foreign currency exposures are mainly dominated in USD, RMB, GBP, JPY and SGD. All foreign currency positions are managed within limits approved by the Board or the Asset and Liability Management Committee.

Structural foreign currency positions, which arise mainly from foreign currency investments in the Group's branches, subsidiaries, and associated companies, are excluded from value-at-risk ("VaR") measurements, as related gains or losses are taken to reserves. Such foreign currency positions are managed with the principal objective of ensuring that the Group's reserves are protected from exchange rate fluctuations. The Group seeks to match its foreign currency denominated assets closely with corresponding liabilities in the same currencies.

(b) 市場風險管理

市場風險是指不利的價格變動的風險，源自所有對市場風險敏感的財務工具，包括債務證券、外匯合約、股份和衍生工具以及結構性產品。市場風險管理旨在減少本集團因財務工具內在的波動性而承受的風險。

資產負債管理委員會負責處理本集團一切與市場風險相關的事項，亦負責定期檢討利率走勢及釐定相應的未來業務策略。本集團風險管理處轄下的資產負債管理部，負責監察與市場風險有關的活動。

進行衍生工具交易及向客戶出售衍生工具以用作風險管理產品為本集團其中一項重要業務。此等工具亦用以管理本集團所承受的市場風險，作為本集團資產負債管理的一部分程序。本集團所採用的衍生工具主要為利率、外匯和股份相關合約，即為場外或場內交易的衍生工具。本集團大部分的衍生工具持倉均為切合客戶需求，以及為此和其他交易項目而進行對沖。

在此方面，本集團主要管理的市場風險包括：

(i) 貨幣風險

本集團的外幣持倉源自外匯買賣(包括衍生工具)、商業銀行業務和結構性外匯風險。本集團的非結構性外幣風險主要以美元、人民幣、英鎊、日圓及新加坡元為單位。所有外幣持倉均維持在董事會或資產負債管理委員會所訂定的限額內。

結構性外匯持倉主要源自於本集團分行、附屬公司和聯營公司的外匯投資，其有關的溢利及虧損因為已撥入儲備，所以未計算在風險值內。管理此等外幣投資的主要目的，是保障本集團的儲備免受匯率波動的影響。本集團盡力將以外幣計值的資產與以同一貨幣計值的負債，保持在相若水平。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

The Group had the following net structural positions which were not less than 10% of the total net structural foreign currency position at the end of the reporting period:

於報告期結束日，本集團的結構性持倉淨額不低於結構性外幣淨持倉總額10%如下：

		2015			2014		
		USD美元	RMB人民幣	MYR馬幣	USD美元	RMB人民幣	MYR馬幣
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Net structural position	結構性持倉淨額	2,168	12,287	2,123	2,143	11,623	2,610

(ii) Interest rate risk

The Group's interest rate positions arise from treasury and commercial banking activities. Interest rate risk arises in both trading portfolios and non-trading portfolios. Interest rate risk primarily results from the timing differences in the re-pricing of interest-bearing assets, liabilities, and off-balance sheet items. It also relates to positions from non-interest bearing liabilities including shareholders' funds and current accounts, as well as from certain fixed-rate loans and liabilities. Interest rate risk is managed daily by the Treasury Markets Division of the Group within the limits approved by the Board or the Asset and Liability Management Committee. The instruments used to manage interest rate risk include interest rate swaps and other derivatives.

(ii) 利率風險

本集團的利率持倉來自財資及商業銀行業務。交易組合和非交易組合均會產生利率風險。利率風險主要是由帶息資產、負債及資產負債表外項目在再定息時的時差所致，亦與無息負債持倉有關，其中包括股東資金和往來賬戶及若干定息貸款和負債。利率風險由本集團資金市場處按董事會或資產負債管理委員會批准的限額範圍進行日常管理。管理利率風險的工具包括利率掉期和其他衍生工具。

(iii) Equity risk

The Group's equity positions arise from equity investment and dynamic hedging of customer-driven business. Equity risk is managed daily by the Investment Department within the limits approved by the Board, Investment Committee, or the Asset and Liability Management Committee.

(iii) 股份風險

本集團的股份持倉來自股份投資及客戶業務的動態對沖。股份風險由投資部按董事會、投資委員會或資產負債管理委員會批准的限額範圍進行日常管理。

Market risk control limits have been set at varying levels according to the practical requirements of different units. The Board approves the core control limits and has delegated the authority to set detailed control limits to the Asset and Liability Management Committee. Risk, return, and market conditions are considered when setting limits. Active limit monitoring is carried out.

市場風險控制限額設有不同層次以配合各類業務的實際需要。董事會審批核心控制限額並授權資產負債管理委員會審批具體的控制限額。釐定限額時會考慮風險、回報及市場情況等因素，並且採用積極限額監控程序。

In this connection, the Asset and Liability Management Committee monitors the related market risk arising from the risk-taking activities of the Group, to ensure that overall and individual market risks are within the Group's risk tolerance level. Risk exposures are monitored frequently to ensure that they are within established control limits.

在此方面，資產負債管理委員會負責監察本集團承擔市場風險的活動，確保整體及個別市場風險處於本集團的風險承受範圍內。本集團會經常監控風險承擔情況，以確保所承擔風險屬於既定的控制限額內。

The Group quantifies the market risk of the underlying trading portfolio by means of VaR. VaR is a statistical estimate that measures the potential losses in market value of a portfolio as a result of unfavourable movements in market rates and prices, if positions are held unchanged over a certain horizon time period.

本集團運用風險值來量化相關交易組合的市場風險。風險值是統計學上的估計，用來量度於某一時段內持倉維持不變的情況下，因市場息率及價格的不利波動而引致組合的市值潛在虧損。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

44. FINANCIAL RISK MANAGEMENT (CONTINUED) 財務風險管理(續)

(b) Market risk management (continued)

The Group estimates VaR for the Group's trading portfolio by the parametric approach, where the VaR is derived from the underlying variances and co-variances of the constituents of a portfolio. This methodology uses historical movements in market rates and prices, a 99% confidence level, a one-day holding period and a one-year historical observation period. An equal or higher weighting scheme is applied to more recent observations under which higher VaR should be used.

Structural foreign exchange positions arising from net investments in branches and subsidiaries are not included in the VaR for the foreign exchange trading position.

The book value of listed shares, as well as the book value of private equity funds and unlisted equities (collectively the "Unlisted Securities"), are subject to limits and these are monitored by the Management of the Group. The Unlisted Securities and listed non-trading equities are not included in the VaR for the equity trading position, and are managed through delegated limits. The limits are subject to regular review by the Asset and Liability Management Committee.

Value-at-risk statistics

		2015			
		At 31st December	Maximum	Minimum	Mean
		於12月31日	最高	最低	平均
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
VaR for total trading activities	交易活動的風險值總額	32	60	22	36
VaR for foreign exchange trading positions*	外匯交易持倉的風險值*	8	22	6	10
VaR for interest rate trading positions	利率交易持倉的風險值	3	8	2	4
VaR for equity trading positions	股份交易持倉的風險值	24	51	14	26

		2014			
		At 31st December	Maximum	Minimum	Mean
		於12月31日	最高	最低	平均
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
VaR for total trading activities	交易活動的風險值總額	23	33	16	24
VaR for foreign exchange trading positions*	外匯交易持倉的風險值*	8	11	3	6
VaR for interest rate trading positions	利率交易持倉的風險值	4	9	1	4
VaR for equity trading positions	股份交易持倉的風險值	16	23	13	18

* Including all foreign exchange positions but excluding structured foreign exchange positions.

(b) 市場風險管理(續)

本集團通過參數法評估本集團交易組合的風險值，其中，風險值乃透過組成成份的有關方差及協方差計算得出。該方法是依據過往市場息率與價格的波動、99%置信水平、1日持倉期以及1年過往觀察期來推算，其中對較近期觀察給予相等或較高的權重，並且據此採用較高的風險值。

由分行及附屬公司的淨投資產生的結構性外匯持倉不會包括在計算外匯交易持倉的風險值內。

除上市股份外，私人股份基金及非上市股份（統稱「非上市證券」）的賬面值均由本集團管理層按限額控制。非上市證券及非交易上市股份是根據特定限額管理及並不包括在交易股份持倉的風險值內。資產負債管理委員會須定期檢討該限額。

風險值統計

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

		2015			
		At 31st December	Maximum	Minimum	Mean
		於12月31日	最高	最低	平均
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Stressed VaR for total trading activities	交易活動的受壓風險值總額	66	90	60	73

		2014			
		At 31st December	Maximum	Minimum	Mean
		於12月31日	最高	最低	平均
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Stressed VaR for total trading activities	交易活動的受壓風險值總額	59	109	51	84

A stressed VaR measure is intended to replicate a VaR calculation that would be generated on current market risk portfolio if the relevant market factors were experiencing a period of stress.

(c) Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The objective of operational risk management is to identify, assess, monitor and report on operational risk and to comply with the relevant regulatory requirements.

The Operational Risk Management Committee is responsible for overseeing operational risk management of the Group while the Operational Risk Management Department under the Risk Management Division of the Group is responsible for monitoring activities relating to operational risk.

The operational risk management tools adopted include operational risk incident reporting, control self-assessment, key risk indicators, operation manuals, insurance policies, business continuity planning, etc.

Furthermore, the Operational Risk Management Department under the Risk Management Division of the Group has also performed self-assessment on the Group's compliance with the requirements of HKMA Supervisory Policy Manual on Operational Risk Management, with satisfactory result which had been reviewed independently by Internal Audit Division.

(d) Liquidity risk management

Liquidity pertains to the Group's ability to meet obligations as they fall due. Funding liquidity relates to the ability to meet expected and unexpected current and future cash flow and collateral needs without affecting daily operations or the financial position. Market liquidity concerns the inability to offset or eliminate a position at market price because of inadequate market depth or market disruption.

The purpose of liquidity risk management is to ensure sufficient cash flows to meet all financial commitments 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 Coverage Ratio ("LCR"), and to make new loans and investments as opportunities arise.

受壓風險值採用現行風險值的計算方法，根據受壓期間的相關市場因素，對投資組合計算的風險值。

(c) 營運風險管理

營運風險是指由於內部流程、人員和系統的不足或缺陷，或因外部事件而導致損失的風險。

營運風險管理的目的在於識別、評估、監控及匯報營運風險，以及遵守相關監管規定的要求。

營運風險管理委員會負責監督本集團的營運風險管理，而本集團風險管理處轄下的營運風險管理部則負責監察與營運風險有關的活動。

本集團所採用的營運風險管理工具包括營運風險事件匯報、自我評估監控、主要風險指標、營運手冊、保險政策、業務持續規劃等。

此外，本集團風險管理處轄下的營運風險管理部亦就本集團是否符合金管局監管政策手冊關於業務操作風險管理的規定進行自我評估，並經稽核處獨立審閱後得出滿意的結果。

(d) 流動資金風險管理

流動資金與本集團履行到期責任的能力有關。融資流動風險管理關鍵在於是否能夠在不影響日常營運或財務狀況的情況下，滿足預期及未能預期、目前及未來的現金流量及抵押品需求。市場流動性風險管理著眼於是否能夠在市場深度不足或市場失序時，按市場價格平倉。

流動資金風險管理是為了確保本集團維持充足的現金流量以配合所有財務承擔，並掌握業務擴展的機會，當中包括確保本集團能夠在即時或合約期滿時滿足客戶的提款要求，在借款期滿時能夠還款，符合法定的流動性覆蓋比率，以及掌握貸款和投資的機會。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

44. FINANCIAL RISK MANAGEMENT (CONTINUED) 財務風險管理(續)

(d) Liquidity risk management (continued)

The Asset and Liability Management Committee is delegated by the Board to oversee the Group's liquidity risk management. The Asset and Liability Management Committee sets the strategy, policy, and limits for managing liquidity risk and the means for ensuring that such strategy and policy are implemented. Regular meetings are held to review the compliance status of the monitoring matrix established and the need for any change in strategy and policy. Liquidity is managed daily by the Capital Markets & Liquidity Management Department under the Treasury Markets Division of the Group within the set limits. The Asset & Liability Management Department under the Risk Management Division of the Group is responsible for monitoring the activities relating to liquidity risk. The Internal Audit Division performs periodic reviews to ensure that the liquidity risk management functions are carried out effectively.

The LCR, which came into effect on 1st January, 2015, imposes a more stringent regulatory regime for liquidity risk management on the Group. Banking (Liquidity) Rules require the Group to meet the minimum LCR by 2019. During the transitional period, the percentage will increase from 60% in 2015 to 100% in 2019, with 10% added to the regulatory requirement each year from 2016. To ensure compliance with the enhanced regulatory requirement, material changes in the LCR will be reported regularly to the Asset and Liability Management Committee together with proposed mitigation actions to cope with adverse changes arising from, including but not limited to, composition of the deposit and its remaining tenor to maturity, short-term lending activities, and the Group's asset and liability mix strategy. An internal LCR target has been established to maintain the ratio within a suitable range. In planning the asset and liability mix strategy, the Group assesses the impact of asset growth and funding structure on the LCR with support from relevant business units for the Asset and Liability Management Committee's review and decision.

As part of Group efforts to manage the LCR effectively, emphasis is placed on strengthening the deposit base by retaining loyal customers and maintaining customer relationships. The Group balances funding among retail, small business, and wholesale funding to avoid concentration in any one source. Professional markets are accessed through the issuance of certificates of deposit, medium-term notes, subordinated debt, money market placement, and borrowing for the purposes of providing additional funding, maintaining a presence in local money markets, and optimising asset and liability maturities.

Internally, intra-group funding transactions are carried out at arm's length and treated in a manner in line with other third party transactions, with regular monitoring and appropriate control.

(d) 流動資金風險管理(續)

資產負債管理委員會獲董事會授權，負責監察本集團的流動資金風險管理。資產負債管理委員會制訂管理流動資金風險的策略、政策及限額，以及確保執行有關策略與政策的措施。委員會定期舉行會議，檢討各方面是否符合所設立的監管架構，以及是否有需要改變策略及政策。流動資金狀況由本集團資金市場處轄下的資本市場及流動資金管理部每日按所訂限額範圍進行管理。本集團風險管理處轄下的資產負債管理部，負責監察與流動資金風險相關的活動。稽核處會定期作出檢討，確保流動資金風險管理功能得以有效執行。

流動性覆蓋比率於2015年1月1日生效，對本集團的流動資金風險管理施加更嚴格的監管制度。《銀行業(流動性)規則》要求本集團必須於2019年達致最低流動性覆蓋比率。過渡期間，有關百分比將由2015年的60%升至2019年的100%，自2016年起監管要求每年增加10%。為確保遵守不斷提升的監管要求，資產負債管理委員會會定期接收有關流動性覆蓋比率重大變動的報告和其建議補救措施以應對不利變動，其中來自(包括但不限於)存款成分及其餘下期限、短期貸款活動以及本集團資產及負債組合策略。為將流動性覆蓋比率維持在合適範圍內，已訂立內部流動性覆蓋比率目標。在規劃資產及負債組合策略時，相關業務單位協助本集團評估資產增長及融資架構對流動性覆蓋比率的影響，以供資產負債管理委員會檢討和決策。

本集團在努力有效管理流動性覆蓋比率的過程中，著力留住忠實客戶及維持客戶關係，藉以增強存款基礎。本集團在零售、小企業和大額融資之間保持資金平衡，避免資金集中於任何一種來源。本集團透過發行存款證、中期票據、後償債項、貨幣市場拆借及借貸進入專業市場，獲取額外資金，並維持於當地金融市場的地位、以及優化資產及負債的期限。

至於內部，集團內公司間的融資交易乃按一般正常交易原則進行，處理方式與其他第三方交易一致，並接受定期監督及適當控制。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

In addition to observing the statutory LCR, the Group has established different liquidity metrics – including but not limited to the loan-to-deposit ratio, cumulative mismatch ratio, funding concentration ratio, intra-group exposure threshold, and cross currency funding ratio – to measure and analyse the Group's liquidity risks. As a majority of the Group's liquidity risk arises from the maturity mismatch gap between the Group's asset and liability portfolios, the Group manages liquidity risk by conducting cash flow analysis and projections. These are carried out on a regular basis to identify funding needs arising from on and off-balance sheet items in a specific time frame over a set of time horizons. The Group maintains sufficient liquid assets as a liquidity cushion that can be accessed in times of stress. The high quality liquid assets for fulfilling the LCR consist of cash, short term funds, exchange fund bills, and notes. The majority of the HQLAs are denominated in Hong Kong dollars. Contingent funding sources are maintained to provide strategic liquidity to meet unexpected and material cash outflows.

The Group also conducts stress testing regularly to analyse liquidity risk. Both on and off-balance sheet items and their impact on cash flow are considered, together with applicable hypothetical and historical assumptions. The assessment and review of market liquidity risk are included in the various control processes, including investment/trading strategy, market risk monitoring, valuation, and portfolio review. Three stress scenarios – namely an institution-specific crisis, a general market crisis and a crisis involving a combination of the two – are adopted with minimum survival period defined according to HKMA's Supervisory Policy Manual "Sound Systems and Controls for Liquidity Risk Management".

With reference to the stress-testing results, the Group identifies potential vulnerabilities within the Group and formulates a Contingency Funding Policy and a Contingency Funding Plan that set out the Group's strategy for dealing with any liquidity problem and the procedures for making up cash flow deficits in emergency situations.

The Contingency Funding Policy and Contingency Funding Plan are designed to be pro-active and pre-emptive, and stipulates the following three stages:

1. The Group utilises early warning indicators, which cover both qualitative and quantitative measures, and monitors both internal and external factors. Should there be any early signs of significant impact on the Group's liquidity position, Asset and Liability Management Committee is informed. The Asset and Liability Management Committee will consider appropriate remedial actions and will consider employing crisis management if the situation warrants.
2. A Crisis Management Committee, which is chaired by the Chairman & Chief Executive, is formed to handle the crisis. Strategy and procedures for obtaining contingency funding, as well as roles and responsibilities of the parties concerned, are clearly stated.
3. In the final stage, a post-crisis review is carried out to recommend necessary improvements to avoid incidents of a similar nature in the future.

An annual drill test is conducted and the Contingency Funding Policy and Contingency Funding Plan are subject to regular review in order to accommodate any changes in the business environment. Any significant changes to the Contingency Funding Policy and Contingency Funding Plan are approved by the Board and the Asset and Liability Management Committee, respectively.

除緊守法定的流動性覆蓋比率外，本集團已設立不同的流動資金標準以衡量及分析流動資金風險，包括(但不限於)貸存比率、累積錯配比例、資金集中比率、集團內公司間風險限額及跨貨幣資金比率。由於本集團大部分流動資金風險來自資產與負債組合之間的期限錯配差距，本集團會定期透過對一系列時間內的資產負債表內外資產及項目進行現金流量分析及預測，確定特定時間內的資金需要，從而管理流動資金風險。本集團維持充足的流動資產，作為能夠在資金受壓時取用的流動資金緩衝。實現流動性覆蓋比率所需的優質流動資產包括現金、短期資金、外匯基金票據和債券，其中大部分優質流動資產以港幣計值。本集團維持應急融資來源，能提供策略性的流動資金，以應付未能預計的大量資金需求。

本集團亦會定期進行壓力測試，以分析流動資金風險。透過運用適當的虛擬及歷史假設，本集團的壓力測試均已考慮資產負債表內外項目及其對現金流量造成的影響。市場流動資金風險的評估及檢討納入各個控制環節，包括投資／交易策略、市場風險監控、估值及組合檢討。三個壓力情景(即個別銀行危機、整體市場危機，以及結合上述兩種情況的綜合危機)均採用金管局監管政策手冊「穩健的流動資金風險管理系統及管控措施」界定的最短存活期。

本集團會參照壓力測試結果，確認集團內的潛在弱點，並制訂應急融資政策及計劃，當中載列了本集團處理流動資金問題的策略及於緊急情況下彌補現金流不足的程序。

應急融資政策及計劃旨在提供防患未然的積極措施，並訂明以下三個階段：

1. 本集團運用預早警報指標，當中包括質量性及數量性的措施，藉以監督內部及外在因素。假如有任何早期跡象顯示本集團流動資金狀況將受重大影響，應通知資產負債管理委員會。資產負債管理委員會將考慮適當的補救措施，並在合適情況下考慮採用危機管理措施。
2. 本集團已設立危機管理委員會，並由主席兼行政總裁擔任主席，專責處理危機，並明確規定取得應急資金的策略及程序，以及有關各方的職務及職責。
3. 於最後階段，本集團會在危機結束後對問題進行檢討，並作出必要改進，避免日後出現同類事件。

為應付商業環境中的任何轉變，本集團會每年進行演習測試，並會定期檢討應急融資政策及計劃。應急融資政策及計劃如有任何重大變動，均須分別取得董事會及資產負債管理委員會的批准。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

44. FINANCIAL RISK MANAGEMENT (CONTINUED) 財務風險管理(續)

(d) Liquidity risk management (continued)

Analysis of assets and liabilities by remaining maturity:

(d) 流動資金風險管理(續)

資產及負債的剩餘期限分析：

		2015							Total
		Repayable on demand	Within 1 month	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated or overdue	
		即時還款	1個月內	1個月以上至3個月	3個月以上至1年	1年以上至5年	5年以上	無註明日期或逾期	總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Assets	資產								
Cash and balances with banks and other financial institutions	現金及在銀行和其他金融機構的結存	41,490	826	-	71	-	-	26,735	69,122
Placements with banks and other financial institutions	在銀行及其他金融機構的存款	-	62,384	15,985	2,459	-	-	-	80,828
Trade bills	貿易票據	73	3,602	7,955	7,901	-	-	1	19,532
Trading assets	交易用途資產	-	1,197	1,121	456	1,166	50	1,345	5,335
Financial assets designated at fair value through profit or loss	指定為通過損益以反映公平價值的金融資產	-	116	430	1,148	2,192	-	450	4,336
Positive fair value of derivatives	衍生工具的公平價值	-	-	-	-	-	-	6,205	6,205
Advances to customers and other accounts	客戶墊款及其他賬項	5,273	49,881	43,983	98,596	170,843	95,511	9,001	473,088
Available-for-sale financial assets	可供出售金融資產	-	5,338	11,072	11,647	47,846	14,381	3,311	93,595
Held-to-maturity investments	持至到期投資	94	1,081	831	1,289	2,330	574	-	6,199
Undated assets	無註明日期資產	-	-	-	-	-	-	23,124	23,124
Total assets	資產總額	46,930	124,425	81,377	123,567	224,377	110,516	70,172	781,364
Liabilities	負債								
Deposits and balances of banks and other financial institutions	銀行及其他金融機構的存款及結餘	8,175	15,635	4,889	1,960	1,408	59	-	32,126
Deposits from customers	客戶存款	188,745	118,877	114,813	93,761	24,547	-	-	540,743
- Demand deposits and current accounts	- 活期存款及往來賬戶	73,471	-	-	-	-	-	-	73,471
- Savings deposits	- 儲蓄存款	113,332	-	-	-	-	-	-	113,332
- Time, call and notice deposits	- 定期及通知存款	1,942	118,877	114,813	93,761	24,547	-	-	353,940
Trading liabilities	交易用途負債	-	831	7	50	-	-	1	889
Negative fair value of derivatives	衍生工具的負公平價值	-	-	-	-	-	-	6,909	6,909
Certificates of deposit issued	已發行存款證	-	9,168	8,457	16,172	3,480	-	-	37,277
Current taxation	本期稅項	-	-	-	1,325	-	-	-	1,325
Debt securities issued	已發行債務證券	-	841	2,852	2,066	7,838	-	-	13,597
Loan capital	借貸資本	-	-	-	-	16,996	-	-	16,996
Other liabilities	其他負債	850	5,206	7,302	14,338	7,533	2,713	7,919	45,861
Total liabilities	負債總額	197,770	150,558	138,320	129,672	61,802	2,772	14,829	695,723
Net gap	淨差距	(150,840)	(26,133)	(56,943)	(6,105)	162,575	107,744		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

		2014							Total
		Repayable on demand	Within 1 month	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated or overdue	
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Assets	資產								
Cash and balances with banks and other financial institutions	現金及在銀行和其他金融機構的結存	36,188	13	-	-	-	-	34,157	70,358
Placements with banks and other financial institutions	在銀行及其他金融機構的存款	4	26,532	18,522	5,711	-	-	-	50,769
Trade bills	貿易票據	60	9,982	16,013	34,620	-	-	-	60,675
Trading assets	交易用途資產	-	135	253	257	820	25	1,395	2,885
Financial assets designated at fair value through profit or loss	指定為通過損益以反映公平價值的金融資產	-	1,268	1,025	1,242	3,934	818	426	8,713
Positive fair value of derivatives	衍生工具的正公平價值	-	-	-	-	-	-	3,537	3,537
Advances to customers and other accounts	客戶墊款及其他賬項	7,144	67,645	49,403	105,308	156,071	90,070	6,499	482,140
Available-for-sale financial assets	可供出售金融資產	-	4,191	20,650	9,841	39,261	9,705	3,168	86,816
Held-to-maturity investments	持至到期投資	34	1,760	675	1,463	2,629	186	-	6,747
Undated assets	無註明日期資產	-	-	-	-	-	-	23,251	23,251
Total assets	資產總額	43,430	111,526	106,541	158,442	202,715	100,804	72,433	795,891
Liabilities	負債								
Deposits and balances of banks and other financial institutions	銀行及其他金融機構的存款及結餘	3,860	13,445	9,194	5,561	1,217	46	-	33,323
Deposits from customers	客戶存款	169,769	128,604	134,960	96,039	18,749	63	-	548,184
- Demand deposits and current accounts	- 活期存款及往來賬戶	67,337	-	-	-	-	-	-	67,337
- Savings deposits	- 儲蓄存款	100,782	-	-	-	-	-	-	100,782
- Time, call and notice deposits	- 定期及通知存款	1,650	128,604	134,960	96,039	18,749	63	-	380,065
Trading liabilities	交易用途負債	-	-	-	-	-	-	21	21
Negative fair value of derivatives	衍生工具的負公平價值	-	-	-	-	-	-	4,823	4,823
Certificates of deposit issued	已發行存款證	-	7,959	12,849	17,931	5,659	-	-	44,398
Current taxation	本期稅項	-	-	-	1,172	-	-	-	1,172
Debt securities issued	已發行債務證券	-	1,948	5,264	6,508	8,704	-	-	22,424
Loan capital	借貸資本	-	-	-	-	12,436	4,899	-	17,335
Other liabilities	其他負債	1,061	8,217	10,512	14,353	7,290	2,220	7,114	50,767
Total liabilities	負債總額	174,690	160,173	172,779	141,564	54,055	7,228	11,958	722,447
Net gap	淨差距	(131,260)	(48,647)	(66,238)	16,878	148,660	93,576		

As the trading and available-for-sale portfolios may be sold before maturity or deposits from customers may mature without being withdrawn, the contractual maturity dates do not represent expected dates of future cash flows.

由於作交易及可供出售用途的組合可能於到期前出售或客戶存款可能在到期前被提取，合約到期日並非代表未來現金流的預計日期。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

44. FINANCIAL RISK MANAGEMENT (CONTINUED) 財務風險管理(續)

(d) Liquidity risk management (continued)

The following tables provide an analysis of the undiscounted cashflow projection of the financial liabilities of the Group at the end of the reporting period based on the dates of their contractual payment obligations:

(d) 流動資金風險管理(續)

下表展示於報告期結束日集團的未經折扣之金融負債的預計現金流按其合約支付債務之日期分析：

		2015							
		Carrying amount	Gross cash outflow	Repayable on demand	Less than three months	Between three months and one year	Between one and five years	More than five years	Undated
		賬面值	現金流出總額	即時還款	3個月或以下	3個月以上至1年	1年以上至5年	5年以上	無註明日期
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Deposits and balances of banks and other financial institutions	銀行及其他金融機構的存款及結餘	32,126	32,241	8,175	20,588	2,000	1,419	59	-
Deposits from customers	客戶存款	540,743	544,937	188,867	234,387	94,987	26,695	1	-
- Demand deposits and current accounts	- 活期存款及往來賬戶	73,471	73,511	73,507	4	-	-	-	-
- Savings deposits	- 儲蓄存款	113,332	113,332	113,332	-	-	-	-	-
- Time, call and notice deposits	- 定期及通知存款	353,940	358,094	2,028	234,383	94,987	26,695	1	-
Trading liabilities	交易用途負債	889	889	-	838	50	-	-	1
Negative fair value of derivatives	衍生工具的負公平價值	6,909	6,909	-	-	-	-	-	6,909
Certificates of deposit issued	已發行存款證	37,277	37,622	-	17,730	16,342	3,550	-	-
Current taxation	本期稅項	1,325	1,325	-	-	1,325	-	-	-
Debt securities issued	已發行債務證券	13,597	13,872	6	3,693	2,070	8,103	-	-
Loan capital	借貸資本	16,996	19,821	-	235	647	18,939	-	-
Interest rate swaps	利率掉期合約	5,873	5,873	5	574	1,447	3,562	285	-
Other liabilities	其他負債	45,861	45,861	850	12,508	14,338	7,533	2,713	7,919
Total	總額	701,596	709,350	197,903	290,553	133,206	69,801	3,058	14,829

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

		2014							
		Carrying	Gross cash	Repayable	Less than	Between	Between	More than	Undated
		amount	outflow	on demand	three months	three months	one and	five years	
			現金流出		3個月	3個月以上	1年以上		
		賬面值	總額	即時還款	或以下	至1年	至5年	5年以上	無註明日期
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Deposits and balances of banks and other financial institutions	銀行及其他金融機構的存款及結餘	33,323	33,430	3,860	22,695	5,594	1,235	46	-
Deposits from customers	客戶存款	548,184	552,165	169,813	264,574	97,663	20,052	63	-
- Demand deposits and current accounts	- 活期存款及往來賬戶	67,337	67,379	67,376	3	-	-	-	-
- Savings deposits	- 儲蓄存款	100,782	100,783	100,783	-	-	-	-	-
- Time, call and notice deposits	- 定期及通知存款	380,065	384,003	1,654	264,571	97,663	20,052	63	-
Trading liabilities	交易用途負債	21	21	-	-	-	-	-	21
Negative fair value of derivatives	衍生工具的負公平價值	4,823	4,823	-	-	-	-	-	4,823
Certificates of deposit issued	已發行存款證	44,398	44,933	-	21,019	18,121	5,793	-	-
Current taxation	本期稅項	1,172	1,172	-	-	1,172	-	-	-
Debt securities issued	已發行債務證券	22,424	22,996	-	7,313	6,737	8,946	-	-
Loan capital	借貸資本	17,335	21,653	-	241	657	15,001	5,754	-
Interest rate swaps	利率掉期合約	6,224	6,224	-	724	1,289	3,937	274	-
Other liabilities	其他負債	50,767	50,767	1,061	18,729	14,353	7,290	2,220	7,114
Total	總額	728,671	738,184	174,734	335,295	145,586	62,254	8,357	11,958

(e) Interest rate risk management

The Asset and Liability Management Committee is delegated by the Board to oversee the Group's interest rate risk management, establish the strategy and policy for managing interest rate risk, and determine the means for ensuring that such strategies and policies are implemented. Interest rate risk is managed daily by the Treasury Markets Division of the Group within the limits approved by the Board or the Asset and Liability Management Committee. The Asset & Liability Management Department under the Risk Management Division of the Group is responsible for monitoring the activities relating to interest rate risk. The Internal Audit Division performs periodic reviews to ensure that the interest rate risk management functions are implemented effectively.

The Group manages the interest rate risk on the banking book primarily by focusing on re-pricing mismatches. Gap analysis provides a static view of the maturity and re-pricing characteristics of the Group's assets, liabilities and off-balance sheet positions. Re-pricing gap limits are set to control the Group's interest rate risk.

(e) 利率風險管理

資產負債管理委員會獲董事會授權，負責監察本集團的利率風險管理，訂立管理利率風險的策略與政策，並制定相應措施，以確保執行有關策略與政策。利率風險由本集團資金市場處按董事會或資產負債管理委員會批核的限額範圍進行日常管理。本集團風險管理處轄下的資產負債管理部，負責監察利率風險相關的活動。稽核處會定期作出檢討，確保利率風險管理功能得以有效執行。

本集團管理銀行賬冊利率風險的主要方法是集中於重訂息率的錯配。差距分析可讓本集團從靜態角度瞭解資產、負債和資產負債表外持倉的到期情況及重訂息特點。本行設有重訂息率差距限額以控制本集團的利率風險。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

44. FINANCIAL RISK MANAGEMENT (CONTINUED) 財務風險管理(續)

(e) Interest rate risk management (continued)

Sensitivity analysis in relation to the impact of changes in interest rates on earnings and economic value is assessed through a hypothetical interest rate shock of 200 basis points across the yield curve on the Group's assets, liabilities and off-balance sheet positions and is performed on a monthly basis. Sensitivity limits are set to control the Group's interest rate risk exposure under both earnings and economic value perspectives. The results are reported to the Asset and Liability Management Committee on a regular basis.

Sensitivity analysis on interest rate risk

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on our net interest income and economic value change.

(e) 利率風險管理(續)

本集團每月進行敏感度分析，以估算利率變動對盈利和經濟價值的影響，當中假設本集團資產、負債和資產負債表外持有的收益率曲線出現200個基點的利率衝擊。本集團設有敏感度限額，以控制本集團的盈利及經濟價值兩方面的利率風險承擔。有關結果定期向資產負債管理委員會匯報。

利率風險敏感度分析

本集團採用敏感度分析來量度利率變動對淨利息收入及經濟價值變動可能產生的影響。

		2015			2014		
		HKD港元 HK\$ Mn 港幣百萬元	USD美元 HK\$ Mn 港幣百萬元	RMB人民幣 HK\$ Mn 港幣百萬元	HKD港元 HK\$ Mn 港幣百萬元	USD美元 HK\$ Mn 港幣百萬元	RMB人民幣 HK\$ Mn 港幣百萬元
Impact on earnings over the next 12 months if interest rates rise by 200 basis points	倘利率上調200個基點對未來12個月的盈利影響	945	64	258	534	3	570
Impact on economic value if interest rates rise by 200 basis points	倘利率上調200個基點對經濟價值的影響	(132)	89	201	(199)	118	59

This sensitivity analysis, which is based on a static interest rate risk profile of assets and liabilities, is used for risk management purposes only. The analysis is based on the following assumptions:

- (i) there is a parallel shift in the yield curve and in interest rates;
- (ii) there are no other changes to the portfolio;
- (iii) no loan prepayment is assumed as the majority of loans is on a floating rate basis; and
- (iv) deposits without fixed maturity dates are assumed to be repriced on the next day.

Actual changes in the Group's net interest income and the economic value resulting from the increases in interest rates may differ from the results of this sensitivity analysis.

敏感度分析僅用於風險管理目的，乃依據資產及負債的靜態利率風險資料作出。有關分析乃根據以下假設進行：

- (i) 收益率曲線及利率平行移動；
- (ii) 組合並無其他變動；
- (iii) 假設沒有提早償還貸款，因大部分貸款屬於浮息貸款；及
- (iv) 假設沒有固定到期日的存款於翌日再定息。

利率上調而導致本集團淨利息收入及經濟價值的實際變動與敏感度分析的結果可能有所不同。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

The following table indicates the expected next repricing dates (or maturity dates whichever are earlier) for the interest bearing assets and liabilities at the end of the reporting period:

下表顯示於報告期結束日帶息資產及負債的預計下次利率重訂日(或到期日取其較短者):

		2015					Total 總額 HK\$ Mn 港幣百萬元
		3 months or less 3個月 或以下 HK\$ Mn 港幣百萬元	Over 3 months to 1 year 3個月以上 至1年 HK\$ Mn 港幣百萬元	Over 1 year to 5 years 1年以上 至5年 HK\$ Mn 港幣百萬元	Over 5 years 5年以上 HK\$ Mn 港幣百萬元	Non-interest bearing 非帶息 HK\$ Mn 港幣百萬元	
Assets	資產						
Cash and balances with banks and other financial institutions	現金及在銀行和其他金融機構的結存	65,015	-	7	-	4,100	69,122
Placements with banks and other financial institutions	在銀行及其他金融機構的存款	78,602	2,226	-	-	-	80,828
Trade bills	貿易票據	11,599	7,930	-	-	3	19,532
Trading assets	交易用途資產	2,318	456	1,166	50	1,345	5,335
Financial assets designated at fair value through profit or loss	指定為通過損益以反映公平價值的金融資產	547	1,148	2,192	67	382	4,336
Positive fair value of derivatives	衍生工具的正公平價值	-	-	-	-	6,205	6,205
Advances to customers and other accounts	客戶墊款及其他賬項	375,181	50,844	10,399	3,415	33,249	473,088
Available-for-sale financial assets	可供出售金融資產	28,687	9,075	39,419	13,099	3,315	93,595
Held-to-maturity investments	持至到期投資	2,006	1,289	2,330	574	-	6,199
Non-interest bearing assets	非帶息資產	-	-	-	-	23,124	23,124
Total assets	資產總額	563,955	72,968	55,513	17,205	71,723	781,364
Liabilities	負債						
Deposits and balances of banks and other financial institutions	銀行及其他金融機構的存款及結餘	27,202	4,606	245	59	14	32,126
Deposits from customers	客戶存款	402,138	94,128	22,528	189	21,760	540,743
Trading liabilities	交易用途負債	831	57	-	-	1	889
Negative fair value of derivatives	衍生工具的負公平價值	-	-	-	-	6,909	6,909
Certificates of deposit issued	已發行存款證	21,754	12,730	2,793	-	-	37,277
Debt securities issued	已發行債務證券	4,980	2,784	5,833	-	-	13,597
Loan capital	借貸資本	-	-	16,996	-	-	16,996
Non-interest bearing liabilities	非帶息負債	-	-	-	-	47,186	47,186
Total liabilities	負債總額	456,905	114,305	48,395	248	75,870	695,723
Interest rate sensitivity gap	利率敏感度差距	107,050	(41,337)	7,118	16,957		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

44. FINANCIAL RISK MANAGEMENT (CONTINUED) 財務風險管理(續)

(e) Interest rate risk management (continued)

(e) 利率風險管理(續)

		2014					Non-interest bearing	Total
		3 months or less	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years			
		3個月或以下	3個月以上至1年	1年以上至5年	5年以上	非帶息	總額	
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	
Assets	資產							
Cash and balances with banks and other financial institutions	現金及在銀行和其他金融機構的結存	65,139	-	-	-	5,219	70,358	
Placements with banks and other financial institutions	在銀行及其他金融機構的存款	45,291	5,478	-	-	-	50,769	
Trade bills	貿易票據	26,905	33,731	-	-	39	60,675	
Trading assets	交易用途資產	309	257	820	26	1,473	2,885	
Financial assets designated at fair value through profit or loss	指定為通過損益以反映公平價值的金融資產	2,293	1,242	3,934	881	363	8,713	
Positive fair value of derivatives	衍生工具的正公平價值	-	-	-	-	3,537	3,537	
Advances to customers and other accounts	客戶墊款及其他賬項	358,729	60,707	19,248	4,260	39,196	482,140	
Available-for-sale financial assets	可供出售金融資產	33,396	10,580	28,942	9,039	4,859	86,816	
Held-to-maturity investments	持至到期投資	2,640	1,292	2,629	186	-	6,747	
Non-interest bearing assets	非帶息資產	-	-	-	-	23,251	23,251	
Total assets	資產總額	534,702	113,287	55,573	14,392	77,937	795,891	
Liabilities	負債							
Deposits and balances of banks and other financial institutions	銀行及其他金融機構的存款及結餘	28,141	4,023	1,079	-	80	33,323	
Deposits from customers	客戶存款	418,723	94,487	15,364	63	19,547	548,184	
Trading liabilities	交易用途負債	-	-	-	-	21	21	
Negative fair value of derivatives	衍生工具的負公平價值	-	-	-	-	4,823	4,823	
Certificates of deposit issued	已發行存款證	26,266	14,353	3,779	-	-	44,398	
Debt securities issued	已發行債務證券	7,332	7,588	7,504	-	-	22,424	
Loan capital	借貸資本	-	-	12,436	4,899	-	17,335	
Non-interest bearing liabilities	非帶息負債	-	-	-	-	51,939	51,939	
Total liabilities	負債總額	480,462	120,451	40,162	4,962	76,410	722,447	
Interest rate sensitivity gap	利率敏感度差距	54,240	(7,164)	15,411	9,430			

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

The following table summarises the range of effective average interest rates for the year ended 31st December for monetary financial instruments:

下表概述於截至12月31日止年度按貨幣金融工具之有效利率範圍：

		2015 %百分率	2014 %百分率
Assets	資產		
Cash and short-term funds and placements with banks and other financial institutions	現金及在銀行和其他金融機構的結存，及在銀行及其他金融機構的存款	0-5.00	0-5.76
Trade bills, advances to customers and advances to banks and other financial institutions	貿易票據，客戶墊款及銀行及其他金融機構的墊款	0.01-52.79	0.01-52.24
Securities (Note)	證券(附註)	0.03-5.25	0.02-8.53
Liabilities	負債		
Deposits and balances of banks and other financial institutions	銀行及其他金融機構的存款及結餘	0-6.31	0.04-5.95
Deposits from customers	客戶存款	0-4.42	0-5.87
Certificates of deposit issued and loan capital	已發行存款證及借貸資本	0.04-6.47	0.16-8.50

Note: Securities include certificates of deposit held, trading assets, financial assets designated at fair value through profit or loss, securities measured as loans and receivables, available-for-sale financial assets and held-to-maturity investments.

附註：證券包括持有存款證、交易資產、指定為通過損益以反映公平價值的金融資產、以貸款及應收賬款計量的證券、可供出售金融資產及持至到期投資。

(f) Strategic risk management

The objective of strategic risk management is to monitor the risk to earnings or capital arising from bad business decisions or from an improper implementation of good business decisions.

The Risk Management Division of the Group monitors the activities under the Group's prevailing interest earning asset mix and funding strategies and regularly reports the status to the Asset and Liability Management Committee, Risk Management Committee, RIC and the Board, where appropriate.

The Group regularly carries out projection of portfolio mix for optimal asset allocation to diversify risk and achieve returns that are commensurate with the risks taken. Projection of Capital Adequacy Ratio and Internal Capital Adequacy Assessment Process are also regularly conducted to assess the level of capital needed to support the risks that the Group faces.

(g) Legal risk management

Legal risk is the risk arising from the potential that unenforceable contracts, fraud cases, non-compliance with legal/regulatory requirements, lawsuits or adverse judgements may disrupt or otherwise negatively affect the operations or financial condition of the Group.

The objective of managing legal risk is to identify, assess, monitor and report on legal risk, and to comply with the relevant regulatory requirements.

The Group provides appropriate training courses conducted by qualified internal personnel and/or external lawyers/professionals, and issues regular reminders to staff members. When dealing with legal matters, the Group engages qualified internal personnel and, when necessary and appropriate, external lawyers including counsel and senior counsel for advice.

The Operational Risk Management Committee is responsible for overseeing the management of the Group's legal risk.

(f) 策略性風險管理

策略性風險管理的目的是監控因不良商業決定或不當地執行實施良好商業決定而引致對盈利或資本方面的風險。

本集團轄下的風險管理處監控本集團現行生息資產組合及融資策略下的活動，並定期向資產負債管理委員會、風險管理委員會、風險委員會及董事會匯報有關情況。

本集團定期進行投資組合預計以優化資產配置，從而分散風險並獲取與所承擔風險相稱的回報。資本充足比率預計及內部資本充足評估程序亦會定期進行，以評估本集團應對相關風險所需的資本水平。

(g) 法律風險管理

法律風險是指出現合約未能執行、詐騙案件、不遵守法律／監管規定的要求、訴訟或不利判決的情況，因而對本集團的日常運作或財務狀況可能構成干擾或其他負面影響的潛在風險。

法律風險管理的目的，在於識別、評估、監控及匯報法律風險，以及遵守相關監管規定的要求。

本集團提供由合資格內部人員及／或外聘律師／專業人士講解的適當培訓課程，並發出定期提示予員工。當處理法律事宜，本集團僱用合資格內部人士，並於必要及適當的情況下徵詢外聘律師包括大律師及資深大律師的意見。

營運風險管理委員會負責持續監督本集團的法律風險管理。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

44. FINANCIAL RISK MANAGEMENT (CONTINUED) 財務風險管理(續)

(h) Reputation risk management

Reputation risk is the risk that the Group's reputation is damaged by events that result in negative publicity about the Group's business practices, conduct, or financial condition. Such negative publicity, whether true or not, may impair public confidence in the Group and may result in costly litigation, or a decline in customers, business, and/or revenue.

The objective of managing reputation risk is to identify, assess, monitor and report on reputation risk, and to comply with the relevant regulatory requirements.

The Group establishes various policies, guidelines, manuals, and codes to ensure compliance with applicable laws, rules, and regulation, and to ensure that the Bank Group maintains a high standard of corporate governance, which in turn helps safeguard and enhance the Group's reputation.

The Group formulates, and adheres to, the Reputation Risk Management Manual, which outlines a systematic approach to the management of reputation risk, including a framework for reputation risk identification, assessment, monitoring, mitigation, and control, thereby protecting and enhancing the reputation of the Bank Group. Guidelines are established for swift response to and management of unexpected incidents.

The Operational Risk Management Committee is responsible for overseeing the management of the Group's reputation risk.

(i) Money laundering and terrorist financing risk management

Money laundering and terrorist financing risk is the risk arising from using the financial services provided by the Group:

- (i) To conceal or disguise the nature or source of proceeds derived from illegal activities; or
- (ii) To obscure or disguise links between terrorists/terrorist organisations and their funding sources, regardless of whether the funds are from legitimate or illegitimate source.

Failure to prevent or deter the above-mentioned activities may result in fines and sanctions by regulators or damage to the reputation of the Group.

To manage money laundering and terrorist financing risk, the Group has in place Group Policy and relevant Guidelines on Anti-Money Laundering and Counter-Terrorist Financing to establish the governing principles and minimum standards to protect Group members and their businesses from being used to facilitate money laundering and terrorist financing.

(h) 信譽風險管理

信譽風險源自公眾對本集團有關營商手法、行為或財務狀況事件的負面報導。此等報導，不管真確與否，有可能影響公眾對本集團的信心及可能導致高昂的訴訟費用，或令本集團客戶、業務及／或收入減少。

信譽風險管理的目的，在於識別、評估、監控及匯報信譽風險，以及遵守相關監管規定的要求。

本集團制訂各項政策、指引、手冊及守則，確保遵守適用法例、規則及規例，同時確保本集團維持高水準的企業管治，藉此保障及提升本集團的信譽。

本集團制定並遵從信譽風險管理手冊，該手冊載錄對信譽風險實施系統化管理的方法，包括識別、評估、監管、減低及控制信譽風險的機制，藉此保護及提升本集團的信譽。並已建立指引，快速應對並管理未能預期的事件。

營運風險管理委員會負責持續監督本集團的信譽風險管理。

(i) 洗錢與恐怖分子資金籌集風險管理

洗錢與恐怖分子資金籌集風險是指將本集團所提供的金融服務用作下列用途所引致的風險：

- (i) 隱瞞或掩蓋從事違法活動所得款項的性質或來源；或
- (ii) 掩蔽或掩蓋恐怖分子／恐怖主義組織與資金來源之間的關係(無論資金來源屬合法或違法)。

倘未能預防或阻止上述活動，可能會被監管機構判處罰金及制裁，或損害本集團的信譽。

為管理洗錢與恐怖分子資金籌集風險，本集團針對打擊洗錢與恐怖分子資金籌集制定全集團政策及相關指引、確立管治原則及最低標準，避免集團成員及其業務被利用於協助洗錢及為恐怖分子籌集資金。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

The Institutional Risk Assessment on money laundering and terrorist financing is established to identify, assess and understand the money laundering and terrorist financing risk exposure of the Group, through individual assessment conducted by Group members. The Institutional Risk Assessment helps derive the residual risk that the Group is exposed to, after taking into consideration the inherent risks identified and the effectiveness of the existing control measures.

(j) Technology risk management

Technology risk (including cyber security risk and e-banking risk) is the risk of loss resulting from inadequate or faulty technical processes, people and computing systems; or unauthorised access or disruption to technology resources.

The Group has established a technology risk management framework which is supported by comprehensive control policies, standards, guidelines and procedures.

Control measures relating to the security of internet systems and applications, customer authentication, risk assessment for new products and services, and confidentiality and integrity of information are adopted.

The Operational Risk Management Committee is responsible for overseeing with technology risk-related issues of the Group.

(k) Capital management

The HKMA sets and monitors capital requirements for the Group as a whole. In implementing current capital requirements the HKMA requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets. The Group calculates requirements for market risk in its trading portfolios based upon the Group's VaR models and uses its internal gradings as the basis for risk weightings for credit risk. Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

In addition to meeting the regulatory requirements, the Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

Capital managed by the Group to achieve these objectives includes ordinary share capital, retained profits, other reserves, and non-controlling interests after deductions for goodwill and intangible assets. It also includes subordinated liabilities and collectively assessed impairment allowances.

針對洗錢與恐怖分子資金籌集，本集團已建立機構風險評估機制，並透過集團成員各自進行的評估，以識別、估算及了解本集團承受的相關風險。藉由機構風險評估，計算本集團所承受的殘留風險(已經計及所識別的固有風險及現有控制措施的效能)。

(j) 科技風險管理

科技風險(包括網絡保安風險及電子銀行風險)是指因技術程序、人員或計算系統不足或出現故障；或因未經授權使用或被破壞科技資源而導致損失的風險。

本集團已建立科技風險管理機制，包括全面的控制政策、標準、指引及程序。

與網絡系統及應用程式保安、客戶身份驗證、新產品及服務風險評估、以及資料保密及完整性相關的控制措施已被採納。

營運風險管理委員會負責持續監督本集團的科技風險相關事項。

(k) 資本管理

金管局制定及監察本集團整體的資本規定。在實施現行的資本規定時，金管局規定本集團維持既定的總資本對總風險加權資產比率。本集團根據風險值模式計算交易組合的市場風險，及根據內部評級作為信貸風險之風險比重的基準。銀行業務分為交易賬冊或銀行賬冊。風險加權資產依照特別規定而定，特別規定旨在反映與資產的不同風險水平及資產負債表外的風險。

除符合監管規定外，本集團管理資本的主要目的是保障本集團可持續經營，藉以不斷為股東提供回報及為其他利益關涉者帶來利益。方法包括依照風險水平釐定產品及服務價格，及以合理的成本提供融資渠道。

以求達至該目的，本集團管理資本包括股本、留存溢利、其他儲備，及非控股權益及經已扣除商譽和無形資產。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

44. FINANCIAL RISK MANAGEMENT (CONTINUED) 財務風險管理(續)

(k) Capital management (continued)

The HKMA supervises the Group on both a consolidated basis and a solo-consolidated basis, which sets capital requirements and receives information of capital adequacy on a regular basis for the Group as a whole. Individual overseas branches and banking subsidiaries are directly regulated by respective domestic banking supervisors, who set and monitor their capital adequacy requirements. In certain jurisdictions, non-banking financial subsidiaries are also subject to the supervision and capital requirements of domestic regulatory authorities.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might otherwise be possible with greater gearing and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The process of allocating capital to specific operations and activities is undertaken by the Asset and Liability Management Committee and is reviewed regularly by the Risk Management Committee, RIC and the Board.

Consistent with industry practice, the Group monitors its capital structure on the basis of the capital adequacy ratios and there have been no material changes in the Group's policy on the management of capital during the year.

The capital adequacy ratios as at 31st December, 2015 and 31st December, 2014 are computed on the consolidated basis of the Bank and certain of its subsidiaries as specified by the HKMA for its regulatory purposes, and are in accordance with the Capital Rules of the Banking Ordinance.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year ended 31st December, 2015 and 31st December, 2014 and the Group's capital ratios are well above the minimum required by the HKMA.

(k) 資本管理(續)

金管局按綜合基準及單獨綜合基準以監管本集團，並制訂資本要求及定期收集本集團整體性的資本充足資料。個別海外分行及銀行附屬公司分別由當地的銀行監管機關直接監管，並制訂及監控其資本充足要求。在某些地區，非銀行財務附屬公司是受當地監管機關規管及資本要求。

本集團積極定期檢討及管理資本架構，以期在爭取更高股東回報與維持良好資本的好處和安全之間取得平衡，並且因應經濟情況的轉變調整資本架構。

調配資本至特定業務及活動的程序由資產及負債管理委員會進行，並由風險管理委員會、風險委員會及董事會定期檢討。

本集團依據行業慣例，以資本充足比率為基準監察資本架構，年度內本集團資本管理政策並無重大改變。

2015年12月31日及2014年12月31日的資本充足比率是依據金管局為監管目的而制定的，本行及若干附屬公司已按綜合基準計算，並符合《銀行業條例》的《資本規則》。

截至2015年12月31日及2014年12月31日止年度內，本集團及其個別受監管業務已符合所有外間訂立的資本規定，以及本集團俱遠高於金管局所定的最低規定比率。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. FAIR VALUES OF FINANCIAL INSTRUMENTS 金融工具的公平價值

(a) Financial instruments carried at fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group measures fair values using the following hierarchy of methods:

Level 1 – Quoted market price in an active market for an identical instrument.

Level 2 – Valuation techniques based on observable input. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or counterparty quotations. For all other financial instruments the Group determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models and various market widely recognised option pricing models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, equity prices, foreign currency exchange rates, index prices, historical or implied volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price of the financial instrument that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the reporting date.

(a) 以公平價值列賬的金融工具

公平價值估計是根據金融工具的特性和相關市場資料於某一特定時間作出，因此一般是主觀的。本集團以下列的分級方法計算公平價值：

第一級－參考同一工具在活躍市場取得的市場報價。

第二級－根據可觀察的參數之估值模式。為此級別估值的工具，包括以下方式：就相若工具在活躍市場取得的市場報價；就相若工具在非活躍市場取得的市場報價；或其他估值模式，而該等估值模式所用的參數，是直接或間接可從市場觀察所得的數據。

第三級－根據重要但非可觀察得到的參數之估值模式。為此級別估值的工具，其估值模式所輸入之參數為非可觀察的數據，惟該等非可觀察的數據可以對估值產生重大影響。為此級別估值的工具，也包括在活躍市場取得相若金融工具的市場報價，惟當中需要作出非可觀察之調整或假設，以反映不同金融工具之間的差別。

於活躍市場買賣的金融資產及金融負債，是根據市場報價或交易對手報價以釐定其公平價值。而對於所有其他金融工具，本集團則利用估值模式以釐定公平價值。估值模式包括淨現值及現金流量折現模式、以及其他市場廣泛應用的期權估值模式。用於估值模式之假設及參數包括無風險利率、基準利率、股票價格、外幣兌換率、指數價格、過往或預期波幅及相聯關係。採用估值模式的目的是計量公平價值，藉以在申報日能反映金融工具的價格，而該價格可被視為在正常交易下市場人士當賣出資產時可收取或當轉移負債時須支付之款項。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED) 金融工具的公平價值(續)

(a) Financial instruments carried at fair value (continued)

The Group uses widely recognised valuation models for determining the fair value of common and simpler financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over-the-counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Group uses valuation models, which usually are developed from recognised valuation methodologies. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

The Group has an established control framework with respect to the measurement of fair values. This framework includes a valuation control function, namely Financial Instruments Valuation Group ("FIVG") which comprises control units independent of front office management. Procedures for price verification have been established. Any pricing models to be used would be subject to a rigorous validation and approval process.

(a) 以公平價值列賬的金融工具(續)

本集團會使用廣泛應用的估值模式，以釐定一般性及較簡單金融工具的公平價值，例如僅使用可觀察市場價格、及毋須管理層耗時判斷及估計之利率及貨幣掉期。可觀察價格及模式的參數，通常可從市場上的上市債務及股份證券、在交易所買賣的衍生工具和簡單的場外交易衍生工具如利率掉期獲取。獲取可觀察市場價格及模式的參數，可以減省管理層需時判斷及估計，也可減少有關釐定公平價值的不穩定因素。是否取得可觀察市場價格及參數，視乎產品及市場性質，並會因金融市場的個別事件和一般情況而有不同變化。

至於較複雜的金融工具，本集團會使用通常由已有認受性的估值模式改動而來。部分甚或所有須予輸入模式的重要參數或未能從市場中觀察得出，而必須從市場價格或利率計算、或基於假設而估計而得出。該等須利用重要而非可觀察之參數的估值模式，需要管理層投入較多時間於判斷及估計，始能釐定金融工具的公平價值；而揀選適當的估值模式、為估值之金融工具決定其預期的未來現金流、決定交易對手方違約和提早還款的或然率，以及挑選適用的貼現率等，一般皆需要管理層的判斷和估計。

本集團已就計算公平價值設立了監控機制。此機制包括擁有產品監控功能並獨立於前線管理人員，稱為金融工具估值群組(「群組」)。價格核實的程序已經確立。任何將被採用的價格模式必須經過嚴格的檢測及審批程序。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value treatment is categorised:

下表是分析於報告期末，在公平價值分級內金融工具之公平價值的處理方式：

		2015				2014			
		Level One 第一級 HK\$ Mn 港幣百萬元	Level Two 第二級 HK\$ Mn 港幣百萬元	Level Three 第三級 HK\$ Mn 港幣百萬元	Total 總額 HK\$ Mn 港幣百萬元	Level One 第一級 HK\$ Mn 港幣百萬元	Level Two 第二級 HK\$ Mn 港幣百萬元	Level Three 第三級 HK\$ Mn 港幣百萬元	Total 總額 HK\$ Mn 港幣百萬元
Recurring fair value measurement	重覆發生的公平價值釐定								
Assets	資產								
Trading assets	交易用途資產	2,276	3,059	-	5,335	1,599	1,286	-	2,885
Financial assets designated at fair value through profit or loss	指定為通過損益以反映公平價值的金融資產	2,877	1,459	-	4,336	5,052	3,661	-	8,713
Positive fair value of derivatives	衍生工具的正公平價值	-	3,064	3,141	6,205	-	1,983	1,554	3,537
Available-for-sale financial assets	可供出售金融資產	51,672	41,173	750	93,595	53,513	32,310	993	86,816
		56,825	48,755	3,891	109,471	60,164	39,240	2,547	101,951
Liabilities	負債								
Trading liabilities	交易用途負債	889	-	-	889	21	-	-	21
Negative fair value of derivatives	衍生工具的負公平價值	-	3,892	3,017	6,909	-	3,252	1,571	4,823
Financial liabilities designated at fair value through profit or loss	指定為通過損益以反映公平價值的金融負債	-	18,996	-	18,996	-	22,039	-	22,039
		889	22,888	3,017	26,794	21	25,291	1,571	26,883

During the years ended 31st December 2015 and 2014, there were no significant transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

截至2015年及2014年12月31日止之年內，根據第一級及第二級分級方法釐定公平價值之金融工具，兩者之間並無重大的轉移。本集團的政策是只確認於報告期末公平價值分級之間發生的轉移。

Information about significant unobservable inputs in Level 3 valuations

有關第三級估值的重要非可觀察參數資料

	Valuation technique 估值模式	Significant unobservable input(s) 重要非可觀察參數
Unlisted available-for-sale equity instruments 非上市可供出售股份工具	Discounted cash flow model 現金流折扣模式	Forecasted cash flows and terminal growth rate 預計現金流及終端增長率
Structured derivatives 結構性衍生工具	Option model 期權模式	Expected volatility 預計波幅

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED) 金融工具的公平價值(續)

(a) Financial instruments carried at fair value (continued)

The fair value of unlisted available-for-sale equity instruments is determined using the discounted cash flow model and the significant unobservable inputs used in the fair value measurement are forecasted cash flows and terminal growth rate. The fair value measurement is positively correlated to the net cash inflows and terminal growth rate.

The fair value of embedded options in structured derivatives is determined using option valuation model and the significant unobservable input used in the fair value measurement is the expected volatility. The fair value of the instrument is positively correlated to the expected volatility.

Valuation of financial instruments in Level 3 is subject to the same valuation control framework as described above and reviewed regularly by FIGV.

(1) Valuation of financial instruments with significant unobservable inputs

Movements in the recognised fair values of instruments with significant unobservable inputs were as follows:

(a) 以公平價值列賬的金融工具(續)

非上市可供出售股份工具的公平價值是根據現金流折扣模式，而用以計量公平價值之重要但非可觀察參數是預計現金流及終端增長率。計量公平價值與淨現金流及終端增長率是有正面的相互關聯。

在結構性衍生工具內之嵌入期權的公平價值是根據期權估值模式，而用以計量公平價值之重要但非可觀察參數是預計波幅。工具的公平價值與預計波幅是有正面的相互關聯。

在第三級之金融工具估價是受以上所述之相同估價監控機制及金融工具估價群組的定期檢視。

(1) 使用重要而非可觀察之參數的金融工具估價

已列賬並含有重要而非可觀察參數的工具，其公平價值之變動如下：

		2015		
		Positive fair value of derivatives	Available-for-sale financial assets	Total
		衍生工具的 正公平價值	可供出售 金融資產	總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元
Assets	資產			
At 1st January, 2015	於2015年1月1日	1,554	993	2,547
Purchases	購入	-	60	60
Settlements	結算	(333)	(322)	(655)
Changes in fair value recognised in the income statement	公平價值變動確認於 收益表	1,920	(15)	1,905
Changes in fair value recognised in the other comprehensive income	公平價值變動確認於其他 全面收益	-	75	75
Exchange adjustments	匯兌調整	-	(41)	(41)
At 31st December, 2015	於2015年12月31日	3,141	750	3,891
Total gains or losses for the year included in available-for-sale fair value reserve of the other comprehensive income for assets held at the end of the reporting period	於報告期結束日持有之資產 而已計入年度內其他全面 收益之可供出售公平價值 儲備之收益或虧損總額	-	75	75
Total gains or losses for the year included in the income statement for assets held at the end of the reporting period recorded in net trading income	於報告期結束日持有之資產 而已計入年度內收益表之 交易收入淨額	1,920	-	1,920

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

		2014		
		Positive fair value of derivatives 衍生工具的 正公平價值 HK\$ Mn 港幣百萬元	Available-for-sale financial assets 可供出售 金融資產 HK\$ Mn 港幣百萬元	Total 總額 HK\$ Mn 港幣百萬元
Assets	資產			
At 1st January, 2014	於2014年1月1日	585	1,010	1,595
Purchases	購入	–	20	20
Settlements	結算	(204)	(120)	(324)
Changes in fair value recognised in the income statement	公平價值變動確認於收益表	1,173	(14)	1,159
Changes in fair value recognised in the other comprehensive income	公平價值變動確認於其他全面收益	–	98	98
Exchange adjustments	匯兌調整	–	(1)	(1)
At 31st December, 2014	於2014年12月31日	1,554	993	2,547
Total gains or losses for the year included in available-for-sale fair value reserve of the other comprehensive income for assets held at the end of the reporting period	於報告期結束日持有之資產而已計入年度內其他全面收益之可供出售公平價值儲備之收益或虧損總額	–	98	98
Total gains or losses for the year included in the income statement for assets held at the end of the reporting period recorded in net trading income	於報告期結束日持有之資產而已計入年度內收益表之交易收入淨額	1,173	(14)	1,159

		2015	2014
		Negative fair value of derivatives 衍生工具的 負公平價值 HK\$ Mn 港幣百萬元	Negative fair value of derivatives of derivatives 衍生工具的 負公平價值 HK\$ Mn 港幣百萬元
Liabilities	負債		
At 1st January	於1月1日	1,571	565
Settlements	結算	(336)	(185)
Changes in fair value recognised in the income statement	公平價值變動確認於收益表	1,782	1,191
At 31st December	於12月31日	3,017	1,571
Total gains or losses for the year included in the income statement for liabilities held at the end of the reporting period recorded in net trading income	於報告期結束日持有之負債而已計入年度內收益表之交易收入淨額	1,782	1,191

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED) 金融工具的公平價值(續)

(a) Financial instruments carried at fair value (continued)

(2) Effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions

(a) 以公平價值列賬的金融工具(續)

(2) 因重要而非可觀察之假設變動至合理可行之另類假設所產生的影響

		2015				2014			
		Effect recorded in profit or loss 直接記錄於損益上之影響		Effect recorded directly in equity 直接記錄於股東權益上之影響		Effect recorded in profit or loss 直接記錄於損益上之影響		Effect recorded directly in equity 直接記錄於股東權益上之影響	
		Favourable 有利	(Unfavourable) (不利)	Favourable 有利	(Unfavourable) (不利)	Favourable 有利	(Unfavourable) (不利)	Favourable 有利	(Unfavourable) (不利)
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Positive fair value of derivatives	衍生工具的正公平價值	262	(262)	-	-	130	(130)	-	-
Available-for-sale financial assets	可供出售金融資產	-	-	63	(63)	-	-	83	(83)
		262	(262)	63	(63)	130	(130)	83	(83)
Negative fair value of derivatives	衍生工具的負公平價值	252	(252)	-	-	131	(131)	-	-

The fair values of financial instruments are in certain circumstances, measured using valuation models that incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The table above shows the sensitivity of fair values due to parallel movement of plus or minus 10 per cent in reasonably possible alternative assumptions.

在若干情況下，計算金融工具的公平價值所使用的估值模式，其含有的假設並非依據在相同工具的當前可觀察市場交易價格，亦非依賴其他可觀察的市場數據。上表顯示公平價值之敏感度，即因轉用至合理可行之另類假定所產生的正、負10%的價值的並行變動。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(b) Fair values of financial instruments carried at other than fair value

The following methods and significant assumptions have been applied in determining the fair values of financial instruments presented below:

- (i) The fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the end of the reporting period.
- (ii) The fair value of variable rate financial instruments is assumed to be approximated by their carrying amounts and, in the case of loans and unquoted debt securities, does not, therefore, reflect changes in their credit quality, as the impact of credit risk is recognised separately by deducting the amount of the impairment allowances from both the carrying amount and fair value.
- (iii) The fair value of fixed rate loans and mortgages carried at amortised cost is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognised separately by deducting the amount of the impairment loss and allowances from both the carrying amount and fair value.
- (iv) The fair value of unquoted equity investments is estimated, if possible, using the applicable dividend discount model, or share of net asset value in the investment, or applying a discount to the market value of investments with a lock-up period.
- (v) The fair value of unlisted open-ended investment funds is estimated using the net asset value per share as reported by the managers of such funds.
- (vi) The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31st December, 2015 and 2014 except as follows:

(b) 以公平價值以外列賬的金融工具公平價值

本集團採用下列方法和重要假定，以釐定如下的金融工具之公平價值：

- (i) 不設指定期限的活期存款和儲蓄賬戶的公平價值，乃假定為於報告期結束日可按要求而支付的金額。
- (ii) 浮息金融工具的公平價值，乃假定為與其賬面值相若。如此等工具為貸款和非上市債務證券，由於相關的信貸風險影響是在賬面值和公平價值中將減值準備金額減除後才分別予以確認，因此其公平價值不能反映其信貸素質的改變。
- (iii) 以攤銷成本入賬的定息貸款和按揭貸款的公平價值，乃在此等貸款按相若貸款所獲提供的目前市場利率批出時，以市場利率比較的方式估計。由於相關的信貸風險影響是在賬面值和公平價值中將減值準備金額減除後才分別予以確認，在決定公平價值總額時，貸款組合內各項貸款的信貸素質的改變均不會予以考慮。
- (iv) 非上市股票投資的公平價值是在可能情況下採用適用的股息折扣模式，或應佔投資的淨資產，或為設有禁售期之投資按其市值以折扣計算。
- (v) 非上市開放式投資基金的公平價值估計，是基於投資經理所匯報的每股資產淨值作出。
- (vi) 已發出的融資擔保之公平價值，是以參考在相若服務的公平交易中所徵收費用之可取得相關資料而釐定；有關的資料也可參考利率差價而估計，亦可以就貸款機構對發出擔保所實際徵收的息率，與在沒有取得擔保之情況下而貸款機構將可能徵收的估計息率作出比較，並在當中取用較可靠的相關資料以釐定公平價值。

除下列者外，本集團以成本或攤銷成本入賬的金融工具賬面值，與其於2015年12月31日及2014年同日之公平價值相若。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED) 金融工具的公平價值(續)

(b) Fair values of financial instruments carried at other than fair value (continued) (b) 以公平價值以外列賬的金融工具公平價值(續)

		2015				
		Carrying amount	Fair value	Level 1	Level 2	Level 3
		賬面值	公平價值	第一級	第二級	第三級
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Financial assets	金融資產					
Held-to-maturity investments	持至到期投資	6,199	6,249	4,309	1,940	-
Financial liabilities	金融負債					
Certificates of deposit issued	已發行存款證	20,820	20,831	-	20,831	-
Debt securities issued	已發行債務證券	11,058	11,118	-	11,118	-
Subordinated liabilities	後償負債	16,996	17,367	-	17,367	-

		2014				
		Carrying amount	Fair value	Level 1	Level 2	Level 3
		賬面值	公平價值	第一級	第二級	第三級
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Financial assets	金融資產					
Held-to-maturity investments	持至到期投資	6,747	6,734	3,516	3,218	-
Financial liabilities	金融負債					
Certificates of deposit issued	已發行存款證	29,954	29,942	-	29,942	-
Debt securities issued	已發行債務證券	14,829	14,927	-	14,927	-
Subordinated liabilities	後償負債	17,335	18,192	-	18,192	-

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group measures level 2 fair values using the following method and there is no change to the valuation technique:

Level 2 – Valuation techniques based on observable input. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

釐定公平價值通常是較具主觀性的，及根據在其一特定時間點按金融工具之特性及相關市場資料而作出。本集團釐定第二級公平價值是採納以下方法及估值模式並無改變：

第二級 – 估值模式是以可觀察參數為基準。此類別工具估值包括採用：在活躍市場內相近工具有報價的市場價格；在較不活躍之市場內相近工具有報價的價格；或其他估值模式而所有重要參數是直接或間接地由市場資料可觀察到。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

46. OFF-BALANCE SHEET EXPOSURES 資產負債表以外的風險

(a) Contingent liabilities and commitments

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments:

(a) 或然負債及承擔

每項或然負債及承擔主要類別的合約金額摘要如下：

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Direct credit substitutes	直接信貸代替品	32,679	32,120
Transaction-related contingencies	與交易有關的或然項目	1,039	1,118
Trade-related contingencies	與貿易有關的或然項目	747	1,016
Commitments that are unconditionally cancellable without prior notice	可無條件取消而毋須事先通知的承擔	168,798	170,895
Other commitments with an original maturity	其他承擔的原到期日：		
– up to 1 year	– 1年或以下	15,796	20,640
– over 1 year	– 1年以上	23,421	22,779
		242,480	248,568
Credit risk weighted amounts	信貸風險加權金額	30,430	28,953

Contingent liabilities and commitments are credit-related instruments which include acceptances, letters of credit, guarantees and commitments to extend credit. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client default. Since a significant portion of guarantees and commitments is expected to expire without being drawn upon, the total of the contract amounts does not represent expected future cash flows.

或然負債及承擔是與信貸有關的工具，包括用以提供信貸的承兌票據、信用證、擔保書和承付款項。合約金額是指當合約被完全提取及客戶違約時所承擔風險的金額。由於預期擔保書及承付款項的大部分金額會在未經提取前逾期，合約金額並不代表預計未來現金流量。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

46. OFF-BALANCE SHEET EXPOSURES (CONTINUED) 資產負債表以外的風險(續)

(b) Derivatives

(i) Notional amount of derivatives

Derivatives refer to financial contracts whose value depends on the value of one or more underlying assets or indices.

The following is a summary of the notional amounts of each significant type of derivative for the Group:

(b) 衍生工具

(i) 衍生工具的名義金額

衍生工具是指由一項或多項潛在資產或指數價值釐定價值的財務合約。

集團的每項衍生工具主要類別的名義金額摘要如下：

		2015				
		Managed in conjunction with financial instruments designated at fair value through profit or loss 按通過損益以反映公平價值 金融工具模式管理		Others, including held for trading 其他，包括持有作交易用途		Total 總額
		Qualifying for hedge accounting 符合對沖會計法	Others, including held for trading 其他，包括持有作交易用途	Others, including held for trading 其他，包括持有作交易用途	Others, including held for trading 其他，包括持有作交易用途	Total 總額
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Exchange rate contracts	匯率合約					
Forwards and futures	遠期交易及期貨	-	-	107,585		107,585
Swaps	掉期交易	4,622	5,598	255,411		265,631
Options purchased	購入期權	-	-	43,050		43,050
Options written	沽出期權	-	-	42,379		42,379
Interest rate contracts	利率合約					
Forwards and futures	遠期交易及期貨	-	-	981		981
Swaps	掉期交易	45,782	22,373	554,972		623,127
Equity contracts	股份合約					
Swaps	掉期交易	-	-	4,017		4,017
Options purchased	購入期權	-	-	2,901		2,901
Options written	沽出期權	-	-	3,010		3,010
Others	其他	-	-	9,329		9,329
		50,404	27,971	1,023,635		1,102,010

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

		2014					
		Qualifying for hedge accounting		Managed in conjunction with financial instruments designated at fair value through profit or loss	Others, including held for trading	Total	
		符合對沖會計法		以反映公平價值 金融工具模式管理	其他，包括持有 作交易用途	總額	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Exchange rate contracts	匯率合約						
Forwards and futures	遠期交易及期貨	542		–	52,020	52,562	
Swaps	掉期交易	–		–	364,361	364,361	
Options purchased	購入期權	–		–	63,369	63,369	
Options written	沽出期權	–		–	63,870	63,870	
Interest rate contracts	利率合約						
Forwards and futures	遠期交易及期貨	–		–	689	689	
Swaps	掉期交易	36,726		32,935	230,409	300,070	
Equity contracts	股份合約						
Swaps	掉期交易	–		–	6,869	6,869	
Options purchased	購入期權	–		–	3,185	3,185	
Options written	沽出期權	–		–	3,213	3,213	
Others	其他	–		–	3,956	3,956	
			37,268	32,935	791,941	862,144	

Derivatives arise from futures, forward, swap and option transactions undertaken by the Group and the Bank in the foreign exchange, interest rate and equity markets. The notional amounts of these instruments indicate the volume of transactions outstanding at the end of the reporting period; they do not represent amounts at risk.

The fair value and credit risk weighted amounts of the aforesaid off-balance sheet exposures are as follows. These amounts do not take into account the effects of bilateral netting arrangements.

衍生工具是由本集團及本行在外匯、利率及股票市場進行期貨、遠期、掉期及期權交易而產生。這些工具的名義金額指在報告期結束日仍未完成的交易量，但並不代表所承受風險的金額。

前述資產負債表以外風險的公平價值及信貸風險加權金額如下。這些金額並未計入雙邊淨額安排的影響。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

46. OFF-BALANCE SHEET EXPOSURES (CONTINUED) 資產負債表以外的風險(續)

(b) Derivatives (continued)

(ii) Fair value and credit risk weighted amounts of derivatives

(b) 衍生工具(續)

(ii) 衍生工具之公平價值及信貸風險加權金額

		2015			2014		
		Fair value 公平價值		Credit risk weighted amounts* 信貸風險 加權金額*	Fair value 公平價值		Credit risk weighted amounts* 信貸風險 加權金額*
Assets	Liabilities	Assets	Liabilities		Assets	Liabilities	
資產	負債	資產	負債	資產	負債		
HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn		
港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元		
Exchange rate contracts	匯率合約						
Forwards and futures	遠期交易及期貨	859	1,696	378	497	277	547
Swaps	掉期交易	1,574	1,590	3,351	729	2,187	2,764
Options purchased	購入期權	1,403	1,449	2,202	747	739	2,036
Options written	沽出期權	-	19	762	-	9	524
Interest rate contracts	利率合約						
Forwards and futures	遠期交易及期貨	2	-	-	1	1	-
Swaps	掉期交易	2,119	1,932	1,090	1,157	1,162	1,647
Options purchased	購入期權	-	-	-	-	-	-
Equity contracts	股份合約						
Swaps	掉期交易	75	86	69	167	167	419
Options purchased	購入期權	163	112	371	172	68	228
Options written	沽出期權	1	23	86	1	148	109
Others	其他	9	2	760	66	65	113
		6,205	6,909	9,069	3,537	4,823	8,387

* The Bank adopted the Foundation Internal Ratings Based ("IRB") approach according to Capital Rules for calculating the credit risk weighted amount as at 31st December, 2015 and 31st December, 2014.

* 根據《資本規則》，本行採納「基礎內部評級基準計算法」計算於2015年12月31日及2014年12月31日之信貸風險之風險加權金額。

The tables above give the contractual or notional amounts, fair value and credit risk weighted amounts of off-balance sheet transactions. The fair value is calculated for the purposes of deriving the credit risk weighted amounts. These are assessed in accordance with the Capital Rules. Fair value represents the cost of replacing all contracts which have a positive value when marked to market.

Fair value is a close approximation of the credit risk for these contracts as at the end of the reporting period. The credit risk weighted amount refers to the amount as computed in accordance with the Capital Rules.

上表列出資產負債表以外交易的合約或名義金額、公平價值及信貸風險加權金額。公平價值是用來計算信貸風險加權金額。該等金額是按照《資本規則》作評估。公平價值是指重置所有按市場價值計算差額時附有正值的合約成本。

公平價值是在報告期結束日該等合約的略計信貸風險。信貸風險加權金額是指按照《資本規則》計算。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

- (iii) Fair values of derivatives designated as hedging instruments
The following is a summary of the fair values of derivatives held for hedging purposes by product type:

- (iii) 指定為對沖工具之衍生工具的公平價值
用作對沖用途之衍生工具的公平價值按產品種類摘要如下：

		2015		2014	
		Assets	Liabilities	Assets	Liabilities
		資產	負債	資產	負債
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Exchange rate contracts	匯率合約	-	-	-	-
Interest rate contracts	利率合約	411	249	361	153
		411	249	361	153

(a) *Cash flow hedges*

The Group's cash flow hedge principally consists of foreign exchange contracts that are used to hedge against the variability in cash flows of certain debt securities subject to foreign exchange rate movement.

At 31st December, 2015 and 2014, the net fair value of derivatives held as cash flow hedges was insignificant.

The time periods in which the hedged cash flows are expected to occur and affect the consolidated statement of comprehensive income are as follows:

(a) *現金流對沖*

本集團之現金流對沖主要包括外匯合約，其作用是對沖若干受外幣匯率波動影響現金流改變的債務證券。

於2015年12月31日及2014年同日，持有作為現金流對沖之衍生工具的公平價值淨額是不重大。

影響綜合全面收益表及所對沖之現金流預期會發生的期間如下：

		Over one year		
		Within	but within	Over
		one year	five year	five years
		1年以內	1年以上至5年	5年以上
		HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元
At 31st December, 2015	於2015年12月31日			
Cash inflows from assets	來自資產的現金流入	-	894	194
Cash outflows from liabilities	來自負債的現金流出	-	-	-
Net cash inflows	淨現金流入	-	894	194
At 31st December, 2014	於2014年12月31日			
Cash inflows from assets	來自資產的現金流入	-	129	610
Cash outflows from liabilities	來自負債的現金流出	-	-	-
Net cash inflows	淨現金流入	-	129	610

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

46. OFF-BALANCE SHEET EXPOSURES (CONTINUED) 資產負債表以外的風險(續)

(b) Derivatives (continued)

(iii) Fair values of derivatives designated as hedging instruments (continued)

(b) Fair value hedges

The Group's fair value hedge principally consists of interest rate swaps that are used to protect against changes in the fair value of fixed rate long-term financial instruments due to movements in market interest rates.

At 31st December, 2015, the net fair value of such interest rate swaps was HK\$162 million (2014: HK\$208 million) comprising assets of HK\$411 million (2014: HK\$361 million) and liabilities of HK\$249 million (2014: HK\$153 million).

(iv) Remaining life of derivatives

The following table provides an analysis of the notional amounts of derivatives of the Group by relevant maturity grouping based on the remaining periods to settlement at the end of the reporting period.

(b) 衍生工具(續)

(iii) 指定為對沖工具之衍生工具的公平價值(續)

(b) 公平價值對沖

本集團的公平價值對沖主要包括利率掉期，其作用是保障受市場利率波動而影響長期定息金融工具的公平價值變動。

於2015年12月31日，該等利率掉期的公平價值淨額為港幣1.62億元(2014年：港幣2.08億元)，包括資產港幣4.11億元(2014年：港幣3.61億元)及負債港幣2.49億元(2014年：港幣1.53億元)。

(iv) 衍生工具之剩餘期限

下表分析在報告期結束日本集團根據到期期限歸類之剩餘結算期限有關衍生工具的名義金額。

		Notional amounts with remaining life of 剩餘期限的名義金額							
		2015				2014			
		1 year or less	Over 1 year to 5 years	Over 5 years	Total	1 year or less	Over 1 year to 5 years	Over 5 years	Total
		1年或以下	1年以上至5年	5年以上	總額	1年或以下	1年以上至5年	5年以上	總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Interest rate derivatives	利率衍生工具	464,365	152,323	7,420	624,108	187,504	103,463	9,792	300,759
Currency derivatives	貨幣衍生工具	398,757	68,046	994	467,797	423,816	118,327	2,018	544,161
Other derivatives	其他衍生工具	8,983	1,122	-	10,105	8,531	8,693	-	17,224
		872,105	221,491	8,414	1,102,010	619,851	230,483	11,810	862,144

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(c) Capital commitments

Capital commitments outstanding at 31st December and not provided for in the financial statements were as follows:

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Expenditure authorised and contracted for	已核准支出並已簽約	228	181
Expenditure authorised but not contracted for	已核准支出但未簽約	153	41
		381	222

(c) 資本承擔

於12月31日未償付但並未在財務報表中提撥準備的資本承擔如下：

(d) Operating lease commitments

At 31st December, 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Properties	物業		
Within one year	1年以內	573	554
After one year but within five years	1年至5年內	863	926
After five years	5年以後	129	178
		1,565	1,658

(d) 經營租賃承擔

於2015年12月31日，在不可撤銷的經營租賃內，未來最低應付租賃款項總額如下：

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Equipment	設備		
Within one year	1年以內	8	8
After one year but within five years	1年至5年內	16	13
		24	21

The Group lease certain properties and equipment under operating leases. The leases run for an initial period of one to twenty five years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually adjusted annually to reflect market rentals. None of the leases includes contingent rentals.

本集團以經營租賃形式租入若干物業和設備。租賃年期由1年至25年，到期日後可再續約但其他條款須另議。租賃付款金額通常每年調整以反映市值租金。所有租約並不包括或有租金。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

47. NOTES ON CONSOLIDATED CASH FLOW STATEMENT 綜合現金流量表附註

(a) Purchase of subsidiaries

(a) 收購附屬公司

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Net assets acquired	已購入淨資產		
Cash and balances with banks and other financial institutions	現金及在銀行和其他金融機構的結存	-	-
Advances and other accounts less provisions	已扣除準備之墊款及其他賬項	-	7
Fixed assets	固定資產	-	1
Current taxation	本期稅項	-	-
Other accounts and provisions	其他賬項及準備	-	(2)
		-	6
Goodwill arising on consolidation	賬項綜合時產生的商譽	1	17
Total purchase price	以現金支付的購入價	1	23
Less: Cash and cash equivalents acquired	減：購入的現金及等同現金項目	-	-
Cash flow on acquisition net of cash acquired	已扣除所購入現金的現金流	1	23

(b) Cash and cash equivalents

(b) 現金及等同現金項目

(i) Components of cash and cash equivalents in the consolidated cash flow statement

(i) 在綜合現金流量表內現金及等同現金項目的組成部分

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Cash and balances with banks and other financial institutions	現金及在銀行和其他金融機構的結存	42,983	36,575
Placements with banks and other financial institutions with original maturity within three months	原本期限為3個月以內在銀行及其他金融機構的存款	61,823	26,357
Treasury bills with original maturity within three months	原本期限為3個月以內的國庫債券	4,862	6,697
Certificates of deposit held with original maturity within three months	原本期限為3個月以內之持有的存款證	1,125	1,682
Debt securities with original maturity within three months	原本期限為3個月以內的債務證券	-	675
Add: Cash and balances with banks and other financial institutions included in "Assets held for sale" (Note 56)	加：包括在「持有作出售資產」(附註56)的現金及在銀行和其他金融機構的結存	173	-
		110,966	71,986

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(ii) Reconciliation with the consolidated statement of financial position

(ii) 與綜合財務狀況表的對賬

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Cash and balances with banks and other financial institutions (Note 24)	現金及在銀行及其他金融機構的結存(附註24)	69,122	70,358
Placements with banks and other financial institutions (Note 25)	在銀行及其他金融機構的存款(附註25)	80,828	50,769
Treasury bills, certificates of deposit held and debt securities	國庫債券、持有存款證及債務證券		
– trading assets (Note 27)	– 交易用途資產(附註27)	3,990	1,489
– designated at fair value through profit or loss (Note 28)	– 指定為通過損益以反映公平價值(附註28)	3,886	8,287
– advances and other accounts (Note 29(a))	– 墊款及其他賬項(附註29(a))	1	117
– available-for-sale (Note 30)	– 可供出售(附註30)	90,284	83,648
– held-to-maturity (Note 31)	– 持至到期(附註31)	6,199	6,747
		104,360	100,288
Cash and balances with banks and other financial institutions included in “Assets held for sale” (Note 56)	包括在「持有作出售資產」(附註56)的現金及在銀行和其他金融機構的結存	173	–
Amounts shown in the consolidated statement of financial position	在綜合財務狀況表出現的金額	254,483	221,415
Less: Amounts with an original maturity of beyond three months	減：原本期限為3個月以上的金額	(117,378)	(115,646)
Cash balance with central bank subject to regulatory restriction	受規管限制的在中央銀行的現金結存	(26,139)	(33,783)
Cash and cash equivalents in the consolidated cash flow statement	在綜合現金流量表內的現金及等同現金項目	110,966	71,986

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

48. ASSETS PLEDGED AS SECURITY 用作抵押品的資產

The following assets have been pledged as collateral for own liabilities at the end of the reporting period.

於報告期結束日，以下資產經已用作本身負債之抵押品。

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Secured liabilities	有抵押負債	6,577	6,534
Assets pledged:	抵押資產：		
Advances to customers and other accounts	客戶墊款及其他賬項	687	1,036
Available-for-sale financial assets	可供出售金融資產	5,919	5,822
Held-to-maturity investments	持至到期投資	155	733
		6,761	7,591

The following balances with banks have been pledged as collateral for securities borrowings and margin deposits of derivatives.

以下的銀行結餘已用作證券借貸及衍生工具孖展按金之抵押品。

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Cash collateral for borrowed securities	用作證券借貸的現金抵押品	–	49
Margin accounts for open futures and forward contracts	用作開立期貨及遠期合約的孖展賬戶	2,262	1,644
		2,262	1,693

These transactions are conducted under terms that are usual and customary to standard lending and securities borrowing and lending activities.

此等交易之條款是按一般及慣常標準借款及證券借貸交易進行。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

49. LOANS TO DIRECTORS AND ENTITIES CONNECTED WITH DIRECTORS 董事及與董事有關連實體的貸款

The aggregate of loans to directors of the Bank and entities connected with directors disclosed pursuant to Section 383(1)(d) of the Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

根據《公司條例》第383(1)(d)條及《公司(披露董事利益資料)規則》第3部規定，本行董事及與董事有關連實體之貸款總額披露如下：

		2015 HK\$ Mn 港幣百萬元
Aggregate amount of relevant loans outstanding at 31st December	相關貸款於12月31日的結欠總額	
By the Bank	由銀行借出	1,834
By subsidiaries	由附屬公司借出	123
		1,957
The maximum aggregate amount of relevant loans outstanding during the year	年度內相關貸款之最高結欠總額	
By the Bank	由銀行借出	2,621
By subsidiaries	由附屬公司借出	137
		2,758

There was no interest due but unpaid nor any impairment allowance made against these loans at 31st December, 2015.

於2015年12月31日，沒有逾期未償付利息，亦未有對該等貸款作減值準備。

Loans to Officers

For 2014, the aggregate of loans to officers of the Bank disclosed pursuant to Section 78 of Schedule 11 to the Companies Ordinance, with reference to Section 161B of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

行政人員貸款

在2014年，根據《公司條例》附表11第78條，並參照前香港《公司條例》(第32章)第161B條規定，本行行政人員之貸款總額披露如下：

		2014 HK\$ Mn 港幣百萬元
Aggregate amount of relevant loans outstanding at 31st December	相關貸款於12月31日的結欠總額	
By the Bank	由銀行借出	1,935
By subsidiaries	由附屬公司借出	156
		2,091
The maximum aggregate amount of relevant loans outstanding during the year	年度內相關貸款之最高結欠總額	
By the Bank	由銀行借出	6,158
By subsidiaries	由附屬公司借出	256
		6,414

There was no interest due but unpaid nor any impairment allowance made against these loans at 31st December, 2014.

於2014年12月31日，沒有逾期未償付利息，亦未有對該等貸款作減值準備。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

50. MATERIAL RELATED PARTY TRANSACTIONS 關聯人士的重大交易

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Bank's directors as disclosed in Note 21 and certain of the highest paid employees as disclosed in Note 22, is as follows:

		2015		2014	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Short-term employee benefits	短期僱員福利		110		114
Post-employment benefits	僱員退休福利		6		6
Equity compensation benefits	股份補償福利		22		24
			138		144

(b) The Group maintains certain retirement benefit schemes for its staff as per Note 2(q)(iii). In 2015, the total amount of contributions the Group made to the schemes was HK\$169 million (2014: HK\$159 million).

The Group enters into a number of transactions with the Group's related parties, including its associates, and key management personnel and their close family members and companies controlled or significantly influenced by them. The transactions include accepting deposits from and extending credit facilities to them. All interest rates in connection with the deposits taken and credit facilities extended are under terms and conditions normally applicable to customers of comparable standing.

The interest received from and interest paid to the Group's related parties for the year, outstanding balances of amounts due from and due to at the year end, and maximum outstanding balance of amounts due from and due to them during the year are aggregated as follows:

		Key management personnel 主要管理人員		Subsidiaries 附屬公司		Associates 聯營公司	
		2015	2014	2015	2014	2015	2014
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Interest income	利息收入	104	87	353	723	17	12
Interest expense	利息支出	37	61	79	88	-	-
Amounts due from	關聯人士的欠款	5,836	4,613	16,093	22,690	743	617
Amounts due to	欠關聯人士的款項	3,741	4,721	1,874	1,804	95	96
Maximum amounts due from	關聯人士的最高欠款	8,323	9,572	24,982	26,848	853	1,494
Maximum amounts due to	欠關聯人士的最高款項	9,419	8,529	1,951	2,731	904	1,093
Committed facilities to	給予信貸承諾	3,400	6,371	2,316	861	290	421

(a) 主要管理人員薪酬

本集團之主要管理人員薪酬，已包括在附註21中所披露支付予本行董事及在附註22中所披露支付予本行若干最高薪酬僱員的金額如下：

(b) 本集團為其職員提供若干退休保障計劃，並已於附註2(q)(iii)披露。於2015年內，本集團對該等計劃的供款總數為港幣1.69億元(2014年：港幣1.59億元)。

本集團與其關聯人士進行多項交易，該等人士包括聯營公司、及主要行政人員與其直系親屬、及受該等人士所控制或具有重大影響力的公司。該等交易包括接受該等人士存款及為他們提供信貸。所有存款及信貸的利率，均按照給予一般相若水平客戶的條款。

於2015年，本集團從關聯人士所收取與支付予他們的利息，及在2015年12月31日，關聯人士的欠款及欠關聯人士的款項，及在年度內關聯人士最高欠款及欠關聯人士的最高款項現總結如下：

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

51. EQUITY COMPENSATION PLANS 股份補償計劃

The Bank has adopted Staff Share Option Schemes whereby the Board may at its discretion grant to any employees of the Group, including Executive Director and Chief Executive, options to subscribe for ordinary shares of the Bank. All options were granted for nil consideration.

本行所採納的僱員認股計劃是董事會可酌情發出認股權予本集團之任何僱員，包括執行董事及行政總裁，以認購本行普通股股份。所有認股權均以無計價款形式發出。

(a) Particulars of share options

(a) 認股權詳情

Date of grant 授予日期	Vesting period 有效期	Exercise period 行使期	Exercise price per share 每股行使價 HK\$港幣元
06/7/2010	06/7/2010–05/7/2011	06/7/2011–06/7/2015	28.49
05/5/2011(T1)	05/5/2011–04/5/2012	05/5/2012–05/5/2017	32.00
05/5/2011(T2)	05/5/2011–04/5/2013	05/5/2013–05/5/2018	32.00
05/5/2011(T3)	05/5/2011–04/5/2014	05/5/2014–05/5/2019	32.00
10/5/2012(T1)	10/5/2012–09/5/2013	10/5/2013–10/5/2018	28.99
10/5/2012(T2)	10/5/2012–09/5/2014	10/5/2014–10/5/2019	28.99
10/5/2012(T3)	10/5/2012–09/5/2015	10/5/2015–10/5/2020	28.99
03/5/2013(T1)	03/5/2013–02/5/2014	03/5/2014–03/5/2019	31.40
03/5/2013(T2)	03/5/2013–02/5/2015	03/5/2015–03/5/2020	31.40
03/5/2013(T3)	03/5/2013–02/5/2016	03/5/2016–03/5/2021	31.40
02/5/2014(T1)	02/5/2014–01/5/2015	02/5/2015–02/5/2020	32.50
02/5/2014(T2)	02/5/2014–01/5/2016	02/5/2016–02/5/2021	32.50
02/5/2014(T3)	02/5/2014–01/5/2017	02/5/2017–02/5/2022	32.50
04/5/2015(T1)	04/5/2015–03/5/2016	04/5/2016–04/5/2021	34.15
04/5/2015(T2)	04/5/2015–03/5/2017	04/5/2017–04/5/2022	34.15
04/5/2015(T3)	04/5/2015–03/5/2018	04/5/2018–04/5/2023	34.15

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

51. EQUITY COMPENSATION PLANS (CONTINUED) 股份補償計劃(續)

(b) Movement of share options during the period

(b) 期內認股權之變動

2015	Date of grant 授予日期	Tranche 部分	Exercise price per share 每股行使價 HK\$港幣元	Outstanding at 1/1/2015 於2015年1月1日 尚未行使	Number of share options 認股權數目			Outstanding at 31/12/2015 於2015年12月31日 尚未行使
					Granted 已授予	Exercised 已行使	Lapsed 已失效	
	06/7/2010		28.49	3,440,000	-	3,440,000	-	-
	05/5/2011	T1	32.00	1,930,000	-	50,000	-	1,880,000
	05/5/2011	T2	32.00	1,930,000	-	-	-	1,930,000
	05/5/2011	T3	32.00	1,940,000	-	-	-	1,940,000
	10/5/2012	T1	28.99	1,264,000	-	100,000	-	1,164,000
	10/5/2012	T2	28.99	1,264,000	-	100,000	-	1,164,000
	10/5/2012	T3	28.99	1,940,000	-	768,000	-	1,172,000
	03/5/2013	T1	31.40	1,880,000	-	666,000	-	1,214,000
	03/5/2013	T2	31.40	1,880,000	-	-	-	1,880,000
	03/5/2013	T3	31.40	1,890,000	-	-	-	1,890,000
	02/5/2014	T1	32.50	1,992,000	-	50,000	-	1,942,000
	02/5/2014	T2	32.50	1,992,000	-	-	-	1,992,000
	02/5/2014	T3	32.50	2,003,500	-	-	-	2,003,500
	04/5/2015	T1	34.15	-	2,030,000	-	-	2,030,000
	04/5/2015	T2	34.15	-	2,030,000	-	-	2,030,000
	04/5/2015	T3	34.15	-	2,040,000	-	-	2,040,000
	Total 總額			25,345,500	6,100,000	5,174,000	-	26,271,500

2014	Date of grant 授予日期	Tranche 部分	Exercise price per share 每股行使價 HK\$港幣元	Outstanding at 1/1/2014 於2014年1月1日 尚未行使	Number of share options 認股權數目			Outstanding at 31/12/2014 於2014年12月31日 尚未行使
					Granted 已授予	Exercised 已行使	Lapsed 已失效	
	05/5/2009		21.25	435,000	-	435,000	-	-
	06/7/2010		28.49	3,600,000	-	160,000	-	3,440,000
	05/5/2011	T1	32.00	1,930,000	-	-	-	1,930,000
	05/5/2011	T2	32.00	1,930,000	-	-	-	1,930,000
	05/5/2011	T3	32.00	1,940,000	-	-	-	1,940,000
	10/5/2012	T1	28.99	1,830,000	-	566,000	-	1,264,000
	10/5/2012	T2	28.99	1,930,000	-	666,000	-	1,264,000
	10/5/2012	T3	28.99	1,940,000	-	-	-	1,940,000
	03/5/2013	T1	31.40	1,880,000	-	-	-	1,880,000
	03/5/2013	T2	31.40	1,880,000	-	-	-	1,880,000
	03/5/2013	T3	31.40	1,890,000	-	-	-	1,890,000
	02/5/2014	T1	32.50	-	1,992,000	-	-	1,992,000
	02/5/2014	T2	32.50	-	1,992,000	-	-	1,992,000
	02/5/2014	T3	32.50	-	2,003,500	-	-	2,003,500
	Total 總額			21,185,000	5,987,500	1,827,000	-	25,345,500

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(c) No share options were cancelled during the years ended 31st December, 2015 and 2014.

(c) 截至2015年12月31日及2014年12月31日年度內並未有認股權被註銷。

(d) Details of share options exercised

(d) 已行使認股權詳情

Exercise period 行使期間	Date of grant 授予日期	Number of share options 認股權數目	
		2015	2014
February 2月	05/5/2009	-	420,000
March 3月	06/7/2010	1,040,000	-
	10/5/2012 (T1)	-	566,000
	03/5/2013 (T1)	666,000	-
April 4月	06/7/2010	450,000	-
	05/5/2009	-	15,000
May 5月	06/7/2010	1,450,000	-
	10/5/2012 (T1)	50,000	-
	06/7/2010	500,000	-
	05/5/2011 (T1)	50,000	-
	10/5/2012 (T1)	50,000	-
	10/5/2012 (T2)	100,000	-
	10/5/2012 (T3)	100,000	-
June 6月	02/5/2014 (T1)	50,000	-
	06/7/2010	-	160,000
	10/5/2012 (T2)	-	666,000
	10/5/2012 (T3)	668,000	-
		5,174,000	1,827,000

52. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD 毋須調整的報告期結束日後的事件

After the end of the reporting period the directors declared a second interim dividend. Further details are disclosed in Note 19(a).

董事於報告期結束後擬派發第二次中期股息。詳情已在附註19(a)作披露。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

53. ACCOUNTING ESTIMATES AND JUDGEMENTS 會計估計及判斷

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the years presented. Changes in assumptions may have a significant impact on the financial statements in the periods where the assumptions are changed. The application of assumptions and estimates means that any selection of different assumptions would cause the Group's reporting to differ. The Group believes that the assumptions that have been made are appropriate and that the financial statements therefore present the financial position and results fairly, in all material respects.

Management discussed with the AC the development, selection and disclosure of the Group's significant accounting policies and estimates and the application of these policies and estimates.

(a) Key sources of estimation uncertainty

Notes 34, 39 and 45 contain information about the assumptions and their risk factors relating to goodwill impairment, fair value of share options granted and fair values of financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Impairment losses

Loans and advances

Loan portfolios are reviewed periodically to assess whether impairment losses exist. The Group makes judgement as to whether there is any objective evidence that a loan portfolio is impaired, i.e. whether there is a decrease in estimated future cash flows. Objective evidence for impairment includes observable data that the payment status of borrowers in a group has adversely changed. It may also include observable data that correlate with defaults on the assets in the Group. If management has determined, based on their judgement, that objective evidence for impairment exists, expected future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of the current observable data. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss experience.

Available-for-sale financial assets and held-to-maturity investments

The Group determines that available-for-sale financial assets and held-to-maturity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of when a decline in fair value below its cost is not recoverable within a reasonable time period is judgmental by nature, so profit and loss could be affected by differences in this judgement.

在編製本集團的財務報表時，管理層必須作出若干於該等財務報表的日期，對所匯報資產及負債之金額和或然資產及負債披露有影響的估計和假定，同時亦須作出若干對報告年度內收入及支出之金額有影響的估計和假定。如本集團更改該等假定，便可能對作出有關改變期間的財務報表產生重大影響。採用此等不同的假定和估計意味本集團之報告會有所不同。在各個重要環節方面，本集團認為已作出適當之假定，而本集團的財務報表均能公平地反映其財政狀況和業績。

管理層已與審核委員會商討關於本集團重要會計政策及估計的制定、選擇和披露，以及該等政策和估計的應用。

(a) 估計不穩定因素的主要來源

附註34、39和45載述有關商譽減值、已授予股權的公平價值和金融工具的公平價值的假定及其風險因素。估計不穩定因素的其他主要來源如下：

(i) 減值損失

貸款

本集團會定期檢討貸款組合，以評估減值損失是否存在。本集團需要判斷是否有任何客觀證據可以證明貸款組合已經減值，即估計將來現金流有所減少。減值客觀證據包括與借款人有關的可觀察資料整體上的付款狀況已出現逆轉，而該等資料與本集團的不履行資產是互相關連的。當管理層根據其判斷決定減值的客觀證據存在，便會依據若干與該等資產的信貸風險特性相若之資產的以往損失經驗，以估計預期將來現金流。以往損失經驗是以目前的可觀察資料為基礎作出調整。管理層亦會定期檢討用以估計將來現金流的方法和假定，從而減少估計損失與實際損失的差異。

可供出售金融資產及持至到期投資

若可供出售金融資產及持至到期投資的公平價值明顯或持續地低於其成本，本集團即判斷該等資產及投資已減值。本集團判斷公平價值低於成本的金額會在一段合理時間內不可收回純屬假設性質，因此判斷之差異會對損益有所影響。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

(ii) Valuation of financial instruments

The Group's accounting policy for valuation of financial instruments is included in Note 2. The fair value of the financial instruments is mainly based on the quoted market price on a recognised stock exchange or a price quoted from a broker/dealer for non-exchanged traded financial instruments. The fair value of collateralised debt obligations is based on bid prices quoted by reputable brokers and has been carefully assessed for reasonableness by management. The fair value of a Special Investment Vehicle ("SIV") is based on its net asset values as provided by the SIV's manager.

(b) Critical accounting judgements in applying the Group's accounting policies

Certain critical accounting judgements in applying the Group's accounting policies are described below:

(i) Held-to-maturity investments

The Group classifies non-derivative financial assets with fixed or determinable payments and fixed maturity and where the Group has a positive intention and ability to hold to maturity as held-to-maturity investments. In making this judgement, the Group evaluates its intention and ability to hold such investments till maturity.

If the Group fails to hold these investments to maturity other than for certain specific circumstances, the Group will have to reclassify the entire portfolio of held-to-maturity investments as available-for-sale, as such class is deemed to have been tainted.

This would result in held-to-maturity investments being measured at fair value instead of at amortised cost.

(ii) Recognition of deferred tax assets

The Group recognises deferred tax assets only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Estimates and judgements are applied in determining the amount of future taxable profits and the probability that such future taxable profits are available in the foreseeable future to support recognition of the deferred tax assets. The Group uses all readily available information, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs, in determining future taxable profits. Changes in these estimates could significantly affect the timing of deferred tax asset recognition and the amount of asset recognised.

(ii) 金融工具的估值

本集團對金融工具估值的會計政策列載於附註2。金融工具的公平價值主要根據認可之交易所的市場報價，或就非在交易所作交易的金融工具而言，則根據經紀／交易員的報價。債務抵押債券的公平價值由聲譽良好的經紀按買入價提供報價，及經已被管理層小心評估其適當性。特別投資工具的公平價值是根據特別投資工具之管理人所提供該工具的資產淨值。

(b) 本集團應用會計政策的重要會計判斷

本集團應用會計政策的若干重要會計判斷如下：

(i) 持至到期投資

本集團將設有固定或可確定付款金額和固定到期日，以及本集團有確信的意向及能力持有至到期日的非衍生金融資產，分類為持至到期投資。在作出有關判斷時，本集團會評估本身是否有意向及能力持有該等投資至到期日。

除若干特殊情況外，若本集團未能持有該等投資至到期日，本集團會將整個可持至到期日的投資組合，重新分類為可供出售。這是由於此類投資已被蒙污。

以上之情況會導致原以攤銷成本計量的可持至到期投資改以公平價值計量。

(ii) 遞延稅項資產之確認

須在未來可能有應課稅溢利予以抵銷遞延稅項資產的情況下，本集團才確認遞延稅項資產。在釐定未來應課稅溢利的金額及其可能性時，須估計及判斷在可見之將來該未來應課稅溢利可否支持確認該遞延稅項資產。本集團使用所有已有的資料，包括根據合理及可支持之假設和對收入及支出成本的估計，以釐定未來應課稅溢利。此等估計的變動可能對遞延稅項資產確認的時間及資產確認的金額有重大影響。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

54. COMPARATIVE FIGURES 比較數字

To better reflect the nature of periodic payments and receipts arising from interest rate contracts, such payments and receipts arising from interest rate contracts which are qualifying hedging instruments for or individually managed in conjunction with interest bearing financial assets are first netted together and then combined with the interest income from the corresponding financial assets. Similarly, payments and receipts arising from interest rate contracts which are qualifying hedging instruments for or individually managed in conjunction with interest bearing financial liabilities are also first netted together and then combined with the interest expense from the corresponding financial liabilities.

The net payments and receipts arising from interest rate contracts other than the above are included in net trading profits.

Certain 2014 comparative figures have been restated to conform to current year's presentation. Please refer to Consolidated Income Statement, Consolidated Statement of Changes in Equity, Notes 5, 6, 8, 11, 23 and 42 for the effect of restatement.

為更有效反映來自利率合約之定期支出及收入的性質，作為帶息金融資產的合格對沖工具或可個別地與帶息金融資產共同管理的利率合約所產生的支出及收入首先抵銷，淨額與其相關金融資產產生的利息收入合併。同樣地，作為帶息金融負債的合格對沖工具或可個別地與帶息金融負債共同管理的利率合約所產生的支出及收入首先抵銷，淨額與其相關金融負債產生的利息支出合併。

來自並非上述之利率合約的淨支出及收入，則列作交易淨溢利。

若干2014年的比較數字經已重報以符合本年度的呈報方式。請參閱綜合收益表、綜合權益變動表、附註5、6、8、11、23及42中所述的重報影響。

55. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31ST DECEMBER, 2015 在截至2015年12月31日止年度前已公布但尚未生效的修訂、新標準和詮釋所產生的可能影響

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31st December, 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

直至此等財務報表之發布日期，香港會計師公會已頒布了多項修訂及新準則；但該等修訂和新準則於截至2015年12月31日止會計年度尚未生效，因此尚未應用於此等財務報表。可能與本集團有關之修訂和新準則如下。

	Effective for accounting periods beginning on or after 由會計期開始或以後起生效
Annual improvements to HKFRSs 2010-2014 cycle 每年對《香港財務報告準則》之提升2010至2014循環	1st January, 2016 2016年1月1日
Amendments to HKFRS 10 and HKAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i> 經修訂《香港財務報告準則》第10號及《香港會計準則》第28號「投資者與其聯營公司或合營企業之間的資產銷售或投入」	1st January, 2016 2016年1月1日
Amendments to HKFRS 11, <i>Accounting for acquisitions of interests in joint operations</i> 經修訂《香港財務報告準則》第11號「收購合營業務權益之會計處理」	1st January, 2016 2016年1月1日
Amendments to HKAS 1, <i>Disclosure initiative</i> 經修訂《香港會計準則》第1號「披露計劃」	1st January, 2016 2016年1月1日
Amendments to HKAS 16 and HKAS 38, <i>Clarification of acceptable methods of depreciation and amortisation</i> 經修訂《香港會計準則》第16號及《香港會計準則》第38號「釐清折舊及攤銷之可接受方法」	1st January, 2016 2016年1月1日
HKFRS 15, <i>Revenue from contracts with customers</i> 《香港財務報告準則》第15號「與客戶之間的合同產生的收入」	1st January, 2018 2018年1月1日
HKFRS 9, <i>Financial instruments</i> 《香港財務報告準則》第9號「金融工具」	1st January, 2018 2018年1月1日

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

HKFRS 9, Financial Instruments

The main changes to the requirements of HKAS 39 are summarised below.

All financial assets are classified into two measurement categories: amortised cost or fair value on the basis of both an entity's business model for managing groups of financial assets and the contractual cash flow characteristics of the individual assets. These two categories replace the four categories under the current HKAS 39, *Financial instruments: Recognition and Measurement*.

Financial assets are measured at fair value through profit or loss, if they do not meet the criteria specified for measurement at amortised cost or if doing so significantly reduces or eliminates an accounting mismatch. An entity has the option to designate all subsequent changes in fair value of an equity instrument not held for trading at fair value through other comprehensive income with no recycling of gains or losses to the income statement. Dividend income would continue to be recognised in the income statement.

Financial assets which contain embedded derivatives are to be classified in their entirety either at fair value or amortised cost depending on whether the contracts as a whole meet the relevant criteria under HKFRS 9.

HKFRS 9 retains all the existing requirements for derecognition of financial instruments and most of the requirements for financial liabilities, except that for financial liabilities designated under the fair value option other than loan commitments and financial guarantee contracts, fair value changes attributable to changes in own credit risk are to be presented in the statement of other comprehensive income, and are not subsequently reclassified to income statement but may be transferred within equity.

The new impairment methodology in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under HKFRS 9 it is not necessary for a credit event to have occurred before credit losses are recognised.

The Group is presently studying the implications of applying HKFRS 9 but it is impracticable to quantify its effect as at the date of publication of these consolidated financial statements.

本集團正在評估該等修訂對首個應用期可能產生的影響。除以下所述外，至今所得結論是若採納該等修訂對本集團的綜合財務報表不可能構成重大影響：

《香港財務報告準則》第9號「金融工具」

其主要對《香港會計準則》第39號所要求的變動簡述如下。

所有金融資產按兩種計量類別分類：攤銷成本或公平價值並根據該實體管理金融資產組合及個別資產的合約現金流特徵之商業模式。該兩種類別取代現時按《香港會計準則》第39號「金融工具：確認與計量」之四種類別。

如它們不符合按攤銷成本計算的要求或如其做法會重大減低或抵銷會計錯配，金融資產會按通過損益以反映公平價值計量。實體有權選擇指定非作交易用途的股份工具往後公平價值變動是通過全面收益表反映，而不是通過收益表來反映盈虧。股息收入仍繼續於收益表內確認。

包含嵌入衍生工具的金融資產會全數分類為按公平價值或攤銷成本，視乎其合約整體上能否符合《香港財務報告準則》第9號之要求。

《香港財務報告準則》第9號保留現時終止確認金融工具之所有要求以及大部分金融負債的要求，除根據公平價值選擇權指定金融負債（不包括貸款承擔及財務擔保合約）外，屬本身信貸風險之公平價值變動在全面收益表內呈報，及不會轉入往後的收益表，但可能會在股東權益內轉賬。

在《香港財務報告準則》第9號所提倡之新減值計算方法是以「預計信貸損失」模式取代《香港會計準則》第39號之「已發生損失」模式。根據《香港財務報告準則》第9號，確認信貸損失是毋須一項信貸事件經已發生。

本集團現正研究實施《香港財務報告準則》第9號的影響，但須量化對當刊載該等綜合財務報表日期時之影響是不切實際的。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

財務報表附註(續)

56. ASSETS HELD FOR SALE 持有作出售資產

(a) The assets and liabilities of the disposal group held for sale is summarized below:

(a) 持有作出售之出售組別的資產和負債摘要如下：

		2015
		HK\$ Mn 港幣百萬元
ASSETS	資產	
Cash and balances with banks and other financial institutions	現金及在銀行和其他金融機構的結存	173
Placements with banks and other financial institutions	在銀行及其他金融機構的存款	35
Advances to customers and other accounts	客戶墊款及其他賬項	598
Fixed assets (Note 35)	固定資產(附註35)	8
– Investment properties	– 投資物業	–
– Other property and equipment	– 其他物業及設備	8
Goodwill and intangible assets (Note 34)	商譽及無形資產(附註34)	2
Deferred tax assets (Note 36(b))	遞延稅項資產(附註36(b))	5
Assets held for sale	持有作出售資產	821
LIABILITIES	負債	
Deposits and balances of banks and other financial institutions	銀行及其他金融機構的存款及結餘	40
Current taxation	本期稅項	1
Other accounts and provisions	其他賬項及準備	184
Liabilities held for sale (Note 37(b))	持有作出售負債(附註37(b))	225

On 23rd October, 2015 the Bank entered into an agreement to sell its wholly-owned subsidiary, Tung Shing Holdings Company Limited (“Tung Shing”) to SinoPac Securities (Cayman) Holdings Limited (“SPSC”). In addition, the Bank has entered into an agreement with SinoPac Securities Corporation (“SinoPac Securities”) for the disposal of all the issued shares in BEA Wealth Management Services (Taiwan) Limited (“BEA Wealth Management”) through the merger of BEA Wealth Management with SinoPac Securities. Both SinoPac Securities and SPSC are wholly-owned subsidiaries of SinoPac Financial Holdings Company Limited (“SinoPac”), which is listed on the Taiwan Stock Exchange (2890.TT).

The considerations of the sales were determined after arm’s length negotiations between the Bank and SinoPac. The sale transaction of Tung Shing requires regulatory approval from the Securities and Futures Commission of Hong Kong and the Financial Supervisory Commission of Taiwan (“FSC”), while the disposal of BEA Wealth Management requires approval from the FSC and the Investment Commission of the Ministry of Economic Affairs in Taiwan.

Up to 15th February 2016, the transactions have still to be approved by the relevant regulatory authorities. The subsidiaries are classified as assets held for sale in the financial statements.

於2015年10月23日，本行與永豐金證券(開曼)控股有限公司(「永豐金證券(開曼)」)達成協議，向其出售旗下全資附屬公司—東盛控股有限公司(「東盛」)。此外，本行亦與永豐金證券股份有限公司(「永豐金證券」)簽訂了一項協議，透過出售位於台灣的東亞證券股份有限公司(「東亞證券(台灣)」)之全部已發行股份，將東亞證券(台灣)併入永豐金證券。永豐金證券和永豐金證券(開曼)乃台灣證券交易所上市的永豐金融控股股份有限公司(「永豐金控」)(2890.TT)的全資附屬公司。

是次出售乃東亞銀行及永豐金控以公平磋商決定。出售東盛之交易尚待香港證券及期貨事務監察委員會及台灣金融監督管理委員會(「台灣金管會」)批准，而出售東亞證券(台灣)之交易則有待台灣金管會及台灣經濟部投資審議委員會的批准。

截至2016年2月15日，該等交易仍然有待有關監管當局批准。在財務報表中，該等附屬公司分類為持有作出售資產。

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
財務報表附註(續)

		2015 HK\$ Mn 港幣百萬元
(b) Assets held for sale (Note 29(a))	(b) 持有作出售資產(附註29(a))	
Disposal group held for sale	持有作出售的組別	821
Other properties and loans	其他物業及貸款	134
		955
Liabilities held for sale (Note 37(b))	持有作出售負債(附註37(b))	
Disposal group held for sale	持有作出售的組別	225

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

未經審核補充財務資料

The following information is disclosed as part of the accompanying information to the financial statements and does not form part of the audited financial statements.

The preparation of supplementary financial information is in accordance with the Banking (Disclosure) Rules and consolidated supervision arrangement approved by HKMA.

以下所披露的資料只屬於財務報表的附帶資料而並不構成已審核財務報表之一部分。

編制補充財務資料是根據《銀行業(披露)規則》及金管局核準的綜合監管要求。

(1) CAPITAL ADEQUACY 資本充足

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Capital base	股本基礎		
- Common Equity Tier 1 capital	- 普通股權一級資本	61,571	53,424
- Additional Tier 1 capital	- 額外一級資本	7,210	2,835
- Total Tier 1 capital	- 一級資本總額	68,781	56,259
- Tier 2 capital	- 二級資本	17,703	19,197
- Total capital	- 資本總額	86,484	75,456
Risk weighted assets by risk type	風險加權資產類別		
- Credit risk	- 信貸風險	458,920	410,891
- Market risk	- 市場風險	17,231	13,355
- Operational risk	- 營運風險	30,553	29,687
		506,704	453,933
Less: Deductions	減: 扣除	(3,018)	(2,479)
		503,686	451,454
		2015	2014
		% 百分率	% 百分率
Common Equity Tier 1 capital ratio	普通股權一級資本比率	12.2	11.8
Tier 1 capital ratio	一級資本比率	13.7	12.5
Total capital ratio	總資本比率	17.2	16.7

Capital adequacy ratios were compiled in accordance with the Capital Rules issued by the HKMA. In accordance with the Capital Rules, the Bank has adopted the foundation internal ratings-based approach for the calculation of the risk-weighted assets for credit risk and the internal models approach for the calculation of market risk and standardised approach for operational risk.

資本充足比率乃根據金管局所頒布的《資本規則》計算。根據《資本規則》，本行選擇採納「基礎內部評級基準計算法」計算信貸風險之風險加權資產、「內部模式計算法」計算市場風險及「標準計算法」計算營運風險。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

The basis of consolidation for regulatory purposes is different from the basis of consolidation for accounting purposes. Subsidiaries included in consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with Section 3C of the Capital Rules. Subsidiaries not included in consolidation for regulatory purposes are non-financial companies and the securities and insurance companies that are authorised and supervised by a regulator and are subject to supervisory arrangements regarding the maintenance of adequate capital to support business activities comparable to those prescribed for authorised institutions under the Capital Rules and the Banking Ordinance. The Bank's shareholdings in these subsidiaries are deducted from its Tier 1 capital and Tier 2 capital subject to the thresholds and transitional arrangements as determined in accordance with Part 3 and Schedule 4H of the Capital Rules respectively.

The list of subsidiaries that are not included in consolidation for regulatory purposes are:

用作監管用途之綜合基礎與作會計用途之綜合基礎是不相同的。包括在用作監管用途之附屬公司乃根據金管局按《資本規則》第3C條所頒布的通知內列載。不包括在綜合基礎用作監管用途之附屬公司為非金融類公司以及已核准和受一監管機構規管的證券及保險公司，對該等公司有關係維持足夠資本以支持商業活動的監管安排，與按照適用於《資本規則》及《銀行業條例》的金融機構之標準相符。本行於該等公司的權益已按《資本規則》第3部分所述之門檻規定以及附表4H所述之過渡性安排經計算後從一級及二級資本中扣除。

以下附屬公司並未包括在用作監管用途之綜合計算內：

Name of company 公司名稱	Nature of business 業務性質	Total assets 資產總額		Total equity 股東權益總額	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Abacus (Nominees) Limited	Nominee company 受託代管公司	-	-	-	-
Abacus Business Consultants Sdn. Bhd.	Dormant 不活動	-	-	-	-
Abacus Company Administration Sdn. Bhd.	Corporate director and secretarial services 法人團體董事及秘書服務	-	-	-	-
Abacus Share Registrars Ltd 雅柏勤證券登記有限公司	Name reservation 預留公司名稱	-	-	-	-
Acheson Limited	Trustee and shareholder services 信託及股東服務	-	-	-	-
Agensi Pekerjaan Tricor Sdn Bhd	Employment agency 職業介紹機構	-	-	-	-
Albridge Corporate Advisory Services Ltd	Corporate services 企業服務	-	-	-	-
Albridge Services London Ltd	Dormant 不活動	-	-	-	-
Alhart Limited	Nominee company 受託代管公司	-	-	-	-
Ample Delight Limited 承悅有限公司	Investment holding 投資控股	383	383	383	383
Asia Management Services Sdn Berhad 亞洲管理服務有限公司	Management services 管理服務	4	4	4	4
Asia Securities Sdn Berhad	Management services (Dormant) 管理服務(不活動)	-	-	-	-
Atsumi & Sakai UK Limited	Dormant (use as name protection vehicle) 不活動(用作名稱保護工具)	-	-	-	-

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(1) CAPITAL ADEQUACY (CONTINUED) 資本充足(續)

Name of company 公司名稱	Nature of business 業務性質	Total assets 資產總額		Total equity 股東權益總額	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Barbinder & Co. Pte. Ltd.	Share registration 證券登記		6		2
Barbinder & Co., Sdn. Bhd.	Dormant 不活動		–		–
BC (BVI) Holdings Limited	Investment holding 投資控股		16		16
BEA Blue Sky Company Limited	Acting as the sole general partner to BEA Blue Sky Real Estate Fund L.P. 出任 BEA Blue Sky Real Estate Fund L.P. 單一普通合夥人		1		1
BEA Blue Sky Real Estate Fund L.P.	Acting as a limited partner to BEA/AGRE China Real Estate Fund L.P. 出任 BEA/AGRE China Real Estate Fund L.P. 有限責任合夥人		71		68
BEA Blue Sky SLP Limited	Acting as a special limited partner to BEA/AGRE China Real Estate Fund L.P. 出任 BEA/AGRE China Real Estate Fund L.P. 特殊有限責任合夥人		–		–
BEA Consortium GS Investors L.P.	Acting as a limited partner of a limited partnership 有限責任合夥人		129		129
BEA Insurance Agency Limited 東亞保險代理有限公司	Insurance 保險		–		–
BEA Insurance Brokerage (Taiwan) Limited 東亞銀保險經紀人股份有限公司	General and life insurance broker 一般及人壽保險經紀		1		1
BEA Life Limited 東亞人壽保險有限公司	Life insurance 人壽保險		11,383		895
BEA Pacific Asia Limited	Dormant 不活動		–		–
BEA Pacific Holding Company Limited (in Members' Voluntary Liquidation)	Investment holding 投資控股		1		1
BEA Union Investment Management Limited 東亞聯豐投資管理有限公司	Asset management 資產管理		499		477
BEA Wealth Management Services (Taiwan) Limited 東亞證券股份有限公司	Wealth management services 財富管理服務		193		85
Becmac Limited	Nominee shareholder 股東代名人		–		–
Beecroft Limited	Nominee company 受託代管公司		–		–

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

Name of company 公司名稱	Nature of business 業務性質	Total assets 資產總額		Total equity 股東權益總額	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Bentley Services Limited	Nominee director 董事代名人	–	–	–	–
Blue Care (BVI) Holdings Limited	Investment holding 投資控股	16	16	16	16
Blue Care JV (BVI) Holdings Limited	Investment holding 投資控股	18	18	18	18
Blue Care Medical Services Limited 寶康醫療服務有限公司	Medical services 醫療服務	36	36	25	25
Blue Cross (Asia-Pacific) Insurance Limited 藍十字(亞太)保險有限公司	Insurance 保險	3,427	3,427	831	831
Branford Investments Limited	Nominee services 受託代管服務	–	–	–	–
Camceb Limited	Nominee shareholder 股東代名人	–	–	–	–
Cane Garden Bay Limited	Nominee director/shareholder 董事/股東代名人	–	–	–	–
Capico Asset Management Sdn. Bhd.	Corporate director and secretarial services 法人團體董事及秘書服務	–	–	–	–
Caribbean Corporate Services Ltd.	Corporate secretarial and accounting services 法人團體秘書及會計服務	13	13	10	10
CCSL St. Lucia Ltd.	Holding company 控股公司	1	1	–	–
Central Town Limited 匯中興業有限公司	Property investment 物業投資	656	656	434	434
Century Able Limited 階潤有限公司	Investment holding 投資控股	798	798	798	798
Cheam Holdings Limited	Nominee director 董事代名人	–	–	–	–
Cheam Nominees Limited	Nominee director 董事代名人	–	–	–	–
Chongqing Dongrong Business Consultancy Company Limited 重慶市東榮商務諮詢有限公司	Business consultancy services 商業諮詢服務	6	6	1	1
Chua, Woo & Company Sdn. Bhd.	Dormant 不活動	–	–	–	–
Citiview Capital Limited	Acting as the general partner and limited partner of a limited partnership 普通合夥人及有限責任合夥人	13	13	2	2
Clacton Company Limited	Nominee company 受託代管公司	–	–	–	–
Cloud Paging Nominees Limited	Dormant 不活動	–	–	–	–

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(1) CAPITAL ADEQUACY (CONTINUED) 資本充足(續)

Name of company 公司名稱	Nature of business 業務性質	Total assets 資產總額		Total equity 股東權益總額	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Corona Light Limited	Investment holding 投資控股		930		930
Crystal Gleaming Limited	Investment holding 投資控股		930		930
Dean Street Property Limited	Property development 物業發展		37		31
Delanez Limited	Nominee director/shareholder 董事/股東代名人		–		–
Denroy Nominees Limited	Nominee director 董事代名人		–		–
Dersale Limited	Nominee director/shareholder 董事/股東代名人		–		–
Directra Overseas Services Inc.	Nominee company 受託代管公司		–		–
Directra Services Limited	Nominee company 受託代管公司		–		–
EA Securities Limited	Investment holding 投資控股		–		(63)
East Asia Corporate Services (BVI) Limited	Registered agent and trustee services 註冊代理及信託服務		25		24
East Asia Corporate Services (Nominees) Ltd.	Nominee director/shareholder 董事/股東代名人		–		–
East Asia Financial Services (BVI) Ltd.	Investment holding 投資控股		1		1
East Asia Futures Limited 東亞期貨有限公司	Futures and options trading 期貨及期權交易		59		59
East Asia Indonesian Holdings Limited	Investment holding 投資控股		137		130
East Asia International Trustees Holdings (BVI) Limited	Investment holding 投資控股		10		10
East Asia International Trustees Limited	Trustee services 信託服務		27		25
East Asia Properties Holding Company Limited 東亞物業控股有限公司	Investment holding 投資控股		6		(67)
East Asia Property Agency Company Limited 東亞物業代理有限公司	Property agency 物業代理		12		12
East Asia Property Holdings (Jersey) Limited	Property holding 物業持有		96		38

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

Name of company 公司名稱	Nature of business 業務性質	Total assets 資產總額		Total equity 股東權益總額	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
East Asia Property Management (China) Limited 東亞物業管理(中國)有限公司	Property management 物業管理		–		–
East Asia Secretaries (BVI) Limited	Investment holding 投資控股		594		594
East Asia Secretaries Limited 東亞秘書有限公司	Secretarial services 秘書服務		–		–
East Asia Securities Company Limited 東亞證券有限公司	Securities broking 證券買賣		1,109		786
East Asia Strategic Holdings Limited	Investment holding 投資控股		417		417
Elemen Limited	Nominee shareholder 股東代名人		–		–
Epsilon Registration Services Sdn. Bhd.	Dormant 不活動		–		–
Equity Trustee Limited	Trustee 信託服務		1		1
Essex Nominees Limited	Nominee director/shareholder 董事/股東代名人		–		–
Evatthouse Corporate Services Pte. Ltd.	Corporate secretarial and advisory services 法人團體秘書及諮詢服務		101		4
Fitz Services Pte. Ltd.	Business and management consultancy services 商業及管理諮詢服務		–		–
Fortra Services Limited	Nominee company 受託代管公司		–		–
Gainsville Limited	Nominee shareholder 股東代名人		–		–
Gil Services Pte. Ltd.	Business and management consultancy services 商業及管理諮詢服務		–		–
Gladwood Limited	Nominee director/shareholder 董事/股東代名人		–		–
Gold Sweep Sdn Bhd	Investment holding 投資控股		73		2
Golden Empire International Inc.	Property investment 物業投資		–		–
Golden Properties Finance Ltd.	Mortgage financing 按揭財務		–		–
Golden Queen International Ltd.	Property investment 物業投資		–		–
Grimma Company Limited	Nominee company 受託代管公司		–		–

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(1) CAPITAL ADEQUACY (CONTINUED) 資本充足(續)

Name of company 公司名稱	Nature of business 業務性質	Total assets 資產總額		Total equity 股東權益總額	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
High Town Limited	Investment holding 投資控股		4		4
ICEA Capital Limited 工商東亞融資有限公司	Dormant 不活動		70		70
ICIS China (HK) Co Limited	Name reservation service 預留公司名稱服務		–		–
International Holdings Corporation	Trust related services 信託相關服務		–		–
Jinmao (China) Hotel Investments and Management Limited 金茂(中國)酒店投資管理有限公司	Name reservation service 預留公司名稱服務		–		–
Kaliwood Corporation	Nominee director/shareholder 董事/股東代名人		–		–
Keen Sight Development Limited	Investment holding 投資控股		229		228
Leader One Limited	Investment holding 投資控股		7		–
Linkwall Investments Limited 領皇投資有限公司	Trustee 信託服務		–		–
Maccabee (Nominees) Limited	Nominee director 董事代名人		–		–
Mache Holdings Limited	Nominee shareholder 股東代名人		–		–
Mache Nominees Limited	Nominee shareholder 股東代名人		–		–
Mactors Limited	Nominee director 董事代名人		–		–
Maintex Limited	Nominee director 董事代名人		–		–
Malplaquet Limited	Nominee director, shareholder and secretary 董事、股東及秘書代名人		–		–
Manchester Property Holdings Ltd.	Property holding 物業控股		32		13
Menroy Registrars Limited	Nominee director 董事代名人		–		–
Nickel Resources International Holdings Company Limited 鎳資源國際控股有限公司	Provision of name reservation service 預留公司名稱服務		–		–
Norpac Holdings Limited	Custodian services 保管服務		–		–

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

Name of company 公司名稱	Nature of business 業務性質	Total assets 資產總額		Total equity 股東權益總額	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Outsource Centre Pte. Ltd.	Accounting and payroll services 會計及支薪服務		5		1
Overseas Nominees Limited	Nominee services 受託代管服務		–		–
Pen Ling Limited	Nominee company 受託代管公司		–		–
PFA Corporate Consultants Sdn Bhd	Consultancy, advisory and nominees services 諮詢、顧問及受託代管服務		–		–
PFA Registration Services Sdn. Bhd.	Dormant 不活動		1		1
Powerhouse Worldwide Limited	Investment holding 投資控股		226		226
Ramillies Limited	Nominee director, shareholder and secretary 董事、股東及秘書代名人		–		–
Red Phoenix Limited	Leasing of motor vehicles 汽車租賃		1		1
Roebuck Limited	Directorship services 董事職務服務		–		–
Rontors Limited	Nominee director 董事代名人		–		–
Rosland Corporate Management Limited	Nominee shareholder 股東代名人		–		–
Secretaries Limited 秘書商業服務有限公司	Name reservation service 預留公司名稱服務		–		–
Secretarius Services Sdn. Bhd.	Corporate director and secretarial services 法人團體董事及秘書服務		–		–
Selene Throne (HK) Limited	Name reservation service 預留公司名稱服務		–		–
Shaftesbury Property Holdings Limited	Investment holding 投資控股		114		114
Shaftesbury Property Investments Limited	Investment holding 投資控股		73		73
Shareg Nominees Limited	Nominee services 受託代管服務		–		–
Silver River International Limited	Acting as the general partner and limited partner of a limited partnership 普通合夥人及有限責任合夥人		172		–
Silver Sunlight Limited	Acting as the general partner of a limited partnership 普通合夥人		–		–
Skyray Holdings Limited	Investment holding 投資控股		450		450

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(1) CAPITAL ADEQUACY (CONTINUED) 資本充足(續)

Name of company 公司名稱	Nature of business 業務性質	Total assets 資產總額		Total equity 股東權益總額	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Songket Bakery Sdn. Bhd.	Development and trading of computer software and provision of computer software related maintenance services (in striking off) 電腦軟件開發及買賣以及提供相關之軟件保養服務(除名中)	–	–	–	–
Speedfull Limited	Investment holding 投資控股	450	450	450	450
Standard Registrars Limited 標準證券登記有限公司	Name reservation service 預留公司名稱服務	–	–	–	–
Strath Corporate Services Limited	Business and corporate services 商業及企業服務	–	–	–	–
Swan Nominees Limited	Nominee shareholder 股東代名人	–	–	–	–
Tabernacle Assets Limited 德續有限公司	Protector of trust 信託保障人	–	–	–	–
Teeroy Limited	Trustee 信託服務	–	–	–	–
Tengis International Limited	Authorised signatories services 授權簽署服務	–	–	–	–
Tengis Limited 登捷時有限公司	Name reservation service 預留公司名稱服務	–	–	–	–
Tengis Services Limited	Act as account holder for clients' funds for payroll and Mandatory Provident Fund 出任客戶支薪及強積金帳戶持有人	–	–	–	–
The Bank of East Asia (Nominees) Limited 東亞銀行受託代管有限公司	Nominee services 受託代管服務	–	–	–	–
The Bank of East Asia (Nominees) Private Limited	Nominee services 受託代管服務	–	–	–	–
The Bank of East Asia Charitable Foundation Limited 東亞銀行慈善基金有限公司	Charitable institution 慈善機構	–	–	–	–
The Bank of East Asia Nominees (UK) Limited	Dormant 不活動	–	–	–	–
Travelsafe Limited	Dormant 不活動	–	–	–	–
Tricor (B) Sdn. Bhd.	Corporate business and investor services 企業、商業及投資者服務	6	6	3	3

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

Name of company 公司名稱	Nature of business 業務性質	Total assets 資產總額		Total equity 股東權益總額	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Tricor A&S Corporate Services KK	Corporate secretarial, tax and accounting, payroll, banking and cash management services 公司秘書、稅務及會計、支薪、銀行及現金管理服務	1		1	
Tricor Abacus Limited 卓佳雅柏勤有限公司	Investor services 投資者服務	1		1	
Tricor Asia Limited	Act as account holder for clients' funds for payroll and payment processing 出任客戶支薪及付款處理帳戶持有人	–		–	
Tricor Authorised Representative Limited	Authorised representative services 授權代表服務	–		–	
Tricor Board Dynamics Sdn Bhd	Temporarily ceased business operations 暫時停止業務運作	–		–	
Tricor Business Services Sdn. Bhd.	Accounting, payroll and administration services 會計、支薪及行政服務	114		7	
Tricor Caribbean Limited	Inactive 不活躍	–		–	
Tricor CNP Corporate Services Pte. Ltd.	Corporate services 企業服務	5		2	
Tricor Consultancy (Beijing) Limited 東亞卓佳諮詢(北京)有限公司	Business consultancy in China 國內商業諮詢	168		162	
Tricor Consulting Limited	Consultancy services 諮詢服務	4		–	
Tricor Corporate Secretaries Limited	Dormant 不活動	–		–	
Tricor Corporate Secretary Limited	Corporate services 企業服務	–		–	
Tricor Corporate Services Sdn. Bhd.	Provision of corporate secretarial services 提供公司秘書服務	19		5	
Tricor Custodian Limited 忠港投資有限公司	Process agent and escrow services 法律程序文件代理人及委託交易服務	–		–	
Tricor Europe (Holdings) Limited	Investment holding 投資控股	25		–	
Tricor Executive Recruitment Ltd.	Executive recruitment 高級管理人才招聘	4		(9)	
Tricor Executive Resources Limited 卓佳行政資源顧問有限公司	Executive search and selection 搜羅及選核高級管理人才	2		(4)	
Tricor Fiduciaries Limited	Trust services 信託服務	–		–	

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(1) CAPITAL ADEQUACY (CONTINUED) 資本充足(續)

Name of company 公司名稱	Nature of business 業務性質	Total assets 資產總額		Total equity 股東權益總額	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Tricor Firmley Limited	Nominee company and corporate services 受託代管公司及企業服務	–	–	–	–
Tricor Friendly Limited 卓佳準誠有限公司	Investor services 投資者服務	1	1	1	1
Tricor Global Limited	Investment holding 投資控股	10	10	10	10
Tricor Greater China Limited 卓佳大中華有限公司	Investor of Tricor Beijing Wholly Foreign Owned Enterprise 卓佳北京外商投資企業投資者	24	19	19	19
Tricor Hive Sdn Bhd	Business of incubation and business centres 創業服務中心及商務中心	34	6	6	6
Tricor Holdings Limited	Investment holding 投資控股	1,127	1,098	1,098	1,098
Tricor Holdings Pte. Ltd.	Investment holding 投資控股	432	215	215	215
Tricor HSP Japan JV K.K.	Consultancy services 諮詢服務	2	1	1	1
Tricor HSP Singapore Pte. Ltd.	Secretarial and accounting services 秘書及會計服務	2	1	1	1
Tricor Humatrix Asia Pte. Ltd	Payroll and accounting services 支薪及會計服務	7	5	5	5
Tricor Humatrix (M) Sdn. Bhd.	To carry on and transact in providing software 從事軟件提供	2	–	–	–
Tricor Human Capital Limited	Consultancy services (human capital, human resources), dormant status 諮詢服務(人力資本·人力資源)· 不活動公司	–	–	–	–
Tricor IAG Fund Administration (Hong Kong) Limited	Fund administration services 基金管理	–	(6)	(6)	(6)
Tricor IAG Fund Administration (Singapore) Pte. Limited	Activities auxiliary to fund management activities 基金管理附屬服務	1	(3)	(3)	(3)
Tricor International Trustee Limited	Trustee 信託服務	2	2	2	2
Tricor Investor & Issuing House Services Sdn. Bhd.	Shares registration service 證券登記服務	7	6	6	6
Tricor Investor Services Limited 卓佳證券登記有限公司	Investor services 投資者服務	57	43	43	43
Tricor Investor Services Sdn. Bhd.	Shares registration service 證券登記服務	–	14	14	14

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

Name of company 公司名稱	Nature of business 業務性質	Total assets 資產總額		Total equity 股東權益總額	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Tricor Japan Holdings GK	Nominee company 受託代管公司	–	–	–	–
Tricor Japan Limited 卓佳日本有限公司	Consulting, accounting, human resources & office administrative service 諮詢、會計、人力資源及辦公室行政服務	10	–	9	–
Tricor K.K.	Business process outsourcing 業務流程外包	64	–	30	–
Tricor Knowledge House Sdn Bhd	Organizing training courses and workshops 籌劃培訓課程及工作坊	1	–	–	–
Tricor Labour and Social Security Corporation	Labour and social security service 勞工及社會保障服務	–	–	–	–
Tricor Nominees Limited	Founder member of Tricor's HK shelf companies 為卓佳香港空殼公司之創辦成員	–	–	–	–
Tricor Nominees (Overseas) Limited	Nominee company (acting as first director & shareholder of Tricor's BVI shelf companies which remain unsold for 6 months) 受託代管公司(擔任6個月仍未售出的 卓佳英屬處女群島空殼公司的 首任董事及股東)	–	–	–	–
Tricor Outsourcing (Thailand) Ltd.	Business outsourcing 業務外包	40	–	5	–
Tricor Praesidium Limited	Compliance & corporate services 合規及企業服務	1	–	(3)	–
Tricor PrimePartners Corporate Services Pte. Ltd.	Providing secretarial, accounting, share registration services and employment agencies (Excluding maid agencies) 提供秘書、會計、股票登記服務及 僱傭公司(不包女傭中介)	1	–	1	–
Tricor Progressive Limited 卓佳廣進有限公司	Investor services 投資者服務	1	–	1	–
Tricor Representatives Limited	Process agent or escrow services 法律程序文件代理人及委託交易服務	–	–	–	–
Tricor Roots Business Intelligence Sdn Bhd.	Development and trading of computer software and provision of software related consultancy services 電腦軟件開發及買賣以及提供相關之 軟件諮詢服務	15	–	15	–
Tricor Roots Consulting Sdn Bhd.	Engaged in the business of installation of computer software and provision of related consulting services, conducting and organizing seminar and conference 從事電腦軟件裝置及提供相關之諮詢服務 以及開展及組織研討會及會議	7	–	(8)	–
Tricor Roots Governance Sdn. Bhd.	Internal audit service 內部審計服務	–	–	(1)	–

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(1) CAPITAL ADEQUACY (CONTINUED) 資本充足(續)

Name of company 公司名稱	Nature of business 業務性質	Total assets 資產總額		Total equity 股東權益總額	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Tricor SaaS Sdn Bhd	Software development and other related information technology support 軟件開發以及其他相關資訊科技支援	1		–	
Tricor Secretaries (Labuan) Limited	Secretarial services 秘書服務	1		1	
Tricor Secretaries Limited 卓佳秘書商務有限公司	Business, corporate and investor services 商業、企業及投資者服務	18		17	
Tricor Secretaries Limited	Corporate secretarial services plus registrar and Enterprise Investment Scheme administration services 法人團體秘書服務, 過戶登記處及企業投資計劃行政服務	1		(1)	
Tricor Securities Limited	Nominee and custodian services 受託代管服務	–		–	
Tricor Senedi Sdn Bhd	Information technology support 資訊科技支援	1		(4)	
Tricor Services (Brunei) Ltd	Registered agent 註冊代理	–		–	
Tricor Services (BVI) Limited	Registered agent and trustee services 註冊代理及信託服務	26		22	
Tricor Services (London) Limited	Dormant 不活動	2		1	
Tricor Services (Macau) Limited 卓佳專業商務(澳門)有限公司	Business services 商業服務	4		3	
Tricor Services (Malaysia) Sdn. Bhd.	Investment holding 投資控股	117		70	
Tricor Services Europe LLP	Limited liability partnership 有限責任合夥	30		1	
Tricor Services Europe No. 1 Limited	Dormant 不活動	–		–	
Tricor Services Limited 卓佳專業商務有限公司	Business, corporate and investor services 商業、企業及投資者服務	372		249	
Tricor Signatory Limited	Bank signatory 銀行戶口簽署人	–		–	
Tricor Singapore Pte. Ltd.	Business management and consultancy services, and employment agency 商業管理及諮詢服務、兼職業介紹機構	284		148	
Tricor Standard Limited 卓佳標準有限公司	Investor services 投資者服務	2		2	
Tricor Strath Group Limited	Holding company 控股公司	–		–	

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

Name of company 公司名稱	Nature of business 業務性質	Total assets 資產總額		Total equity 股東權益總額	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Tricor Strath Limited	Business and corporate services 商業及企業服務	–	–	–	–
Tricor Tax Corporation	Tax services 稅務服務	2	–	1	–
Tricor Tax Services Sdn. Bhd.	Tax advisory and consulting services 稅務顧問及諮詢服務	3	–	3	–
Tricor Tengis Limited 卓佳登捷時有限公司	Business, corporate and investor services 商業、企業及投資者服務	13	–	9	–
Tricor Trident Nominees Limited	Trustee company 信託人公司	–	–	–	–
Tricor Trustco (Labuan) Limited	Corporate, secretarial & accounting services 企業、秘書及會計服務	17	–	11	–
Tricor Vietnam Company Limited	Management consulting services 管理諮詢服務	1	–	–	–
Tricor WP Corporate Services Pte. Ltd	Business and management consultancy services 商業及管理諮詢服務	26	–	19	–
Trident Corporate Management Limited	Nominee shareholder 股東代名人	–	–	–	–
Tristan Company Limited	Nominee director/shareholder 董事/股東代名人	–	–	–	–
TSV Services (Singapore) Pte. Ltd.	Holding company 控股公司	–	–	–	–
Tudor Nominees Limited	Nominee shareholder 股東代名人	–	–	–	–
Tung Shing Holdings (BVI) Limited	Investment holding 投資控股	–	–	–	–
Turquandia Limited	Nominee shareholder 股東代名人	–	–	–	–
U Care Hong Kong Medical Limited 明康醫療香港有限公司	Medical services 醫療服務	13	–	(15)	–
United Chinese (Nominee) Limited	Dormant 不活動	–	–	–	–
Vanceburg Limited	Nominee shareholder, director, secretary and appointor 股東代名人、董事、秘書及提名人	–	–	–	–
W.T. (Secretaries) Limited	Secretaries services 秘書服務	–	–	–	–
Wai Chiu Company Limited 偉超有限公司	Nominee director/shareholder 董事/股東代名人	–	–	–	–
Wai Hop Company Limited 偉合有限公司	Nominee director/shareholder 董事/股東代名人	–	–	–	–
WCS Nominees Limited	Dormant 不活動	–	–	–	–

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(1) CAPITAL ADEQUACY (CONTINUED) 資本充足(續)

Name of company 公司名稱	Nature of business 業務性質	Total assets 資產總額		Total equity 股東權益總額	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Westboro Limited	Nominee services 受託代管服務		–		–
Witcombe Corporation	Nominee director/shareholder 董事/股東代名人		–		–
Woodside Corporate Services Limited	Receiving agent, fund administration, custodial, security trustee and registrar services 收款代理人、基金管理、保管、信託保安 及登記服務		13		13
WT Management (PTC) Inc	Trustee 信託服務		–		–

There are no subsidiaries which are included within both the accounting scope of consolidation and the regulatory scope of consolidation but where the method of consolidation differs at 31st December, 2015.

There are no subsidiaries which are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation at 31st December, 2015.

There are no relevant capital shortfalls in any of the Group's subsidiaries as at 31st December, 2015 (31st December, 2014: Nil) which are not included in the Group's consolidation for regulatory purposes.

The Group operates subsidiaries in a number of countries and territories where capital is governed by local rules and there may be restrictions on the transfer of regulatory capital and funds between members of the banking group.

For the purpose of compliance with the Banking (Disclosure) Rules, the Group has established a section on the Bank's website. Additional information relating to the Group's regulatory capital and other disclosures can be found in this section of the Bank's website, accessible through the "Regulatory Disclosure" link on the home page of the Bank's website at www.hkbea.com or at the following direct link: www.hkbea.com/regulatory_disclosures.

並未有已包括在用作會計範疇及監管範疇之綜合賬的附屬公司，而於2015年12月31日其綜合計算方法是不相同的。

於2015年12月31日，並未有附屬公司已包括在用作監管範疇之綜合賬但並未包括在用作會計範疇之綜合賬內。

於2015年12月31日(2014年12月31日：無)，本集團之附屬公司並無有關資本不足而未有包括在本集團用作監管用途之綜合賬內。

本集團之附屬公司在多個國家及地區營運而其資本乃受當地法則約束，可能在轉移受規管資本及在銀行集團成員間的資金調配方面存在某些限制。

為符合《銀行業(披露)規則》，本集團已在本行網站內增設一節。有關本集團的監管資本工具及其他披露資料，可於本行網站該節內找到，只要瀏覽本行網站www.hkbea.com主頁內「監管披露」的連繫或http://www.hkbea.com/regulatory_disclosures/index_tc.html的直接連繫。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(2) LIQUIDITY POSITION 流動資金狀況

		2015	The year ended 截至31/12/2014
		% 百分率	止年度 % 百分率
Average liquidity coverage ratio	平均流動性覆蓋比率		
– First quarter	– 第一季	127.2	N.A.
– Second quarter	– 第二季	137.5	N.A.
– Third quarter	– 第三季	132.1	N.A.
– Fourth quarter	– 第四季	151.2	N.A.
Average liquidity ratio for the year	年度內平均流動資金比率	N.A.	50.2

The LCR is calculated in accordance with the Banking (Liquidity) Rules effective from 1st January, 2015. The information for the regulatory disclosure can be found on the Bank's website accessible through the "Regulatory Disclosure" link on the home page of the Bank's website at www.hkbea.com or at the following direct link: www.hkbea.com/regulatory_disclosures.

The Bank held an amount of HKD-denominated level 1 assets that was not less than 20% of its HKD-denominated total net cash outflows. There is no significant currency mismatch in the Bank's LCR at respective levels of consolidation.

The average liquidity ratio for the year ended 31st December, 2014 was the simple average of each calendar month's average liquidity ratio, which was computed on the consolidated basis as required by the HKMA for its regulatory purposes, and was in accordance with the Fourth Schedule to the Banking Ordinance.

流動性覆蓋比率是根據由2015年1月1日起生效的《銀行業(流動性)規則》計算。相關的監管披露資料可瀏覽本行網站www.hkbea.com主頁內「監管披露」的連繫或按www.hkbea.com/html/tc/bea-about-bea-regulatory-disclosures.html的直接連繫。

本銀行持有以港幣計價的一級優質流動資產不少於以港幣計價的淨現金流出總額的20%。按各綜合層級的流動性覆蓋比率並沒有重大的貨幣錯配。

截至2014年12月31日止年度之平均流動資金比率是每月平均比率的簡單平均數，其計算是根據金管局訂定用作規管用途的綜合基準及香港《銀行業條例》附表4。

(3) INTERNATIONAL CLAIMS 國際債權

The information on international claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any recognised risk transfer. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country. Only regions constituting 10% or more of the aggregate international claims after taking into account any recognised risk transfer are disclosed.

國際債權資料披露對海外交易對手風險額最終風險的所在地，並已顧及認可風險轉移因素。一般而言，有關貸款的債權獲得並非交易對手所在地的國家的一方擔保，或該債權的履行對象是某銀行的海外分行，而該銀行的總辦事處並非設於交易對手的所在地，風險便確認為由一個國家轉移到另一個國家。當某一地區的風險額佔已計算認可風險轉移的風險總額的百分之十或以上，該地區的國際債權便須予以披露。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(3) INTERNATIONAL CLAIMS (CONTINUED) 國際債權(續)

		2015							
		Non-bank private sector 非銀行私營機構					Of which 其中：		
		Banks	Official sector	Non-bank financial institutions 非銀行 金融機構	Non-financial private sector 非金融 私營機構	Others	Total claims	Cross-border claims	Local claims (in all currencies) 所在地債權 (所有貨幣)
		銀行	官方部門	金融機構	私營機構	其他	總額	跨國債權	所在地債權
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Counterparty country/ jurisdiction	交易對手的國家/ 司法權								
Developed countries	發達國家	28,334	6,077	4,416	32,787	-	71,614	39,280	32,334
Offshore centres	離岸中心	12,606	42,102	20,531	215,979	3	291,221	28,421	262,800
- of which: Hong Kong	- 其中：香港	9,281	35,297	19,917	194,412	3	258,910	23,394	235,516
Developing Europe	發展中歐洲	-	-	-	54	-	54	54	-
Developing Latin America and Caribbean	發展中的拉丁美洲和加勒比	-	-	-	184	-	184	184	-
Developing Africa and Middle East	發展中的非洲和中東地區	91	-	26	-	-	117	109	8
Developing Asia and Pacific	發展中的亞洲和太平洋地區	100,385	32,630	30,215	233,699	-	396,929	120,525	276,404
- of which: China	- 其中：中華人民共和國	89,081	31,356	28,395	223,628	-	372,460	102,882	269,578
Total	總額	141,416	80,809	55,188	482,703	3	760,119	188,573	571,546

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

Counterparty country/ jurisdiction		2014							Local claims (in all currencies) (所有貨幣) 所在地債權 HK\$ Mn 港幣百萬元
		Banks	Official sector	Non-bank private sector 非銀行私營機構			Total claims	Cross-border claims	
				Non-bank institutions	Non-financial private sector	Others			
				銀行	官方部門	金融機構			
HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元		
Developed countries	發達國家	15,818	7,003	1,440	26,507	32	50,800	22,493	28,307
Offshore centres	離岸中心	10,033	41,661	6,607	236,427	6	294,734	28,783	265,951
- of which: Hong Kong	- 其中：香港	9,204	32,594	6,524	211,437	-	259,759	24,311	235,448
Developing Europe	發展中歐洲	-	-	-	47	-	47	47	-
Developing Latin America and Caribbean	發展中的拉丁美洲 和加勒比	-	-	-	200	-	200	30	170
Developing Africa and Middle East	發展中的非洲和 中東地區	111	141	-	40	-	292	290	2
Developing Asia and Pacific	發展中的亞洲和 太平洋地區	136,224	4,400	11,559	280,169	-	432,352	112,648	319,704
- of which: China	- 其中：中華人民 共和國	128,267	3,168	11,059	269,877	-	412,371	97,481	314,890
Total	總額	162,186	53,205	19,606	543,390	38	778,425	164,291	614,134

The above figures are disclosed according to the return of international banking statistics the Bank submitted to the HKMA pursuant to section 63 of the Banking Ordinance in respect of the reporting period, which are computed on the consolidated basis as required by the HKMA for its regulatory purposes.

以上分析是根據國際銀行業務統計資料申報表及按照《銀行業條例》第63條的基礎上作出披露，以及按金管局作為監管用途所要求的綜合基準計算。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(4) MAINLAND ACTIVITIES 內地活動

The table below summaries the non-bank Mainland China exposure of the Bank's Hong Kong Office and the Bank's Mainland subsidiary banks categorised by types of counterparties:

下表概述本行香港辦事處及國內附屬銀行之非銀行的中國內地風險承擔，按交易對手類型進行分類：

		On-balance sheet exposure 資產負債表 以內的風險 HK\$ Mn 港幣百萬元	2015 Off-balance sheet exposure 資產負債表 以外的風險 HK\$ Mn 港幣百萬元	Total 總額 HK\$ Mn 港幣百萬元
Type of counterparties	交易對手的類別			
1. Central government, central government-owned entities and their subsidiaries and joint ventures	1. 中央政府、屬中央政府擁有之機構與其附屬公司及合營企業	26,087	3,934	30,021
2. Local governments, local government-owned entities and their subsidiaries and joint ventures	2. 地方政府、屬地方政府擁有之機構與其附屬公司及合營企業	16,568	1,762	18,330
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	3. 居住中國內地的中國公民或其他於境內註冊成立之其他機構與其附屬公司及合營企業	155,502	34,997	190,499
4. Other entities of central government not reported in item 1 above	4. 並無於上述(1)項內報告的中央政府之其他機構	3,746	1,570	5,316
5. Other entities of local governments not reported in item 2 above	5. 並無於上述(2)項內報告的地方政府之其他機構	3,948	98	4,046
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6. 居住中國境外的中國公民或於境外註冊之其他機構，其於中國內地使用之信貸	8,507	304	8,811
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7. 其他被視作為內地非銀行客戶之風險	39,950	1,616	41,566
Total	總額	254,308	44,281	298,589
Total assets after provision	扣除撥備後總資產	737,558		
On-balance sheet exposures as percentage of total assets	資產負債表內之風險承擔佔總資產的比例	34.5%		

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

		On-balance sheet exposure 資產負債表 以內的風險 HK\$ Mn 港幣百萬元	2014 Off-balance sheet exposure 資產負債表 以外的風險 HK\$ Mn 港幣百萬元	Total 總額 HK\$ Mn 港幣百萬元
Type of counterparties	交易對手的類別			
1. Central government, central government-owned entities and their subsidiaries and joint ventures	1. 中央政府、屬中央政府擁有之機構與其附屬公司及合營企業	23,037	4,636	27,673
2. Local governments, local government-owned entities and their subsidiaries and joint ventures	2. 地方政府、屬地方政府擁有之機構與其附屬公司及合營企業	18,205	3,996	22,201
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	3. 居住中國內地的中國公民或其他於境內註冊成立之其他機構與其附屬公司及合營企業	191,383	35,420	226,803
4. Other entities of central government not reported in item 1 above	4. 並無於上述(1)項內報告的中央政府之其他機構	6,776	2,067	8,843
5. Other entities of local governments not reported in item 2 above	5. 並無於上述(2)項內報告的地方政府之其他機構	3,634	401	4,035
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6. 居住中國境外的中國公民或於境外註冊之其他機構，其於中國內地使用之信貸	6,950	347	7,297
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7. 其他被視為內地非銀行客戶之風險	32,328	2,128	34,456
Total	總額	282,313	48,995	331,308
Total assets after provision	扣除撥備後總資產	798,037		
On-balance sheet exposures as percentage of total assets	資產負債表內之風險承擔佔總資產的比例	35.4%		

The above figures are disclosed in accordance with the return relating to Mainland activities the Bank submitted to the HKMA pursuant to section 63 of the Banking Ordinance in respect of the reporting period, which are computed on the consolidated basis as required by the HKMA for its regulatory purposes.

以上數字乃根據《銀行業條例》第63條，就報告期向金管局呈交的關乎內地活動的申報表之基準，其計算是根據金管局訂定用作規管用途的綜合基準所編製。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(5) LEVERAGE RATIO 槓桿比率

		2015 % 百分率	2014 % 百分率
Leverage ratio	槓桿比率	8.3	N.A.

The disclosure on leverage ratio is effective since 31st March, 2015 and is computed on the same consolidated basis as specified in a notice from the HKMA in accordance with section 3C of the Capital Rules. The relevant disclosures pursuant to section 45A of the Banking (Disclosure) Rules can be found on the Bank's website accessible through the "Regulatory Disclosure" link on the home page of the Bank's website at www.hkbea.com or at the following direct link: www.hkbea.com/regulatory_disclosures.

槓桿比率之披露是由2015年3月31日起生效，其計算乃按金管局根據《資本規則》第3C條頒布的通知內所指定的綜合基準。根據《銀行業(披露)規則》第45A條的有關披露資料，可瀏覽本行網站www.hkbea.com主頁內「監管披露」的連繫或按www.hkbea.com/html/tc/bea-about-bea-regulatory-disclosures.html的直接連繫。

(6) COUNTERCYCLICAL CAPITAL BUFFER RATIO 逆周期緩衝資本比率

There is no information disclosed relating to the Countercyclical capital buffer ratio pursuant to section 45B of the Banking (Disclosure) Rules for this period because the applicable JCCyB ratios for Hong Kong and for jurisdiction outside Hong Kong are at 0% before 1st January, 2016 according to section 3P and section 3Q of the Capital Rules.

根據《資本規則》第3P及3Q條，由於在2016年1月1日之前，香港及非香港司法管轄區的適用JCCyB比率均是0%，故本期間未有資料就《銀行業(披露)規則》第45B條作出有關披露。

(7) CAPITAL CONSERVATION BUFFER RATIO 防護緩衝資本比率

Under section 3M of the Capital Rules, the capital conservation buffer ratio for calculating the Bank's buffer level is 0% for 2015.

根據《資本規則》第3M條，就2015年而言，用以計算緩衝水平的防護緩衝資本比率是0%。

(8) HIGHER LOSS ABSORBENCY RATIO 較高吸收虧損能力比率

The HKMA has designated the Bank as a domestic systematically important authorised institution ("D-SIB"). Under section 3V of the Capital Rules, the higher loss absorbency ratio applicable to D-SIB is 0% for 2015.

根據《資本規則》第3V條，金管局已將本銀行指定為具本地系統重要性認可機構。就2015年而言，適用於具本地系統重要性認可機構的較高吸收虧損能力比率是0%。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(9) OVERDUE, RESCHEDULED AND REPOSSESSED ASSETS 逾期、經重組及收回資產

(a) Overdue and rescheduled advances

(a) 逾期及經重組墊款

		2015		2014	
		HK\$ Mn	% of total advances to customers	HK\$ Mn	% of total advances to customers
		港幣百萬元	佔客戶墊款總額的百分比	港幣百萬元	佔客戶墊款總額的百分比
Advances to customers overdue for	逾期客戶墊款				
– 6 months or less but over 3 months	– 3個月以上至6個月	610	0.1	1,076	0.3
– 1 year or less but over 6 months	– 6個月以上至1年	1,535	0.4	469	0.1
– Over 1 year	– 1年以上	1,934	0.4	551	0.1
		4,079	0.9	2,096	0.5
Rescheduled advances to customers	經重組客戶墊款	78	0.0	83	0.0
Total overdue and rescheduled advances	逾期及經重組墊款總額	4,157	0.9	2,179	0.5
Secured overdue advances	有抵押逾期墊款	3,597	0.8	1,871	0.4
Unsecured overdue advances	無抵押逾期墊款	482	0.1	225	0.1
Market value of security held against secured overdue advances	有抵押逾期墊款抵押品市值	6,804		3,870	
Individual impairment allowance made on loans overdue for more than 3 months	逾期3個月以上貸款的個別減值準備	799		302	

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue and remains unpaid at the year-end. Loans repayable by regular instalments are treated as overdue when an instalment payment is overdue and remains unpaid at year-end. Loans repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the demand notice, and/or when the loans have remained continuously outside the approved limit advised to the borrower for more than the overdue period in question.

有明確到期日之貸款，若其本金或利息已逾期，並於年結日仍未償還，則列作逾期處理。定期分期償還之貸款，若其中一次還款逾期，而於年結日仍未償還，則列作逾期處理。即時到期之貸款，若已向借款人送達還款通知，但借款人未按指示還款，或貸款已超出借款人獲通知的批准限額，而此情況持續超過有關逾期期限，亦列作逾期處理。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(9) OVERDUE, RESCHEDULED AND REPOSSESSED ASSETS (CONTINUED)

逾期、經重組及收回資產(續)

(a) Overdue and rescheduled advances (continued)

An asset considered as an eligible collateral should generally satisfy the following:

- The market value of the asset is readily determinable or can be reasonably established and verified;
- The asset is marketable and there exists a readily available secondary market for disposing of the asset;
- The Bank's right to repossess the asset is legally enforceable and without impediment; and
- The Bank is able to secure control over the asset if necessary.

The two main types of "Eligible Collateral" are as follows:

- "Eligible Financial Collateral" mainly comprises cash deposits and shares.
- "Eligible Physical Collateral" mainly comprises land and buildings, vehicles and equipment.

When the Bank's clients face financial difficulties and fail to settle their loans, depending on different situations, the Bank usually takes the following actions to recover the debt:

- Debt rescheduling/restructuring
- Enforcement of security
- Legal action
- Recovery via debt collector

(b) Advances to banks

(a) 逾期及經重組墊款(續)

可視作合格抵押品的資產須符合下列條件：

- 該資產的市值是可即時決定的或是可合理地確定及證實的；
- 該資產是有市價的及有二手市場可即時將該資產出售；
- 本行收回資產的權利是有法律依據及沒有障礙的；及
- 本行在有需要時可對該資產行使控制權。

合格抵押品主要分為下列兩種：

- 合格金融抵押品主要包括現金存款及股票。
- 合格實物抵押品主要包括土地及建築物、汽車及設備。

按不同情況下，當本行客戶面對財政困難而無力償還貸款，本行一般採用以下方式以追收欠款：

- 重新編排債務還款期時間表/債務重組
- 沒收抵押品
- 採取法律行動
- 通過收數公司追收

(b) 銀行墊款

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Advances to banks overdue for	逾期銀行墊款		
– 6 months or less but over 3 months	– 3個月以上至6個月	–	–
– 1 year or less but over 6 months	– 6個月以上至1年	–	–
– Over 1 year	– 1年以上	–	–
		–	–
Rescheduled advances to banks	經重組銀行墊款	–	–
Total overdue and rescheduled advances	逾期及經重組銀行墊款總額	–	–

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(c) Other overdue and rescheduled assets

(c) 其他逾期及經重組資產

		2015		Other assets*	
		Accrued interest	Debt securities	Other assets*	
		應計利息	債務證券	其他資產*	
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	港幣百萬元
Other assets overdue for	其他逾期資產				
– 6 months or less but over 3 months	– 3個月以上至6個月	–	–	–	–
– 1 year or less but over 6 months	– 6個月以上至1年	–	–	–	–
– Over 1 year	– 1年以上	–	–	–	1
		–	–	–	1
Rescheduled assets	經重組資產	–	–	–	–
Total other overdue and rescheduled assets	其他逾期及經重組資產總額	–	–	–	1

		2014		Other assets*	
		Accrued interest	Debt securities	Other assets*	
		應計利息	債務證券	其他資產*	
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	港幣百萬元
Other assets overdue for	其他逾期資產				
– 6 months or less but over 3 months	– 3個月以上至6個月	–	–	–	–
– 1 year or less but over 6 months	– 6個月以上至1年	–	–	–	–
– Over 1 year	– 1年以上	–	–	–	4
		–	–	–	4
Rescheduled assets	經重組資產	–	–	–	–
Total other overdue and rescheduled assets	其他逾期及經重組資產總額	–	–	–	4

* Other assets refer to trade bills and receivables.

* 其他資產是指貿易票據及應收款項。

(d) Repossessed assets

(d) 收回資產

		2015		2014	
		HK\$ Mn 港幣百萬元		Restated 重報	
		HK\$ Mn 港幣百萬元		HK\$ Mn 港幣百萬元	
Reposessed land and buildings*	收回土地及建築物*	317		280	
Reposessed vehicles and equipment	收回汽車及設備	–		4	
Reposessed machines	收回機器	–		2	
Total reposessed assets	收回資產總額	317		286	

The amount represents the estimated market value of the reposessed assets as at 31st December.

此等金額指於12月31日收回資產的估計市值。

* The balance included HK\$7 million (2014: Nil) relating to properties that were contracted for sale but not yet completed.

* 結餘中並包括港幣700萬元已簽約出售但仍未成交的物業(2014年：無)。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(10) PRINCIPAL RISKS AND CAPITAL ADEQUACY 主要風險及資本充足度

(a) Summary of approach to assess capital adequacy

Different approaches are adopted for assessing capital adequacy as follows:

Risk areas 風險範圍	Approach for assessing capital adequacy 評估資本充足率的方法
Credit Risk 信貸風險	Foundation Internal Ratings-Based (“IRB”) Approach 基礎內部評級基準計算法
Market Risk 市場風險	Internal Models Approach 內部模式計算法
Operational Risk 營運風險	Standardised Approach 標準計算法

(b) Principal risks

This section presents information on the Group’s management of principal risks.

The Group has established an effective risk governance and management framework in line with the requirements set out by the HKMA and other regulators. This framework is built around a structure that enables the Board and Management to discharge their risk management-related responsibilities with appropriate delegation and checks and balances. These responsibilities include defining risk appetite in accordance with the Group’s business strategies and objectives, formulating risk policies that govern the execution of those strategies, and establishing procedures and limits for the approval, control, monitoring, and remedy of risks.

The RIC stands at the highest level of the Group’s risk governance structure below the Board. It is chaired by the Chairman & Chief Executive and includes two INED(s) and three NED(s). The RIC provides direct oversight of the formulation of institutional risk appetite, which documents the levels of risk that the Group is willing to undertake with regard to its financial capacity, strategic direction, prevailing market conditions, and regulatory requirements.

The RIC also ensures that the Group’s risk appetite is reflected in the policies and procedures that Management adopts to execute its business functions. Through the Crisis Management Committee, Risk Management Committee, Credit Committee, Asset and Liability Management Committee, and Operational Risk Management Committee at the executive level – and with overall coordination by the Risk Management Division – the RIC regularly reviews the Group’s risk management framework and ensures that all important risk-related tasks are performed according to established policies with appropriate resources.

The Crisis Management Committee and Risk Management Committee comprise the Group’s Chairman & Chief Executive, Senior Advisors, Senior Management and the Group Chief Risk Officer.

The specialised risk management committees – namely, Credit Committee, Asset and Liability Management Committee, and Operational Risk Management Committee – comprise the Group’s Senior Advisors, Senior Management, the Group Chief Risk Officer and where appropriate division heads from the relevant areas.

(a) 評估資本充足度的方法概要

評估資本充足度採納以下不同方法：

(b) 主要風險

本部分載述有關本集團主要風險管理的資料。

按照金管局及其他監管機構發出的規定，本集團已建立一個有效的風險管治及管理架構。該架構的構造令董事會及管理層能夠以適當授權和制衡履行彼等的風險管理相關職責。該等職責包括根據本集團的業務策略及目標制定風險偏好及風險政策，以管理上述策略的執行，並設立風險審批、控制、監控及補救的程序及限制。

風險委員會為本集團僅次於董事會的最高風險管治單元，由主席兼行政總裁擔任主席，其他成員包括兩名獨立非執行董事及三名非執行董事。風險委員會直接監督機構風險偏好的制定，而機構風險偏好列明本集團就其財務能力、策略性指引、目前市況及監管要求而言可承擔的風險水平。

風險委員會亦確保本集團的風險偏好反映於政策及程序上，讓管理層行使其業務職能時採納。透過行政人員層面的危機管理委員會、風險管理委員會、信貸委員會、資產負債管理委員會及營運風險管理委員會以及風險管理處的協調，風險委員會定期檢討本集團的風險管理架構，並確保所有與風險相關的重要任務符合既有政策以適當資源完成。

危機管理委員會及風險管理委員會由本集團主席兼行政總裁、高級顧問、高級管理人員和集團風險總監組成。

專責風險管理委員會包括信貸委員會、資產負債管理委員會及營運風險管理委員會由本集團高級顧問、高層管理人員、集團風險總監及(在適當情況下)其他有關方面的處級主管組成。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

To ensure that roles within the organisation are clearly defined in regard to risk management, BEA has adopted a “Three Lines of Defence” risk management structure. The first line of defence comprises the Bank’s business units and functional units, which are responsible for the management of the risks that they incur in the course of their activities. The Risk Management Division and Compliance Division provide independent oversight over the risk takers as the second line of defence. Reporting directly to the AC, the Bank’s Internal Audit Division serves as the third line of defence. The Internal Audit Division assists the AC in its oversight of the Bank’s overall risk management and internal control systems by conducting periodic reviews to assess the adequacy of the Bank’s risk management framework, control, and governance processes as designed by the first and second lines of defence.

To identify and manage all potential risks in a more holistic and effective manner, the Bank will implement an enterprise risk management framework in 2016.

The Group has formulated policies to identify, measure, monitor, control, and report on the various types of risk and, where appropriate, to allocate adequate capital to cover those risks. These policies are reviewed and enhanced on a regular basis to align with market changes, statutory requirements, and best practices in risk management processes. The Group’s major risk management policies and control limits are approved by the Board and are monitored and regularly reviewed. The Board has delegated the responsibility for on-going risk management to the RIC, Risk Management Committee and specialised risk management committees. Significant risk management related issues are required to be reported to the Board to assist its oversight of risk management. Moreover, on daily basis, the Group Chief Risk Officer is responsible for overseeing the Bank Group’s risk management issues which include, but not limited to, the risk management infrastructure, strategies, appetites, culture, and resources.

Stress testing is an integral part of our risk management. The Group regularly performs stress-tests on the principal risks, where appropriate, to assess the potential impact of stressed business conditions (including hypothetical situations such as a significant economic downturn in Mainland China and Hong Kong) on the Group’s financial positions, in particular, capital adequacy, profitability, and liquidity. Whenever necessary, a prompt management response will be developed and executed to mitigate potential impacts.

As required of all Authorised Institutions under the HKMA’s Supervisory Policy Manual on “Recovery Planning”, the Bank has established a Group Recovery Plan, which has been approved by the Board. The Group Recovery Plan helps ensure that the Bank is able to recover quickly from periods of severe stress and preserve or restore its capital and liquidity levels.

Each new product launch must go through an approval process, which includes business and financial analysis and risk assessment. New products are reviewed and assessed by the New Products Evaluation Working Group, endorsed by the Steering Group (chaired by the Bank’s Group Chief Risk Officer and comprising the division heads of supporting units), and approved by the Risk Management Committee.

為確保風險管理責任於組織內分工明確，本行已採納「三道防線」風險管理架構。第一道防線由本行各業務單位及職能單位組成，負責管理其在業務過程中產生的風險。第二道防線由風險管理處及合規處組成，獨立監督風險承受單元。第三道防線為直接向審核委員會匯報的稽核處。稽核處定期評估本行由第一及第二道防線所設計的風險管理架構、監控及管治流程的充裕性，以協助審核委員會監督本行的整體風險管理及內部監控系統。

為了更全面及更有效地識別及管理所有潛在風險，本行將於2016年設立企業風險管理架構。

本集團已制定政策，以識別、衡量、監察、控制及匯報各類風險，並於適當的情況下調配資本以抵禦該等風險。相關政策均定期檢討及改善，以符合市場轉變及法定要求，及達致風險管理程序中的最佳做法。本集團的主要風險管理政策及控制限額由董事會批准，並且受到監控及定期檢討。董事會已將持續管理風險的責任授予風險委員會、風險管理委員會及專責風險管理委員會。與重要風險管理相關的事項須上報至董事會，以協助董事會監督風險管理。此外，集團風險總監的日常職責為監督集團風險管理相關事項，包括但不限於風險管理基礎架構及策略、風險偏好、風險管治文化及有關資源。

壓力測試為本集團風險管理的重要部分。本集團定期對相關的主要風險進行壓力測試，評估受壓營商環境(包括中國內地及香港出現嚴重經濟下滑等假設情景)對本集團的財務狀況，尤其是資本充足、盈利能力及流動資金，可能產生的影響。有需要時，管理層亦會果斷制訂並執行應對措施以減低潛在影響。

根據金管局監管政策手冊對所有認可機構有關「恢復規劃」的要求，本行已制定集團恢復計劃，該計劃已獲董事會批准。集團恢復計劃有助確保本行在遇到嚴峻壓力時能夠迅速復元，並維持或恢復資本及流動性水平。

每一個新產品的推出，須通過審批過程，包括業務和財務分析和風險評估。這些新產品首先由新產品評審工作組審核及評估，並由督導組認可及由風險管理委員會批准。督導組的主席為集團風險總監，並由支援職能的處級主管組成。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(10) PRINCIPAL RISKS AND CAPITAL ADEQUACY (CONTINUED) 主要風險及資本充足度(續)

(b) Principal risks (continued)

Credit risk management

Credit risk arises from the possibility that a customer or counterparty in a transaction may default. Such risk may arise from counterparty risks from loan and advances, issuer risks from the securities business and counterparty risks from trading activities.

The Credit Committee is responsible for managing all credit risk-related issues of the Group, while the Credit Risk Management Department under the Risk Management Division of the Group is responsible for monitoring activities relating to credit risk. The Group identifies and manages credit risk by defining the target market segment, formulating appropriate credit policies, and carrying out credit assessment and monitoring of asset quality. Credit risk control limits are set for different levels. Risk, return, and market situation are considered when setting all limits. Active limit monitoring is undertaken.

In evaluating the credit risk associated with an individual customer or counterparty, financial strength and repayment ability are always the primary considerations. Credit risk may be mitigated by obtaining collateral from the customer or counterparty.

The Group has established policies, procedures, and rating systems to identify, measure, monitor, control and report on credit risk. In this connection, guidelines for management of credit risk have been laid down in the Group's Credit Risk Management Manual. These guidelines stipulate delegated lending authorities, credit underwriting criteria, credit monitoring process, internal rating structure, credit recovery and provisioning policy. They are reviewed and enhanced on an ongoing basis to cater for market changes, statutory requirements and best practices in risk management processes.

The Group's credit risk management for the major types of credit risk is depicted as follows:

(i) Corporate and bank credit risk

The Group has laid down policies and procedures to evaluate the potential credit risk of a particular counterparty or transaction and to approve the transaction. For corporate and bank customers, the Group has different internal rating systems that are applied to each counterparty. For exposure classified as Specialised Lending in particular, supervisory slotting criteria are used. To monitor concentration risk, the Group has preset limits for exposures to individual industries and for borrowers and groups of borrowers. The Group also has a review process to ensure that the level of review and approval is proper and will depend on the size of the facility and rating of the credit.

(b) 主要風險(續)

信貸風險管理

信貸風險源於客戶或交易對手未能履行其承擔，可來自本集團貸款及墊款中的交易對手風險、證券業務的發行商風險和交易活動的交易對手風險。

信貸委員會負責管理所有與本集團信貸風險有關的事務，而本集團風險管理處轄下的信貸風險管理部則負責監察與信貸風險有關的活動。本集團透過設定目標市場分部、制定適當的信貸政策和執行信貸評核程序，以及監控資產素質，來識別和管理信貸風險。信貸風險控制限額設有不同層次。釐定所有限額時會考慮風險、回報及市場情況，並且採用積極限額監控程序。

本集團在評估與個別客戶或交易對手相關的信貸風險時，雖然可藉客戶或交易對手的抵押品減低信貸風險，然而他們的財政實力以及還款能力才是本集團的主要考慮因素。

本集團已制訂多項政策、程序及評級系統，以識別、衡量、監察、控制及匯報本集團所承受的信貸風險。在此方面，本集團已將信貸風險管理指引詳列於信貸風險管理手冊內，對信貸權限授權、授信標準、信貸監控程序、內部評級架構、信貸追收及撥備政策訂下規定。本集團持續檢討和改善該等指引，以配合市場轉變、有關法定要求及風險管理程序的最佳做法。

本集團就下列各類主要信貸風險實行信貸風險管理：

(i) 企業及銀行信貸風險

本集團已制訂多項政策及程序，以評估特定交易對手或交易的潛在信貸風險，以及決定批核有關交易與否。就企業及銀行客戶而言，本集團已制定適用於所有交易對手的內部評級系統。監管分類準則尤其適用於歸類為專門性借貸的風險承擔。為監控信貸集中的潛在風險，本集團已就個別行業及不同的借款人和借款人團體預設風險承擔限額。本集團亦已釐定檢討程序，確保按照貸款的規模和信貸評級，為貸款進行適當的檢討和審批。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

The Group undertakes on-going credit analysis and monitoring at several levels. The policies are designed to promote early detection of counterparty, industry or product exposures that require special monitoring. The overall portfolio risk as well as individual impaired loans and potential impaired loans are monitored on a regular basis.

(ii) *Retail credit risk*

The Group's retail credit policy and approval process are designed for the fact that there are high volumes of relatively homogeneous and small value transactions in each retail loan category. The design of internal rating system and formulation of credit policies are primarily based on the demographic factors and the loss experience of the loan portfolios. The Group monitors its own and industry experience to determine and periodically revise product terms and desired customer profiles.

(iii) *Credit for treasury transactions*

The credit risk of the Group's treasury transactions is managed in the same way as the Group manages its corporate and bank lending risk. The Group applies an internal rating system to its counterparties and sets individual counterparty limits.

(iv) *Credit – related commitment*

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

(v) *Concentration of credit risk*

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's credit portfolio is diversified along geographic, industry and product sectors.

The Group monitors its concentration risk by adopting appropriate risk control measures, such as setting limits on exposures to different industries and loan portfolios.

本集團持續進行多個層次的信貸分析和監控。有關政策乃旨在盡早發現需要特別監控的交易對手、行業或產品的風險承擔。交易組合的整體風險和個別減值貸款及潛在減值貸款，均定期予以監控。

(ii) *零售信貸風險*

本集團的零售信貸政策和審批程序是因應各類零售貸款中均有大量類似的小額交易而制定的。在設計內部評級系統和制訂信貸政策時，本集團的主要考慮因素包括人口結構因素和有關貸款組合過往的損失。本集團監控本身和行業狀況以釐定和定期修訂產品條款和目標客戶組合。

(iii) *財資交易的信貸風險*

本集團採用企業及銀行信貸風險的管理方法，管理本集團財資交易的信貸風險，包括引用內部評級系統處理交易對手及設定個別交易對手的風險限額。

(iv) *與信貸有關的承諾*

與信貸有關的承諾和或有事項的風險，本質上與提供貸款予客戶時的信貸風險相同。因此，有關交易必須符合客戶申請貸款時所要達到的信貸申請，組合保存和抵押要求。

(v) *信貸集中的風險*

信貸集中的風險源於交易對手團體受到地區、經濟或行業因素的影響，而該等團體的整體信貸風險承擔對本集團的總體風險承擔至關重要。本集團的信貸組合分散覆蓋不同地區、行業和產品。

本集團一直採用適當的風險控制措施，例如就不同行業和貸款組合釐定限額，以監控信貸集中的風險。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(10) PRINCIPAL RISKS AND CAPITAL ADEQUACY (CONTINUED) 主要風險及資本充足度(續)

(b) Principal risks (continued)

Credit risk management (continued)

(vi) Capital requirement for credit risk by exposure class

The following table indicates the capital requirement for credit risk on each class of exposure at 31st December, 2015 and 31st December, 2014 respectively:

(b) 主要風險(續)

信貸風險管理(續)

(vi) 各風險承擔類別的信貸風險資本要求

下表分別顯示於2015年12月31日及2014年12月31日每種風險承擔類別的信貸風險資本要求情況：

Exposure class	風險承擔類別	Capital requirement	
		資本要求	
		2015	2014
		HK\$ Mn	港幣百萬元
Exposures under IRB Approach	內部評級基準計算法下的風險承擔		
Bank	銀行	7,116	5,863
Corporate	企業	20,643	18,041
Residential mortgage	住宅按揭	1,434	1,067
Qualifying revolving retail	合資格循環零售	639	735
Other retail	其他零售	616	600
Equity booked on banking book subject to Simple Risk-weight Method under Market-based Approach	銀行賬下的股權 —以市場基準計算法下的 簡單風險權重方法計算	1,045	1,053
Equity booked on banking book subject to Internal Models Method under Market-based Approach	銀行賬下的股權 —以市場基準計算法下的 內部模式方法計算	244	201
Equity booked on banking book subject to PD/LGD Approach	銀行賬下的股權 —以PD/LGD計算法計算	—	—
Other equity booked on banking book	其他銀行賬下的股權	995	1,094
Securitisation	證券化類別	1	—
Other exposures under IRB Approach (Including cash and other items, and credit valuation adjustment risk)	內部評級基準計算法下的其他風險 承擔(包括現金及其他項目, 及 信用估值調整風險)	1,947	1,453
Exposures under Standardised Approach	標準計算法下的風險承擔		
Sovereign	主權	—	2
Public sector entities	公營機構	1	—
Bank	銀行	41	870
Securities firms	證券公司	2	—
Corporate	企業	573	771
Regulatory retail	監管零售	220	176
Residential mortgage	住宅按揭	430	343
Other exposures that are not past due	未逾期的其他風險承擔	560	444
Past due	逾期	22	9
Off balance sheet exposure	資產負債表外的風險承擔	113	97
Counterparty exposure	交易對手風險承擔	60	49
Exposures to Central Counterparty	對中央交易對手方的風險承擔	9	1

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

Market risk management

Market risk refers to the risk of adverse price movements arising from all market risk-sensitive financial instruments, including debt securities, foreign exchange contracts, equity and derivative instruments, as well as from structured products. The aim in managing market risk is to reduce the Group's exposure to the volatility inherent in financial instruments.

The Asset and Liability Management Committee deals with all market risk related issues of the Group. It is also responsible for conducting a regular review of interest rate trends and deciding the corresponding future business strategy. The Asset & Liability Management Department under the Risk Management Division of the Group is responsible for monitoring activities relating to market risk.

The use of derivatives for proprietary trading and the sale of derivatives to customers as risk management products 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 derivatives instruments used by the Group are interest rate, foreign exchange and equity related contracts, in the form of both over-the-counter derivatives and exchange traded derivatives. Most of the Group's derivatives positions have been entered into to meet customer demand and to manage the risk of these and other trading positions.

In this connection, the key types of market risk that must be managed are:

(i) Currency risk

The Group's foreign currency positions arise from foreign exchange dealing, commercial banking operations and structural foreign currency exposures. The Group's non-structural foreign currency exposures are mainly dominated in USD, RMB, GBP, JPY and SGD. All foreign currency positions are managed within limits approved by the Board or the Asset and Liability Management Committee.

Structural foreign currency positions, which arise mainly from foreign currency investments in the Group's branches, subsidiaries, and associated companies, are excluded from VaR measurements, as related gains or losses are taken to reserves. Such foreign currency positions are managed with the principal objective of ensuring that the Group's reserves are protected from exchange rate fluctuations. The Group seeks to match its foreign currency denominated assets closely with corresponding liabilities in the same currencies.

The net positions or net structural positions in foreign currencies are disclosed when each currency constitutes 10% or more of the respective total net position or total net structural position in all foreign currencies. The net option position is calculated in the basis of the delta-weighted position of option contracts.

市場風險管理

市場風險是指不利的價格變動的風險，源自所有對市場風險敏感的財務工具，包括債務證券、外匯合約、股份和衍生工具以及結構性產品。市場風險管理旨在減少本集團因財務工具內在的波動性而承受的風險。

資產負債管理委員會負責處理本集團一切與市場風險相關的事項，亦負責定期檢討利率走勢及釐定相應的未來業務策略。本集團風險管理處轄下的資產負債管理部，負責監察與市場風險有關的活動。

進行衍生工具交易及向客戶出售衍生工具以用作風險管理產品為本集團其中一項重要業務。此等工具亦用以管理本集團所承受的市場風險，作為本集團資產負債管理的一部分程序。本集團所採用的衍生工具主要為利率、外匯和股份相關合約，即為場外或場內交易的衍生工具。本集團大部分的衍生工具持倉均為切合客戶需求，以及為此等和其他交易項目而進行對沖。

在此方面，本集團主要管理的市場風險包括：

(i) 貨幣風險

本集團的外幣持倉源自外匯買賣、商業銀行業務和結構性外匯風險。本集團的非結構性外幣風險主要以美元、人民幣、英鎊、日圓及新加坡元為單位。所有外幣持倉均維持在董事會或資產負債管理委員會所訂定的限額內。

結構性外匯持倉主要源自於本集團分行、附屬公司和聯營公司的外匯投資，其有關的溢利及虧損因為已撥入儲備，所以未計算在風險值內。管理此等外幣投資的主要目的，是保障本集團的儲備免受匯率波動的影響。本集團盡力將以外幣計值的資產與以同一貨幣計值的負債，保持在相若水平。

如個別外幣的持倉淨額或結構性持倉淨額佔所持有外幣淨持倉總額或結構性淨持倉總額的10%或以上，便須予以披露。期權倉淨額乃根據所有外匯期權合約之得爾塔加權持倉為基礎計算。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(10) PRINCIPAL RISKS AND CAPITAL ADEQUACY (CONTINUED) 主要風險及資本充足度(續)

(b) Principal risks (continued)

Market risk management (continued)

(i) Currency risk (continued)

(b) 主要風險(續)

市場風險管理(續)

(i) 貨幣風險(續)

		2015						
		USD	GBP	RMB	JPY	SGD	Other foreign	Total
		美元	英鎊	人民幣	日圓	新加坡元	其他外幣	總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Spot assets	現貨資產	167,551	28,260	301,093	1,335	22,505	26,147	546,891
Spot liabilities	現貨負債	(157,351)	(19,318)	(291,341)	(3,000)	(25,293)	(28,409)	(524,712)
Forward purchases	遠期買入	149,048	150	117,610	4,190	4,429	8,469	283,896
Forward sales	遠期賣出	(157,288)	(8,799)	(128,386)	(2,430)	(2,221)	(6,115)	(305,239)
Net options position	期權倉淨額	92	(1)	(70)	(4)	-	(8)	9
Net long/(short) non-structural position	非結構性長/(短)盤淨額	2,052	292	(1,094)	91	(580)	84	845

		2014						
		USD	GBP	RMB	JPY	SGD	Other foreign	Total
		美元	英鎊	人民幣	日圓	新加坡元	其他外幣	總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Spot assets	現貨資產	192,783	27,725	398,802	866	25,563	21,693	667,432
Spot liabilities	現貨負債	(182,966)	(19,269)	(367,570)	(6,900)	(30,405)	(32,125)	(639,235)
Forward purchases	遠期買入	122,471	968	74,025	6,527	5,891	13,528	223,410
Forward sales	遠期賣出	(129,557)	(9,510)	(106,508)	(467)	(1,589)	(3,186)	(250,817)
Net options position	期權倉淨額	(31)	(1)	(1)	26	-	10	3
Net long/(short) non-structural position	非結構性長/(短)盤淨額	2,700	(87)	(1,252)	52	(540)	(80)	793

		2015				
		USD	RMB	MYR	Other foreign	Total
		美元	人民幣	馬幣	其他外幣	總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Net structural position	結構性持倉淨額	2,168	12,287	2,123	925	17,503

		2014				
		USD	RMB	MYR	Other foreign	Total
		美元	人民幣	馬幣	其他外幣	總額
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
Net structural position	結構性持倉淨額	2,143	11,623	2,610	922	17,298

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

The current year's figures are prepared after elimination of inter-branch foreign exchange transactions within a subsidiary, The Bank of East Asia (China) Limited, for the purpose of conforming to the prevailing reporting requirements.

The above figures are disclosed in accordance with the return relating to foreign currency positions the Bank submitted to the HKMA pursuant to section 63 of the Banking Ordinance in respect of the annual reporting period, which are computed on the consolidated basis as required by the HKMA for its regulatory purposes.

(ii) Interest rate risk

The Group's interest rate positions arise from treasury and commercial banking activities. Interest rate risk arises in both trading portfolios and non-trading portfolios. Interest rate risk primarily results from the timing differences in the re-pricing of interest-bearing assets, liabilities, and off-balance sheet items. It also relates to positions from non-interest bearing liabilities including shareholders' funds and current accounts, as well as from certain fixed-rate loans and liabilities. Interest rate risk is managed daily by the Treasury Markets Division of the Group within the limits approved by the Board or the Asset and Liability Management Committee. The instruments used to manage interest rate risk include interest rate swaps and other derivatives.

(iii) Equity risk

The Group's equity positions arise from equity investment and dynamic hedging of customer-driven business. Equity risk is managed daily by the Investment Department within the limits approved by the Board, Investment Committee or the Asset and Liability Management Committee.

Market risk control limits have been set at varying levels according to the practical requirements of different units. The Board approves the core control limits and has delegated the authority to set detailed control limits to the Asset and Liability Management Committee. Risk, return and market conditions are considered when setting limits. Active limit monitoring is carried out.

In this connection, the Asset and Liability Management Committee monitors the related market risk arising from the risk-taking activities of the Group, to ensure that overall and individual market risks are within the Group's risk tolerance level. Risk exposures are monitored frequently to ensure that they are within established control limits.

The Group quantifies the market risk of the underlying trading portfolio by means of VaR. VaR is a statistical estimate that measures the potential losses in market value of a portfolio as a result of unfavourable movements in market rates and prices, if positions are held unchanged over a certain horizon time period.

本年度的數字於編製時已將子公司東亞銀行(中國)有限公司各分行之間的外匯交易會互相抵銷,以符合現行的報告要求。

以上數字乃根據《銀行業條例》第63條,就年度報告期向金管局呈交的關乎非港元貨幣持倉的申報表之基準,其計算是根據金管局訂定用作規管用途的綜合基準所編製。

(ii) 利率風險

本集團的利率持倉來自財資及商業銀行業務。交易組合和非交易組合均會產生利率風險。利率風險主要是由帶息資產、負債及資產負債表外項目在再定息時的時差所致,亦與無息負債持倉有關,其中包括股東資金和往來賬戶及若干定息貸款和負債。利率風險由本集團資市場處按董事會或資產負債管理委員會批准的限額範圍進行日常管理。管理利率風險的工具包括利率掉期和其他衍生工具。

(iii) 股份風險

本集團的股份持倉來自股份投資及客戶業務的動態對沖。股份風險由投資部按董事會、投資委員會或資產負債管理委員會批准的限額範圍進行日常管理。

市場風險控制限額設有不同層次以配合各類業務的實際需要。董事會審批核心控制限額並授權資產負債管理委員會審批具體的控制限額。釐定限額時會考慮風險、回報及市場情況等因素,並且採用積極限額監控程序。

在此方面,資產負債管理委員會負責監察本集團承擔市場風險的活動,確保整體及個別市場風險處於本集團的風險承受範圍內。本集團會經常監控風險承擔情況,以確保所承擔風險屬於既定的控制限額內。

本集團運用風險值來量化相關交易組合的市場風險。風險值是統計學上的估計,用來量度於某一時段內持倉維持不變的情況下,因市場息率及價格的不利波動而引致組合的市值潛在虧損。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(10) PRINCIPAL RISKS AND CAPITAL ADEQUACY (CONTINUED) 主要風險及資本充足度(續)

(b) Principal risks (continued)

Market risk management (continued)

The Group estimates VaR for the Group's trading portfolio by the parametric approach, where the VaR is derived from the underlying variances and co-variances of the constituents of a portfolio. This methodology uses historical movements in market rates and prices, a 99% confidence level, a one-day holding period and a one-year historical observation period. An equal or higher weighting scheme is applied to more recent observations under which higher VaR should be used.

Structural foreign exchange positions arising from net investments in branches and subsidiaries are not included in the VaR for the foreign exchange trading position.

The book value of listed shares, as well as the book value of private equity funds and unlisted equities (collectively the "Unlisted Securities"), are subject to limits and these are monitored by the Management of the Group. The Unlisted Securities and listed non-trading equities are not included in the VaR for the equity trading position, and are managed through delegated limits. The limits are subject to regular review by the Asset and Liability Management Committee.

Total market risk capital charge under the advanced approach adopted by the Group is divided into two parts, market risk capital charge for specific risk and market risk capital charge for general market risk. Under capital charge for general market risk, the Group uses the internal models approach for the VaR calculation, by applying full 10-day price movement. For specific risk, the Group uses the Standardised (market risk) Approach for the calculation.

The following table indicates the capital charge for market risk:

		Market risk capital charge	
		市場風險資本要求	
		As at	As at
		31st December, 2015	31st December, 2014
		於2015年12月31日	於2014年12月31日
		HK\$ Mn	HK\$ Mn
		港幣百萬元	港幣百萬元
Internal Models Approach	內部模式計算法		
– General Market Risk	– 一般市場風險	1,002	782
– VaR	– 風險	383	204
– Stressed VaR	– 受壓風險	619	578
Standardised Approach	標準計算法		
– Specific Market Risk Debt Charge	– 特定市場風險債務要求	221	102
– Specific Market Risk Equity Charge	– 特定市場風險股份要求	155	185
Total	總額	1,378	1,069

(b) 主要風險(續)

市場風險管理(續)

本集團通過參數法評估本集團交易組合的風險值，其中，風險值乃透過組成份的有關方差及協方差計算得出。該方法是依據過往市場息率與價格的波動、99%置信水平、1日持倉期以及1年過往觀察期來推算，其中對較近期觀察給予相等或較高的權重，並且據此採用較高的風險值。

由分行及附屬公司的淨投資產生的結構性外匯持倉不會包括在計算外匯交易持倉的風險值內。

除上市股份外，私人股份基金及非上市股份(統稱「非上市證券」)的賬面值均由本集團管理層按限額控制。非上市證券及非交易上市股份是根據特定限額管理及並不包括在交易股份持倉的風險值內。資產負債管理委員會須定期檢討該限額。

本集團採用的先進方法計算所得的市場風險資本要求總額分為兩個部分：特定風險的市場風險資本要求及一般市場風險的市場風險資本要求。本集團採用內部模式計算法，利用完整的10天價格變動計算風險值，計算一般市場風險的市場風險資本要求。本集團採用標準(市場風險)計算法計算特定風險。

下表顯示市場風險的資本要求：

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

According to the Capital Rules, the Group adopts back testing to assess the predictive power of the VaR estimation. Back testing consists of a periodic comparison of the daily VaR measures with the subsequent daily actual and hypothetical trading outcomes. Back testing is a statistical technique developed to gauge the quality and accuracy of risk measurement model. 1 exception was found during 2015 (No exception was found during 2014), under 99% confidence level and 250-day observation period.

The Bank uses internal models approach for Vega risk capital charge calculation.

In addition, stress testing on market risk is performed for the Group as a supplement to the daily VaR assessment. The Group applies sensitivity analysis and scenario analysis, on individual portfolios and/or on the Group's consolidated positions, to assess the potential impact of extreme movements in market prices on the Group's earnings.

Value-at-risk & Stressed Value-at-risk statistics

		At 31st December 於12月31日 HK\$ Mn 港幣百萬元	Maximum 最高 HK\$ Mn 港幣百萬元	Minimum 最低 HK\$ Mn 港幣百萬元	Mean 平均 HK\$ Mn 港幣百萬元
Year 2015年					
VaR for total trading activities	交易活動的風險值總額	32	60	22	36
VaR for foreign exchange trading positions*	外匯交易持倉的風險值*	8	22	6	10
VaR for interest rate trading positions	利率交易持倉的風險值	3	8	2	4
VaR for equity trading positions	股份交易持倉的風險值	24	51	14	26

根據《資本規則》，本集團採用回溯測試評估風險值估計數字的預測準確度。回溯測試包括定期將每日風險值與其後的每日實際及模擬交易結果進行對比。回溯測試是一種用以衡量風險管理模式的質素與準確度的統計技術。在99%的置信水平及250日觀察期的情況下，2015年發現一次例外情況(2014年沒有發現例外情況)。

維加風險的資本要求已採用內部模式計算法。

此外，本集團利用市場風險壓力測試以補足每日風險值的評估。本集團對個別組合及/或本集團綜合持倉進行敏感度分析及情景分析，以評估市場價格的大幅波動對本集團盈利可能產生的影響。

風險及受壓風險值統計

		At 31st December 於12月31日 HK\$ Mn 港幣百萬元	Maximum 最高 HK\$ Mn 港幣百萬元	Minimum 最低 HK\$ Mn 港幣百萬元	Mean 平均 HK\$ Mn 港幣百萬元
Year 2014年					
VaR for total trading activities	交易活動的風險值總額	23	33	16	24
VaR for foreign exchange trading positions*	外匯交易持倉的風險值*	8	11	3	6
VaR for interest rate trading positions	利率交易持倉的風險值	4	9	1	4
VaR for equity trading positions	股份交易持倉的風險值	16	23	13	18

* Including all foreign exchange positions but excluding structural foreign exchange positions.

* 包括所有外匯持倉但不包括結構性外匯持倉。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(10) PRINCIPAL RISKS AND CAPITAL ADEQUACY (CONTINUED) 主要風險及資本充足度(續)

(b) Principal risks (continued)

Market risk management (continued)

Value-at-risk & Stressed Value-at-risk statistics (continued)

	At 31st December 於12月31日 HK\$ Mn 港幣百萬元	Maximum 最高 HK\$ Mn 港幣百萬元	Minimum 最低 HK\$ Mn 港幣百萬元	Mean 平均 HK\$ Mn 港幣百萬元
Year 2015年				
Stressed VaR for total trading activities 交易活動的受壓風險值總額	66	90	60	73

	At 31st December 於12月31日 HK\$ Mn 港幣百萬元	Maximum 最高 HK\$ Mn 港幣百萬元	Minimum 最低 HK\$ Mn 港幣百萬元	Mean 平均 HK\$ Mn 港幣百萬元
Year 2014年				
Stressed VaR for total trading activities 交易活動的受壓風險值總額	59	109	51	84

(b) 主要風險(續)

市場風險管理(續)

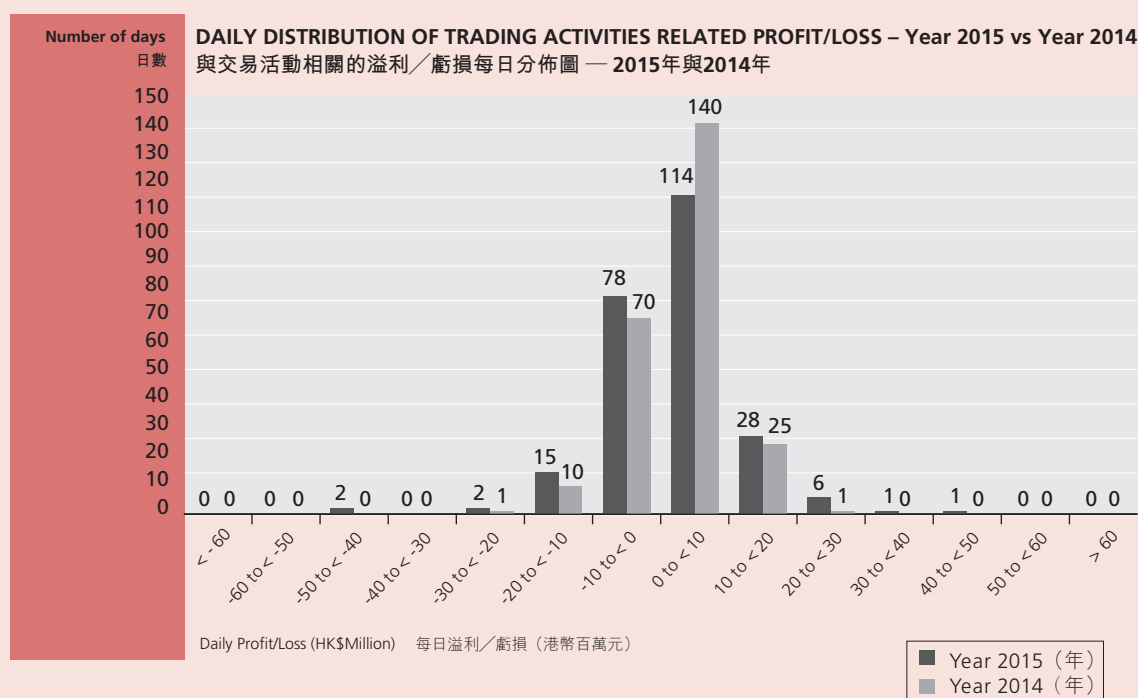
風險及受壓風險值統計(續)

A stressed VaR measure is intended to replicate a VaR calculation that would be generated on current market risk portfolio if the relevant market factors were experiencing a period of stress.

受壓風險值採用現行風險值的計算方法，根據受壓期間的相關市場因素，對投資組合計算的風險值。

The average daily profit for all trading activities (including foreign exchange, interest rate and equity trading activities) in 2015 was HK\$1.89 million (average daily profit of HK\$2.15 million in 2014). The standard deviation of the daily profit/loss for the period was HK\$10.43 million (standard deviation of HK\$6.77 million for 2014). The frequency distribution of daily profit/loss is shown below:

於2015年，所有交易活動(包括貨幣、利率、股份交易活動)所得的每日平均收入為港幣189萬元(2014年的每日平均收入為港幣215萬元)。每日溢利/虧損的標準差為港幣1,043萬元(2014年為港幣677萬元)。以下為每日溢利/虧損的頻率分佈情況：



UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The objective of operational risk management is to identify, assess, monitor and report on operational risk and to comply with the relevant regulatory requirements.

The Operational Risk Management Committee is responsible for overseeing operational risk management of the Group while the Operational Risk Management Department under the Risk Management Division of the Group is responsible for monitoring activities relating to operational risk.

The operational risk management tools adopted include operational risk incident reporting, control self-assessment, key risk indicators, operation manuals, insurance policies, business continuity planning, etc.

Furthermore, the Operational Risk Management Department under the Risk Management Division of the Group has also performed self-assessment on the Group's compliance with the requirements of HKMA Supervisory Policy Manual on Operational Risk Management, with satisfactory result which had been reviewed independently by the Internal Audit Division.

Capital Charge for Operational Risk

As at 31st December 2015, capital charge for operational risk amounted to HK\$2,444 million (2014: HK\$2,375 million).

Liquidity risk management

Liquidity pertains to the Group's ability to meet obligations as they fall due. Funding liquidity relates to the ability to meet expected and unexpected, current and future cash flow and collateral needs without affecting daily operations or the financial position. Market liquidity concerns the inability to offset or eliminate a position at market price because of inadequate market depth or market disruption.

The purpose of liquidity risk management is to ensure sufficient cash flows to meet all financial commitments 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 LCR, and to make new loans and investments as opportunities arise.

營運風險管理

營運風險是指由於內部流程、人員和系統的不足或缺陷，或因外部事件而導致損失的風險。

營運風險管理的目的在於識別、評估、監控及匯報營運風險，以及遵守相關監管規定的要求。

營運風險管理委員會負責監督本集團的營運風險管理，而本集團風險管理處轄下的營運風險管理部則負責監察與營運風險有關的活動。

本集團所採用的營運風險管理工具包括營運風險事件匯報、自我評估監控、主要風險指標、營運手冊、保險政策、業務持續規劃等。

此外，本集團風險管理處轄下的營運風險管理部亦就本集團是否符合金管局監管政策手冊關於業務操作風險管理的規定進行自我評估，並經稽核處獨立審閱後得出滿意的結果。

營運風險的資本要求

於2015年12月31日，營運風險的資本要求為港幣24.44億元(2014年：港幣23.75億元)。

流動資金風險管理

流動資金與本集團履行到期責任的能力有關。融資流動風險管理關鍵在於是否能夠在不影響日常營運或財務狀況的情況下，滿足預期及未能預期、目前及未來的現金流量及抵押品需求。市場流動性風險管理著眼於是否能夠在市場深度不足或市場失序時，按市場價格平倉。

流動資金風險管理是為了確保本集團維持充足的現金流量以配合所有財務承擔，並掌握業務擴展的機會，當中包括確保本集團能夠在即時或合約期滿時滿足客戶的提款要求，在借款期滿時能夠還款，符合法定的流動性覆蓋比率，以及掌握貸款和投資的機會。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(10) PRINCIPAL RISKS AND CAPITAL ADEQUACY (CONTINUED) 主要風險及資本充足度(續)

(b) Principal risks (continued)

Liquidity risk management (continued)

The Asset and Liability Management Committee is delegated by the Board to oversee the Group's liquidity risk management. The Asset and Liability Management Committee sets the strategy, policy, and limits for managing liquidity risk and the means for ensuring that such strategy and policy are implemented. Regular meetings are held to review the compliance status of the monitoring matrix established and the need for any change in strategy and policy. Liquidity is managed daily by the Capital Markets & Liquidity Management Department under the Treasury Markets Division of the Group within the set limits. The Asset & Liability Management Department under the Risk Management Division of the Group is responsible for monitoring the activities relating to liquidity risk. The Internal Audit Division performs periodic reviews to ensure that the liquidity risk management functions are carried out effectively.

The LCR, which came into effect on 1st January, 2015, imposes a more stringent regulatory regime for liquidity risk management on the Group. Banking (Liquidity) Rules require the Group to meet the minimum LCR by 2019. During the transitional period, the percentage will increase from 60% in 2015 to 100% in 2019, with 10% added to the regulatory requirement each year from 2016. To ensure compliance with the enhanced regulatory requirement, material changes in the LCR will be reported regularly to the Asset and Liability Management Committee together with proposed mitigation actions to cope with adverse changes arising from, including but not limited to, composition of the deposit and its remaining tenor to maturity, short-term lending activities, and the Group's asset and liability mix strategy. An internal LCR target has been established to maintain the ratio within a suitable range. In planning the asset and liability mix strategy, the Group assesses the impact of asset growth and funding structure on the LCR with support from relevant business units for the Asset and Liability Management Committee's review and decision.

As part of Group efforts to manage the LCR effectively, emphasis is placed on strengthening the deposit base by retaining loyal customers and maintaining customer relationships. The Group balances funding among retail, small business, and wholesale funding to avoid concentration in any one source. Professional markets are accessed through the issuance of certificates of deposit, medium-term notes, subordinated debt, money market placement, and borrowing for the purposes of providing additional funding, maintaining a presence in local money markets, and optimising asset and liability maturities.

(b) 主要風險(續)

流動資金風險管理(續)

資產負債管理委員會獲董事會授權，負責監察本集團的流動資金風險管理。資產負債管理委員會制訂管理流動資金風險的策略、政策及限額，以及確保執行有關策略與政策的措施。委員會定期舉行會議，檢討各方面是否符合所設立的監管架構，以及是否有需要改變策略及政策。流動資金狀況由本集團資金市場處轄下的資本市場及流動資金管理部每日按所訂限額範圍進行管理。本集團風險管理處轄下的資產負債管理部，負責監察與流動資金風險相關的活動。稽核處會定期作出檢討，確保流動資金風險管理功能得以有效執行。

流動性覆蓋比率於2015年1月1日生效，對本集團的流動資金風險管理施加更嚴格的監管制度。《銀行業(流動性)規則》要求本集團必須於2019年達致最低流動性覆蓋比率。過渡期間，有關百分比將由2015年的60%升至2019年的100%，自2016年起監管要求每年增加10%。為確保遵守不斷提升的監管要求，資產負債管理委員會會定期接收有關流動性覆蓋比率重大變動的報告和其建議補救措施以應對不利變動，其中來自(包括但不限於)存款成分及其餘下期限、短期貸款活動以及本集團資產及負債組合策略。為將流動性覆蓋比率維持在合適範圍內，已訂立內部流動性覆蓋比率目標。在規劃資產及負債組合策略時，相關業務單位協助本集團評估資產增長及融資架構對流動性覆蓋比率的影響，以供資產負債管理委員會檢討和決策。

本集團在努力有效管理流動性覆蓋比率的過程中，著力留住忠實客戶及維持客戶關係，藉以增強存款基礎。本集團在零售、小企業和大額融資之間保持資金平衡，避免資金集中於任何一種資源。本集團透過發行存款證、中期票據、後償債項、貨幣市場拆借及借貸進入專業市場，獲取額外資金，並維持於當地金融市場的地位、以及優化資產及負債的期限。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED) 未經審核補充財務資料(續)

Internally, intra-group funding transactions are carried out at arm's length and treated in a manner in line with other third party transactions, with regular monitoring and appropriate control.

In addition to observing the statutory LCR, the Group has established different liquidity metrics – including but not limited to the loan-to-deposit ratio, cumulative mismatch ratio, funding concentration ratio, intra-group exposure threshold, and cross currency funding ratio – to measure and analyse the Group's liquidity risks. As a majority of the Group's liquidity risk arises from the maturity mismatch gap between the Group's asset and liability portfolios, the Group manages liquidity risk by conducting cash flow analysis and projections. These are carried out on a regular basis to identify funding needs arising from on and off-balance sheet items in a specific time frame over a set of time horizons. The Group maintains sufficient liquid assets as a liquidity cushion that can be accessed in times of stress. The high quality liquid assets for fulfilling the LCR consist of cash, short term funds, exchange fund bills, and notes. The majority of the HQLAs are denominated in Hong Kong dollars. Contingent funding sources are maintained to provide strategic liquidity to meet unexpected and material cash outflows.

The Group also conducts stress testing regularly to analyse liquidity risk. Both on and off-balance sheet items and their impact on cash flow are considered, together with applicable hypothetical and historical assumptions. The assessment and review of market liquidity risk are included in the various control processes, including investment/trading strategy, market risk monitoring, valuation, and portfolio review. Three stress scenarios – namely an institution-specific crisis, a general market crisis and a crisis involving a combination of the two – are adopted with minimum survival period defined according to HKMA's Supervisory Policy Manual "Sound Systems and Controls for Liquidity Risk Management".

With reference to the stress-testing results, the Group identifies potential vulnerabilities within the Group and formulates a Contingency Funding Policy and a Contingency Funding Plan that set out the Group's strategy for dealing with any liquidity problem and the procedures for making up cash flow deficits in emergency situations.

The Contingency Funding Policy and Contingency Funding Plan are designed to be pro-active and pre-emptive, and stipulates the following three stages:

1. The Group utilises early warning indicators, which cover both qualitative and quantitative measures, and monitors both internal and external factors. Should there be any early signs of significant impact on the Group's liquidity position, Asset and Liability Management Committee is informed. The Asset and Liability Management Committee will consider appropriate remedial actions and will consider employing crisis management if the situation warrants.

至於內部，集團內公司間的融資交易乃按一般正常交易原則進行，處理方式與其他第三方交易一致，並接受定期監督及適當控制。

除緊守法定的流動性覆蓋比率外，本集團已設立不同的流動資金標準以衡量及分析流動資金風險，包括(但不限於)貸存比率、累積錯配比例、資金集中比率、集團內公司間風險限額及跨貨幣資金比率。由於本集團大部分流動資金風險來自資產與負債組合之間的期限錯配差距，本集團會定期透過對一系列時間內的資產負債表內外資產及項目進行現金流量分析及預測，確定特定時間內的資金需要，從而管理流動資金風險。本集團維持充足的流動資產，作為能夠在資金受壓時取用的流動資金緩衝。實現流動性覆蓋比率所需的優質流動資產包括現金、短期資金、外匯基金票據和債券，其中大部分優質流動資產以港幣計值。本集團維持應急融資來源，能提供策略性的流動資金，以應付未能預計的大量資金需求。

本集團亦會定期進行壓力測試，以分析流動資金風險。透過運用適當的虛擬及歷史假設，本集團的壓力測試均已考慮資產負債表內外項目及其對現金流量造成的影響。市場流動資金風險的評估及檢討納入各個控制環節，包括投資/交易策略、市場風險監控、估值及組合檢討。三個壓力情景(即個別銀行危機、整體市場危機，以及結合上述兩種情況的綜合危機)均採用金管局監管政策手冊「穩健的流動資金風險管理系統及管控措施」界定的最短存活期。

本集團會參照壓力測試結果，確認集團內的潛在弱點，並制訂應急融資政策及計劃，當中載列了本集團處理流動資金問題的策略及於緊急情況下彌補現金流不足的程序。

應急融資政策及計劃旨在提供防患未然的積極措施，並訂明以下三個階段：

1. 本集團運用預早警報指標，當中包括質量性及數量性的措施，藉以監督內部及外在因素。假如有任何早期跡象顯示本集團流動資金狀況將受重大影響，應通知資產負債管理委員會。資產負債管理委員會將考慮適當的補救措施，並在合適情況下考慮採用危機管理措施。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(10) PRINCIPAL RISKS AND CAPITAL ADEQUACY (CONTINUED) 主要風險及資本充足度(續)

(b) Principal risks (continued)

Liquidity risk management (continued)

- A Crisis Management Committee, which is chaired by the Chairman & Chief Executive, is formed to handle the crisis. Strategy and procedures for obtaining contingency funding, as well as roles and responsibilities of the parties concerned, are clearly stated.
- In the final stage, a post-crisis review is carried out to recommend necessary improvements to avoid incidents of a similar nature in the future.

An annual drill test is conducted and the Contingency Funding Policy and Contingency Funding Plan are subject to regular review in order to accommodate any changes in the business environment. Any significant changes to the Contingency Funding Policy and Contingency Funding Plan are approved by the Board and the Asset and Liability Management Committee, respectively.

Interest rate risk management

The Asset and Liability Management Committee is delegated by the Board to oversee the Group's interest rate risk management, establish the strategy and policy for managing interest rate risk, and determine the means for ensuring that such strategies and policies are implemented. Interest rate risk is managed daily by the Treasury Markets Division of the Group within the limits approved by the Board or the Asset and Liability Management Committee. The Asset & Liability Management Department under the Risk Management Division of the Group is responsible for monitoring the activities relating to interest rate risk. The Internal Audit Division performs periodic reviews to ensure that the interest rate risk management functions are implemented effectively.

The Group manages the interest rate risk on the banking book primarily by focusing on re-pricing mismatches. Gap analysis provides a static view of the maturity and re-pricing characteristics of the Group's assets, liabilities and off-balance sheet positions. Re-pricing gap limits are set to control the Group's interest rate risk.

Sensitivity analysis in relation to the impact of changes in interest rates on earnings and economic value is assessed through a hypothetical interest rate shock of 200 basis points across the yield curve on the Group's assets, liabilities and off-balance sheet positions and is performed on a monthly basis. Sensitivity limits are set to control the Group's interest rate risk exposure under both earnings and economic value perspectives. The results are reported to the Asset and Liability Management Committee on a regular basis.

(b) 主要風險(續)

流動資金風險管理(續)

- 本集團已設立危機管理委員會，並由主席兼行政總裁擔任主席，專責處理危機，並明確規定取得應急資金的策略及程序，以及有關各方的職務及職責。
- 於最後階段，本集團會在危機結束後對問題進行檢討，並作出必要改進，避免日後出現同類事件。

為應付商業環境中的任何轉變，本集團會每年進行演習測試，並會定期檢討應急融資政策及計劃。應急融資政策及計劃如有任何重大變動，均須分別取得董事會及資產負債管理委員會的批准。

利率風險管理

資產負債管理委員會獲董事會授權，負責監察本集團的利率風險管理，訂立管理利率風險的策略與政策，並制定相應措施，以確保執行有關策略與政策。利率風險由本集團資金市場處按董事會或資產負債管理委員會批核的限額範圍進行日常管理。本集團風險管理處轄下的資產負債管理部，負責監察利率風險相關的活動。稽核處會定期作出檢討，確保利率風險管理功能得以有效執行。

本集團管理銀行賬冊利率風險的主要方法是集中於重訂息率的錯配。差距分析可讓本集團從靜態角度瞭解資產、負債和資產負債表外持倉的到期情況及重訂息特點。本集團設有重訂息率差距限額以控制本集團的利率風險。

本集團每月進行敏感度分析，以估算利率變動對盈利和經濟價值的影響，當中假設本集團資產、負債和資產負債表外持倉的收益率曲線出現200個基點的利率衝擊。本集團設有敏感度限額，以控制本集團的盈利及經濟價值兩方面的利率風險承擔。有關結果定期向資產負債管理委員會匯報。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

Sensitivity analysis on interest rate risk

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on our net interest income and economic value change.

利率風險敏感度分析

本集團採用敏感度分析來度量利率變動對淨利息收入及經濟價值變動可能產生的影響。

		2015			2014		
		HKD港元 HK\$ Mn 港幣百萬元	USD美元 HK\$ Mn 港幣百萬元	RMB人民幣 HK\$ Mn 港幣百萬元	HKD港元 HK\$ Mn 港幣百萬元	USD美元 HK\$ Mn 港幣百萬元	RMB人民幣 HK\$ Mn 港幣百萬元
Impact on earnings over the next 12 months if interest rates rise by 200 basis points	倘利率上調200個基點對未來12個月的盈利影響	945	64	258	534	3	570
Impact on economic value if interest rates rise by 200 basis points	倘利率上調200個基點對經濟價值的影響	(132)	89	201	(199)	118	59

This sensitivity analysis, which is based on a static interest rate risk profile of assets and liabilities, is used for risk management purposes only. The analysis is based on the following assumptions:

- (i) there is a parallel shift in the yield curve and in interest rates;
- (ii) there are no other changes to the portfolio;
- (iii) no loan prepayment is assumed as the majority of loans are on a floating rate basis; and
- (iv) deposits without fixed maturity dates are assumed to be repriced on the next day.

Actual changes in the Group's net interest income and the economic value resulting from the increases in interest rates may differ from the results of this sensitivity analysis.

(c) Capital management

The HKMA sets and monitors capital requirements for the Group as a whole. In implementing current capital requirements the HKMA requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets. The Group calculates requirements for market risk in its trading portfolios based upon the Group's VaR models and uses its internal gradings as the basis for risk weightings for credit risk. Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

In addition to meeting the regulatory requirements, the Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

敏感度分析僅用於風險管理目的，乃依據資產及負債的靜態利率風險資料作出。有關分析乃根據以下假設進行：

- (i) 收益率曲線及利率平行移動；
- (ii) 組合並無其他變動；
- (iii) 假設沒有提早償還貸款，因大部份貸款屬於浮息貸款，及
- (iv) 假設沒有固定到期日的存款於翌日再定息。

利率上調而導致本集團淨利息收入及經濟價值的實際變動與敏感度分析的結果可能有所不同。

(c) 資本管理

金管局制定及監察本集團整體的資本規定。在實施現行的資本規定時，金管局規定本集團維持既定的總資本對總風險加權資產比率。本集團根據風險值模式計算交易組合的市場風險，及根據內部評級作為信貸風險的風險比重的基準，計算交易組合的市場風險要求。銀行業務分為交易賬冊或銀行賬冊。風險加權資產依照特別規定而定，特別規定旨在反映與資產的不同風險水平及資產負債表外的風險。

除符合監管規定外，本集團管理資本的主要目的是保障本集團可持續經營，藉以不斷為股東提供回報及為其他利益關涉者帶來利益。方法包括依照風險水平釐定產品及服務價格，及以合理的成本提供融資渠道。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(10) PRINCIPAL RISKS AND CAPITAL ADEQUACY (CONTINUED) 主要風險及資本充足度(續)

(c) Capital management (continued)

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might otherwise be possible with greater gearing and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The process of allocating capital to specific operations and activities is undertaken by the Asset and Liability Management Committee and is reviewed regularly by the Risk Management Committee, RIC and the Board.

Consistent with industry practice, the Group monitors its capital structure on the basis of the capital adequacy ratio and there have been no material changes in the Group's policy on the management of capital during the year.

The capital adequacy ratios as at 31st December, 2015 and 31st December, 2014 are computed on the consolidated basis of the Bank and certain of its subsidiaries as specified by the HKMA for its regulatory purposes, and are in accordance with the Capital Rules of the Banking Ordinance which became effective on 1st January, 2007.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year ended 31st December, 2015 and 31st December, 2014 and the Group is well above the minimum required ratio set by the HKMA.

(c) 資本管理(續)

本集團積極定期檢討及管理資本架構，以期在爭取更高股東回報與維持良好資本的好處和安全之間取得平衡，並且因應經濟情況的轉變調整資本架構。

調配資本至特定業務及活動的程序由資產及負債管理委員會進行，並由風險管理委員會、風險委員會及董事會定期檢討。

本集團依據行業慣例，以資本充足比率為基準監察資本架構，年度內本集團資本管理政策並無重大改變。

2015年12月31日及2014年12月31日的資本充足比率是依據金管局為監管目的而制定的，本行及若干附屬公司已按綜合基準計算，並符合2007年1月1日生效的《銀行條例》的《資本規則》。

截至2015年12月31日及2014年12月31日止年度內，本集團及其個別受監管業務已符合所有外間訂立的資本規定，以及本集團俱遠高於金管局所定的最低規定比率。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED) 未經審核補充財務資料(續)

(11) CREDIT RISK UNDER INTERNAL RATINGS-BASED (“IRB”) APPROACH 根據內部評級基準計算法計算的信貸風險

This section presents information on the Group’s risk management for credit exposures under IRB approach.

Foundation IRB approach is adopted for capital adequacy assessment for credit risk where internal rating systems are applied against different types of counterparties in the risk management process.

(a) Structure of internal ratings systems

The internal ratings system serves as the foundation for the Bank’s risk management and capital adequacy assessment. In general, the system adopts a 20-tier rating structure.

For Corporate, Bank and Retail exposures, internal measure of credit risks are based on an assessment of the borrower and transaction characteristics of each exposure. Therefore the Bank has a two-dimensional rating structure, one dimension being the borrower grade, and the other being facility grade.

The borrower grade reflects risk of borrower default. The borrower’s Probability of Default over a one-year horizon is linked up to the 20-tier structure, with the last 3 tiers down the structure being default grades. The facility grade incorporates transaction specific factors e.g. collateral, guarantee, etc. These factors are directly linked up to the transaction’s Expected Loss, which is in turn transformed into a 20-tier structure.

On the other hand, the Bank utilises the Supervisory Slotting Criteria Approach in rating Specialised Lending exposures. Under this approach, a single-dimension rating considering both the borrower and transaction characteristics will be assigned to the credit exposure, with the same 20-tier risk structure.

For Corporate and Bank exposures, borrower grades generated from the internal rating systems are benchmarked to external credit ratings.

(b) Use of internal ratings

The Bank has used information generated from internal rating systems in various areas including but not limited to credit approval, credit monitoring, loan classification, pricing, formulating business strategies and capital adequacy assessment.

本節呈列本集團對根據內部評級基準計算法計算的信貸風險承擔進行的風險管理資料。

本集團採納基礎內部評級基準計算法以評估信貸風險的資本充足度，並於風險管理程序中使用內部評級系統處理不同類型的交易對手。

(a) 內部評級系統的架構

內部評級系統為本行風險管理及資本充足評估的基礎。整體而言，該評級系統分為20個等級。

就企業、銀行及零售的風險承擔而言，信貸風險的內部量度方法以評估借款人及每項風險承擔的交易特性為基礎。因此，本行的評級架構有兩個層面，第一個是借款人等級，另一個是融通等級。

借款人等級反映借款人違責的風險。借款人一年內的違責或然率與20等級的架構掛鉤，最低的3個等級為違責等級。融通等級已考慮特定交易因素，如抵押品、擔保等。該等因素直接換算出交易的預期損失，再與20等級的架構掛鉤。

另一方面，本行為專門性借貸風險承擔評級時，會使用監管分類準則計算法。根據此計算法，信貸風險承擔會獲得一個已經兼顧借款人及交易特性的單一層面評級，這評級同樣分為20個等級。

就企業及銀行風險承擔而言，自內部評級系統產生的借款人等級與外部信貸評級對應，並作為基準。

(b) 內部評級的應用

本行在多方面均使用自內部評級系統取得的資料，包括但不限於信貸審批、信貸監控、貸款分類、定價、業務策略制訂及資本充足評估方面。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(11) CREDIT RISK UNDER INTERNAL RATINGS-BASED ("IRB") APPROACH (CONTINUED)

根據內部評級基準計算法計算的信貸風險(續)

(c) Control mechanisms for rating systems

In order to ensure that the rating systems are robust, the Bank has a control mechanism and relevant policies in place to validate the accuracy and consistency of the systems, which are used for the estimation of all relevant risk components for risk management and capital adequacy calculation.

The validation process covers 2 major aspects: review of internal rating models (i.e. quantitative assessment) and review of internal control and compliance (i.e. qualitative assessment). For the purpose of independence and accountability, staff members who are responsible for carrying out the validation process should be independent of those staff members who are responsible for designing and developing the rating systems. The Credit Committee oversees the whole validation process and reviews/approves the validation results and deliverables of the validating team on an annual basis.

(d) Internal rating process

The Bank's internal rating process begins with the business units. These units apply different models for rating different types of credit exposures. During the process of rating assignment, overriding of the rating generated by the models is possible if it is considered that material information has not been taken into account by the models. The justification for overrides should be properly documented.

The rated credits, whether or not overrides are necessary, are then reviewed and approved by an individual party other than the one responsible for the assignment of the rating. This ensures accuracy and precision of the ratings, and that ratings are prudent and comply with the credit policies of the Bank. Based on the policies of the Bank, ratings of credit exposures will be reviewed at least annually.

(e) Types of exposures

- Corporate exposure includes exposures to corporate SMEs, other corporate and specialised lending.
- Bank exposure includes exposures to banks, regulated securities firms and public sector entities.
- Retail exposure includes residential mortgages, qualifying revolving retail exposures and other retail exposures.

(c) 評級系統的監控機制

為確保評級系統的穩健性，本行設有監控機制及有關政策，以核實系統是否準確及一致，而系統乃用於估計一切相關風險成份以用作風險管理及資本充足計算。

核實程序涵蓋兩個主要方面：審查內部評級模型(即數量評估)及審查內部監控及遵規(即質量評估)。就獨立性及問責性而言，負責進行核實程序的員工應獨立於負責設計及制定評級系統的員工。信貸委員會監察整個核實程序，並每年審查/批准核實結果及核實小組所呈交的報告。

(d) 內部評級程序

本行的內部評級程序由業務單位開始。該等部門對不同類別的信貸風險承擔評級時，均會採用不同的模型。在評級程序中，倘認為模型並無考慮重要資料，模型得出的評級可能會遭調整，但調整評級的理據應妥為存檔。

然後，不論是否需要調整評級，獲評級的信貸繼而由負責評級者以外的獨立方審查及批准。此舉可確保評級準確精密，且以審慎方式作出，並符合本行的信貸政策。根據本行的政策，信貸風險承擔的評級最少每年審查一次。

(e) 風險承擔類別

- 企業風險承擔包括對中小企、其他企業及專門性借貸的風險承擔。
- 銀行風險承擔包括對銀行、受監管的證券商號及公營單位的風險承擔。
- 零售風險承擔包括住宅按揭、合資格循環零售風險承擔及其他零售風險承擔。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(f) Variables, methods and data for estimation and validation of internal ratings

Probability of Default (PD)

For corporate exposures, PD is estimated based on both financial and business variables. Financial variables are financial ratios which link up to the profitability, liquidity and capital structure of the borrower, whereas for business variables, risk factors are assessed through management quality, industry risk and company standing. The two assessments are combined based on a scorecard methodology to produce the PD which is estimated through the Bank's default data.

For retail exposures, borrowers with homogenous nature and transaction characteristics are segmented into pools in each of which an estimated PD is assigned.

For bank exposures, the estimation of PD takes into account the financial strength and qualitative factors. Financial strength considered profitability, liquidity, asset quality and capital structure, whereas qualitative factors are assessed through operating environment and other internal factors such as funding source and historical performance.

Loss-Given-Default (LGD)

For corporate and bank exposures, the Bank applies the supervisory LGD estimate provided by the HKMA.

For retail exposures, the LGD estimate is based on historical realised loss and total historical default amount within a defined period.

Exposure-at-Default (EAD)

EAD is calculated as sum of on-balance sheet amount and credit equivalent amount of off-balance sheet items. Credit equivalent amount is the exposure amount of off-balance sheet items multiplied by the respective credit conversion factors according to the Capital Rules. For certain revolving retail exposures, the credit conversion factor is estimated with reference to the historical realised further drawdown rate prior to defaults.

The exposure amount disclosed in the following of this report relating to IRB exposure refers to EAD.

(f) 估計及核實內部評級的可變因素、方法及數據

違責或然率

就企業風險承擔而言，違責或然率乃以財務及業務的可變因素估計。財務可變因素為與借款人的盈利能力、資金流動性及資本架構有關的財務比率。而就業務可變因素而言，風險因素按管理質素、行業風險及公司於行內地位作評估。兩項評估乃根據評分卡法結合，從而得出利用本行的違責數據所估計的違責或然率。

就零售風險承擔而言，性質及交易特性相近的借款人會被分成多個組別，而該等組別會被賦予一估計違責或然率。

就銀行風險承擔而言，估計違責或然率時會考慮借款人財務及定性風險評估因素。財務因素考慮借款人的盈利能力、資金流動性、資產質素及資本架構有關的財務比率。而定性風險因素會考慮經營環境及其他內部因素如資金來源及以往業績等作評估。

違責損失率

就企業及銀行風險承擔而言，本行採用金管局提供的監管性估計的違責損失率。

就零售風險承擔而言，違責損失率估計乃基於已界定期間內的過往變現損失及過往違責總額計出。

違責風險承擔

違責風險承擔計算為資產負債表內項目的數額及資產負債表外項目的信貸等值數額的總和。根據《資本規則》，信貸等值數額為資產負債表外項目的風險承擔數額乘以相應的信貸換算因數。就若干循環零售風險承擔而言，信貸換算因數乃參考在過往信貸違責前實際之進一步提取貸款比率而作出估計。

本報告下文所披露有關內部評級基準風險承擔的風險承擔數額所指的是違責風險承擔。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(11) CREDIT RISK UNDER INTERNAL RATINGS-BASED ("IRB") APPROACH (CONTINUED)

根據內部評級基準計算法計算的信貸風險(續)

(f) Variables, methods and data for estimation and validation of internal ratings (continued)

Assumptions Employed in Derivation of Variables

The assumptions behind the estimation of PD are: (1) risk factors selected for estimation are valid and significant; (2) the weight assigned to each risk factor is reasonable and appropriate for the estimation in the context of the Bank's credit portfolio; (3) the estimation model/methodology is valid and appropriate for the Bank's credit portfolio and risk environment; (4) for retail exposures, default rate from year to year does not exhibit significant fluctuations so that historical data (default rate) could be applied as PD estimate.

The underlying assumption of LGD estimate is that the loss and recovery pattern of the credit portfolio from year to year does not exhibit significant fluctuations so that historical realised LGD could be applied as LGD estimate. It is also assumed that realised LGD differs significantly across the credit portfolios.

For certain revolving retail exposures, the EAD is estimated based on the assumption that the historical further drawdown rate from year to year does not differ significantly so that historical data could be used for estimation of current EAD of the revolving retail exposures.

Methods of Validation

In order to ensure that the above assumptions for estimation are valid and the Bank's internal rating system is reliable and suitable for the Bank's credit portfolio, regular validation is indispensable.

The validation of the rating models is divided into (1) review of rating systems (quantitative assessment); (2) review of use of ratings (qualitative assessment).

The review of rating systems is carried out through a series of statistical tests. The purpose of the review is to assess the predictive power and robustness of model and the presence of under/over estimation.

The review of use of ratings focuses on the process of rating assignment, review and approval.

(g) Policies for establishing provisions

The impairment losses of loans and receivables are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Receivables with a short duration are not discounted if the effect of discounting is immaterial.

The total allowance for impairment losses consists of two components: individual impairment allowances, and collective impairment allowances.

(f) 估計及核實內部評級的可變因素、方法及數據(續)

計算可變因素時採用的假設

估計違責或然率時所作的假設：(1)進行估計所選用的風險因素乃屬有效及重要。(2)在本行信貸組合方面，以各風險因素獲賦予的權重進行估計，乃屬合理及適當。(3)估計模型／方法就本行的信貸組合及風險狀況而言乃屬有效及適當。(4)就零售風險承擔而言，年來的違責率並無顯示重大波動，故過往數據(違責率)可應用作違責或然率估計。

違責損失率估計的相關假設是，信貸組合年來的損失及收回模式並無顯示重大波動而令過往實際違責損失率可應用作違責損失率估計，以及各信貸組合的實際違責損失率顯著不同。

就若干循環零售風險承擔而言，估計違責風險承擔時的假設是，年來過往進一步提取貸款比率並無顯著不同而令過往數據可用作估計循環零售風險承擔的現行違責風險承擔。

核實方法

為確保上述為進行估計而作的假設有效，以及本行內部評級系統就本行信貸組合而言乃屬可靠及適合，定期作出核實是必須的。

評級模型的核實方法分為：(1)審查評級系統(數量評估)；(2)審查評級的應用(質量評估)。

審查評級系統乃透過一系列統計測試進行。審查目的乃評估模型的預示能力及穩健程度，以及是否存在低估／高估的情況。

就評級應用的審查，乃以評級及審批程序為重點。

(g) 設立準備金的政策

貸款和應收賬款的減值損失，是根據資產賬面值及估計未來現金流按資產原本之有效利率折算為現值，以二者之差額計算。如果折算現值後的影響不大，不會折算短期應收賬款。

減值損失準備總額包括兩部分：個別減值準備，及整體減值準備。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED) 未經審核補充財務資料(續)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The individual impairment allowance is based upon management's best estimate of the present value of the cash flows which are expected to be received discounted at the original effective interest rate. In estimating these cash flows, management makes judgements about the borrower's financial situation and the net realisable value of any underlying collateral or guarantees in favour of the Group. Each impaired asset is assessed on its merits.

In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, the Group makes assumptions both to define the way the Group models inherent losses and to determine the required input parameters, based on historical experience and current economic conditions.

The accuracy of the impairment allowances the Group makes depends on how well the Group can estimate future cash flows for individually assessed impairment allowances and the model assumptions and parameters used in determining collective impairment allowances. While this necessarily involves judgment, the Group believes that the impairment allowances on loans and advances to customers are reasonable and supportable.

All loans and receivables are reviewed and analysed periodically. Any subsequent changes to the amounts and timing of the expected future cash flows compared to the prior estimates that can be linked objectively to an event occurring after the write-down, will result in a change in the impairment allowances on loans and receivables and will be charged or credited to the income statement. A reversal of impairment losses is limited to the loans and receivables' carrying amount that would have been determined had no impairment loss been recognised in prior years.

Where there is no reasonable prospect of recovery, the loan and the related interest receivables are written off.

The Bank takes into consideration the provision made in its capital maintenance decisions as in accordance with Section 220 of the Capital Rules. The Bank compares the total expected loss ("EL") amount and the total eligible provisions, and if total EL amount exceeds total eligible provisions, the Bank deducts the difference from the Common Equity Tier 1 capital. On the other hand, if total EL amount is less than the eligible provisions, the Bank includes the difference in its Tier 2 capital up to a maximum of 0.6% of the Bank's risk weighted amount for credit risk calculated using IRB Approach.

本集團首先評估客觀減值證據是否個別存在於個別重大金融資產，及個別或整體存在於非個別重大金融資產。若本集團判斷客觀減值證據並不存在於個別評估金融資產，無論重大與否，本集團將有相同風險特性的金融資產歸類，及作整體減值評估。作個別減值評估的資產而減值損失須持續確認，其減值損失不會包括於整體減值準備內。

個別減值準備是根據管理層的最佳估計將可能收回之現金流按原本的有效利率折算為現值。在估計現金流時，管理層須判斷借款人的財政狀況及給予本集團的抵押品或擔保之可變現淨值，並須評估每宗減值資產的真正價值。

當評估所需的整體減值損失準備時，管理層須考慮的因素包括信貸質素、組合規模、信貸集中，及經濟因素。為求估計所需的準備，本集團根據過往之經驗和現時之經濟情況作假設以模擬潛在損失及判斷所需之輸入變數。

撥備的準確性，須視乎本集團能否在評估個別準備時準確估計交易對手的未來現金流及在判斷整體減值準備時所採用的假設模式及變數。雖然視乎判斷而定，本集團相信信貸損失準備是合理和足夠的。

所有貸款和應收賬款須定期作檢討及分析。在較後期間，任何因估計未來現金流的金額及時間與先前估計的有所轉變，而該轉變是可客觀地與撇銷後發生的事件有關連，從而導致減值損失準備亦需改變，該轉變會支銷或存入損益賬。減值損失之轉回只限於假設該貸款和應收賬款於往年從來未有確認減值損失的賬面值。

倘再無實際機會收回時，則貸款及相關的應收利息會被撇銷。

根據《資本規則》第220條，本行在作出有關維持資本的決定時，會考慮所作出的準備金。本行比較預期損失總額及合資格準備金總額，倘預期損失總額超過合資格準備金總額，本行會自普通股權一級資本減去超出數額。相反，倘預期損失總額較合資格準備金總額低，本行則把差額計入本行二級資本內，上限為以內部評級基準計算法計算所得本行信貸風險的風險加權數額的0.6%。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(11) CREDIT RISK UNDER INTERNAL RATINGS-BASED ("IRB") APPROACH (CONTINUED)

根據內部評級基準計算法計算的信貸風險(續)

(h) Exposure subject to supervisory estimates

The following table indicates the exposure classes and the respective exposure amounts that are subject to supervisory estimates as at 31st December, 2015 and 31st December, 2014 respectively:

Exposure class	風險承擔類別	Exposure amount 風險承擔數額	
		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Bank	銀行	148,082	85,872
Corporate	企業	414,199	470,342
Equity booked on banking book subject to Simple Risk-weight Method under Market-based Approach	銀行賬下的股權 — 以市場基準計算法下的 簡單風險權重方法計算	3,080	3,106

(h) 受限於監管性估計的風險承擔

下表分別顯示於2015年12月31日及2014年12月31日受限於監管性估計的風險承擔類別及相應的風險承擔數額：

(i) Non-securitisation exposure amount by IRB calculation approach

The following tables indicate the non-securitisation exposure amount under each IRB calculation approach as at 31st December, 2015 and 31st December, 2014 respectively:

2015

Exposure class	風險承擔類別	Exposure amount 風險承擔數額					
		Supervisory Foundation IRB approach 基礎內部 評級基準 計算法 HK\$ Mn 港幣百萬元	Supervisory Slotting Criteria approach 監管分類準 則計算法 HK\$ Mn 港幣百萬元	Retail IRB approach 零售內部 評級基準 計算法 HK\$ Mn 港幣百萬元	Market- based approach 市場基準 計算法 HK\$ Mn 港幣百萬元	Specific risk-weight approach 特定風險權 重計算法 HK\$ Mn 港幣百萬元	Others 其他 HK\$ Mn 港幣百萬元
Bank	銀行	148,082	-	-	-	-	-
Corporate	企業	392,796	21,403	-	-	-	-
Residential mortgage	住宅按揭	-	-	77,743	-	-	-
Qualifying revolving retail	合資格循環零售	-	-	28,236	-	-	-
Other retail	其他零售	-	-	11,770	-	-	-
Equity	股權	-	-	-	3,878	-	4,696
Other	其他	-	-	-	-	24,770	-
Total	總額	540,878	21,403	117,749	3,878	24,770	4,696

(i) 內部評級基準計算法下的非證券化類別風險承擔

下表分別顯示於2015年12月31日及2014年12月31日各內部評級基準計算法下的非證券化類別風險承擔數額：

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)
未經審核補充財務資料(續)

2014

Exposure class	風險承擔類別	Exposure amount 風險承擔數額						Others 其他
		Foundation IRB approach 基礎內部 評級基準 計算法 HK\$ Mn 港幣百萬元	Supervisory Slotting Criteria approach 監管分類準 則計算法 HK\$ Mn 港幣百萬元	Retail IRB approach 零售內部 評級基準 計算法 HK\$ Mn 港幣百萬元	Market- based approach 市場基準 計算法 HK\$ Mn 港幣百萬元	Specific risk-weight approach 特定風險權 重計算法 HK\$ Mn 港幣百萬元		
Bank	銀行	85,872	–	–	–	–	–	
Corporate	企業	437,924	32,418	–	–	–	–	
Residential mortgage	住宅按揭	–	–	71,718	–	–	–	
Qualifying revolving retail	合資格循環零售	–	–	27,996	–	–	–	
Other retail	其他零售	–	–	12,716	–	–	–	
Equity	股權	–	–	–	3,808	–	5,161	
Other	其他	–	–	–	–	19,479	–	
Total	總額	523,796	32,418	112,430	3,808	19,479	5,161	

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(11) CREDIT RISK UNDER INTERNAL RATINGS-BASED (“IRB”) APPROACH (CONTINUED)

根據內部評級基準計算法計算的信貸風險(續)

(j) Risk assessment for IRB exposure classes

The following tables indicate the exposure amount, exposure weighted average risk weight and exposure weighted average PD under bank exposure and corporate exposure across borrower grade, the exposure amount and exposure weighted average risk weight under specialised lending across supervisory rating grade and the exposure amount under retail exposures across facility grade as at 31st December, 2015 and 31st December, 2014 respectively:

For bank exposure

2015

Borrower grade 借款人等級	Exposure amount 風險承擔數額 HK\$ Mn 港幣百萬元	Exposure weighted average risk weight 風險承擔加權平均風險權重	Exposure weighted average PD 風險承擔加權平均違責或然率
2	76	18.28%	0.04%
3	15,508	34.43%	0.07%
4	32,853	42.65%	0.11%
5	22,378	53.51%	0.16%
6	22,090	63.62%	0.21%
7	13,253	65.19%	0.25%
8	30,359	78.63%	0.35%
9	6,844	83.27%	0.53%
10	3,303	101.45%	0.84%
11	1,006	129.07%	1.45%
12	140	122.92%	2.06%
13	1	133.09%	2.76%
14	194	180.13%	4.11%
16	77	225.42%	8.39%

(j) 內部評級基準風險承擔類別的風險評估

下表分別顯示於2015年12月31日及2014年12月31日各級借款人在銀行風險承擔及企業風險承擔下的風險承擔數額、風險承擔加權平均風險權重及風險承擔加權平均違責或然率、各監管評級等級在專門性借貸下的風險承擔數額及風險承擔加權平均風險權重，以及各級融通在零售風險承擔下的風險承擔數額：

就銀行風險承擔而言

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

For bank exposure

就銀行風險承擔而言

2014

Borrower grade 借款人等級	Exposure amount 風險承擔數額 HK\$ Mn 港幣百萬元	Exposure weighted average risk weight 風險承擔加權平均風險權重	Exposure weighted average PD 風險承擔加權平均違責或然率
1	12	14.10%	0.03%
2	565	27.01%	0.05%
3	4,748	32.41%	0.07%
4	19,659	45.37%	0.11%
5	9,946	54.82%	0.16%
6	562	52.31%	0.20%
7	5,263	54.24%	0.25%
8	1,749	77.78%	0.33%
9	16,779	104.39%	0.61%
10	12,140	113.85%	0.85%
11	10,483	137.97%	1.39%
12	2,144	152.00%	2.06%
13	1	137.31%	3.09%
14	556	186.27%	4.64%
15	1,265	207.38%	6.67%

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(11) CREDIT RISK UNDER INTERNAL RATINGS-BASED ("IRB") APPROACH (CONTINUED)

根據內部評級基準計算法計算的信貸風險(續)

(j) Risk assessment for IRB exposure classes (continued)

For corporate exposure

2015

(j) 內部評級基準風險承擔類別的風險評估(續)

就企業風險承擔而言

Borrower grade 借款人等級	Exposure amount 風險承擔數額 HK\$ Mn 港幣百萬元	Exposure weighted average risk weight 風險承擔加權平均風險權重	Exposure weighted average PD 風險承擔加權平均違責或然率
1	232	21.13%	0.03%
2	11,103	17.91%	0.04%
3	17,034	19.41%	0.08%
4	28,900	32.73%	0.12%
5	12,806	39.78%	0.16%
6	31,371	43.70%	0.20%
7	33,101	38.56%	0.24%
8	64,691	49.43%	0.35%
9	48,797	63.29%	0.53%
10	34,348	64.52%	0.86%
11	34,363	73.69%	1.34%
12	15,941	77.10%	1.78%
13	16,083	70.03%	2.54%
14	12,116	98.73%	4.10%
15	7,360	84.50%	6.02%
16	8,230	130.88%	9.38%
17	12,631	166.04%	43.19%
18	944	317.73%	100.00%
19	2,146	286.04%	100.00%
20	599	379.24%	100.00%

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

For corporate exposure

就企業風險承擔而言

2014

Borrower grade 借款人等級	Exposure amount 風險承擔數額 HK\$ Mn 港幣百萬元	Exposure weighted average risk weight 風險承擔加權平均風險權重	Exposure weighted average PD 風險承擔加權平均違責或然率
1	531	13.05%	0.03%
2	13,865	18.43%	0.04%
3	18,733	18.69%	0.08%
4	35,880	31.68%	0.12%
5	24,020	38.12%	0.16%
6	33,002	43.91%	0.20%
7	68,699	34.62%	0.24%
8	75,644	45.53%	0.36%
9	52,804	46.54%	0.52%
10	59,576	49.29%	0.89%
11	8,886	91.79%	1.39%
12	21,471	58.11%	1.87%
13	8,292	49.20%	2.87%
14	7,230	92.89%	4.48%
15	1,681	88.90%	6.57%
16	2,469	122.62%	9.50%
17	3,340	162.66%	49.92%
18	896	354.00%	100.00%
19	804	316.46%	100.00%
20	101	579.12%	100.00%

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(11) CREDIT RISK UNDER INTERNAL RATINGS-BASED ("IRB") APPROACH (CONTINUED)

根據內部評級基準計算法計算的信貸風險(續)

(j) Risk assessment for IRB exposure classes (continued)

For specialised lending

Supervisory rating grade	監管評級等級	2015		2014	
		Exposure amount 風險承擔數額 HK\$ Mn 港幣百萬元	Exposure weighted average risk weight 風險承擔加權 平均風險權重	Exposure amount 風險承擔數額 HK\$ Mn 港幣百萬元	Exposure weighted average risk weight 風險承擔加權 平均風險權重
Strong	優	19,901	74.20%	30,277	74.20%
Good	良	1,287	95.40%	1,980	95.40%
Satisfactory	尚可	-	-	-	-
Weak	欠佳	167	265.00%	61	265.00%
Default	違責	48	-	100	-

(j) 內部評級基準風險承擔類別的風險評估(續)

就專門性借貸而言

For residential mortgages

就住宅按揭而言

Facility grade 融通等級	Exposure amount 風險承擔數額	
	2015 HK\$ Mn 港幣百萬元	2014 HK\$ Mn 港幣百萬元
1	1,303	191
2	781	-
3	10,922	30,692
4	49,710	3,106
5	6,268	31,352
6	3,335	2,689
7	716	1,320
8	145	-
9	23	-
10	1,446	6
11	683	2,057
12	255	51
13	145	77
14	73	48
15	1,609	30
16	12	5
17	234	94
18	80	-
19	3	-

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

For qualifying revolving retail exposures

就合資格循環零售風險承擔而言

Facility grade 融通等級	Exposure amount 風險承擔數額	
	2015	
	HK\$ Mn 港幣百萬元	2014 HK\$ Mn 港幣百萬元
5	6,045	6,466
6	225	198
7	15,589	13,119
8	1,587	1,400
9	1,285	1,611
10	561	578
11	507	1,672
12	1,545	1,700
13	28	28
14	482	785
15	362	424
16	8	7
18	12	8

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(11) CREDIT RISK UNDER INTERNAL RATINGS-BASED ("IRB") APPROACH (CONTINUED)

根據內部評級基準計算法計算的信貸風險(續)

(j) Risk assessment for IRB exposure classes (continued)

For other retail exposures

Facility grade 融通等級	Exposure amount 風險承擔數額		
	2015		2014
	HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元	港幣百萬元
1	272	186	
2	55	–	
3	940	693	
4	500	–	
5	7	4,700	
6	396	5	
7	3,413	2,743	
8	74	72	
9	4,028	1,264	
10	489	6	
11	339	2,734	
12	570	92	
13	333	74	
14	31	26	
15	220	61	
16	–	2	
17	52	29	
18	33	21	
19	11	–	
20	7	8	

(j) 內部評級基準風險承擔類別的風險評估(續)

就其他零售風險承擔而言

(k) Comparison of rating estimates against actual outcome

Comparison is made on the 1-year rating estimates for the Group's performing credit portfolios at 31st December, 2014 against the actual outcome for the same portfolios during the financial period ended 31st December, 2015.

Comparison of actual loss and estimated loss

The following tables indicate the actual loss during the financial year ended 31st December, 2015 and 31st December, 2014 which are compared against the estimated loss at 31st December, 2014 and 31st December, 2013 of the respective portfolio. Actual loss refers to impairment loss allowance and charge-off charged to the Group's income statement during the financial year ended 31st December, 2015 and 31st December, 2014. The difference between the actual loss for the financial year ended 31st December, 2015 and 31st December, 2014 is immaterial when compared with the Group's loan portfolio in the respective period.

(k) 比較評級估計與實際數字

以於2014年12月31日本集團履行中信貸組合的一年評級估計與截至2015年12月31日止財政期間內相同組合的實際數字作比較。

比較實際損失與估計損失

下表顯示截至2015年12月31日及2014年12月31日止財政年度的實際損失，並與相應的組合在截至2014年12月31日及2013年12月31日的估計損失比較。實際損失指截至2015年12月31日及2014年12月31日止財政年度的減值損失準備及計入本集團損益表的撇賬。截至2015年12月31日及截至2014年12月31日的實際損失，相對於本集團的貸款組合在相關期間的總額，並沒有重大的分別。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

2015

Exposure class	風險承擔類別	Actual loss for the year ended 31st December, 2015	Estimated 1-year loss at 31st December, 2014
		截至2015年12月31日止之財政年度的實際損失 HK\$ Mn 港幣百萬元	於2014年12月31日內估計的一年損失 HK\$ Mn 港幣百萬元
Bank	銀行	-	253
Corporate	企業	911	1,392
Residential mortgage	住宅按揭	45	103
Qualifying revolving retail	合資格循環零售	33	263
Other retail	其他零售	50	106
Total	總額	1,039	2,117

2014

Exposure class	風險承擔類別	Actual loss for the year ended 31st December, 2014	Estimated 1-year loss at 31st December, 2013
		截至2014年12月31日止之財政年度的實際損失 HK\$ Mn 港幣百萬元	於2013年12月31日內估計的一年損失 HK\$ Mn 港幣百萬元
Bank	銀行	-	290
Corporate	企業	625	604
Residential mortgage	住宅按揭	14	95
Qualifying revolving retail	合資格循環零售	21	227
Other retail	其他零售	38	124
Total	總額	698	1,340

For specialised lending which is not included in the above tables, the actual loss during the financial year ended 31st December, 2015 and 31st December, 2014 were both HK\$0 million while the estimated loss at 31st December, 2014 and 31st December, 2013 were HK\$142 million and HK\$187 million respectively.

就上表沒有包括在內的專門性借貸而言，截至2015年12月31日及2014年12月31日止財政年度的實際損失均為港幣0百萬元，而在截至2014年12月31日及2013年12月31日的估計損失分別為港幣1.42億元及港幣1.87億元。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(11) CREDIT RISK UNDER INTERNAL RATINGS-BASED ("IRB") APPROACH (CONTINUED)

根據內部評級基準計算法計算的信貸風險(續)

(k) Comparison of rating estimates against actual outcome (continued)

Comparison of actual default against estimated probability of default

The following tables indicate the actual percentage of default during the financial year ended 31st December, 2015 and 31st December, 2014, which is compared against the estimated 1-year probability of default (PD) at 31st December, 2014 and 31st December, 2013 of the respective portfolio.

2015

Exposure class	風險承擔類別	Actual percentage of default for the year ended 31st December, 2015 截至2015年12月31日止之財政年度的實際違責百分比	Estimated 1-year probability of default at 31st December, 2014 於2014年12月31日內估計的一年違責或然率
Bank	銀行	0.00%	0.70%
Corporate	企業	2.40%	1.37%
Residential mortgage	住宅按揭	0.30%	0.71%
Qualifying revolving retail	合資格循環零售	0.30%	0.71%
Other retail	其他零售	2.29%	2.93%

2014

Exposure class	風險承擔類別	Actual percentage of default for the year ended 31st December, 2014 截至2014年12月31日止之財政年度的實際違責百分比	Estimated 1-year probability of default at 31st December, 2013 於2013年12月31日內估計的一年違責或然率
Bank	銀行	0.00%	0.70%
Corporate	企業	1.49%	0.85%
Residential mortgage	住宅按揭	0.26%	0.69%
Qualifying revolving retail	合資格循環零售	0.33%	0.72%
Other retail	其他零售	1.90%	3.05%

(k) 比較評級估計與實際數字(續)

比較實際違責與估計違責或然率

下表顯示截至2015年12月31日及2014年12月31日止財政年度的實際違責百分比，並與相應的組合分別於2014年12月31日及2013年12月31日的估計一年違責或然率比較。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(12) CREDIT RISK UNDER STANDARDISED APPROACH 標準計算法下的信貸風險

This section presents information on the Group's risk management for credit exposure in which the Bank adopted Standardised Approach for capital adequacy assessment.

本節呈列本集團有關使用標準計算法計算資本充足度的信貸風險承擔的風險管理資料。

(a) Ratings from external credit assessment institutions (ECAI)

Credit ratings from Moody's Investors Service and Standard & Poor's Ratings Services are used for all classes of credit exposures under Standardised Approach. The Bank follows the process prescribed in Part 4 of the Capital Rules to map the ratings to the exposures booked in the Bank's banking book.

(a) 外部信貸評估機構的評級

穆迪投資者服務及標準普爾評級服務的信用評級用於標準計算法下的各類信貸風險承擔。本行根據《資本規則》第4部規定的程序，把評級對應本行銀行賬載列的風險承擔。

(b) Risk assessment for exposure classes under Standardised Approach

The following tables indicate the exposure amount and risk weighted amount for each class of exposure with and without ECAI ratings as at 31st December, 2015 and 31st December, 2014 respectively:

(b) 標準計算法下風險承擔類別的風險評估

下表顯示分別於2015年12月31日及2014年12月31日經由及沒有經由外部信貸評估機構評級的每種風險承擔類別下的風險承擔數額及風險加權數額：

2015

Exposure type	風險承擔類別	Exposure amount 風險承擔數額 HK\$ Mn 港幣百萬元	Exposure amount after credit risk mitigation 使用減低信貸風險措施後的 風險承擔數額		Risk-weighted amount after credit risk mitigation 使用減低信貸風險措施後的 風險加權數額	
			Rated 獲評級 HK\$ Mn 港幣百萬元	Unrated 無評級 HK\$ Mn 港幣百萬元	Rated 獲評級 HK\$ Mn 港幣百萬元	Unrated 無評級 HK\$ Mn 港幣百萬元
Sovereign	主權	81,832	81,832	–	–	–
Public sector entities	公營機構	454	490	–	7	–
Bank	銀行	1,471	793	678	250	264
Securities firm	證券公司	164	148	2	30	1
Corporate	企業	10,971	1,086	6,440	722	6,440
Regulatory retail	監管零售	3,671	–	3,671	–	2,753
Residential mortgage	住宅按揭	11,897	–	11,638	–	5,373
Other exposures that are not past due	未逾期的其他風險承擔	14,313	–	6,998	–	6,998
Past due	逾期	238	–	238	–	281
Off balance sheet exposure	資產負債表外的 風險承擔	1,820	202	1,492	13	1,401
Counterparty exposure	交易對手風險承擔	1,782	286	610	142	609
Total	總額	128,613	84,837	31,767	1,164	24,120

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(12) CREDIT RISK UNDER STANDARDISED APPROACH (CONTINUED) 標準計算法下的信貸風險(續)

(b) Risk assessment for exposure classes under Standardised Approach (continued) 2014 (b) 標準計算法下風險承擔類別的風險評估(續)

Exposure type	風險承擔類別	Exposure amount 風險承擔數額 HK\$ Mn 港幣百萬元	Exposure amount after credit risk mitigation 使用減低信貸風險措施後的 風險承擔數額		Risk-weighted amount after credit risk mitigation 使用減低信貸風險措施後的 風險加權數額	
			Rated 獲評級 HK\$ Mn 港幣百萬元	Unrated 無評級 HK\$ Mn 港幣百萬元	Rated 獲評級 HK\$ Mn 港幣百萬元	Unrated 無評級 HK\$ Mn 港幣百萬元
Sovereign	主權	93,321	93,321	–	19	–
Public sector entities	公營機構	558	558	27	–	5
Bank	銀行	32,578	22,954	9,624	6,557	4,322
Corporate	企業	18,790	267	9,505	132	9,505
Regulatory retail	監管零售	2,937	–	2,936	–	2,202
Residential mortgage	住宅按揭	8,052	–	7,806	–	4,286
Other exposures that are not past due	未逾期的其他風險 承擔	12,498	–	5,549	–	5,549
Past due	逾期	100	–	100	–	109
Off balance sheet exposure	資產負債表外的 風險承擔	2,599	145	1,298	–	1,217
Counterparty exposure	交易對手風險承擔	1,545	140	560	64	551
Total	總額	172,978	117,385	37,405	6,772	27,746

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED) 未經審核補充財務資料(續)

(13) CREDIT RISK MITIGATION 減低信貸風險措施

(a) Process of managing and recognising credit risk mitigation

The Bank has established policies on managing and recognising credit risk mitigation, which is approved by Credit Committee, for all types of credit exposure under both IRB approach and standardised approach including counterparty credit risk-related exposure which arises from securities financing transactions and derivative contracts booked in the banking book or trading book. The Bank applies prudent assessments of eligibility and quality of collaterals. A list of credit risk mitigations which is deemed appropriate by the Bank is in place. The Bank also applies safe custodian of collaterals, regular re-valuation and close monitoring. Marketable securities are marked-to-market on a daily basis whilst valuations on properties are reviewed periodically.

For regulatory capital calculation, only recognised collaterals, guarantees and credit derivative contracts as laid down under the Capital Rules are considered as recognised credit risk mitigations and the Bank adheres to the criteria as stipulated in the Capital Rules when assessing the eligibility.

Recognised collaterals include both financial and physical collaterals. Financial collaterals include cash deposit, gold, shares and debt securities and mutual fund/undertakings for collective investments in transferable securities, whilst physical collaterals include commercial real estate, residential real estate, vehicles and equipments. The exposure amount after mitigation is determined by applying the standard supervisory haircut laid down in the Capital Rules as an adjustment discount to the current collateral value.

Recognised guarantees are guarantees provided by sovereign entities, public sector entities, banks, regulated securities firms or corporates that have ECAI issuer ratings, and have been allocated a lower risk weight than that allocated to the exposures in respect of which the guarantees have been given.

On-balance and off-balance sheet recognised netting is not adopted by the Bank. As for recognised guarantees and recognised credit derivative contracts, only recognised guarantees provided by bank entities and those provided by the Hong Kong Mortgage Corporation Limited are applied as credit risk mitigation for capital adequacy calculation at the end of the reporting period.

(a) 管理及認定減低信貸風險措施的程序

本行已制定管理及認定減低信貸風險措施的政策，而政策亦經信貸委員會批准，適用於內部評級基準計算法及標準計算法下各類信貸風險承擔，包括與由銀行賬或交易賬中的證券融資交易及衍生工具合約引致的交易對手信用風險相關的風險承擔。本行審慎評估抵押品是否合資格及其質素的高低。本行已備有一系列本行視為合適的減低信貸風險措施。本行亦妥善保管抵押品、定期作重新估值及作出緊密的監察。有價證券每日均按市值計算，物業的估值則定期審查。

就計算監管資本而言，只有《資本規則》訂下的認可抵押品、擔保及信貸衍生工具合約方可視為認可的減低信貸風險措施，本行在評估減低信貸風險措施是否合資格時，會遵守《資本規則》規定的準則。

認可抵押品包括金融及實物抵押品。金融抵押品包括現金存款、黃金、股份及債務證券及互惠基金／集體投資於可轉換證券的業務，而實物抵押品包括商業地產、住宅地產、車輛及設備。減低風險後的風險承擔數額乃以《資本規則》訂下的標準監管扣減作為對現行抵押品價值的調整扣減而釐定。

認可擔保乃任何主權實體、公營單位、銀行、受監管證券商號或獲得外部信用評估機構發債人評級的企業所提供的擔保，而該等擔保必須取得比受擔保風險承擔較低的風險權重。

本行並無採納資產負債表內及資產負債表外認可淨額結算方法。至於認可擔保及認可信貸衍生工具合約，本行於計算日只採納由銀行實體或由香港按揭證券有限公司所提供的認可擔保作為減低信貸風險措施，以計算資本充足度。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(13) CREDIT RISK MITIGATION (CONTINUED) 減低信貸風險措施(續)

(b) Non-counterparty credit risk-related exposures covered by recognised collaterals or recognised guarantees under IRB Approach

(b) 內部評級基準計算法下以認可抵押品或認可擔保涵蓋的非交易對手風險相關的風險承擔數額

Exposure class	風險承擔類別	Exposure amount covered net of specific provisions 扣除特定準備金下計算的已涵蓋的風險承擔數額		
		2015		2014
		HK\$ Mn	港幣百萬元	HK\$ Mn
Bank	銀行	2,735	1,906	
Corporate	企業	192,623	221,228	
Retail	零售	82,401	79,845	
Total	總額	277,759	302,979	

As at 31st December, 2015 and 31st December, 2014, total exposures (including counterparty credit risk-related exposures) covered by recognised collaterals or recognised guarantees amounted to HK\$279,322 million and HK\$303,719 million respectively when calculated gross of specific provisions.

於2015年12月31日及2014年12月31日，在未扣除特定準備金下計算的以認可抵押品或認可擔保涵蓋的風險承擔總額(包含交易對手信貸風險相關的風險承擔)分別為港幣2,793.22億元及港幣3,037.19億元。

(c) Total exposures covered by recognised collaterals or recognised guarantees under Standardised Approach

(c) 標準計算法下以認可抵押品或認可擔保涵蓋的風險承擔數額

Exposure class	風險承擔類別	Exposure amount covered 已涵蓋的風險承擔數額		
		2015		2014
		HK\$ Mn	港幣百萬元	HK\$ Mn
Securities firm	證券公司	14	–	
Corporate	企業	3,445	9,018	
Regulatory retail	監管零售	–	1	
Residential mortgage	住宅按揭	259	246	
Other exposures which are not past due	未逾期的其他風險承擔	7,315	6,949	
Past due	逾期	151	82	
Counterparty	交易對手	886	845	
Off balance sheet	資產負債表外項目	190	1,156	
Total	總額	12,260	18,297	

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED) 未經審核補充財務資料(續)

(14) COUNTERPARTY CREDIT RISK-RELATED EXPOSURE 與交易對手信貸風險相關的風險承擔

The Bank has adopted the Current Exposure Method for regulatory capital calculation of its counterparty credit risk arising from securities financing transactions and derivative contracts booked in the banking book and trading book. Internally, the Bank has in place a set of policies and a comprehensive framework to effectively manage such counterparty credit risk. Under this management framework, distinct credit limits for counterparty credit exposure for individual counterparties are determined based on the credit standing of the counterparties, collateral value, contract nature, etc.

The Bank has set out in its internal policies a process for identification of wrong-way risk for individual counterparties. Regular stress-testing is conducted to assess the potential impact of wrong-way risk on the Bank's capital adequacy and profitability.

According to the Credit Support Annexes of the International Swaps and Derivatives Association Master Agreements between the Bank and its major counterparties, and the Bank's credit rating position and outstanding liabilities arising from counterparty credit risk-related transactions as at 31st December, 2015, the Bank would not have to provide any additional collateral if there were a downgrade in the Bank's credit ratings from Moody's Investors Service or Standard & Poor's Ratings Services by one notch.

At 31st December, 2015, no recognised credit derivative contract is applied as credit risk mitigation and no valid bilateral netting agreement as defined in HKMA Guideline No. 4.4 is taken into account in the calculation of regulatory capital.

本行採取現行風險承擔方法計算所有由銀行賬及交易賬中的證券融資交易及衍生工具合約所引致的交易對手信貸風險的監管資本。本行已制訂一系列內部政策及完善的管理架構，以有效地管理此等交易對手信貸風險。在這管理架構下，不同交易對手的交易對手風險信貸限額會根據個別交易對手的信用狀況、抵押品價值、合約性質等因素釐定。

本行已在內部政策制定識別個別交易對手錯向風險的程序。本行定期進行壓力測試，以評估錯向風險對本行的資金充足度及盈利能力的潛在影響。

根據本行與其主要交易對手所簽訂的國際掉期交易協會主協議之信用附約條款，及本行於2015年12月31日的信用評級狀況及由交易對手信貸風險相關交易所引致的未結清負債，本行將不需要在假設其穆迪投資者服務或標準普爾評級服務的信貸評級遭降一級的情況下向交易對手提供額外的抵押品。

於2015年12月31日，就計算監管資本而言，本行並無以任何認可信貸衍生工具合約作為減低信貸風險措施，亦沒有採納按金管局指引第4.4號之有效雙邊淨額結算協議。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(14) COUNTERPARTY CREDIT RISK-RELATED EXPOSURE (CONTINUED)

與交易對手信貸風險相關的風險承擔(續)

The following tables indicate the information of counterparty credit risk-related exposures under IRB approach and Standardised approach respectively as at 31st December, 2015 and 31st December, 2014:

於2015年12月31日及2014年12月31日，下表顯示分別在內部評級基準計算法及標準計算法下與交易對手信貸風險相關的風險承擔的資料：

(a) Counterparty credit risk-related exposures under IRB Approach

(a) 內部評級基準計算法下與交易對手信貸風險相關的風險承擔

2015

		Securities financing transactions	
		Derivative contracts 衍生工具合同 HK\$ Mn 港幣百萬元	證券融資交易 HK\$ Mn 港幣百萬元
Gross total positive fair value	總公平價值正數	3,564	-
Default risk exposures amount	違責風險承擔數額		
- Bank	- 銀行	5,448	2,156
- Corporate	- 企業	2,539	-
		7,987	2,156
Recognised collateral held	認可抵押品		
- Cash	- 現金	308	-
- Others	- 其他	5	832
		313	832
Default risk exposure amount net of recognised collateral	扣除認可抵押品後的淨違責風險承擔數額		
- Bank	- 銀行	5,448	1,324
- Corporate	- 企業	2,226	-
		7,674	1,324
Risk-weighted amount	風險加權數額		
- Bank	- 銀行	3,531	414
- Corporate	- 企業	2,311	-
		5,842	414

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)
未經審核補充財務資料(續)

2014

		Derivative contracts	Securities financing
		衍生工具合同	證券融資交易
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
Gross total positive fair value	總公平價值正數	2,530	–
Default risk exposures amount	違責風險承擔數額		
– Bank	– 銀行	6,278	49
– Corporate	– 企業	2,502	–
		8,780	49
Recognised collateral held	認可抵押品		
– Cash	– 現金	584	–
– Others	– 其他	7	41
		591	41
Default risk exposure amount net of recognised collateral	扣除認可抵押品後的淨違責風險承擔數額		
– Bank	– 銀行	6,278	8
– Corporate	– 企業	1,911	–
		8,189	8
Risk-weighted amount	風險加權數額		
– Bank	– 銀行	6,123	7
– Corporate	– 企業	1,213	–
		7,336	7

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(14) COUNTERPARTY CREDIT RISK-RELATED EXPOSURE (CONTINUED)

與交易對手信貸風險相關的風險承擔(續)

(b) Counterparty credit risk-related exposures under Standardised Approach (b) 標準計算法下與交易對手信貸風險相關的風險承擔

2015

		Derivative contracts		Securities financing transactions	
		衍生工具合同	HK\$ Mn 港幣百萬元	證券融資交易	HK\$ Mn 港幣百萬元
Gross total positive fair value	總公平價值正數		681		-
Default risk exposures amount	違責風險承擔數額				
- Bank	- 銀行		289		-
- Corporate	- 企業		566		-
- Retail	- 零售		927		-
			1,782		-
Recognised collateral held	認可抵押品				
- Cash	- 現金		737		-
- Others	- 其他		149		-
			886		-
Default risk exposure amount net of recognised collateral	扣除認可抵押品後的淨違責風險承擔數額				
- Bank	- 銀行		289		-
- Corporate	- 企業		180		-
- Retail	- 零售		427		-
			896		-
Risk-weighted amount	風險加權數額				
- Bank	- 銀行		144		-
- Corporate	- 企業		180		-
- Retail	- 零售		427		-
			751		-

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)
未經審核補充財務資料(續)

2014

		Derivative contracts		Securities financing transactions	
		HK\$ Mn	港幣百萬元	HK\$ Mn	港幣百萬元
Gross total positive fair value	總公平價值正數	591		–	
Default risk exposures amount	違責風險承擔數額				
– Sovereign	– 主權	1		–	
– Bank	– 銀行	155		–	
– Corporate	– 企業	497		–	
– Retail	– 零售	892		–	
		1,545		–	
Recognised collateral held	認可抵押品				
– Cash	– 現金	640		–	
– Others	– 其他	205		–	
		845		–	
Default risk exposure amount net of recognised collateral	扣除認可抵押品後的淨違責風險承擔數額				
– Sovereign	– 主權	1		–	
– Bank	– 銀行	155		–	
– Corporate	– 企業	200		–	
– Retail	– 零售	344		–	
		700		–	
Risk-weighted amount	風險加權數額				
– Sovereign	– 主權	–		–	
– Bank	– 銀行	71		–	
– Corporate	– 企業	200		–	
– Retail	– 零售	344		–	
		615		–	

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(14) COUNTERPARTY CREDIT RISK-RELATED EXPOSURE (CONTINUED)

與交易對手信貸風險相關的風險承擔(續)

(c) Counterparty credit risk-related exposures to Central Counterparties (c) 對中央交易對手方的與交易對手信貸風險相關風險承擔

2015

		Derivative contracts		Securities financing transactions	
		衍生工具合同	證券融資交易	HK\$ Mn	港幣百萬元
Gross total positive fair value	總公平價值正數	1,857	—		
Default risk exposures amount	違責風險承擔數額	3,464	—		
Recognised collateral held	認可抵押品				
– Cash	– 現金	—	—		
– Others	– 其他	—	—		
		—	—		
Default risk exposure amount net of recognised collateral	扣除認可抵押品後的淨違責風險承擔數額	3,464	—		
Risk-weighted amount	風險加權數額	69	—		

2014

		Derivative contracts		Securities financing transactions	
		衍生工具合同	證券融資交易	HK\$ Mn	港幣百萬元
Gross total positive fair value	總公平價值正數	256	—		
Default risk exposures amount	違責風險承擔數額	692	—		
Recognised collateral held	認可抵押品				
– Cash	– 現金	—	—		
– Others	– 其他	—	—		
		—	—		
Default risk exposure amount net of recognised collateral	扣除認可抵押品後的淨違責風險承擔數額	692	—		
Risk-weighted amount	風險加權數額	14	—		

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(d) Credit derivative contracts which create exposures to counterparty credit risk

The following table indicates the notional amount of credit derivative contracts which create exposures to counterparty credit risk as at 31st December, 2015 and 31st December, 2014 respectively:

(d) 會引致交易對手信貸風險的信貸衍生工具合約

於2015年12月31日及2014年12月31日，下表分別顯示按不同合同類別劃分的會引致交易對手信貸風險的信貸衍生工具合約的名義數額：

		2015	2014
		HK\$ Mn 港幣百萬元	HK\$ Mn 港幣百萬元
For credit portfolio	用作信貸組合		
Credit default swap	信用違責掉期		
Protection bought	購入保障	-	-
Protection sold	售出保障	39	62
Total return swap	總回報掉期		
Protection bought	購入保障	-	-
Protection sold	售出保障	-	-
For intermediation activities	用作中介活動		
Credit default swap	信用違責掉期		
Protection bought	購入保障	-	-
Protection sold	售出保障	-	-
Total return swap	總回報掉期		
Protection bought	購入保障	-	-
Protection sold	售出保障	-	-

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(15) Asset Securitisation 資產證券化

At the end of the reporting period, the Bank only acted as an investor in all securitisation exposures. Ratings from Moody's Investors Service and Standard & Poor's are adopted in assessing securitisation exposures. Since the securitisation exposures held by the Bank are all rated by recognised ECAI designated by the Capital Rules, the Ratings-based Method under the Internal Ratings-Based (Securitisation) Approach is used to calculate the risk-weighted amount for the exposures. The Bank closely monitors the risk arising from these exposures.

All securitisation exposures held by the Bank are rated with investment grades and backed by non-granular pools. The following table indicates the total principal amount and the respective capital requirement of all securitisation exposure as at 31st December 2015 and 31st December 2014:

Risk Weight 風險權重	Principal Amount 本金總額				Capital requirement 資本要求			
	2015		2014		2015		2014	
	HK\$ Mn 港幣百萬元	港幣百萬元	HK\$ Mn 港幣百萬元	港幣百萬元	HK\$ Mn 港幣百萬元	港幣百萬元	HK\$ Mn 港幣百萬元	港幣百萬元
25%	52	–	–	–	1	–	–	–
Total 總額	52	–	–	–	1	–	–	–

There was no securitisation exposure subject to deduction from Common Equity Tier 1 capital base as at 31st December 2015 and 31st December 2014 respectively.

本行於計算日在所有證券化類別風險承擔僅作為投資者。本行在評估證券化類別風險承擔時採納穆迪投資服務及標準普爾的評級。由於本行持有的證券化類別風險承擔均經資本規則指定的認可外部信貸評級機構評級，故使用內部評級基準(證券化)計算法下的評級基準方法以計算風險承擔的風險加權金額。本行緊密監察有關風險承擔所產生的風險。

本行所投資的證券化類別風險承擔均獲得投資評級及被歸類為以非多元化組合支持的持倉。下表顯示於2015年12月31日及2014年12月31日所有證券化類別風險承擔的本金總額及相應的資本要求：

於2015年12月31日及2014年12月31日，本行並沒有持有須從普通股權一級資本扣減的證券化類別風險承擔。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

未經審核補充財務資料(續)

(16) Equity Exposures Booked in Banking Book 銀行賬下的股權風險承擔

Before 1st January, 2013, the Bank deducted those equity holdings taken for relationship and strategic reasons from the core & supplementary capital and included those equity holdings taken for other reasons in the risk-weighted assets for capital adequacy ratio purpose.

Starting from 1st January, 2013, under the Basel III requirements, the Bank regards those equity holdings taken for relationship and strategic reasons as deductible items from the Tier 1 & Tier 2 capital subject to the applicable thresholds and includes those equity holdings not deducted from the capital base and those taken for other reasons in the risk-weighted assets for capital adequacy ratio purpose.

The Bank applies the same accounting techniques and valuation methodologies as detailed in the Bank's notes on the financial statements for all available-for-sale financial assets, including equity exposures booked in banking book. There are no significant changes during the annual reporting period.

於2013年1月1日以前，本行將因關係及策略性理由而持有的股權從核心及附加資本內扣減，及將因其他理由而持有的股權包括在風險加權資產內，以用作計算資本充足比率。

於2013年1月1日或以後，因應巴塞爾資本協定III之規定，本行將因關係及策略性理由而持有的股權視為可扣減項目並按適用的門檻規定從一級及二級資本內扣減，並將未於資本基礎扣減的股權及將因其他理由而持有的股權包括在風險加權資產內，以用作計算資本充足比率。

本行處理所有可供出售金融資產，包括銀行賬下的股權風險承擔時，均採用已詳列於本行之財務報表附註中相同之會計技巧及評估方式。有關處理方法在周年報告期內並無重大改變。

		For the year ended 31st December, 2015 截至2015年12月31日 止年度 HK\$ Mn 港幣百萬元
Cumulative realised gains arising from sales and liquidations of equity exposure	來自出售和兌現持有股權的 累積實現收益	219
Total unrealised losses deducted from the Bank's reserves but not through the income statement	在儲備內確認而未有經收益表入賬的 未實現虧損的總計	(277)

		For the year ended 31st December, 2014 截至2014年12月31日 止年度 Restated 重報 HK\$ Mn 港幣百萬元
Cumulative realised gains arising from sales and liquidations of equity exposure	來自出售和兌現持有股權的 累積實現收益	56
Total unrealised gains deducted from the Bank's reserves but not through the income statement	在儲備內確認而未有經收益表入賬的 未實現收益的總計	680

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