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***Notice to Hong Kong investors:** The Issuer (defined as below) confirms that the Bonds (as defined below) are intended for purchase by professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited) only and have been listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF OFFERING CIRCULAR



集友銀行
Chiyu Banking Corporation Ltd.

(Incorporated with limited liability in Hong Kong)

(the “Issuer”)

U.S.\$200,000,000 Subordinated Tier 2 Bonds due 2032 (“the Bonds”)

(Stock Code: 5109)

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”).

Please refer to the offering circular dated 29 March 2022 (the “**Offering Circular**”) appended hereto in relation to the Bonds with an initial interest rate of 5.75 per cent. per annum. The Issuer announces that the listing of the Bonds on the Hong Kong Stock Exchange and permission to deal in the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Listing Rules) only has become effective on 8 April 2022.

8 April 2022

As at the date of this announcement, the board of directors of Chiyu Banking Corporation Limited comprises:

- *Executive Directors*
Mr. ZHENG Wei (Vice Chairman) and Mr. CHAN Yiu Fai;
- *Non-executive Directors*
Mr. WANG Xiaojian (Chairman), Mr. ZHANG Dechun, Mr. WENG Rongbiao and Mr. TAN Wan Chye; and
- *Independent Non-executive Directors*
Mr. YU Kwok Chun, Prof. WOO Chia-Wei, Mr. LEE Hoi Yin, Stephen and Mr. CHIU Ming Wah.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES

Important: You must read the following before continuing. The following disclaimer applies to the offering circular following this page (the “Offering Circular”). You are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE BONDS DESCRIBED IN THE OFFERING CIRCULAR (THE “BONDS”) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE BONDS MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EX EMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE BONDS.

Restrictions: The Offering Circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the Bonds.

Confirmation of the Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the Bonds, investors must not be located in the United States. The Offering Circular is being sent at your request and by accepting the electronic mail and accessing the Offering Circular, you shall be deemed to have represented to us that the electronic mail address that you gave us and to which this electronic mail has been delivered is not located in the United States and to the extent you purchase the Bonds, you will be doing so pursuant to Regulation S under the Securities Act and that you consent to delivery of the Offering Circular by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person.

The materials relating to any offering of securities to which the Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law, and access has been limited so that it shall not constitute a general advertisement or general solicitation (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere. If a jurisdiction requires that such offering be made by a licensed broker or dealer and any of the Managers (as defined in the Offering Circular) or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by such Manager or affiliate on behalf of the Issuer (as defined in the Offering Circular) in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Managers, the Trustee or the Agents (each as defined in the Offering Circular) or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates or any person who controls any of them accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from any of the Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Actions that You May Not Take: You should not reply by e-mail to this electronic transmission and you may not purchase any Bonds by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.

The Bonds are complex financial instruments and of high risks. The Bondholders (as defined in the Offering Circular) have no right to require redemption of the Bonds prior to maturity. Furthermore, in the event of a write-off, reduction or cancellation of the principal amount of the Bonds or conversion of the principal amount of the Bonds into shares or other securities an investor may lose the entire value of its investment. A potential investor should not invest in the Bonds unless it has the expertise to evaluate how the Bonds may perform under changing conditions, the resulting effects on the value of such Bonds and the impact the investment and any related losses may have on the potential investor’s overall investment portfolio.



集友銀行
Chiyu Banking Corporation Ltd.

CHIYU BANKING CORPORATION LIMITED

(incorporated with limited liability in Hong Kong)

U.S.\$200,000,000 5.75 per cent. Subordinated Tier 2 Bonds due 2032 Issue Price: 100.00 per cent.

The 5.75 per cent. Subordinated Tier 2 Bonds due 2032 (the “**Bonds**”) will be issued in an aggregate principal amount of U.S.\$200,000,000 by Chiyu Banking Corporation Limited (the “**Issuer**”). The Bonds will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The rights and claims of the Bondholders (as defined in the Conditions) are subordinated in the manner described in the Conditions. See “*Terms and Conditions of the Bonds — Status and Subordination of the Bonds*”.

The Bonds will bear interest on their outstanding principal amount (subject to adjustment following the occurrence of a Non-Viability Event (as defined in the Terms and Conditions of the Bonds (the “**Conditions**”) in accordance with Condition 4(B) of the Conditions) from, and including, the Issue Date (as defined in the Conditions) at the applicable Interest Rate (as defined in the Conditions), payable semi-annually in arrear on 7 April and 7 October in each year. Any interest on the Bonds shall be made from distributable profits of the Issuer.

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Bonds at their outstanding principal amount together with interest accrued to (but excluding) the Maturity Date (as defined in the Conditions), subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 4(B) of the Conditions. Bondholders have no ability to require the Issuer to redeem their Bonds whereas the Issuer can redeem the Bonds in certain circumstances as described in the Conditions. See “*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Tax Reasons*”, “*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Tax Deduction Reasons*”, “*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption of the Bonds for Regulatory Reasons*” and “*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption at the Option of the Issuer*”. However, the Issuer does not provide any undertaking that it will redeem the Bonds at any time. The ability of the Issuer to redeem Bonds is subject to (i) the Issuer obtaining the prior written consent of the Monetary Authority (as defined in the Conditions) thereto, to the extent such consent is required under the Banking Ordinance (Cap. 155) of Hong Kong, the Banking (Capital) Rules (Cap. 155L) of Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance issued by the Monetary Authority in relation thereto, in each case, as amended or modified from time to time and (ii) the CBIRC Redemption Conditions (as defined in the Conditions) being satisfied. In addition, prior to redemption of any of the Bonds by the Issuer, Xiamen International Bank Co., Ltd. (“**Xiamen International Bank**”, “**XIB**” or the “**Parent Bank**”) needs to report to CBIRC (as defined in the Conditions) in writing in respect of such redemption and in such case, the Bonds will be redeemed by the Issuer on the basis that such redemption is confirmed by the CBIRC.

If a Non-Viability Event (as defined in the Conditions) occurs and is continuing, the Issuer shall, upon or prior to the provision of a Non-Viability Event Notice (as defined in the Conditions), irrevocably (without the need for the consent of the Bondholders) reduce the then outstanding principal amount of, and cancel any accrued but unpaid interest in respect of, each Bond (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount (as defined in the Conditions) per Bond. Any Bond may be subject to one or more Write-offs (as defined in the Conditions) in part (as the case may be), except where such Bond has been Written-off (as defined in the Conditions) in its entirety. Once the outstanding principal amount of, and any accrued but unpaid interest under, the Bonds has been Written-off, the relevant amount(s) Written-off will not be restored in any circumstances including where the relevant Non-Viability Event ceases to continue. No Bondholder may exercise, claim or plead any right to any amount that has been Written-off, and each Bondholder shall, by virtue of his holding of any Bonds, be deemed to have waived all such rights to such amount that has been Written-off.

The Bonds will not be rated.

The Bonds will be issued in registered form in the denomination of U.S.\$250,000 and integral multiples of U.S.\$1,000 in excess thereof. For a more detailed description of the Bonds, see “*Terms and Conditions of the Bonds*” beginning on page 110 of this Offering Circular.

Pursuant to the Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt (Fa Gai Wai Zi [2015] No. 2044) (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the “**NDRC Circular**”) issued by the National Development and Reform Commission of the PRC (“**NDRC**”) on 14 September 2015 which came into effect on the same day, the Issuer has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 22 February 2022 evidencing such registration and which remains in full force and effect. The Issuer intends to file or cause to be filed with the NDRC the requisite information and documents within the prescribed timeframe after the Issue Date.

Application will be made to The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (“**Professional Investors**”) only. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer or the Group or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

It is expected that dealing in, and listing of, the Bonds on the Hong Kong Stock Exchange will commence on or about 8 April 2022.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and the applicable state securities laws. The Bonds are being offered and sold only outside the United States in accordance with Regulation S under the Securities Act (“**Regulation S**”). For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see “*Subscription and Sale*”.

The Bonds will be initially evidenced by a global certificate (the “**Global Certificate**”) in registered form, which will be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”) on or about 7 April 2022 (the “**Issue Date**”). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through the records maintained by Euroclear and Clearstream and their respective accountholders. Except in the limited circumstances set out in the Global Certificate, individual certificates for Bonds will not be issued in exchange for beneficial interests in the Global Certificate. See “*Summary of Provision Relating to the Bonds in Global Form*”.

THE BONDS ARE OFFERED TO PROFESSIONAL INVESTORS ONLY AND ARE NOT SUITABLE FOR RETAIL INVESTORS. INVESTORS SHOULD NOT PURCHASE THE BONDS IN THE PRIMARY OR SECONDARY MARKETS UNLESS THEY ARE PROFESSIONAL INVESTORS. INVESTING IN THE BONDS INVOLVES RISKS. SEE “RISK FACTORS” BEGINNING ON PAGE 18 OF THIS OFFERING CIRCULAR. INVESTORS SHOULD HAVE SUFFICIENT KNOWLEDGE AND EXPERTISE TO EVALUATE EFFECT OR THE LIKELIHOOD OF THE OCCURRENCE OF NON-VIABILITY EVENT FOR THE BONDS WHICH FEATURE LOSS ABSORPTION.

Investing in the Bonds involves risks. In particular, the Bonds are complex and of high risk. There are risks inherent in the holding of the Bonds, for example that (i) the Bonds constitute subordinated obligations of the Issuer and (ii) in the event of a Winding-Up of the Issuer, the rights and claims of the Bondholders in respect of the Bonds shall rank (x) subordinate and junior in right of payment to, and of all claims of, (a) all unsubordinated creditors of the Issuer (including its depositors), and (b) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Bonds or rank senior to the Bonds by operation of law or contract; (y) *pari passu* in right of payment to and of all claims of the holders of Parity Obligations; and (z) senior in right of payment to, and of all claims of, the holders of Tier 1 Capital Instruments and the holders of other Junior Obligations. Various other risks, including the circumstances in which the Bonds may be Written off, cancelled, converted, modified or the form of the Bonds may be changed and the implications on holders of Bonds (such as a substantial loss), the circumstances in which such holders may suffer loss as a result of holding the Bonds are difficult to predict and the quantum of any loss incurred by investors in the Bonds in such circumstances is also highly uncertain. See “*Risk Factors*” beginning on page 18 for a discussion of certain considerations to be taken into account in connection with an investment in the Bonds.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

**BOC
International**

**ABC
International**

**China Industrial
Securities International**

CMBC Capital

**Haitong
International**

**Huatai
International**

Joint Bookrunners and Joint Lead Managers

**Bank of China
(Hong Kong)**

**BOCOM
International**

**China CITIC Bank
International**

**China Everbright
Bank Hong Kong
Branch**

**China Galaxy
International**

**China International
Capital Corporation**

**CMB Wing Lung Bank
Limited**

CNCB Capital

**Guotai Junan
International**

**Industrial Bank Co.,
Ltd. Hong Kong
Branch**

Luso Bank Ltd.

**Nanyang Commercial
Bank**

TF International

**Zhongtai
International**

Offering Circular dated 29 March 2022

IMPORTANT NOTICE

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer of Bonds. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

The Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, to the Issuer and its subsidiaries and affiliates taken as a whole (collectively, the “**Group**”), and to the Bonds, which is material in the context of the issue and offering of the Bonds; (ii) the statements contained herein are in every material particular true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Parent Bank or the Bonds, the omission of which would, in the context of the issue and offering of the Bonds (the “**Offering**”), make any statement in this Offering Circular misleading in any material respect; (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements and (vi) this Offering Circular does not include an untrue statement of a material fact, or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of BOCI Asia Limited, ABCI Capital Limited, China Industrial Securities International Brokerage Limited, CMBC Securities Company Limited, Haitong International Securities Company Limited, Huatai Financial Holdings (Hong Kong) Limited, Bank of China (Hong Kong) Limited, BOCOM International Securities Limited, China CITIC Bank International Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China Galaxy International Securities (Hong Kong) Co., Limited, China International Capital Corporation Hong Kong Securities Limited, CMB Wing Lung Bank Limited, CNCB (Hong Kong) Capital Limited, Guotai Junan Securities (Hong Kong) Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Luso International Banking Ltd., Nanyang Commercial Bank, Limited, TFI Securities and Futures Limited and Zhongtai International Securities Limited (the “**Managers**”) or the Issuer, to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. None of the Issuer or the Managers represents that this Offering Circular may be lawfully distributed, or that the Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering.

No action is being taken to permit a public offering of the Bonds or the possession or distribution of this Offering Circular or any offering or publicity material relating to the Bonds in any jurisdiction where action would be required for such purposes. There are restrictions on the offer, sale and resale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, the European Economic Area (“EEA”), Hong Kong, Singapore and Japan, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see “*Subscription and Sale*”. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Bonds. Distribution of this Offering Circular to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, is deemed to have agreed to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group or the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Managers, the Trustee or the Agents (each as defined in the Conditions) or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer or any member of the Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

None of the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them has independently verified the information contained in this Offering Circular. No representation or warranty, express or implied, is made or given by the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular. To the fullest extent permitted by law, none of the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them accepts any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them or on their behalf in connection with the Issuer, the Group or the issue and offering of the Bonds. Each of the Managers, the Trustee and the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement.

Neither this Offering Circular nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them that any recipient of this

Offering Circular or any other financial statements should purchase the Bonds. Each potential purchaser of Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Bonds should be based upon such investigation as it deems necessary. None of the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them undertakes to review the financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of any of the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE MANAGERS APPOINTED AND ACTING AS STABILISATION MANAGER (THE “STABILISATION MANAGER(S)”) (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER(S)) MAY OVER-ALLOT THE BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL PROVIDED THAT CHINA CITIC BANK INTERNATIONAL LIMITED AND INDUSTRIAL BANK CO., LTD. HONG KONG BRANCH SHALL NOT BE APPOINTED AND ACTING IN SUCH CAPACITY. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY RELEVANT STABILISATION MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs REGULATION/PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs**”

Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), unless otherwise specified before an offer of the Bonds, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), the Bonds are prescribed capital market products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Any purchase or acquisition of the Bonds is in all respects conditional on the satisfaction of certain conditions set out in the Subscription Agreement (as defined in “**Subscription and Sale**”) and the issue of the Bonds by the Issuer to the Managers pursuant to the Subscription Agreement. Any offer, invitation to offer or agreement made in connection with the purchase or acquisition of the Bonds pursuant to this Offering Circular shall (without liability or responsibility on the part of the Issuer or the Managers) lapse and cease to have any effect if (for any reason whatsoever) the Bonds are not issued by the Issuer to the Managers pursuant to the Subscription Agreement.

In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering of the Bonds, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain considerations to be taken into account in connection with an investment in the Bonds.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision.

CERTAIN DEFINED TERMS AND CONVENTIONS

Unless otherwise specified or the context requires otherwise, references herein to the “**Group**” are to Chiyu Banking Corporation Limited and its subsidiaries and affiliates.

Unless otherwise specified or the context requires, references herein to “**Hong Kong dollars**”, “**HK dollars**” and “**HK\$**” are to the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China (“**Hong Kong**”), references herein to “**U.S. dollars**” or “**U.S.\$**” are to the lawful currency of the United States of America, references herein to “**Renminbi**” or “**RMB**” are to the lawful currency of the People’s Republic of China, references to the “**PRC**” are to the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan and references to “**HKFRSs**” are to Hong Kong Financial Reporting Standards.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only.

This Offering Circular contains translation of certain Hong Kong dollars amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise specified, where financial information in Hong Kong dollars has been translated into U.S. dollars or *vice versa*, it has been so translated, for convenience only, at the rate of HK\$7.7830 to U.S.\$1.00, being the average of the buying and selling rates of the opening indicative counter exchange rate published by the Hong Kong Association of Banks as at 31 December 2020. All such translations in this Offering Circular are provided solely for investors’ convenience and no representation is made that the amounts referred to herein have been, could have been or could be converted into U.S. dollars or Hong Kong dollars, or *vice versa*, at any particular rate or at all.

PRESENTATION OF FINANCIAL INFORMATION

The Issuer has prepared consolidated financial statements to the Group as at and for the years ended 31 December 2019 and 2020 in accordance with HKFRSs, which have been audited by KPMG, and consolidated financial statements as at and for the six months ended 30 June 2021 in accordance with HKAS 34, which have been reviewed by KPMG. Unless otherwise specified, the financial information set out in this Offering Circular is presented on a consolidated basis for the Issuer and its subsidiaries.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements regarding the intent, belief or current expectations of the Issuer held reasonably with respect to its financial condition and future results of operations. In many cases, but not all, words such as “anticipate”, “believe”, “estimate”, “expect”, “intend”, “may”, “plan”, “probability”, “project”, “risk”, “seek”, “should”, “target” and similar expressions are used in relation to the Issuer or the Group to identify forward-looking statements. Investors can also identify forward-looking statements in discussions of strategy, plans or intentions. These statements reflect the current views of the Issuer with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, the Issuer’s or the Group’s actual results may vary materially from those it currently anticipates. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Offering Circular. The Issuer disclaims any obligation to update, or to announce publicly any revision to, any of the forward-looking statements contained in this Offering Circular to reflect future actual events or developments. The information contained in this Offering Circular, including without limitation the information under “*Risk Factors*” and “*Business of the Group*”, identifies important factors that might cause the forward-looking statements not to be realised.

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SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety.

INTRODUCTION

The Bank is a full service bank which operates primarily in Hong Kong. As at 30 June 2021, the Bank had an established network comprising a head office and a total of 24 branches in Hong Kong, three branches located in Xiamen, Fuzhou and Shenzhen in the PRC and three sub-branches located in Xiamen and Fuzhou in the PRC. The Bank strives to provide sincere, flexible, customised and professional cross-border banking and financial services to Hong Kong, PRC and overseas Chinese customers. After its acquisition by XIB in 2017, the Bank has been operating as the Hong Kong hub of XIB under new management directions which has provided the Bank with opportunities to achieve stable growth in both customer deposits and loans to customers. As at the date of the Offering Circular, the Bank has been assigned a long-term deposit rating of Baa1 and a standalone baseline assessment of baa1 with a stable rating outlook by Moody's.

The Group provides a wide range of banking and related financial services to retail and corporate customers in Hong Kong. The Group operates through three segments: Personal Banking, Corporate Banking, and Treasury. It offers savings, current, and fixed deposit accounts; mortgages and loans; commercial financing, SME financing, commercial mortgage loans, corporate tax loans, and machinery and equipment financing; payroll, wealth management, import and export, and cash management services; securities trading, foreign exchange, investment funds, precious metals trading, and debt securities trading services; and life, accident and medical insurance, travel, property, and liability insurance products, as well as Internet, mobile, and phone banking services. The Group is also engaged in treasury activities, which include interbank placement and deposit transactions, the management of overall interest rate risk and liquidity of the Group and centralised cash management as well as other business activities such as investment holding and property investment.

Since its inception in 1947, the Group has expanded steadily and believes that it has successfully established itself as a reliable and prudent bank in Hong Kong and the PRC. The Bank was awarded the first runner up of the "Asian Best Performance Banks" by Thomson Financial BankWatch, a public rating corporation. Yazhou Zhoukan (亞洲週刊) also ranked the Bank, according to total assets, one of the top 300 banks in Asia for 5 consecutive years from 2011 to 2015. In terms of return on assets, the Bank was ranked 16th and 8th respectively in 2011 and 2012 among the top 20 Asian banks. In 2021, the Bank was ranked 16th in Hong Kong by The Banker Magazine based on Tier 1 capital size and asset size. The Group enjoys long-standing relationships with many of its key customers and believes that it possesses a strong and stable deposit base.

As at 31 December 2018, 2019, 2020 and 30 June 2021, the Group's total assets were HK\$102,873 million, HK\$149,855 million, HK\$163,514 million and HK\$163,941 million, respectively, and total equity amounted to HK\$11,603 million, HK\$14,123 million, HK\$17,894 million and HK\$18,435 million, respectively. As of the same dates, the Group's advances to customers amounted to HK\$48,478 million, HK\$76,067 million, HK\$77,781 million and HK\$80,849 million, respectively, and deposits from customers amounted to HK\$78,330 million, HK\$116,291 million, HK\$122,573 million and HK\$122,495 million, respectively.

For the years ended 31 December 2018, 2019 and 2020, the Group recorded a profit of HK\$1,002.4 million, HK\$1,262.6 million and HK\$843.3 million, respectively. For the six months ended 30 June 2020 and 2021, the Group recorded a profit of HK\$740.2 million and HK\$712.3 million, respectively.

As at 31 December 2018, 2019, 2020 and 30 June 2021, the Group's total capital ratio was 20.99%, 17.71%, 19.23% and 17.80%, respectively, and its loan-to-deposit ratio was 61.89%, 65.41%, 63.46% and 66.00%, respectively. The Group's average value of liquidity coverage ratio in 2019 and 2020 was 206.47% and 247.97%, respectively. The Group's average value of the liquidity coverage ratio for the first two quarters of 2021 was 218.47%.

For the years ended 31 December 2018, 2019, 2020 and six months ended 30 June 2021, the Group achieved return on average total assets of 1.12%, 0.95%, 0.54% and 0.89%, respectively, and return on average shareholder's equity of 10.40%, 10.61%, 5.26% and 8.22%, respectively. See "*Summary Financial and Other Information — Other Selected Financial Data*".

RECENT DEVELOPMENTS

In November 2021, Mr. WANG Xiaojian was appointed the Chairman of the Group, succeeding Mr. LYU Yaoming. The appointment was made in the ordinary course of business.

KPMG has retired as the auditors of the Group with effect from 10 January 2022. The Group has appointed Deloitte Touch Tohmatsu as the new auditors of the Group following the retirement of KPMG. The consolidated financial statements of the Group as at and for the year ended 31 December 2021 will be audited by Deloitte Touche Tohmatsu.

THE OFFERING

The following is a brief summary of certain terms of the offering of the Bonds. For a more detailed description of the terms of the Bonds, see “Terms and Conditions of the Bonds”. Capitalised terms used herein and not defined have the meanings given to them in “Terms and Conditions of the Bonds”.

The Issuer Chiyu Banking Corporation Limited, a company incorporated with limited liability in Hong Kong.

The Legal Entity Identifier (LEI) of the Issuer 254900HY5QFETBNN7892.

Description U.S.\$200,000,000 5.75 per cent. Subordinated Tier 2 Bonds due 2032.

Issue Date 7 April 2022.

Maturity Date 7 April 2032.

Status of the Bonds The Bonds will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The rights and claims of the Bondholders will be subordinated in the manner described below.

Subordination Subject to the insolvency laws of Hong Kong and other applicable laws, in the event of a Winding-Up of the Issuer (other than pursuant to a Permitted Reorganisation), the rights and claims of the Bondholders to payment of principal and interest on the Bonds, and any other obligations in respect of the Bonds, shall rank (i) subordinate and junior in right of payment to, and of all claims of, (a) all unsubordinated creditors of the Issuer (including its depositors), and (b) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Bonds or rank senior to the Bonds by operation of law or contract; (ii) *pari passu* in right of payment to and of all claims of the holders of Parity Obligations; and (iii) senior in right of payment to, and of all claims of, the holders of Tier 1 Capital Instruments and the holders of other Junior Obligations, in each case, present and future, in the manner provided in the Trust Deed.

In the event of a Winding-Up, any claim of the Bondholders or the Trustee to principal or any interest under the Bonds will only be satisfied after all obligations of the Issuer ranking senior to the Bonds have been satisfied in whole.

“**Junior Obligation**” means all classes of the Issuer’s share capital and any instrument or other obligation (including without limitation any preference shares) issued, entered into or guaranteed by the Issuer that ranks or is expressed to rank junior to the Bonds by operation of law or contract.

“Parity Obligation” means any instrument or other obligation issued, entered into or guaranteed by the Issuer that constitutes or qualifies as a Tier 2 Capital Instrument (or its equivalent) under applicable Capital Regulations or any instrument or other obligation issued, entered into or guaranteed by the Issuer that ranks or is expressed to rank *pari passu* with the Bonds by operation of law or contract, which, for the avoidance of doubt, excludes any Junior Obligations of the Issuer.

“Permitted Reorganisation” means a solvent reconstruction, amalgamation, reorganisation, merger or consolidation whereby all or substantially all the business, undertaking or assets of the Issuer are transferred to a successor entity which assumes all the obligations of the Issuer under the Bonds.

“Subordinated Creditors” means all creditors the indebtedness of which is subordinated, in the event of the Winding-Up of the Issuer, in right of payment to, and of all claims of, the depositors and other unsubordinated creditors of the Issuer other than those whose claims rank or are expressed to rank by operation of law or contract *pari passu* with, or junior to, the claims of the Bondholders. For this purpose indebtedness shall include all liabilities, whether actual or contingent.

“Tier 1 Capital Instrument” means any instrument or other obligation issued, entered into or guaranteed by the Issuer that constitutes Tier 1 capital of the Issuer pursuant to the Capital Regulations.

“Tier 2 Capital Instrument” means any instrument or other obligation issued, entered into or guaranteed by the Issuer that constitutes Tier 2 capital of the Issuer pursuant to the Capital Regulations.

“Winding-Up” means a final and effective order or resolution by a judicial authority in the jurisdiction of incorporation of the Issuer for the bankruptcy, winding up, liquidation or similar proceeding in respect of the Issuer.

No Set-off Subject to applicable law, no Bondholder may exercise, claim or plead any right of set-off, counter-claim or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Bonds and each Bondholder shall, by virtue of being the Bondholder of any Bond, be deemed to have waived all such rights of such set-off, counter-claim or retention.

Interest The Bonds will bear interest on their outstanding principal amount (subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 4(B) of the Conditions) from, and including, the Issue Date at the applicable Interest Rate, payable semi-annually in arrear on 7 April and 7 October in each year (each an “**Interest Payment Date**”) in equal instalments.

Any interest on the Bonds shall be made from distributable profits of the Issuer.

See “Risk Factors — Risk Factors Relating to the Bonds — The provisions on distributable profits in the Conditions are subject to interpretation by the relevant regulatory authorities and the application of relevant laws, rules and regulations.” for more details.

Interest Rate The Interest Rate applicable to the Bonds shall be:

- (i) in respect of the period from, and including, the Issue Date to, but excluding, 7 April 2027 (the “**First Call Date**”), 5.75 per cent. per annum; and
- (ii) in respect of the period from, and including, the First Call Date to, but excluding, 7 April 2032 (the “**Maturity Date**”), the Reset Interest Rate.

“**Reset Interest Rate**” means a fixed rate per annum (expressed as a percentage) equal to the aggregate of (a) the then-prevailing U.S. Treasury Rate and (b) the Spread.

“**Spread**” means 3.202 per cent. per annum.

Non-Viability Loss Absorption . . . *The ability to operationally effect any Write-off of any Bonds under Condition 4(B) of the Conditions with respect to the clearing and/or settlement of any Bonds in or through the relevant clearing system(s) is subject to the availability of procedures to effect any such Write-off in such clearing system(s). However, any Write-off of any Bonds with respect to the Issuer under Condition 4(B) of the Conditions will be effective upon the date that the Issuer specifies in the Non-Viability Event Notice notwithstanding any inability to operationally effect any such Write-off in the relevant clearing system(s).*

If a Non-Viability Event occurs and is continuing, the Issuer shall, upon or prior to the provision of a Non-Viability Event Notice, irrevocably (without the need for the consent of the Bondholders) reduce the then outstanding principal amount of, and cancel any accrued but unpaid interest in respect of, each Bond (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount per Bond (such reduction and cancellation, and the reduction and cancellation or conversion of any other Subordinated Capital Instruments (as defined in the Conditions) so reduced and cancelled or converted upon the occurrence of a Non-Viability Event, where applicable, being referred to herein as the “Write-off”, and “Written-off” shall be construed accordingly).

Concurrently with the giving of the Non-Viability Event Notice, the Issuer shall procure (unless otherwise directed by the Monetary Authority) (A) that a similar notice be given in respect of other Subordinated Capital Instruments in accordance with their terms and (B) a Write-off concurrently and rateably with the Write-off of the Bonds, in respect of the aggregate principal amount of such other Subordinated Capital Instruments which constitute Parity Obligations on a *pro rata* basis with the Bonds.

Any Bond may be subject to one or more Write-offs in part (as the case may be), except where such Bond has been Written-off in its entirety.

“**Non-Viability Event**” means the earlier of:

- (a) the Monetary Authority notifying the Issuer in writing that the Monetary Authority is of the opinion that a Write-off or conversion is necessary, without which the Issuer would become non-viable; or
- (b) the Monetary Authority notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable; or
- (c) the home authority of the Parent Bank notifying the Parent Bank in writing that the home authority is of the opinion that a Write-off or conversion is necessary, without which the Issuer or the Parent Bank would become non-viable; or
- (d) the home authority of the Parent Bank notifying the Parent Bank in writing that the home authority has decided that a public sector injection of capital or equivalent support, in the jurisdiction of the home authority, is necessary, without which the Issuer or the Parent Bank would become non-viable.

“Non-Viability Event Notice” means the notice which shall be given by the Issuer not more than two Hong Kong Business Days (as defined in Condition 4(B) of the Conditions) after the occurrence of a Non-Viability Event, to the Bondholders in accordance with Condition 11 of the Conditions, and to the Trustee and the Paying Agents in writing and which shall state:

- (a) in reasonable detail the nature of the relevant Non-Viability Event;
- (b) the Non-Viability Event Write-off Amount for (i) each Bond; (ii) each other Subordinated Capital Instrument on the Loss Absorption Effective Date in accordance with its terms; and
- (c) the Loss Absorption Effective Date.

“Non-Viability Event Write-off Amount” means the amount of principal and/or interest to be Written-off as the Monetary Authority may direct or, in the absence of such a direction, as the Issuer shall (in consultation with the Monetary Authority) determine to be necessary to satisfy the Monetary Authority that the Non-Viability Event will cease to continue. For the avoidance of doubt, (i) the full amount of the Bonds will be Written-off in full in the event that the amount Written-off is not sufficient for the Non-Viability Event to cease to continue and (ii) in the case of an event falling within paragraph (b) or (d) of the definition of Non-Viability Event, the Write-off will be effected in full before any public sector injection of capital or equivalent support. Further, the Non-Viability Event Write-off Amount in respect of each Bond will be calculated based on a percentage of the outstanding principal amount of that Bond.

Consequence of Non-Viability Loss
Absorption

Once the outstanding principal amount of, and any accrued but unpaid interest under, the Bonds has been Written-off, the relevant amount(s) Written-off will not be restored in any circumstances including where the relevant Non-Viability Event ceases to continue. No Bondholder may exercise, claim or plead any right to any amount that has been Written-off, and each Bondholder shall, by virtue of his holding of any Bonds, be deemed to have waived all such rights to such amount that has been Written-off.

Hong Kong Resolution Authority
Power

Notwithstanding any other term of the Bonds, including without limitation Condition 4(B) of the Conditions, or any other agreement or arrangement, each Bondholder and the Trustee shall be subject, and shall be deemed to agree, be bound by and acknowledge that they are each subject, to having the Bonds being written off, cancelled, converted or modified, or to having the form of the Bonds changed, in the exercise of any Hong Kong Resolution Authority Power (as defined in the Conditions) by the relevant Hong Kong Resolution Authority (as defined in the Conditions) without prior notice and which may include (without limitation) and result in any of the following or some combination thereof:

- (a) the reduction or cancellation of all or a part of the outstanding principal amount of, or interest on, the Bonds;
- (b) the conversion of all or a part of the outstanding principal amount of, or interest on, the Bonds into shares or other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Bonds; and
- (c) the amendment or alteration of the maturity of the Bonds or amendment or alteration of the amount of interest payable on the Bonds, or the date on which the interest becomes payable, including by suspending payment for a temporary period, or any other amendment or alteration of these Conditions.

With respect to (a), (b) and (c) above, references to principal and interest shall include payments of principal and interest that have become due and payable (including principal that has become due and payable at any redemption date), but which have not been paid, prior to the exercise of any Hong Kong Resolution Authority Power. The rights of the Bondholders and the Trustee under the Bonds and the Conditions are subject to, and will be amended and varied, if necessary, solely to give effect to, the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority.

No repayment of the outstanding principal amount of the Bonds or payment of interest on the Bonds shall become due and payable or be paid after the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority unless, at the time that such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer under the laws and regulations applicable to the Issuer and the Group.

Upon the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Bonds, the Issuer shall provide a written notice regarding such exercise of the Hong Kong Resolution Authority Power to the Bondholders in accordance with Condition 11 of the Conditions and to the Trustee in writing not more than two Hong Kong Business Days after the occurrence of such exercise of the Hong Kong Resolution Authority Power.

Neither the reduction or cancellation, in part or in full, of the outstanding principal amount of, or interest on the Bonds, the conversion thereof into another share, security or other obligation of the Issuer or another person, or any other amendment or alteration of these Conditions as a result of the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Issuer nor the exercise of the Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Bonds shall constitute an Event of Default under Condition 9(A) of the Conditions.

Redemption at Maturity Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Bonds at their outstanding principal amount together with interest accrued to (but excluding) the Maturity Date, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 4(B) of the Conditions.

Redemption at the Option of the Issuer The Issuer may, having given not less than 15 nor more than 45 days' notice to the Bondholders in accordance with Condition 11 of the Conditions and to the Trustee, the Principal Paying Agent and the Registrar (as defined in the Conditions) (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all but not some only of the Bonds then outstanding on the First Call Date or any Interest Payment Date thereafter, at their outstanding principal amount together (if appropriate) with interest accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 4(B) of the Conditions.

Redemption for Tax Reasons Subject to Condition 6(G) of the Conditions, the Bonds then outstanding may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 11 of the Conditions, the Bondholders (which notice shall be irrevocable and shall specify the date fixed for redemption), if the Issuer satisfies the Trustee immediately before the giving of such notice that (a) it has or will become obliged to pay additional amounts as described under Condition 7 of the Conditions as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 29 March 2022 and (b) such obligation will apply on the occasion of the next payment due in respect of the Bonds and cannot be avoided by the Issuer taking reasonable measures available to it; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or give effect to such treatment, as the case may be, were a payment in respect of the Bonds then due.

See “*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Tax Reasons*” for further information.

Redemption for Tax Deduction
Reasons Subject to Condition 6(G) of the Conditions, the Bonds then outstanding may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Trustee and the Principal Paying Agent, and, in accordance with Condition 11 of the Conditions, the Bondholders (which notice shall be irrevocable, subject to Condition 4(C) of the Conditions, and shall specify the date fixed for redemption), following the occurrence of a Tax Deduction Event.

A “**Tax Deduction Event**” occurs if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) in respect of the interest payable on the Bonds, the Issuer is no longer, or will no longer be, entitled to claim a deduction in respect of computing its taxation liabilities in Hong Kong or any political subdivision or any authority thereof or therein having power to tax as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 29 March 2022; and

(b) such non tax deductibility cannot be avoided by the Issuer taking reasonable measures available to it,

provided that: (a) the conditions for redemption set out in Condition 6(G) of the Conditions have been satisfied and (b) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would cease to be able to claim a tax deduction in respect of the interest payable on the Bonds as provided in paragraph (i) above as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 29 March 2022.

See “*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Tax Deduction Reasons*” for further information.

Redemption for Regulatory

Reasons

Subject to Condition 6(G) of the Conditions, the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days’ notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 11, the Bondholders (which notice shall be irrevocable and shall specify the date fixed for redemption) following the occurrence of a Capital Event.

A “**Capital Event**” occurs if the Issuer satisfies the Trustee immediately before the giving of the notice of redemption referred in Condition 6(D) of the Conditions that (a) the Bonds, after having qualified as such, will no longer qualify (in whole or in part) as Tier 2 Capital (or equivalent) of the Issuer and/or (b) the Bonds cease to be included in the calculation of the Issuer’s capital adequacy ratio, as a result of a change or amendment in (or any change in the application or official interpretation of) the relevant provisions of the Banking Ordinance (Cap. 155) of Hong Kong, the Banking (Capital) Rules (Cap. 155L) of Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance issued by the Monetary Authority in relation thereto, in each case, as amended or modified from time to time (other than as a result of any discounting or amortisation requirements as to the eligibility of the Bonds for such inclusion pursuant to the relevant legislation, regulation and/or guidance in force from time to time), provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which it is determined that a Capital Event has occurred.

See “*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption of the Bonds for Regulatory Reasons*” for further information.

Conditions for Redemption and
Purchase in respect of Bonds . . .

Notwithstanding any other provision in the Conditions, the Issuer shall not redeem any of the Bonds (other than pursuant to Condition 9 of the Conditions), unless (i) the prior written consent of the Monetary Authority thereto shall have been obtained, to the extent such consent is required under the Banking Ordinance (Cap. 155) of Hong Kong, the Banking (Capital) Rules (Cap. 155L) of Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance issued by the Monetary Authority in relation thereto, in each case, as amended or modified from time to time and (ii) the CBIRC Redemption Conditions are satisfied.

Prior to redemption of any of the Bonds by the Issuer, the Parent Bank needs to report to CBIRC in writing in respect of such redemption and in such case, the Bonds will be redeemed by the Issuer on the basis that such redemption is confirmed by the CBIRC.

Neither the Issuer nor any affiliates controlled by it or over which it has significant influence (excluding the holding company of the Issuer) shall purchase any Bonds and the Issuer shall not directly or indirectly provide any financing for the purchase of any Bonds, unless in each case the prior written consent of the Monetary Authority thereto shall have been obtained, to the extent such consent is required under the Banking Ordinance (Cap. 155) of Hong Kong, the Banking (Capital) Rules (Cap. 155L) of Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance issued by the Monetary Authority in relation thereto, in each case, as amended or modified from time to time.

“**CBIRC Redemption Conditions**” means the following conditions precedent to the redemption of the Bonds by the Issuer:

- (i) the Bonds will be substituted with capital instruments of the same or superior quality to the Bonds and such substitution shall only be made at a time at which the Parent Bank (on a consolidated and non-consolidated basis) has a sustainable income generating capability; or
- (ii) the capital position of the Parent Bank (on a consolidated and non-consolidated basis) immediately after redemption of the Bonds will remain significantly higher than the regulatory capital requirements prescribed by the CBIRC.

Trustee

Bank of Communications Trustee Limited

Principal Paying Agent and
Calculation Agent

Bank of Communications Co., Ltd. Hong Kong Branch

Registrar and Transfer Agent

Bank of Communications Co., Ltd. Hong Kong Branch

Trust Deed	The Bonds will be constituted by a Trust Deed to be dated 7 April 2022 between the Issuer and the Trustee.
Form and Denomination	<p>The Bonds will be issued in registered form in the denomination of U.S.\$250,000 and integral multiples of U.S.\$1,000 in excess thereof. The Bonds will initially be represented by the Global Certificate, deposited on or about the Issue Date with, and registered in the name of a nominee of, a common depository for Euroclear and Clearstream.</p> <p>Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through the records maintained by Euroclear and Clearstream and their respective accountholders. Except as described in the Global Certificate, definitive certificates of Bonds will not be issued in exchange for beneficial interests in the Global Certificate. See “<i>Summary of Provisions Relating to the Bonds in Global Form</i>”.</p>
Taxation	All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. If the Issuer is required to make a deduction or withholding by or within Hong Kong, the Issuer will, save in certain limited circumstances provided in Condition 7 of the Conditions, be required to pay such additional amounts as shall result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required.
Ratings	The Bonds will not be rated.
Governing Law	The Trust Deed, the Bonds and any non-contractual obligations arising out of or in connection with the Trust Deed and the Bonds will be governed by, and shall be construed in accordance with, English law, save that the subordination provisions set out in Condition 3(B) of the Conditions (and related provisions of the Trust Deed) shall be governed by, and construed in accordance with, the laws of Hong Kong.
Submission to Jurisdiction	The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Bonds and accordingly any legal action or proceedings arising out of or in connection with any Bonds may be brought in such courts. The Issuer will in the Trust Deed irrevocably submit to the jurisdiction of such courts.

Capital Treatment	The Bonds are intended to qualify as Tier 2 capital of the Issuer under the Capital Regulations and Tier 2 capital of the Parent Bank under the CBIRC Capital Regulations.
Listing	Application will be made for the listing of the Bonds on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only.
Clearing Systems	The Bonds have been accepted for clearance through Euroclear and Clearstream with the following: ISIN: XS2460522555 Common Code: 246052255
Use of Proceeds	The Issuer intends to use the net proceeds from the issue of the Bonds to supplement its Tier 2 capital under the Capital Regulations.
Selling Restrictions	There are restrictions on the distribution of this Offering Circular and the making of solicitations pursuant thereto in certain jurisdictions, including, among others, the United States, the United Kingdom, the EEA, Hong Kong, Singapore and Japan. See “ <i>Subscription and sale</i> ”.

SUMMARY FINANCIAL AND OTHER INFORMATION

The summary financial information of the Group as at and for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021 set forth below is derived from the Group's audited consolidated financial statements as at and for the years ended 31 December 2019 and 2020 and the Group's unaudited interim financial information as at and for the six months ended 30 June 2021, respectively (together, the "**Financial Statements**"). Such financial information should be read in conjunction with the Financial Statements and the notes thereto as included elsewhere in this Offering Circular. The audited consolidated financial statements of the Group as at and for the years ended 31 December 2019 and 2020, which have been prepared and presented in accordance with HKFRS, were audited by KPMG.

The unaudited interim financial information of the Group as at and for the six months ended 30 June 2021 was prepared and presented in accordance with HKAS 34 and has been reviewed by KPMG. As such, the Group's unaudited interim financial information should not be relied upon by potential investors to provide the same quality of information associated with information that has been subjected to an audit. Potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations. This unaudited interim financial information should not be taken as an indication of the expected financial condition and results of operations of the Group for the full financial year ended 31 December 2021.

The Group has initially applied HKFRS 16 from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information as at 31 December 2018 has not been restated and continues to be reported under HKAS 17.

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December			For the six months ended 30 June	
	2018	2019	2020	2020	2021 ⁽¹⁾
	(audited) (HK\$'000)	(audited) (HK\$'000)	(audited) (HK\$'000)	(unaudited) (HK\$'000)	(unaudited) (HK\$'000)
Interest income	2,546,178	4,208,147	3,845,995	2,140,575	1,498,203
Interest expense	(987,748)	(2,189,574)	(2,133,677)	(1,254,431)	(704,489)
Net interest income	1,558,430	2,018,573	1,712,318	886,144	793,714
Fee and commission income	394,830	667,254	834,964	331,770	362,932
Fee and commission expense	(24,011)	(24,256)	(31,541)	(14,768)	(18,248)
Net fee and commission income	370,819	642,998	803,423	317,002	344,684
Net trading gain/(loss)	71,743	25,941	(44,582)	29,401	(7,502)
Net gain/(loss) on financial instruments designated at fair value through profit or loss	465	7,307	(6,319)	—	—
Net gain on other financial assets	5,874	69,489	312,269	201,144	34,204
Other operating income	12,408	12,315	9,240	5,687	12,960
Net operating income before impairment allowances	2,019,739	2,776,623	2,786,349	1,439,378	1,178,060
Net (charge)/reversal of impairment allowances	(138,429)	(345,345)	(638,353)	(58,441)	218,014
Net operating income	1,881,310	2,431,278	2,147,996	1,380,937	1,396,074
Operating expenses	(671,060)	(944,910)	(1,120,223)	(499,121)	(572,501)
Operating profit	1,210,250	1,486,368	1,027,773	881,816	823,573
Net gain/(loss) from fair value adjustments on investment properties	18,440	4,846	(7,330)	(5,930)	(200)
Net (loss)/gain from disposal/ revaluation of properties, plant and equipment	(23,948)	2,723	(247)	1,385	491
Profit before taxation	1,204,742	1,493,937	1,020,196	877,271	823,864
Taxation	(202,295)	(231,369)	(176,936)	(137,063)	(111,613)
Profit for the year/period	<u>1,002,447</u>	<u>1,262,568</u>	<u>843,260</u>	<u>740,208</u>	<u>712,251</u>
Dividends	<u>225,000</u>	<u>298,920</u>	<u>373,650</u>	<u>373,650</u>	<u>252,879</u>

(1) From 2021 June, “Net gain/(loss) on financial instruments designated at fair value through profit or loss” has been reclassified under “Net gain on other financial assets”. Comparative figures have been reclassified to conform to the financial statement presentation adopted for the six months ended 30 June 2021.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	(audited) (HK\$'000)	(audited) (HK\$'000)	(audited) (HK\$'000)	(unaudited) (HK\$'000)
Assets				
Cash and balances with banks and other financial institutions	15,446,012	18,235,988	22,971,832	20,195,618
Placements with banks and other financial institutions maturing between one and twelve months . . .	6,302,563	4,819,212	7,440,298	2,162,730
Derivative financial instruments	122,680	122,133	140,505	122,303
Advances to customers and trade bills	49,934,290	76,986,891	78,340,141	81,782,522
Investment in securities	28,627,506	46,908,420	50,817,131	56,126,141
Investment properties	233,350	237,150	153,620	153,420
Properties, plant and equipment	1,738,569	2,021,072	2,044,562	2,076,517
Current tax assets	—	—	21,489	27,618
Deferred tax assets	12,298	640	23,499	24,842
Other assets	455,359	523,275	1,561,296	1,269,151
Total assets	<u>102,872,627</u>	<u>149,854,781</u>	<u>163,514,373</u>	<u>163,940,862</u>
Liabilities				
Deposits and balances from banks and other financial institutions	11,933,270	17,747,463	20,567,635	21,039,280
Derivative financial instruments	43,268	40,361	75,396	31,651
Deposits from customers	78,329,515	116,291,434	122,573,031	122,494,973
Other accounts and provisions	746,311	1,273,083	2,224,695	1,680,126
Current tax liabilities	75,824	195,776	42,013	60,781
Deferred tax liabilities	141,243	183,675	137,303	199,199
Total liabilities	<u>91,269,431</u>	<u>135,731,792</u>	<u>145,620,073</u>	<u>145,506,010</u>
Equity				
Share capital	1,772,988	3,245,980	6,577,871	6,577,871
Reserves	7,892,496	8,939,297	9,378,717	9,919,269
Capital and reserves attributable to the entity holders of the Bank	9,665,484	12,185,277	15,956,588	16,497,140
Additional equity instruments	1,937,712	1,937,712	1,937,712	1,937,712
Total equity	<u>11,603,196</u>	<u>14,122,989</u>	<u>17,894,300</u>	<u>18,434,852</u>
Total liabilities and equity	<u>102,872,627</u>	<u>149,854,781</u>	<u>163,514,373</u>	<u>163,940,862</u>

OTHER SELECTED FINANCIAL DATA

	As at/for the year ended 31 December			As at/for the six months ended 30 June
	2018	2019	2020	2021
Profitability Indicators				
Return on average total assets ⁽¹⁾	1.12%	0.95%	0.54%	0.89%
Return on equity ⁽²⁾	10.40%	10.61%	5.26%	8.22%
Net interest margin ⁽³⁾	1.79%	1.56%	1.13%	1.02%
Net fee and commission income to net operating income	19.71%	26.45%	37.40%	24.69%
Cost to income ratio ⁽⁴⁾	33.23%	34.03%	40.20%	48.60%
Capital Adequacy Ratio				
Common Equity Tier 1 capital ratio	15.30%	13.59%	15.66%	14.55%
Tier 1 capital ratio	19.13%	16.19%	17.79%	16.49%
Total capital ratio	20.99%	17.71%	19.23%	17.80%
Average value of liquidity coverage ratio ⁽⁵⁾ .	208.45%	206.47%	247.97%	218.47%
Asset Quality Indicator				
Classified or impaired advances to total advances to customers	0.53%	0.39%	0.36%	0.39%
Provision coverage of impaired loans and advances to total advances to customers ⁽⁶⁾	134.82%	212.44%	272.62%	175.56%
Other indicators				
Loan to deposit ratio ⁽⁷⁾	61.89%	65.41%	63.46%	66.00%

(1) Calculated as profit for the year/period divided by the daily average balance of total assets.

(2) Calculated as profit for the year/period divided by the average of the beginning and ending balance of capital and reserves.

(3) Calculated as net interest income divided by daily average balance of interest bearing assets.

(4) Calculated as operating expenses divided by net operating income before impairment allowances.

(5) Calculated based on the arithmetic mean of the liquidity coverage ratio as at the end of each working day in the year/period and the calculation methodology and instructions set out in the Monetary Authority return of liquidity position. The liquidity coverage ratio is calculated as high quality liquid assets divided by total net cash outflows.

(6) Calculated as total impairment allowances to impaired or classified loans and advances.

(7) Loan to deposit ratio is calculated as at year/period end. Loans represents gross advances to customers.

TIER I AND TIER II CAPITAL BASE

The capital adequacy ratios (“CAR”) below comply with the Banking (Capital) Rules (Cap. 155L) of the laws of Hong Kong issued by the Monetary Authority. The CAR are computed on a consolidated basis covering the Issuer and some of its subsidiaries as required by the Monetary Authority.

The Bank has adopted the standardised (credit risk) (“STC”) approach to calculate all the credit risk capital charge for its securitisation and credit exposures. The Bank has adopted the standardised credit valuation adjustment (“CVA”) method to calculate the capital charge for the CVA risk of the counterparty.

The Bank has adopted the standardised (market risk) (“STM”) approach to calculate the general market risk capital charge for foreign exchange and interest rate exposures and, with the approvals from the Monetary Authority, exclude its structural FX positions in the calculation of the market risk capital charge. The Bank has also adopted the STM approach to calculate the market risk capital charge for the remaining exposures. The Bank has adopted the standardised (operational risk) (“STO”) approach to calculate the operational risk capital charge.

	As at 31 December		As at 30 June
	2019	2020	2021
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Common Equity Tier 1 (CET1) capital: instruments and reserves			
Directly issued qualifying CET1 capital instruments	3,245,980	6,577,871	6,577,871
Retained earnings	7,220,972	7,933,040	8,127,221
Disclosed reserves	<u>1,661,469</u>	<u>1,347,828</u>	<u>1,701,043</u>
CET1 capital before regulatory deductions	<u>12,128,421</u>	<u>15,858,739</u>	<u>16,406,135</u>
CET1 capital: regulatory deductions			
Valuation adjustments	(8,610)	(194)	(4,778)
Deferred tax assets net of deferred tax liabilities	(640)	(23,499)	(24,842)
Gains and losses due to changes in own credit risk on fair valued liabilities	(60)	(12)	(12)
Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	(1,452,133)	(1,397,685)	(1,428,103)
Regulatory reserve for general banking risks	<u>(519,987)</u>	<u>(134,725)</u>	<u>(354,581)</u>
Total regulatory deductions to CET1 capital	<u>(1,981,430)</u>	<u>(1,556,115)</u>	<u>(1,812,316)</u>
CET1 capital	10,146,991	14,302,624	14,593,819
AT1 capital	<u>1,937,712</u>	<u>1,937,712</u>	<u>1,937,712</u>
Tier 1 capital	<u>12,084,703</u>	<u>16,240,336</u>	<u>16,531,531</u>
Tier 2 capital: instruments and provisions			
Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	<u>484,445</u>	<u>689,395</u>	<u>671,214</u>
Tier 2 capital before regulatory deductions	<u>484,445</u>	<u>689,395</u>	<u>671,214</u>
Tier 2 capital: regulatory deductions			
Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	<u>653,460</u>	<u>628,958</u>	<u>642,646</u>
Total regulatory deductions to Tier 2 capital	<u>653,460</u>	<u>628,958</u>	<u>642,646</u>
Tier 2 capital	<u>1,137,905</u>	<u>1,318,353</u>	<u>1,313,860</u>
Total capital	<u>13,222,608</u>	<u>17,558,689</u>	<u>17,845,391</u>

RISK FACTORS

Prospective investors should carefully take into account the considerations described below, in addition to the other information contained herein, before investing in the Bonds. The occurrence of one or more events described below could have an adverse effect on the Group's business, financial condition, or results of operations, and could affect the Issuer's ability to make payments of principal and interest under the Bonds. Additional considerations and uncertainties not currently known to the Issuer, or which the Issuer currently deems immaterial, may also have an adverse effect on an investment in the Bonds.

RISK FACTORS RELATING TO THE GROUP

The COVID-19 pandemic may have an adverse effect on the Group's financial condition and results of operations.

On 12 March 2020, the World Health Organisation declared the coronavirus (“COVID-19”) as a global pandemic. The COVID-19 pandemic has resulted in many countries, including China, India, Japan, the United States, members of the European Union and the United Kingdom, declaring a state of emergency and imposing extensive business and travel restrictions from time to time with a view to containing the pandemic. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic has significantly disrupted the global economy and global markets. In addition, the COVID-19 pandemic has led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time. In early 2021, vaccination programmes were rolled out in various countries, including the United States, China, the European Union and the United Kingdom. However, the effect of the vaccination programmes on the COVID-19 pandemic remains uncertain, and some countries are experiencing another wave of the COVID-19 pandemic, in some cases of new variants of COVID-19 such as the Delta variant and the Omicron variant. The Omicron variant in particular appears to be highly transmissible and this has resulted in a significant increase in cases globally, including Hong Kong, where the Group's primary operations are located. These or future variants of COVID-19 could also prove to be more resistant to vaccines. The impact of different variants cannot be predicted at this time, and could depend on numerous factors, including vaccination rates among the population, the effectiveness of COVID-19 vaccines against such variants, and the response by governments. In Hong Kong, the outlook for COVID-19 remains unpredictable and its long-term implications on the Group's business and results of operations locally are uncertain as Hong Kong is still battling continued waves of COVID-19. As the COVID-19 pandemic continues to adversely affect business activities globally, governments and central banks across the world have introduced or are planning fiscal and monetary stimulus measures including direct subsidies, tax cuts, interest rates cuts and quantitative easing programmes. These measures aim to contain the economic impact of the COVID-19 pandemic, stabilise the capital markets and provide liquidity easing to the markets.

COVID-19 has had a relatively minor adverse impact on the Group's financial condition and results of operations. The Group also took structural optimisation measures and strengthened its risk management strategies, which has encouraged the quality of growth and efficiency. These actions have enabled the Group to adequately tackle the challenges raised by COVID-19.

In an effort to ease the loan repayment pressures that its customers were experiencing due to COVID-19, the Group launched a series of financial support measures in February 2020, including providing principal moratoriums of six months for residential mortgages to help affected personal customers and offering financing support to enterprises related to medical and anti-epidemic supplies and various transitional arrangements. There is no assurance that such policy for deferment will not be extended as a result of the ongoing pandemic. If so, this may further adversely affect the Bank's financial condition and results of operations.

The Group faces competition in the Hong Kong and PRC banking industries.

The Group is subject to significant competition from many other banks and financial institutions, including competitors which have significantly greater financial and other capital resources, greater market share, and greater name recognition than the Group. The banking and financial services industry in Hong Kong is a mature market. According to statistics published by the Monetary Authority, as at 28 February 2022, 31 Hong Kong incorporated licensed banks, 128 banks incorporated outside of Hong Kong compete for a customer population of approximately seven million people. Many of the international and local banks and niche players operating in Hong Kong compete for substantially the same customers as the Group. Consequently, there is a crowded market, especially for retail banking products such as investment and insurance products, home mortgage loans, credit cards and personal loans businesses. This has been, and may be, further exacerbated by the grant of virtual banking licenses, the entry and the increasing presence of virtual banks and the recognition of virtual banking companies as financial institutions in the markets in which the Bank operates. The increasing competition in the past few years has had an adverse impact on the Bank's pricing of certain products.

In recent years, competition among banks in Hong Kong has become very aggressive. There can be no assurance that increased competition will not have a material adverse effect on the Group's business, financial condition or results of operations.

The banking industry in the PRC is highly competitive. The market has been dominated by the large state-owned commercial banks, which have long operating histories, well-established branch networks, large customer bases and better brand recognition compared to the Bank. In addition, the Bank also faces increasing competition from virtual banks in the PRC. Moreover, the banking industry in the PRC has been facing more challenges in recent years as the PRC government implemented a series of measures to liberalise the banking industry. Following the PRC's accession to the World Trade Organisation, a number of foreign banks have received authorisation from the PRC government to, from five years after accession, provide Renminbi-denominated banking and financial services ("**Renminbi services**") to PRC domestic enterprises and individuals. The Closer Economic Partnership Agreement with the PRC ("**CEPA**"), which allows Hong Kong banks to operate in the PRC, has also increased competition in the PRC market. Since April 2007, the PRC government has begun granting approvals for locally incorporated banking licences for a number of foreign banks which allow them to compete with PRC domestic banks on equal footing, thereby effectively removing regulatory restrictions on the geographical presence, customer base and operating licences of foreign banks. In May 2019, the CBIRC has removed single shareholding cap in domestic banks and foreign banks. Accordingly, the Group expects a further increase in competition in the PRC market from both existing local Chinese banks and foreign banks entering the PRC market. There can be no assurance that the Group will maintain its current position or continue to develop its business successfully in the PRC if, as expected, competition in the banking sector in the PRC intensifies as a result of these latest changes in the regulatory environment in the PRC. The increased competition in Hong Kong's and the PRC's banking industries may adversely affect the Group's business and prospects, results of operations and financial condition by potentially:

- reducing its market share in the principal products and services that the Group offers;
- reducing the growth of its loan and deposit portfolios and other products and services;
- reducing its net interest income and net interest margin;
- reducing its fee and commission income;
- increasing its non-interest expenses; and

- increasing competition for qualified managers and employees.

The introduction of CEPA has also enabled PRC banks to relocate certain operations, for example, the handling of international securities and bonds, as well as foreign exchange trading centres, to Hong Kong. Under CEPA, PRC banks are encouraged to expand their business through merger and acquisition activities. The entry of PRC banks into the Hong Kong market via such activities is likely to result in increased competition in the banking sector and there can be no assurance that the Group's business will not be affected by such increased competition.

The Group may be presented with new risks and challenges as it expands in the Hong Kong and PRC markets, and may not be able to manage integration and expansion effectively and achieve the anticipated synergies with Xiamen International Bank.

The Group intends to continue growing its business operations in Hong Kong and in the PRC. In particular, following the acquisition of 64.31% of the total issued share capital of the Group by three wholly-owned subsidiaries of Xiamen International Investment Limited from Bank of China (Hong Kong) Limited (“**BOCHK**”) on 27 March 2017 (the “**Acquisition**”), the Group has become the Hong Kong hub of Xiamen International Bank. In 2017, Chiyu Asset Management Limited was established in Hong Kong. In 2020, the Group established two new subsidiaries in Shenzhen: a subsidiary focused on financial technology (“**fintech**”) — Chiyu Technology Innovation (Shenzhen) Corporation Limited (集友科技創新(深圳)有限公司) and a subsidiary focused on equity investments — Chiyu Equity Investment Management (Shenzhen) Co., Ltd. (集友私募股權投資基金管理(深圳)有限公司). Integration with XIB and future expansion may require significant financial, operational, administrative and management resources. Due to the maturity of the Hong Kong banking sector, increasing competition and downward market pressure on profit margins, the Group intends to further expand its range of products and services to diversify its business portfolio in order to maintain its competitive edge. For this business development, the Group has embraced fintech as an area into which it will expand. Such expansion of the Group's business activities exposes the Group to certain risks and challenges, including the following:

- the Group may not have sufficient experience or expertise in certain new products and services and may not be able to compete effectively in these areas;
- the Group's new products and services may not be well-received by its customers or meet the Group's expectations for profitability;
- the Group may face difficulties in recruiting experienced professionals or qualified personnel to offer new products and services, due to competition in the labour market;
- the Group may fail to obtain regulatory approval for its new products or services where necessary; and
- the Group may not be successful in enhancing its risk management capabilities and information technology systems to support a broader range of products and services.

If the Group is not able to manage integration and expansion effectively and achieve the intended results, the Group's business, financial condition and results of operations may be adversely affected.

The Group may be affected by an economic downturn in Hong Kong.

The Group conducts most of its operations and generates most of its revenue in Hong Kong. The Group's performance and the quality and growth of its assets are necessarily dependent on the overall economy in Hong Kong. As a result, any downturn in the Hong Kong economy may adversely affect the Group's business, financial condition and the results of its operations.

The global credit markets have experienced significant volatility, such as that caused in recent years by the global financial and economic crisis and events, including the European debt crisis, the potential withdrawal of countries from the Euro-zone, the United Kingdom's withdrawal from the European Union on 31 January 2020 ("**Brexit**"), volatility in the PRC stock market the trade disputes between the United States and the PRC that began in July 2018 and the Russian invasion of Ukraine in 2022. All of the above factors have led to less favourable financial and economic conditions. The COVID-19 pandemic has caused stock markets worldwide to lose significant value since February 2020. Market interest rates have declined significantly, with the 10-year United States Treasury bond falling below 1.00% for the first time on 3 March 2020. Governments and central banks around the globe have introduced or are planning fiscal and monetary stimulus measures including tax cuts, direct subsidies, rate cuts, bond repurchase programmes and suspension or relaxation of prudential bank capital requirements. These measures aim to contain the economic impact of COVID-19, stabilise the markets and provide liquidity easing to the markets. In the United States, the Federal Open Market Committee ("**FOMC**") reduced the target federal funds rate by 50 basis points to 1.00% to 1.25% on 3 March 2020. Subsequently on 16 March 2020, the FOMC further reduced the target federal funds rate by an additional 100 basis points to 0.00% to 0.25%. These reductions in interest rates may result in continued significant volatility in global capital markets and adversely affect business and consumer confidence. There can be no assurance that any such measures may be introduced in time or will be sufficient or effective in stabilising markets or mitigating the economic impact of COVID-19. Please see "*Risk Factors — Risk Factors relating to the Group — The COVID-19 pandemic may have an adverse effect on the Group's financial condition and results of operations*" and "*Risk Factors — Risk Factors relating to the Group — The Group has exposure to the financial markets*".

The Group expects the recovery of, and the continued growth in, the Hong Kong economy to depend in part on the economic performance of the United States and the PRC, as well as certain other developed countries. There can be no assurance that future global events will not adversely affect the Hong Kong economy and the Group.

The Group has significant exposure to the Hong Kong property market.

The Group has higher exposures to property-related usage as compared to other industries. As at 31 December 2018, 2019 and 2020 and 30 June 2021, advances to customers for property-related usage in Hong Kong accounted for 22.58%, 17.24%, 19.22%, and 18.17% of the Group's total advances to customers.

The Hong Kong property market is highly cyclical and property prices in general have historically been cyclical and volatile. After a period of significant increases in property prices as a result of increased demand spurred by access to funding with lower interest rates and reduced supply, at the end of 2010, the Hong Kong government and the Monetary Authority introduced property cooling measures such as a special stamp duty and reduced loan-to-value borrowings. Market consolidation in Hong Kong was experienced in the residential property market since these measures were introduced in 2010.

On 26 October 2012, the financial secretary of the Hong Kong government announced that the Stamp Duty Ordinance (Cap. 117) of the laws of Hong Kong ("**Stamp Duty Ordinance**") would be amended to adjust the rates and to extend the holding period in respect of the Special Stamp Duty ("**SSD**") imposed by the Stamp Duty (Amendment) Ordinance in 2011. Under the adjusted regime, any

residential property acquired on or after 27 October 2012, either by an individual or a company (regardless of where it is incorporated), and resold within 36 months, will be subject to the new rates of SSD upon the enactment of the relevant legislation. The financial secretary also announced on 26 October 2012 that a Buyer's Stamp Duty ("BSD") would be introduced with effect from 27 October 2012 on residential properties acquired by any person (including a company incorporated) except where the purchaser or transferee is a Hong Kong permanent resident acquiring the property on his/her own behalf. BSD is to be charged at a flat rate of 15% on all residential properties, on top of the existing stamp duty and the SSD, if applicable. On 22 February 2013, the financial secretary announced that the Hong Kong government would further amend the Stamp Duty Ordinance to adjust the *ad valorem* stamp duty ("AVD") rates and to advance the charging of AVD on non-residential property transactions from the conveyance on sale to the agreement for sale. On 4 November 2016, the Hong Kong government announced further cooling measures in the form of an increase to stamp duty payable on property transactions to 15%, effective from 5 November 2016 and applying to all residential property acquisitions by individuals or companies with the exception of first time home buyers who are Hong Kong permanent residents. The new 15% rate replaces the maximum 8.5% double AVD on non-first time home purchases by Hong Kong permanent residents that had been in place since February 2013. As the introduction of these measures are subject to policy changes reflecting domestic political or economic circumstances, there is no assurance that the Hong Kong government will not introduce further measures in the future that may have a significant impact on the Hong Kong property market, which may in turn affect have a negative impact on the Group's asset quality or an adverse effect on the Group's business.

The trend of property prices in the Hong Kong property market depends on various factors which are beyond the Group's control, including when the Hong Kong government will relax its cooling measures, the Hong Kong dollar interest rate movements (largely dependent on the timing and pace of United States interest rate hikes), capital outflow pressures in relation to global competitive monetary easing and currency depreciation, growth prospects of the Hong Kong economy, economic, Renminbi and property market developments in the PRC and changes in the property demand/supply balance in the Hong Kong market. Any substantial decreases in property values could adversely affect the Group's business and financial condition and/or results of operations. In order to control the concentration risk in this segment, the Group has taken various measures, including setting portfolio limits. However, there can be no assurance that a downturn in the property market in Hong Kong will not have a negative impact on the Group's asset quality or adversely affect the Group's business.

The Group has exposure to the financial markets.

Unfavourable financial or economic environments, including the continued global financial uncertainties, have had and may continue to have an adverse impact on investors' confidence and global financial markets. The global financial markets have suffered significant disruption and volatility since 2007, initially triggered by the collapse of United States sub-prime mortgage sector. The ensuing contraction of liquidity, diminished credit availability, deteriorations in asset values, increase in bankruptcies, rising unemployment rates and declining consumer and business confidence have caused an overall slowdown in the global economy. The European debt crisis due to serious concerns over the abilities of certain European Union member countries to repay their debt since early 2010 has also led to further uncertainty for the global economy and financial markets.

Furthermore, the sustained tensions between the United States and China over trade policies could undermine the stability of the global financial markets. The United States and China have been involved in disputes over trade barriers that have escalated into a trade war between the two countries. Both countries have implemented tariffs on certain imported products from the other, casting uncertainty over tariffs and barrier to entry for products on both sides. On 15 January 2020, the two governments entered into an initial phase one agreement to resolve the disputes. However, there are uncertainties as to when

and whether the phase two negotiations will begin and whether the two governments will fulfil their respective obligations under the phase one agreement. There are also uncertainties between the United States and China given the newly elected administration of President Joseph R. Biden, whose policy and strategy remain to be seen.

In addition, on 31 January 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. In December 2020, the United Kingdom, the European Union and the European Atomic Energy Community concluded the EU-UK Trade and Cooperation Agreement, which was rectified in April 2021 by the European Parliament and the Council of the EU. Given the lack of precedent, it is unclear how Brexit and the implementation of the EU-UK Trade and Cooperation Agreement would affect the fiscal, monetary and regulatory landscape within the UK, the EU and globally. Moreover, there are ongoing concerns about European sovereign debt levels, negative interest rate and the consequences for economic growth and investor confidence in the Eurozone, political gridlock in the United States over government spending, debt levels and civil rights issues and the consequences for economic growth and investor confidence in the United States, and the uncertainty around the Federal Reserve's future monetary policies. The uncertainty of the COVID-19 situation globally has also caused stock markets worldwide to lose significant value and negatively impacted economic activity in Asia and worldwide.

Any or all of the above-mentioned factors would add to the uncertainties relating to the overall prospects for the global and the PRC economies and the increasing uncertainties in financial markets could adversely affect the Group's business, prospects, financial conditions and results of operations in many ways, including, among other things:

- during a period of economic slowdown, there is a greater likelihood that more of the Group's customers or counterparties might default on their loan repayments or other obligations to the Group, which, in turn, could result in the Group recording a higher level of non-performing loans, allowance for impairment losses and write-offs;
- the value of the Group's investments in equity and debt securities may significantly decrease;
- the Group's ability to raise additional capital on favourable terms, or at all, could be adversely affected; and
- trade and capital flow may further contract as a result of protectionist measures being introduced in certain markets, which could adversely affect the operations and financial conditions of the Group's customers in the financial sector and adversely affect the Group's business prospects.

The business prospects of the financial sector are sensitive to changes in the global financial market environment. If there is any adverse change to the current financial market conditions, there can be no assurance that the Group's loan portfolio for customers in the financial sector will not be adversely affected, and if there is any default by the Group's customers in the financial sector, the Group's financial conditions and results of operations may in turn be adversely affected.

The Group's business operation is subject to credit risk.

The Group's banking business is exposed to credit risk arising primarily from default by its borrowers, and is also subject to risks related to off-balance sheet credit related commitments. See "*Selected Statistical and Other Information — Risk Management — Credit Risk Management*". If there is any default by customers of credit related commitments in respect of off-balance sheet businesses such as bank acceptance letters of credit and letters of guarantee, the Group may need to assume the risk of losses arising from insufficient repayments by customers, which in turn may have a material adverse effect on its financial condition and results of operations.

The Group is exposed to credit risk with respect to its investments in treasury bills, certificates of deposit and debt securities, which are recorded as financial assets designated at fair value through profit or loss. These financial assets may also be subject to price fluctuations as a result of changes in the financial market's assessment of the relevant issuer's creditworthiness, delinquency and default rates and other factors. In addition, the Group may not have sufficient access to resources and trading counterparties to effectively implement its trading and investment risk mitigation strategies and techniques. If the Group fails to effectively manage its credit exposure, the volatility sourced from any negative news of the relevant security issuers could be magnified, and as a result, the Group may experience significant financial losses that could materially and adversely affect its business, financial condition and results of operations.

In addition, a majority of the Group's corporate loan portfolio comprises unsecured loans, the repayment of which is largely dependent on the cashflow of the borrower and adherence to the financial covenants contained in the loans. The majority of the Group's personal banking loan portfolio comprises loans secured by properties or financial instruments while the remaining portion comprises mainly unsecured personal loans, which generally carry higher rates of interest. As at 30 June 2021, 35.56% of the Group's advances were covered by collateral or other security. Although the Group carefully assesses the repayment ability of such borrowers, loan products which are not secured by any collateral entail a higher degree of credit risk than secured loan products. If there is a downturn in the economy, the credit quality and charge-off rates experienced by the Group may deteriorate.

The Group may not be able to control the level of impaired loans in its loan portfolio, and the allowance for impairment losses on loans of the Group may not be sufficient for covering the actual losses on its loan portfolio which may be incurred in the future.

The allowance for impairment losses on loans of the Group may not be sufficient for covering the actual losses on its loan portfolio which may be incurred in the future. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the Group's gross loan impairment allowances amounted to HK\$346.70 million, HK\$629.24 million, HK\$763.79 million and HK\$547.97 million, respectively, representing 0.72%, 0.83%, 0.98% and 0.68% of the Group's advances to customers at that time, respectively. The allowance for impairment losses of the Group is determined according to the assessments and forecasts on various factors which may affect the quality of the loan portfolio. Such factors include, but are not limited to, a borrower's financial condition, solvency and willingness to repay, the realisable value of the collateral, the ability of the borrower's guarantor to perform the contract, as well as Hong Kong's and the PRC's economic condition, policies for the industry, interest rates, accounting standards, laws and regulatory environment. Many of these factors are beyond its control, and the judgment and expectations on the aforesaid factors may not be consistent with the real conditions emerging in the future. Any change of the aforementioned factors may make its allowance for such impairment losses on loans insufficient to cover the actual losses, and as a result, may require the Group to increase its allowance for such impairment losses. Hence, the Group's profits may decrease, and its asset quality, results of operation and financial condition may also be materially and adversely affected.

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of businesses of the Group and there can be no assurance that the Group will be able to control effectively the level of impaired loans in its loan portfolio and the credit quality of its borrowers and counterparties. In particular, the amount of the Group's reported impaired loans, the ratio of its impaired loans to its loans and advances to customers may increase and the recoverability and value of the assets of the Group may reduce in the future as a result of deterioration in the quality of its loan portfolio. Such deterioration may occur for a variety of reasons, including factors which are beyond the Group's control, such as a slowdown in economic growth and

other adverse macroeconomic conditions in Hong Kong and the PRC, which may cause operational, financial and liquidity problems for its borrowers and hence materially and adversely affect their ability to service their outstanding debts.

The Group may not be able to maintain sufficient portion of long-term funding, and if depositors do not roll over their deposits upon maturity, the Group's liquidity could be adversely affected.

The Group's business is capital intensive and requires a significant amount of cash. As such, sufficient liquidity is crucial to the Group's business operations. Most of the Group's funding requirements are met through customer and interbank deposits. However, there are many factors affecting the growth of the Group's deposits, some of which are beyond the Group's control, such as economic and political conditions, the availability of alternative investment choices (including but not limited to securities issued by governmental or corporate entities, unit trusts and mutual funds, investment-linked assurance schemes and structured investment products), change of government monetary policies, and retail customers' changing perceptions toward savings. There can be no assurance that the Group will be able to grow its customer deposits at a pace sufficient to support its expanding business. Any decline in the Group's liquidity level may impair the confidence of its customers or counterparties, which may result in loss of business and customers.

As part of its measures to maintain the liquidity of, and confidence in, the Hong Kong financial markets, the Hong Kong government introduced a Deposit Protection Scheme in 2006 to provide a level of protection to depositors with deposits held with authorised institutions in Hong Kong. An enhanced Deposit Protection Scheme with an increased protection limit of HK\$500,000 from HK\$100,000 and expanded coverage including deposits pledged as security for banking services, came into effect on 1 January 2011 under the Deposit Protection Scheme (Amendment) Ordinance 2010. On 24 March 2016, the Deposit Protection Scheme (Amendment) Ordinance 2016 (the "**2016 Amendment Ordinance**") came into effect. Amongst other things, a gross payout approach is adopted for the determination of compensation under the Deposit Protection Scheme in case the scheme is triggered. Under such approach, any compensation paid to depositors is determined on the basis of their aggregate protected deposits held with a failed bank (up to HK\$500,000 per depositor) without deducting the amount of liabilities owed by those depositors to the same bank. However, there can be no assurance that the level of customer deposits, and therefore of the Group's liquidity, will not be adversely affected by the withdrawal of, or any changes to, the Deposit Protection Scheme in the future.

The Monetary Authority acts as the lender of last resort to all authorised institutions in Hong Kong to provide liquidity support in the banking system generally as well as to specific institutions. Although the Hong Kong government has in the past taken measures on a case-by-case basis to maintain or restore public confidence in individual banks with an isolated liquidity crisis, there can be no assurance that the Monetary Authority will provide such assistance in the future or that it would elect to provide such assistance in the future to the Group in the event of a liquidity crisis.

If the Group fails to maintain its expected growth rate in deposits or if a substantial portion of the Group's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, the liquidity position, financial condition and results of operations of the Group may be materially and adversely affected and the Group may need to seek more expensive sources of funding to meet its funding requirements.

The Group's business operation is exposed to currency risks and may be affected by a discontinuation of or amendment to the link of the Hong Kong dollar to the U.S. dollar or revaluation of the Hong Kong dollar.

The Group's assets and liabilities are denominated in major currencies, particularly the HK dollar, the U.S. dollar and Renminbi. See "Selected Statistical and Other Information — Risk Management — Management — Currency Risk". As at 31 December 2018, 2019 and 2020 and 30 June 2021, the Group held a substantial part of its spot assets in U.S. dollars amounting to HK\$32,457.41 million, HK\$46,012.71 million, HK\$43,844.69 million and HK\$42,812.22 million, respectively, and Renminbi amounting to HK\$14,201.50 million, HK\$33,853.06 million, HK\$43,393.55 million and HK\$40,463.64 million, respectively.

The Hong Kong dollar has been linked to the U.S. dollar since 1983, and the Hong Kong government has in the past expressed its commitment to maintaining exchange rate stability under the Linked Exchange Rate System, an automatic interest rate adjustment mechanism. However, there can be no assurance that the Hong Kong dollar will continue to be linked to the U.S. dollar or that, in the event of a liquidity problem affecting the Hong Kong dollar, such bilateral repurchase agreements or automatic interest rate adjustment mechanism will help to maintain adequate liquidity of the Hong Kong dollar.

In addition, the value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and by international political and economic conditions and by many other factors. In August 2015, the PBOC implemented changes to the way it calculates the midpoint against the U.S. dollar to take into account market-maker quotes before announcing the daily midpoint. This change, among others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies.

The Group's business, financial condition and results of operations could be adversely affected by the impact on the Hong Kong economy of the discontinuation of the link of the Hong Kong dollar to the U.S. dollar or any significant change in the exchange rate of U.S. dollar or Renminbi against the Hong Kong dollar.

The Group's business operation is exposed to interest rate risk.

As with other banks, net interest income is a significant factor in determining the Group's overall financial performance. For the years ended 31 December 2018, 2019 and 2020, the Group's net interest income amounted to HK\$1,558.43 million, HK\$2,018.57 million and HK\$1,712.32 million, respectively, which was 77.16%, 72.70% and 61.45% of its net operating income before impairment allowances in that financial year. For the six months ended 30 June 2020 and 2021, net interest income amounted to HK\$886.14 million and HK\$793.71 million, respectively. Changes in market interest rates affect the interest received on the Group's interest-earning assets and the interest paid on the Group's interest-bearing liabilities. The differences in timing and levels of changes in interest rates can result in an increase in interest expense relative to its interest income, which may lead to a reduction in the Group's net interest income. Moreover, the Group is subject to interest rate risk as a result of mismatches in the pricing and duration of assets and liabilities, as a large portion of its funding comes from demand deposits.

Interest rates in Hong Kong are sensitive to factors over which the Group has no control, including, among others:

- interest rates in the United States;
- liquidity of the domestic interbank market and the international capital markets;

- domestic and international economic and political conditions; and
- competition for loan demand.

In the event that interest rates move against the Group's position, it may adversely affect the Group's business, financial condition or results of operations. Interest rates in Hong Kong have remained relatively low and have fallen steadily in recent years, a situation which has had a negative impact on the Group's net interest income. There can be no assurance that interest rates will not rise or fall or become volatile or that changes in interest rates will not be frequent.

An increase in interest rates could lead to a decline in the value of securities in the Group's portfolio even though most of such decline in value would not affect the Group's operating income because most of the securities are in the available-for-sale portfolio. A sustained increase in interest rates could also raise the Group's funding costs without a proportionate increase in loan demand, if at all. Rising interest rates would therefore require the Group to re-balance its assets and liabilities in order to minimise the risk of potential mismatches and maintain its profitability. In addition, rising interest rate levels may adversely affect the economy in Hong Kong or PRC and the financial condition and repayment ability of its corporate and retail borrowers, including holders of credit cards, which in turn may lead to a deterioration in the Group's credit portfolio.

Interest rates in Hong Kong, PRC and other regions are sensitive to factors over which the Group has no control, including, but not limited to, movements in Renminbi deposit rates and Prime Rate and HIBOR movements in Hong Kong, lending rates in the PRC, PRC's monetary policies, regulations and economic conditions and domestic and international economic and political conditions having an impact on local and international interest rates. Any significant volatility and abrupt movements in interest rates could adversely affect the Group's business, financial condition and results of operations.

The Group's investments in debt securities and certificates of deposit are subject to uncertainties in the current credit and capital markets.

The Group holds a portfolio of debt securities and certificates of deposit with different investment grades. The Group has analysed its investments in debt securities according to the designation of external credit institutions such as Moody's. As at 31 December 2020, the Group had a total investment in debt securities of HK\$50,733.68 million, of which approximately 6.91% were rated Aaa, approximately 14.49% were rated between Aa1 to Aa3, approximately 60.82% were rated between A1 to A3, approximately 12.37% were rated lower than A3 and approximately 5.41% were unrated (but with internal rating which is equivalent to investment grade of external rating). Given the uncertainties in the current credit and capital markets, there can be no assurance that the Group will not suffer any future marked-to-market losses on its original investment amount in its portfolio of debt securities.

The Group is exposed to operational risks inherent in the banking industry.

Operational risks arise from the daily operation and fiduciary activities of the Group. The Group is exposed to operational failures by third-party providers, to natural disasters, political, security and social events and to failings in the financial services sector. While the Group maintains an appropriate operational risk management framework, deficiencies in the internal processes and systems within the Group could affect its ability to process, summarise and report financial and other data in a timely and accurate manner. These deficiencies could also increase the potential for financial reporting errors and non-compliance with regulations.

Like all other financial institutions, the Group is exposed to many types of operational risks, including, but not limited to, the risk of fraud, unauthorised transactions or other misconduct by employees (including the violation of regulations for the prevention of corrupt practices, and other regulations

governing its business activities). The business, reputation and prospects of the Group may be adversely affected if the Group is not able to detect and prevent fraud, corruption or other misconduct committed by its employees, customers or other third parties in a timely manner.

In addition, the Group is exposed to risks associated with operational errors, including, but not limited to, clerical or record-keeping errors or errors resulting from faulty computer or telecommunications systems. The Group is further exposed to the risk that external vendors may be unable to fulfil their contractual obligations to the Group (or will be subject to the same risk of fraud or operational errors by their employees). Moreover, the Group is exposed to the risk that its (or its vendors') business continuity and data security systems prove to be insufficient in case of a system failure or natural disaster.

The Group's dependence upon automated systems to record and process transactions may further increase the risk of technical system flaws or employee tampering or manipulation of those systems that will result in losses that may be difficult to detect. The Group may also be subject to disruptions of its operating systems, arising from events that are wholly or partially beyond its control (including, for example, computer viruses or electrical or telecommunication outages), which may give rise to a deterioration in customer service and loss or liability to the Group. The Group also faces the risk that the design of its controls and procedures may prove inadequate or be circumvented, thereby causing delays in detection of errors in information. Although the Group has "Three Lines of Defence" for its operational risk management, with each "Line" performing assessment on operational risk, there can be no assurance that it will not suffer material losses from operational risks in the future. See "*Selected Statistical and Other Information — Risk Management — Operational Risk Management*". The Group's reputation may also be adversely affected by the occurrence of any such events involving its employees, customers or third parties.

The Group may develop increasing exposure to the PRC market which may be influenced by the general state of the PRC economy and any significant political, social or legal uncertainties or changes in the PRC.

As at 30 June 2021, the Group had three branches located in Xiamen, Fuzhou and Shenzhen in the PRC and three sub-branches located in Xiamen and Fuzhou in the PRC.

For the years ended 31 December 2018, 2019 and 2020, net operating income before impairment allowances from the PRC amounted to HK\$368.26 million, HK\$642.95 million and HK\$555.72 million, respectively, representing approximately 18.23%, 23.16% and 19.94%, respectively, of the Group's total net operating income before impairment allowances. For the six months ended 30 June 2020 and 2021, net operating income before impairment allowances from the PRC amounted to HK\$430.37 million and HK\$188.79 million, respectively, representing approximately 29.90% and 16.03%, respectively, of the Group's total net operating income before impairment allowances. The Group's operating income from the PRC, as well as its advances to companies that have business interests in the PRC, may be influenced by the general state of the PRC economy and may be affected by significant political, social or legal uncertainties or changes in the PRC (including changes in political leadership, inflation rate, exchange controls and exchange rate, and the impact on the changes in regulations governing banking and other businesses). There can be no assurance that the Group's continued exposure to the PRC or its strategy to grow its business in the PRC will not have a negative impact on the Group's earnings or an adverse effect on the Group's business, financial condition or results of operations or that the economic and political environment in the PRC will remain favourable to the Group's business in the PRC in the future.

The Group plans to continue developing its cross-border business and operations in the PRC in the future. Accordingly, the Group's performance and the quality and growth of its assets are necessarily dependent on the overall economy in the PRC. Many of the Group's commercial customers are

dependent to varying degrees on trade with the PRC. The asset quality of the Group's loans in the PRC, as well as its loans to customers that have business interests in the PRC, may be influenced by the general state of the PRC economy and may be affected by significant political, social or legal uncertainties or changes in the PRC (including changes in political leadership, the rate of inflation, Renminbi interest rate and Renminbi exchange rate). There can be no assurance that the economic and political environment in the PRC will remain favourable to the Group's business in the PRC in the future.

The economy of the PRC has experienced rapid growth in the past 30 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP in 2019 slowed down to 6.0% on a year-on-year basis compared to 6.7% in 2018, and it further decreased to 2.3% in 2020 on a year-on-year basis. The substantial decrease in GDP growth in 2020 can be attributed to COVID-19 and the continued effects of the U.S.-China trade tensions. In June 2021 however, Moody's Investors Service and S&P Global Ratings affirmed China's credit rating outlook at "stable", citing that although growth momentum is likely to decelerate somewhat compared to the first half of the year, China will remain supported by domestic policies and robust external demand as the global recovery gathers pace. Indeed, the growth rate of China's GDP has reached 8.1% for 2021, showing a significant increase compared to 2.3% in 2020. However, there can be no assurance that the economic and political environment in the PRC will remain favourable to the Group's business in the PRC in the future.

As far as the banking sector is concerned, in response to economic slowdown, the PRC government adopted a series of stimulus measures including, *inter alia*, reductions in the reserve requirement ratio and interest rates. The People's Bank of China ("PBOC") had reduced interest rates a number of times to attempt to reduce the slowdown in growth in the PRC. Moreover, while a multi-year appreciation of the Renminbi exchange rate had already started to give way to two-way fluctuations, the PBOC's decision to change its daily rate fixing mechanism triggered a noticeable downward pressure on the Renminbi exchange rate and fuelled expectations of further devaluation ahead. If the PRC's economy experiences a continued slowdown in growth or a downturn in the future, or if the Renminbi exchange rate experiences unexpected phenomenal fluctuations, the Group's PRC business and its ability to implement its growth strategies in the PRC could be materially and adversely affected.

With the increased integration of the PRC and Hong Kong economies, PRC policies may have an impact on Hong Kong and Hong Kong companies conducting business in the PRC. The Group and its customers may also be affected accordingly.

The Group is subject to risks relating to changes in regulatory environment in the PRC banking industry.

The Group's businesses are directly affected by changes in the PRC's banking regulatory policies, laws and regulations. The regulatory system and the laws and regulations governing the banking sectors are subject to future changes. Some of the changes in rules and regulations may result in additional costs or restrictions on the Bank's operations and business expansion in the PRC and there can be no assurance that such changes will not materially and adversely affect the Group's business, financial condition and results of operations.

As some of the PRC's banking laws, rules, regulations or policies are relatively new, there is uncertainty regarding their interpretation and application. If the Bank fails to comply with any of these laws, rules, regulations or policies, it may result in enforcement actions, which may include fines to be imposed on the Bank, restrictions on its business activities, or in extreme cases, suspension or revocation of its business licences, which would materially and adversely affect the Bank's operations, reputation, business and financial position.

The Bank operates in a highly regulated industry. The principal regulators of the PRC banking industry are the China Banking and Insurance Regulatory Commission (“**CBIRC**”), the PBOC and the State Administration of Foreign Exchange (“**SAFE**”). The CBIRC requires all commercial banks in China to maintain certain financial ratios, including but not limited to liquidity coverage ratio, liquidity ratio, net stable funding ratio and Capital Adequacy Ratio (“**CAR**”).

In accordance with the Commercial Banking Law of the PRC (中華人民共和國商業銀行法) amended on 29 August 2015 and effective on 1 October 2015, the previous requirement that all commercial banks in China should maintain a loan-to-deposit ratio of not more than 75% has been removed. However, the CBIRC uses other indicators, such as liquidity coverage ratio, liquidity ratio, and net stable funding ratio to monitor the liquidity status of commercial banks. If the Bank failed to fulfil this mandatory requirement, it may result in restrictions on its business expansion imposed by the CBIRC, such as suspension of new business application and establishment of new branch or sub-branch. As at 31 December 2020, the Bank has complied with this mandatory requirement.

There is no assurance that the Group can always satisfy applicable laws and regulatory requirements. If the Group does not meet any such requirements, the Group’s business, financial condition and results of operations may be materially and adversely affected.

The PRC regulators have implemented measures relating to lending to small and medium-sized enterprises (“SMEs ”), and the Bank may be subject to future regulatory changes.

The CBIRC has promulgated a series of measures, including the Guidance on Issues Relevant to Establishing Special Agencies for Small Business Lending by Banks (《關於銀行建立小企業金融服務專營機構的指導意見》) and the Notice on Further Supporting Commercial Banks’ Improvement of Financial Services to Small Enterprises (《關於支持商業銀行進一步改進小企業金融服務的通知》), to encourage banking institutions to implement the PRC government’s macroeconomic policies, and, in particular, to proactively support continued healthy economic growth by increasing lending activities to SMEs while effectively controlling risk.

In addition, the PBOC has implemented a variety of measures to reduce the cost of borrowing for companies that have been hit hard by the outbreak of COVID-19, including lowering loan interest rates. On 21 January 2020, the PBOC, the MOF and the CBIRC jointly issued the Notice of Further Strengthening Financial Support for the Prevention and Control of the Epidemic of Novel Coronavirus Pneumonia (《關於進一步強化金融支持防控新型冠狀病毒感染肺炎疫情的通知》) to encourage strengthening credit support in key fields such as manufacturing, small and micro-sized enterprises, and private enterprises, and to restrict financial institutions to limit, rescind or reduce loans of small and micro-sized enterprises which have prospects of development but temporarily experience difficulty because of the pandemic. On 14 February 2020, the CBIRC issued the Notice of Further Effectively Providing Financial Services concerning the Epidemic Prevention and Control (《關於進一步做好疫情防控金融服務的通知》) to encourage banks to actively support small and micro-sized enterprises that encounter temporary difficulties due to the impact of COVID-19, but still have sound development prospects by actively adopting measures such as adjusting the schedule of repayment and payment of interest, moderately reducing the interest rate of loans, and improving the connection between loan extension and renewal. In February 2020, the PBOC reduced the one-year loan prime rate from 4.15 per cent. to 4.05 per cent., and the five-year rate from 4.80 per cent. to 4.75 per cent., which was the first reduction since October 2019. However, SMEs are more vulnerable to fluctuations in the macroeconomy compared with large enterprises, due to relatively limited capital, management or other resources required to cope with the adverse impact of major economic or regulatory changes. In addition, SMEs may not be able to provide reliable information necessary for the Bank to assess the credit risks involved. In the absence of accurate assessment of the relevant credit risks, the non-performing loans of

the Bank may be significantly increased if its SME clients are affected by economic or regulatory changes, which could materially and adversely affect the Group's business, results of operations and financial condition.

There can be no assurance that the policies, laws and regulations governing the PRC banking industry, in particular, those relating to lending to SMEs, will not change in the future or that any such changes will not materially and adversely affect the Bank's business, financial condition and results of operations.

The Group's business, financial condition, results of operations and prospects may be materially and adversely affected if it is unable to manage challenges arising during its growth.

The Group's efforts to integrate its various business operations and coordinate among its branches and subsidiaries may not be effective or timely. In addition, there is no assurance that such growth will continue in the future. The expansion of the Group's business activities poses various challenges to it, including but not limited to:

- meeting the higher requirements for capital and cost controls to satisfy all relevant capital regulatory requirements, including the minimum capital adequacy ratio and net capital requirements, as well as other capital needs;
- strengthening its risk management capabilities and information technology ("IT") systems to effectively manage risks associated with various businesses and services;
- recruiting, training and retaining management, investment and finance professionals, technical personnel and sales staff with sufficient experience and knowledge;
- developing new distribution channels for its products and services; and
- maintaining and developing its brand and reputation.

The Group's investments, acquisitions and business initiatives may expose it to various potential risks, including risks associated with the integration of new business lines, operations and personnel, the diversion of resources from its existing businesses and technologies, the potential loss of, or harm to, relationships with employees and customers, as well as other unforeseen or hidden liabilities. If the Group is not able to manage future growth successfully, its business, financial condition, results of operations and prospects could be materially and adversely affected.

The Group's operations depend on key management and professional staff and its business may be materially and adversely affected if it is unable to recruit, train or retain a sufficient number of qualified employees.

The success of the Group's business, to a large extent, depends on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of, and extensive working experience in, the financial industry. These key personnel include, among others, senior management, professional staff in the banking industry, experienced investment managers, product development personnel, research analysts, marketing and sales staff, legal professionals, risk management personnel, IT specialists and other operational personnel. Therefore, the Group devotes considerable resources to recruiting and retaining these personnel. However, the market for quality professionals is highly competitive and the Group faces increasing competition in recruiting and retaining these individuals as other banks and financial institutions are vying for the same pool of talent. Although the Group has succeeded in maintaining the core of its management team in recent years, the loss of members of the Group's management team or failure to replace them upon their departure in a timely manner could have an

adverse effect on the Group's financial condition and results of operations. In the face of the intense competition for talent, the Group may need to offer better compensation and other benefits to recruit and retain qualified professionals and additional costs may be incurred.

The Group's risk management policies and procedures and internal controls, as well as the risk management tools available to it, may not be adequate or effective in identifying or managing risks to which it is exposed.

The complexity of the Group's operations and products exposes it to various risks, including credit risk, market risk, liquidity risk, operational risk, reputational risk, legal and compliance risk and strategic risks. The Group has established risk management and internal control systems and procedures to manage potential risks associated with the financial services and products it offers, and it has been dedicated to continuously improving these systems and procedures. See "*Selected Statistical and Other Information — Risk Management*". However, the design and implementation of such systems, including internal control environment, risk identification and evaluation, effectiveness of risk control and information communication, are constrained by information, tools, models and technologies available to the Group, and its systems may not be adequate or effective in identifying or mitigating its risk exposure in all market environments or protecting it against all types of risks. The Group's risk management and internal control systems require constant maintenance and continual improvements. The Group's efforts in maintaining these systems may be ineffective or inadequate.

The effectiveness of the Group's risk management and internal control systems and procedures may also be adversely affected by oversight, clerical mishandling and errors, reporting errors or its limited experience or resources in making accurate, complete, up-to-date or proper evaluations. Many of the Group's methods for managing risk exposure are based upon observed historical market behaviour or data. Potential future risk can be significantly greater than what these methods have historically estimated. Moreover, the information and empirical data that the Group relies on may quickly become obsolete as a result of changes in market situations and regulatory requirements, and the Group's historical data may not be able to adequately reflect risks that may emerge from time to time in the future.

There is no assurance that the Group's risk management and internal control systems are adequate and effective. Failure to address any internal control matters and other deficiencies in a timely and effective manner may result in investigations, disciplinary actions or even prosecution being taken against the Group or its employees, or disruption to its risk management system, any of which may have a material adverse effect on its business, financial condition and results of operations.

The Group relies on the services provided by a third-party service provider for part of its IT functions during the transition period after the Acquisition.

Following the Acquisition, BOCHK, XIB and the Issuer entered into a transitional services agreement (the "**TSA**") on 27 March 2017, pursuant to which BOCHK shall provide certain transitional support services to the Issuer at service charges mutually agreed by the parties for an initial term of four years from 27 March 2017 (with an option for the Bank to extend this term for two consecutive periods of one year each) to facilitate smooth post-Acquisition transition (the "**Transition Period**"). The services provided by BOCHK under the TSA include the maintenance of IT systems currently used by the Issuer and other forms of IT support. If BOCHK fails to maintain the IT systems used by the Issuer or provide IT support to the Group properly under the TSA, or if there is any disruption to or instability of the IT systems maintained by BOCHK, the Group's operations, business and financial condition may be materially and adversely affected. There can be no assurance that such problems with BOCHK's provision of IT system maintenance service will not occur in the future. The Group has been developing its proprietary IT systems since the Acquisition, however there is no assurance that the Group will be able to complete the intended development of its proprietary IT systems within the Transition Period. If

the Group fails to complete the intended development of its proprietary IT systems within the Transition Period, it may have to further negotiate with BOCHK or other third-party service providers for the continuation of use of the IT systems and IT support currently provided by BOCHK.

Failures of or inadequacies in IT systems could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's business operations depend heavily on its business, accounting and other data processing systems. The failure of normal operation or even inability in operation of any of such systems will expose it to financial losses, business disruption, intervention of regulatory authorities or reputational damage.

The proper functioning of its business processing, accounting, financial controls, risk management, customer service and other business is dependent on the Group's IT systems and communication networks with the third parties. If the fundamental system which supports the Group's business suffers from malfunction or disruption, including system problems or communication disruption of its systems and the systems of any third parties it engaged may be indirectly affected, which will have a material adverse effect on its ongoing business. These failures could be caused by, among other things, hardware failure, software program errors, computer virus attacks, network failure, conversion errors due to system upgrade or system relocation, failure to implement new IT initiatives, human errors, natural disasters, war, terrorist attacks, blackouts and unanticipated problems of facilities, many of which are beyond its control. Although the Group backs up business data regularly, any prolonged disruption to or malfunction in the operation of its IT systems could have a large impact on its normal business operations and limit its ability to monitor and manage data, control financial and operation conditions, monitor and manage its risk exposures, keep accurate records, provide high-quality customer service and develop and sell profitable products and services. Recovery from such disasters may be unable to mitigate the Group's losses incurred during such malfunction and disruptions. In addition, insurances or other precaution measures may only partly, if at all, indemnify the Group's losses.

The Group updates its IT systems and introduce new IT systems from time to time. However, delays, system failures or other accidents may occur during such system upgrades or introduction of new systems. In addition, the upgraded or new IT systems may not be able to achieve the anticipated processing capacity and availability, and may also not be able to meet the needs of its business growth in the future. The Group's failure to address these problems promptly, including any delay in the implementation of any upgraded or new information systems, could result in its inability to perform, or delays in performing critical business operational functions, the loss of key business data, or a failure to comply with regulatory requirements, which could have a material adverse effect on its business, financial condition and results of operations.

In addition, the Group provides online financial services such as securities brokerage services to its customers. Security breaches, disruption to or instability of the Group's online services platform could impair its ability to serve its customers and execute trades on their behalf and on its own account, which could materially and adversely affect its results of operations and reputation. The Group's networks may be vulnerable to unauthorised access, computer viruses and other disruptive problems. Costs incurred in rectifying any such disruptive problems may be high and may adversely affect the Group's business, financial condition and results of operations. To reduce security risks, the Group has installed firewalls, anti-virus software, and network traffic monitoring tools. Concerns regarding security risks in general may deter the Group's existing and potential customers from using its internet banking products and services, and may in turn have a material adverse effect on the Group's internet banking business.

Any failure of the Bank to detect money laundering and other illegal improper activities fully or in timely manner may expose the Bank to additional liability or harm to reputation.

The Group is required to comply with applicable anti-money laundering, anti-terrorism and sanctions laws and other regulations in Hong Kong and the PRC. Financial institutions in Hong Kong and the PRC, are required to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require the Group, *inter alia*, to designate an independent anti-money laundering officer, establish a customer identification system in accordance with relevant rules, record the details of customer activities and report suspicious transactions to relevant authorities.

While the Group has already adopted policies and procedures to detect and prevent the use of the Group's network for money laundering activities and by terrorists and terrorist-related organisations and individuals generally, such policies and procedures may not completely eliminate instances where the Group may be used by other parties to engage in money laundering and other illegal or improper activities. To the extent the Group fails to fully comply with applicable laws, rules and regulations, the relevant government agencies to which the Group reports have the power and authority to impose fines, freeze assets and impose other penalties on the Group. There can be no assurance that there will not be future failures in detecting money laundering or other illegal or improper activities which may adversely affect the Group's business reputation, operations and financial results of operations.

The Group may not be able to detect and prevent fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties in a timely manner.

The Group may encounter fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties, which could result in violations of laws and regulations by the Group and expose it to regulatory sanction. Even if such instances of misconduct do not result in any legal liabilities on its part, they could cause serious reputational or financial harm to the Group. This misconduct could include, but may not be limited to, committing fraud.

The Group's internal control procedures are designed to monitor its operations and ensure overall compliance. However, its internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct. The precautions taken to detect and prevent such activities may not be fully effective. There can be no assurance that fraud or other misconducts will not occur in the future. The Group's failure to detect and prevent fraud and other misconducts in a timely manner may have a material and adverse effect on its business reputation, financial condition and results of operations.

The Group may not be able to properly identify and deal with conflicts of interest, which could materially and adversely affect its business.

As the Group develops its business and expand its client base, the Group's ability to address potential conflicts of interest, including situations where two or more interests within its businesses legitimately exist but are in competition or conflict, becomes increasingly important. The Group may encounter conflicts of interest where (i) its services to a particular client or its own investments are in conflict, or are perceived to conflict, with the interests of another client; (ii) any of the non-public information it obtains through business channels is disclosed to other business departments of the Group; and (iii) the Group may be a counterparty of an entity to which it also provides financial services or with which it has other business relationships. Any failure to prevent the imprudent use of information or manage conflicts of interest could harm the Group's reputation and affect client confidence. In addition, potential

or perceived conflicts of interest may also give rise to litigation or regulatory actions. Any of the foregoing situations could adversely affect the Group's business, financial condition and results of operations.

The Group is subject to corporate disclosure and regulatory requirements in Hong Kong, including but not limited to certain minimum regulatory capital and liquidity requirements.

Under the Banking Ordinance (Cap. 155) of Hong Kong (the “**Banking Ordinance**”), the Monetary Authority regulates the business activities and operations of commercial banks and has the ability to influence banking and financial markets generally. Potential investors should be aware that regulatory requirements in Hong Kong may differ from those that prevail in other countries. Since the Group operates in the highly regulated banking and securities industries in Hong Kong, potential investors should also be aware that the regulatory authorities have been consistently imposing higher standards and developing new guidelines and regulatory requirements such as the Basel III capital standards which have been adopted in Hong Kong since January 2013.

In December 2010 and January 2011, the Basel Committee issued the Basel III requirements to raise the quality, consistency and transparency of banks' capital base and new global liquidity standards. Among other things, Basel III will increase the minimum capital adequacy ratio requirements in relation to risk-weighted assets, with the common equity requirement rising from 2% to 4.5% and the Tier 1 capital requirements rising from 4% to 6%. The total minimum capital requirement remains unchanged at 8%.

The initial stage of these proposed Basel III reforms has been implemented by the government of Hong Kong since the beginning of 2013, and the full implementation of the reforms is expected to be completed by 2023. The Monetary Authority has taken steps to implement Basel III in Hong Kong in accordance with the timetable of the Basel Committee.

The Banking Ordinance was amended in 2012 to facilitate the implementation of the Basel III capital and disclosure requirements in Hong Kong. More specifically, the amendments made to the Banking Ordinance empowered the Monetary Authority to:

- (a) prescribe capital requirements for authorised institutions incorporated in Hong Kong for authorised institutions incorporated in Hong Kong or elsewhere; and
- (b) issue and approve codes of practice for the purpose of providing guidance in respect of the requirements.

The Banking (Capital) Rules (Cap. 155L) of Hong Kong set out the capital requirements applicable to authorized institutions in Hong Kong. These capital requirements were phased in over several years and include:

- the imposition of three minimum risk-weighted capital ratios, namely Common Equity Tier 1 capital ratio, Tier 1 capital ratio and total capital adequacy ratio and a non-risk based leverage ratio requirement;
- the introduction of capital buffers, namely the capital conservation buffers, countercyclical capital buffers and in the case of authorised institutions considered by the Monetary Authority as systemically important, higher loss absorbency requirements;
- the introduction of capital requirement for counterparty risk effect; and
- the introduction of Basel III criteria for capital instruments to qualify as regulatory capital, with transitional arrangements for any capital instruments issued prior to 1 January 2013 to phase out their inclusion in an authorised institution's capital base over a 10 year period.

The Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements — Banking Sector) Rules (Cap. 628B) (the “**LAC Rules**”) of Hong Kong were also enacted in late-2018 to impose loss-absorbing capacity (“**LAC**”) requirements on authorised institutions, of which the Bank is one. Such LAC requirements are in addition to, and complement, the regulatory capital requirements of the Banking (Capital) Rules (Cap. 155L) of Hong Kong and are intended to ensure that within-scope financial institutions have adequate LAC such that the failure of such institutions can be managed in an orderly way. However, the definitive LAC requirements that apply to a particular authorised institution will be determined depending on institution-specific circumstances of that authorised institution in a way which supports the preferred resolution strategy of the authorised institution, and imposed in accordance with the LAC Rules, depending on institution-specific circumstances of that authorised institution.

Basel III liquidity, exposure limits and disclosure requirements have also been implemented in Hong Kong through (i) the Banking (Liquidity) Rules (Cap. 155Q) of Hong Kong, where authorised institutions are required to comply with requirements relating to the liquidity coverage ratio, the net stable funding ratio, the liquidity maintenance ratio and core funding ratio, depending on their categorisation, (ii) the Banking (Exposure Limits) Rules (Cap. 155S) of Hong Kong, effective 1 July 2019, which implements the Basel Committee on Banking Supervision’s 2014 large exposures standards and updates other exposure limits, and (iii) the Banking (Disclosure) Rules (Cap. 155M) of Hong Kong, which sets out certain disclosure requirements.

The Bank has fully implemented the Basel III compliance liquidity standards in accordance with the legislation.

Certain products and services provided by the Group are regulated by other regulators including the SFC in Hong Kong. The Group carefully manages legal and compliance risks, including in relation to the sale of financial products. Since 2007, the regulators in Hong Kong have introduced recommendations which are intended to provide tighter control and more transparency in the Hong Kong banking sector, in particular, in relation to the marketing and sale of investment products.

In May 2010, the Monetary Authority and the SFC each launched new investor protection measures. The Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and its subsidiary legislations regulate the offering and sales of securities products as defined under Schedule 1 of the SFO. In addition to the subsidiary legislations, the Monetary Authority has been introducing additional measures on sales of investment products, including non-SFO regulated investment products, for the banking industry in Hong Kong to observe.

Among others, the Monetary Authority issued several circulars in relation to the selling of investment products, which further clarified and enhanced the product due diligence process, product disclosure to customers and suitability assessment. With regards to the investment products with relatively higher risk (such as accumulators and high yield or complex bonds), the Monetary Authority also specified the regulatory standards for selling these products.

Separately, the SFC has been revising their Code of Conduct for Persons Licensed by or Registered with the SFC (the “**Code**”) for meriting greater protection to investors, including the reform of Professional Investor Regime in March 2016 that disappplied most of the previous exemptions under the Code to the Individual Professional Investors, and added a new clause into client agreements making the intermediary’s suitability obligation towards its customers a contractual term by June 2017.

Going forward, it is foreseeable that in the future there would be further reinforcements and more stringent requirements on the regulations, particularly those in relation to the suitability of selling investment and insurance products and fairness and transparency of providing banking products and services to customers. The Group has taken steps to implement the recommendations by relevant regulators and to comply with any new or modified regulations. Increased regulation and the

requirement for more stringent customer protections have increased its operational and compliance expenses. Any changes in regulation, governmental policies, income tax laws or rules and accounting principles, as well as international conventions and standards relating to commercial banking operations in Hong Kong, could affect the Group's operations. There can be no assurance that the relevant regulatory authorities will not implement further regulations and that such change will not materially increase the Group's operational and compliance cost or adversely affect its business or operations. There can also be no assurance that breaches of legislation or regulations by the Group will not occur and, to the extent that such a breach does occur, that significant liability or penalties will not be incurred.

As at 30 June 2021, the Group was in compliance with the regulatory capital requirements in Hong Kong. If the regulatory capital requirements, liquidity requirements or ratios applied to the Group continue to increase in the future, the Group's return on capital and profitability could be materially and adversely affected, which may in turn affect the ability of the Group to pay interest under the Bonds. In addition, any failure by the Group to satisfy such increased regulatory capital adequacy ratios or liquidity requirements within the applicable timeline could result in administrative actions or sanctions or significant reputational harm, which in turn may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may be involved in legal and other proceedings arising from its operations from time to time.

Legal risks arise from a variety of sources with the potential to cause harm to the Group and its ability to operate. These issues require the Group to deal appropriately with, amongst other things, potential conflicts of interest, legal and regulatory requirements, ethical issues, anti-money laundering and anti-terrorist financing laws or regulations, privacy laws, information security policies, sales and trading practices, and conduct by companies with which it is associated. Failure to address these issues appropriately may give rise to additional legal and compliance risk to the Group, which may increase the number of litigation claims and the amount of damages asserted against the Group, or subject the Group to regulatory enforcement actions, fines, or penalties or reputational damage.

Litigation and claims will always be a possibility and such claims, in aggregate, may become material to the Group. Similarly, there can be no assurance that relevant government authorities or regulators will not seek to impose fines and/or suspend the Group's regulated activities as a result of regulatory proceedings. Regulatory pressure to settle claims could also result in material payments by the Group to disgruntled investors, which often does not reflect the merits of the parties' cases. Any legal or regulatory proceedings, whether substantiated or not, may result in negative publicity and a loss of customer confidence and/or goodwill, which may lead to a loss of business that may pose adverse effect on the Group's reputation with existing and potential customers, as well as the Group's business, financial condition or results of operations. Lastly, future legislative or regulatory restrictions may also limit the practices and ability of the Group to sell investment products, which may have an impact on the Group's business.

If the Group is unsuccessful in defending any legal proceeding, or is unsuccessful in settling any legal proceeding on commercially reasonable terms, the Group may be liable to pay damages or face penalties or sanctions that may have a material adverse effect on the Group's business and operations. In addition, whilst the Group has purchased to purchase liability insurance, there is no assurance by the Group that such insurance coverage is sufficient to eliminate potential loss and damage caused by such proceedings.

Material changes in, or breach of regulations that govern the Group and its business activities may adversely affect its business and future financial performance

Banks in Hong Kong and the PRC are subject to the supervision of the Monetary Authority and the CBIRC respectively. Potential investors should be aware that regulatory requirements in Hong Kong and the PRC may differ from those that prevail in other countries.

Apart from the above, certain products and services provided by the Group are regulated by other regulators including the Securities and Futures Commission (“SFC”) in Hong Kong. From time to time, the regulators in Hong Kong may introduce recommendations which are intended to provide tighter control and more transparency in the Hong Kong banking sector in particular, in relation to the selling of investment products to retail customers. Further, any failure of the Group to comply with such regulatory requirements could result in administrative actions or sanctions, which may have an adverse effect on the Group’s results of operations. The Group carefully manages legal and compliance risks, including in relation to the sale of financial products and compliance with anti-money laundering and anti-terrorist financing regulations. Since the Group operates in the highly regulated banking and securities industries in Hong Kong, potential investors should also be aware that the regulatory authorities have been consistently imposing higher standards and developing new guidelines and regulatory requirements.

Any changes in regulation, governmental policies, income tax laws or rules and accounting principles, as well as international conventions and standards relating to commercial banking operations in Hong Kong, could affect the Group’s operations. There can be no assurance that the relevant regulatory authorities will not implement further regulations and that such change will not materially increase the Group’s operational and compliance cost or adversely affect its business or operations.

The Group is subject to the resolution and broader regulatory regime for banks and other institutions in Hong Kong.

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the “FIRO”) came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions as designated by the relevant resolution authorities, which includes the Group. The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or financial institution in Hong Kong, including powers to affect contractual and property rights as well as payments that creditors would receive in resolution, which include powers to write off or convert all or part of the Bonds. Whilst the FIRO sets out a framework of the resolution regime in Hong Kong, much of the detail is to be legislated through secondary legislation and supporting rules, and as such the impact of it on the Group cannot currently be fully accurately assessed.

RISK FACTORS RELATING TO THE BONDS

The Bonds complex and of high risks and may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks, including the likelihood and effect of the occurrence of a Non-Viability Event (as defined in the Conditions) or the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority (as defined in the Conditions).

The Bonds are complex financial instruments and of high risks. A potential investor should not invest in the Bonds unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, including the effects of inflation, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Investors have no right to require the Issuer to redeem the Bonds prior to maturity.

Bondholders have no ability to require the Issuer to redeem their Bonds prior to maturity whereas the Issuer can redeem the Bonds in certain circumstances as described in the Conditions. However, the Issuer is under no obligation to redeem the Bonds at any time. The Bonds are intended to qualify as Tier 2 capital of the Issuer. The ability of the Issuer to redeem the Bonds is subject to (i) the prior written consent of the Monetary Authority thereto having been obtained, to the extent such consent is required under the Banking Ordinance (Cap. 155) of Hong Kong, the Banking (Capital) Rules (Cap. 155L) of Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance issued by the Monetary Authority in relation thereto, in each case, as amended or modified from time to time and (ii) the CBIRC Redemption Conditions being satisfied. Prior to redemption of any of the Bonds by the Issuer, the Parent Bank needs to report to CBIRC in writing in respect of such redemption and in such case, the Bonds will be redeemed by the Issuer on the basis that such redemption is confirmed by the CBIRC.

This means that Bondholders have no ability to cash in their investment, except if the Issuer exercises its right to redeem the Bonds or by selling their Bonds. However, there can be no guarantee that the Issuer will be able to meet the conditions for redemption of the Bonds. Bondholders who wish to sell their Bonds may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Bonds.

In addition, upon the occurrence of a Withholding Tax Event, a Tax Deduction Event or a Capital Event, the Bonds may be redeemed at the relevant redemption amount, as more particularly described in the Conditions. Also, if any Non-Viability Event occurs, as more fully described in Condition 4(B) of the Conditions, Bondholders may lose up to the full principal amount of the Bonds. There can be no assurance that Bondholders will be able to reinvest the amount received upon redemption at a rate that will provide the same rate of return as their investment in the Bonds.

The Bonds may be redeemed at the Issuer's option on the First Call Date and every six months thereafter or the occurrence of certain other events.

The Bonds are redeemable at the option of the Issuer on the First Call Date (as defined in the Conditions) and on any Interest Payment Date (as defined in the Conditions) thereafter at their outstanding principal amount together (if appropriate) with interest accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event, as more particularly described in the Conditions. In addition, upon the occurrence of other specified events such as Withholding Tax Event, Tax Deduction Event or Capital Event, the Bonds may be redeemed at the relevant redemption amount, as more particularly described in the Conditions.

The date on which the Issuer elects to redeem the Bonds may not accord with the preference of individual Bondholders. This may be disadvantageous to the Bondholders in light of market conditions or the individual circumstances of the Bondholder of the Bonds. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective interest rate at the same level as that of the Bonds.

The provisions on distributable profits in the Conditions are subject to interpretation by the relevant regulatory authorities and the application of relevant laws, rules and regulations.

Pursuant to Conditions, the Issuer will undertake to pay interest on the Bonds semi-annually in arrear. However, the Conditions also provide that any interest on the Bonds shall be made from distributable profits of the Issuer.

There is no equivalent requirement under the Basel III Reforms or Hong Kong laws (including the Capital Regulations) that requires the payment of interest in respect of tier 2 capital instruments to be made from distributable profits. Moreover, investors should note that the rules and regulations of Hong Kong and accounting standards do not define what constitutes distributable profits in the context of tier 2 capital instruments, and such term is subject to the interpretation of the Monetary Authority and/or other relevant regulatory authorities and the application of relevant laws, rules and regulations. Consequently, there is some uncertainty as to: (1) what constitutes the distributable profits of an issuer of tier 2 capital instruments, (2) what circumstances would result in an issuer having insufficient or no distributable profits, and (3) in the case of insufficient or no distributable profits, the consequence on any payment of interest and whether, in such an event, the Monetary Authority would require the payment of interest to be suspended temporarily, cancelled permanently or deferred. In the event that the Monetary Authority determines that the Issuer has insufficient distributable profits to make any payment of interest under the Bonds, there is a risk that an investor in the Bonds may lose all or some of the interests due under the Bonds.

The Issuer's obligations under the Bonds are subordinated.

The Issuer's obligations under the Bonds will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. Subject to the insolvency laws of Hong Kong and other applicable laws, in the event of a Winding-Up of the Issuer (other than pursuant to a Permitted Reorganisation), the rights and claims of the Bondholders to payment of principal and interest on the Bonds, and any other obligations in respect of the Bonds, shall rank (i) subordinate and junior in right of payment to, and of all claims of all unsubordinated creditors of the Issuer (including its depositors) and all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Bonds or rank senior to the Bonds by operation of law or contract; (ii) *pari passu* in right of payment to and of all claims of the holders of Parity Obligations; and (iii) senior in right of payment to, and of all claims of, the holders of Tier 1 Capital Instruments and the holders of other Junior Obligations.

In the event of a shortfall of funds on a Winding-Up, there is a risk that an investor in the Bonds will lose all or part of its investment and will not receive a full return of the principal amount or any unpaid amounts due under the Bonds. The Bonds also do not limit the Issuer's ability or the ability of any entity in the Group to incur additional indebtedness, including indebtedness that ranks senior in priority of payment to the Bonds.

The Conditions contain non-viability loss absorption provisions under which the Bonds may be written-off.

Under the Conditions, a Non-Viability Event means the earlier of (a) the Monetary Authority notifying the Issuer in writing that the Monetary Authority is of the opinion that a Write-off or conversion is necessary, without which the Issuer would become non-viable; (b) the Monetary Authority notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable; (c) the home authority of the Parent Bank notifying the Parent Bank in writing that the home authority is of the opinion that a Write-off or conversion is necessary, without which the Issuer or the Parent Bank would become non-viable; or (d) the home authority of the Parent Bank notifying the Parent Bank in writing that the home authority has decided that a public sector injection of capital or equivalent support, in the jurisdiction of the home authority, is necessary, without which the Issuer or the Parent Bank would become non-viable.

If a Non-Viability Event occurs and is continuing, the Issuer shall, upon or prior to the provision of a Non-Viability Event Notice, irrevocably (without the need for the consent of the Bondholders) reduce the then outstanding principal amount of, and cancel any accrued but unpaid interest in respect of, each Bond (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount per Bond.

The Conditions also provide that each Bondholder and the Trustee shall be subject, and shall be deemed to agree, be bound by and acknowledge that they are each subject, to having the Bonds being written off, cancelled, converted or modified, or to having the form of the Bonds changed, in the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority without prior notice and which may include (without limitation) and result in any of the following or some combination thereof: (a) the reduction or cancellation of all or a part of the outstanding principal amount of, or interest on, the Bonds; (b) the conversion of all or a part of the outstanding principal amount of, or interest on, the Bonds into shares or other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Bonds; and (c) the amendment or alteration of the maturity of the Bonds or amendment or alteration of the amount of interest payable on the Bonds, or the date on which the interest becomes payable, including by suspending payment for a temporary period, or any other amendment or alteration of the Conditions. If the Hong Kong Resolution Authority Power is exercised by the relevant Hong Kong Resolution Authority, the provisions detailed in the Hong Kong Resolution Authority Power Instrument (as defined below) shall apply to the Bonds.

Although the Issuer has agreed to notify the clearing systems and the Bondholders following the occurrence of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power, there will be a delay between the occurrence of such event and the time that the clearing systems and the Bondholders via the clearing systems are notified of the occurrence of the relevant Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power through their clearing systems accounts or otherwise. Such delay may exceed several days during which trading and settlement in the Bonds may continue. Any such delay will not change or delay the effect of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power on the obligations of the Issuer under the Bonds or on the rights of the Bondholders. See "*Terms and Conditions of the Bonds — Interest; Non-Viability*

Loss Absorption; and Hong Kong Resolution Authority Power — Non-Viability Loss Absorption". The notification of a Non-Viability Event is at the discretion of the Monetary Authority or the home authority of the Parent Bank and the exercise of the Hong Kong Resolution Authority Power is at the discretion of the relevant Hong Kong Resolution Authority and beyond the control of the Issuer and the Parent Bank. The circumstances in which such discretion is exercised are not limited and may include concerns about the Issuer's capital, funding and/or liquidity levels.

Bondholders should note that any amount that is Written-off upon the occurrence of a Non-Viability Event or is subject to the exercise of the Hong Kong Resolution Authority Power in accordance with the Conditions is permanent and will not be restored under any circumstances, including where the relevant Non-Viability Event ceases to continue or the exercise of the Hong Kong Resolution Authority Power has ceased. In addition, a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power may occur on more than one occasion and each Bond may be written down on more than one occasion. As the Interest Rate is calculated on the basis of the outstanding principal amount as adjusted following the occurrence of a Non-Viability Event or as provided for in the relevant Hong Kong Resolution Authority Power Instrument, in the event that such principal amount is permanently reduced by the relevant Write-off, Bondholders will receive less interests on their Bonds. In addition, upon the occurrence of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power, Bondholders could risk losing up to the full principal amount of the Bonds, as well as the cancellation of any accrued (and unpaid) interests, without receiving any compensation for such loss or cancellation.

The application of a non-viability loss absorption feature similar to Condition 4(B) (*Non-Viability Loss Absorption*) and the exercise of the Hong Kong Resolution Authority Power as set out in Condition 4(C) (*Hong Kong Resolution Authority Power*), has not been tested in Hong Kong and some degree of uncertainty may exist in its application.

The occurrence of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power may be inherently unpredictable and may depend on a number of factors which may be outside of the Group's control.

The occurrence of a Non-Viability Event is dependent on a determination by the Monetary Authority or the home authority of the Parent Bank (including the State Council, the CBIRC, the Ministry of Finance and the People's Bank of China).

The exercise of the Hong Kong Resolution Authority Power is dependent on the terms of the Hong Kong Resolution Authority Power Instrument. As a result, the Monetary Authority may require or may cause a Write-off or the relevant Hong Kong Resolution Authority may exercise the Hong Kong Resolution Authority Power in circumstances that are beyond the control of the Issuer and with which the Issuer does not agree. Due to the inherent uncertainty regarding the determination of whether a Non-Viability Event exists or whether the Hong Kong Resolution Authority Power will be exercised, it will be difficult to predict when, if at all, a Write-off or the exercise of the Hong Kong Resolution Authority Power in relation to the Bonds will occur. Accordingly, the trading behaviour in respect of the Bonds is not necessarily expected to follow trading behaviour associated with other types of securities. Any indication that the Issuer is trending towards a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power could have a material adverse effect on the market price of the Bonds.

Potential investors should consider the risk that holders of the Bonds may lose all of their investment in the Bonds, including the principal amount plus any accrued but unpaid interest, in the event that a Non-Viability Event occurs or the Hong Kong Resolution Authority Power is exercised. There is no assurance that any contractual provisions with non-viability loss absorption features, to the extent applicable, will be sufficient to satisfy the Basel III-compliant requirements that the Monetary Authority may implement in the future. There is a risk that the Monetary Authority may deviate from the Basel III proposals by implementing reforms which differ from those envisaged by the Basel Committee.

The application of a non-viability loss absorption features similar to Condition 4(B) and the exercise of the Hong Kong Resolution Authority Power as set out in Condition 4(C) has not been tested in Hong Kong and some degree of uncertainty may exist in their application.

The Bonds may be subject to a full or partial Write-off.

Investors may lose all of their investment in any Bonds upon the occurrence of a Non-Viability Event, which will lead to a full or partial Write-off. Investors may lose all of their investment in the Bonds as a result of the cancellation or modification of the Bonds pursuant to the exercise of the Hong Kong Resolution Authority Power. Upon the occurrence of a Write-off or so specified in the Hong Kong Resolution Authority Power Instrument, the principal amount and any accrued but unpaid interest of such Bonds will automatically be written down and if there is a full Write-off the principal amount and any accrued but unpaid interest may be written down completely and such Bonds will be automatically cancelled.

In addition, the subordination and set-off provisions set out in Condition 3 (Status and Subordination of the Bonds) are effective only upon the occurrence of any Winding-Up proceedings of the Issuer. In the event that a Non-Viability Event occurs, the rights of holders of Bonds shall be subject to Condition 6 (Redemption and Purchase). In the event that the Hong Kong Resolution Authority Power is exercised, the rights of the holders of the Bonds shall be subject to the provisions in the Hong Kong Resolution Authority Power Instrument. The occurrence of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power may not result in the same outcome for Bondholders as would otherwise occur under Condition 3 (Status and Subordination of the Bonds) upon the occurrence of any Winding-Up proceedings of the Issuer.

Upon the occurrence of a Write-off or if specified in the Hong Kong Resolution Authority Power Instrument, no Bondholder may exercise, claim or plead any right to any such amounts written off, and each Bondholder shall be deemed to have waived all such rights to such amounts.

Any such Write-off or exercise of the Hong Kong Resolution Authority Power will be irrevocable and the Bondholders will, upon the occurrence of a Write-off or if specified in the Hong Kong Resolution Authority Power Instrument, not receive any shares or other participation rights of the Issuer or be entitled to any other participation in the upside potential of any equity or debt securities issued by the Issuer, or be entitled to any subsequent write-up or any other compensation in the event of a potential recovery of the Issuer.

A Non-Viability Event may be determined and triggered by the home authority of the Parent Bank in relation to the Parent Bank only the redemption of the Bonds by the Issuer is subject to the confirmation by the CBIRC as the regulator of the Parent Bank and may be affected by the income generating capability or the capital position of the Parent Bank.

The Bonds contain loss-absorption provisions which require the Bonds to be written-off upon the occurrence of a Non-Viability Event as determined by either the Monetary Authority (as the relevant authority governing the Issuer) or the home authority of the Parent Bank (including the State Council, the CBIRC, the Ministry of Finance and the People's Bank of China). As such, independent of any determination by the Monetary Authority of the occurrence of a Non-Viability Event in relation to the Issuer, a Non-Viability Event may be triggered, under and in accordance with the terms and conditions of the Bonds, by the home authority of the Parent Bank in relation to the viability of the Parent Bank.

In addition, as it is intended that the Bonds should be eligible for inclusion as Tier 2 of the Parent Bank, pursuant to the Conditions, prior to redemption of any of the Bonds by the Issuer, the Parent Bank needs to report to CBIRC in writing in respect of such redemption and in such case, the Bonds will be redeemed by the Issuer on the basis that such redemption is confirmed by the CBIRC. The redemption

of the Bonds is also subject to the satisfaction of the CBIRC Redemption Conditions including: (a) the Bonds will be substituted with capital instruments of the same or superior quality to the Bonds and such substitution shall only be made at a time at which the Parent Bank (on a consolidated and non-consolidated basis) has a sustainable income generating capability; or (b) the capital position of the Parent Bank (on a consolidated and non-consolidated basis) immediately after redemption of the Bonds will remain significantly higher than the regulatory capital requirements prescribed by the CBIRC. However, if the Parent Bank's capital position or income generating capability deteriorates, the Issuer may not be able to redeem the Bonds.

The Bonds do not contain and are not subject to any guarantee, credit or other support from XIB

The Bonds contain loss-absorption provisions which allow a Non-Viability Event to be determined and triggered by the home authority of the Parent Bank in relation to XIB. This Offering Circular contains information relating to XIB, which has been included to provide investors with information in relation to XIB in the context of the determination of a Non-Viability Event only. The Bonds do not contain and are not subject to any form of guarantee, credit or other support from XIB, and holders of the Bonds will not be able to bring any action, whether directly or indirectly, against XIB in relation to the Bonds. For further information in relation to the application of the non-viability loss absorption provisions under the terms and conditions of the Bonds, see “— *Non-viability loss absorption provisions*”. For further information in relation to the Parent Bank, see “*The Parent Bank*”.

Transfers scheduled to settle through Euroclear and Clearstream (the “ICSDs”) are expected to be rejected if the scheduled settlement is after any suspension by the ICSDs of clearance and settlement of the Bonds in connection with a Non-Viability Event Notice or the exercise of the Hong Kong Resolution Authority Power. Furthermore, because of time zone differences and the delay between the time when a Non-Viability Event occurs or the Hong Kong Resolution Authority Power is exercised and when the ICSDs receive and process the Non-Viability Event Notice or the notice that the Hong Kong Resolution Authority Power has been exercised, it is possible that transfers may either (i) fail to settle through the ICSDs even though such transfers were initiated prior to the Non-Viability Event or the relevant cut-off time specified in any instrument evidencing the exercise of the Hong Kong Resolution Authority Power (the “Hong Kong Resolution Authority Power Instrument”) or (ii) are settled through the ICSDs even though such transfers were initiated after the Non-Viability Event or the relevant cut-off time specified in the Hong Kong Resolution Authority Power Instrument.

The ICSDs are expected to suspend all clearance and settlement of transfers of the Bonds by Bondholders after receipt of a Non-Viability Event Notice or a notice that the Hong Kong Resolution Authority Power has been or the relevant cut-off time specified in any Hong Kong Resolution Authority Power Instrument, and any transfer of the Bonds that is scheduled to settle after commencement of such suspension is expected to be rejected by the ICSD and will not be settled within the ICSDs.

Although a Non-Viability Event Notice or a notice that the Hong Kong Resolution Authority Power has been exercised will be sent by the Issuer to the ICSDs and the Bondholders via the ICSDs after the occurrence of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power, as the case may be, the records of the ICSDs will not be immediately updated to reflect the Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power, as the case may be, and a period of time, which may exceed several days, will be required before the clearance and settlement of transfers of the Bonds through the ICSDs are suspended. Due to such delay, it is possible that transfers that are initiated prior to such suspension and scheduled to settle on a date after the ICSDs commence such suspension will fail to settle through the ICSDs even though such transfers were initiated prior to the Non-Viability Event or the relevant cut-off time specified in any Hong Kong Resolution Authority Power Instrument, as the case may be. In such circumstances, transferors of the Bonds would not receive any consideration through the ICSDs in respect of such intended transfer because the ICSDs will not settle such transfer after commencement of such suspension. Similarly, it is possible that transfers that

are initiated prior to such suspension and scheduled to settle on a date before the ICSDs commence such suspension will be settled through the ICSDs even though such transfers were initiated after the Non-Viability Event or the relevant cut-off time specified in any Hong Kong Resolution Authority Power Instrument.

In such circumstances, transferees of the Bonds may be required to pay consideration through the ICSDs even though, upon the occurrence of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power, as the case may be, no amounts under the Bonds will thereafter become due, and such transferees will have no rights whatsoever under the Trust Deed or the Bonds to take any action or enforce any rights or instruct the Trustee to take any action or enforce any rights whatsoever against the Issuer, regardless of whether they have received actual or constructive notice of such fact. The settlement of the Bonds following a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power, as the case may be, will be subject to procedures of the ICSDs that are in place at such time.

The resolution regime in Hong Kong may override the contractual terms of the Bonds.

In Hong Kong, the FIRO became effective on 7 July 2017. The Monetary Authority is the relevant Hong Kong Resolution Authority in relation to banking sector entities in Hong Kong, such as the Issuer. The Monetary Authority's powers under FIRO include, but are not limited to, powers to write off or convert all or a part of the principal amount of, or interest on, the Bonds, and powers to amend or alter the contractual provisions of the Bonds. Whilst the FIRO sets out a framework of the resolution regime in Hong Kong, much of the detail is to be legislated through secondary legislation and supporting rules, and as such the impact of it on the Bonds cannot currently be fully accurately assessed. See "*Regulation and Supervision — The Hong Kong Resolution Regime*".

The operation of the resolution regime in Hong Kong may affect the rights of the Bondholders and could result in the Bondholders losing their rights in relation to accrued and future interest without compensation.

Certain considerations relating to enforcement.

To the extent that the Trustee or the Bondholders are entitled to any recovery with respect to the Bonds in any Hong Kong proceedings, the Trustee and such Bondholders might not be entitled in such proceedings to a recovery in U.S. dollars and might be entitled only to a recovery in Hong Kong dollars.

In Hong Kong proceedings, if the Issuer's assets become subject to the control of a court-appointed receiver, interest on the Bonds would cease to accrue on the date of the court order and the relevant U.S. dollar amounts would be converted to Hong Kong dollars as at such date for purpose of claims.

Liquidity of the Bonds may be limited.

There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Issuer's operations and the market for similar securities. The Managers are not obliged to make a market for the Bonds and any such market-making, if commenced, may be discontinued at any time at the sole discretion of the Managers, acting together. No assurance can be given as to the liquidity of, or trading market for, the Bonds upon their listing on the Hong Kong Stock Exchange. Lack of a liquid, active trading market for the Bonds may adversely affect the price of the Bonds or may otherwise impede a Bondholder's ability to dispose of the Bonds.

There are limited remedies for non-payment under the Bonds.

Notwithstanding any of the provisions relating to non-payment defaults, the right to institute Winding-Up Proceedings is limited to circumstances where payment of principal or any interest on any of the Bonds has become due and such failure continues for a period of 14 days in the case of interest or seven days in the case of principal. If an order is made or an effective resolution passed for the Winding-Up of the Issuer then the Trustee at its sole discretion may and, if so requested in writing by holders of at least 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Bonds to be immediately due and payable, whereupon they shall become immediately due and payable at their outstanding principal amount together (if appropriate) with the Interest accrued to (but excluding) the date of actual payment, subject to adjustment following the occurrence of a Non-Viability Event in accordance with in accordance with Condition 4(B) (*Non-Viability Loss Absorption*), without further action or formality. The only remedy against the Issuer available to any Bondholders for recovery of amounts in respect of the Bonds following the occurrence of a payment default after any sum becomes due in respect of the Bonds will be instituting Winding-Up Proceedings and/or proving and/or claiming in Winding-Up in respect of any of the Issuer's payment obligations arising from the Bonds. In such a Winding-Up, the claims of the Bondholder will be subordinated and subject in right of payment to the prior payment in full of all claims of such senior creditors as set out in Condition 3 (*Status and Subordination of the Bonds*).

The Trustee may decline to take actions requested by the Bondholders.

In certain circumstances (including without limitation the giving of notice to the Issuer pursuant to Condition 9(A) (*Events of Default and Winding-up Proceedings*) of the Conditions and the taking of enforcement steps pursuant to Condition 9(B) (*Enforcement*) of the Conditions), the Trustee may (at its sole discretion) request the Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of the Bondholders and shall not be obliged to take any such actions until it is first indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may have an impact upon when such actions can be taken.

The Trustee may decline to take action requested by the Bondholders, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it, in breach of the terms of the Trust Deed or the Conditions and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and applicable laws or regulations, it will be for the Bondholders to take such actions directly.

The Issuer may raise other capital which affects the price of the Bonds.

The Issuer may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Bonds, and there is no restriction on the Issuer issuing securities with or without non-viability loss absorption provisions (whether or not such provisions are similar to those of the Bonds). The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Bondholders on a dissolution or winding-up and/or may increase the likelihood of a cancellation of interests under the Bonds. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Bonds and/or the ability of Bondholders to sell their Bonds.

Any failure to complete the relevant filing under the NDRC Circular within the prescribed time frame may have adverse consequences for the Issuer and/or the investors of the Bonds.

On 14 September 2015, the NDRC promulgated the NDRC Circular, which came into effect on the same day. According to the NDRC Circular, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, such enterprise must, in advance of issuing such bonds, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issuance (the “**Pre-Issuance Registration Certificate**”). In addition, the enterprise must also report certain details of the bonds to the NDRC within the prescribed timeframe after the completion of the bond issue (the “**Post-Issuance Filing**”). The Parent Bank has obtained the Pre-Issuance Registration Certificate from the NDRC on 22 February 2022 evidencing such registration which remains in full force and effect and the Issuer intends to file or cause to be filed the Post-Issuance Filing within the prescribed timeframe after the Issue Date.

Since the administration, interpretation and implementation of the NDRC Circular may be subject to a certain degree of uncertainty as well as executive and policy discretion by the NDRC, there is no assurance that the NDRC will not issue further implementation rules or notices which may require additional steps in terms of the registration or provide sanctions or other administrative procedures in case of failure to complete the post-issuance filing with the NDRC. If the Issuer does not complete or cause to be completed the Post-Issuance Filing with respect to the Bonds within the prescribed timeframe (including as a result of reasons outside the Issuer’s control), the NDRC may impose sanctions or other administrative procedures on the Issuer or the Parent Bank which may have a material adverse impact on the Group’s or the Parent Bank’s business, financial condition or results of operations.

A change in English law which governs the Bonds may adversely affect Bondholders.

The Conditions are governed by English law in effect as at the date of issue of the Bonds. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Bonds.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected.

The Issuer will pay principal and interest on the Bonds in U.S. dollars. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to U.S. dollars would decrease (1) the Investor’s Currency equivalent yield on the Bonds, (2) the Investor’s Currency equivalent value of the principal payable on the Bonds and (3) the Investor’s Currency equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Modifications and waivers may be made in respect of the Conditions and the Trust Deed by the Trustee or less than all of the holders of the Bonds, and decisions may be made on behalf of all holders of the Bonds that may be adverse to the interests of the individual holders of the Bonds.

The Conditions contain provisions for calling meetings of the holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including those Bondholders who did not attend and vote at the relevant meeting and those Bondholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of the individual holders of the Bonds.

The Conditions also provide that the Trustee may (but shall not be obliged to) agree, without the consent of the holders of the Bonds, to any modification, and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, the Conditions and/or the Agency Agreement (other than in respect of a reserved matter) which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Bonds and to any modification of the Bonds, the Trust Deed or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law.

USE OF PROCEEDS

The net proceeds from the issue of the Bonds are estimated to be approximately U.S.\$198,000,000 after deducting underwriting commissions and other estimated expenses payable in connection with the offering of the Bonds. The Issuer intends to use the net proceeds from the issue of the Bonds to supplement its Tier 2 capital under the Capital Regulations.

CAPITALISATION AND INDEBTEDNESS

As at the date of this Offering Circular, the Issuer has an issued and fully paid share capital of 2,218,236,000 ordinary shares.

The following table sets out the Group's capitalisation and indebtedness extracted from unaudited consolidated financial information as at 30 June 2021 and as adjusted for the issue of the Bonds.

	As at 30 June 2021	
	Actual	As Adjusted
	(HK\$ millions)	
Indebtedness:		
Deposits from customers	122,495	122,495
Deposits and balances from banks and other financial institutions	21,039	21,039
Derivative financial instruments	32	32
Other accounts and provisions	1,680	1,680
Bonds to be issued ⁽¹⁾	—	1,556.6
Total Indebtedness	145,246	146,802.6
Capital resources		
Share capital	6,578	6,578
Reserves	9,919	9,919
Total capital resources	16,497	16,497
Total capitalisation	161,743	163,299.6

(1) The aggregate principal amount of the Bonds of U.S.\$200,000,000 (representing approximately HK\$1,556.6 million translated at the exchange rate of HK\$7.7830 to U.S.\$1.00, being the average of the buying and selling rates of the opening indicative counter exchange rate published by the Hong Kong Association of Banks as at 31 December 2020).

There has been no material change in the capitalisation and indebtedness of the Group since 30 June 2021.

THE PARENT BANK

This section has been included to provide investors with information in relation to XIB in the context of the determination of a Non-Viability Event and the satisfaction of the CBIRC Redemption Conditions only. The Bonds do not contain and are not subject to any form of guarantee, credit or other support from XIB. None of the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them has independently verified the information in this section. No representation or warranty, express or implied, is made or given by the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them as to the accuracy, completeness or sufficiency of such information, and each of such persons disclaims any liability with respect to the accuracy, completeness or sufficiency of such information.

Xiamen International Bank Co., Ltd, the parent of the Issuer, was established on 31 August 1985 and is headquartered in Xiamen. It was China's first Sino-foreign joint venture bank. In 2013, it was converted from a limited liability company to a joint stock limited company and was restructured from a Sino-foreign joint venture bank to a Chinese-funded commercial bank.

Having operated for more than thirty-five years since its establishment, XIB looks to continue to develop its business through reform and innovation, so as to provide customers with high-quality services. XIB continues to ascend the ranks on The Banker's list of "Top 1000 World Banks", ranking 158th in terms of assets and 180th in terms of Tier 1 capital in 2021. Based on a combination of factors such as the size of its assets, amount of profits and return on capital and return on assets, XIB was also selected as one of the top 200 global banks by The Banker for five consecutive years from 2017 to 2021. XIB has subsidiaries in Hong Kong and Macau: Xiamen International Investment Limited (Hong Kong), the Bank and Luso International Banking Ltd. ("LIB"). LIB has 13 branches, three 24-hour e-banking centres in Macau, two branches located in Guangzhou and Hangzhou of the PRC, three sub-branches in Foshan, Dongguan and Huizhou of the PRC and one representative office in the Hengqin Special Economic Zone of Zhuhai in the PRC. It ranked third in terms of business scale in the banking industry in Macau as at 31 December 2020, according to the Official Gazette of Macau. In mainland China, XIB has over 80 branches and sub-branches in Beijing, Shanghai, Zhuhai, Xiamen, Fuzhou, Ningde, Longyan, Quanzhou, Zhangzhou, Putian, Sanming and Nanping. Altogether, XIB has over 130 domestic and overseas outlets, and its branch network continues to grow.

Business overview

XIB, together with its subsidiaries, provides various personal and corporate banking products and services. It offers current, fixed, personal, fixed-current linked, personal call, fixed term, corporate call, agreement term, foreign currency, non-resident account, and structured deposits. XIB also provides various personal loans; short-term, trade, project, real estate, guaranteed, and offshore/onshore integrated financing services; loans for small enterprises; and syndicated loans, as well as wealth management, foreign exchange, and financial services. In addition, it offers settlement, fund transaction, financial consultation and advisory, investment banking, and cash management services, as well as entrusted loans; and interbank financing and investment, and bond and derivatives trading services, as well as Internet and mobile banking services.

Selected financial information as at and for the year ended 31 December 2020

For the year ended 31 December 2020, the total operating income of XIB and its subsidiaries (“**XIB Group**”) amounted to RMB17.7 billion, as compared to RMB16.9 billion for the same period in 2019, representing an increase of 4.91%. Net profit for the year ended 31 December 2020 amounted to RMB5.7 billion as compared to RMB6.3 billion for the same period in 2019, representing a decrease of 9.30%.

As at 31 December 2020, the total assets of XIB Group amounted to RMB950.1 billion, as compared to RMB915.5 billion as at 31 December 2019, representing an increase of 3.78%. As at 31 December 2020, the total liabilities of XIB Group amounted to RMB880.4 billion, as compared to RMB853.5 billion as at 31 December 2019, representing an increase of 3.15%. As at 31 December 2020, net interest margin was to 1.76%, as compared to 1.72% as at 31 December 2019.

As at 31 December 2020, the liquidity ratio of XIB Group was 104.97%, as compared to 88.45% as at 31 December 2019. The loan to deposit ratio as at 31 December 2020 was 79.42%, as compared to 70.87% as at 31 December 2019. As at 31 December 2020, provision coverage of impaired loans amounted to 259.8%, as compared with 323.47% as at 31 December 2019. As at 31 December 2020 and 2019, XIB Group’s non-performing loan ratio was 0.84% and 0.71% respectively, whereas its capital adequacy ratio was 12.06% and 12.26% respectively. T1 adequacy ratio of Parent Bank for 2019 is 9.41%, for 2020 is 9.49%. CET1 adequacy ratio of Parent Bank for 2019 is 9.04%, for 2020 is 9.15%.

BUSINESS OF THE GROUP

INTRODUCTION

The Bank is a full service bank which operates primarily in Hong Kong. As at 30 June 2021, the Bank had an established network comprising a head office and a total of 24 branches in Hong Kong, three branches located in Xiamen, Fuzhou and Shenzhen in the PRC and three sub-branches located in Xiamen and Fuzhou in the PRC. The Bank strives to provide sincere, flexible, customised and professional cross-border banking and financial services to Hong Kong, PRC and overseas Chinese customers. After its acquisition by XIB in 2017, the Bank has been operating as the Hong Kong hub of XIB under new management directions which has provided the Bank with opportunities to achieve stable growth in both customer deposits and loans to customers. As at the date of the Offering Circular, the Bank has been assigned a long-term deposit rating of Baa1 and a standalone baseline assessment of baa1 with a stable rating outlook by Moody's.

The Group provides a wide range of banking and related financial services to retail and corporate customers in Hong Kong. The Group operates through three segments: Personal Banking, Corporate Banking, and Treasury. It offers savings, current, and fixed deposit accounts; mortgages and loans; commercial financing, SME financing, commercial mortgage loans, corporate tax loans, and machinery and equipment financing; payroll, wealth management, import and export, and cash management services; securities trading, foreign exchange, investment funds, precious metals trading, and debt securities trading services; and life, accident and medical insurance, travel, property, and liability insurance products, as well as Internet, mobile, and phone banking services. The Group is also engaged in treasury activities, which include interbank placement and deposit transactions, the management of overall interest rate risk and liquidity of the Group and centralised cash management as well as other business activities such as investment holding and property investment.

Since its inception in 1947, the Group has expanded steadily and believes that it has successfully established itself as a reliable and prudent bank in Hong Kong and the PRC. For two consecutive years in 1993 and 1994, the Bank was awarded the first runner up of the "Asian Best Performance Banks" from Thomson Financial BankWatch, a public rating corporation. Yazhou Zhoukan (亞洲週刊) also ranked the Bank, according to total assets, one of the top 300 banks in Asia for 5 consecutive years from 2011 to 2015. In terms of return on assets, the Bank was ranked 16th and 8th respectively in 2011 and 2012 among the top 20 Asian banks. In 2021, the Bank was ranked 16th in Hong Kong by The Banker Magazine based on Tier 1 capital size and asset size. The Group enjoys long-standing relationships with many of its key customers and believes that it possesses a strong and stable deposit base.

As at 31 December 2018, 2019, 2020 and 30 June 2021, the Group's total assets were HK\$102,873 million, HK\$149,855 million, HK\$163,514 million and HK\$163,941 million, respectively, and total equity amounted to HK\$11,603 million, HK\$14,123 million, HK\$17,894 million and HK\$18,435 million, respectively. As of the same dates, the Group's advances to customers amounted to HK\$48,478 million, HK\$76,067 million, HK\$77,781 million and HK\$80,849 million, respectively, and deposits from customers amounted to HK\$78,330 million, HK\$116,291 million, HK\$122,573 million and HK\$122,495 million, respectively.

For the years ended 31 December 2018, 2019 and 2020, the Group recorded a profit of HK\$1,002.4 million, HK\$1,262.6 million and HK\$843.3 million, respectively. For the six months ended 30 June 2020 and 2021, the Group recorded a profit of HK\$740.2 million and HK\$712.3 million, respectively.

As at 31 December 2018, 2019, 2020 and 30 June 2021, the Group’s total capital ratio was 20.99%, 17.71%, 19.23% and 17.80%, respectively, and its loan-to-deposit ratio was 61.89%, 65.41%, 63.46% and 66.00%, respectively. The Group’s average value of liquidity coverage ratio in 2019 and 2020 was 206.47% and 247.97%, respectively. The Group’s average value of the liquidity coverage ratio for the first two quarters of 2021 was 218.47%.

For the years ended 31 December 2018, 2019, 2020 and six months ended 30 June 2021, the Group achieved return on average total assets of 1.12%, 0.95%, 0.54% and 0.89%, respectively, and return on average shareholder’s equity of 10.40%, 10.61%, 5.26% and 8.22%, respectively. See “*Summary Financial and Other Information — Other Selected Financial Data*”.

The Group maintains correspondent banking relationships with approximately 450 foreign and local banks and provides services including Hong Kong dollar payment services, trade settlement and financing, money transfers and guarantees.

HISTORY AND MILESTONES OF THE BANK

The Bank was founded in 1947 by Mr. Tan Kah Kee as the 39th licensed bank in Hong Kong. As of 30 June 2021, the Bank has 24 branches in Hong Kong, three branches located in Xiamen, Fuzhou and Shenzhen in the PRC and three sub-branches located in Xiamen and Fuzhou in the PRC. Rooted in Hong Kong, the Group strives to provide one-stop cross-border banking and financial services to customers in Hong Kong, the PRC and Chinese living overseas.

Set out below are the history and key milestones of the Bank:

<u>Date</u>	<u>Milestone</u>
1947	The Bank was founded by Mr. Tan Kah Kee as the 39th licensed bank in Hong Kong on 15 July.
1952	The Bank became a member of the Exchange Banks Association and a member branch of the Hong Kong Banker Clearer House. It was one of the 22 direct clearing houses at the time.
1959–1960	The Bank became an authorised exchange broker, dealing with import and export exchange transactions directly. The Bank also established an overseas agency relationship. In November 1959, the Bank opened its first branch of its own property in North Point. The Bank also opened its first branch in Kowloon in Hung Hom in January 1960.
1970	The Bank became a member bank of the Bank of China Group upon receiving a capital injection from the Bank of China.
1986	The Bank opened a branch in Xiamen, PRC, becoming the first foreign bank in Xiamen in January.
1993	The Bank’s representative office in Fuzhou, PRC was upgraded into a branch in January.

Date	Milestone
2001	The merger and restructuring of the Bank of China Group was completed and the Bank became a subsidiary bank of Bank of China (Hong Kong) Limited on 1 October.
2017	BOCHK sold 64.31% out of the 70.49% stake in the Bank to Xiamen International Bank, and the relevant disposal of shares was completed on 27 March. The Bank became a member of the Xiamen International Bank Group. The Bank celebrates its 70th Anniversary the same year.
2018	<p>The Bank opened a branch in Shenzhen, PRC in December 2018, to further expand its service network in the major economic development zones of Guangdong-Macao-Hong Kong Greater Bay Area (“GBA”) and better serve the cross-border banking needs of residents in GBA.</p> <p>In May 2018, the SFC granted Type 6 and Type 9 licenses to two of the Bank’s subsidiaries, Chiyu International Capital Limited and Chiyu Asset Management Limited, respectively. This marked the Bank’s milestone in commencing its investment banking and asset management businesses via the two subsidiaries.</p>
2019	In April 2019, the SFC granted Type 1 and Type 4 licenses to Chiyu International Capital Limited.
2020	<p>In November 2020, together with the Parent Bank and its subsidiary, LIB, the Bank signed a strategic cooperation agreement with the Suzhou Municipal Government to form a linkage among three economic zones of the Yangtze Delta, GBA and West Coast Economic Zone.</p> <p>The Bank established two subsidiaries in Shenzhen in the PRC in 2020, namely Chiyu Equity Investment Management (Shenzhen) Co., Ltd. (集友私募股權投資基金管理(深圳)有限公司), whose principal activities involve equity investments; and Chiyu Technology Innovation (Shenzhen) Corporation Limited (集友科技創新(深圳)有限公司), whose principal activities involve providing information technology, data processing and other fintech services, to empower the fintech development in GBA and provide platforms for fintech talents.</p>
2021	<p>The Bank opened a sub-branch in Gulou District, Fuzhou, Fujian, PRC.</p> <p>In April 2021, the Bank’s new private equity asset management company Chiyu Equity Investment Management (Shenzhen) Co., Ltd. (集友私募股權投資基金管理(深圳)有限公司) in Shenzhen was approved and related private fund manager registration with the Asset Management Association of China was completed. The new company is the first Hong Kong funded private equity to obtain Qualified Foreign Limited Partner (“QFLP”) and Qualified Domestic Investment Enterprise (“QDIE”) qualifications in China in the past three years.</p>

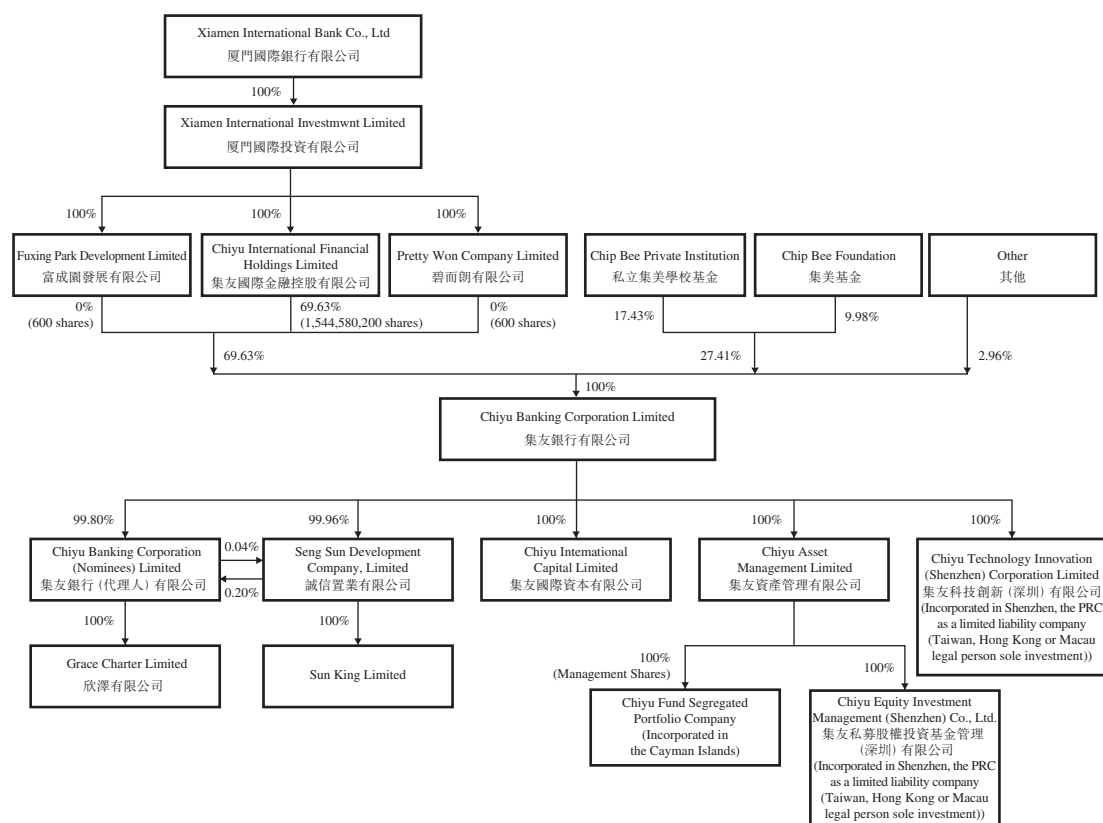
RECENT DEVELOPMENTS

In November 2021, Mr. WANG Xiaojian was appointed the Chairman of the Group, succeeding Mr. LYU Yaoming. The appointment was made in the ordinary course of business.

KPMG has retired as the auditors of the Group with effect from 10 January 2022. The Group has appointed Deloitte Touch Tohmatsu as the new auditors of the Group following the retirement of KPMG. The consolidated financial statements of the Group as at and for the year ended 31 December 2021 will be audited by Deloitte Touche Tohmatsu.

CORPORATE STRUCTURE

The chart below illustrates the corporate structure of the Group as at 31 October 2021:



Xiamen International Bank

XIB, the parent of the Issuer, was established on 31 August 1985 and is headquartered in Xiamen. It was China's first Sino-foreign joint venture bank. In 2013, it was converted from a limited liability company to a joint stock limited company and was restructured from a Sino-foreign joint venture bank to a Chinese-funded commercial bank.

Having operated for more than thirty-five years since its establishment, XIB looks to continue to develop its business through reform and innovation, so as to provide customers with high-quality services. XIB continues to ascend the ranks on The Banker's list of "Top 1000 World Banks", ranking 158th in terms of assets and 180th in terms of Tier 1 capital in 2021. XIB was also selected as one of the top 200 global banks by The Banker for five consecutive years from 2017 to 2021. XIB has subsidiaries in Hong Kong and Macau: Xiamen International Investment Limited (Hong Kong), the Bank and LIB. LIB has 13 branches, three 24-hour e-banking centres in Macau, two branches located in Guangzhou and Hangzhou of the PRC, three sub-branches in Foshan, Dongguan and Huizhou of the

PRC and one representative office in the Hengqin Special Economic Zone of Zhuhai in the PRC. It ranked third in terms of business scale in the banking industry in Macau as at 31 December 2020, according to the Official Gazette of Macau. In mainland China, XIB has over 80 branches and sub-branches in Beijing, Shanghai, Zhuhai, Xiamen, Fuzhou, Ningde, Longyan, Quanzhou, Zhangzhou, Putian, Sanming and Nanping. Altogether, XIB has over 130 domestic and overseas outlets, and the branch network continues to grow.

XIB strives to provide customers with more considerate, convenient, safe and professional high quality services, as well as diversified, tailor-made and internationalized financial products and solutions, creating good returns for shareholders, the society and employees. For a further business overview of XIB, please refer to “*The Parent Bank — Business overview.*”

Committee of Jimei Schools

The Committee of private Jimei Schools of Xiamen, Fujian was established from the former Board of Jimei Schools, by Mr. Tan Kah Kee in January 1956 and now operates under the Municipal Committee of the Chinese Communist Party. Since it was founded, the committee has made great contributions to the development of local tourism as well as Jimei Schools and other welfare causes.

The Bank’s Subsidiaries

The Bank’s subsidiaries include the below entities:

- Chiyu Banking Corporation (Nominees) Limited, whose principal activities involve the provision of nominee service and investment holding;
- Seng Sun Development Company, Limited, whose principal activities involve investment holding and leasing of properties to group companies;
- Grace Charter Limited, whose principal activity involves investment holding;
- Chiyu International Capital Limited, whose principal activity includes providing corporate finance advisory business;
- Chiyu Asset Management Limited, whose principal activity involves asset management;
- Sun King Limited, whose principal activities include property holding;
- Chiyu Fund Segregated Portfolio Company, which functions as a fund vehicle;
- 集友私募股權投資基金管理(深圳)有限公司, whose principal activities involve equity investment; and
- 集友科技創新(深圳)有限公司, whose principal activities involve providing information technology, data processing and other related services.

RESPONSE TO COVID-19

The global outbreak of COVID-19 in 2020 caused impact of varying degrees on various sectors in Hong Kong. As one of the cornerstone members in the local financial industry, the Bank responded actively to the calls of the Hong Kong government and the Hong Kong Monetary Authority (“HKMA”) by promptly launching a series of financial support measures in February 2020. These included providing principal moratoriums of six months for residential mortgages to help affected personal customers; offering fee waivers for customers who needed to delay financial payments due to the

impacts of COVID-19; launching a SME Express Loan Scheme, coupled with the Pre-approved Principal Payment Holiday Scheme for eligible SMEs; as well as offering financing support to enterprises related to medical and anti-epidemic supplies and various transitional arrangements. These initiatives were aimed at helping its existing customers improve their short-term cashflow and generally make the most of its service capability to support the economic and financial stability of Hong Kong.

COMPETITIVE STRENGTHS

The Group believes that the following factors contribute to its strong competitive position:

Rooted in Hong Kong, the Group has a resilient operating record and strong customer loyalty

Established in 1947 and having celebrated its 74th anniversary in 2021, the Group is one of the oldest local banks in Hong Kong and enjoys strong brand recognition among the Chinese community both onshore and overseas with a loyal customer base. Since its inception, the Bank has been using the same brand name, and as a result has high brand awareness among the local residents in Hong Kong as well as Fujian community overseas and other overseas Chinese. The Bank has also maintained its independent corporation status and brand following the acquisition by XIB. The Group has also developed a strong reputation as a customer-centric bank marrying professional and tailor-made financial solutions with an attentive service to customers. The Group's business lines of personal banking business and corporate banking business have been providing dependable banking services including trade finance, deposit taking, foreign currency savings, remittances, investment services, home mortgage loans, personal loans, credit cards, safe deposit boxes, personal Renminbi services, internet banking services and agency services for general and life insurance. As a result of the Group's broad range of offerings and its long history of providing high quality and tailored service, the Group possesses a solid pool of loyal customers across Hong Kong and overseas Chinese communities, with over 53% of customer relationships lasting more than 10 years.

The Group has also developed close relationships with the local business community in Hong Kong. Industrial, commercial and financial industries have traditionally been the Group's core lending markets, currently accounting for more than half of the Group's total advances, with loans outside Hong Kong and trade finance increasing in importance in recent years. As at 30 June 2021, the Group had 24 branches in Hong Kong strategically located in the core districts on Hong Kong Island, Kowloon and the New Territories, among which eight branches are self-owned properties in Hong Kong. The Group carries out comprehensive analysis of all the branches in terms of their environment, customer types, sources of income and business features, so as to gradually establish standards and norms to enhance service consistency. The Group also carries out in-depth analysis of the input and output of the branches, and considers establishment of new branches in the developed commercial areas such as Tsim Sha Tsui. The Group continues to study and determine the design, presence and reasonableness of the branch network, strongly promoting e-banking and ATM services, focusing on attracting young customers, and providing convenient service channels to cross-border customers.

Significant support from XIB creates extensive synergies

A key strength of the Group is the strong support from its shareholder XIB, the first Chinese city commercial bank successfully introducing foreign strategic investors, an entity 4.20% owned by Fujian Investment Enterprise Group Co. (福建投資企業集團公司) and 12.05% owned by Fujian Futou Investment Company Limited (福建省福投投資有限責任公司), which provides the Group with access to a large network and additional business opportunities. The Group intends to establish a strong competitive advantage founded on close connections and synergies with XIB and its subsidiaries. The market influence of the XIB group has successfully extended from the mainland China, in particular, in the Fujian Province and the Greater Bay Area, to Macau and Hong Kong. This is evidenced by the

extensive network created by both XIB in Xiamen and the PRC and LIB in Macau. With this extensive network, the Group can provide a full range of cross-border financial services to its customers and the cross-border business.

In particular, the Group will be the core financial service platform of the XIB group in Hong Kong and overseas, and will play a key role in creating synergies among its banking services and other financial services provided by other members of the XIB group. By 31 December 2021, XIB had increased its shareholding in the Group to 69.63% through two rounds of capital injections totalling HK\$3.23 billion and as such, the Group is expected to receive strong support from XIB in terms of financial, managerial, business network and information and experience sharing aspects, and the Group aims to develop an integrated financial service model, with banking services remaining its core business and supported by other product lines. The Group intends, through these new support networks and its existing expertise in the Hong Kong and overseas markets, become the principal hub of the XIB group in both Hong Kong and overseas.

A deep relationship with Fujian communities promotes business growth and expansion opportunities to Southeast Asia

The Group's founder, Mr. Tan Kah Kee, is a well-known and respected business and community leader and philanthropist in both Fujian and Chinese communities in Southeast Asia. As such, the Group, through its ties with Mr. Tan, has established a close relationship with the key persons in Fujian organizations as well as the overseas Chinese associations in Southeast Asia, and continues to be a well-respected institution for these members. The Group's senior management have also taken important positions in various Fujian associations such as the Fukien Chamber of Commerce (旅港福建商會), Hong Kong Federation of Fujian Associations Limited (香港福建社團聯會有限公司) and the General Association of Xiamen (Hong Kong) Limited (香港廈門聯誼總會有限公司). The Group believes it is therefore in a unique position to benefit and capitalise on business opportunities arising from these communities as a result of such historic ties, and will continue to leverage this competitive advantage and maintain its strong reputation with Fujianese and overseas Chinese communities in Southeast Asia. The Group maintains close relationships with Fujian-related clients, whether in acting as their core banks or in the maintenance of operating accounts.

An experienced management team with extensive industry knowledge and regulatory background

The Group is led by a highly experienced management team that has overseen the Group's development. The Group's management team has extensive operating experience and an in-depth understanding of the banking industry. The Group places strong emphasis on the quality of its management, both at a senior level within the Group and at an operational level, and continuously seeks to attract skilled professionals to enhance its business and operations. The Group's operations are managed by executives with extensive industry experience and a proven track record in the banking industry and relevant regulatory bodies. The Group's management team has around 25 years of experience on average in the banking and financial industry.

The Group, as a result of its relatively nimble size, also adopts a simple and flat management structure which looks to foster high efficiency and flexibility in organisation and decision making. The Group's management therefore has great managerial control directly over its key assets and businesses, which allows management to exercise management control efficiently and effectively, and ensures that the strategic direction of each of the Group's businesses can be monitored and aligned. Strategic decisions can also be taken efficiently, resulting in potential first-mover advantages as well as operational cost savings through management synergies.

The Group maintained good asset quality with an adequate capital level

The Group has demonstrated strong capital base with total capital adequacy ratios of 19.23% and 17.80% as at 31 December 2020 and 30 June 2021, as compared to the statutory minimum requirement of 8.0%.

For the year ended 31 December 2020 and for the six months ended 30 June 2021, the Group's classified or impaired loan ratios were 0.36% and 0.39% respectively, which were lower than the average values of local retail banks in Hong Kong of 0.82% for the year ended 31 December 2020. The Group's special mention loan ratio were 0.84% and 1.10%, respectively, which were lower than the average values of local retail banks in Hong Kong of 1.73% in for the year ended 31 December 2020.¹

The Group also maintained relatively high liquidity coverage ratios. For the fourth quarter in 2020 and for the second quarter in 2021, the Group's average value of liquidity coverage ratios were 250.22% and 200.15%, respectively, which were significantly higher than the regulatory requirement of 100%.

Having maintained strong fundamentals over the years, as shown in its very strong capital ratios as compared to local peers, as well as its conservative liquidity profile, the Group is well-positioned to maintain profitability and weather through economic downturns.

The Group has developed a prudent risk management framework and culture with leading corporate governance

The Bank, as a financial institution in Hong Kong, is subject to the supervision of and regulatory requirements imposed by the Monetary Authority. In addition, the Group's operations in the PRC are subject to the supervision and regulatory requirements imposed by the CBIRC in the PRC. These regulatory authorities promulgate requirements governing the Group's business in various aspects, such as capital adequacy, anti-money laundering, entry into certain markets, periodic reporting and filing and other requirements and safeguarding the health and stability of the Group's risk management.

As such, the Group has adopted, and continues to progressively develop a prudent risk framework and culture, adhering to the principles of good governance and compliance. The Group adopts internal risk assessment models to measure, supervise and control potential risks. It also conducts periodic reviews of its risk management policies and procedures in order to accommodate the changes in market risks faced by the Group and its business strategies. The Group's risk management capabilities are further supported by its historical association with the Bank of China Group and its robust and comprehensive approach to risk management. The provision coverage of impaired loans and advances of the Bank as at 30 June 2021 was 175.56%.

As at 30 June 2021, the Group had 37 employees in its risk management department. For further information, see “— Risk Management”.

¹ Data on local retail banks in Hong Kong as listed in “the Asset Quality of Retail Banks,” disclosed by the Monetary Authority in its Monthly Bulletin, last updated in December 2021. The retail banks include Hong Kong incorporated banks and several large foreign banks which have similar businesses with the Hong Kong incorporated banks.

STRATEGIES

The Group's long-term strategy is based on the following principles and initiatives:

Leverage Xiamen International Bank's capabilities and network in the PRC and become the "Flagship Bank" of Xiamen International Bank in Hong Kong

The Group intends to leverage the strong support, network and resources of its key shareholders to identify, capture and exploit opportunities for growth, while ensuring a smooth transition of its business and integration with XIB. In terms of overall strategy, the Group seeks to utilise its cooperation with XIB to further develop its business in the Greater Bay Area of the PRC, and assist the wider XIB group in expanding its market in Hong Kong and Southeast Asia. The Group intends to integrate its strong existing business in Hong Kong with XIB's network in the PRC and LIB's network in Macau, utilising its unique capabilities and ties to overseas Chinese communities in Southeast Asia, to transform itself into the prime Hong Kong and overseas hub for XIB.

The Group will also continue to tap into XIB's strong network in the PRC and Macau to develop new business lines such as corporate finance advisory and asset management. XIB's strong product portfolio, expertise and presence in the private enterprise sector and opportunities arising from private enterprises looking to make outbound investments from the PRC through Hong Kong are particular focuses in this respect. The Group will also effectively utilise the existing infrastructure of XIB across a wide range of sectors and markets, customer network and human capital, as well as the large portfolio of companies it invests in, to exploit future opportunities for growth.

Seize opportunities in the GBA, focus on technology and actively structure a multifaceted and multi-licensed business

The Group aims to seize the development opportunities of the GBA and actively structure a multifaceted and multi-licensed business. During 2020, the Group established two new subsidiaries in Shenzhen: a subsidiary focused on fintech — Chiyu Technology Innovation (Shenzhen) Corporation Limited (集友科技創新(深圳)有限公司) and an equity investment-focused subsidiary Chiyu Equity Investment Management (Shenzhen) Co., Ltd. (集友私募股權投資基金管理(深圳)有限公司). Both subsidiaries have successfully obtained the relevant necessary business licenses as a limited liability company (Taiwan, Hong Kong or Macau legal person sole investment) and completed the necessary business registration procedures and are operational. Chiyu Equity Investment Management (Shenzhen) Co., Ltd. (集友私募股權投資基金管理(深圳)有限公司) has obtained the QFLP and QDIE licenses which are granted by Shenzhen Financial Supervision Bureau, and private equity fund manager qualification which is certified by the Asset Management Association of China. These two subsidiaries are intended to assist the Group with growing its fintech and investment business in the GBA and will help the Group develop innovative functions to utilise more fintech in its business generally. The Group also aims to develop an upgraded information platform and digital applications in an effort to establish a smart operating system that will drive the Group's business and fintech development. The Group has already taken some steps in this direction in the Mainland by upgrading its Mainland banking system to a more innovative and comprehensive information platform. The Bank aims to continually drive the development of its technology, thus further enhancing customer service experience, as well as seize any development and investment opportunities in the GBA. With the support from XIB and Chiyu Technology Innovation (Shenzhen) Corporation Limited (集友科技創新(深圳)有限公司), the Bank has been developing a new banking system for its Hong Kong operations to replace the present system which is outsourced to a third party.

Develop a balanced corporate and personal banking business portfolio

The Group implements its strategy in Hong Kong and the PRC by continuing to broaden its product range, upgrading product features and exploring new market opportunities. With the aim of further developing its corporate and personal banking business portfolio, the Group's personal wealth management and asset management business, targeting mid to high-end customers with high net worth and cross-border asset allocation needs, will be the focus of the Group's core business development in the near future. The Group will also further develop its corporate banking business, targeting mid to large corporations with high cross-border business needs and small and medium enterprises ("SMEs") with high growth potential, enhancing its commercial lending, commercial remittance and trade finance services.

The Group will look to implement market-oriented and international management strategies to achieve the development of a balanced corporate and personal banking portfolio — with particular areas of focus including increasing brand marketing, integration and customer demand. Synergies are also expected through the close cooperation with XIB and its subsidiaries. Internet and mobile banking services will also be a focus, with aims to full support both online and offline banking needs of both its corporate customers and personal banking customers. With the strong commitment in developing its fintech capabilities, the Group is confident that it will revamp its business platforms to improve the experience of its customers through its newly-established subsidiary in Shenzhen in 2020, Chiyu Technology Innovation (Shenzhen) Corporation Limited (集友科技創新(深圳)有限公司).

Diversify the Group's income stream by developing its wealth management capabilities

The Group derives a large proportion of its funding from customer deposits. Besides continuing to utilise its branch network to further expand its customer base, the Group has also recently focused on diversifying its sources of income, in particular from non-interest income arising from provision of wealth and asset management services. The Group utilises its subsidiaries Chiyu International Capital Limited and Chiyu Asset Management Limited (both of which were granted a combination of Type 1, Type 4, Type 6 and Type 9 licenses by the SFC) to provide corporate finance and asset management services, thus diversifying its income stream and in particular non-interest income.

The Group also intends to utilise its existing business infrastructure to support new initiatives, with measures including (i) developing new banking products for and across its existing and potential customers in the corporate and personal banking businesses, (ii) increasing cross-selling opportunities and (iii) expanding its securities business by enhancing and improving its personal brokerage services by integration with its asset management business. In addition, the Group is also looking to improve its financial performance by encouraging innovation and the development of new products and sales channels, the enhancement of customer service techniques and capabilities and to improve the management of budget and capital strategies.

Proactively improve the organisational structure, management and compliance and risk management framework

The Group is committed to strengthen and solidify its operating foundations — namely in areas such as optimising its organisational structure to improve decision making processes and efficiency, improving management quality and stability within the wider workforce and refining its compliance and risk management framework to ensure a high quality credit and asset portfolio.

In terms of optimising of the Group's business structure, the Group aims to vigorously expand its deposit base and expand businesses which offer relatively high income and better risk-control, such as small loans, trade finance and premium financing. On management, on top of continuing to develop the quality of its management team, the Group will look to maintain the stability of its human resources

system, while improving on its employee selection, training and promotion mechanisms. In terms of risk management, the Group intends to develop its business at a compatible pace with its risk management status, balancing the operating income level and risk management quality. The Group plans to continue to strengthen its internal control systems. The Group will also continue to maintain its stable total amount of capital and prudent capital structure in order to satisfy its strategic development needs and regulatory requirements.

BUSINESS OVERVIEW

The principal business segments of the Group are personal banking, corporate banking along with the treasury. The following table sets forth the contribution of each segment to the Group's net operating income for the periods indicated.

	For the year ended 31 December						For the six months ended 30 June			
	2018		2019		2020		2020		2021	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
	(HK\$'000, except percentages)									
Personal banking	546,181	28.8%	626,259	25.6%	710,054	32.8%	375,039	27.0%	385,881	27.5%
Corporate banking	847,415	44.6%	1,502,766	61.4%	1,546,292	71.5%	777,027	56.0%	968,832	69.0%
Treasury	447,611	23.6%	332,761	13.6%	1,723	0.1%	207,960	15.0%	56,790	4.0%
Other ⁽¹⁾	56,851	3.0%	(15,434)	(0.6)%	(94,880)	(4.4)%	28,508	2.0%	(7,859)	(0.5)%
Total operating income	1,898,058	100%	2,446,352	100.0%	2,163,189	100.0%	1,388,534	100.0%	1,403,644	100.0%

(1) Including real estate, property investments and equity investments

The Group's advance portfolio

As at 31 December 2020, the Group's total outstanding gross advances to customers were HK\$77,781 million, which represented 47.57 per cent. of its total assets, as compared with HK\$76,067 million as at 31 December 2019 and HK\$48,478 million as at 31 December 2018. As at 30 June 2021, total outstanding gross advances to customers were HK\$80,849 million. The table below sets forth a summary of the Group's gross advances by industry sector as at the dates indicated.

	As at 31 December						As at 30 June	
	2018		2019		2020		2021	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
(HK\$'000, except percentages)								
Loans for use in Hong Kong Industrial, commercial and financial								
—Property development	2,827,961	5.8%	2,948,523	3.9%	3,408,076	4.4%	3,264,855	4.0%
—Property investment	3,386,914	7.0%	2,990,725	3.9%	3,638,788	4.7%	3,835,489	4.8%
—Financial concerns	3,257,733	6.7%	3,714,601	4.9%	6,026,042	7.8%	6,947,278	8.6%
—Stockbrokers	909,296	1.9%	1,023,915	1.3%	2,276,150	2.9%	2,102,042	2.6%
—Wholesale and retail trade	3,790,704	7.8%	6,201,435	8.2%	4,141,089	5.3%	3,479,787	4.3%
—Manufacturing	1,056,826	2.2%	1,510,084	2.0%	709,330	0.9%	924,742	1.2%
—Transport and transport equipment	448,768	0.9%	635,218	0.8%	655,320	0.9%	836,960	1.0%
—Recreational activities	37,260	0.1%	14,440	0.0%	26,716	0.0%	25,020	0.0%
—Information technology	467,658	1.0%	76,715	0.1%	72,620	0.1%	403,100	0.5%
—Others	4,729,181	9.8%	4,172,343	5.5%	2,712,789	3.5%	3,102,078	3.8%
—Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenant Purchase Scheme	37,146	0.1%	34,610	0.0%	50,805	0.1%	49,334	0.1%
—Loan for purchase of other residential properties	2,825,257	5.8%	3,322,481	4.4%	4,460,498	5.7%	4,787,459	5.9%
—Others	3,745,888	7.7%	7,803,061	10.3%	8,495,354	10.9%	9,321,759	11.5%
Total loans for use in Hong Kong	27,520,592	56.8%	34,448,151	45.3%	36,673,577	47.2%	39,079,903	48.3%
Trade finance	1,054,516	2.2%	1,500,565	2.0%	407,295	0.5%	827,142	1.0%
Loans for use outside Hong Kong	19,903,260	41.0%	40,118,243	52.7%	40,699,774	52.3%	40,942,276	50.7%
Gross advances to customers	48,478,368	100.0%	76,066,959	100.0%	77,780,646	100.0%	80,849,321	100.0%

The table below sets forth a summary of the Group's advances to customers based on the locations of the counterparties, after taking into account the transfer of risk, as at the dates indicated.

	As at 31 December						As at 30 June	
	2018		2019		2020		2021	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
(HK\$'000, except percentages)								
Hong Kong	39,787,907	82.1%	44,810,458	58.9%	45,870,310	59.0%	48,320,243	59.8%
PRC	5,273,038	10.9%	26,231,080	34.5%	25,528,684	32.8%	26,438,696	32.7%
Others	3,417,423	7.0%	5,025,421	6.6%	6,381,652	8.2%	6,090,382	7.5%
Total	48,478,368	100.0%	76,066,959	100.0%	77,780,646	100.0%	80,849,321	100.0%

Personal banking

The personal banking services provided by the Group are principally retail banking (current and savings accounts), Renminbi services, mortgage and loans, wealth management, insurance and ATM and credit cards. The Group also provides automated telephone, internet banking and personal mobile banking services to its customers. Other banking services offered include remittance and money exchange, safe deposit boxes and autopay services.

Retail banking and Renminbi Services

Retail banking comprises personal banking (including deposits via current and savings accounts, residential mortgage financing and other consumer financing) and wealth management services (including insurance and investment) to individual customers.

The core business of this section relates to deposit products to the Group's personal banking customers, which includes current account deposits, savings account deposits and time deposits. In order to satisfy the customers' needs for transactions in different currencies, the Group offers Hong Kong dollar, Renminbi and U.S. dollar current accounts and offers Hong Kong dollar and multi-currency savings accounts. The Group also offers time deposits services in a variety of currencies, including U.S. dollars, Hong Kong dollars, pounds sterling, Euro, Australian dollars, New Zealand dollars and Renminbi, which can be connected to the respective customers' current accounts, savings accounts and investment accounts with the Group.

The Group also offers financial services such as remittance and money exchange services, safe deposit boxes, autopay and direct debit services on a retail level and provides phone banking and internet banking services to its customers.

In addition, the Group further provides Renminbi services including deposits, exchange, investment, remittance, bank cards and cheques to its personal banking customers. Deposit and exchange services leverage the Group's strengths, which include its extensive network of branches and ATMs in Hong Kong and other channels such as internet banking, mobile banking and phone banking and the Group's experience, network and expertise in the conducting Renminbi businesses in Hong Kong. Investment services focus on Renminbi securities, funds and bonds, whereas remittance services benefit from the Group's ability to cover all major provinces, autonomous regions and municipalities in the PRC and Macau. The Group also offers dual-currency settlement (HKD/Renminbi) ATM cards which are connected to the extensive network of UnionPay. Facilities in cheque settlement in Renminbi are also available to customers, who can settlement payments by cheque in Guangdong province.

Home mortgage and consumer loans

The Group offer home mortgage plans for both potential owners of local private residential properties and properties offered by the government and public sectors for self-occupation purpose.

The mortgages plans provided by the Group include advances guaranteed by the Hong Kong government under Government Home Ownership Scheme ("GHOS"), Private Sector Participation Scheme ("PSPS") and Tenants Purchase Scheme ("TPS") to assist lower income families in purchasing homes. The Group has established a strong retail and corporate customer base that provides an on-going source of mortgage business, with products such as the "All-You-Want Mortgage Scheme", "Smart Mortgage Scheme" and the "Reverse Mortgage Programme". In addition, the Group has also established mortgage referral programmes with various real estate agencies to provide a steady source of referrals in its mortgage business. The majority of the residential mortgages are owner-occupied properties. The Group has also taken on investment properties, both residential and commercial, largely from existing customers with significant net-worth.

All home mortgage advances are secured by a first registered charge over the property and, in certain circumstances, the Group may also require personal guarantees as additional security. Home mortgages typically include floating interest rates and are repayable by instalments. The contractual tenor of mortgage loans has been capped at 30 years though the actual tenor is much shorter. Competitive pricing and buoyancy of the property markets are common causes of refinancing and early redemptions. The

Group offers mortgage loan advances within the loan-to-value ratio limits as specified by the Monetary Authority from time to time. Amount in excess of these limits are covered by insurance providers through approved Mortgage Insurance Schemes.

The Group also engages in the provision of consumer loans, which are generally higher yielding loans, which include unsecured overdrafts, tax loans, instalment loans and unsecured advances to individuals for a variety of purposes such as tax payments, general investment purposes, hospitalisation, education and home improvement. The Group has a prudent credit policy and delinquency and write-offs are below market averages. The Group has, over the past years, launched frequent campaigns with attractive pricing, simplified procedures and fast approval turnaround in capturing a growing number of new customers.

Wealth Management

The Group's wealth management business and experienced wealth management professionals aim to provide a flexible and convenient one-stop financial management service to meet its customers' financial needs. The Group provides branded segment services such as its "Chiyu Wealth Management (集友理財)", "Enrich Banking (智盈理財)" and "i-Free Banking" (自在理財) which include a combination of financial planning, personalised insurance, securities investment and credit facilities. Customers of the Group's wealth management business enjoy bespoke services such as a dedicated customer relationship manager, which provides customers with personalised premium financial services. The Group's experienced staff look to formulate a comprehensive wealth management plan for their clients, by assisting in defining short, medium and long-term financial goals and to analyse each customer's financial situation, goals, risk appetite and investment experience. Periodic reviews are also undertaken on the asset portfolio and wealth management strategies of each customer for refinement and realignment when needed. Investment and product specialists are also provided to each customer to ensure that each customer is able to capture on the Group's comprehensive investment solutions and market information. The wealth management business has achieved a significant growth in its Life Insurance Business in recent years.

Securities dealing business

Securities dealing activities of the Group include its stock-broking business, which in particular include stock broking activities in Hong Kong-listed securities and China A Shares under the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect schemes. The Group's securities dealing business has grown to provide a stable source of additional income for the Group even during the last few years where there has been volatility in the Hong Kong stock market. Related services include the Bank's securities margin trading service, monthly stocks savings plan, family securities accounts management and the Securities Club, which makes use of the Bank's extensive branch network, reliable financial transaction platform and dedicated securities trading services to provide various functions to its users.

Insurance

The Group provides a wide range of insurance products to its customers, including personal life, personal accident and medical, travel, home, family protection, domestic helper, motor vehicle, golfer insurance and plans that cover emergency medical treatment in the Mainland specifically.

As at 31 July 2017, the Group was an appointed agent of BOC Group Life Assurance Company Limited and China Life Insurance (Overseas) Company Limited for distribution of life insurance products. The Group was acting in the capacity of agent of the Bank of China Group Insurance Company Limited and China Taiping Insurance (HK) Company Limited for distribution of general life insurance products as at 31 July 2017.

Remittance service

As part of the Group's cross-border banking business, the Group offers services for both inward and outward remittance, in both its physical branches in Hong Kong and the PRC, as well as online via the Group's internet banking service. The Group's remittance service is available in the forms of telegraphic transfer or demand draft. Foreign cheques payable overseas can also be entrusted to the Group for collection to seek for payment from the drawee on the customer's behalf. Arrangement may also be made for use of funds in advance while pending for collection of proceeds.

ATM and Credit cards

The Group has taken active steps to add value to its ATM and credit card services. The Group has acted as an agent and distributor for the Bank of China credit card and other co-branded cards with exclusive benefits and privileges.

Telephone, Internet and Mobile Banking Services

As part of its general banking business, the Group offers fully automated telephone and internet banking services to its customers. The Group's internet banking services comprise a wide variety of banking functions, including balance enquiries, rate enquiries, funds transfers, time deposit, bill payment and debit and credit card transactions. The Group also offers internet-based brokerage services (including real-time internet stock price quote service), which allows customers to trade securities on the internet. The Group also has the Chiyu Bank Mobile App and Chiyu Bank WeChat page, both enabling customers to take advantage of the mobile banking capabilities of the Bank.

As at 30 June 2021, the Group had over 132,000 registered internet banking users, which represented an increase of 5% as compared to 126,000 as at 31 December 2020, and the average monthly transaction volume for the six months ended 30 June 2021 exceeded 2.11 million transactions, as compared with 1.38 million for the same period in 2020.

As at 30 June 2021, more than 90.1% of the Group's trading customers had registered internet-based securities client accounts with its internet-based brokerage service, and the volume of transactions executed via the internet-based brokerage system accounted for approximately 81.0% of the total number of trades.

Corporate banking

The corporate banking business of the Group offers all-round financial services, including granting lending facilities, and providing a wide range of insurance products and trade and cash management services to various segments of corporate clients ranging from small-to-medium-sized enterprises ("SME") to medium and large corporations and non-bank financial institutions. The Group provides lending facilities to meet different financing needs of clients, which are arranged in terms of bilateral loans, syndicated loans, trade finance, property mortgage loans and cash line facilities etc. The Group also offers cash management services such as the Business Integrated Account ("BIA"), remittance services, payroll services, and other financial services including insurance, mandatory provident fund ("MPF") agency services to corporate clients. The Group has operated branches in PRC for more than 34 years and has three branches located in Xiamen, Fuzhou and Shenzhen in the PRC and three sub-branches located in Xiamen and Fuzhou in the PRC as at 30 June 2021, which offer full banking services to the Group's corporate clients.

Corporate Lending

Bilateral advances

The Group offers tailored-made financing packages and provides a wide range of financing products to its corporate clients including working capital loans, overdraft facilities, term loans, revolving loans, investment loans, project loans, bridging loans, mortgage loans, vessel financing and real estate development loans to meet the corporate funding needs, with a focus on high quality SMEs, Hong Kong listed companies, state-owned and large private-owned enterprises in the PRC. The majority of borrowers are SMEs, medium to large-sized Hong Kong companies, non-bank Hong Kong financial institutions, state-owned and private-owned enterprises in the PRC, which typically use the funds for general working capital, projects and investments in Hong Kong and the PRC.

The Group joined the “SME Financing Guarantee Scheme” (“**SFGS**”) launched by The Hong Kong Mortgage Corporation Limited (“**HKMC**”) on 1 January 2011. The Group is also part of the “SME Loan Guarantee Scheme” (“**SGS**”) launched by the Hong Kong government. Under these schemes, the Bank offers flexible lending solutions to meet the financing needs of SMEs and to facilitate their business growth. Under the SFGS, HKMC provides support to SMEs by way of loan guarantees of up to 90 percent with a maximum loan amount of up to HK\$18 million. Under the SGS, the Hong Kong government provides support to SMEs by way of loan guarantees of up to 50 percent with a maximum loan amount of up to HK\$12 million.

Syndicated Advances

The Group also actively participates in the Hong Kong syndicated lending market. The Group typically acts as the lead arranger of a syndicated loan transaction, as a co-arranger in club deal facilities and a participant in the Hong Kong syndicated lending market.

The majority of the Group’s syndicated advances are extended to medium to large local corporates and conglomerates, large private or state-owned enterprises and PRC companies. To deepen client relationship and explore more cross-selling opportunities, the Group also targets to establish deeper bilateral relationship with those clients that the Group has participated in their syndicated loans.

Machinery and Equipment Financing

The Group recognises that in order to enhance the productivity and competitiveness of SMEs, an SME requires the necessary machinery and equipment in order to conduct its business efficiently. In the spirit of helping SMEs develop, the Bank also offers machinery and equipment financing services. Such loans can be used to acquire installations and equipment, including machinery, tools, computer software and hardware, communication system, office equipment, transport facilities and furniture and fixtures. The Bank also allows loans granted under this service to be used to acquire business installations for overseas operations.

Property Mortgage loans

All residential and commercial mortgage advances are secured by a legal charge over the underlying property and in some cases, together with a charge over all rental proceeds derived from the properties. Property mortgages comprise of advances to individuals (the majority are offered to the key persons of corporate clients) and SMEs to purchase retail shops, office space, factories and residential properties. Loan-to-value ratios for property mortgage loan are determined on a case-by-case basis and subject to compliance requirements by the Monetary Authority.

Trade finance

The Group's trade finance clients comprise mainly of manufacturing companies, SMEs, large trading companies, PRC stated-owned enterprises and multinational corporations. For the purposes of accommodating the client's working capital requirements for trade business, the Group provides its trade clients with customised services, which include the issuance of letters of credit, trust receipt financing, packing credits and export financing etc. The Group also provides other trade finance related services to its clients, including advising and the transfer of export documentary credits, shipping guarantees, negotiation of bills under documentary credits and collection of bills. Trade finance advances typically have a relatively shorter maturity and most of the Group's trade finance advances have a maturity period ranging from 90 to 150 days.

Cash Management and Other Services

Business Integrated Account

The Group offers BIA services, which is a product designed for the Group's corporate clients, by providing a one-stop banking platform catering to the banking and cash management needs of corporate clients. Customers can take advantage of the BIA platform to enjoy comprehensive and tailored-made banking services such as, fee privilege on some cross border remittance services, consolidated monthly statements and payroll services.

Insurance

As the appointed agent of BOC Group Life Assurance Company Ltd, China Life Insurance (Overseas) Company Limited, Bank of China Group Insurance Company Limited and China Taiping Insurance (HK) Company Limited, the Group provides a wide range of insurance products to its corporate clients, including property insurance (with products such as fire, marine cargo, money, contractors' risk, burglary and marine hull insurance), liability insurance (public liability and employees' compensation insurance), group insurance (group medical and group life insurance), key man insurance, retailer comprehensive insurance and business comprehensive insurance.

MPF

The Group operates MPF services on a referral basis and co-operates with BOCI-Prudential to provide corporate clients and their employees with comprehensive and quality MPF services, assisting corporate clients in managing their employee's retirement planning.

Treasury business

The Group's treasury business manages the funding and liquidity, and the interest rate and foreign exchange positions of the Group in addition to proprietary trading. This primarily consists of money market transactions, investment portfolio management and other interbank and capital market activities conducted on behalf of the Group. Treasury operations are also responsible for managing the funding and liquidity positions of the Group and other market risk positions arising from banking activities. The Group's treasury services are mainly divided into four segments, including foreign exchange market which is generally composed of spot, forward and swap foreign exchange transactions, money market consisted of inter-bank placement and borrowings, derivative products containing interest rate swap as well as other structural wealth management on behalf of customers and fixed income market business primarily related to bond investments.

In the foreign exchange and money market segments, the Group will take an active role in obtaining more potential counterparties. As such, it gives the Group more flexibility in terms of price. At the same time, this may also result in a potential reduction in concentration risk by spreading out the exposure of the Group.

In the segment's derivative products business, the Group looks to develop competitive and specialised treasury products to help corporate and personal customers in terms of hedging, managing interest rate and foreign exchange risks along with other purposes. In addition, the sales team of the Treasury department also looks to take an active role in understanding the business needs of potential clients and to continuously expand its existing customer base.

In the fixed income market business, the Group invests in a more diversified manner. The Group takes a prudent approach to its growing needs for business through the professional knowledge of its traders and the robust risk management framework in place.

For the year ended 31 December 2020, the net operating income from the treasury business was HK\$1.7 million, as compared with HK\$332.8 million for the year ended 31 December 2019 and HK\$447.6 million for the year ended 31 December 2018. For the six months ended 30 June 2021, the net operating income from the treasury business was HK\$56.8 million, as compared with HK\$208.0 million for the six months ended 30 June 2020.

In order to provide support regarding its growing needs, the Group is currently in the process of establishing specialised corporate dealing desks and upgrading its systems to improve and diversify its services. The Group will also look to expand its dealer network to manage surplus funds and arbitrage opportunities as well as other professionals to develop new structured products.

PRC OPERATIONS

As at 30 June 2021, the Bank had three branches located in Xiamen, Fuzhou and Shenzhen in the PRC and three sub-branches located in Xiamen and Fuzhou in the PRC. The Bank's PRC operations were commenced to meet the requirements of its existing core customers as their interests expand outside of Hong Kong. The table below sets forth the Bank's branches and representative offices outside of Hong Kong.

<u>Operations</u>	<u>City, Province</u>	<u>Year of Establishment</u>
Xiamen Branch	Xiamen, Fujian	1986
Fuzhou Branch	Fuzhou, Fujian	1993
Shenzhen Branch	Shenzhen, Guangdong	2019
Xiamen Jimei Sub-Branch	Xiamen, Fujian	2009
Xiamen Siming Sub-Branch (Previously Guanyinshan Sub-Branch)	Xiamen, Fujian	2020 (2012)
Fuzhou Gulou Sub-Branch	Fuzhou, Fujian	2021

The Group has operated branches in the PRC for more than 34 years and has an in-depth understanding of the market and regulatory framework of the PRC. The Group's business development mainly focuses on SME enterprises operating in the PRC, whether owned by PRC or foreign investors. Major products include traditional deposit services and loans, cash settlement, bank's acceptance bills, trade finance, non-resident account services and inter-bank settlement services. In particular, the Group's cross-border deposit and lending packages offer competitive financing solutions to corporations with operations in both PRC and Hong Kong. Business focus is also in-line with the guidelines set by the regulatory bodies in support of the real growth of the economy.

The Group's PRC branches share the same product specifications and workflows with those in Hong Kong and adopt the same risk management standard as set in Hong Kong. The Group is actively studying the feasibility in setting up new branches in the PRC, particularly in the Greater Bay Area, to capitalise on the opportunities provided under the fast-growing banking market in the PRC. By establishing more branches, the Group targets to increase brand recognition, enhance market influence, and promote the Group's corporate image in the PRC.

The Group also established two subsidiaries in Shenzhen in the PRC in 2020, namely 集友私募股權投資基金管理(深圳)有限公司, whose principal activities involve equity investments; and 集友科技創新(深圳)有限公司), whose principal activities involve providing information technology, data processing and other fintech services.

BANK STRUCTURE

As at 30 June 2021, the Bank has a total of nine subsidiaries. The Bank's subsidiaries conduct various operations such as nominee services, investment holding, leasing of properties to group companies, operating as fund vehicles and data-processing and related services. As at 30 June 2021, the Bank's subsidiaries accounted for -0.55% of the consolidated net profit and loss of the Bank or has a book value of 0.56% of the Bank's consolidated total assets.

The table below sets forth a summary of the Bank's principal subsidiaries as at the date of this Offering Circular:

<u>Name of subsidiary</u>	<u>Place of incorporation/operation</u>	<u>Issued share capital</u>	<u>% of issued share capital held by the Bank</u>	<u>Nature of business</u>
Chiyu Banking Corporation (Nominees) Limited	Hong Kong	HK\$100,000	100%	Provision of nominee service and investment holding
Seng Sun Development Company, Limited	Hong Kong	HK\$2,800,000	100%	Investment holding and leasing of properties to group companies
Grace Charter Limited	Hong Kong	HK\$2	100%	Investment holding
Chiyu International Capital Limited	Hong Kong	HK\$5,000,000	100%	Corporate finance advisory
Chiyu Asset Management Limited	Hong Kong	HK\$356,800,000	100%	Asset management
Sun King Limited	Hong Kong	HK\$1	100%	Property holding
Chiyu Fund Segregated Portfolio Company	Cayman Islands	USD100	100%	Fund vehicle
Chiyu Equity Investment Management (Shenzhen) Co., Ltd. 集友私募股權投資基金管理(深圳)有限公司	Shenzhen	USD2,000,000	100%	Equity investment
Chiyu Technology Innovation (Shenzhen) Corporation Limited 集友科技創新(深圳)有限公司	Shenzhen	RMB10,000,000	100%	Information technology, data processing and other related services


PROPERTIES

The Group currently owns properties with an aggregate floor area of approximately 78,581 square feet in Hong Kong and 38,650.51 square feet in China. Eight of the Group's branches in Hong Kong and one of the Group's branches in the PRC are self-owned properties of the Group. Most of the Group's properties are used as banking offices, as branches or for back office operations. The remainder are currently leased to third parties. In addition, the Group also leases properties with an aggregate floor area of approximately 63,591 square feet in Hong Kong and 123,393.49 square feet in China. These leased properties are used as banking offices, as branches and for back office operations.

The Group intends to obtain long-term leasing spaces for all of its new branches and/or back office operations which it expects to set up in the next three years to meet the Group's expansion needs.

INTELLECTUAL PROPERTY

The Group relies on domain name registrations to establish and protect its internet domain names. The Group has registered a number of internet domain names, including “www.chiyubank.com”, “www.chiyubank.com.hk”, “集友銀行.hk”, and “集友銀行.公司.hk”.

The Group has registered “ 集友銀行” as a trade mark in Hong Kong and the PRC.

INSURANCE

The Group maintains various types of insurance coverage, including property insurance to cover the loss of or damage to building structure and content, electronic equipment and motor vehicles, money risk insurance on cash, bullion, currency notes, cheque, and or valuables contained in the premises; insurance to cover loss of property due to burglary, theft and robbery; public liability insurance to cover legal liability as a result of physical bodily injury and/or property damage caused to third parties; bankers blanket bonds insurance to cover the loss resulting from fraudulent acts (including computer-related crimes) by employees, loss of money on premises and in transit and forgery of bank instruments; directors' and officers' liability insurance to cover the personal liability of the Group's officers against any claims resulting from any wrongful act committed in connection with carrying out their duties as officers of the Group; employees' liability insurance as required by the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong); and group medical insurance for its workforce. The Group also requires borrowers to obtain appropriate insurance coverage for security provided by them.

COMPETITION

The Hong Kong banking industry is mature and the Group faces intense competition from a number of Hong Kong incorporated banks and branches of international banks, particularly in the home mortgage lending sector and deposit-taking business. In addition, the Group faces keen competition from local finance companies in certain areas of its business, such as credit cards and personal loans.

Given the increasing competition among the local banks in Hong Kong, the Group has decided to focus on diversifying its revenue sources and increasing its fee based income, particularly from its wealth management, life insurance and retail investment businesses. In addition, like many of the local banks in Hong Kong, the Group is now focusing on expanding its presence in the PRC, where the banking industry is also highly competitive and has been dominated by the large state-owned commercial banks. However, in view of the fact that certain restrictions previously imposed on foreign banks in the PRC have recently been lifted, the Group expects competition to continue to increase in the region.

For a further discussion of the risks of competition faced by the Group in Hong Kong and the PRC, see “*Risk Factors*”.

LITIGATION

Neither the Group nor any of its subsidiaries is currently involved in any litigation, arbitration or similar proceedings and the Group is not aware of any such proceedings pending or threatened against it or any of its subsidiaries which are or might be material in the context of the issue of the Bonds.

EMPLOYEES

As at 30 June 2021, the Group had a total of 1,178 employees as set forth in the following table:

	<u>No. of employees</u>
Head office and branches in Hong Kong	757
PRC branches and sub-branches	410
Subsidiaries	<u>12</u>
Total	<u><u>1,179</u></u>

Approximately 12.39% of the Group's employees as at 30 June 2021 performed managerial and management functions.

The Group views its employees as an asset and believes that investment in human resources is critical to its growth. The Group has training programmes, internal and external, aimed at management development and team building. The Group's training curriculum includes courses on banking operations, product knowledge, marketing, management skills, compliance and customer service.

The Group believes that it enjoys a good relationship with its employees. The Group provides preferential saving interest rate, low-interest housing loans, life and medical insurance benefits and maintains a pension fund scheme for its employees.

PROTECTION OF DEPOSITORS

The Group is a member of the Deposit Protection Scheme, which was launched in September 2006. Accordingly, all eligible depositors of the Group are automatically protected under the Deposit Protection Scheme. As part of its measures to maintain the liquidity of, and confidence in, the Hong Kong financial markets, the Hong Kong government introduced a Deposit Protection Scheme in 2006 to provide a level of protection to depositors with deposits held with authorised institutions in Hong Kong. An enhanced Deposit Protection Scheme with an increased protection limit of HK\$500,000 and expanded coverage including deposits pledged as security for banking services, came into effect on 1 January 2011. On 24 March 2016, the 2016 Amendment Ordinance came into effect. Amongst other things, a gross payout approach is adopted for the determination of compensation under the Deposit Protection Scheme in case the scheme is triggered. Under such approach, any compensation paid to depositors is determined on the basis of their aggregate protected deposits held with a failed bank (up to HK\$500,000 per depositor) without deducting the amount of liabilities owed by those depositors to the same bank.

RISK MANAGEMENT

The Group attaches a high degree of importance to risk management and emphasises that a balance must be struck between risk control and business development. The principal types of risk inherent in the Group's businesses are credit risk, interest rate risk, market risk, liquidity risk, operational risk, reputational risk, legal and compliance risk, and strategic risk. The Group's risk management objective is to enhance shareholder value and to maintain risk exposures within acceptable limits. The Group has a defined risk appetite statement approved by the Board, which is an expression of the types and level of risk that the Group is willing to take in order to achieve its business goals and to meet the expectations of its stakeholders.

General risk management framework

The Group's risk management framework is designed to cover all business processes and ensure various risks are properly managed and controlled in the course of conducting business. The Group has a robust risk management organisational structure with a comprehensive set of policies and procedures to identify, measure, monitor and control various risks that may arise. These risk management policies and procedures are regularly reviewed and updated to reflect changes in markets and business strategies. Each risk-taking group would assume its respective responsibilities in risk management.

The Board of Directors, as the highest decision-making authority of the Group, has the ultimate responsibility for risk management. It formulates risk management strategies and ensures that the Group has an effective risk management system to implement these strategies.

The Risk Management Committee ("**RC**"), a standing committee established by the Board of Directors, is responsible for overseeing the Group's various types of risks, approving significant risk management policies and monitoring their implementation. The CEO Executive Meeting (Credit Approval) is responsible for approving credit transactions exceed the Chief Executive ("**CE**")'s authority or referred by the CE. The Audit Committee assists the Board in fulfilling its role in overseeing the internal control system.

The CE is responsible for managing the Group's various types of risks, and material risk exposures or transactions within his authority from the Board of Directors. The Chief Risk Officer ("**CRO**") assists the CE in managing the Group's various types of risks, and approving material risk exposures or transactions with his authority. With the support from the Risk Management Department ("**RMD**") and the Financial Management Department ("**FMD**"), the CRO would assist the CE in the day-to-day management of risks and initiating new risk management strategies, projects and measures in response to new risk issues and regulatory changes that may arise from time to time. The CRO and the General Manager of RMD are also responsible for reviewing material risk exposures or transactions within their delegated authority. Senior Management (as defined in the "Guideline on a Sound Remuneration System" of the Monetary Authority) is also responsible for approving the detailed risk management policies of their responsible areas.

Apart from business units, which act as the first line of defence, the Group has independent risk management units, which are responsible for the day-to-day management of different kinds of risks. These risk management units are responsible for drafting, reviewing and updating risk management policies and procedures. Internal control systems are also in place to monitor compliance with policies, procedures and limits.

To ensure the effectiveness of risk assessment and monitoring, the Group has a comprehensive product development and risk monitoring system. Roles and responsibilities of all related units are clearly defined and proper due diligence processes on product development are in place. The product management units are responsible for formulating business and product development plans, and proceeding to specific product development activities. Various risk management units are responsible to conduct independent risk assessment in the product development process.

Products can only be launched after all risk management units are satisfied, approval from designated unit heads/the Management have been received and the product due diligence process is completed.

Stress Testing

The Group supplements the analysis of various types of risks with stress testing. Stress testing is a risk management tool for estimating risk exposures under stressed conditions arising from extreme but plausible market or macroeconomic movements. These tests are conducted on a regular basis by the Group's various risk management units in accordance with the principles stated in the Supervisory Policy Manual "Stress-testing" published by the Monetary Authority. The Asset and Liability Management Committee ("ALCO") monitors the results against the key risk limits approved by the RC. The FMD reports the combined stress test results of the Group to the Board and the RC regularly.

Credit Risk Management

Credit risk is the risk caused by customers or counterparties who are unable or unwilling to meet their contractual obligations. Credit risk exists in both the trading book and the banking book. It can also arise from on- and off-balance sheet transactions of the Group. Credit risk mostly arise in lending, trade finance and treasury businesses.

The Group's advance portfolio

As at 31 December 2020, the Group's total outstanding gross advances to customers were HK\$77,780.6 million, which represented 47.6 per cent. of its total assets. The table below sets forth a summary of the Group's gross advances by sector as at the dates indicated.

	As at 31 December			
	2020	Percentage of total	2019	Percentage of total
	(HK\$'000, except percentages)			
Loans for use in Hong Kong				
Industrial, commercial and financial				
— Property development	3,408,076	4.4%	2,948,523	3.9%
— Property investment	3,638,788	4.7%	2,990,725	3.9%
— Financial concerns	6,026,042	7.8%	3,714,601	4.9%
— Stockbrokers	2,276,150	2.9%	1,023,915	1.3%
— Wholesale and retail trade	4,141,089	5.3%	6,201,435	8.2%
— Manufacturing	709,330	0.9%	1,510,084	2.0%
— Transport and transport equipment	655,320	0.9%	635,218	0.8%
— Recreational activities	26,716	0.0%	14,440	0.0%
— Information technology	72,620	0.1%	76,715	0.1%
— Others	2,712,789	3.5%	4,172,343	5.5%

	As at 31 December			
	2020	Percentage of total	2019	Percentage of total
	(HK\$'000, except percentages)			
Individuals				
— Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenant Purchase Scheme	50,805	0.1%	34,610	0.0%
— Loan for purchase of other residential properties	4,460,498	5.7%	3,322,481	4.4%
— Others	<u>8,495,354</u>	<u>10.9%</u>	<u>7,803,061</u>	<u>10.3%</u>
Total loans for use in Hong Kong . .	36,673,577	47.2%	34,448,151	45.3%
Trade finance	407,295	0.5%	1,500,565	2.0%
Loans for use outside Hong Kong . . .	<u>40,699,774</u>	<u>52.3%</u>	<u>40,118,243</u>	<u>52.7%</u>
Gross advances to customers	<u>77,780,646</u>	<u>100.0%</u>	<u>76,066,959</u>	<u>100.0%</u>

The table below sets forth a summary of the Group's advances to customers based on the locations of the counterparties, after taking into account the transfer of risk, as at the dates indicated.

	As at 31 December			
	2020	Percentage of total	2019	Percentage of total
	(HK\$'000, except percentages)			
Hong Kong	45,870,310	59.0%	44,810,458	58.9%
PRC	25,528,684	32.8%	26,231,080	34.5%
Others	<u>6,381,652</u>	<u>8.2%</u>	<u>5,025,421</u>	<u>6.6%</u>
Total	<u>77,780,646</u>	<u>100.0%</u>	<u>76,066,959</u>	<u>100.0%</u>

Credit risk management framework

The Group has formulated a comprehensive set of credit risk management policies and procedures, and appropriate credit risk limits to control credit risk that may arise. These policies, procedures and credit risk limits are regularly reviewed and updated to cope with changes in market conditions and business strategies. The Group's organisation structure establishes well-defined authorities and responsibilities for monitoring compliance with policies, procedures and limits.

The Risk Assessment Department (“**RAD**”) and RMD are responsible for credit risk management. Both the RAD and RMD are responsible for the day-to-day management of credit risks and has the primary responsibility for providing an independent due diligence through identifying, measuring, monitoring and controlling credit risk to ensure an effective checks and balances, as well as drafting, reviewing and updating credit risk management policies and procedures.

The Board has delegated credit approval authority to the CE. Depending on management needs, the CE can further delegate to its subordinates. The limits of the power of credit approval are set in accordance with the nature of credit business, the rating, the level of transaction risk, and the extent of credit exposure.

Credit risk measurement and control

In view of the rapidly changing market conditions, the Group constantly revisits its credit strategies and conducts rigorous reviews on the concerned portfolios.

Advances to customers and trade bills

Depending on the level of risk associated with the customer, counterparty or transaction, different credit approval and control procedures are adopted. The Credit Risk Assessment Committee, which is comprised of experienced personnel from credit and other functions, is responsible for making an independent assessment of material credit applications. For retail exposures, retail-specific internal rating systems are deployed in the risk assessment of retail credit transactions, such as small business retail exposures, residential mortgage loans and personal loans. Loan grades, obligor and facility ratings as well as loss estimates (if applicable) are used to support the credit approval process and for credit monitoring, reporting and analysis of credit risk information. These internal ratings are updated monthly and loss estimates are used to monitor credit on a portfolio basis. More comprehensive review is carried out for obligors that are identified as of higher risk. For non-retail exposures, credit applications are independently reviewed and objectively assessed by risk management units. Obligor ratings (in terms of probability of default) and facility ratings (in terms of loss upon default) are assigned to these portfolios as part of the credit approval process. The Group would review ratings more frequently and monitor more closely if an obligor is identified as of high risk.

The Group adopts an internal master rating scale which resembles Standard & Poor's external credit ratings. The structure of internal master rating scale is in compliance with the requirement of the Banking (Capital) Rules under the Hong Kong Banking Ordinance.

RMD provides regular credit management information reports and *ad hoc* reports to the RC and the Board of Directors to facilitate their continuous monitoring of credit risk.

In addition, the Group identifies credit concentration risk by industry, geography, customer and counterparty. The Group monitors changes to counterparty credit risk, quality of the credit portfolio and credit risk concentrations, and reports regularly to the Group's management.

The adopted loan grading system divides credit assets into five categories with reference to the Monetary Authority's guidelines: "Pass", "Special Mention", "Substandard", "Doubtful" and "Loss".

Debt securities and derivatives

For investments in debt securities, obligor ratings or external credit ratings, assessment of the underlying assets and credit limits setting on customer/security issuer basis are used for managing credit risk associated with the investment. For derivatives, customer limits have been set to manage the credit risk involved and follows the same approval and control processes as applied for advances. Ongoing monitoring and stop-loss procedures are established.

Settlement risk arises mainly from foreign exchange transactions with counterparties and from derivatives transactions in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits have been set for each counterparty to cover all settlement risk arising from the Group's market transactions on any single day.

Collateral held as security and other credit enhancements

38.86 per cent. (2019: 39.50 per cent.) of the Group's gross advances to customers is covered by collateral or other security as at 31 December 2020. The valuation and management of collateral have been documented in the credit risk management policies and procedures which cover acceptance criteria, validity of collateral, loan-to-value ratio, haircut ratio, valuation and insurance, etc. The collateral is revalued on a regular basis, though the frequency and the method used varies with the type of collateral involved and the nature and the risk of the underlying credit. The Group has established a mechanism to update the value of its main type of collateral, real estate properties, with the use of public indices on a portfolio basis. In the personal sector, the main types of collateral are real estate properties, cash deposits and securities. In the commercial and industrial sector, the main types of collateral are real estate properties, securities, receivables, cash deposits and machinery.

Advances to customers and trade bills, contingent liabilities and commitments are collateralised to the extent considered appropriate by the Group taking account of the risk assessment of individual exposures. Collateral is generally not sought for balances and placements with banks and other financial institutions and debt securities. For commitments that are unconditionally cancellable without prior notice, the Group would assess the necessity to withdraw the credit line in cases where the credit quality of a borrower deteriorates.

As at 31 December 2020, the Group did not hold any collateral that it was permitted to sell or re-pledge in the absence of default by the borrower.

Credit quality analysis

Credit quality of advances to customers and trade bills

The tables below summarise the Group's credit quality of advances to customers and trade bills as at 31 December 2020 and 2019:

<u>Advances to customers at amortised cost</u>	2020			
	12-month	Lifetime	Lifetime ECL	Total
	ECL	ECL not	credit-impaired	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Pass	76,624,088	223,184	—	76,847,272
Special Mention	384	652,827	—	653,211
Substandard	—	—	39,957	39,957
Doubtful	—	—	129,827	129,827
Loss	—	—	110,379	110,379
Loss allowance	(476,643)	(8,637)	(278,510)	(763,790)
Carrying amount	<u>76,147,829</u>	<u>867,374</u>	<u>1,653</u>	<u>77,016,856</u>
	2019			
<u>Advances to customers at amortised cost</u>	12-month ECL	Lifetime	Lifetime ECL	Total
	HK\$'000	ECL not	credit-impaired	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Pass	74,473,819	753,406	—	75,227,225
Special Mention	4,333	539,201	—	543,534
Substandard	—	—	96,089	96,089
Doubtful	—	—	182,289	182,289
Loss	—	—	17,822	17,822
Loss allowance	(326,066)	(18,309)	(284,868)	(629,243)
Carrying amount	<u>74,152,086</u>	<u>1,274,298</u>	<u>11,332</u>	<u>75,437,716</u>

2020				
<u>Trade bills at amortised cost</u>	<u>12-month ECL</u>	<u>Lifetime ECL not credit-impaired</u>	<u>Lifetime ECL credit-impaired</u>	<u>Total</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Pass	1,327,776	—	—	1,327,776
Loss allowance	(4,491)	—	—	(4,491)
Carrying amount	<u>1,323,285</u>	<u>—</u>	<u>—</u>	<u>1,323,285</u>
2019				
<u>Trade bills at amortised cost</u>	<u>12-month ECL</u>	<u>Lifetime ECL not credit-impaired</u>	<u>Lifetime ECL credit-impaired</u>	<u>Total</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Pass	1,553,101	—	—	1,553,101
Loss allowance	(3,926)	—	—	(3,926)
Carrying amount	<u>1,549,175</u>	<u>—</u>	<u>—</u>	<u>1,549,175</u>

Credit quality of financial assets other than advances to customers and trade bills

The tables below set out information about the credit quality of balances and placements with banks and other financial institutions as at 31 December 2020 and 2019:

2020				
<u>Balances and placements with central banks, banks and other financial institutions</u>	<u>12-month ECL</u>	<u>Lifetime ECL not credit-impaired</u>	<u>Lifetime ECL credit-impaired</u>	<u>Total</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Pass	30,197,824	—	—	30,197,824
Loss allowance	(1,924)	—	—	(1,924)
Carrying amount	<u>30,195,900</u>	<u>—</u>	<u>—</u>	<u>30,195,900</u>
2019				
<u>Balances and placements with central banks, banks and other financial institutions</u>	<u>12-month ECL</u>	<u>Lifetime ECL not credit-impaired</u>	<u>Lifetime ECL credit-impaired</u>	<u>Total</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Pass	22,774,206	—	—	22,774,206
Loss allowance	(484)	—	—	(484)
Carrying amount	<u>22,773,722</u>	<u>—</u>	<u>—</u>	<u>22,773,722</u>

The following tables present the credit quality of debt securities mandatorily measured and designated at FVTPL. In the absence of such issue ratings, the ratings designated for the issuers are reported:

	<u>Aaa</u>	<u>Aa1 to Aa3</u>	<u>A1 to A3</u>	<u>Lower than A3</u>	<u>Unrated</u>	<u>Total</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
2020	<u>—</u>	<u>—</u>	<u>176,477</u>	<u>236,146</u>	<u>188,805</u>	<u>601,428</u>
2019	<u>—</u>	<u>—</u>	<u>187,115</u>	<u>111,447</u>	<u>220,195</u>	<u>518,757</u>

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:

Debt securities and certificate of deposits at amortised cost	2020			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Aaa	—	—	—	—
Aa1 to Aa3	120,910	—	—	120,910
A1 to A3	887,257	—	—	887,257
Lower than A3	346,434	—	—	346,434
Unrated	—	—	—	—
Loss allowance	(3,600)	—	—	(3,600)
Carrying amount	1,351,001	—	—	1,351,001
	2019			
Debt securities and certificate of deposits at amortised cost	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Aaa	—	—	—	—
Aa1 to Aa3	113,448	—	—	113,448
A1 to A3	1,095,282	—	—	1,095,282
Lower than A3	435,465	—	—	435,465
Unrated	—	—	—	—
Loss allowance	(1,798)	—	—	(1,798)
Carrying amount	1,642,397	—	—	1,642,397
	2020			
Debt securities and certificate of deposits at FVOCI	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Aaa	3,505,435	—	—	3,505,435
Aa1 to Aa3	7,231,983	—	—	7,231,983
A1 to A3	29,791,378	—	—	29,791,378
Lower than A3	5,698,954	—	—	5,698,954
Unrated	2,446,284	—	107,215	2,553,499
Carrying amount	48,674,034	—	107,215	48,781,249
Loss allowance	33,294	—	344,341	377,635

2019				
Debt securities and certificate of deposits at FVOCI	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Aaa	6,947,971	—	—	6,947,971
Aa1 to Aa3	9,990,944	—	—	9,990,944
A1 to A3	20,178,046	—	—	20,178,046
Lower than A3	6,184,284	—	—	6,184,284
Unrated	1,418,838	—	—	1,418,838
Carrying amount	44,720,083	—	—	44,720,083
Loss allowance	26,400	—	—	26,400
2020				
Other financial assets	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Pass	1,339,636	—	—	1,339,636
Special Mention	—	—	—	—
Substandard	—	—	7	7
Doubtful	—	—	653	653
Loss	—	—	708	708
Loss allowance	(4,299)	—	(387)	(4,686)
Carrying amount	1,335,337	—	981	1,336,318
2019				
Other financial assets	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Pass	312,153	—	—	312,153
Special Mention	—	10	—	10
Substandard	—	—	—	—
Doubtful	—	—	432	432
Loss	—	—	699	699
Loss allowance	(306)	—	(735)	(1,041)
Carrying amount	311,847	10	396	312,253
2020				
Loan commitments and financial guarantee contracts issued	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Pass	14,094,571	10,000	—	14,104,571
Special Mention	—	103,322	—	103,322
Substandard	—	—	—	—
Doubtful	—	—	8,597	8,597
Loss	—	—	—	—
Carrying amount	14,094,571	113,322	8,597	14,216,490
Loss allowance	(51,644)	(1)	—	(51,645)

2019

Loan commitments and financial guarantee contracts issued	Lifetime ECL not		Lifetime ECL	Total
	12-month ECL	credit-impaired	credit-impaired	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Pass	12,578,378	3,817	—	12,582,195
Special Mention	—	47,084	—	47,084
Substandard	—	—	—	—
Doubtful	—	—	8,597	8,597
Loss	—	—	—	—
Carrying amount	<u>12,578,378</u>	<u>50,901</u>	<u>8,597</u>	<u>12,637,876</u>
Loss allowance	<u>(26,802)</u>	<u>(1)</u>	<u>—</u>	<u>(26,803)</u>

Advances with a specific repayment date are classified as overdue when the principal or interest is past due and remains unpaid. Advances repayable by regular instalments are classified as overdue when an instalment payment is past due and remains unpaid. Advances 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 instruction or when the advances have remained continuously exceeded the approved limit that was advised to the borrower.

Advances may have been restructured or renegotiated due to deterioration in the financial position of the borrower or the inability of the borrower to meet the original repayment schedule. However, rescheduled advances which have been overdue for more than three months under the revised repayment terms would be considered as “advances overdue for more than three months”. As at 31 December 2020, the Group has no rescheduled advances to customers.

Market Risk Management

Market risk refers to the risk of loss arising from movements in the value of foreign exchange, interest rate, equity and commodity positions held by the Group due to the volatility of the financial markets. The Group adopts a moderate market risk appetite to achieve a balance between risk and return. The Group’s objective in managing market risk is to secure healthy growth of the treasury business, by managing potential market risk in the Group’s business in accordance with the Group’s overall risk appetite and strategy of treasury business under a well-established risk management regime and related management measures.

The Bank uses Value at Risk (“VAR”) to measure and report general market risks to the RC and senior management on a periodic basis. The Group adopts a uniformed VAR calculation model, using a historical simulation approach and two years of historical market data, to calculate the VAR of the Group over a one-day holding period with a 99 per cent. confidence level, and sets up the VAR limit of the Group. Back-testing is used to measure the accuracy of VAR model results.

In accordance with the Group’s corporate governance principles in respect of risk management, the Board and the RC, senior management and functional units perform their duties and responsibilities to manage the Group’s market risk. The RMD is mainly responsible for managing market risk, assisting senior management to perform their day-to-day duties, independently monitoring the market risk profile and compliance of management policies and limits of the Group, and ensuring that the aggregate and individual market risks are within acceptable levels.

The Bank sets up market risk indicators and limits to identify, measure, monitor and control market risk. Major risk indicators and limits include, amongst others, VAR, stop loss, open position, stress testing and sensitivity analysis. To meet management requirements, major risk indicators and limits are

classified into three levels, and are approved by the RC, CEO Executive Meeting and the General Manager of RMD respectively. Business units are required to conduct their business within approved market risk indicators and limits.

Currency Risk

The Group's assets and liabilities are mostly denominated in Hong Kong dollar, United States dollar and Renminbi. To ensure the currency risk exposure of the Group is kept within an acceptable level, the Group strives to minimise the gap between assets and liabilities of the same currency and monitors the risk limits. Foreign exchange contracts are usually used to manage currency risk associated with assets and liabilities denominated in foreign currencies.

The following table summarises the Group's major foreign currency exposures arising from trading and non-trading as at 31 December 2020 and 2019 and is prepared with reference to the completion instructions for the HKMA return of foreign currency position:

2020								
Equivalent in thousand of HK\$								
	US	Euro	Pound	Australian	Swiss	Other	Total	
	Dollars	Dollars	Sterling	Dollars	Francs	Renminbi	foreign	
	Dollars	Dollars	Sterling	Dollars	Dollars	Renminbi	currencies	foreign
	Dollars	Dollars	Sterling	Dollars	Dollars	Renminbi	currencies	currencies
Spot assets	43,844,693	1,286,644	235,168	655,462	17,919	43,393,546	855,075	90,288,507
Spot liabilities	(33,020,819)	(374,024)	(205,024)	(938,263)	(4,970)	(42,081,352)	(567,534)	(77,191,986)
Forward purchases	2,094,802	23,349	65,390	353,383	13,474	72,578	331,968	2,954,944
Forward sales	(11,964,027)	(926,659)	(103,892)	(68,419)	(26,724)	(1,595,124)	(619,480)	(15,304,325)
Net long/(short) position	<u>954,649</u>	<u>9,310</u>	<u>(8,358)</u>	<u>2,163</u>	<u>(301)</u>	<u>(210,352)</u>	<u>29</u>	<u>747,140</u>

2019								
Equivalent in thousand of HK\$								
	US	Euro	Pound	Australian	Swiss	Other	Total	
	Dollars	Dollars	Sterling	Dollars	Francs	Renminbi	foreign	
	Dollars	Dollars	Sterling	Dollars	Dollars	Renminbi	currencies	
	Dollars	Dollars	Sterling	Dollars	Dollars	Renminbi	currencies	foreign
	Dollars	Dollars	Sterling	Dollars	Dollars	Renminbi	currencies	currencies
Spot assets	46,012,705	1,500,071	293,429	950,833	6,703	33,853,064	702,740	83,319,545
Spot liabilities	(39,018,355)	(1,153,791)	(274,677)	(931,162)	(7,789)	(34,009,374)	(522,031)	(75,917,179)
Forward purchases	1,316,677	11,569	69,564	31,098	11,720	836,191	325,031	2,601,850
Forward sales	(7,667,061)	(354,869)	(85,932)	(46,156)	(10,932)	(493,329)	(508,560)	(9,166,839)
Net long/(short) position	<u>643,966</u>	<u>2,980</u>	<u>2,384</u>	<u>4,613</u>	<u>(298)</u>	<u>186,552</u>	<u>(2,820)</u>	<u>837,377</u>

The Group had the following net structural positions which were not less than 10% of the total net structural foreign currency position as at 31 December 2020 and 2019.

2020			
Equivalent in thousand of HK\$			
	US	Total foreign	
	Dollars	currencies	
	Dollars	Renminbi	
	Dollars	Renminbi	
	Dollars	Renminbi	
Net structural position	<u>1,925,020</u>	<u>2,171,063</u>	<u>4,096,083</u>

2019			
Equivalent in thousand of HK\$			
	US	Total foreign	
	Dollars	currencies	
	Dollars	Renminbi	
	Dollars	Renminbi	
	Dollars	Renminbi	
Net structural position	<u>1,933,901</u>	<u>1,691,215</u>	<u>3,625,116</u>

Interest Rate Risk

Interest rate risk means the risk of loss to the Group's earnings and economic value arising from movements in interest rates and term structures of the Group's asset and liability positions. The Group's interest rate risk exposures are mainly structural. The major types of interest rate risk from structural positions are gap risk, basis risk, and option risk.

The Asset and Liability and Management Committee (“**ALCO**”) exercises its oversight of interest rate risk in accordance with the “Banking Book Interest Rate Risk Management Policy” approved by the Board. The RMD is responsible for the Group's overall risk management, including interest rate risk management. The roles of the RMD include, amongst others, the formulation of management policies, monitoring of the compliance with policies, and submission of interest rate risk management reports to the RC, etc. The FMD is responsible for carrying out interest rate risk management policies. The FMD cooperates with the Financial Markets Department to assist the ALCO in the day-to-day management of interest rate risk. The roles of the FMD include, amongst others, selection of methodologies, setting of risk indicators and limits, assessment of target balance sheet, monitoring of the compliance with limits, and submission of interest rate risk management reports to Senior Management, etc.

The Group sets out interest rate risk indicators and limits to identify, measure, monitor and control interest rate risk. The indicators and limits include, amongst others, repricing gap limits, basis risk, price value of a basis point (“**PVBP**”), net interest income sensitivity ratio (“**NII**”) and economic value sensitivity ratio (“**EV**”). Risk-taking business units are required to conduct their business within the boundary of the interest rate risk limits. Before launching a new product or business in the banking book, the relevant departments are required to go through a risk assessment process, which includes the assessment of underlying interest rate risk and consideration of the adequacy of the current risk monitoring mechanism. Any material impact on interest rate risk noted during the risk assessment process will be submitted to the RC for approval.

Scenario analyses and stress tests are used to assess the interest rate risk that the Group would face under adverse circumstances. Scenario analyses and stress tests are also used to assess the impact on net interest income and economic value as a result of customers' choice to deposit their money and the prepayment of mortgage loans.

The table below summarises the Group's on-balance sheet exposure to interest rate risk as at 31 December 2020, categorised by the earlier of contractual repricing date and maturity date.

	As at 31 December 2020						Non-interest bearing	Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years			
	(HK\$'000)							
Assets								
Cash and balances with banks and other financial institutions	20,078,836	—	—	—	—	2,892,996	22,971,832	
Placements with banks and other financial institutions maturing between one and twelve months	—	7,384,601	55,697	—	—	—	7,440,298	
Derivative financial instruments	—	—	—	—	—	140,505	140,505	
Advances to customers and trade bills	47,929,386	11,237,761	13,767,410	2,671,492	2,734,092	—	78,340,141	
Investments in securities	8,287,698	8,259,751	13,281,827	20,696,336	208,066	83,453	50,817,131	
Investment properties	—	—	—	—	—	153,620	153,620	
Properties, plant and equipment	—	—	—	—	—	2,044,562	2,044,562	
Other assets (including current and deferred tax assets)	34,935	—	—	—	—	1,571,349	1,606,284	
Total assets	76,330,855	26,882,113	27,104,934	23,367,828	2,942,158	6,886,485	163,514,373	
Liabilities								
Deposits and balances from banks and other financial institutions	(14,604,011)	(2,085,395)	(1,981,301)	—	—	(1,896,928)	(20,567,635)	
Derivative financial instruments	—	—	—	—	—	(75,396)	(75,396)	
Deposits from customers	(47,951,252)	(34,802,381)	(26,507,551)	(4,442,405)	—	(8,869,442)	(122,573,031)	
Other accounts and provisions (including current and deferred tax liabilities)	(167,326)	(13,862)	(58,980)	(145,210)	(13,105)	(2,005,528)	(2,404,011)	
Total liabilities	(62,722,589)	(36,901,638)	(28,547,832)	(4,587,615)	(13,105)	(12,847,294)	(145,620,073)	
Interest sensitivity gap	13,608,266	(10,019,525)	(1,442,898)	18,780,213	2,929,053	(5,960,809)	17,894,300	

Liquidity Risk Management

Liquidity risk is the risk that the Group fails to provide sufficient funds to grow assets or pay due obligations, and need to bear an unacceptable loss. The Group maintains sound liquidity risk appetite to provide stable, reliable and adequate sources of cash to meet liquidity needs under all circumstances.

Deposits from customers are the Group's primary source of funds. To ensure stable and sufficient source of funds are in place, the Group actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market. Depending on the maturities and the estimated funding needs in stressed scenarios, the Group adjusts its asset structure to maintain sufficient liquid assets so as to provide adequate funds for its normal business needs and ensure its ability to raise funds at a reasonable cost to serve external claims in case of emergency. The Group is committed to diversifying its sources and tenors and use of funds to avoid excessive concentration on particular assets or liabilities and prevent liquidity issues when problem arises in a key funding source. Intra-group liquidity risk management guideline has been set to manage the liquidity funding among different entities within the Group, and to restrict their reliance of funding on each other. The Group has an overall liquidity risk management strategy that covers the liquidity management of foreign currency assets and liabilities, collateral, intra-day liquidity, intra-group liquidity, etc., and has a corresponding contingency plan in place. Where necessary, in order to mitigate liquidity risk, the Group could take different mitigation actions which include, but are not limited to sales of bonds in the secondary market, funding from interbank market or repo in the money market, attracting new deposits and keeping the core deposit.

The RC has the ultimate responsibility of liquidity risk management. As authorised by the RC, the ALCO oversees the management of liquidity risk and ensures that the daily operations of the Group are in accordance with the risk appetite and policies set by the Board. The FMD cooperates with the Financial Markets Department to assist the ALCO to perform liquidity management functions according to their specific responsibilities.

The Group uses liquidity risk management indicators and limits to identify, measure, monitor and control liquidity risk on daily basis. These indicators and limits include, amongst others, liquidity coverage ratio (“**LCR**”), net stable funding ratio (“**NSFR**”), loan-to-deposit ratio, maximum cumulative cash outflow (“**MCO**”) and liquidity cushion. Cash flow analysis is performed to assess the Group’s liquidity condition under normal conditions and liquidity stress test is performed at least on monthly basis to assess the Group’s ability to withstand liquidity crises. Also, management information systems such as Assets and Liabilities Management System and Basel Liquidity Ratio Management System have been developed to provide data and support the preparation of regular management reports.

In accordance with the requirements of the Supervisory Policy Manual LM-2 “Sound Systems and Controls for Liquidity Risk Management” issued by the Monetary Authority, the Group has used behaviour model and assumptions for cash flow analysis and stress test. This enhances the Group’s cash flow analysis under both normal and stressed conditions. As at 31 December 2020, before taking the cash inflow from the sale of outstanding marketable securities into consideration, the Bank’s 30-day cumulative cash flow was a net cash inflow, amounting to HK\$4,614,063,000 (2019: HK\$ 8,400,908,000) and did not exceed internal limits.

Liquidity stress test is done for three scenarios: institution specific crisis, general market crisis and combined crisis scenario. As at 31 December 2020, the Group was able to maintain a net cash inflow under the three stressed scenarios, indicating the Group has the ability to meet financing needs under stressed conditions. The Group maintains a liquidity cushion which includes high quality or comparable quality marketable securities to ensure funding needs could be met even in stressed scenarios. As at 31 December 2020, the liquidity cushion (before haircut) was HK\$19,425,985,000 (2019: HK\$24,625,303,000).

The LCR is calculated in accordance with the Banking (Liquidity) Rules that were effective from 1 January 2015. The Group, being classified as a category 1 authorised institution by the Monetary Authority, is required to calculate LCR on a consolidated basis. During the year of 2020, the Group is required to maintain a LCR of not less than 100 per cent.

The NSFR is calculated in accordance with the Banking (Liquidity) Rules that were effective from 1 January 2018, the Group, being classified as category 1 authorised institution by the HKMA, is required to calculate NSFR on consolidated basis. The Group is required to maintain a NSFR not less than 100%.

The Group’s liquidity risk management also covers new products or business developments. Before launching a new product or business, the relevant departments are required to go through a risk assessment process, which includes the assessment of underlying liquidity risk and consideration of the adequacy of the current risk management mechanism. Any material impact on liquidity risk noted during the risk assessment process will be reported to the RC for approval.

The table below analyses the Group’s assets and liabilities as at 31 December 2020 into relevant maturity groupings based on the remaining period at the end of the reporting date to the contractual maturity date.

As at 31 December 2020

	On Demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
	(HK\$'000)							
Assets								
Cash and balances with banks and other financial institutions	5,217,582	15,903,303	—	—	—	—	1,850,947	22,971,832
Placements with banks and other financial institutions maturing between one and twelve months	—	—	7,384,601	55,697	—	—	—	7,440,298
Derivative financial instruments	95,385	631	22,621	1,391	20,477	—	—	140,505
Advances to customers and trade bills	18,474,079	2,378,205	5,333,036	24,329,934	22,208,667	5,616,220	—	78,340,141
Investment in securities	53,212	6,195,854	3,771,802	15,444,662	25,062,389	205,759	83,453	50,817,131
Investment properties	—	—	—	—	—	—	153,620	153,620
Properties, plant and equipment	—	—	—	—	—	—	2,044,562	2,044,562
Other assets (including current and deferred tax assets)	987,203	448,857	123,327	21,208	—	—	25,689	1,606,284
Total assets	24,827,461	24,926,850	16,635,387	39,852,892	47,291,533	5,821,979	4,158,271	163,514,373
Liabilities								
Deposits and balances from banks and other financial institutions	(4,406,596)	(12,094,343)	(2,085,395)	(1,981,301)	—	—	—	(20,567,635)
Derivative financial instruments	(13,360)	(5,670)	(26,758)	(2,761)	(26,847)	—	—	(75,396)
Deposits from customers	(40,680,848)	(16,139,846)	(34,802,381)	(26,507,551)	(4,442,405)	—	—	(122,573,031)
Other accounts and provisions (including current and deferred tax liabilities)	(422,344)	(1,217,258)	(66,855)	(400,594)	(145,210)	(13,105)	(138,645)	(2,404,011)
Total liabilities	(45,523,148)	(29,457,117)	(36,981,389)	(28,892,207)	(4,614,462)	(13,105)	(138,645)	(145,620,073)
Net liquidity gap	(20,695,687)	(4,530,267)	(20,346,002)	10,960,685	42,677,071	5,808,874	4,019,626	17,894,300

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 risk is inherent with every aspect of business operations and confronted by the Group in its day-to-day operational activities.

The Group has put in place effective internal control processes and has formulated relevant policies and control procedures for all the key activities. The Group adheres to the fundamental principle of proper segregation of duties and authorisation. Various operational risk management tools or methodologies such as key risk indicators, self-assessment, operational risk events reporting and review are deployed to identify, assess, monitor and control the risks inherent in business activities and products, as well as purchase of insurance to mitigate unforeseeable operational risks. Business continuity plans are in place to substantiate business operations in the event of an emergency or disaster. Adequate backup facilities are maintained and periodic drills are conducted.

Reputational Risk Management

Reputational risk is the risk that negative publicity about the Group's business practices, whether genuine or not, will cause a potential decline in the customer base, or lead to costly litigation or revenue decrease. Reputational risk is inherent in other types of risk and every aspect of business operation and covers a wide spectrum of issues.

In addition, the Group has put in place a comprehensive framework to continuously monitor reputational risk incidents in the financial industry. This enables the Group to effectively manage and mitigate any potential adverse impact from an incident. The Group also adopts robust disclosure mechanisms to keep its stakeholders informed at all times, which helps build confidence in the Group and establish a strong public image.

Legal and Compliance Risk Management

Legal risk is the risk that unenforceable contracts, lawsuits or adverse judgments may disrupt or otherwise negatively affect the operations or financial conditions of the Group. Compliance risk is the risk of legal or regulatory sanctions, financial losses or losses in reputation the Group may suffer as a result of its failure to comply with all applicable laws and regulations. The Group has put in place relevant rules and procedures for legal and compliance risk management.

Strategic Risk Management

Strategic risk generally refers to the risks that may cause current or future negative impacts on the earnings, or capital or reputation or market position of the Group because of poor strategic decision-making, improper implementation of strategies and inadequate responses to the changing market conditions. The Board reviews and approves the strategic risk management policy. Key strategic issues have to be fully evaluated and properly endorsed by senior management and the Board.

The Group regularly reviews its business strategies to cope with the latest market conditions and developments.

Capital Management

The major objective of the Group's capital management is to maximise total shareholders' return while maintaining adequate capital in light of the Group's overall risk profile. The ALCO periodically reviews the Group's capital structure and adjusts the capital mix to maintain an optimal balance among risk, return and capital adequacy.

The Group has developed and maintained a sound framework of policies and controls on capital management to support the development of the Group's business and to meet the statutory capital adequacy ratio requirement. The ALCO monitors the Group's capital adequacy requirement. The Group has complied with all the statutory capital requirements of the HKMA for the reported periods in respect of banking operations as further elaborated below:

In prior years, the Group adopted the foundation internal ratings-based ("**FIRB**") approach to calculate the credit risk capital charge for the majority of its nonsecuritisation exposures. Since 1 October 2020, the Group has adopted the standardised (credit risk) ("**STC**") approach to calculate all the credit risk capital charge. The Group continues to adopt the standardised credit valuation adjustment ("**CVA**") method to calculate the capital charge for the CVA risk of the counterparty.

Since April 2020, the HKMA has approved the Group to adopt the standardised (market risk) ("**STM**") approach to calculate general market risk capital charge for foreign exchange and interest rate exposures and exclude part of our Group's CNY structural FX positions in the calculation of the market risk capital

charge. The Group continues to adopt the standardised (market risk) (“**STM**”) approach to calculate the market risk capital charge for the remaining exposures. The Group continues to adopt standardised (operational risk) (“**STO**”) approach to calculate the operational risk capital charge.

The Group has continued to adopt an internal capital adequacy assessment process (“**ICAAP**”) to comply with the Monetary Authority’s requirements as provided in the Supervisory Policy Manual “Supervisory Review Process”. Based on the Monetary Authority’s guidelines on Pillar II, ICAAP is used to assess the extra capital needed to cover the material risks that are not captured or not adequately captured under Pillar I, and therefore the minimum Common Equity Tier 1 capital ratio, the minimum Tier 1 capital ratio and the minimum total capital ratio are determined. The Group has set out ranges of these capital ratios within which the Group operates, so as to allow flexibility for future business growth and efficiency in capital utilisation. The Group considers this ICAAP as an ongoing process for capital management and periodically reviews and adjusts its capital structure where appropriate in relation to the overall risk profile.

In addition, the capital plan of the Group is drawn up annually and then submitted to the Board of Directors for approval after endorsement of the ALCO. The plan is built up by assessing the implications of various factors upon capital adequacy such as the business strategies, return on equity, risk appetite, credit rating, as well as regulatory requirements. Hence, the future capital requirement is determined and capital sources are also identified. The plan is to ensure that the Group maintains adequate capital and appropriate capital structure which align with its business development needs, thereby achieving an optimal balance among risk, return and capital adequacy.

SELECTED STATISTICAL AND OTHER INFORMATION

The selected statistical and other information set forth below relates only to the Bank and has, except where otherwise indicated, been compiled as at and for each of the two years ended 31 December 2019 and 2020 and the unaudited interim financial information for the six months ended 30 June 2021 and should be read in conjunction with the information contained elsewhere in this Offering Circular, including “Business of the Group”. The audited consolidated financial statements of the Group as at and for the years ended 31 December 2019 and 2020 were audited by KPMG. The unaudited interim financial information as at and for the six months ended 30 June 2021 have been reviewed by KPMG.

Advance Portfolio

Overview

As at 31 December 2020, the Group’s total outstanding gross advances to customers were HK\$77,780.6 million, which represented 47.6 per cent. of its total assets. The table below sets forth a summary of the Group’s gross advances by sector as at the dates indicated.

	As at 31 December		As at 30 June			
	2020	Percentage of total	2019	Percentage of total	2021	Percentage of total
	(HK\$’000, except percentages)					
Loans for use in Hong Kong Industrial, commercial and financial						
— Property development	3,408,076	4.4%	2,948,523	3.9%	3,264,855	4.0%
— Property investment	3,638,788	4.7%	2,990,725	3.9%	3,835,489	4.8%
— Financial concerns	6,026,042	7.8%	3,714,601	4.9%	6,947,278	8.6%
— Stockbrokers	2,276,150	2.9%	1,023,915	1.3%	2,102,042	2.6%
— Wholesale and retail trade	4,141,089	5.3%	6,201,435	8.2%	3,479,787	4.3%
— Manufacturing	709,330	0.9%	1,510,084	2.0%	924,742	1.2%
— Transport and transport equipment	655,320	0.9%	635,218	0.8%	836,960	1.0%
— Recreational activities	26,716	0.0%	14,440	0.0%	25,020	0.0%
— Information technology	72,620	0.1%	76,715	0.1%	403,100	0.5%
— Others	2,712,789	3.5%	4,172,343	5.5%	3,102,078	3.8%
Individuals						
— Loans for the purchase of flats under the Home Ownership Scheme, the Private Sector Participation Scheme and the Tenant Purchase Scheme	50,805	0.1%	34,610	0.0%	49,334	0.1%
— Loan for the purchase of other residential properties	4,460,498	5.7%	3,322,481	4.4%	4,787,459	5.9%
— Others	8,495,354	10.9%	7,803,061	10.3%	9,321,759	11.5%
Total loans for use in Hong Kong	36,673,577	47.2%	34,448,151	45.3%	39,079,903	48.3%
Trade finance	407,295	0.5%	1,500,565	2.0%	827,142	1.0%
Loans for use outside Hong Kong	40,699,774	52.3%	40,118,243	52.7%	40,942,276	50.7%
Gross advances to customers	77,780,646	100.0%	76,066,959	100.0%	80,849,321	100.0%

Geographical Concentration

The table below sets forth a summary of the Bank's advances to customers based on the locations of the counterparties, after taking into account the transfer of risk.

	As at 31 December		As at 30 June			
	2020	Percentage of total	2019	Percentage of total	2021	Percentage of total
	(HK\$'000, except percentages)					
Hong Kong	45,870,310	59.0%	44,810,458	58.9%	48,320,243	59.8%
PRC	25,528,684	32.8%	26,231,080	34.5%	26,438,696	32.7%
Others	<u>6,381,652</u>	<u>8.2%</u>	<u>5,025,421</u>	<u>6.6%</u>	<u>6,090,382</u>	<u>7.5%</u>
Total	<u>77,780,646</u>	<u>100.0%</u>	<u>76,066,959</u>	<u>100.0%</u>	<u>80,849,321</u>	<u>100.0%</u>

Customer Advance Concentrations

The Hong Kong Banking Ordinance generally prohibits any bank incorporated in Hong Kong from maintaining a financial exposure to any single person or group of connected persons in excess of 25% of its capital base. For a discussion of "financial exposure", see "*Regulation and Supervision — Principal Obligations of Authorised Institutions — Financial Exposure to Any One Customer*". In addition, to control concentration risk, the Group has set and adhered to a clustered limit (i.e. the aggregate amount of financial exposure to a counterparty or a group of linked counterparties exceeding 10% of the Bank's Tier 1 capital) in accordance with the Monetary Authority's Supervisory Policy Manual CR-G-8.

Advance Analysis

Approximately 7.17% of advances had a remaining maturity of more than five years as at 31 December 2020. As at 31 December 2020, the effective annualised interest rate for Hong Kong dollar consumer finance advances (other than overdrafts and credit cards) ranged from 0.68% to 7.50%. Rates which are lower than the above rates may be offered by the Bank under appropriate circumstances.

Home mortgages are secured by a first registered charge over the underlying property. Working capital advances for businesses are typically secured by fixed and floating charges over land, buildings, machinery, inventory and receivables. Term advances for specific projects or developments are typically secured against the underlying project's assets and its receivables, while additional guarantees are typically provided by the sponsors or shareholders. The Bank also receives guarantees in relation to certain of its other advances to cover, in the case of trade finance, any shortfall in security or, in the case of consumer advances to younger or less financially mature customers, to guarantee in what are otherwise unsecured advances.

All forms of security taken as collateral against credit facilities are monitored by the respective departments which extend the advances. In general, the collateral is periodically valued by an independent valuer to determine whether any additional collateral is required.

MANAGEMENT

The Bank is managed by its Board of Directors (the “**Board**”), which is responsible for the direction and management of the Bank. The Articles of Association of the Bank require that one-third of the directors who have been in office for the longest period of time since their last appointment or reappointment shall retire from office at the annual general meeting held each year, but shall be eligible for re-election.

Board of Directors

The Board of Directors of the Bank is comprised of the following individuals:

<u>Name</u>	<u>Age</u>	<u>Title</u>
Mr. WANG Xiaojian	49	Chairman and Non-executive Director
Mr. ZHENG Wei	54	Vice Chairman, Chief Executive and Executive Director
Mr. YU Kwok Chun	70	Vice Chairman and Independent Non-executive Director
Mr. ZHANG Dechun	58	Non-executive Director
Mr. WENG Rongbiao	51	Non-executive Director
Mr. TAN Wan Chye	87	Non-executive Director
Prof. WOO Chia-Wei	84	Independent Non-executive Director
Mr. LEE Hoi Yin, Stephen	62	Independent Non-executive Director
Mr. CHIU Ming Wah	68	Independent Non-executive Director
Mr. CHAN Yiu Fai.	64	Executive Director and Deputy Chief Executive

Mr. WANG Xiaojian, Chairman and Non-executive Director

Mr. Wang was appointed the Chairman and a Non-executive Director of the Bank in November 2021. Mr. Wang is the chairman of the board of Xiamen International Bank. Previously, he served successively as the Chairman of Xiamen Rural Commercial Bank, whilst concurrently served as the Chairman of the Board of Xiamen Financial Leasing Co., Ltd. and worked at Industrial and Commercial Bank of China. Mr. Wang holds a Master Degree in Business Administration from the Xiamen University and is an economist.

Mr. ZHENG Wei, Vice Chairman, Executive Director and Chief Executive

Mr. Zheng was appointed the Vice Chairman and an Executive Director of the Bank in March 2017 and was appointed the Chief Executive of the Bank in June 2017 and is a member of the Strategy and Corporate Governance Committee and the Risk Management Committee. Mr. Zheng is an Executive Director and Vice President of Xiamen International Bank. Mr. Zheng was the Deputy General Manager of Xiamen International Bank and the General Manager of the Shanghai Branch of Xiamen International Bank from July 2007 to February 2017. Mr. Zheng had also previously served various positions in Xiamen International Bank including the Deputy Manager of the Credit Department, the Deputy Manager and Manager of the Credit Management Department, the General Manager of the Zhuhai Branch and the Assistant General Manager of Xiamen International Bank. Mr. Zheng holds a Bachelor’s degree in Economics from the Xiamen University and is a senior economist.

Mr. YU Kwok Chun, Vice Chairman and Independent Non-executive Director

Mr. Yu was appointed an Independent Non-executive Director of the Bank in April 2002 and appointed as Vice Chairman in December 2018. He is also the Chairman of the Strategy and Corporate Governance Committee and a member of the Audit Committee of the Bank. Mr. Yu is Chairman of the Yue Hwa Group and Chairman of Yue Hwa Chinese Products Emporium Limited. Mr. Yu is active in various social services in Hong Kong as well as in the PRC. Mr. Yu is an Executive Member of the National Committee of The 13th Chinese National People's Political Consultative Conference and Vice Chairman of All-China Federation of Returned Overseas Chinese. He is a Member of the Advisory Committee of the Hong Kong Polytechnic University, the Founding Chairman and the First President of the Federation of Hong Kong Guangdong Community Organizations Limited, the Permanent Honorary Chairman and Vice Chairman of Friends of Hong Kong Association Limited, the Principal Chairman of The Hong Kong Federation of Overseas Chinese Associations, Committee Member of The Chinese General Chamber of Commerce, a Permanent Honorary Advisor of the Hong Kong Meizhou Federation, the Honorary Chairman of the Hong Kong Overseas Chinese General Association, the Honorary Chairman of Hong Kong Hakka Associations, the Permanent Honorary President and Founding Chairman of the Unified Association of Kowloon West Limited, and the Honorary President of the Hong Kong and Kowloon General Merchandise Merchants' Association Limited. Mr. Yu is the Vice President of Overseas Exchange Association of Guangdong Province, the Honorary President of the Guangdong, Hong Kong and Macau Cooperation Promotion Association of Guangdong Province, a Director and Vice Chairman of the Board of the Jinan University, Guangzhou, a Vice President of the Jinan University Education and Foundation Fund Limited, Guangzhou, Honorary President of the Board of Directors of Jiaying University, Meizhou, Guangdong Province, Vice Chairman of the Board of Directors of Beijing Chinese Language and Culture College, and Director of the First Board of Advisory Directors of Sun Yat Sen University, Guangzhou. Mr. Yu was awarded the honour of Justice of the Peace, Silver Bauhinia Star, Gold Bauhinia Star and Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region successively in 1998, 1999, 2006 and 2019. He holds a Bachelor's degree in Commerce from the MacQuarie University. He is an Honorary University Fellow of the Hong Kong Polytechnic University and the Hong Kong Baptist University and an Honorary Doctor of Business Administration of the City University of Hong Kong.

Mr. ZHANG Dechun, Non-executive Director

Mr. Zheng was appointed a Non-executive Director of the Bank in December 2021. Mr Zhang is the Executive Director and President of Xiamen International Bank. Concurrently, Mr Zhang serves as Director of Xiamen International Investment Limited and its four subsidiaries (namely Chiyu International Financial Holdings Limited, Pretty Won Co., Ltd., Fuxing Park Development Ltd. and XIB (Nominees) Ltd.), Shareholder Director of LIB, Director of China Banking Association, and Director of Xiamen University Cross-Strait Financial Development Research Centre. Previously, Mr Zhang had successively served as Deputy Manager of Personnel Affairs Department of Xiamen International Bank, Branch Director of LIB, Manager of Huli Business Department of Xiamen International Bank, Assistant General Manager and Deputy General Manager of Xiamen International Bank, Vice President and General manager of domestic institution of Xiamen International Bank and other positions. He holds a Bachelor's degree in Economics and is a senior economist.

Mr. WENG Rongbiao, Non-executive Director

Mr. Weng was appointed a Non-executive Director of the Bank in May 2021. Mr. Weng is currently the Vice Director of the Committee of Jimei Schools and the Curator of Tan Kah Kee Museum. Mr. Weng served as Director of General Office of the United Front Department of Xiamen Municipal CPC Committee of Fujian Province from December 2015 to August 2020. Mr. Weng had served successively as Deputy Director of the office and Principal Staff Member of the United Front Department of Xiamen Municipal CPC Committee of Fujian Province. Mr. Weng holds a Diploma in Artillery Command from Zhengzhou Antiaircraft Artillery College.

Mr. TAN Wan Chye, Non-executive Director

Mr. Tan was appointed a Non-executive Director of the Bank in June 1982. He is also a member of the Strategy and Corporate Governance Committee and the Audit Committee of the Bank. Mr. Tan is the largest individual shareholder of the Bank and is the son of Mr. Tan Kong Piat, the former Chairman of the Bank. Mr. Tan is the Chairman of Tan Kong Piat (Pte) Ltd, which is a holding company, Tan Kong Piat & Co Pte Ltd, which is an investment trading company, Asia Industrial Development (Pte) Ltd and Asia Property Development (Pte) Ltd, which are both property development companies. He had previously served as a Director of the following companies importing Chinese canned food and herb, Chung Nam Company (Pte) Ltd, Bin Hong Co Pte Ltd, Tiong Wan Pte Ltd and Nam Leong Co Sdn Bhd. He took part in the design & construction of Central Power Stations in England and Singapore. He is a Chartered Engineer, a Member of the Institute of Mechanical Engineers, England, and a Member of Institute of Engineers, Singapore. Mr. Tan is active in the charitable activities in Singapore. He is a board member of Buddhist Lodge Education Foundation, a board member of Mee Toh School, a Trustee of Kwan Im Thong Hood Cho Temple and Mee Toh Foundation, they distribute donations that amount to millions of Singaporean Dollars to schools, hospitals and charitable organisations. Mr. Tan holds a Bachelor of Engineering Degree from Manchester College of Science and Technology, University of Manchester, England. He also has a Post Graduate Diploma in Industrial Administration.

Prof. WOO Chia-Wei, Independent Non-executive Director

Prof. Woo was appointed an Independent Non-executive Director of the Bank in April 2002. He is also a member of the Nomination and Remuneration Committee of the Bank. Prof. Woo is also the Senior Advisor to Shui On Holdings Limited and the President Emeritus of the Hong Kong University of Science and Technology, an Independent Non-executive Director of each of Shanghai Industrial Holdings Limited and First Shanghai Investments Limited. Prof. Woo was previously the President, Provost, Department Head, and a Professor of several prominent universities in the United States of America. Prof. Woo was awarded the Gold Bauhinia Star by the Government of Hong Kong, the Commander of the Most Excellent Order of the British Empire by the United Kingdom, as well as Chevalier de la Legion d'Honneur by the President of France. He holds a Master's Degree and a PhD in Physics from Washington University in St. Louis in the United States.

Mr. LEE Hoi Yin, Stephen, Independent Non-executive Director

Mr. Lee was appointed an Independent Non-executive Director of the Bank in November 2013. He is also the Chairman of the Audit Committee and a member of the Risk Management Committee of the Bank. Mr. Lee has over 30 years' experience in accounting, auditing and financial management, at KPMG in London and Hong Kong. He was an audit partner of KPMG Hong Kong before becoming the Partner-in-Charge of the Risk & Compliance Advisory practices of KPMG in respect of Hong Kong, the PRC and the Asia Pacific region. Mr. Lee retired from KPMG in 2011, and is currently serving as an Adjunct Associate Professor at The Chinese University of Hong Kong and as Immediate Past President of The Institute of Internal Auditors Hong Kong Limited. He is a Non-executive Director of the Board of the Financial Reporting Council of Hong Kong and an Independent Director of Prime Property Fund Asia GP Pte Limited. He is a Fellow Member of The Hong Kong Institute of Certified Public Accountants and of The Institute of Chartered Accountants in England and Wales, and an Associate Member of The Institute of Internal Auditors. He holds a Bachelor's Degree in Accountancy from the City of London Polytechnic.

Mr. CHIU Ming Wah, Independent Non-executive Director

Mr. Chiu was appointed an Independent Non-executive Director of the Bank in February 2019. He is also the Chairman of the Risk Management Committee of the Bank. He is at present a Director of Shanghai Lingang Overseas Development Co. Limited. During 2001 to 2014, he was the Head of Audit

(General Manager) of Bank of China (HK) Limited as well as a Non-executive Director and the Chairman of the Audit Committee of the Bank. He was a member of the Shenyang Chinese National People's Political Consultative Conference during 2013 to 2017 and successively a member of the National People's Congress Election Committee of Hong Kong. Mr. Chiu holds a Bachelor of Business Administration in Accounting from Lincoln University, U.S.A and was a Certified Fraud Examiner (CFE) during 2000 to 2014.

Mr. CHAN Yiu Fai, Executive Director and Deputy Chief Executive

Mr. Chan was appointed an Executive Director of the Bank in March 2003 and the Deputy Chief Executive (formerly known as Deputy General Manager) of the Bank in December 2002. Presently he is mainly responsible for the information technology, business support and internal control functions of the Bank. Between 1981 and 2001, Mr. Chan had served various positions in the Hua Chiao Commercial Bank including the Branch Manager, the Head of Business Development Department, China Business Department, Strategic Planning Department and Project Research Department. He was the Head of the Mainland Branch Business Department of Bank of China (Hong Kong) Limited in October 2001. Mr. Chan holds a Bachelor's Degree in Business Administration from The Chinese University of Hong Kong and a Master's Degree in Corporate Governance from Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong).

Organisation

The Group, in designing its management structure, has appointed a number of independent directors and established various committees (the "**Board Committees**") to assist the Board of Directors in supervising the Group.

Strategy and Corporate Governance Committee

The Strategy and Corporate Governance Committee ("SC") assists the Board in performing the following duties in respect of the strategy management and corporate governance of the Group:

- study and formulate the Group's development strategy, business objectives, risk management strategy, capital management strategy, human resource management strategy, technology development strategy, organisation and new business development strategy and medium and long-term development plan;
- review and evaluate the implementation process of strategies; make proposal on strategic adjustments in accordance with the changes in the business environment;
- exercise decision making and monitoring power on behalf of the Board during the period between the Board meetings;
- recommend on the setup plan proposed by senior management;
- monitor corporate governance system, evaluate regularly and make suggestions to improve the corporate governance of the Group;
- check the implementation of the Group's annual business plan and major investment plans, make recommendations on major investment projects of the Bank, and report to the board of directors for consideration and approval; and
- perform the relevant duties of such committees under the authorisation of the board of directors when other committees under the board of directors are unable to perform certain duties due to conflicts of interest or other reasons.

As at the date of this Offering Circular, the members of the SC are Mr. Yu Kwok Chun (Chairman of the SC), Mr. Tan Wan Chye and Mr. Zheng Wei; each a member of the Board. Four SC meetings were held in the year ended 31 December 2021, with an attendance rate of 100 per cent.

Audit Committee

The Audit Committee (“**AC**”) assists the Board in overseeing, among others, the following areas:

- integrity of financial statements and the financial reporting process;
- the internal control systems;
- effectiveness of internal audit function and the performance appraisal of the General Manager of Audit Department;
- appointment of external auditor and the assessment of the qualification, independence and performance of the external auditor;
- periodic review and annual audit of the Group’s financial statements;
- compliance with applicable accounting standards, as well as legal and regulatory requirements on financial disclosures; and
- the corporate governance framework of the Group and its implementation.

As at the date of this Offering Circular, the members of the AC are Mr. Lee Hoi Yin, Stephen (Chairman of the AC), Mr. Tan Wan Chye and Mr. Yu Kwok Chun; each a Non-executive Director of the Bank. Among them, Mr. Lee Hoi Yin, Stephen and Mr. Yu Kwok Chun are Independent Non-executive Directors. Five AC meetings were held in the year ended 31 December 2021, with an attendance rate of 100 per cent.

Risk Management Committee

The Risk Management Committee (“**RC**”) assists the Board in performing the following duties in respect of the risk management of the Group:

- formulation of the risk appetite and risk management strategy of the Group;
- monitoring of various types of risks faced by the Group;
- review and monitoring of the changes in the Group’s risk profile;
- review and monitoring of the Group’s compliance with the risk management policies, system, internal control procedures and regulatory requirements;
- review and approval of significant risk-related policies and risk limits of the Group; and
- review of risk-related information submitted by the Group.

As at the date of this Offering Circular, the members of the RC are Mr. Chiu Ming Wah (Chairman of the RC), Mr. Lee Hoi Yin, Stephen and Mr. Zheng Wei; each a Director of the Bank. Among them, Mr. Chiu Ming Wah and Mr. Lee Hoi Yin, Stephen are Independent Non-executive Directors of the Bank. Four RC meetings were held in the year ended 31 December 2021, with an attendance rate of 92 per cent.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee (“NRC”) assists the Board in, among others, the following areas:

- development of the human resources strategy, remuneration strategy and incentive framework of the Group;
- assist with group governance and bank culture promotion;
- selection, nomination and appointment of directors, Board Committee members, senior management and key personnel;
- determining the structure, size, composition and qualification (including but not limited to gender, age, cultural and educational background, ethnicity, geographical location, professional experience, skills, knowledge and track records, etc.) of the Board and the Board Committees;
- determining the remuneration of directors, Board Committee members, senior management and key personnel;
- monitoring the effectiveness of the Board and the Board Committees; and
- training and continuous professional development of directors and senior management.

As at the date of this Offering Circular, the members of the NRC are Mr. Yu Kwok Chun (Chairman of the NRC), Mr. Chiu Ming Wah and Mr. Woo Chia-Wei; each a Non-executive Director of the Bank. Mr. Yu Kwok Chun, Mr. Chiu Ming Wah and Mr. Woo Chia-Wei are Independent Non-executive Directors. Four NRC meetings were held in the year ended 31 December 2020, with an attendance rate of 100 per cent.

REGULATION AND SUPERVISION

The banking sector in Hong Kong is regulated by and subject to the provisions of the Banking Ordinance and to the powers and functions ascribed by the Banking Ordinance to the Monetary Authority. The Banking Ordinance provides that only authorised institutions (that is, banks which have been granted a banking licence (“**licence**”) by the Monetary Authority may carry on banking business (as defined in the Banking Ordinance) in Hong Kong and contains controls and restrictions on such banks (“**authorised institutions**”).

Supervision of Authorised Institutions in Hong Kong

The provisions of the Banking Ordinance are implemented by the Monetary Authority, the principal function of which is to promote the general stability and effectiveness of the banking system, especially in the area of supervising compliance with the provisions of the Banking Ordinance. The Monetary Authority supervises authorised institutions through, *inter alia*, a regular information gathering process, the main features of which are as follows:

- (1) each authorised institution must submit a monthly return to the Monetary Authority setting out the assets and liabilities of its operations in Hong Kong and a further comprehensive quarterly return relating to its principal place of business in Hong Kong and all local branches, although the Monetary Authority has the right to allow returns to be made at less frequent intervals;
- (2) the Monetary Authority may order an authorised institution, any of its subsidiaries, its holding company or any subsidiaries of its holding company to provide such further information (either specifically or periodically) as it may reasonably require for the exercise of its functions under the Banking Ordinance or as it may consider necessary to be submitted in the interests of the depositors or potential depositors of the authorised institution concerned. Such information shall be submitted within such period and in such manner as the Monetary Authority may require. The Monetary Authority may in certain circumstances also require such information or any return submitted to it to be accompanied by a certificate of the authorised institution’s auditors (approved by the Monetary Authority for the purpose of preparing the report) confirming compliance with Banking Ordinance and certain matters;
- (3) authorised institutions may be required to provide information to the Monetary Authority regarding companies in which they have an aggregate 20 per cent. or more direct or indirect shareholding or with which they have common directors or managers (as defined in the Banking Ordinance), the same controller, a common name or a concert party arrangement to promote the authorised institution’s business;
- (4) in addition, authorised institutions are obliged to report to the Monetary Authority immediately of their likelihood of becoming unable to meet their obligations or of the commencement of material civil proceedings applicable only to authorised institutions incorporated in Hong Kong;
- (5) the Monetary Authority may direct an authorised institution to appoint an auditor to report to the Monetary Authority on the state of affairs and/or profit and loss of the authorised institution or the adequacy of the systems of control of the authorised institution or other matters as the Monetary Authority may reasonably require;
- (6) the Monetary Authority may, at any time, with or without prior notice, examine the books, accounts and transactions of any authorised institution, and in the case of an authorised institution incorporated in Hong Kong, any local branch, overseas branch, overseas representative office or subsidiary, whether local or overseas, of such institution; such inspections are carried out by the Monetary Authority on a regular basis; and

- (7) authorised institutions are required to give written notice to the Monetary Authority immediately of any proposal to remove an auditor before the expiration of his term of office or replace an auditor at the expiration of his term of office.

Exercise of Powers over Authorised Institution

The Monetary Authority may, after consultation with the Financial Secretary, exercise certain powers over the conduct of authorised institutions in any of the following circumstances:

- (1) when an authorised institution informs the Monetary Authority that it is likely to become unable to meet its obligations, that it is insolvent, or that it is about to suspend payment;
- (2) when an authorised institution becomes unable to meet its obligations or suspends payment;
- (3) if after an examination or investigation, the Monetary Authority is of the opinion that an authorised institution:
 - (i) is carrying on its business in a manner detrimental to the interests of its depositors or potential depositors or of its creditors or of holders or potential holders of multi-purpose cards issued by it or the issue of which is facilitated by it;
 - (ii) is insolvent or is likely to become unable to meet its obligations or is about to suspend payment;
 - (iii) has contravened or failed to comply with any of the provisions of the Hong Kong Banking Ordinance; or
 - (iv) has contravened or failed to comply with any condition attached to its licence or certain conditions in the Banking Ordinance; and
- (4) where the Monetary Authority's power under section 22(1) of the Banking Ordinance to revoke the authorisation of an authorised institution is exercisable (as discussed below); and
- (5) where the Financial Secretary advises the Monetary Authority that he considers it in the public interest to do so.

In any of the circumstances described above, the Monetary Authority, after consultation with the Financial Secretary, may exercise any of the following powers:

- (1) to require the authorised institution, by notice in writing served on it, forthwith to take any action or to do any act or thing whatsoever in relation to its business and property as the Monetary Authority may consider necessary;
- (2) to direct the authorised institution to seek advice on the management of its affairs, business and property from an adviser approved by the Monetary Authority;
- (3) to assume control of and carry on the business of the authorised institution, or direct some other person to assume control of and carry on the business of the authorised institution; or
- (4) to report to the Chief Executive in Council in certain circumstances (in which case the Chief Executive in Council may exercise a number of powers including directing the Financial Secretary to present a petition to the Court of First Instance for the winding-up of the authorised institution).

Revocation and Suspension of Banking Licence

The Monetary Authority also has powers to recommend the revocation or suspension of a licence. Both powers are exercisable after consultation with the Financial Secretary and with a right of appeal of the authorised institution concerned except in the event of temporary suspension in urgent cases. The grounds for suspension or revocation include the following:

- (1) the authorised institution no longer fulfils the criteria for authorisation and the requirements for registration;
- (2) the authorised institution is likely to be unable to meet its obligations or to suspend payment or proposes to make, or has made, any arrangement with its creditors or is insolvent;
- (3) the authorised institution has failed to provide material information required under the Hong Kong Banking Ordinance or has provided false information;
- (4) the authorised institution has breached a condition attached to its licence;
- (5) a person has become or continues to be a controller or chief executive or director of the authorised institution after the Monetary Authority has made an objection;
- (6) the interests of the depositors require that the licence be revoked; or
- (7) the authorised institution is engaging in practices likely to prejudice Hong Kong as an international financial centre or in practices (specified in the Monetary Authority guidelines) which should not be engaged in.

Revocation or suspension of a licence means that the authorised institution can no longer conduct banking business (for the specified period in the case of a suspension).

Principal Obligations of Authorised Institutions

The obligations of an authorised institution under the Hong Kong Banking Ordinance, which are enforced by the Monetary Authority through the system described above, include, but are not limited to, the following:

Capital Adequacy

An authorised institution incorporated in Hong Kong must at all times maintain a total capital adequacy ratio of at least 8.0 per cent., calculated as the ratio (expressed as a percentage) of its capital base to its risk-weighted exposure as more fully described below. In relation to an authorised institution with subsidiaries, the Monetary Authority may require the ratio to be calculated on a consolidated basis, or on both a consolidated and an unconsolidated basis, or on a consolidated basis only in respect of such subsidiaries of the authorised institution as may be specified by the Monetary Authority. The Monetary Authority may, after consultation with the authorised institution concerned, increase the ratio for any particular authorised institution. An authorised institution is under a duty to inform the Monetary Authority immediately of a failure to maintain the required capital adequacy ratio and to provide the Monetary Authority with such particulars as it may require. It is an indictable offence not to do so, and the Monetary Authority is entitled to prescribe remedial action.

The capital base of an authorised institution is, broadly speaking but not limited to, all its paid-up capital and reserves, its profit and loss account including its current year's profit or loss, together with perpetual and term subordinated debt meeting prescribed conditions, general provisions against doubtful debts subject to certain limitations and a portion of its latent reserves arising from the revaluation of long-term holdings of specified equity securities or its reserves on the revaluation of real property.

The risk-weighted exposure is determined by:

- (1) multiplying risk-weight factors to the book value of various categories of assets (including but not limited to notes and coins, Hong Kong government certificates of indebtedness and cash items in the course of collection);
- (2) multiplying the credit conversion factors to various off-balance sheet items (including but not limited to direct credit substitutes, trade-related contingencies, forward asset purchase, other commitments, exchange rate contracts, interest rate contracts and securities financing transactions) to determine their credit equivalent amount;
- (3) aggregating the amounts determined pursuant to (1) and (2); and
- (4) subtracting from the amount determined pursuant to (3) the value of general provisions not included in the capital base of the authorised institution and the amount by which the book value of reserves on revaluation of real property exceeds the book value of such reserves as at the period-end.

The capital adequacy standards described above are commonly known as Basel II, and there are four approaches under Basel II to calculate credit risks, namely the basic approach, the standardised approach, foundation internal rating based approach and the advanced internal ratings based approach. Authorised institutions in Hong Kong under Basel II can choose either one out of the four approaches, with the foundation internal rating based approach and advanced internal rating based approach requiring approval from the Monetary Authority.

In December 2010 and January 2011, the Basel Committee issued the Basel III requirements to raise the quality, consistency and transparency of banks' capital base and new global liquidity standards. Among other things, Basel III will increase the minimum capital adequacy ratio requirements in relation to risk-weighted assets, with the common equity requirement rising from 2 per cent. to 4.5 per cent. and the Tier 1 capital requirements rising from 4 per cent. to 6 per cent. The total minimum capital requirement remains unchanged at 8 per cent. The initial stage of these proposed Basel III reforms has been implemented by the government of Hong Kong since the beginning of 2013, and the full implementation of the reforms is expected to be completed by 2023. The Monetary Authority has taken steps to implement Basel III in Hong Kong in accordance with the timetable of the Basel Committee.

The Banking Ordinance was amended in 2012 to facilitate the implementation of the Basel III capital and disclosure requirements in Hong Kong. More specifically, the amendments made to the Banking Ordinance empowered the Monetary Authority to:

- (a) prescribe capital requirements for authorised institutions incorporated in Hong Kong for authorised institutions incorporated in Hong Kong or elsewhere; and
- (b) issue and approve codes of practice for the purpose of providing guidance in respect of the requirements.

The Banking (Capital) Rules (Cap. 155L) of Hong Kong set out the capital requirements applicable to authorized institutions in Hong Kong. These capital requirements were phased in over several years and include:

- the imposition of three minimum risk-weighted capital ratios, namely Common Equity Tier 1 capital ratio, Tier 1 capital ratio and total capital adequacy ratio and a non-risk based leverage ratio requirement;
- the introduction of capital buffers, namely the capital conservation buffers, countercyclical capital buffers and in the case of authorised institutions considered by the Monetary Authority as systemically important, higher loss absorbency requirements;
- the introduction of capital requirement for counterparty risk effect; and
- the introduction of Basel III criteria for capital instruments to qualify as regulatory capital, with transitional arrangements for any capital instruments issued prior to 1 January 2013 to phase out their inclusion in an authorised institution's capital base over a 10 year period.

Basel III liquidity, exposure limits and disclosure requirements have also been implemented in Hong Kong through (i) the Banking (Liquidity) Rules (Cap. 155Q) of Hong Kong, where authorised institutions are required to comply with requirements relating to the liquidity coverage ratio, the net stable funding ratio, the liquidity maintenance ratio and core funding ratio, depending on their categorisation, (ii) the Banking (Exposure Limits) Rules (Cap. 155S) of Hong Kong, effective 1 July 2019, which implements the Basel Committee on Banking Supervision's 2014 large exposures standards and updates other exposure limits, and (iii) the Banking (Disclosure) Rules (Cap. 155M) of Hong Kong, which sets out certain disclosure requirements.

The Hong Kong "Resolution Regime"

The FRO became effective on 7 July 2017. FRO provides a range of tools to implement and execute the resolution of a failing within scope financial institutions. The Monetary Authority is the relevant resolution authority in relation to the Issuer.

The statutory objectives of the FRO resolution regime in relation to financial institutions, such as the Issuer, are: (1) to promote and maintain the stability and effectiveness of the Hong Kong financial system; (2) to protect deposits to no less an extent than they would be protected on a winding up of the financial institution; (3) to protect client assets to no less an extent than they would be protected on a winding up of the financial institution; and (4) subject to the above objectives, to contain the cost of resolution and protect public money.

The Monetary Authority can exercise a number of powers to require within scope financial institutions, such as the Issuer, to require proactive planning for resolution, remove impediments to resolution, navigate resolution and, where appropriate, recognise international resolution actions taken by resolution authorities outside Hong Kong.

Prior to initiating the resolution of a within scope financial institution, the Monetary Authority must be satisfied that: (1) the financial institution has ceased or is likely to cease to be viable; (2) it is not reasonably likely that private sector action will be taken (outside resolution) that will result in the financial institution becoming viable within a reasonable period; and (3) the non-viability of the financial institution poses risks to the stability and effectiveness of Hong Kong's financial system and resolution will avoid or mitigate those risks.

Within scope financial institutions are required to include recognition of write-down or conversion in certain contracts, for example, clearing and settlement systems arrangements, netting arrangements, secured arrangements, structured finance arrangement and title transfer arrangements.

The Monetary Authority has certain powers in relation to within scope financial institutions, for example the Monetary Authority can:

- order the financial institution to share certain information;
- undertake a resolvability assessment at any time to determine whether a financial institution needs to take further steps to reduce impediments to resolution;
- impose a levy on within scope financial institutions within the same sector as any financial institution that fails, in order to fund the resolution of that failed financial institution;
- give notice for the financial institution to take certain measures to remove impediments to resolution (such as altering its group structure, assets, liabilities or operations);
- make bail-in orders, which allow it to, amongst other things, write off or conversion of the financial institution's Additional Tier 1 capital instruments or Tier 2 capital instruments, such as the Bonds;
- do all things necessary or expedient to perform the functions of resolution authority under FIRO; and
- order the resolution of a within scope financial institution.

Certain liabilities are, however, excluded from the scope of resolution actions by the Monetary Authority under FIRO, for example, secured liabilities (to the extent they are secured), short-term interbank liabilities and deposits.

Institutions that are subject to certain resolution tools (such as a write-off or conversion of capital instruments) will automatically have their authorisations to carry on a regulated business suspended.

The Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements — Banking Sector) Rules (Cap. 628B) of Hong Kong were also enacted in late-2018 to impose loss-absorbing capacity (“LAC”) requirements on authorised institutions. Such LAC requirements are in addition to, and complement, regulatory capital requirements of the Banking (Capital) Rules (Cap. 155L) of Hong Kong and are intended to ensure that within-scope financial institutions have adequate LAC such that the failure of such institutions can be managed in an orderly way. However, the definitive LAC requirements that apply to a particular authorised institution will be determined depending on institution-specific circumstances of that authorised institution in a way which supports the preferred resolution strategy of the authorised institution, and imposed in accordance with the LAC Rules, depending on institution-specific circumstances of that authorised institution.

Liquidity

Authorised institutions must maintain at all times a liquidity coverage ratio of not less than 100 per cent. In each calendar month, calculated as the ratio (expressed as a percentage) of the total weighted amount of a category 1 institution's high quality liquid assets (HQLA) to the total weighted amount of its total net cash outflows over 30 calendar days. In relation to an authorised institution with subsidiaries, the Monetary Authority may require that ratio to be calculated on a consolidated basis, or both on a consolidated basis and an unconsolidated basis, or on a consolidated basis only in respect of such subsidiaries of the authorised institution as may be specified by the Monetary Authority. An authorised

institution has a duty to inform the Monetary Authority if the ratio requirement is not fulfilled and provide it with such particulars of that contravention as it may require, and it is an indictable offence not to do so; the Monetary Authority is entitled to prescribe remedial action. For the purpose of the liquidity ratio, in the case of an authorised institution which has places of business in Hong Kong and elsewhere, its places of business in Hong Kong are collectively treated as a separate authorised institution to which the liquidity ratio provisions would apply.

The detailed calculation methodology and instructions are set out in the supervisory policy manual of Hong Kong Monetary Authority.

Financial Exposure to Any One Customer

The financial exposure of an authorised institution incorporated in Hong Kong to any one person or group of connected persons must not (subject to certain exceptions) exceed 25.0 per cent. of the capital base of the authorised institution. Subject to certain exclusions, the authorised institution's financial exposure to any one person or group of connected persons is taken to be the aggregate of:

- (1) all advances, loans and credit facilities granted to that person or group;
- (2) the value of the authorised institution's holdings of shares, debentures and other debt securities issued by that person or group; and
- (3) the principal amount, multiplied by a factor to be specified by the Monetary Authority, for off-balance sheet items resulting from transactions between the authorised institution and that person or group.

For these purposes, persons shall be treated as connected if one company is the subsidiary of another, they have a common holding company, they have a common controller (not being a company) or if one (not being a company) is a controller of another (being a company).

The calculation of financial exposure does not include financial exposure to the Hong Kong government or authorised institutions or financial exposure generally to the extent it is secured by a cash deposit, a guarantee, an undertaking, certain specified securities or a letter of comfort accepted by the Monetary Authority.

If a person or a company to whom an authorised institution is financially exposed is a trustee of more than one trust, the Monetary Authority may, by notice in writing, extend the limit of the authorised institution's financial exposure to that person or company.

Other Restrictions on Lending

The Banking Ordinance also provides that:

- (1) authorised institutions may not grant any loan, advance or credit facility (including letters of credit) or give any guarantee or incur any other liability against the security of their own shares (or, except with the approval of the Monetary Authority, that of their respective holding companies, subsidiaries or fellow subsidiaries of such holding companies);
- (2) the amount of the facilities which a Hong Kong incorporated authorised institution may make available on an unsecured basis to its controllers, its directors, their relatives or certain of its employees and persons associated with any of them shall be subject to the restrictions set out therein; and

- (3) authorised institutions may not, except with the written consent of the Monetary Authority, provide to any one of their employees any unsecured facility of an amount in excess of that employee's salary for one year.

Restrictions on Investments in Land

An authorised institution incorporated in Hong Kong cannot purchase or hold any interest in land, whether situated in or outside of Hong Kong, of a value or to an aggregate value in excess of 25.0 per cent. of its capital base. There are exceptions for land held which in the opinion of the Monetary Authority is necessary for the operation of the business or for providing housing or amenities for staff.

Shareholding in Other Companies

An authorised institution incorporated in Hong Kong may not acquire or hold any part of the share capital of any other company or companies to an aggregate value which exceeds 25.0 per cent. of the authorised institution's capital base except for shares held by way of security for facilities and by virtue of acquisitions in satisfaction of debts due to it (which must, however, be disposed of at the earliest suitable opportunity and not later than 18 months after their acquisition unless the Monetary Authority agrees to a longer period). Shares held by virtue of underwriting and sub-underwriting commitments are, nevertheless, permitted provided the relevant shares are disposed of within seven working days or such longer period as the Monetary Authority may agree.

There are other exemptions for any holding of share capital approved by the Monetary Authority in other banks and companies carrying on nominee, executor, trustee or other functions related to banking business, the business of deposit taking, insurance, investments or other financial services.

Other Restrictions on Investment

The aggregate of the outstanding amounts of all facilities granted to or on behalf of an authorised institution's controllers, directors, their relatives, certain of its employees and their associates; the value of all holdings of share capital in other companies; and the value of all holdings of interests in land (including land purchased or held which is necessary for the conduct of business or the provision of housing or amenities for the staff of the institution) must not exceed 80.0 per cent. of its capital base.

Charges

An authorised institution incorporated in Hong Kong is not permitted to create any charges over its assets if either the aggregate value of all charges existing over its total assets is 5.0 per cent. or more of the value of those total assets or creating that charge would cause the aggregate value of all charges over its total assets to be more than 5.0 per cent. of the value of those total assets.

Restrictions on Overseas Activities

An authorised institution which is incorporated in Hong Kong is subject to a condition that it shall not establish or maintain any overseas branch or overseas representative office without the approval of the Monetary Authority. The Monetary Authority is empowered by the Banking Ordinance to require financial and other information regarding any such overseas branch to be supplied to it.

Further, an authorised institution incorporated in Hong Kong or its Hong Kong incorporated holding company may not without the consent of the Monetary Authority own a company incorporated outside of Hong Kong which may (whether or not in or outside of Hong Kong) lawfully take deposits from the public. The Monetary Authority may at any time attach in respect of any such approved overseas companies any conditions as the Monetary Authority may think proper.

Shareholders, Chief Executives and Directors

Limitations on Shareholders

The Monetary Authority has the power to object, on certain specified grounds, to persons becoming or being “**controllers**” of authorised institutions incorporated in Hong Kong. “**Controller**” in this context means:

- (1) a person who, either alone or with any associate(s), is entitled to exercise, or control the exercise of, 10.0 per cent. or more, but not more than 50.0 per cent., of the voting power at any general meeting of the authorised institution or of another company of which it is a subsidiary; or
- (2) a person who, either alone or with any associate(s), is entitled to exercise, or control the exercise of, more than 50.0 per cent. of the voting power at any general meeting of the authorised institution or of another company of which it is a subsidiary; or
- (3) a person in accordance with whose directions or instructions the directors of the authorised institution or of another company of which it is a subsidiary are accustomed to act (but does not include any professional advisors or managers appointed by the Monetary Authority to manage the authorised institution).

A person may not become a controller of an authorised institution incorporated in Hong Kong unless he has served a written notice on the Monetary Authority of his proposal to that effect and the Monetary Authority consents to his becoming such a controller or does not object within three months.

Within the three-month period, the Monetary Authority may object to the applicant’s proposal, unless it is satisfied that the applicant is a fit and proper person to become a controller; that depositors’ or potential depositors’ interests will not be threatened by that person being such a controller; and having regard to the applicant’s likely influence on that institution as a controller, the authorised institution is likely to continue to conduct its business prudently or that the applicant is likely to undertake adequate remedial action to ensure that the authorised institution will conduct its business prudently. The Monetary Authority may also object to the continuation of a person as a controller on similar grounds as in respect of new controllers.

Where a person becomes a controller (by virtue of being able to exercise or control the exercise of certain voting power in an authorised institution) after a notice of objection has been served on him or otherwise in the contravention of the procedure prescribed by the Banking Ordinance, the Monetary Authority may notify the controller that until further notice any specified shares are subject to one or more of the following restrictions:

- (1) any transfer of the shares or, in the case of unissued shares, any transfer of the right to be issued with them, and any issue of such shares, shall be void;
- (2) voting rights in respect of those shares shall not be exercisable;
- (3) no further shares in right or pursuant to any offer made to the shareholder shall be issued; or
- (4) except in a liquidation, no payments of any sums due from the authorised institution on the shares shall be paid.

In addition, the Monetary Authority may apply to court for an order that the shares be sold. Once the shares are sold, the proceeds (less the costs of sale) shall be paid into court and held for the benefit of the persons beneficially interested in them.

In the case of an indirect controller who does not have the approval of the Monetary Authority, the person concerned is prohibited from giving directions or instructions to the directors of the authorised institution or of another company of which it is a subsidiary.

Limitations on Persons Becoming Chief Executives or Directors

All authorised institutions must have a chief executive ordinarily resident in Hong Kong. A person requires the written consent of the Monetary Authority before becoming a chief executive and alternate chief executive.

The consent of the Monetary Authority is also required for a person to become a director of a Hong Kong incorporated authorised institution.

Supervision of Securities Business

The SFO, which came into operation in April 2003, introduced a substantial change to the conduct of securities business by banks. Banks are no longer exempted from the relevant regulations when they engage in securities business. Instead they are required to apply for registration with the SFC, which means they will have to meet the Fit and Proper Criteria set by the SFC. Likewise, staff engaged by banks in securities business will have to meet the Fit and Proper Criteria applicable to staff of brokerage firms. It is a statutory condition of registration for banks that each member of staff engaged by them in securities business is a fit and proper person. Banks will also have to comply with the various regulatory requirements set by the SFC in relation to their securities business, including the subsidiary legislation and the business conduct codes. Under the SFO, banks and their securities staff will be subject to the same range of disciplinary actions that are applicable to brokers and their staff in case they are guilty of misconduct or otherwise not fit and proper.

With the introduction of a new licensing regime under the SFO, corresponding changes have been made to the Banking Ordinance by way of the introduction of the Banking (Amendment) Ordinance 2002. Such ordinance came into operation simultaneously with the SFO and has enabled the Monetary Authority to enhance their regulatory functions in relation to securities businesses of banks and other authorised institutions that are registered under the SFO.

TERMS AND CONDITIONS OF THE BONDS

The following is the text of the Terms and Conditions of the Bonds (subject to completion and modification and excluding italicised text) which will be endorsed on each definitive certificate evidencing the Bonds.

The U.S.\$200,000,000 5.75 per cent. subordinated Tier 2 bonds due 2032 (each a “**Bond**” and together, the “**Bonds**”) of Chiyu Banking Corporation Limited (the “**Issuer**”) issued on 7 April 2022 (the “**Issue Date**”) are constituted by a trust deed (such trust deed as amended and/or supplemented and/or restated from time to time, the “**Trust Deed**”) dated 7 April 2022 and made between the Issuer and Bank of Communications Trustee Limited (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed). These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Bondholders (as defined below) are entitled to the benefit of, and are bound by, and are deemed to have notice of, all of the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time, the “**Agency Agreement**”) dated 7 April 2022 and made between the Issuer, the Trustee, Bank of Communications Co., Ltd. Hong Kong Branch as principal paying agent (the “**Principal Paying Agent**”, which expression shall include any successor thereto), as registrar (the “**Registrar**”, which expression shall include any successor thereto) and as transfer agent (the “**Transfer Agent**”, which expression shall include any successor and additional transfer agent thereto) and any other agents named therein. References to the “**Paying Agents**” include the Principal Paying Agent and references to the “**Transfer Agents**” include the Transfer Agent. References to the “**Principal Paying Agent**”, the “**Registrar**”, the “**Transfer Agent**” and the “**Agents**” below are to the principal paying agent, the registrar, the transfer agent and the agents for the time being for the Bonds. Copies of the Trust Deed and the Agency Agreement are available for inspection at all reasonable times during usual business hours by the Bondholders upon prior written request and proof of holding and identity to the satisfaction of the Trustee or the Principal Paying Agent, as the case may be, at the principal office of the Trustee (being at the Issue Date at 1/F, Far East Consortium Building, 121 Des Voeux Road Central, Central, Hong Kong) and at the specified office of the Principal Paying Agent.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

1 FORM, DENOMINATION AND TITLE

(A) Form and Denomination

The Bonds are issued in registered form in the specified denomination of U.S.\$250,000 and integral multiples of U.S.\$1,000 in excess thereof (referred to as the “**principal amount**” of a Bond). The principal amount of a Bond is subject to adjustment following the occurrence of a Non-Viability Event (as defined in Condition 4(B)) in accordance with Condition 4(B) and references in these Conditions to the “**principal amount**” of a Bond shall mean the principal amount of a Bond as so adjusted. The Bonds are represented by registered certificates (“**Certificates**”) and each Certificate shall represent the entire holding of Bonds by the same holder. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the “**Register**”) which the Issuer will procure to be kept by the Registrar at the Registrar’s specified office and in accordance with the provisions of the Agency Agreement.

Upon issue, the Bonds will be represented by a global certificate (the “Global Certificate”) registered in the name of a nominee of, and deposited with, a common depository for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”). The Conditions are modified by certain provisions contained in the Global Certificate.

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

(B) Title

Title to the Bonds passes only by registration in the Register as described in Condition 1(A). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate (other than the endorsed form of transfer) evidencing it or its theft or loss) and no person shall be liable for so treating the Bondholder.

In these Conditions, reference to “**Bondholders**” or “**holders**” in relation to any Bonds shall mean the persons in whose name the Bonds are registered in the Register (or in the case of a joint holding, the first named thereof).

2 TRANSFERS OF THE BONDS

(A) Transfers of Interests in Bonds

Subject to the Agency Agreement and Condition 2(D), one or more Bonds may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent may require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfers and registration of Bonds, the initial form of which is scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Bondholder upon request in writing and proof of holding and identity to the satisfaction of the Registrar.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(B) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2(A) shall be available for delivery within seven business days of receipt by the Registrar or, as the case may be, the relevant Transfer Agent of a duly completed form of transfer and surrender of the existing Certificate(s) for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or any Transfer Agent (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Registrar or, as the case may be, such Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(B), “**business day**” means a day, other than a Saturday, Sunday or public holiday, on which banks are open for business in the place of the specified office of the Registrar or the relevant Transfer Agent (as the case may be).

(C) Transfers Free of Charge

Registration of a transfer of Bonds and issuance of new Certificates shall be effected without charge by or on behalf of the Issuer or any Agent, but upon (i) payment by the relevant Bondholder (or the giving of such indemnity and/or security and/or pre-funding as the Issuer or any Agent may require) of any tax, duty or other governmental charges that may be imposed in relation to such transfer, (ii) the Registrar or the relevant Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the relevant Agent being satisfied that the regulations concerning transfers of Bonds have been complied with.

(D) Closed Periods

No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days prior to (and including) the due date of any payment of principal or interest in respect of the Bonds or (ii) during the period commencing on the date of a Non-Viability Event Notice (as defined in Condition 4(B) below) and ending on (and including) the close of business in Hong Kong on the effective date of the related Write-off (as defined in Condition 4(B) below).

(E) Partial Write-off in Respect of Bonds in Definitive Form

In the case of a partial Write-off, or partial cancellation, conversion, modification and/or change in form pursuant to Condition 4(C) of a holding of Bonds represented by a single Certificate, a new Certificate shall be issued to the relevant Bondholder in respect of the balance of the holding not Written-off or not subject to cancellation, conversion, modification and/or change in form pursuant to Condition 4(C) (as the case may be). New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or the Transfer Agent.

So long as the Bonds are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream or any other clearing system, no holder may require the transfer of a Bond to be registered during the period of five Clearing System Business Days (or such other period as the relevant clearing systems shall determine in

accordance with their rules and procedures) commencing on the Clearing System Business Day immediately following the date on which the Non-Viability Event Notice has been received by the relevant clearing systems (the “**Suspension Period**”).

3 STATUS AND SUBORDINATION OF THE BONDS

(A) Status of the Bonds

The Bonds constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The rights and claims of the Bondholders are subordinated in the manner described below.

(B) Subordination

Subject to the insolvency laws of Hong Kong and other applicable laws, in the event of a Winding-Up (as defined below) of the Issuer (other than pursuant to a Permitted Reorganisation (as defined below)), the rights and claims of the Bondholders to payment of principal and interest on the Bonds, and any other obligations in respect of the Bonds, shall rank (i) subordinate and junior in right of payment to, and of all claims of, (a) all unsubordinated creditors of the Issuer (including its depositors), and (b) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Bonds or rank senior to the Bonds by operation of law or contract; (ii) *pari passu* in right of payment to and of all claims of the holders of Parity Obligations; and (iii) senior in right of payment to, and of all claims of, the holders of Tier 1 Capital Instruments (as defined below) and the holders of other Junior Obligations, in each case, present and future, in the manner provided in the Trust Deed.

In the event of a Winding-Up, any claim of the Bondholders or the Trustee to principal or any interest under the Bonds will only be satisfied after all obligations of the Issuer ranking senior to the Bonds have been satisfied in whole.

(C) Qualification of the Bonds

The Bonds are intended to qualify as Tier 2 capital under the Capital Regulations (as defined below).

For the purposes of these Conditions:

“**Authorized Institution**” has the meaning given to that term in the Banking Ordinance (Cap. 155) of Hong Kong as amended or superseded from time to time.

“**Capital Regulations**” means the Banking (Capital) Rules (Cap. 155L) of Hong Kong as amended or superseded from time to time, or any other capital regulations from time to time applicable to the regulatory capital of Authorized Institutions incorporated in Hong Kong as issued or implemented by the Monetary Authority.

“**Junior Obligation**” means all classes of the Issuer’s share capital and any instrument or other obligation (including without limitation any preference shares) issued, entered into or guaranteed by the Issuer that ranks or is expressed to rank junior to the Bonds by operation of law or contract.

“**Monetary Authority**” means the Monetary Authority appointed under section 5A of the Exchange Fund Ordinance (Cap. 66) of Hong Kong as amended or superseded from time to time or any successor thereto.

“Parity Obligation” means any instrument or other obligation issued, entered into or guaranteed by the Issuer that constitutes or qualifies as a Tier 2 Capital Instrument (or its equivalent) under applicable Capital Regulations or any instrument or other obligation issued, entered into or guaranteed by the Issuer that ranks or is expressed to rank *pari passu* with the Bonds by operation of law or contract, which, for the avoidance of doubt, excludes any Junior Obligations of the Issuer.

“Permitted Reorganisation” means a solvent reconstruction, amalgamation, reorganisation, merger or consolidation whereby all or substantially all the business, undertaking or assets of the Issuer are transferred to a successor entity which assumes all the obligations of the Issuer under the Bonds.

“Subordinated Creditors” means all creditors the indebtedness of which is subordinated, in the event of the Winding-Up of the Issuer, in right of payment to, and of all claims of, the depositors and other unsubordinated creditors of the Issuer other than those whose claims rank or are expressed to rank by operation of law or contract *pari passu* with, or junior to, the claims of the Bondholders. For this purpose indebtedness shall include all liabilities, whether actual or contingent.

“Tier 1 Capital Instrument” means any instrument or other obligation issued, entered into or guaranteed by the Issuer that constitutes Tier 1 capital of the Issuer pursuant to the Capital Regulations.

“Tier 2 Capital Instrument” means any instrument or other obligation issued, entered into or guaranteed by the Issuer that constitutes Tier 2 capital of the Issuer pursuant to the Capital Regulations.

“Winding-Up” means a final and effective order or resolution by a judicial authority in the jurisdiction of incorporation of the Issuer for the bankruptcy, winding up, liquidation or similar proceeding in respect of the Issuer.

(D) Set-off

Subject to applicable law, no Bondholder may exercise, claim or plead any right of set-off, counter-claim or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Bonds and each Bondholder shall, by virtue of being the Bondholder of any Bond, be deemed to have waived all such rights of such set-off, counter-claim or retention.

In the event that any Bondholder nevertheless receives (whether by set-off or otherwise) directly in a Winding-Up Proceeding in respect of the Issuer any payment by, or distribution of assets of, the Issuer of any kind or character, whether in cash, property or securities, in respect of any amount owing to it by the Issuer arising under or in connection with the Bonds, other than in accordance with Condition 3(B), such Bondholder shall, subject to applicable law, immediately pay an amount equal to the amount of such payment or discharge to the liquidator for the time being in the Winding-Up of the Issuer for distribution and each Bondholder, by virtue of becoming a holder of any Bond, shall be deemed to have so agreed and undertaken with and to the Issuer and all depositors and other unsubordinated creditors of the Issuer for good consideration.

4 INTEREST; NON-VIABILITY LOSS ABSORPTION; AND HONG KONG RESOLUTION AUTHORITY POWER

(A) Interest Payments

(i) Interest

The Bonds bear interest on their outstanding principal amount (subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 4(B)) from, and including, the Issue Date at the applicable Interest Rate, payable semi-annually in arrear on 7 April and 7 October in each year (each an “**Interest Payment Date**”) in equal instalments, provided that in respect of the first Interest Payment Date on 7 October 2022 and on each Interest Payment Date thereafter up to but excluding the First Call Date, the interest payable shall be equal to U.S.\$28.75 per Calculation Amount.

Unless otherwise provided in these Conditions, each Bond will cease to confer the right to receive any interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event, interest shall continue to accrue at such rate (both before and after judgment) until the earlier of (a) the date on which all amounts due in respect of such Bond have been paid; and (b) three days after the date on which the full amount of moneys payable in respect of such Bond has been received by the Principal Paying Agent and notice to that effect has been given to the Bondholders in accordance with Condition 11 except to the extent that there is failure in the subsequent payment to the relevant Bondholder under these Conditions.

Any interest on the Bonds shall be made from distributable profits of the Issuer.

See “Risk Factors — Risk Factors Relating to the Bonds — The provisions on distributable profits in the Conditions are subject to interpretation by the relevant regulatory authorities and the application of relevant laws, rules and regulations” for more details.

The Bonds are not subject to any interest rate step-up or any other incentive to redeem. The interest is not linked to any credit rating of the Issuer and will not be adjusted according to changes in the credit rating of the Issuer in the future.

(ii) Interest Rate

The rate of interest (the “**Interest Rate**”) applicable to the Bonds shall be:

- (a) in respect of the period from, and including, the Issue Date to, but excluding, 7 April 2027 (the “**First Call Date**”), 5.75 per cent. per annum; and
- (b) in respect of the period from, and including, the First Call Date to, but excluding, 7 April 2032 (the “**Maturity Date**”), the Reset Interest Rate.

For the purposes of these Conditions:

“**Calculation Agent**” means the Principal Paying Agent and shall include any successor as calculation agent.

“**Calculation Business Day**” means any day, excluding a Saturday, a Sunday and a public holiday, on which banks are open for general business (including dealings in foreign currencies) in New York City and Hong Kong.

“**Calculation Date**” means the Calculation Business Day immediately preceding the First Call Date.

“**Comparable Treasury Issue**” means the U.S. Treasury security selected by the Issuer as having a maturity of five years that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of five years.

“**Comparable Treasury Price**” means, with respect to the Calculation Date, the average of three Reference Treasury Dealer Quotations for such Calculation Date.

“**Reference Treasury Dealer**” means each of the three nationally recognised investment banking firms selected by the Issuer that are primary U.S. Government securities dealers.

“**Reference Treasury Dealer Quotations**” means with respect to each Reference Treasury Dealer and the Calculation Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Issuer by such Reference Treasury Dealer at 5:00 p.m. (New York City time), on the third Calculation Business Day preceding the Calculation Date and provided by the Issuer in writing to the Calculation Agent.

“**Reset Interest Rate**” means a fixed rate per annum (expressed as a percentage) equal to the aggregate of (a) the then-prevailing U.S. Treasury Rate (as determined as set out below) and (b) the Spread.

“**Spread**” means 3.202 per cent. per annum.

“**U.S. Treasury Rate**” means the rate in percentage per annum notified by the Calculation Agent to the Issuer and the Bondholders equal to the yield representing the average of the daily yields on U.S. Treasury securities having a maturity of five years for the week immediately prior to the Calculation Date as derived from the most recently published statistical release designated “H.15” under the caption “Treasury constant maturities” (or any successor publication that is published by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption “Treasury constant maturities” for the maturity of five years). If such release (or any successor release) does not display the relevant yields during the week immediately prior to the Calculation Date, “**U.S. Treasury Rate**” shall mean the rate in percentage per annum equal to the yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the Calculation Date. If there is no Comparable Treasury Price on the Calculation Date for whatever reason, “**U.S. Treasury Rate**” means the rate in percentage per annum as notified by the Calculation Agent to the Issuer and the Bondholders equal to the yield representing the average of the daily yields on U.S. Treasury securities having a maturity of five years for the week that were last available prior to the Calculation Date as derived from the most recently published statistical release designated “H.15” under the caption “Treasury constant

maturities” (or any successor publication that is published by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption “Treasury constant maturities” for the maturity of five years).

(iii) *Calculation of Interest and Reset Interest Rate*

The Calculation Agent will calculate the amount of interest in respect of any period by applying the applicable Interest Rate to the Calculation Amount. If interest is required to be paid in respect of a Bond on any date other than the Interest Payment Date, it shall be calculated by applying the applicable Interest Rate to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the principal amount of such Bond divided by the Calculation Amount, where “**Calculation Amount**” means U.S.\$1,000, subject to adjustment following occurrence of a Non-Viability Event; and “**Day Count Fraction**” means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months).

The Calculation Agent will, on the Calculation Date, calculate the Reset Interest Rate payable in respect of each Bond. The Calculation Agent will cause the Reset Interest Rate determined by it to be promptly notified to the Principal Paying Agent. Notice thereof shall also promptly be given by the Calculation Agent to the Issuer, the Trustee and the Registrar.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4(A) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Principal Paying Agent, the Trustee, the Registrar and the Bondholders and no liability to any such person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes unless caused directly by the fraud, gross negligence or wilful default of the Calculation Agent.

(iv) *Publication of Reset Interest Rate*

The Issuer shall cause notice of the Reset Interest Rate to be notified to the Bondholders as soon as practicable in accordance with Condition 11 after determination thereof.

(v) *Determination or Calculation by Successor Calculation Agent*

If the Calculation Agent does not at any time for any reason so determine the Reset Interest Rate, the Issuer shall as soon as practicable appoint a reputable financial institution of good standing as a successor calculation agent to do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the successor calculation agent shall apply the foregoing provisions of this Condition 4(A), with any necessary consequential amendments, to the extent that, in the opinion of the successor calculation agent, it can do so and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(B) Non-Viability Loss Absorption

The ability to operationally effect any Write-off of any Bonds under this Condition 4(B) with respect to the clearing and/or settlement of any Bonds in or through the relevant clearing system(s) is subject to the availability of procedures to effect any such Write-off in such clearing system(s). However, any Write-off of any Bonds with respect to the Issuer under this Condition 4(B) will be effective upon the date that the Issuer specifies in the Non-Viability Event Notice notwithstanding any inability to operationally effect any such Write-off in the relevant clearing system(s).

If a Non-Viability Event occurs and is continuing, the Issuer shall, upon or prior to the provision of a Non-Viability Event Notice, irrevocably (without the need for the consent of the Bondholders) reduce the then outstanding principal amount of, and cancel any accrued but unpaid interest in respect of, each Bond (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount per Bond (such reduction and cancellation, and the reduction and cancellation or conversion of any other Subordinated Capital Instruments so reduced and cancelled or converted upon the occurrence of a Non-Viability Event, where applicable, being referred to herein as the “**Write-off**”, and “**Written-off**” shall be construed accordingly).

Concurrently with the giving of the Non-Viability Event Notice, the Issuer shall procure (unless otherwise directed by the Monetary Authority) that (A) a similar notice be given in respect of other Subordinated Capital Instruments in accordance with their terms and (B) a Write-off concurrently and rateably with the Write-off of the Bonds, in respect of the aggregate principal amount of such other Subordinated Capital Instruments which constitute Parity Obligations on a pro rata basis with the Bonds.

Any Write-off pursuant to this provision will not constitute an Event of Default under the Bonds.

Any Bond may be subject to one or more Write-offs in part (as the case may be), except where such Bond has been Written-off in its entirety. Any references in these Conditions to principal in respect of the Bonds shall thereafter refer to the outstanding principal amount of the Bonds reduced by any applicable Write-off(s). In the case of a partial Write-off, a new Certificate shall be issued thereafter to each Bondholder in respect of the balance of the holding of Bonds not Written-off.

Once the outstanding principal amount of, and any accrued but unpaid interest under, the Bonds has been Written-off, the relevant amount(s) Written-off will not be restored in any circumstances including where the relevant Non-Viability Event ceases to continue. No Bondholder may exercise, claim or plead any right to any amount that has been Written-off, and each Bondholder shall, by virtue of his holding of any Bonds, be deemed to have waived all such rights to such amount that has been Written-off.

Each Bondholder shall be deemed to have authorised, ratified, directed (in the case of the Trustee only) and consented to the Trustee and the Agents to take any and all necessary action to give effect to any Write-off following the occurrence of the Non-Viability Event.

The Trustee and the Agents shall not be (a) responsible or liable to any Bondholder for monitoring or determining whether a Non-Viability Event has occurred, (b) responsible for verifying or calculating any amount in connection with a Non-Viability Event or for any Write-off of Bonds made pursuant to the Issuer’s directions, (c) responsible for preparing any

Non-Viability Event Notice, or (d) liable to the Issuer, the Bondholders or to any other person with respect to the notification and/or implementation of any Non-Viability Event by any of them in respect of such Bonds.

The Trustee and the Agents have no responsibility for, nor liability with respect to, actions taken or not taken by the clearing systems or its participants or members or any broker-dealers with respect to the notification or implementation of the Write-off, nor any application of funds or delivery of notices prior to a Write-off, or with respect to the return of any amount that was paid to any Bondholder following a Non-Viability Event in excess of the amount that should have been paid to such Bondholder.

For the purposes of this Condition 4(B):

“**Hong Kong Business Day**” means a day (other than a Saturday, Sunday and public holiday) on which commercial banks and foreign exchange markets are open for general business in Hong Kong.

“**Loss Absorption Effective Date**” means the date that will be specified as such in the applicable Non-Viability Event Notice as directed or approved by the Monetary Authority.

“**Non-Viability Event**” means the earlier of:

- (a) the Monetary Authority notifying the Issuer in writing that the Monetary Authority is of the opinion that a Write-off or conversion is necessary, without which the Issuer would become non-viable; or
- (b) the Monetary Authority notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable; or
- (c) the home authority of the Parent Bank notifying the Parent Bank in writing that the home authority is of the opinion that a Write-off or conversion is necessary, without which the Issuer or the Parent Bank would become non-viable; or
- (d) the home authority of the Parent Bank notifying the Parent Bank in writing that the home authority has decided that a public sector injection of capital or equivalent support, in the jurisdiction of the home authority, is necessary, without which the Issuer or the Parent Bank would become non-viable.

*The Issuer has been advised that pursuant to paragraph 2(1) of the Guiding Opinions on Capital Instrument Innovation of Commercial Banks (Revised) (《關於商業銀行資本工具創新的指導意見(修訂)》) (the “**Guiding Opinions**”), which were promulgated by the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) (in this paragraph, the “**CBIRC**”) on 22 November 2019, the references to the relevant “home authority” in paragraph (c) of the definition of “Non-Viability Event” shall mean the CBIRC and the relevant “home authority” in paragraph (d) of the definition of “Non-Viability Event” shall mean any of those authorities which may determine whether a public sector injection of capital or equivalent support, in the jurisdiction of such home authority, is necessary, without which the Issuer or the Parent Bank would become non-viable, including the State Council, the CBIRC, the Ministry of Finance and the People’s Bank of China. In making such determination, the relevant home authorities referred to in paragraph (d) of the definition of “Non-Viability Event” may consult each other and/or seek joint agreement*

among themselves. *The Administrative Measures for the Capital Management of Commercial Banks (Trial)* (《商業銀行資本管理辦法(試行)》), which were issued by the China Banking Regulatory Commission on 7 June 2012 and which became effective on 1 January 2013, and the Guiding Opinions will be subject to interpretation and application by the CBIRC and the other relevant authorities.

“**Non-Viability Event Notice**” means the notice which shall be given by the Issuer not more than two Hong Kong Business Days after the occurrence of a Non-Viability Event, to the Bondholders in accordance with Condition 11, and to the Trustee and the Paying Agents in writing and which shall state:

- (a) in reasonable detail the nature of the relevant Non-Viability Event;
- (b) the Non-Viability Event Write-off Amount for (i) each Bond; (ii) each other Subordinated Capital Instrument on the Loss Absorption Effective Date in accordance with its terms; and
- (c) the Loss Absorption Effective Date.

Following the receipt of a Non-Viability Event Notice by Euroclear and/or Clearstream and the commencement of the Suspension Period, Euroclear and/or Clearstream shall suspend all clearance and settlement of the Bonds. As a result, Bondholders will not be able to settle the transfer of any Bonds from the commencement of the Suspension Period, and any sale or other transfer of the Bonds that a Bondholder may have initiated prior to the commencement of the Suspension Period that is scheduled to settle during the Suspension Period will be rejected by Euroclear and/or Clearstream and will not be settled within Euroclear and/or Clearstream. See “Risk Factors — Risk Factors Relating to the Bonds — Transfers scheduled to settle through Euroclear and Clearstream (the “ICSDs”) are expected to be rejected if the scheduled settlement is after any suspension by the ICSDs of clearance and settlement of the Bonds in connection with a Non-Viability Event Notice or the exercise of the Hong Kong Resolution Authority Power. Furthermore, because of time zone differences and the delay between the time when a Non-Viability Event occurs or the Hong Kong Resolution Authority Power is exercised and when the ICSDs receive and process the Non-Viability Event Notice or the notice that the Hong Kong Resolution Authority Power has been exercised, it is possible that transfers may either (i) fail to settle through the ICSDs even though such transfers were initiated prior to the Non-Viability Event or the relevant cut-off time specified in any instrument evidencing the exercise of the Hong Kong Resolution Authority Power (the “Hong Kong Resolution Authority Power Instrument”) or (ii) are settled through the ICSDs even though such transfers were initiated after the Non-Viability Event or the relevant cut-off time specified in the Hong Kong Resolution Authority Power Instrument” in the Offering Circular for further details.

“**Non-Viability Event Write-off Amount**” means the amount of principal and/or interest to be Written-off as the Monetary Authority may direct or, in the absence of such a direction, as the Issuer shall (in consultation with the Monetary Authority) determine to be necessary to satisfy the Monetary Authority that the Non-Viability Event will cease to continue. For the avoidance of doubt, (i) the full amount of the Bonds will be Written-off in full in the event that the amount Written-off is not sufficient for the Non-Viability Event to cease to continue and (ii) in the case of an event falling within paragraph (b) or (d) of the definition of Non-Viability Event, the Write-off will be effected in full before any public sector injection of capital or equivalent support. Further, the Non-Viability Event Write-off Amount in respect of each Bond will be calculated based on a percentage of the outstanding principal amount of that Bond.

“**Parent Bank**” means Xiamen International Bank Co., Ltd. or any successor thereto.

“**Subordinated Capital Instrument**” means any Junior Obligation or Parity Obligation which contains provisions relating to a write-down or conversion into ordinary shares in respect of its outstanding principal amount on the occurrence, or as a result, of a Non-Viability Event and in respect of which the conditions (if any) to the operation of such provisions are (or with the giving of any certificate or notice which is capable of being given by the Issuer, would be) satisfied.

(C) Hong Kong Resolution Authority Power

Notwithstanding any other term of the Bonds, including without limitation Condition 4(B), or any other agreement or arrangement, each Bondholder and the Trustee shall be subject, and shall be deemed to agree, be bound by and acknowledge that they are each subject, to having the Bonds being written off, cancelled, converted or modified, or to having the form of the Bonds changed, in the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority without prior notice and which may include (without limitation) and result in any of the following or some combination thereof:

- (a) the reduction or cancellation of all or a part of the outstanding principal amount of, or interest on, the Bonds;
- (b) the conversion of all or a part of the outstanding principal amount of, or interest on, the Bonds into shares or other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Bonds; and
- (c) the amendment or alteration of the maturity of the Bonds or amendment or alteration of the amount of interest payable on the Bonds, or the date on which the interest becomes payable, including by suspending payment for a temporary period, or any other amendment or alteration of these Conditions.

With respect to (a), (b) and (c) above of this Condition 4(C), references to principal and interest shall include payments of principal and interest that have become due and payable (including principal that has become due and payable at any redemption date), but which have not been paid, prior to the exercise of any Hong Kong Resolution Authority Power. The rights of the Bondholders and the Trustee under the Bonds and these Conditions are subject to, and will be amended and varied, if necessary, solely to give effect to, the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority.

No repayment of the outstanding principal amount of the Bonds or payment of interest on the Bonds shall become due and payable or be paid after the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority unless, at the time that such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer under the laws and regulations applicable to the Issuer and the Group.

Upon the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Bonds, the Issuer shall provide a written notice regarding such exercise of the Hong Kong Resolution Authority Power to the Bondholders in

accordance with Condition 11 and to the Trustee in writing not more than two Hong Kong Business Days (as defined in Condition 4(B)) after the occurrence of such exercise of the Hong Kong Resolution Authority Power.

Neither the reduction or cancellation, in part or in full, of the outstanding principal amount of, or interest on the Bonds, the conversion thereof into another share, security or other obligation of the Issuer or another person, or any other amendment or alteration of these Conditions as a result of the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Issuer nor the exercise of the Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Bonds shall constitute an Event of Default under Condition 9(A).

For the purposes of these Conditions:

“**Group**” means the Issuer and its Subsidiaries.

“**Hong Kong Resolution Authority Power**” means any power which may exist from time to time under the Ordinance or any other laws, regulations, rules or requirements relating to the resolution of financial institutions, including licensed banks, deposit-taking companies, restricted licence banks, banking group companies, insurance companies and/or investment firms incorporated in or authorised, designated, recognised or licensed to conduct regulated financial activities in Hong Kong in effect and applicable in Hong Kong to the Issuer or other members of the Group (including, for the avoidance of doubt, powers under Part 4 and Part 5 of the Ordinance) or any other laws, regulations, rules or requirements relating thereto, as the same may be amended from time to time (whether pursuant to the Ordinance or otherwise), and pursuant to which obligations of a licensed bank, deposit-taking company, restricted licence bank, banking group company, insurance company or investment firm or any of its affiliates can be reduced, cancelled, transferred, modified and/or converted into shares or other securities or obligations of the obligor or any other person.

“**Ordinance**” means the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong as amended or superseded from time to time.

“**relevant Hong Kong Resolution Authority**” means any authority with the ability to exercise a Hong Kong Resolution Authority Power in relation to the Issuer from time to time.

“**Subsidiary**” of the Issuer means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer.

Please see “Risk Factors — Risk Factors Relating to the Bonds — The resolution regime in Hong Kong may override the contractual terms of the Bonds” in the Offering Circular for further information.

5 PAYMENTS

(A) Payments in Respect of the Bonds

- (i) Payments of principal in respect of Bonds shall be made against presentation and surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar and in the manner provided in Condition 5(A)(ii).

- (ii) Interest shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payment of any amounts shall be made by transfer to a U.S. dollar account maintained by or on behalf of such holder with a bank in New York City, details of which appear on the Register at the close of business on the Record Date.
- (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of the Bonds represented by such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

*So long as the Global Certificate is held on behalf of Euroclear and Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

- (iv) Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a business day or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(B) Payments subject to Fiscal Laws

Payments will be subject in all cases, to (i) any fiscal or other laws, regulations and directives applicable thereto, but without prejudice to the provisions of Condition 7, in the place of payment, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(C) Appointment of Agents

The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent appointed under the Agency Agreement and any Calculation Agent appointed in respect of any Bonds act solely as agents of the Issuer (or, as provided in the Trust Deed, as agents of the Trustee) and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to change or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or any Calculation Agent and to appoint additional or other Agents, in each case in accordance with the Agency Agreement, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) one or more Calculation Agent(s), and (v) such other agents as may be required by any other stock exchange on which the Bonds may be listed, in each case, as approved in writing by the Trustee.

Notice of any such change, termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Bondholders in accordance with Condition 11.

(D) Non-Business Days

If any date for payment in respect of any Bond is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 5, “**business day**” means a day (other than a Saturday, Sunday or public holiday) on which banks and foreign exchange markets are generally open for business in the relevant place of presentation of a Certificate (if presentation and/or surrender of such Certificate is required) and in New York City and Hong Kong and the place in which the specified office of the Principal Paying Agent is located.

6 REDEMPTION AND PURCHASE

(A) Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Bonds at their outstanding principal amount together with interest accrued to (but excluding) the Maturity Date, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 4(B). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(B) Redemption for Tax Reasons

Subject to Condition 6(G), the Bonds then outstanding may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 11, the Bondholders (which notice shall be irrevocable and shall specify the date fixed for redemption), if the Issuer satisfies the Trustee immediately before the giving of such notice that (a) it has or will become obliged to pay additional amounts as described under Condition 7 as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 29 March 2022 and (b) such obligation will apply on the occasion of the next payment due in respect of the Bonds and cannot be avoided by the Issuer taking reasonable measures available to it (a “**Withholding Tax Event**”); provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or give effect to such treatment, as the case may be, were a payment in respect of the Bonds then due.

Prior to giving any notice of redemption pursuant to this Condition 6(B), the Issuer shall deliver to the Trustee (i) a certificate signed by an Authorised Signatory of the Issuer stating that the requirement referred to in (a) above of this Condition 6(B) will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it and (ii) a copy of the written consent of the Monetary Authority as referred to in Condition 6(G); and the Trustee shall be entitled (but shall not be obliged) to accept such certificate and consent (without further investigation or enquiry) as sufficient evidence of the satisfaction of the conditions precedent set out above in this Condition 6(B), in which event they shall be conclusive and binding on the Bondholders.

Bonds redeemed pursuant to this Condition 6(B) will be redeemed at their outstanding principal amount together (if appropriate) with interest accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 4(B).

(C) Redemption for Tax Deduction Reasons

Subject to Condition 6(G), the Bonds then outstanding may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent, and, in accordance with Condition 11, the Bondholders (which notice shall be irrevocable, subject to Condition 4(C), and shall specify the date fixed for redemption), following the occurrence of a Tax Deduction Event.

For the purposes of this Condition 6(C), a “**Tax Deduction Event**” occurs if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (i) in respect of the interest payable on the Bonds, the Issuer is no longer, or will no longer be, entitled to claim a deduction in respect of computing its taxation liabilities in Hong Kong or any political subdivision or any authority thereof or therein having power to tax as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 29 March 2022; and
- (ii) such non tax deductibility cannot be avoided by the Issuer taking reasonable measures available to it,

provided that: (a) the conditions for redemption set out in Condition 6(G) have been satisfied and (b) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would cease to be able to claim a tax deduction in respect of the interest payable on the Bonds as provided in paragraph (i) above as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 29 March 2022.

Prior to giving any notice of redemption pursuant to this Condition 6(C), the Issuer shall deliver to the Trustee (i) a certificate signed by an Authorised Signatory of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that: (1) the conditions precedent to the right of the Issuer to redeem have occurred, and (2) such non tax deductibility cannot be avoided by the Issuer taking reasonable measures available to it and (ii) a copy of the written consent of the Monetary Authority as referred to in Condition 6(G) and the Trustee shall be entitled (but shall not be obliged) to accept such certificate and consent (without further investigation or enquiry) as sufficient evidence of the satisfaction of the conditions precedent set out above in this Condition 6(C), in which event it shall be conclusive and binding on the Bondholders.

Bonds redeemed pursuant to this Condition 6(C) will be redeemed at their outstanding principal amount together (if appropriate) with interest accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 4(B).

(D) Redemption of the Bonds for Regulatory Reasons

Subject to Condition 6(G), the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 11, the Bondholders (which notice shall be irrevocable and shall specify the date fixed for redemption) following the occurrence of a Capital Event.

For the purposes of this Condition 6(D), a “**Capital Event**” occurs if the Issuer satisfies the Trustee immediately before the giving of the notice of redemption referred in this Condition 6(D) that (a) the Bonds, after having qualified as such, will no longer qualify (in whole or in part) as Tier 2 Capital (or equivalent) of the Issuer and/or (b) the Bonds cease to be included in the calculation of the Issuer's capital adequacy ratio, as a result of a change or amendment in (or any change in the application or official interpretation of) the relevant provisions of the Banking Ordinance (Cap. 155) of Hong Kong, the Banking (Capital) Rules (Cap. 155L) of Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance issued by the Monetary Authority in relation thereto, in each case, as amended or modified from time to time (other than as a result of any discounting or amortisation requirements as to the eligibility of the Bonds for such inclusion pursuant to the relevant legislation, regulation and/or guidance in force from time to time), provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which it is determined that a Capital Event has occurred.

Prior to giving any notice of redemption pursuant to this Condition 6(D), the Issuer shall deliver to the Trustee (i) a certificate signed by an Authorised Signatory of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to redeem have occurred and (ii) a copy of the written consent of the Monetary Authority; and the Trustee shall be entitled (but shall not be obliged) to accept such certificate and consent (without further investigation or enquiry) as sufficient evidence of the satisfaction of the conditions precedent set out above in this Condition 6(D), in which event it shall be conclusive and binding on the Bondholders.

Bonds redeemed pursuant to this Condition 6(D) will be redeemed at their outstanding principal amount together (if appropriate) with interest accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 4(B).

(E) Redemption at the Option of the Issuer

The Issuer may, having given not less than 15 nor more than 45 days' notice to the Bondholders in accordance with Condition 11 and to the Trustee, the Principal Paying Agent and the Registrar (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all but not some only of the Bonds then outstanding on the First Call Date or any Interest Payment Date thereafter, at their outstanding principal amount together (if appropriate) with interest accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 4(B).

The Issuer does not provide any undertaking that it will redeem the Bonds at any time.

(F) Purchase and Cancellation

Subject to Condition 6(G), the Issuer or any affiliates of the Issuer over which the Issuer exercises control or significant influence may, at any time, purchase the Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any affiliates of the Issuer over which the Issuer exercises control or significant influence, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for, among other things, the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 9 and Condition 10(A).

All Certificates representing Bonds purchased by or on behalf of the Issuer and any affiliates of the Issuer over which the Issuer exercises control or significant influence shall be surrendered for cancellation to the Transfer Agent or the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

(G) Conditions for Redemption and Purchase in Respect of the Bonds

Notwithstanding any other provision in these Conditions, the Issuer shall not redeem any of the Bonds (other than pursuant to Condition 9), unless (i) the prior written consent of the Monetary Authority thereto shall have been obtained, to the extent such consent is required under the Banking Ordinance (Cap. 155) of Hong Kong, the Banking (Capital) Rules (Cap. 155L) of Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance issued by the Monetary Authority in relation thereto, in each case, as amended or modified from time to time and (ii) the CBIRC Redemption Conditions are satisfied.

Prior to redemption of any of the Bonds by the Issuer, the Parent Bank needs to report to CBIRC in writing in respect of such redemption and in such case, the Bonds will be redeemed by the Issuer on the basis that such redemption is confirmed by the CBIRC.

Neither the Issuer nor any affiliates controlled by it or over which it has significant influence (excluding the holding company of the Issuer) shall purchase any Bonds and the Issuer shall not directly or indirectly provide any financing for the purchase of any Bonds, unless in each case the prior written consent of the Monetary Authority thereto shall have been obtained, to the extent such consent is required under the Banking Ordinance (Cap. 155) of Hong Kong, the Banking (Capital) Rules (Cap. 155L) of Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance issued by the Monetary Authority in relation thereto, in each case, as amended or modified from time to time.

This Condition 6(G) shall not apply to the Issuer or any affiliates of the Issuer over which the Issuer exercises control or significant influence holding the Bonds in a purely nominee capacity.

In this Condition 6:

“**affiliate**” shall have the meaning as set out in the Banking (Capital) Rules (Cap. 155L) of Hong Kong or any successor legislation or regulations made thereunder.

“**CBIRC**” means the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), which expression shall include the China Banking Regulatory Commission which was merged with the China Insurance Regulatory Commission as the China Banking and Insurance Regulatory Commission in April 2018 or the China banking regulatory authorities of the State Council or any successor entity, including their respective local counterparts.

“**CBIRC Redemption Conditions**” means the following conditions precedent to the redemption of the Bonds by the Issuer:

- (i) the Bonds will be substituted with capital instruments of the same or superior quality to the Bonds and such substitution shall only be made at a time at which the Parent Bank (on a consolidated and non-consolidated basis) has a sustainable income generating capability; or
- (ii) the capital position of the Parent Bank (on a consolidated and non-consolidated basis) immediately after redemption of the Bonds will remain significantly higher than the regulatory capital requirements prescribed by the CBIRC.

7 TAXATION

All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. If the Issuer is required to make a deduction or withholding by or within Hong Kong, the Issuer shall pay such additional amounts as shall result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Bond:

- (i) *Other connection:* to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with Hong Kong other than the mere holding of such Bond; or
- (ii) *Presentation more than 30 days after the Relevant Date:* presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day.

Notwithstanding any other provision of these Conditions or the Trust Deed, any amounts to be paid on the Bonds by or on behalf of the Issuer, will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the Code (as defined in Condition 5(B)), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of any FATCA Withholding.

As used in these Conditions, “**Relevant Date**” in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Bondholders that, upon further presentation of the Bond (or the relevant Certificate) being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

References in these Conditions to (a) “**principal**” shall be deemed to include any premium payable in respect of the Bonds, and all amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (b) “**interest**” shall be deemed to include all interest and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it and (c) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition 7 or any undertaking given in addition to or in substitution for it under the Trust Deed.

8 PRESCRIPTION

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and will become void unless made within a period of 10 years (in the case of principal) or five years (in the case of interest) from the Relevant Date in respect of them (as defined in Condition 7).

9 EVENTS OF DEFAULT AND ENFORCEMENT

(A) Events of Default and Winding-Up Proceedings

- (i) If default is made in the payment of any amount of principal or interest in respect of the Bonds on the due date for payment thereof and such failure continues for a period of seven days in the case of principal or 14 days in the case of interest (each, an “**Event of Default**”) then in order to enforce the obligations of the Issuer, the Trustee at its sole discretion may and, if so requested in writing by holders of at least 25 per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed), shall (subject in any such case to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) institute Winding-Up Proceedings against the Issuer. Any Write-off pursuant to Condition 4(B) will not constitute an Event of Default under the Bonds.
- (ii) If an order is made or an effective resolution is passed for the Winding-Up of the Issuer (whether or not an Event of Default has occurred and is continuing) then the Trustee at its sole discretion may and, if so requested in writing by holders of at least 25 per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Bonds to be immediately due and payable, whereupon they shall become immediately due and payable at their outstanding principal amount together (if appropriate) with the interest accrued to (but excluding) the date of actual payment, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 4(B), without further action or formality.

In these Conditions, “**Winding-Up Proceedings**” means, with respect to the Issuer, proceedings in Hong Kong for the bankruptcy, liquidation, winding-up or other similar proceeding of the Issuer (as applicable).

(B) Enforcement

- (i) Without prejudice to Condition 9(A), the Trustee may subject as provided below, at its discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer if the Issuer fails to perform, observe or comply with any obligation, condition or provision relating to the Bonds binding on it under these Conditions or the Trust Deed (other than any obligation of the Issuer for the payment of any principal or interest in respect of the Bonds), provided that the Issuer shall not as a consequence of such steps, actions or proceedings be obliged to pay any sum or sums representing or measured by reference to principal or interest in respect of the Bonds sooner than the same would otherwise have been payable by it.
- (ii) The Trustee shall not be bound to take action as referred to in Conditions 9(A) and 9(B)(i) or any other action under these Conditions or the Trust Deed unless (a) it shall have been so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the Bonds then outstanding or so directed by an Extraordinary Resolution of the Bondholders and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.
- (iii) No Bondholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing.
- (iv) Subject to applicable laws, no remedy (including the exercise of any right of set-off or analogous event) other than those provided for in Condition 9(A) and Conditions 9(B)(i) and 9(B)(ii) above or submitting a claim in the Winding-Up of the Issuer will be available to the Trustee or the Bondholders.
- (v) No Bondholder shall be entitled either to institute proceedings for the Winding-Up of the Issuer or to submit a claim in such Winding-Up, except that if the Trustee, having become bound to institute such proceedings as aforesaid, fails to do so, or, being able and bound to submit a claim in such Winding-Up, fails to do so, in each case within a reasonable period and such failure is continuing, then any such Bondholder may, on giving an indemnity and/or security and/or pre-funding satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute Winding-Up Proceedings and/or submit a claim in the Winding-Up of the Issuer to the same extent (but not further or otherwise) that the Trustee would have been entitled to do.

10 MEETINGS OF BONDHOLDERS, MODIFICATIONS AND SUBSTITUTIONS

(A) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including without limitation the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed and the Agency Agreement. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee if requested in writing to do so by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or

representing Bondholders whatever the aggregate principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Bonds or any date for payment of interest on the Bonds, (ii) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Bonds, (iii) to reduce the rate or rates of interest in respect of the Bonds or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any interest in respect of the Bonds, (iv) to vary any method of, or basis for, calculating the relevant redemption amount, (v) to vary the currency or currencies of payment or denomination of the Bonds, or (vi) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 66 2/3 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on the Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the Bondholders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(B) Modifications and Waivers

(i) *Modification*

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (a) any modification of any of the provisions of the Trust Deed, the Agency Agreement or these Conditions that in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (b) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, the Agency Agreement and/or these Conditions that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders, and unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer to the Bondholders as soon as practicable.

(ii) *Substitution*

The Trust Deed contains provisions permitting (but not obliging) the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Bondholders, to the substitution of the Issuer's successor in business or any Subsidiary of the Issuer or its successor in business or any holding company of the Issuer or any other subsidiary of any such holding company or their respective successor in business in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed, the Agency Agreement and the Bonds.

(C) Entitlement of the Trustee

In connection with the performance and exercise of its functions, powers, rights and discretions (including but not limited to those referred to in this Condition 10), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to, or be responsible for, the consequences of such exercise for individual Bondholders and the Trustee, acting for and on behalf of Bondholders, shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee any indemnification or payment in each case in respect of any tax consequence of any such exercise upon individual Bondholders.

11 NOTICES

Notices given to the Bondholders pursuant to these Conditions shall be mailed to them by uninsured mail at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday, a Sunday or a public holiday) after the date of mailing and, so long as the Bonds are listed on a stock exchange or admitted to trading by another relevant authority and the rules of that exchange or a relevant authority so require, published in a daily newspaper having general circulation in the place or places required by those rules. If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

So long as the Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream or any other clearing system, notices to the Bondholders shall be validly given by the delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

12 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee and its affiliates are entitled to enter into business transactions with the Issuer and/or any entity related (directly or indirectly) to the Issuer without accounting for any profit.

The Trustee and the Agents may rely conclusively, and may act without liability to Bondholders or any other person on any report, confirmation, information or certificate from or any advice or opinion of any legal counsel, accountants, financial advisers, auditors, valuers, auctioneers, surveyors, brokers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely conclusively on any such report, confirmation, certificate, information, advice or opinion, in which event such report, confirmation, certificate, information, advice or opinion shall be binding on the Issuer and the Bondholders.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek

directions from the Bondholders or clarification of any directions by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such direction or clarifications from the Bondholders or in the event that no direction or clarification is given to the Trustee by the Bondholders.

None of the Trustee or any of the Agents shall be responsible or liable for the performance by the Issuer and any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer or any other person for any action taken by the Trustee in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds then outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed.

The Trustee shall have no obligation to monitor or supervise the functions or performance of any other person under the Bonds, the Trust Deed, the Agency Agreement or these Conditions or whether an Event of Default has occurred, and shall not be liable to the Bondholders or any other person for not doing so.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal of and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

13 REPLACEMENT OF CERTIFICATES

If a Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of any Transfer Agent and of the Registrar, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Certificate is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Certificates) and otherwise as the Issuer may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

15 GOVERNING LAW AND SUBMISSION TO JURISDICTION

(A) Governing Law

The Trust Deed, the Bonds and any non-contractual obligations arising out of or in connection with the Trust Deed and the Bonds are governed by, and shall be construed in accordance with, English law, save that the subordination provisions set out in Condition 3(B) (and related provisions of the Trust Deed) shall be governed by, and construed in accordance with, the laws of Hong Kong.

(B) Submission to Jurisdiction

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Bonds and accordingly any legal action or proceedings arising out of or in connection with any Bonds (a “**Dispute**”) may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(C) Appointment of Process Agent

The Issuer has irrevocably appointed Law Debenture Corporate Services Limited for the time being in England, currently at 8th Floor, 100 Bishopsgate, London, EC2N 4AG, United Kingdom as its agent for service of process in any proceedings before the English courts in relation to any Dispute. Such service shall be deemed completed on delivery to such process agent (whether or not forwarded to and received by the Issuer). The Issuer agrees that, in the event of such agent being unable or unwilling for any reason so to act, the Issuer will immediately appoint another person as its agent for service of process in England in respect of any Dispute and will notify the Trustee of such new process agent within 30 days of such agent becoming unable or unwilling for any reason so to act. Nothing herein shall affect the right to serve process in any other manner permitted by law.

16 HEADINGS

Headings are for convenience only and do not affect the interpretation of these Conditions.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains the following provisions which apply to the Bonds whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions.

The Bonds will be represented by a Global Certificate in registered form, which will be registered in the name of nominee of, and deposited with, a common depository for Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, promises to pay such principal sum to the holder thereof on such date or dates as the same may become payable in accordance with the Conditions and to pay interests on such principal sum in arrear on the dates and at the rate specified in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate, together with any additional amounts payable in accordance with the Conditions, all subject to and in accordance with the Conditions.

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system selected by the Issuer and approved in writing by the Trustee, the Principal Paying Agent and the Registrar (an “**Alternative Clearing System**”) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer at its own expense will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days’ notice at its specified office of such holder’s intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

Payment

So long as the Bonds are represented by the Global Certificate, each payment in respect of the Global Certificate will be calculated in respect of the total aggregate amount of the Bonds represented by the Global Certificate and made to the person shown as the holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the “**Record Date**”) where “**Clearing System Business Days**” means a weekday (Monday to Friday, inclusive) (except 25 December and 1 January).

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream or any Alternative Clearing System, notices to Bondholders shall be given by delivery of the relevant notice to Euroclear, Clearstream or (as the case may be) such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Conditions.

Transfers

Transfers of beneficial interests in the Bonds represented by the Global Certificate will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

Cancellation

Cancellation of any Bond represented by Global Certificate will be effected by reduction in the principal amount of the Bonds in the register of Bondholders and the Global Certificate on its presentation to or to the order of the Registrar for annotation.

Issuer's Redemption

The options of the Issuer provided for in Condition 6 (*Redemption and Purchase*) of the Conditions shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by that Condition.

Write-off

If a Write-off occurs at such time as the Bonds are represented by the Global Certificate, such Write-off will be reflected as a reduction in the aggregate principal amount of the Global Certificate and, unless the Issuer determines otherwise (acting in good faith and having regard to the rules and procedures of Euroclear or Clearstream or any Alternative Clearing System, as the case may be), the principal amount standing to the account of each accountholder shall correspondingly be reduced on a *pro rata* basis to the extent practicable. Any excess portion of the principal amount held thereafter by an accountholder that is not wholly divisible into the then adjusted Calculation Amount shall, for the purposes of voting rights, be disregarded.

Meetings

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless such Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each Calculation Amount then prevailing.

Calculation of Interest

So long as the Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, the Issuer has promised, *inter alia*, to pay interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by such Global Certificate.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

The Global Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar.

TAXATION

The following is a general description of certain tax considerations relating to the Bonds. It is based on law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Bonds. Prospective holders of Bonds who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction are advised to consult their own professional advisers.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Pursuant to the Exemption from Profits Tax (Interest Income) Order, interest income accruing to a person other than a financial institution, on deposits (denominated in any currency and whether or not the deposit is evidenced by a certificate of deposit) placed with, *inter alia*, an authorized institution in Hong Kong (within the meaning of section 2 of the Banking Ordinance (Cap. 155) of Hong Kong) is exempt from the payment of Hong Kong profits tax. This exemption does not apply, however, to deposits that are used to secure or guarantee money borrowed in certain circumstances. Provided no prospectus involving the issue of the Bonds is registered under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, the issue of the Bonds by the Issuer is expected to constitute a deposit to which the above exemption from payment will apply.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the

carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or subsequent transfer of the Bonds.

The proposed European Union financial transactions tax (the “FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances. The issuance and subscription of the Bonds should, however, be exempt.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional European Union Member States may decide to participate.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “**foreign financial institution**” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Hong Kong) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from

payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Bonds.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement dated 29 March 2022 (the “**Subscription Agreement**”) with BOCI Asia Limited, ABCI Capital Limited, China Industrial Securities International Brokerage Limited, CMBC Securities Company Limited, Haitong International Securities Company Limited, Huatai Financial Holdings (Hong Kong) Limited, Bank of China (Hong Kong) Limited, BOCOM International Securities Limited, China CITIC Bank International Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China Galaxy International Securities (Hong Kong) Co., Limited, China International Capital Corporation Hong Kong Securities Limited, CMB Wing Lung Bank Limited, CNCB (Hong Kong) Capital Limited, Guotai Junan Securities (Hong Kong) Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Luso International Banking Ltd., Nanyang Commercial Bank, Limited, TFI Securities and Futures Limited and Zhongtai International Securities Limited (together the “**Managers**”) pursuant to which, and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to the Managers, and the Managers have agreed to severally, but not jointly, subscribe and pay for the aggregate principal amount of the Bonds set forth opposite its name below:

Manager	Principal amount of the Bonds to be subscribed
	(in U.S.\$)
BOCI Asia Limited	24,000,000
ABCI Capital Limited	24,000,000
China Industrial Securities International Brokerage Limited	24,000,000
CMBC Securities Company Limited	24,000,000
Haitong International Securities Company Limited	24,000,000
Huatai Financial Holdings (Hong Kong) Limited	24,000,000
Bank of China (Hong Kong) Limited	4,000,000
BOCOM International Securities Limited	4,000,000
China CITIC Bank International Limited	4,000,000
China Everbright Bank Co., Ltd., Hong Kong Branch	4,000,000
China Galaxy International Securities (Hong Kong) Co., Limited	4,000,000
China International Capital Corporation Hong Kong Securities Limited	4,000,000
CMB Wing Lung Bank Limited	4,000,000
CNCB (Hong Kong) Capital Limited	4,000,000
Guotai Junan Securities (Hong Kong) Limited	4,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	4,000,000
Luso International Banking Ltd.	4,000,000
Nanyang Commercial Bank, Limited	4,000,000
TFI Securities and Futures Limited	4,000,000
Zhongtai International Securities Limited	4,000,000
Total	200,000,000

The Subscription Agreement provides that the Issuer will indemnify the Managers against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent and entitles the Managers to terminate the Subscription Agreement in certain circumstances prior to the subscription moneys having been received by the Issuer.

Certain private banks will be paid a commission in connection with the distribution of the Bonds to their clients, which will be based on the principal amount of the Bonds so distributed.

The Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities (“**Banking Services or Transactions**”). The Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer for which they have received, or will receive, fees and expenses.

In connection with the offering of the Bonds, the Managers and/or their respective affiliates, or affiliates of the Issuer, may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trading of the Bonds may be material. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the offering of the Bonds should be read as including any offering of the Bonds to the Managers and/or their respective affiliates, or affiliates of the Issuer as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Bonds may be impacted.

Furthermore, it is possible that a significant proportion of the Bonds may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Bonds may be constrained. The Issuer and the Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, including the Bonds and could adversely affect the trading price and liquidity of the Bonds. The Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments of the Issuer.

In connection with the issue of the Bonds, any of the Managers appointed and acting as stabilisation manager (the “**Stabilisation Manager**”) or any person acting on behalf of the Stabilisation Manager may, to the extent permitted by applicable laws and directives, over-allot the Bonds or effect transactions with a view to supporting the price of the Bonds at a level higher than that which might otherwise prevail, provided that China CITIC Bank International Limited and Industrial Bank Co., Ltd. Hong Kong Branch shall not be appointed and acting in such capacity. However in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Issuer. However, there is no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager will undertake Stabilisation action. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Managers.

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as

to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised. No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

United States

The Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision: the expression “**retail investor**” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of Sales to UK Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision: the expression “**retail investor**” means a person who is one (or more) of the following:

- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

United Kingdom

Each Manager has represented and agreed that:

- (iii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (iv) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

Each Manager has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (A) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO or (B) in other circumstances which do not result in the document being a prospectus as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (ii) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Singapore

Each Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA, except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA; or
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law; or
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “**Financial Instruments and Exchange Act**”). Accordingly, each Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream with the Common Code of 246052255 and ISIN of XS2460522555.
2. **The Legal Entity Identifier (LEI) of the Issuer:** 254900HY5QFETBNN7892.
3. **Listing of Bonds:** Application will be made to the Hong Kong Stock Exchange for the listing of the Bonds by way of debt issues to Professional Investors only and it is expected that the dealing in, and listing of, the Bonds on the Hong Kong Stock Exchange will commence on or about 8 April 2022.
4. **Litigation:** Neither the Issuer nor any of its subsidiaries is involved in any litigation or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the Bonds, nor is the Issuer or any of its subsidiaries aware that any such proceedings are pending or threatened.
5. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations as may be required in connection with the issue and performance of the Bonds, including, but not limited to, approval by the Monetary Authority. The issue of the Bonds was authorised by written resolutions of the Board of Directors of the Issuer passed on 5 November 2021. Listing of the Bonds on the Hong Kong Stock Exchange is conditional upon satisfaction of the requirements of that exchange, including execution of the Trust Deed and the Agency Agreement relating to the Bonds.

An Enterprise Foreign Debt Filing Certificate dated 22 February 2022 has been obtained from the NDRC in connection with the issuance of the Bonds pursuant to the NDRC Circular which remains in full force and effect as of the date of this Offering Circular. The Issuer intends to file or cause to be filed with the NDRC the requisite information and documents within the prescribed timeframe after the Issue Date.

6. **No Material Adverse Change:** There has been no material adverse change, or any development or event likely to involve a prospective change, in the condition (financial or other), prospects, results of operations, business, general affairs or properties of the Issuer or the Group since 30 June 2021.
7. **Available Documents:** For so long as any of the Bonds is outstanding, copies of the Trust Deed and the Agency Agreement may be inspected upon prior written request and proof of holding and identity to the satisfaction of the Trustee or the Principal Paying Agent, as the case may be, at a specified office of the Trustee at 1/F, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong, or at the specified office of the Principal Paying Agent, as the case may be, at all reasonable times during normal business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)).

For as long as any of the Bonds is outstanding, copies of the (i) independent auditor's reports of KPMG and the audited consolidated financial statements of the Group as at and for the years ended 31 December 2019 and 2020 and (ii) independent review report from KPMG and the unaudited interim consolidated financial information of the Group as at and for the six months ended 30 June 2021 may be inspected by Bondholders at the specified office of the Issuer at 5/F, No. 78 Des Voeux Road Central, Hong Kong at all reasonable times during normal business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)).

8. **Auditors:** The consolidated financial statements of the Group as at and for the years ended 31 December 2019 and 2020 included in this Offering Circular have been audited KPMG, Certified Public Accountants, as stated in the independent auditor's reports appearing in this Offering Circular in relation to such audited consolidated financial statements.

The interim financial information of the Group as at and for the six months ended 30 June 2021 included in this Offering Circular have been reviewed by KPMG, Certified Public Accountants; as stated in the independent review report appearing in this Offering Circular in relation to such interim financial information.

The consolidated financial statements of the Group as at and for the year ended 31 December 2021 will be audited by Deloitte Touche Tohmatsu.

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綜合收益表

Consolidated Income Statement

			(重列) (Restated)
		(未經審計) (Unaudited)	(未經審計) (Unaudited)
		半年結算至 2021年 6月30日 Half-year ended 30 June 2021	半年結算至 2020年 6月30日 Half-year ended 30 June 2020
	附註 Notes	港幣千元 HK\$'000	港幣千元 HK\$'000
利息收入	Interest income	1,498,203	2,140,575
以實際利息法計算的利息收入	Interest income calculated using the effective interest method	1,479,947	2,128,284
其他利息收入	Other interest income	18,256	12,291
利息支出	Interest expense	(704,489)	(1,254,431)
淨利息收入	Net interest income	5 793,714	886,144
服務費及佣金收入	Fee and commission income	362,932	331,770
服務費及佣金支出	Fee and commission expense	(18,248)	(14,768)
淨服務費及佣金收入	Net fee and commission income	6 344,684	317,002
淨交易性(虧損)/收益	Net trading (loss) / gain	7 (7,502)	29,401
其他金融資產之淨收益	Net gain on other financial assets	8 34,204	201,144
其他經營收入	Other operating income	9 12,960	5,687
提取減值準備前之淨經營收入	Net operating income before impairment allowances	1,178,060	1,439,378
減值準備淨撥回/(撥備)	Net reversal / (charge) of impairment allowances	10 218,014	(58,441)
淨經營收入	Net operating income	1,396,074	1,380,937
經營支出	Operating expenses	11 (572,501)	(499,121)
經營溢利	Operating profit	823,573	881,816
投資物業公平值調整之淨虧損	Net loss from fair value adjustments on investment properties	12 (200)	(5,930)
出售/重估物業、器材及設備之淨收益	Net gain from disposal / revaluation of properties, plant and equipment	13 491	1,385
除稅前溢利	Profit before taxation	823,864	877,271
稅項	Taxation	14 (111,613)	(137,063)
期內溢利	Profit for the period	712,251	740,208

第 8 至 77 頁之附註屬本中期財務資料之組成部分。

The notes on pages 8 to 77 are an integral part of this interim financial information.



綜合全面收益表

Consolidated Statement of Comprehensive Income

		(未經審計) (Unaudited)	(未經審計) (Unaudited)
		半年結算至 2021年 6月30日 Half-year ended 30 June 2021	半年結算至 2020年 6月30日 Half-year ended 30 June 2020
		港幣千元 HK\$'000	港幣千元 HK\$'000
期內溢利	Profit for the period	712,251	740,208
其後不可重新分類至收益表內的項目：	Items that will not be reclassified subsequently to income statement:		
房產：	Premises:		
房產重估	Revaluation of premises	10,350	(29,298)
遞延稅項	Deferred tax	(292)	6,289
		<u>10,058</u>	<u>(23,009)</u>
以公平值變化計入其他全面收益之股份權益工具：	Equity instruments at fair value through other comprehensive income:		
公平值變化	Change in fair value	(18,521)	(1,449)
		<u>(8,463)</u>	<u>(24,458)</u>
其後可重新分類至收益表內的項目：	Items that may be reclassified subsequently to income statement:		
以公平值變化計入其他全面收益之債務工具：	Debt instruments at fair value through other comprehensive income:		
公平值變化	Change in fair value	155,903	107,270
因處置之轉撥重新分類至收益表	Release upon disposal reclassified to income statement	(33,992)	(193,362)
減值準備變化借記收益表	Change in impairment allowances charged to income statement	18,033	8,453
遞延稅項	Deferred tax	(24,269)	21,750
		<u>115,675</u>	<u>(55,889)</u>
貨幣換算差額	Currency translation difference	24,912	(56,811)
		<u>140,587</u>	<u>(112,700)</u>
期內除稅後其他全面收益	Other comprehensive income for the period, net of tax	132,124	(137,158)
期內全面收益總額	Total comprehensive income for the period	844,375	603,050
應佔全面收益總額：	Total comprehensive income attributable to:		
本銀行股東	Equity holders of the Bank	<u>844,375</u>	<u>603,050</u>

第 8 至 77 頁之附註屬本中期財務資料之組成部分。

The notes on pages 8 to 77 are an integral part of this interim financial information.



綜合財務狀況表

Consolidated Statement of Financial Position

		(未經審計) (Unaudited)	(經審計) (Audited)
		於 2021 年 6 月 30 日 At 30 June 2021	於 2020 年 12 月 31 日 At 31 December 2020
	附註 Notes	港幣千元 HK\$'000	港幣千元 HK\$'000
資產			
庫存現金及存放銀行及其他金融機構的結餘			
在銀行及其他金融機構一至十二個月內到期之定期存放			
衍生金融工具			
客戶貸款及貿易票據			
證券投資			
投資物業			
物業、器材及設備			
應收稅項資產			
遞延稅項資產			
其他資產			
資產總額			
負債			
銀行及其他金融機構之存款及結餘			
衍生金融工具			
客戶存款			
其他賬項及準備			
應付稅項負債			
遞延稅項負債			
負債總額			
資本			
股本			
儲備			
本銀行股東應佔股本和儲備			
額外資本工具			
資本總額			
負債及資本總額			
ASSETS			
Cash and balances with banks and other financial institutions			
Placements with banks and other financial institutions maturing between one and twelve months			
Derivative financial instruments			
Advances to customers and trade bills			
Investment in securities			
Investment properties			
Properties, plant and equipment			
Current tax assets			
Deferred tax assets			
Other assets			
Total assets			
LIABILITIES			
Deposits and balances from banks and other financial institutions			
Derivative financial instruments			
Deposits from customers			
Other accounts and provisions			
Current tax liabilities			
Deferred tax liabilities			
Total liabilities			
EQUITY			
Share capital			
Reserves			
Capital and reserves attributable to the equity holders of the Bank			
Additional equity instruments			
Total equity			
Total liabilities and equity			

第 8 至 77 頁之附註屬本中期財務資料之組成部分。

The notes on pages 8 to 77 are an integral part of this interim financial information.



綜合權益變動表

Consolidated Statement of Changes in Equity

		(未經審計) (Unaudited)								
		歸屬於本銀行股東 Attributable to equity holders of the Bank								
		儲備 Reserves								
		股本	房產重估 儲備 ¹	公平價值 儲備 ²	監管儲備 ³	換算儲備 ⁴	留存盈利	總計	額外資本工具	資本總額
		Share capital	Premises revaluation reserve ¹	Fair value reserve ²	Regulatory reserve ³	Translation reserve ⁴	Retained earnings	Total	Additional equity instruments	Total equity
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2021 年 1 月 1 日之	At 1 January 2021									
列賬		6,577,871	1,202,767	(90,876)	134,725	101,177	8,030,924	15,956,588	1,937,712	17,894,300
期內溢利	Profit for the period	-	-	-	-	-	712,251	712,251	-	712,251
其他全面收益：	Other comprehensive income:									
房產	Premises	-	10,058	-	-	-	-	10,058	-	10,058
以公平價值變化計入 其他全面收益之 股份權益工具	Equity instruments at fair value through other comprehensive income	-	-	(18,521)	-	-	-	(18,521)	-	(18,521)
以公平價值變化計入 其他全面收益之 債務工具	Debt instruments at fair value through other comprehensive income	-	-	115,675	-	-	-	115,675	-	115,675
貨幣換算差額	Currency translation difference	-	-	-	-	24,912	-	24,912	-	24,912
全面收益總額	Total comprehensive income	-	10,058	97,154	-	24,912	712,251	844,375	-	844,375
轉撥自留存盈利	Transfer from retained earnings	-	-	-	219,856	-	(219,856)	-	-	-
股息	Dividends	-	-	-	-	-	(252,879)	(252,879)	-	(252,879)
支付額外資本工具持 有者利息	Distribution to the holders of the additional equity instruments	-	-	-	-	-	(50,944)	(50,944)	-	(50,944)
於 2021 年 6 月 30 日	At 30 June 2021	<u>6,577,871</u>	<u>1,212,825</u>	<u>6,278</u>	<u>354,581</u>	<u>126,089</u>	<u>8,219,496</u>	<u>16,497,140</u>	<u>1,937,712</u>	<u>18,434,852</u>

第 8 至 77 頁之附註屬本中期財務資料之組成部分。

The notes on pages 8 to 77 are an integral part of this interim financial information.



綜合權益變動表（續） Consolidated Statement of Changes in Equity (continued)

		(未經審計) (Unaudited)								
		歸屬於本銀行股東 Attributable to equity holders of the Bank								
		儲備 Reserves								
		房產重估 儲備 ¹ Premises revaluation reserve ¹	公平價值 儲備 ² Fair value reserve ²	監管儲備 ³ Regulatory reserve ³	換算儲備 ⁴ Translation reserve ⁴	留存盈利 Retained earnings	總計 Total	額外資本工具 Additional equity instruments	資本總額 Total equity	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	
於 2020 年 1 月 1 日之	At 1 January 2020									
列賬		3,245,980	1,249,885	588	519,987	(108,991)	7,277,828	12,185,277	1,937,712	14,122,989
期內溢利	Profit for the period	-	-	-	-	-	740,208	740,208	-	740,208
其他全面收益：	Other comprehensive income:									
房產	Premises	-	(23,009)	-	-	-	(23,009)	(23,009)	-	(23,009)
以公平值變化計入 其他全面收益之 股份權益工具	Equity instruments at fair value through other comprehensive income	-	-	(1,449)	-	-	(1,449)	(1,449)	-	(1,449)
以公平值變化計入 其他全面收益之 債務工具	Debt instruments at fair value through other comprehensive income	-	-	(55,889)	-	-	(55,889)	(55,889)	-	(55,889)
貨幣換算差額	Currency translation difference	-	-	-	(56,811)	-	(56,811)	(56,811)	-	(56,811)
全面收益總額	Total comprehensive income	-	(23,009)	(57,338)	(56,811)	740,208	603,050	603,050	-	603,050
轉撥至留存盈利	Transfer to retained earnings	-	-	(236,383)	-	236,383	-	-	-	-
股息	Dividends	-	-	-	-	(373,650)	(373,650)	(373,650)	-	(373,650)
支付額外資本工具持 有者利息	Distribution to the holders of the additional equity instruments	-	-	-	-	(50,907)	(50,907)	(50,907)	-	(50,907)
於 2020 年 6 月 30 日	At 30 June 2020	<u>3,245,980</u>	<u>1,226,876</u>	<u>(56,750)</u>	<u>283,604</u>	<u>(165,802)</u>	<u>7,829,862</u>	<u>12,363,770</u>	<u>1,937,712</u>	<u>14,301,482</u>

1. 房產重估儲備的建立及處理是根據重估房產所採用的會計政策。
2. 公平價值儲備包括持有以公平值變化計入其他全面收益證券直至證券被終止確認的累計公平價值變動淨額。
3. 除按香港財務報告準則第 9 號對貸款提取減值準備外，按金管局要求撥轉部分留存盈利至監管儲備作銀行一般風險之用（包括未來損失或其他不可預期風險）。
4. 換算儲備的建立及處理是根據外幣折算所採用的會計政策。

1. Premises revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for the revaluation of premises.
2. Fair value reserve comprises the cumulative net change in the fair value of fair value through other comprehensive income securities held until the securities are derecognised.
3. In accordance with the requirements of the HKMA, the amounts are set aside for general banking risks, including future losses or other unforeseeable risks, in addition to the loan impairment allowances recognised under Hong Kong Financial Reporting Standard ("HKFRS") 9.
4. Translation reserve has been set up and is dealt with in accordance with the accounting policies adopted for foreign currency translation.



綜合現金流量表

Consolidated Cash Flow Statement

			(未經審計) (Unaudited)	(未經審計) (Unaudited)
			半年結算至 2021年 6月30日 Half-year ended 30 June 2021	半年結算至 2020年 6月30日 Half-year ended 30 June 2020
	附註 Notes		港幣千元 HK\$'000	港幣千元 HK\$'000
經營業務之現金流量		Cash flows from operating activities		
除稅前經營現金之(流出)/流入		Operating cash (outflow) / inflow before taxation	29(a) (5,061,506)	918,224
支付香港利得稅		Hong Kong profits tax paid	(37,391)	(127,286)
支付海外利得稅		Overseas profits tax paid	(25,033)	(60,065)
經營業務之現金(流出)/流入淨額		Net cash (outflow) / inflow from operating activities	<u>(5,123,930)</u>	<u>730,873</u>
投資業務之現金流量		Cash flows from investing activities		
購入物業、器材及設備		Purchase of properties, plant and equipment	(13,336)	(18,334)
出售物業、器材及設備		Disposal of properties, plant and equipment	-	78
投資業務之現金流出淨額		Net cash outflow from investing activities	<u>(13,336)</u>	<u>(18,256)</u>
融資業務之現金流量		Cash flows from financing activities		
支付租賃租金之資本部份		Capital element of lease rentals paid	(48,750)	(37,489)
支付租賃租金之利息部份		Interest element of lease rentals paid	(4,109)	(4,038)
支付本銀行股東之末期股息	15	Final dividend paid to the equity holders of the Bank	(252,879)	(373,650)
支付額外資本工具持有者利息	15	Distribution to the holders of the additional equity instruments	(50,944)	(50,907)
融資業務之現金流出淨額		Net cash outflow from financing activities	<u>(356,682)</u>	<u>(466,084)</u>
現金及等同現金項目(減少)/增加		(Decrease) / increase in cash and cash equivalents	(5,493,948)	246,533
於1月1日之現金及等同現金項目		Cash and cash equivalents at 1 January	31,282,874	21,189,799
匯率變動對現金及等同現金項目的影響		Effect of exchange rate changes on cash and cash equivalents	41,823	(78,303)
於6月30日之現金及等同現金項目	29(b)	Cash and cash equivalents at 30 June	<u><u>25,830,749</u></u>	<u><u>21,358,029</u></u>

第8至77頁之附註屬本中期財務資料之組成部分。

The notes on pages 8 to 77 are an integral part of this interim financial information.



中期財務資料附註

Notes to the Interim Financial Information

1. 編製基準及主要會計政策

1. Basis of preparation and significant accounting policies

(a) 編製基準

此未經審計之中期財務資料，乃按照香港會計師公會所頒佈之香港會計準則第 34 號「中期財務報告」而編製。

(a) Basis of preparation

The unaudited interim financial information has been prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the HKICPA.

(b) 主要會計政策

此未經審計之中期財務資料所採用之主要會計政策及計算辦法，除預期在 2021 年年報反映的會計政策修訂外，均與截至 2020 年 12 月 31 日止之本集團年度財務報表之編製基礎一致，並需連同本集團 2020 年之年度報告一併閱覽。

(b) Significant accounting policies

The significant accounting policies adopted and methods of computation used in the preparation of the unaudited interim financial information are consistent with those adopted and used in the Group's annual financial statements for the year ended 31 December 2020, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements, and should be read in conjunction with the Group's Annual Report for 2020.

已於 2021 年 1 月 1 日起開始的會計年度強制性生效之準則及修訂

Standards and amendments issued that are already mandatorily effective for accounting periods beginning on 1 January 2021

準則/修訂	內容	起始適用之年度 Applicable for financial years beginning on / after
Standards / Amendments	Content	
《香港財務報告準則》第 9 號、 《香港會計準則》第 39 號、 《香港財務報告準則》第 7 號、 《香港財務報告準則》第 4 號及 《香港財務報告準則》第 16 號之修訂	利率基準改革－第二階段	2021 年 1 月 1 日
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021

本集團自 2021 年 1 月 1 日起初始採用《香港財務報告準則》第 9 號、《香港會計準則》第 39 號、《香港財務報告準則》第 7 號、《香港財務報告準則》第 4 號及《香港財務報告準則》第 16 號有關利率基準改革之第二期修訂(「第二期修訂」)。

The Group has initially adopted Interest Rate Benchmark Reform – Phase 2 Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (the "Phase 2 amendments") from 1 January 2021.

本集團追溯性採用第二期修訂。根據第二期修訂容許，本集團反映該修訂時選擇不重新列示比較數字，包括不提供 2020 年的額外披露。

The Group applied the Phase 2 amendments retrospectively. In accordance with the options permitted in the Phase 2 amendments, the Group has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 2020.

本集團並無就採用該等準則而進行追溯調整。

The Group did not make retrospective adjustments as a result of adopting this standard.



中期財務資料附註（續） **Notes to the Interim Financial Information (continued)**

2. 應用會計政策時之重大會計估計及判斷 **2. Critical accounting estimates and judgements in applying accounting policies**

本集團會計估計的性質及假設，均與本集團截至2020年12月31日的財務報告內所採用的一致。

The nature and assumptions related to the Group's accounting estimates are consistent with those used in the Group's financial statements for the year ended 31 December 2020.



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

3. 金融風險管理

3. Financial risk management

本集團因從事各類業務而涉及金融風險。主要金融風險包括信貸風險、市場風險（包括外匯風險及利率風險）及流動資金風險。本附註概述本集團的這些風險承擔。

The Group is exposed to financial risks as a result of engaging in a variety of business activities. The principal financial risks are credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. This note summarises the Group's exposures to these risks.

3.1 信貸風險

3.1 Credit risk

A. 信貸質素分析

A. Credit quality analysis

(a) 客戶貸款及貿易票據的信貸質素

(a) Credit quality of advances to customers and trade bills

下列關於客戶貸款和貿易票據之信貸質素分析是以賬面值列示。

The following tables set out information about the credit quality of advances to customers and trade bills. The amounts in the table represent gross carrying amount.

		於 2021 年 6 月 30 日 As at 30 June 2021			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
按攤銷成本的客戶貸款	Advances to customers at amortised cost				
合格	Pass	79,427,508	217,230	-	79,644,738
需要關注	Special Mention	6,418	886,039	-	892,457
次級	Substandard	-	-	30,936	30,936
呆滯	Doubtful	-	-	175,901	175,901
虧損	Loss	-	-	105,289	105,289
減值準備	Loss allowance	(257,172)	(9,157)	(281,641)	(547,970)
賬面值	Carrying amount	79,176,754	1,094,112	30,485	80,301,351

		於 2020 年 12 月 31 日 As at 31 December 2020			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
按攤銷成本的客戶貸款	Advances to customers at amortised cost				
合格	Pass	76,624,088	223,184	-	76,847,272
需要關注	Special Mention	384	652,827	-	653,211
次級	Substandard	-	-	39,957	39,957
呆滯	Doubtful	-	-	129,827	129,827
虧損	Loss	-	-	110,379	110,379
減值準備	Loss allowance	(476,643)	(8,637)	(278,510)	(763,790)
賬面值	Carrying amount	76,147,829	867,374	1,653	77,016,856



中期財務資料附註 (續) **Notes to the Interim Financial Information (continued)**

3. 金融風險管理 (續) 3. Financial risk management (continued)

3.1 信貸風險 (續)

3.1 Credit risk (continued)

A. 信貸質素分析 (續)

A. Credit quality analysis (continued)

(a) 客戶貸款及貿易票據的信貸質素 (續)

(a) Credit quality of advances to customers and trade bills (continued)

		於 2021 年 6 月 30 日 As at 30 June 2021			
		12 個月的預期 信貸虧損 12-month ECL	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
按攤銷成本的貿易票據	Trade bills at amortised cost				
合格	Pass	1,510,142	-	-	1,510,142
減值準備	Loss allowance	(28,971)	-	-	(28,971)
賬面值	Carrying amount	1,481,171	-	-	1,481,171
		於 2020 年 12 月 31 日 As at 31 December 2020			
		12 個月的預期 信貸虧損 12-month ECL	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
按攤銷成本的貿易票據	Trade bills at amortised cost				
合格	Pass	1,327,776	-	-	1,327,776
減值準備	Loss allowance	(4,491)	-	-	(4,491)
賬面值	Carrying amount	1,323,285	-	-	1,323,285



中期財務資料附註 (續) **Notes to the Interim Financial Information (continued)**

3. 金融風險管理 (續) 3. Financial risk management (continued)

3.1 信貸風險 (續)

3.1 Credit risk (continued)

A. 信貸質素分析 (續)

A. Credit quality analysis (continued)

(b) 除客戶貸款及貿易票據外的資產信貸質素

下列關於在央行、銀行及其他金融機構的結餘及存款之信貸質素分析是以賬面值列示。

(b) Credit quality of financial assets other than advances to customers and trade bills

The following table sets out information about the credit quality of balances and placements with central banks, banks and other financial institutions. The amounts in the table represent gross carrying amount.

		於 2021 年 6 月 30 日 As at 30 June 2021			
存放央行、銀行及其他 金融機構的結餘及存款	Balances and placements with central banks, banks and other financial institutions	12 個月的預期 信貸虧損 12-month ECL	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
合格	Pass	22,138,219	-	-	22,138,219
減值準備	Loss allowance	(3,644)	-	-	(3,644)
賬面值	Carrying amount	22,134,575	-	-	22,134,575

		於 2020 年 12 月 31 日 As at 31 December 2020			
存放央行、銀行及其他 金融機構的結餘及存款	Balances and placements with central banks, banks and other financial institutions	12 個月的預期 信貸虧損 12-month ECL	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
合格	Pass	30,197,824	-	-	30,197,824
減值準備	Loss allowance	(1,924)	-	-	(1,924)
賬面值	Carrying amount	30,195,900	-	-	30,195,900



中期財務資料附註 (續) Notes to the Interim Financial Information (continued)

3. 金融風險管理 (續) 3. Financial risk management (continued)

3.1 信貸風險 (續)

3.1 Credit risk (continued)

A. 信貸質素分析 (續)

A. Credit quality analysis (continued)

(b) 除客戶貸款及貿易票據外的資產信貸質素 (續)

下表列出強制及界定為以公平值變化計入損益的債務證券的信用質素。在無發行評級的情況下，則會按發行人的評級報告。

(b) Credit quality of financial assets other than advances to customers and trade bills (continued)

The following tables present the credit quality of debt securities mandatorily measured and designated at FVTPL. In the absence of such issue ratings, the ratings designated for the issuers are reported.

		於 2021 年 6 月 30 日 As at 30 June 2021					
		Aaa	Aa1 至 Aa3	A1 至 A3	A3 以下 Lower than A3	無評級 Unrated	總計 Total
		Aaa	Aa1 to Aa3	A1 to A3	Lower than A3	Unrated	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
強制性以公平值變化計入損益之金融資產	Financial assets mandatorily measured at FVTPL	-	-	18,050	208,227	158,787	385,064
界定為以公平值變化計入損益之金融資產	Financial assets designated at FVTPL	-	-	158,620	39,801	-	198,421
		-	-	176,670	248,028	158,787	583,485

		(重列) (Restated) 於 2020 年 12 月 31 日 As at 31 December 2020					
		Aaa	Aa1 至 Aa3	A1 至 A3	A3 以下 Lower than A3	無評級 Unrated	總計 Total
		Aaa	Aa1 to Aa3	A1 to A3	Lower than A3	Unrated	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
強制性以公平值變化計入損益之金融資產	Financial assets mandatorily measured at FVTPL	-	-	16,725	196,119	172,925	385,769
界定為以公平值變化計入損益之金融資產	Financial assets designated at FVTPL	-	-	159,752	40,027	15,880	215,659
		-	-	176,477	236,146	188,805	601,428



中期財務資料附註 (續) **Notes to the Interim Financial Information (continued)**

3. 金融風險管理 (續) 3. Financial risk management (continued)

3.1 信貸風險 (續)

A. 信貸質素分析 (續)

(b) 除客戶貸款及貿易票據外的資產信貸質素 (續)

債務證券及存款證交易的信貸風險管理手法，與本集團管理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，按照發行評級分析之債務證券及存款證的信貸質素分析如下：

3.1 Credit risk (continued)

A. Credit quality analysis (continued)

(b) Credit quality of financial assets other than advances to customers and trade bills (continued)

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:

		於 2021 年 6 月 30 日 As at 30 June 2021			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
按攤銷成本計量的債務 證券及存款證		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
Aaa	Aaa	831,638	-	-	831,638
Aa1 至 Aa3	Aa1 to Aa3	124,447	-	-	124,447
A1 至 A3	A1 to A3	794,694	-	-	794,694
A3 以下	Lower than A3	348,160	-	-	348,160
無評級	Unrated	-	-	-	-
減值準備	Loss allowance	(1,232)	-	-	(1,232)
賬面值	Carrying amount	2,097,707	-	-	2,097,707

		於 2020 年 12 月 31 日 As at 31 December 2020			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
按攤銷成本計量的債務 證券及存款證		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
Aaa	Aaa	-	-	-	-
Aa1 至 Aa3	Aa1 to Aa3	120,910	-	-	120,910
A1 至 A3	A1 to A3	887,257	-	-	887,257
A3 以下	Lower than A3	346,434	-	-	346,434
無評級	Unrated	-	-	-	-
減值準備	Loss allowance	(3,600)	-	-	(3,600)
賬面值	Carrying amount	1,351,001	-	-	1,351,001



中期財務資料附註 (續) Notes to the Interim Financial Information (continued)

3. 金融風險管理 (續) 3. Financial risk management (continued)

3.1 信貸風險 (續)

3.1 Credit risk (continued)

A. 信貸質素分析 (續)

A. Credit quality analysis (continued)

(b) 除客戶貸款及貿易票據外的資產信貸質素 (續)

(b) Credit quality of financial assets other than advances to customers and trade bills (continued)

		於 2021 年 6 月 30 日 As at 30 June 2021			
	以公平值變化計入全面 收益的債務證券及存款 證	12 個月的預期 信貸虧損 12-month ECL	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired	總計 Total
	Debt securities and certificate of deposits at FVOCI	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
Aaa	Aaa	4,009,354	-	-	4,009,354
Aa1 至 Aa3	Aa1 to Aa3	11,267,447	-	-	11,267,447
A1 至 A3	A1 to A3	26,803,641	-	-	26,803,641
A3 以下	Lower than A3	7,044,441	137,298	-	7,181,739
無評級	Unrated	2,807,104	-	143,574	2,950,678
賬面值	Carrying amount	51,931,987	137,298	143,574	52,212,859
減值準備	Loss allowance	69,284	1,419	325,443	396,146

		於 2020 年 12 月 31 日 As at 31 December 2020			
	以公平值變化計入全面 收益的債務證券及存款 證	12 個月的預期 信貸虧損 12-month ECL	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired	總計 Total
	Debt securities and certificate of deposits at FVOCI	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
Aaa	Aaa	3,505,435	-	-	3,505,435
Aa1 至 Aa3	Aa1 to Aa3	7,231,983	-	-	7,231,983
A1 至 A3	A1 to A3	29,791,378	-	-	29,791,378
A3 以下	Lower than A3	5,698,954	-	-	5,698,954
無評級	Unrated	2,446,284	-	107,215	2,553,499
賬面值	Carrying amount	48,674,034	-	107,215	48,781,249
減值準備	Loss allowance	33,294	-	344,341	377,635



中期財務資料附註 (續) **Notes to the Interim Financial Information (continued)**

3. 金融風險管理 (續) 3. Financial risk management (continued)

3.1 信貸風險 (續)

3.1 Credit risk (continued)

A. 信貸質素分析 (續)

A. Credit quality analysis (continued)

(b) 除客戶貸款及貿易票據外的資產信貸質素 (續)

(b) Credit quality of financial assets other than advances to customers and trade bills (continued)

		於 2021 年 6 月 30 日 As at 30 June 2021			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
其他金融資產 Other financial assets		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
合格	Pass	976,570	-	-	976,570
需要關注	Special Mention	-	-	-	-
次級	Substandard	-	-	3,942	3,942
呆滯	Doubtful	-	-	852	852
虧損	Loss	-	-	295	295
減值準備	Loss allowance	(569)	-	(4,345)	(4,914)
賬面值	Carrying amount	976,001	-	744	976,745

		於 2020 年 12 月 31 日 As at 31 December 2020			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
其他金融資產 Other financial assets		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
合格	Pass	1,339,636	-	-	1,339,636
需要關注	Special Mention	-	-	-	-
次級	Substandard	-	-	7	7
呆滯	Doubtful	-	-	653	653
虧損	Loss	-	-	708	708
減值準備	Loss allowance	(4,299)	-	(387)	(4,686)
賬面值	Carrying amount	1,335,337	-	981	1,336,318



中期財務資料附註 (續) **Notes to the Interim Financial Information (continued)**

3. 金融風險管理 (續) 3. Financial risk management (continued)

3.1 信貸風險 (續)

3.1 Credit risk (continued)

A. 信貸質素分析 (續)

A. Credit quality analysis (continued)

(b) 除客戶貸款及貿易票據外的資產信貸質素 (續)

(b) Credit quality of financial assets other than advances to customers and trade bills (continued)

		於 2021 年 6 月 30 日 As at 30 June 2021			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
貸款及應收款的貸款承 諾應數開出保函		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
合格	Pass	11,521,943	6,752	-	11,528,695
需要關注	Special Mention	20,047	83,187	-	103,234
次級	Substandard	-	-	-	-
呆滯	Doubtful	-	-	8,597	8,597
虧損	Loss	-	-	-	-
賬面值	Carrying amount	11,541,990	89,939	8,597	11,640,526
減值準備	Loss allowance	(14,872)	-	-	(14,872)

		於 2020 年 12 月 31 日 As at 31 December 2020			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
貸款及應收款的貸款承 諾應數開出保函		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
合格	Pass	14,094,571	10,000	-	14,104,571
需要關注	Special Mention	-	103,322	-	103,322
次級	Substandard	-	-	-	-
呆滯	Doubtful	-	-	8,597	8,597
虧損	Loss	-	-	-	-
賬面值	Carrying amount	14,094,571	113,322	8,597	14,216,490
減值準備	Loss allowance	(51,644)	(1)	-	(51,645)



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

3. 金融風險管理 (續)

3. Financial risk management (continued)

3.1 信貸風險 (續)

3.1 Credit risk (continued)

B. 風險集中度

B. Concentration risk

(a) 按行業分類之客戶
貸款總額

(a) Sectoral analysis of gross advances to customers

以下關於客戶貸款總額之行業分類分析，其行業分類乃參照有關貸款及墊款之金管局報表的填報指示而編製。

The following analysis of the gross advances to customers by industry sector is based on the categories with reference to the completion instructions for the HKMA return of loans and advances.

		於 2021 年 6 月 30 日 At 30 June 2021				
		客戶貸款總額 Gross advances to customers	抵押品或其他抵押 覆蓋之百分比 % covered by collateral or other security	減值分類 Impaired	第三階段之 減值準備 Stage 3 impairment allowances	第一及第二階段 之減值準備 Stage 1 & 2 impairment allowances
		港幣千元 HK\$'000		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
在香港使用之貸款	Loans for use in Hong Kong					
工商金融業	Industrial, commercial and financial					
- 物業發展	- Property development	3,264,855	29.50%	-	-	1,334
- 物業投資	- Property investment	3,835,489	51.75%	24	-	853
- 金融業	- Financial concerns	6,947,278	25.30%	-	-	12,756
- 股票經紀	- Stockbrokers	2,102,042	0.78%	-	-	201
- 批發及零售業	- Wholesale and retail trade	3,479,787	43.20%	6,869	6,855	24,905
- 製造業	- Manufacturing	924,742	10.51%	-	-	819
- 運輸及運輸設備	- Transport and transport equipment	836,960	0.92%	-	-	150
- 休閒活動	- Recreational activities	25,020	100.00%	-	-	4
- 資訊科技	- Information technology	403,100	0.97%	-	-	2,391
- 其他	- Others	3,102,078	72.62%	4,112	4,112	2,534
個人	Individuals					
- 購買居者有其屋計劃、私人機構參建居屋計劃及租者置其屋計劃樓宇之貸款	- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	49,334	98.45%	-	-	11
- 購買其他住宅物業之貸款	- Loans for purchase of other residential properties	4,787,459	100.00%	-	-	1,159
- 其他	- Others	9,321,759	99.47%	3,544	714	29,123
在香港使用之貸款總額	Total loans for use in Hong Kong	39,079,903	58.14%	14,549	11,681	76,240
貿易融資	Trade finance	827,142	66.25%	164,895	164,895	4,729
在香港以外使用之貸款	Loans for use outside Hong Kong	40,942,276	13.41%	132,682	105,065	185,360
客戶貸款總額	Gross advances to customers	80,849,321	35.56%	312,126	281,641	266,329



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

3. 金融風險管理 (續)

3. Financial risk management (continued)

3.1 信貸風險 (續)

3.1 Credit risk (continued)

B. 風險集中度 (續)

B. Concentration risk (continued)

(a) 按行業分類之客戶
貸款總額 (續)

(a) Sectoral analysis of gross advances to customers (continued)

於 2020 年 12 月 31 日
As at 31 December 2020

		抵押品或其他抵 押覆蓋之百分比 % covered by collateral or other security	減值分類 Impaired	第三階段之 減值準備 Stage 3 impairment allowances	第一及第二階段 之減值準備 Stage 1 & 2 impairment allowances
	客戶貸款總額 Gross advances to customers				
	港幣千元 HK\$'000		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
在香港使用之貸款	Loans for use in Hong Kong				
工商金融業	Industrial, commercial and financial				
- 物業發展	- Property development	3,408,076	25.05%	-	23,378
- 物業投資	- Property investment	3,638,788	51.02%	25	12,878
- 金融業	- Financial concerns	6,026,042	23.71%	-	16,460
- 股票經紀	- Stockbrokers	2,276,150	2.06%	-	9,561
- 批發及零售業	- Wholesale and retail trade	4,141,089	66.29%	10,284	19,483
- 製造業	- Manufacturing	709,330	23.08%	-	3,107
- 運輸及運輸設備	- Transport and transport equipment	655,320	1.26%	-	2,266
- 休閒活動	- Recreational activities	26,716	100.00%	-	83
- 資訊科技	- Information technology	72,620	5.56%	-	654
- 其他	- Others	2,712,789	66.19%	3,023	6,829
個人	Individuals				
- 購買居者有其屋計劃、私人機構參建居屋計劃及租者置其屋計劃樓宇之貸款	- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	50,805	98.33%	-	75
- 購買其他住宅物業之貸款	- Loans for purchase of other residential properties	4,460,498	100.00%	-	4,695
- 其他	- Others	8,495,354	98.41%	776	64,702
在香港使用之貸款總額	Total loans for use in Hong Kong	36,673,577	59.44%	14,108	164,171
貿易融資	Trade finance	407,295	36.85%	155,676	523
在香港以外使用之貸款	Loans for use outside Hong Kong	40,699,774	20.33%	110,379	320,586
客戶貸款總額	Gross advances to customers	77,780,646	38.86%	280,163	485,280



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

3. 金融風險管理 (續)

3. Financial risk management (continued)

3.1 信貸風險 (續)

3.1 Credit risk (continued)

B. 風險集中度 (續)

B. Concentration risk (continued)

(b) 按地理區域分類之客戶貸款總額

(b) Geographical analysis of gross advances to customers

下列關於客戶貸款之地理區域分析是根據交易對手之所在地，並已顧及風險轉移因素。若客戶貸款之擔保人所在地與客戶所在地不同，則風險將轉移至擔保人之所在地。

The following geographical analysis of advances to customers is based on the locations of the counterparties, after taking into account the transfer of risk. For an advance to customer guaranteed by a party situated in a country different from the customer, the risk will be transferred to the country of the guarantor.

於 2021 年 6 月 30 日
30 June 2021

		客戶貸款總額 Total advances to customers	逾期貸款 Overdue advances	減值分類貸款 Impaired advances	第三階段之 減值準備 Stage 3 impairment allowances	第一及第二 階段之 減值準備 Stage 1 & 2 impairment allowances
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	48,320,243	364,110	189,642	187,362	74,000
中國內地	Mainland China	26,438,696	274,439	122,484	94,279	171,047
其他	Others	6,090,382	921,298	-	-	21,282
		80,849,321	1,559,847	312,126	281,641	266,329

佔客戶貸款總額百分比 % of impaired advances to total advances to customers

0.39%

減值貸款的抵押品市值 Market value of collateral held against impaired advances to customers

69,695



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

3. 金融風險管理 (續)

3. Financial risk management (continued)

3.1 信貸風險 (續)

3.1 Credit risk (continued)

B. 風險集中度 (續)

B. Concentration risk (continued)

(b) 按地理區域分類之客戶貸款總額 (續)

(b) Geographical analysis of gross advances to customers (continued)

於 2020 年 12 月 31 日
31 December 2020

		客戶貸款總額 Total advances to customers	逾期貸款 Overdue advances	減值分類貸款 Impaired advances	第三階段之 減值準備 Stage 3 impairment allowances	第一及第二 階段之 減值準備 Stage 1 & 2 impairment allowances
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	45,870,310	921,899	179,617	179,617	279,616
中國內地	Mainland China	25,528,684	169,795	100,546	98,893	169,615
其他	Others	6,381,652	2,845	-	-	36,049
		<u>77,780,646</u>	<u>1,094,539</u>	<u>280,163</u>	<u>278,510</u>	<u>485,280</u>
佔客戶貸款總額百分比	% of impaired advances to total advances to customers			<u>0.36%</u>		
減值貸款的抵押品市值	Market value of collateral held against impaired advances to customers			<u>37,050</u>		



中期財務資料附註 (續) Notes to the Interim Financial Information (continued)

3. 金融風險管理 (續) 3. Financial risk management (continued)

3.1 信貸風險 (續)

C. 預期信貸損失增加額

減值準備對賬

下表列示金融工具的類別劃分減值準備的期初結餘與期末結餘的對賬。此對賬是以交易層面比較 2021 年 1 月 1 日至 6 月 30 日及 2020 年全年的情況。

3.1 Credit risk (continued)

C. Amounts arising from ECL

Loss allowance reconciliation

The following tables show reconciliations from the opening to the closing balance of the impairment allowance by class of financial instrument. The reconciliation is prepared by comparing the position of impairment allowance between 1 January and 30 June 2021 and full year 2020 at transaction level.

		於 2021 年 6 月 30 日 As at 30 June 2021			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
客戶貸款	Advances to customers				
於 1 月 1 日	Balance at 1 January	476,643	8,637	278,510	763,790
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	205	(205)	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	(1,772)	1,772	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	(375)	375	-
新購入的金融資產	New financial assets originated	411,540	214	-	411,754
已終止確認的金融資產	Financial assets that have been derecognised	(96,978)	(3,270)	(3,497)	(103,745)
註銷	Write-offs	-	-	(84)	(84)
收回已註銷賬項	Recoveries of amounts previously written off	-	-	(6,759)	(6,759)
外匯調整及其他變動	Foreign exchange and other movements	228	68	7,276	7,572
減值準備的重新計量	Net remeasurement of loss allowance	(532,694)	2,316	5,820	(524,558)
於 6 月 30 日	Balance at 30 June	257,172	9,157	281,641	547,970



中期財務資料附註 (續) **Notes to the Interim Financial Information (continued)**

3. 金融風險管理 (續) **3. Financial risk management (continued)**

3.1 信貸風險 (續)

3.1 Credit risk (continued)

C. 預期信貸損失增加額 (續)

C. Amounts arising from ECL (continued)

減值準備對賬 (續)

Loss allowance reconciliation (continued)

		於 2020 年 12 月 31 日 As at 31 December 2020			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
客戶貸款	Advances to customers				
於 1 月 1 日	Balance at 1 January	326,066	18,309	284,868	629,243
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	646	(646)	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	(924)	924	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	(648)	-	648	-
新購入的金融資產	New financial assets originated	299,221	163	-	299,384
已終止確認的金融資產	Financial assets that have been derecognised	(133,266)	(13,209)	(105,337)	(251,812)
註銷	Write-offs	-	-	(131,051)	(131,051)
外匯調整及其他變動	Foreign exchange and other movements	5,485	44	4,685	10,214
減值準備的重新計量	Net remeasurement of loss allowance	(19,937)	3,052	224,697	207,812
於 12 月 31 日	Balance at 31 December	476,643	8,637	278,510	763,790



中期財務資料附註 (續) **Notes to the Interim Financial Information (continued)**

3. 金融風險管理 (續) 3. Financial risk management (continued)

3.1 信貸風險 (續)

3.1 Credit risk (continued)

C. 預期信貸損失增加額 (續)

C. Amounts arising from ECL (continued)

減值準備對賬 (續)

Loss allowance reconciliation (continued)

		於 2021 年 6 月 30 日 As at 30 June 2021			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
貿易票據	Trade bills				
於 1 月 1 日	Balance at 1 January	4,491	-	-	4,491
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	7,167	-	-	7,167
已終止確認的金融資產	Financial assets that have been derecognised	(4,256)	-	-	(4,256)
註銷	Write-offs	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	(113)	-	-	(113)
減值準備的重新計量	Net remeasurement of loss allowance	21,682	-	-	21,682
於 6 月 30 日	Balance at 30 June	28,971	-	-	28,971

		於 2020 年 12 月 31 日 As at 31 December 2020			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
貿易票據	Trade bills				
於 1 月 1 日	Balance at 1 January	3,926	-	-	3,926
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	4,491	-	-	4,491
已終止確認的金融資產	Financial assets that have been derecognised	(3,926)	-	-	(3,926)
註銷	Write-offs	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	234	-	-	234
減值準備的重新計量	Net remeasurement of loss allowance	(234)	-	-	(234)
於 12 月 31 日	Balance at 31 December	4,491	-	-	4,491



中期財務資料附註 (續) **Notes to the Interim Financial Information (continued)**

3. 金融風險管理 (續) **3. Financial risk management (continued)**

3.1 信貸風險 (續)

3.1 Credit risk (continued)

C. 預期信貸損失增加額 (續)

C. Amounts arising from ECL (continued)

減值準備對賬 (續)

Loss allowance reconciliation (continued)

		於 2021 年 6 月 30 日 As at 30 June 2021			
以攤餘成本列賬之債務證券及 存款證	Debt securities and Certificate of deposits at amortised cost	12 個月的預期 信貸虧損 12-month ECL 港幣千元 HK\$'000	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired 港幣千元 HK\$'000	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於 1 月 1 日	Balance at 1 January	3,600	-	-	3,600
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	94	-	-	94
已終止確認的金融資產	Financial assets that have been derecognised	(57)	-	-	(57)
註銷	Write-offs	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	11	-	-	11
減值準備的重新計量	Net remeasurement of loss allowance	(2,416)	-	-	(2,416)
於 6 月 30 日	Balance at 30 June	1,232	-	-	1,232
		於 2020 年 12 月 31 日 As at 31 December 2020			
以攤餘成本列賬之債務證券及 存款證	Debt securities and Certificate of deposits at amortised cost	12 個月的預期 信貸虧損 12-month ECL 港幣千元 HK\$'000	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired 港幣千元 HK\$'000	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於 1 月 1 日	Balance at 1 January	1,798	-	-	1,798
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	-	-	-	-
已終止確認的金融資產	Financial assets that have been derecognised	(271)	-	-	(271)
註銷	Write-offs	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	5	-	-	5
減值準備的重新計量	Net remeasurement of loss allowance	2,068	-	-	2,068
於 12 月 31 日	Balance at 31 December	3,600	-	-	3,600



中期財務資料附註 (續) **Notes to the Interim Financial Information (continued)**

3. 金融風險管理 (續) **3. Financial risk management (continued)**

3.1 信貸風險 (續)

3.1 Credit risk (continued)

C. 預期信貸損失增加額 (續)

C. Amounts arising from ECL (continued)

減值準備對賬 (續)

Loss allowance reconciliation (continued)

		於 2021 年 6 月 30 日 As at 30 June 2021			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
以公平值變化計入其他全面收 益之債務證券及存款證	Debt securities and Certificate of deposits at FVOCI				
於 1 月 1 日	Balance at 1 January	33,294	-	344,341	377,635
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit- impaired	(1,618)	1,618	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit- impaired	-	-	-	-
新購入的金融資產	New financial assets originated	44,907	-	-	44,907
已終止確認的金融資產	Financial assets that have been derecognised	(7,599)	-	-	(7,599)
註銷	Write-offs	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	(110)	(2)	590	478
減值準備的重新計量	Net remeasurement of loss allowance	410	(197)	(19,488)	(19,275)
於 6 月 30 日	Balance at 30 June	69,284	1,419	325,443	396,146
		於 2020 年 12 月 31 日 As at 31 December 2020			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
以公平值變化計入其他全面收 益之債務證券及存款證	Debt securities and Certificate of deposits at FVOCI				
於 1 月 1 日	Balance at 1 January	26,400	-	-	26,400
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit- impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit- impaired	(8,169)	-	8,169	-
新購入的金融資產	New financial assets originated	19,353	-	-	19,353
已終止確認的金融資產	Financial assets that have been derecognised	(13,587)	-	-	(13,587)
註銷	Write-offs	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	278	-	-	278
減值準備的重新計量	Net remeasurement of loss allowance	9,019	-	336,172	345,191
於 12 月 31 日	Balance at 31 December	33,294	-	344,341	377,635



中期財務資料附註 (續) **Notes to the Interim Financial Information (continued)**

3. 金融風險管理 (續) **3. Financial risk management (continued)**

3.1 信貸風險 (續)

3.1 Credit risk (continued)

C. 預期信貸損失增加額 (續)

C. Amounts arising from ECL (continued)

減值準備對賬 (續)

Loss allowance reconciliation (continued)

		於 2021 年 6 月 30 日 As at 30 June 2021			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
	Balances and placements with central banks, banks and other financial institutions	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
存放央行、銀行及其他金融機構的結餘及存款					
於 1 月 1 日	Balance at 1 January	1,924	-	-	1,924
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	642	-	-	642
已終止確認的金融資產	Financial assets that have been derecognised	(1,913)	-	-	(1,913)
註銷	Write-offs	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	2	-	-	2
減值準備的重新計量	Net remeasurement of loss allowance	2,989	-	-	2,989
於 6 月 30 日	Balance at 30 June	3,644	-	-	3,644

		於 2020 年 12 月 31 日 As at 31 December 2020			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
	Balances and placements with central banks, banks and other financial institutions	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
存放央行、銀行及其他金融機構的結餘及存款					
於 1 月 1 日	Balance at 1 January	484	-	-	484
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	1,916	-	-	1,916
已終止確認的金融資產	Financial assets that have been derecognised	(482)	-	-	(482)
註銷	Write-offs	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	13	-	-	13
減值準備的重新計量	Net remeasurement of loss allowance	(7)	-	-	(7)
於 12 月 31 日	Balance at 31 December	1,924	-	-	1,924



中期財務資料附註 (續) **Notes to the Interim Financial Information (continued)**

3. 金融風險管理 (續) **3. Financial risk management (continued)**

3.1 信貸風險 (續)

3.1 Credit risk (continued)

C. 預期信貸損失增加額 (續)

C. Amounts arising from ECL (continued)

減值準備對賬 (續)

Loss allowance reconciliation (continued)

		於 2021 年 6 月 30 日 As at 30 June 2021			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
其他金融資產	Other financial assets	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 1 月 1 日	Balance at 1 January	4,299	-	387	4,686
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	17	-	3,953	3,970
已終止確認的金融資產	Financial assets that have been derecognised	(1)	-	-	(1)
註銷	Write-offs	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	1	-	1	2
減值準備的重新計量	Net remeasurement of loss allowance	(3,747)	-	4	(3,743)
於 6 月 30 日	Balance at 30 June	569	-	4,345	4,914
		於 2020 年 12 月 31 日 As at 31 December 2020			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
其他金融資產	Other financial assets	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 1 月 1 日	Balance at 1 January	306	-	735	1,041
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	1	-	27	28
已終止確認的金融資產	Financial assets that have been derecognised	(1)	-	(40)	(41)
註銷	Write-offs	-	-	(10)	(10)
外匯調整及其他變動	Foreign exchange and other movements	11	-	36	47
減值準備的重新計量	Net remeasurement of loss allowance	3,982	-	(361)	3,621
於 12 月 31 日	Balance at 31 December	4,299	-	387	4,686



中期財務資料附註 (續) **Notes to the Interim Financial Information (continued)**

3. 金融風險管理 (續) 3. Financial risk management (continued)

3.1 信貸風險 (續)

3.1 Credit risk (continued)

C. 預期信貸損失增加額 (續)

C. Amounts arising from ECL (continued)

減值準備對賬 (續)

Loss allowance reconciliation (continued)

		於 2021 年 6 月 30 日 As at 30 June 2021			
貸款承諾及應收開出保函	Loan commitments and financial guarantee contracts issued	12 個月的預期 信貸虧損 12-month ECL	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 1 月 1 日	Balance at 1 January	51,644	1	-	51,645
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	1	(1)	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	11,886	-	-	11,886
已終止確認的金融資產	Financial assets that have been derecognised	(11,672)	-	-	(11,672)
註銷	Write-offs	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	124	-	-	124
減值準備的重新計量	Net remeasurement of loss allowance	(37,111)	-	-	(37,111)
於 6 月 30 日	Balance at 30 June	<u>14,872</u>	<u>-</u>	<u>-</u>	<u>14,872</u>
		於 2020 年 12 月 31 日 As at 31 December 2020			
貸款承諾及應收開出保函	Loan commitments and financial guarantee contracts issued	12 個月的預期 信貸虧損 12-month ECL	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 1 月 1 日	Balance at 1 January	26,802	1	-	26,803
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	33,530	-	-	33,530
已終止確認的金融資產	Financial assets that have been derecognised	(6,004)	(1)	-	(6,005)
註銷	Write-offs	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	(7)	-	-	(7)
減值準備的重新計量	Net remeasurement of loss allowance	(2,677)	1	-	(2,676)
於 12 月 31 日	Balance at 31 December	<u>51,644</u>	<u>1</u>	<u>-</u>	<u>51,645</u>



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

3. 金融風險管理 (續)

3. Financial risk management (continued)

3.2 市場風險

3.2 Market risk

A. 外匯風險

A. Currency risk

本集團的資產及負債集中在港元、美元及人民幣等主要貨幣。為確保外匯風險承擔保持在可接受水平，本集團利用風險限額(例如頭盤及風險值限額)作為監控工具。此外，本集團致力於減少同一貨幣的資產與負債錯配，並通常利用外匯合約(例如外匯掉期)管理由外幣資產負債所產生的外匯風險。

The Group's assets and liabilities are denominated in major currencies, particularly the HK dollar, the US dollar and Renminbi. To ensure the currency risk exposure of the Group is kept to an acceptable level, risk limits (e.g. Position and VAR limit) are used to serve as a monitoring tool. Moreover, the Group seeks to minimise the gap between assets and liabilities in the same currency. Foreign exchange contracts (e.g. FX swaps) are usually used to manage FX risk associated with foreign currency-denominated assets and liabilities.

於報告期結束日，本集團的以下結構性持倉淨額不低於結構性外幣淨持倉總額 10%：

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 2021 年 6 月 30 日 As at 30 June 2021		
		港幣千元等值 Equivalent in thousand of HK\$		
		美元	人民幣	外幣總額 Total foreign
		US Dollars	Renminbi currencies	
結構性倉盤淨額	Net structural position	1,928,322	2,311,039	4,239,361
		於 2020 年 12 月 31 日 As at 31 December 2020		
		港幣千元等值 Equivalent in thousand of HK\$		
		美元	人民幣	外幣總額 Total foreign
		US Dollars	Renminbi currencies	
結構性倉盤淨額	Net structural position	1,925,020	2,171,063	4,096,083



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

3. 金融風險管理 (續)

3. Financial risk management (continued)

3.2 市場風險 (續)

3.2 Market risk (continued)

B. 利率風險

B. Interest rate risk

下表概述了本集團於2021年6月30日及2020年12月31日之資產負債表內的利率風險承擔。表內以賬面值列示資產及負債，並按合約重訂息率日期或到期日（以較早者為準）分類。

The tables below summarise the Group's on-balance sheet exposure to interest rate risk as at 30 June 2021 and 31 December 2020. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing date and maturity date.

		於2021年6月30日 At 30 June 2021						
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	不計息 Non- interest bearing	總計 Total
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non- interest bearing	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
資產	Assets							
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	11,683,885	-	-	-	-	8,511,733	20,195,618
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	1,875,376	287,354	-	-	-	2,162,730
衍生金融工具	Derivative financial instruments	-	-	-	-	-	122,303	122,303
客戶貸款及貿易票據	Advances to customers and trade bills	47,957,476	14,852,372	9,125,259	6,924,377	2,923,038	-	81,782,522
證券投資	Investment in securities							
- 強制性以公平值變化計入損益之證券	- securities mandatorily measured at FVTPL	5,855	16,107	101,031	66,849	195,222	128,194	513,258
- 界定為以公平值變化計入損益之證券	- securities designated at FVTPL	-	-	198,421	-	-	-	198,421
- 以公平值變化計入其他全面收益之證券	- securities at FVOCI	6,423,426	10,752,024	10,404,832	23,272,229	1,360,348	1,103,896	53,316,755
- 以攤餘成本計量之證券	- securities at amortised cost	62,530	792,183	11,793	1,231,201	-	-	2,097,707
投資物業	Investment properties	-	-	-	-	-	153,420	153,420
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	2,076,517	2,076,517
其他資產（包括應收稅項及遞延稅項資產）	Other assets (including current and deferred tax assets)	19,295	-	-	-	-	1,302,316	1,321,611
資產總額	Total assets	66,152,467	28,288,062	20,128,690	31,494,656	4,478,608	13,398,379	163,940,862
負債	Liabilities							
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	(7,748,916)	(6,360,608)	(1,567,490)	-	-	(5,362,266)	(21,039,280)
衍生金融工具	Derivative financial instruments	-	-	-	-	-	(31,651)	(31,651)
客戶存款	Deposits from customers	(47,752,844)	(31,398,727)	(27,018,505)	(3,986,493)	-	(12,338,404)	(122,494,973)
其他賬項及準備（包括應付稅項及遞延稅項負債）	Other accounts and provisions (including current and deferred tax liabilities)	(153,639)	(8,850)	(35,618)	(188,274)	(29,124)	(1,524,601)	(1,940,106)
負債總額	Total liabilities	(55,655,399)	(37,768,185)	(28,621,613)	(4,174,767)	(29,124)	(19,256,922)	(145,506,010)
利率敏感度缺口	Interest sensitivity gap	10,497,068	(9,480,123)	(8,492,923)	27,319,889	4,449,484	(5,858,543)	18,434,852



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

3. 金融風險管理 (續)

3. Financial risk management (continued)

3.2 市場風險 (續)

3.2 Market risk (continued)

B. 利率風險 (續)

B. Interest rate risk (continued)

		(重列) (Restated) 於 2020 年 12 月 31 日 At 31 December 2020						
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	不計息 Non-interest bearing	總計 Total
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
資產	Assets							
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	20,078,836	-	-	-	-	2,892,996	22,971,832
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	7,384,601	55,697	-	-	-	7,440,298
衍生金融工具	Derivative financial instruments	-	-	-	-	-	140,505	140,505
客戶貸款及貿易票據	Advances to customers and trade bills	47,929,386	11,237,761	13,767,410	2,671,492	2,734,092	-	78,340,141
證券投資	Investment in securities							
- 強制性以公平值變化計入損益之證券	- securities mandatorily measured at FVTPL	-	9,552	95,518	72,633	208,066	62,599	448,368
- 界定為以公平值變化計入損益之證券	- securities designated at FVTPL	-	-	15,880	199,779	-	-	215,659
- 以公平值變化計入其他全面收益之證券	- securities at FVOCI	8,287,698	7,584,871	12,830,277	20,078,403	-	20,854	48,802,103
- 以攤餘成本計量之證券	- securities at amortised cost	-	665,328	340,152	345,521	-	-	1,351,001
投資物業	Investment properties	-	-	-	-	-	153,620	153,620
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	2,044,562	2,044,562
其他資產 (包括應收稅項及遞延稅項資產)	Other assets (including current and deferred tax assets)	34,935	-	-	-	-	1,571,349	1,606,284
資產總額	Total assets	76,330,855	26,882,113	27,104,934	23,367,828	2,942,158	6,886,485	163,514,373
負債	Liabilities							
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	(14,604,011)	(2,085,395)	(1,981,301)	-	-	(1,896,928)	(20,567,635)
衍生金融工具	Derivative financial instruments	-	-	-	-	-	(75,396)	(75,396)
客戶存款	Deposits from customers	(47,951,252)	(34,802,381)	(26,507,551)	(4,442,405)	-	(8,869,442)	(122,573,031)
其他賬項及準備 (包括應付稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	(167,326)	(13,862)	(58,980)	(145,210)	(13,105)	(2,005,528)	(2,404,011)
負債總額	Total liabilities	(62,722,589)	(36,901,638)	(28,547,832)	(4,587,615)	(13,105)	(12,847,294)	(145,620,073)
利率敏感度缺口	Interest sensitivity gap	13,608,266	(10,019,525)	(1,442,898)	18,780,213	2,929,053	(5,960,809)	17,894,300



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

3. 金融風險管理 (續)

3. Financial risk management (continued)

3.3 流動資金風險

3.3 Liquidity risk

A. 到期日分析

A. Maturity analysis

下表為本集團於 2021 年 6 月 30 日及 2020 年 12 月 31 日之資產及負債的到期日分析，按於結算日時，資產及負債相距合約到期日的剩餘期限分類。

The tables below analyse the Group's assets and liabilities as at 30 June 2021 and 31 December 2020 into relevant maturity groupings based on the remaining period at the end of the reporting date to the contractual maturity date.

		於 2021 年 6 月 30 日 At 30 June 2021							
		即期 On demand	一個月內 Up to 1 month	一至 三個月 1 to 3 months	三至 十二個月 3 to 12 months	一至五年 1 to 5 years	五年以上 Over 5 years	不確定 日期 Indefinite	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
資產	Assets								
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	10,054,095	8,581,179	-	-	-	-	1,560,344	20,195,618
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	-	1,875,376	287,354	-	-	-	2,162,730
衍生金融工具	Derivative financial instruments	85,005	12,890	6,406	3,889	14,113	-	-	122,303
客戶貸款及貿易票據	Advances to customers and trade bills	19,209,504	2,277,559	4,166,145	23,244,380	27,359,096	5,525,838	-	81,782,522
證券投資	Investment in securities								
- 強制性以公平值變化計入損益之證券	- securities mandatorily measured at FVTPL	1,091	5,202	16,921	102,814	65,792	193,244	128,194	513,258
- 界定為以公平值變化計入損益之證券	- securities designated at FVTPL	-	611	1,212	196,598	-	-	-	198,421
- 以公平值變化計入其他全面收益之證券	- securities at FVOCI	143,574	3,927,074	7,247,757	12,452,864	27,088,397	1,353,193	1,103,896	53,316,755
- 以攤餘成本計量之證券	- securities at amortised cost	-	68,866	211,711	593,961	1,223,169	-	-	2,097,707
投資物業	Investment properties	-	-	-	-	-	-	153,420	153,420
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	-	2,076,517	2,076,517
其他資產 (包括應收稅項及遞延稅項資產)	Other assets (including current and deferred tax assets)	408,514	735,615	143,884	6,566	-	-	27,032	1,321,611
資產總額	Total assets	29,901,783	15,608,996	13,669,412	36,888,426	55,750,567	7,072,275	5,049,403	163,940,862
負債	Liabilities								
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	(3,463,632)	(9,647,550)	(6,360,608)	(1,567,490)	-	-	-	(21,039,280)
衍生金融工具	Derivative financial instruments	(4,207)	(4,084)	(3,245)	(5,860)	(14,255)	-	-	(31,651)
客戶存款	Deposits from customers	(44,561,474)	(15,529,774)	(31,398,727)	(27,018,505)	(3,986,493)	-	-	(122,494,973)
其他賬項及準備 (包括應付稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	(488,642)	(676,127)	(28,844)	(328,531)	(188,296)	(29,124)	(200,542)	(1,940,106)
負債總額	Total liabilities	(48,517,955)	(25,857,535)	(37,791,424)	(28,920,386)	(4,189,044)	(29,124)	(200,542)	(145,506,010)
流動資金缺口	Net liquidity gap	(18,616,172)	(10,248,539)	(24,122,012)	7,968,040	51,561,523	7,043,151	4,848,861	18,434,852



中期財務資料附註 (續) Notes to the Interim Financial Information (continued)

3. 金融風險管理 (續) 3. Financial risk management (continued)

3.3 流動資金風險 (續) 3.3 Liquidity risk (continued)

A. 到期日分析 (續) A. Maturity analysis (continued)

(重列)
(Restated)
於 2020 年 12 月 31 日
At 31 December 2020

	即期 On demand	一個月內 Up to 1 month	一至 三個月 1 to 3 months	三至 十二個月 3 to 12 months	一至五年 1 to 5 years	五年以上 Over 5 years	不確定 日期 Indefinite	總計 Total
	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
資產	Assets							
庫存現金及存放銀行及其他金融機構的結餘	5,217,582	15,903,303	-	-	-	-	1,850,947	22,971,832
在銀行及其他金融機構一至十二個月內到期之定期存放	-	-	7,384,601	55,697	-	-	-	7,440,298
衍生金融工具	95,385	631	22,621	1,391	20,477	-	-	140,505
客戶貸款及貿易票據	18,474,079	2,378,205	5,333,036	24,329,934	22,208,667	5,616,220	-	78,340,141
證券投資	Investment in securities							
- 強制性以公平值變化計入損益之證券	-	585	10,517	97,405	71,503	205,759	62,599	448,368
- 界定為以公平值變化計入損益之證券	-	610	1,210	15,880	197,959	-	-	215,659
- 以公平值變化計入其他全面收益之證券	53,212	6,188,368	3,759,443	14,905,206	23,875,020	-	20,854	48,802,103
- 以攤餘成本計量之證券	-	6,291	632	426,171	917,907	-	-	1,351,001
投資物業	-	-	-	-	-	-	153,620	153,620
物業、器材及設備	-	-	-	-	-	-	2,044,562	2,044,562
其他資產 (包括應收稅項及遞延稅項資產)	987,203	448,857	123,327	21,208	-	-	25,689	1,606,284
資產總額	24,827,461	24,926,850	16,635,387	39,852,892	47,291,533	5,821,979	4,158,271	163,514,373
負債	Liabilities							
銀行及其他金融機構之存款及結餘	(4,406,596)	(12,094,343)	(2,085,395)	(1,981,301)	-	-	-	(20,567,635)
衍生金融工具	(13,360)	(5,670)	(26,758)	(2,761)	(26,847)	-	-	(75,396)
客戶存款	(40,680,848)	(16,139,846)	(34,802,381)	(26,507,551)	(4,442,405)	-	-	(122,573,031)
其他賬項及準備 (包括應付稅項及遞延稅項負債)	(422,344)	(1,217,258)	(66,855)	(400,594)	(145,210)	(13,105)	(138,645)	(2,404,011)
負債總額	(45,523,148)	(29,457,117)	(36,981,389)	(28,892,207)	(4,614,462)	(13,105)	(138,645)	(145,620,073)
流動資金缺口	(20,695,687)	(4,530,267)	(20,346,002)	10,960,685	42,677,071	5,808,874	4,019,626	17,894,300

本集團將逾期列為「即期」資產。對於按不同款額或分期償還之資產，只有該資產中實際逾期之部分被視作逾期。其他未到期之部分仍繼續根據剩餘期限分類。上述列示之資產已扣除任何相關準備 (如有)。

The Group has reported assets such as advances and debt securities which have been overdue as "On demand". In the case of an asset that is repayable by different payments or instalments, only that portion of the asset that is actually overdue is reported as overdue. Any part of the asset that is not due is reported according to the residual maturity. The above assets are stated after deduction of provisions, if any.



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

3. 金融風險管理 (續)

3. Financial risk management (continued)

3.4 資本管理

本集團繼續採用標準（信貸風險）計算法計算所有信用風險資本要求。本集團繼續採用標準信貸估值調整方法，計算具有信貸估值調整風險的交易對手資本要求。本集團繼續採用標準（市場風險）計算法計算所有市場風險資本要求，並豁免本集團的部份人民幣結構性外匯敞口計算市場風險資本要求。本集團繼續採用標準（業務操作風險）計算法計算操作風險資本要求。

3.4 Capital management

The Group continues to adopt the standardised (credit risk) ("STC") approach to calculate all the credit risk capital charge. The Group continues to adopt the standardised credit valuation adjustment ("CVA") method to calculate the capital charge for the CVA risk of the counterparty. The Group continues to adopt the standardised (market risk) ("STM") approach to calculate all the market risk capital charge and exclude part of our Group's CNY structural FX positions in the calculation of the market risk capital charge. The Group continues to adopt the standardised (operational risk) ("STO") approach to calculate the operational risk capital charge.



中期財務資料附註 (續) Notes to the Interim Financial Information (continued)

4. 金融資產和負債的公平值 4. Fair values of financial assets and liabilities

所有以公平值計量或在財務報表內披露的金融工具，均按香港財務報告準則第13號「公平值計量」的定義，於公平值層級表內分類。該等分類乃參照估值方法所採用的因素之可觀察性及重大性，並基於對整體公平值計量有重大影響之最低層級因素來釐定：

- 第一層級：相同資產或負債在活躍市場中的報價（未經調整）。此層級包括上市股權、由若干政府發行的債務證券及若干場內交易的衍生合約。
- 第二層級：乃基於估值技術所採用的最低層級因素（同時需對整體公平值計量有重大影響）可被直接或間接地觀察。此層級包括大部分場外交易的衍生合約、從估值服務供應商獲取價格的債務證券及存款證。
- 第三層級：乃基於估值技術所採用的最低層級因素（同時需對整體公平值計量有重大影響）屬不可被觀察。此層級包括有重大不可觀察因素的股份投資及債務工具。

對於以重複基準確認於財務報表的金融工具，本集團會於每一財務報告週期的結算日重新評估其分類（基於對整體公平值計量有重大影響之最低層級因素），以確定有否在公平值層級之間發生轉移。

All financial instruments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as defined in HKFRS 13, "Fair value measurement". The categorisation are determined with reference to the observability and significance of the inputs used in the valuation methods and based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities. This category includes listed stock, debt securities issued by certain governments and certain exchange-traded derivative contracts.
- Level 2: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly. This category includes majority of the over-the-counter ("OTC") derivative contracts, debt securities and certificates of deposit with quote from pricing services vendors.
- Level 3: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. This category includes equity investment and debt instruments with significant unobservable components.

For financial instruments that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



中期財務資料附註 (續) Notes to the Interim Financial Information (continued)

4. 金融資產和負債的公平價值 (續) 4. Fair values of financial assets and liabilities (continued)

4.1 以公平值計量的金融工具

4.1 Financial instruments measured at fair value

本集團建立了完善的公平值管治及控制架構，公平值數據由獨立於前線的控制單位確定或核實。各控制單位負責獨立核實前線業務之估值結果及重大公平值數據。其他特定控制程序包括核實可觀察的估值參數、審核新的估值模型或任何模型改動、根據可觀察的市場交易價格校準及回顧測試所採用的估值模型、深入分析日常重大估值變動、評估重大不可觀察估值參數及估值調整。重大估值事項將向高級管理層、風險管理委員會及稽核委員會匯報。

當無法從公開市場獲取報價時，本集團通過一些估值技術或經紀／交易商之詢價來確定金融工具的公平值。

對於本集團所持有的金融工具，其估值技術使用的主要參數包括債券價格、利率、匯率、權益及股票價格、商品價格、波幅、交易對手信貸息差及其他等，主要為可從公開市場觀察及獲取的參數。

The Group has an established governance structure and controls framework to ensure that fair values are either determined or validated by control units independent of the front offices. Control units have overall responsibility for independent verification of valuation results from front line businesses and all other significant fair value measurements. Specific controls include verification of observable pricing inputs; review and approval for new models and changes to models; calibration and back-testing of models against observed market transactions; analysis and investigation of significant daily valuation movements; review of significant unobservable inputs and valuation adjustments. Significant valuation issues are reported to senior management, Risk Management Committee and Audit Committee.

The Group uses valuation techniques or broker / dealer quotations to determine the fair value of financial instruments when unable to obtain the open market quotation in active markets.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stock prices, commodity prices, volatilities, counterparty credit spreads and others, which are mostly observable and obtainable from open market.



中期財務資料附註 (續) Notes to the Interim Financial Information (continued)

4. 金融資產和負債的公平價值 (續) 4. Fair values of financial assets and liabilities (continued)

4.1 以公平值計量的金融工具 (續)

用以釐定以下金融工具公平值的估值方法如下：

債務證券及存款證

此類工具的公平值由交易所、交易商或外間獨立估值服務供應商提供的市場報價或使用貼現現金流模型分析而決定。貼現現金流模型是一個利用預計未來現金流，以一個可反映市場上相類似風險的工具所需信貸息差之貼現率或貼現差額計量而成現值的估值技術。這些參數是市場上可觀察或由可觀察或不可觀察的市場數據證實。

衍生工具

場外交易的衍生工具合約包括外匯、利率、股票或商品的遠期、掉期及期權合約。衍生工具合約的價格主要由貼現現金流模型及期權計價模型等估值技術釐定。所使用的參數為可觀察或不可觀察市場數據。可觀察的參數包括利率、匯率、權益及股票價格、商品價格及波幅。不可觀察的參數如波幅平面可用於嵌藏於結構性存款中非交易頻繁的期權類產品。對一些複雜的衍生工具合約，公平值將按經紀／交易商之報價為基礎。

4.1 Financial instruments measured at fair value (continued)

The techniques used to calculate the fair value of the following financial instruments is as below:

Debt securities and certificates of deposit

The fair value of these instruments is determined by obtaining quoted market prices from exchange, dealer or independent pricing service vendors or using discounted cash flow technique. Discounted cash flow model is a valuation technique that measures present value using estimated expected future cash flows from the instruments and then discounts these flows using a discount rate or discount margin that reflects the credit spreads required by the market for instruments with similar risk. These inputs are observable or can be corroborated by observable or unobservable market data.

Derivatives

OTC derivative contracts include forward, swap and option contracts on foreign exchange, interest rate, equity or commodity. The fair values of these contracts are mainly measured using valuation techniques such as discounted cash flow models and option pricing models. The inputs can be observable or unobservable market data. Observable inputs include interest rate, foreign exchange rates, equity and stock prices, commodity prices and volatilities. Unobservable inputs such as volatility surface may be used for less commonly traded option products which are embedded in structured deposits. For certain complex derivative contracts, the fair values are determined based on broker / dealer price quotations.



中期財務資料附註 (續) Notes to the Interim Financial Information (continued)

4. 金融資產和負債的公平價值 (續) 4. Fair values of financial assets and liabilities (continued)

4.1 以公平值計量的金融工具 (續) 4.1 Financial instruments measured at fair value (continued)

衍生工具 (續)

本集團對場外交易的衍生工具作出了信貸估值調整及債務估值調整。調整分別反映對市場因素變化、交易對手信譽及集團自身信貸息差的期望。有關調整主要是按每一交易對手，以未來預期敞口、違約率及收回率釐定。

Derivatives (continued)

Credit valuation adjustments ("CVA") and debit valuation adjustments ("DVA") are applied to the Group's OTC derivatives. These adjustments reflect market factors movement, expectations of counterparty creditworthiness and the Group's own credit spread respectively. They are mainly determined for each counterparty and are dependent on expected future values of exposures, default probabilities and recovery rates.

A. 公平值的等級

A. Fair value hierarchy

		於 2021 年 6 月 30 日 At 30 June 2021			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產	Financial assets				
強制性以公平值變化計入損益之證券 (附註 20)	Investment in securities mandatorily measured at fair value through profit or loss (Note 20)				
- 債務證券	- Debt securities	-	347,348	37,716	385,064
- 存款證	- Certificates of deposit	-	-	-	-
- 股份證券	- Equity securities	70,393	57,801	-	128,194
界定為以公平值變化計入損益之證券 (附註 20)	Investment in securities designated at fair value through profit or loss (Note 20)				
- 債務證券	- Debt securities	-	198,421	-	198,421
衍生金融工具 (附註 18)	Derivative financial instruments (Note 18)	-	122,303	-	122,303
以公平值變化計入其他全面收益的證券 (附註 20)	Investment in securities measured at FVOCI (Note 20)				
- 債務證券	- Debt securities	1,686,823	43,969,293	-	45,656,116
- 存款證	- Certificates of deposit	-	6,556,743	-	6,556,743
- 股份證券	- Equity securities	-	1,080,353	23,543	1,103,896
		1,757,216	52,332,262	61,259	54,150,737
金融負債	Financial liabilities				
衍生金融工具 (附註 18)	Derivative financial instruments (Note 18)	-	(31,651)	-	(31,651)



中期財務資料附註 (續) **Notes to the Interim Financial Information (continued)**

4. 金融資產和負債的公平值 (續) 4. Fair values of financial assets and liabilities (continued)

4.1 以公平值計量的金融工具 (續) 4.1 Financial instruments measured at fair value (continued)

A. 公平值的等級 (續) A. Fair value hierarchy (continued)

		(重列) (Restated) 於 2020 年 12 月 31 日 At 31 December 2020			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產	Financial assets				
強制性以公平值變化計入損益之證券 (附註 20)	Investment in securities mandatorily measured at fair value through profit or loss (Note 20)				
- 債務證券	- Debt securities	-	385,769	-	385,769
- 存款證	- Certificates of deposit	-	-	-	-
- 股份證券	- Equity securities	-	62,599	-	62,599
界定為以公平值變化計入損益之證券 (附註 20)	Investment in securities designated at fair value through profit or loss (Note 20)				
- 債務證券	- Debt securities	-	215,659	-	215,659
衍生金融工具 (附註 18)	Derivative financial instruments (Note 18)	-	140,505	-	140,505
以公平值變化計入其他全面收益的證券 (附註 20)	Investment in securities measured at FVOCI (Note 20)				
- 債務證券	- Debt securities	2,064,144	37,988,869	-	40,053,013
- 存款證	- Certificates of deposit	-	8,728,236	-	8,728,236
- 股份證券	- Equity securities	-	-	20,854	20,854
		<u>2,064,144</u>	<u>47,521,637</u>	<u>20,854</u>	<u>49,606,635</u>
金融負債	Financial liabilities				
衍生金融工具 (附註 18)	Derivative financial instruments (Note 18)	-	(75,396)	-	(75,396)

本集團之金融資產及負債於期內均沒有第一層級及第二層級之間的轉移 (2020 年 12 月 31 日: 無)。

There were no financial asset and liability transfers between Level 1 and Level 2 for the Group during the period (31 December 2020: Nil).



中期財務資料附註 (續) Notes to the Interim Financial Information (continued)

4. 金融資產和負債的公平值 (續) 4. Fair values of financial assets and liabilities (continued)

4.1 以公平值計量的金融工具 (續) 4.1 Financial instruments measured at fair value (continued)

B. 第三層級的項目變動

B. Reconciliation of level 3 items

		金融資產 Financial assets		
		強制性以公平值變化 計入損益之證券 Investment in securities mandatorily measured at FVTPL	以公平值變化 計入其他全面 收益的證券 Investment in securities measured at FVOCI	總計 Total
		債務證券 Debt securities	股份證券 Equity securities	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2021 年 1 月 1 日 (虧損)/收益	At 1 January 2021 (Losses)/Gains	-	20,854	20,854
- 公平值變化	- Change in fair value			
- 收益表	- Income statement	(2,164)	-	(2,164)
- 其他全面收益	- Other comprehensive income	-	2,689	2,689
增置/買入	Additions/Purchases	39,880	-	39,880
於 2021 年 6 月 30 日	At 30 June 2021	37,716	23,543	61,259
於 2021 年 6 月 30 日持有的 資產於期內計入收益表的 其他金融資產之淨收益的 未實現虧損總額	Unrealised losses recognised in net gain on other financial assets in income statement relating to assets held at 30 June 2021	(2,164)	-	(2,164)
		金融資產 Financial assets		
		強制性以公平值變化 計入損益之證券 Investment in securities mandatorily measured at FVTPL	以公平值變化 計入其他全面 收益的證券 Investment in securities measured at FVOCI	總計 Total
		債務證券 Debt securities	股份證券 Equity securities	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2020 年 1 月 1 日 (虧損)	At 1 January 2020 (Losses)	-	27,183	27,183
- 公平值變化	- Change in fair value			
- 收益表	- Income statement	-	-	-
- 其他全面收益	- Other comprehensive income	-	(6,329)	(6,329)
增置/買入	Additions/Purchases	-	-	-
於 2020 年 12 月 31 日	At 31 December 2020	-	20,854	20,854
於 2020 年 12 月 31 日持有的 資產於年內計入收益表的 其他金融資產之淨收益 的未實現收益總額	Unrealised gains recognised in net gain on other financial assets in income statement relating to assets held at 31 December 2020	-	-	-



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

4. 金融資產和負債的公平價值 (續) 4. Fair values of financial assets and liabilities (continued)

4.1 以公平值計量的金融工具 (續)

4.1 Financial instruments measured at fair value (continued)

B. 第三層級的項目變動 (續)

B. Reconciliation of level 3 items (continued)

於 2021 年 6 月 30 日及 2020 年 12 月 31 日，分類為第三層級之金融工具主要為以公平值變化計入損益之債務證券及非上市股權。

As at 30 June 2021 and 31 December 2020, financial instruments categorised as level 3 are mainly comprised of debt securities measured at fair value through profit or loss and unlisted equity shares.

對於某些低流動性並以公允值變化計入損益之債券證券，本集團從交易對手處詢價。其公平值的計量可能採用對估值產生重大影響的不可觀察參數，因此本集團將這些金融工具劃分至第三層級。

For certain illiquid debt securities classified as fair value through profit or loss, the Group obtains valuation quotations from counterparties which may be based on unobservable inputs with significant impact on the valuation. Therefore, these instruments have been classified by the Group as level 3.

非上市股權的公平值乃參考可供比較的上市公司之平均市價／盈利倍數，或若沒有合適可供比較的公司，則按其資產淨值釐定。公平值與適合採用之可比較倍數比率或資產淨值存在正向關係。若股權投資的企業之資產淨值增長／減少 5%，則本集團之其他全面收益將增加／減少港幣 1,177,000 元（2020 年 12 月 31 日：港幣 1,043,000 元）。

The fair values of unlisted equity shares are determined with reference to multiples of comparable listed companies, such as average of the price / earning ratios of comparables or net asset value, if appropriate comparables are not available. The fair value is positively correlated to the price / earning ratios of appropriate comparables or net asset values. Had the net asset value of the underlying equity investments increased / decreased by 5%, the Group's other comprehensive income would have increased / decreased by HK\$1,177,000 (31 December 2020: HK\$1,043,000).



中期財務資料附註 (續) Notes to the Interim Financial Information (continued)

4. 金融資產和負債的公平值 (續) 4. Fair values of financial assets and liabilities (continued)

4.2 非以公平值計量的金融工具

公平值是以在一特定時點按相關市場資料及不同金融工具之資料來評估。以下之方法及假設已按實際情況應用於評估各類金融工具之公平值。

存放／尚欠銀行及其他金融機構之結餘及貿易票據

大部分之金融資產及負債將於結算日後一年內到期，其賬面值與公平值相若。

客戶貸款

大部分之客戶貸款是浮動利率，按市場息率計算利息，其賬面值與公平值相若。

以攤餘成本計量之債務工具

採用以現時收益率曲線相對應剩餘期限之利率為基礎的貼現現金流模型計算。

客戶存款

大部分之客戶存款將於結算日後一年內到期，其賬面值與公平值相若。

4.2 Financial instruments not measured at fair value

Fair value estimates are made at a specific point in time based on relevant market information and information about various financial instruments. The following methods and assumptions have been used to estimate the fair value of each class of financial instrument as far as practicable.

Balances with / from banks and other financial institutions and trade bills

Substantially all the financial assets and liabilities mature within one year from the end of the reporting date and their carrying value approximates fair value.

Advances to customers

Substantially all the advances to customers are on floating rate terms, bear interest at prevailing market interest rates and their carrying value approximates fair value.

Debt instruments at amortised cost

A discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

Deposits from customers

Substantially all the deposits from customers mature within one year from the end of the reporting date and their carrying value approximates fair value.



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

5. 淨利息收入

5. Net interest income

		(重列) (Restated)
	半年結算至 2021年 6月30日 Half-year ended 30 June 2021	半年結算至 2020年 6月30日 Half-year ended 30 June 2020
	港幣千元 HK\$'000	港幣千元 HK\$'000
利息收入	Interest income	
存放於同業及其他金融機構的 款項	Due from banks and other financial institutions	
	33,584	158,823
客戶貸款及貿易票據	Advances to customers and trade bills	
	1,096,405	1,448,772
證券投資	Investment in securities	
	366,947	531,272
其他	Others	
	1,267	1,708
	1,498,203	2,140,575
利息支出	Interest expense	
同業及其他金融機構存放的 款項	Due to banks and other financial institutions	
	(208,445)	(37,154)
客戶存款	Deposits from customers	
	(491,831)	(1,212,848)
租賃負債	Lease liabilities	
	(4,109)	(4,038)
其他	Others	
	(104)	(391)
	(704,489)	(1,254,431)
淨利息收入	Net interest income	
	793,714	886,144

非以公平值變化計入損益之金融資產與金融負債所產生的利息收入及利息支出分別為港幣 1,479,947,000 元 (2020 年上半年: 港幣 2,128,284,000 元) 及港幣 704,489,000 元 (2020 年上半年: 港幣 1,254,431,000 元)。

Included within interest income and interest expense are HK\$1,479,947,000 (first half of 2020: HK\$2,128,284,000) and HK\$704,489,000 (first half of 2020: HK\$1,254,431,000) for financial assets and financial liabilities that are not recognised at fair value through profit or loss respectively.



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

6. 淨服務費及佣金收入

6. Net fee and commission income

		(重列) (Restated)	
		半年結算至 2021年 6月30日 Half-year ended 30 June 2021	半年結算至 2020年 6月30日 Half-year ended 30 June 2020
		港幣千元 HK\$'000	港幣千元 HK\$'000
服務費及佣金收入	Fee and commission income		
保險	Insurance	67,600	76,905
證券經紀	Securities brokerage	66,243	49,477
貸款佣金	Loan commissions	161,257	136,842
繳款服務	Payment services	14,517	15,197
匯票佣金	Bills commissions	3,688	17,932
保管箱	Safe deposit box	10,185	10,168
基金分銷	Funds distribution	8,280	3,800
其他	Others	31,162	21,449
		362,932	331,770
服務費及佣金支出	Fee and commission expense		
證券經紀	Securities brokerage	(11,000)	(7,559)
其他	Others	(7,248)	(7,209)
		(18,248)	(14,768)
淨服務費及佣金收入	Net fee and commission income	344,684	317,002
其中源自：	Of which arise from:		
非以公平值變化計入損益 之金融資產或金融負債	Financial assets or financial liabilities not at fair value through profit or loss		
- 服務費及佣金收入	- Fee and commission income	164,945	154,773
- 服務費及佣金支出	- Fee and commission expense	(66)	(74)
		164,879	154,699
信託及其他受託活動	Trust and other fiduciary activities		
- 服務費及佣金收入	- Fee and commission income	3,435	3,430
- 服務費及佣金支出	- Fee and commission expense	(740)	(884)
		2,695	2,546



中期財務資料附註 (續) **Notes to the Interim Financial Information (continued)**

7. 淨交易性(虧損)/收益 **7. Net trading (loss) / gain**

		半年結算至 2021年 6月30日 Half-year ended 30 June 2021 港幣千元 HK\$'000	半年結算至 2020年 6月30日 Half-year ended 30 June 2020 港幣千元 HK\$'000
淨(虧損)/收益源自:	Net (loss) / gain from:		
外匯交易及外匯交易產品	Foreign exchange and foreign exchange products	3,958	36,868
強制性以公平值變化計入損益之證券淨虧損	Net loss on investment in securities mandatorily measured at fair value through profit or loss	(11,710)	(1,595)
利率工具	Interest rate instruments	242	(5,857)
商品	Commodities	8	(15)
		(7,502)	29,401

8. 其他金融資產之淨收益 **8. Net gain on other financial assets**

		半年結算至 2021年 6月30日 Half-year ended 30 June 2021 港幣千元 HK\$'000	(重列) (Restated) 半年結算至 2020年 6月30日 Half-year ended 30 June 2020 港幣千元 HK\$'000
界定為以公平值變化計入損益之金融工具淨(虧損)/收益	Net (loss) / gain on financial instruments designated at FVTPL	(1,905)	3,196
強制性以公平值變化計入損益之證券淨收益(除已包括在淨交易性(虧損)/收益內)	Net gain on investment in securities mandatorily measured at FVTPL (other than those included in net trading (loss) / gain)	1,992	4,635
以公平值變化計入其他全面收益之證券之淨收益	Net gain on investment in securities measured at FVOCI	33,992	193,362
其他	Others	125	(49)
		34,204	201,144

9. 其他經營收入 **9. Other operating income**

		半年結算至 2021年 6月30日 Half-year ended 30 June 2021 港幣千元 HK\$'000	半年結算至 2020年 6月30日 Half-year ended 30 June 2020 港幣千元 HK\$'000
證券投資股息收入	Dividend income from investment in securities		
- 上市證券投資	- Listed investments	6,586	-
- 非上市證券投資	- Unlisted investments	1,251	1,445
投資物業之租金總收入	Gross rental income from investment properties	2,044	2,584
有關投資物業之收入	Incomings in respect of investment properties	209	79
其他	Others	2,870	1,579
		12,960	5,687



中期財務資料附註 (續) **Notes to the Interim Financial Information (continued)**

10. 減值準備淨 (撥回) / 撥備 **10. Net (reversal) / charge of impairment allowances**

		半年結算至 2021年 6月30日 Half-year ended 30 June 2021	半年結算至 2020年 6月30日 Half-year ended 30 June 2020
		港幣千元 HK\$'000	港幣千元 HK\$'000
客戶貸款及貿易票據	Advances to customers and trade bills	(198,715)	53,897
證券投資	Investment in securities	15,654	10,116
存放央行、銀行及其他金融機構的結餘	Balances with central banks, banks and other financial institutions	1,718	1,286
其他金融資產	Other financial assets	226	1,811
資產負債表外	Off-balance sheet	(36,897)	(8,669)
		(218,014)	58,441

11. 經營支出 **11. Operating expenses**

		半年結算至 2021年 6月30日 Half-year ended 30 June 2021	半年結算至 2020年 6月30日 Half-year ended 30 June 2020
		港幣千元 HK\$'000	港幣千元 HK\$'000
人事費用 (包括董事酬金)	Staff costs (including directors' emoluments)		
- 薪酬及其他費用	- Salaries and other costs	343,554	316,508
- 退休成本	- Pension cost	25,037	15,206
		368,591	331,714
房產及設備支出 (不包括折舊)	Premises and equipment expenses (excluding depreciation)		
- 房產租金	- Rental of premises	197	348
- 資訊科技	- Information technology	6,685	4,761
- 其他	- Others	10,835	6,228
		17,717	11,337
折舊 (附註 22)	Depreciation (Note 22)	70,115	59,103
- 自置物業、器材及設備	- Owned properties, plant and equipment	22,914	18,929
- 使用權資產	- Right-of-use assets	47,201	40,174
核數師酬金	Auditor's remuneration	1,659	1,538
- 審計服務	- Audit services	1,659	955
- 非審計服務	- Non-audit services	-	583
其他經營支出	Other operating expenses	114,419	95,429
		572,501	499,121



中期財務資料附註 (續) **Notes to the Interim Financial Information (continued)**

12. 投資物業公平值調整之淨虧損 **12. Net loss from fair value adjustments on investment properties**

	半年結算至 2021年 6月30日 Half-year ended 30 June 2021 港幣千元 HK\$'000	半年結算至 2020年 6月30日 Half-year ended 30 June 2020 港幣千元 HK\$'000
投資物業公平值調整之 淨虧損 (附註 21)		
Net loss from fair value adjustments on investment properties (Note 21)	(200)	(5,930)

13. 出售／重估物業、器材及設備之淨收益 **13. Net gain from disposal / revaluation of properties, plant and equipment**

	半年結算至 2021年 6月30日 Half-year ended 30 June 2021 港幣千元 HK\$'000	半年結算至 2020年 6月30日 Half-year ended 30 June 2020 港幣千元 HK\$'000
重估房產之淨收益	1,424	1,392
出售設備、固定設施及裝備 的淨虧損	(933)	(7)
Net gain from revaluation of premises	1,424	1,392
Net loss from disposal of equipment, fixtures and fittings	(933)	(7)
	491	1,385



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

14. 稅項

14. Taxation

綜合收益表內之稅項組成如下：

Taxation in the consolidated income statement represents:

		半年結算至 2021年 6月30日 Half-year ended 30 June 2021 港幣千元 HK\$'000	半年結算至 2020年 6月30日 Half-year ended 30 June 2020 港幣千元 HK\$'000
本期稅項	Current tax		
香港利得稅	Hong Kong profits tax		
- 期內計入稅項	- Current period taxation	82,193	69,811
- 往年不足撥備	- Under-provision in prior year	100	14
		82,293	69,825
海外稅項	Overseas taxation		
- 期內計入稅項	- Current period taxation	20,533	63,597
- 往年超額撥備	- Over-provision in prior year	(27,763)	-
		75,063	133,422
遞延稅項	Deferred tax		
暫時性差額之產生及撥回 (附註 26)	Origination and reversal of temporary differences (Note 26)	36,550	3,641
		111,613	137,063

香港利得稅乃按照截至 2021 年上半年估計應課稅溢利依稅率 16.5% (2020 年：16.5%) 提撥。海外溢利之稅款按照 2021 年上半年估計應課稅溢利依本集團經營業務所在國家之現行稅率計算。

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong for the first half of 2021. Taxation on overseas profits has been calculated on the estimated assessable profits for the first half of 2021 at the rates of taxation prevailing in the country in which the Group operates.



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

15. 股息及支付利息

15. Dividends and Distributions

(i) 於年度核准及支付屬上
年度股息

(i) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	半年結算至 2021年6月30日 Half-year ended 30 June 2021		半年結算至 2020年6月30日 Half-year ended 30 June 2020	
	每股 Per share	總額 Total	每股 Per share	總額 Total
	港幣 HK\$	港幣千元 HK\$'000	港幣 HK\$	港幣千元 HK\$'000
本年度經批准及支付的上 年度末期股息				
Final dividend in respect of the previous financial year, approved and paid during the interim period	<u>0.114</u>	<u>252,879</u>	<u>0.200</u>	<u>373,650</u>

(ii) 永久非累計次級額外一
級資本證券支付的股息
為港幣 50,944,000 元
(2020 年上半年：港幣
50,907,000 元)。

(ii) Dividend paid on perpetual non-cumulative subordinated additional tier 1 capital securities is HK\$50,944,000 (first half of 2020: HK\$50,907,000).



中期財務資料附註 (續) **Notes to the Interim Financial Information (continued)**

16. 庫存現金及存放銀行及其他金融機構的結餘 **16. Cash and balances with banks and other financial institutions**

		於 2021 年 6 月 30 日 At 30 June 2021	於 2020 年 12 月 31 日 At 31 December 2020
		港幣千元 HK\$'000	港幣千元 HK\$'000
庫存現金	Cash	223,773	216,230
存放中央銀行的結餘	Balances with central banks	9,082,607	3,909,384
存放銀行及其他金融機構的結餘	Balances with banks and other financial institutions	2,308,093	2,942,926
在銀行及其他金融機構一個月內到期之定期存放	Placements with banks and other financial institutions maturing within one month	8,581,706	15,903,903
		20,196,179	22,972,443
減值準備	Impairment allowances		
- 按第一階段	- Stage 1	(561)	(611)
- 按第二階段	- Stage 2	-	-
- 按第三階段	- Stage 3	-	-
		20,195,618	22,971,832

17. 在銀行及金融機構一至十二個月內到期之定期存放 **17. Placements with banks and other financial institutions maturing between one and twelve months**

		於 2021 年 6 月 30 日 At 30 June 2021	於 2020 年 12 月 31 日 At 31 December 2020
		港幣千元 HK\$'000	港幣千元 HK\$'000
存放銀行及金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one to twelve months	2,165,813	7,441,611
減值準備	Impairment allowances		
- 按第一階段	- Stage 1	(3,083)	(1,313)
- 按第二階段	- Stage 2	-	-
- 按第三階段	- Stage 3	-	-
		2,162,730	7,440,298



中期財務資料附註 (續)

Notes to the Interim Financial Information (continued)

18. 衍生金融工具

本集團訂立下列匯率及利率相關的衍生金融工具合約作買賣及風險管理之用。

貨幣遠期是指於未來某一日期買或賣外幣的承諾。

貨幣及利率掉期是指交換不同現金流的承諾。掉期的結果是交換不同貨幣或利率（如固定利率與浮動利率）或以上的所有組合（如交叉貨幣利率掉期）。除某些貨幣掉期合約外，該等交易無需交換本金。

外匯期權是指期權的賣方（出讓方）為買方（持有方）提供在未來某一特定日期或未來一定時期內按約定的價格買進（認購期權）或賣出（認沽期權）一定數量的金融工具的權利（而非承諾）的一種協議。考慮到外匯和利率風險，期權的賣方從購買方收取一定的期權費。本集團期權合約是與對手方在場外協商達成或透過交易所進行（如於交易所進行買賣之期權）。

本集團之衍生金融工具合約／名義數額及其公平值詳列於下表。各類型金融工具的合約／名義數額僅顯示於財務狀況表日未完成之交易量，而若干金融工具之合約／名義數額則提供了一個與財務狀況表內所確認的公平值資產或負債的對比基礎。但是，這並不反映所涉及的未來的現金流或當前的公平值，因而也不能反映本集團所面臨的信貸風險或市場風險。隨著與衍生金融工具合約條款相關的匯率或市場利率的波動，衍生金融工具的估值可能產生有利（資產）或不利（負債）的影響，這些影響可能在不同期間有較大的波動。

18. Derivative financial instruments

The Group enters into the following exchange rate and interest rate related derivative financial instrument contracts for trading and risk management purposes.

Currency forwards represent commitments to purchase and sell foreign currency on a future date.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (for example, cross-currency interest rate swaps). Except for certain currency swap contracts, no exchange of principal takes place.

Foreign currency options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of the financial instrument at a predetermined price. In consideration for the assumption of foreign exchange and interest rate risk, the seller receives a premium from the purchaser. Options are negotiated over-the-counter between the Group and its counterparty or traded through the stock exchange (for example, exchange-traded stock option).

The contract / notional amounts and fair values of derivative financial instruments held by the Group are set out in the following tables. The contract / notional amounts of these instruments indicate the volume of transactions outstanding at the end of the reporting dates and certain of them provide a basis for comparison with fair value instruments recognised on the statement of financial position. However, they do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates or market interest rates relative to their terms. The aggregate fair values of derivative financial instruments can fluctuate significantly from time to time.



中期財務資料附註 (續) **Notes to the Interim Financial Information (continued)**

18. 衍生金融工具 (續) 18. Derivative financial instruments (continued)

下表概述各類衍生金融工具於 2021 年 6 月 30 日及 2020 年 12 月 31 日之合約 / 名義數額及公平值：

The following tables summarise the contract / notional amounts and fair values of each class of derivative financial instrument as at 30 June 2021 and 31 December 2020:

		於 2021 年 6 月 30 日 At 30 June 2021		
		合約 / 名義數額 Contract / notional amounts	公平值 Fair values	
			資產 Assets	負債 Liabilities
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
匯率合約	Exchange rate contracts			
即期及遠期	Spot and forwards	952,668	86,158	(5,105)
掉期	Swaps	21,491,119	21,706	(7,700)
外匯交易期權	Foreign currency options			
- 買入期權	- Options purchased	3,936	28	-
- 賣出期權	- Options written	3,936	-	(29)
		22,451,659	107,892	(12,834)
利率合約	Interest rate contracts			
掉期	Swaps	1,445,861	14,411	(18,817)
		23,897,520	122,303	(31,651)
		於 2020 年 12 月 31 日 At 31 December 2020		
		合約 / 名義數額 Contract / notional amounts	公平值 Fair values	
			資產 Assets	負債 Liabilities
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
匯率合約	Exchange rate contracts			
即期及遠期	Spot and forwards	961,017	97,298	(15,142)
掉期	Swaps	14,096,968	22,146	(32,726)
外匯交易期權	Foreign currency options			
- 買入期權	- Options purchased	8,351	23	-
- 賣出期權	- Options written	8,351	-	(27)
		15,074,687	119,467	(47,895)
利率合約	Interest rate contracts			
掉期	Swaps	1,678,689	21,038	(27,501)
		16,753,376	140,505	(75,396)



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

19. 客戶貸款及貿易票據

19. Advances to customers and trade bills

		於 2021 年 6 月 30 日 At 30 June 2021	於 2020 年 12 月 31 日 At 31 December 2020
		港幣千元 HK\$'000	港幣千元 HK\$'000
個人貸款	Personal loans and advances	14,872,403	13,616,426
公司貸款	Corporate loans and advances	65,976,918	64,164,220
客戶貸款	Advances to customers	80,849,321	77,780,646
客戶貸款減值準備	Advances to customers impairment allowances		
- 按第一階段	- Stage 1	(257,172)	(476,643)
- 按第二階段	- Stage 2	(9,157)	(8,637)
- 按第三階段	- Stage 3	(281,641)	(278,510)
		80,301,351	77,016,856
貿易票據	Trade bills	1,510,142	1,327,776
貿易票據減值準備	Trade bills impairment allowances		
- 按第一階段	- Stage 1	(28,971)	(4,491)
- 按第二階段	- Stage 2	-	-
- 按第三階段	- Stage 3	-	-
		1,481,171	1,323,285
		81,782,522	78,340,141

於 2021 年 6 月 30 日，客戶貸款包括應計利息港幣 209,673,000 元 (2020 年 12 月 31 日：港幣 180,337,000 元)。

As at 30 June 2021, advances to customers included accrued interest of HK\$209,673,000 (31 December 2020: HK\$180,337,000).



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

20. 證券投資

20. Investment in securities

於 2021 年 6 月 30 日
As at 30 June 2021

		強制性以公平 值變化計入損 益之證券	界定為以公平 值變化計入損 益之證券	以公平值變 化計入其他全 面收益之證券	以攤餘成本 計量之證券	總計
	Investment in securities mandatorily measured at fair value through profit or loss	Investment in securities designated at fair value through profit and loss	Investment in securities at fair value through other comprehensive income	Investment in securities at amortised cost	Total	
	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	
存款證：	Certificate of deposit:					
- 於香港上市	- Listed in Hong Kong	-	-	-	-	-
- 於香港以外上市	- Listed outside Hong Kong	-	-	-	-	-
- 非上市	- Unlisted	-	-	6,556,743	-	6,556,743
				6,556,743	-	6,556,743
債務證券：	Debt securities:					
- 於香港上市	- Listed in Hong Kong	79,893	39,801	11,320,105	1,080,289	12,520,088
- 於香港以外上市	- Listed outside Hong Kong	115,781	158,620	6,284,867	956,085	7,515,353
- 非上市	- Unlisted	189,390	-	28,051,144	62,565	28,303,099
		385,064	198,421	45,656,116	2,098,939	48,338,540
		385,064	198,421	52,212,859	2,098,939	54,895,283
減值準備	Impairment allowances					
- 按第一階段	- Stage 1	-	-	-	(1,232)	(1,232)
- 按第二階段	- Stage 2	-	-	-	-	-
- 按第三階段	- Stage 3	-	-	-	-	-
		-	-	-	(1,232)	(1,232)
存款證及債務證券	Total debt securities and certificates of deposit	385,064	198,421	52,212,859	2,097,707	54,894,051
股份證券：	Equity securities:					
- 於香港上市	- Listed in Hong Kong	113,689	-	1,080,353	-	1,194,042
- 於香港以外上市	- Listed outside Hong Kong	14,505	-	-	-	14,505
- 非上市	- Unlisted	-	-	23,543	-	23,543
股份證券總額	Total equity securities	128,194	-	1,103,896	-	1,232,090
		513,258	198,421	53,316,755	2,097,707	56,126,141
按發行機構之分類 如下：	Analysed by type of issuer as follows:					
官方實體	Sovereigns	-	-	17,826,025	831,611	18,657,636
公營單位	Public sector entities	-	-	2,227,931	-	2,227,931
銀行及 其他金融機構	Banks and other financial institutions	234,323	198,421	27,674,077	806,500	28,913,321
公司企業	Corporate entities	278,935	-	5,588,722	459,596	6,327,253
		513,258	198,421	53,316,755	2,097,707	56,126,141



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

20. 證券投資 (續)

20. Investment in securities (continued)

		(重列) (Restated) 於 2020 年 12 月 31 日 As at 31 December 2020				
		強制性以公平 值變化計入損 益之證券	界定為以公平 值變化計入損 益之證券	以公平值變 化計入其他全 面收益之證券	以攤餘成本 計量之證券	總計
		Investment in securities mandatorily measured at fair value through profit or loss	Investment in securities designated at fair value through profit and loss	Investment in securities at fair value through other comprehensive income	Investment in securities at amortised cost	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
存款證：	Certificate of deposit:					
- 於香港上市	- Listed in Hong Kong	-	-	-	-	-
- 於香港以外上市	- Listed outside Hong Kong	-	-	-	-	-
- 非上市	- Unlisted	-	-	8,728,236	-	8,728,236
		-	-	8,728,236	-	8,728,236
債務證券：	Debt securities:					
- 於香港上市	- Listed in Hong Kong	82,522	40,027	6,094,516	1,013,552	7,230,617
- 於香港以外上市	- Listed outside Hong Kong	152,637	175,632	4,752,932	120,910	5,202,111
- 非上市	- Unlisted	150,610	-	29,205,565	220,139	29,576,314
		385,769	215,659	40,053,013	1,354,601	42,009,042
		385,769	215,659	48,781,249	1,354,601	50,737,278
減值準備	Impairment allowances					
- 按第一階段	- Stage 1	-	-	-	(3,600)	(3,600)
- 按第二階段	- Stage 2	-	-	-	-	-
- 按第三階段	- Stage 3	-	-	-	-	-
		-	-	-	(3,600)	(3,600)
存款證及債務證券	Total debt securities and certificates of deposit	385,769	215,659	48,781,249	1,351,001	50,733,678
股份證券：	Equity securities:					
- 於香港上市	- Listed in Hong Kong	51,535	-	-	-	51,535
- 於香港以外上市	- Listed outside Hong Kong	11,064	-	-	-	11,064
- 非上市	- Unlisted	-	-	20,854	-	20,854
股份證券總額	Total equity securities	62,599	-	20,854	-	83,453
		448,368	215,659	48,802,103	1,351,001	50,817,131
按發行機構之分類 如下：	Analysed by type of issuer as follows:					
官方實體	Sovereigns	-	-	18,872,423	-	18,872,423
公營單位	Public sector entities	-	-	1,513,178	-	1,513,178
銀行及 其他金融機構	Banks and other financial institutions	198,797	199,779	23,433,969	799,529	24,632,074
公司企業	Corporate entities	249,571	15,880	4,982,533	551,472	5,799,456
		448,368	215,659	48,802,103	1,351,001	50,817,131



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

21. 投資物業

21. Investment properties

		於 2021 年 6 月 30 日 At 30 June 2021	於 2020 年 12 月 31 日 At 31 December 2020
		港幣千元 HK\$'000	港幣千元 HK\$'000
於 1 月 1 日	At 1 January	153,620	237,150
公平值虧損 (附註 12)	Net loss from fair value adjustment (Note 12)	(200)	(7,330)
重新分類轉至物業、器材及設備 (附註 22)	Reclassification to properties, plant and equipment (Note 22)	-	(76,200)
於期/年末	At period / year end	153,420	153,620

22. 物業、器材及設備

22. Properties, plant and equipment

		房產使用權 資產 Right-of-use assets of premises 港幣千元 HK\$'000	房產 Premises 港幣千元 HK\$'000	設備、固定 設施及裝備 Equipment, fixtures and fittings 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於 2021 年 1 月 1 日之 賬面淨值	Net book value at 1 January 2021	236,571	1,706,828	101,163	2,044,562
增置	Additions	69,870	1,558	11,778	83,206
出售	Disposals	(2,668)	-	(933)	(3,601)
重估	Revaluation	-	11,774	-	11,774
本期折舊 (附註 11)	Depreciation for the period (Note 11)	(47,201)	(11,774)	(11,140)	(70,115)
匯兌差額	Exchange difference	10,005	-	686	10,691
於 2021 年 6 月 30 日之 賬面淨值	Net book value at 30 June 2021	266,577	1,708,386	101,554	2,076,517
於 2021 年 6 月 30 日 成本值或估值	At 30 June 2021 Cost or valuation	370,957	1,708,386	209,048	2,288,391
累計折舊及減值	Accumulated depreciation and impairment	(104,380)	-	(107,494)	(211,874)
於 2021 年 6 月 30 日之 賬面淨值	Net book value at 30 June 2021	266,577	1,708,386	101,554	2,076,517
上述資產之成本值或估值 分析如下：	The analysis of cost or valuation of the above assets is as follows:				
於 2021 年 6 月 30 日 按成本值	At 30 June 2021 At cost	370,957	-	209,048	580,005
按估值	At valuation	-	1,708,386	-	1,708,386
		370,957	1,708,386	209,048	2,288,391



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

22. 物業、器材及設備
(續)

22. Properties, plant and equipment (continued)

		房產使用權 資產 Right-of-use assets of premises 港幣千元 HK\$'000	房產 Premises 港幣千元 HK\$'000	設備、固定 設施及裝備 Equipment, fixtures and fittings 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於 2020 年 1 月 1 日之 賬面淨值	Net book value at 1 January 2020	240,083	1,707,835	73,154	2,021,072
增置	Additions	71,917	4,410	41,836	118,163
出售	Disposals	(368)	-	(8)	(376)
重估	Revaluation	-	(58,425)	-	(58,425)
本年折舊	Depreciation for the year	(85,261)	(23,192)	(14,717)	(123,170)
重新分類轉自投資物業 (附註 21)	Reclassification from investment properties (Note 21)	-	76,200	-	76,200
匯兌差額	Exchange difference	10,200	-	898	11,098
於 2020 年 12 月 31 日之 賬面淨值	Net book value at 31 December 2020	<u>236,571</u>	<u>1,706,828</u>	<u>101,163</u>	<u>2,044,562</u>
於 2020 年 12 月 31 日 成本值或估值	At 31 December 2020 Cost or valuation	358,100	1,706,828	205,823	2,270,751
累計折舊及減值	Accumulated depreciation and impairment	<u>(121,529)</u>	<u>-</u>	<u>(104,660)</u>	<u>(226,189)</u>
於 2020 年 12 月 31 日之 賬面淨值	Net book value at 31 December 2020	<u>236,571</u>	<u>1,706,828</u>	<u>101,163</u>	<u>2,044,562</u>
上述資產之成本值或估值 分析如下：	The analysis of cost or valuation of the above assets is as follows:				
於 2020 年 12 月 31 日	At 31 December 2020				
按成本值	At cost	358,100	-	205,823	563,923
按估值	At valuation	<u>-</u>	<u>1,706,828</u>	<u>-</u>	<u>1,706,828</u>
		<u>358,100</u>	<u>1,706,828</u>	<u>205,823</u>	<u>2,270,751</u>



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

23. 其他資產

23. Other assets

		於 2021 年 6 月 30 日 At 30 June 2021	於 2020 年 12 月 31 日 At 31 December 2020
		港幣千元 HK\$'000	港幣千元 HK\$'000
貴金屬	Precious metals	70,678	65,179
收回資產	Repossessed assets	116,242	122,324
應收賬項及預付費用	Accounts receivable and prepayments	1,087,145	1,378,479
		1,274,065	1,565,982
減值準備	Impairment allowances		
- 按第一階段	- Stage 1	(569)	(4,299)
- 按第二階段	- Stage 2	-	-
- 按第三階段	- Stage 3	(4,345)	(387)
		1,269,151	1,561,296

24. 客戶存款

24. Deposits from customers

		於 2021 年 6 月 30 日 At 30 June 2021	於 2020 年 12 月 31 日 At 31 December 2020
		港幣千元 HK\$'000	港幣千元 HK\$'000
即期存款及往來存款	Demand deposits and current accounts	13,554,766	10,065,280
儲蓄存款	Savings deposits	30,887,983	30,394,687
定期、短期及通知存款	Time, call and notice deposits	78,052,224	82,113,064
		122,494,973	122,573,031

25. 其他賬項及準備

25. Other accounts and provisions

		於 2021 年 6 月 30 日 At 30 June 2021	於 2020 年 12 月 31 日 At 31 December 2020
		港幣千元 HK\$'000	港幣千元 HK\$'000
其他應付賬項	Other accounts payable	1,388,976	1,923,601
租賃負債	Lease liabilities	266,161	238,449
準備	Provisions	10,117	11,000
		1,665,254	2,173,050
貸款承諾及應收開出保函 之減值準備	Impairment allowances of loan commitments and financial guarantees contracts issued		
- 按第一階段	- Stage 1	14,872	51,644
- 按第二階段	- Stage 2	-	1
- 按第三階段	- Stage 3	-	-
		1,680,126	2,224,695



中期財務資料附註 (續) **Notes to the Interim Financial Information (continued)**

26. 遞延稅項

遞延稅項是根據香港會計準則第12號「所得稅」計算，就資產負債之稅務基礎與其在本中期財務資料內賬面值兩者之暫時性差額及未使用稅項抵免作提撥。

財務狀況表內之遞延稅項（資產）／負債主要組合，以及其在2021年上半年及截至2020年12月31日止年度之變動如下：

26. Deferred taxation

Deferred tax is recognised in respect of the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in this interim financial information and unused tax credits in accordance with HKAS 12 “Income Taxes”.

The major components of deferred tax (assets) / liabilities recorded in the statement of financial position, and the movements during the first half of 2021 and the year ended 31 December 2020 are as follows:

		於 2021 年 6 月 30 日 At 30 June 2021					
		加速折舊 免稅額 Accelerated tax depreciation	物業重估 Property revaluation	虧損 Losses	減值準備 Impairment allowance	其他 Others	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2021 年 1 月 1 日	At 1 January 2021	29,922	222,774	(465)	(82,845)	(55,582)	113,804
借記／（貸記） 收益表 （附註 14）	Charged / (credited) to income statement (Note 14)	857	4	(39)	35,728	-	36,550
借記其他全面收益	Charged to other comprehensive income	-	292	-	-	24,269	24,561
匯兌差額	Exchange difference	-	-	-	(345)	(213)	(558)
於 2021 年 6 月 30 日	At 30 June 2021	30,779	223,070	(504)	(47,462)	(31,526)	174,357



中期財務資料附註 (續) Notes to the Interim Financial Information (continued)

26. 遞延稅項 (續) 26. Deferred taxation (continued)

		於 2020 年 12 月 31 日 At 31 December 2020					
		加速折舊 免稅額 Accelerated tax depreciation	物業重估 Property revaluation	虧損 Losses	減值準備 Impairment allowance	其他 Others	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2020 年 1 月 1 日	At 1 January 2020	26,426	224,540	(390)	(42,017)	(25,524)	183,035
借記 / (貸記) 收益表 (附註 14)	Charged / (credited) to income statement (Note 14)	3,496	9,302	(75)	(37,087)	-	(24,364)
貸記其他全面 收益	Credited to other comprehensive income	-	(11,068)	-	-	(30,471)	(41,539)
匯兌差額	Exchange difference	-	-	-	(3,741)	413	(3,328)
於 2020 年 12 月 31 日	At 31 December 2020	<u>29,922</u>	<u>222,774</u>	<u>(465)</u>	<u>(82,845)</u>	<u>(55,582)</u>	<u>113,804</u>

當有法定權利可將現有稅項資產與現有稅項負債抵銷，而遞延稅項涉及同一財政機關，則可將個別法人的遞延稅項資產與遞延稅項負債互相抵銷。下列在財務狀況表內列賬之金額，已計入適當抵銷：

Deferred tax assets and liabilities are offset on an individual entity basis when there is a legal right to set off current tax assets against current tax liabilities and when the deferred taxation relates to the same authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

		於 2021 年 6 月 30 日 At 30 June 2021	於 2020 年 12 月 31 日 At 31 December 2020
		港幣千元 HK\$'000	港幣千元 HK\$'000
遞延稅項資產	Deferred tax assets	(24,842)	(23,499)
遞延稅項負債	Deferred tax liabilities	<u>199,199</u>	<u>137,303</u>
		<u>174,357</u>	<u>113,804</u>



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

27. 股本

27. Share capital

普通股持有人有權不時收取已宣告派發的股息，並在銀行剩餘淨資產會議上投票。

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank's residual net assets.

		2021	
		股份數目	港幣千元
		Number of	
		shares	HK\$'000
於 1 月 1 日	At 1 January	2,218,236,000	6,577,871
已發行股票	Shares issued	-	-
於 6 月 30 日	At 30 June	<u>2,218,236,000</u>	<u>6,577,871</u>
		2020	
		股份數目	港幣千元
		Number of	
		shares	HK\$'000
於 1 月 1 日	At 1 January	1,868,247,500	3,245,980
已發行股票	Shares issued	349,988,500	3,331,891
於 12 月 31 日	At 31 December	<u>2,218,236,000</u>	<u>6,577,871</u>

根據香港《公司條例》第135條，本銀行的普通股並無票面值。普通股持有人有權獲得不時宣佈派發的紅利，並有權在銀行股東會議按一股一票方式進行投票。所有普通股在銀行剩餘資產方面的排名相等。

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Bank do not have a par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

28. 額外資本工具

28. Additional equity instruments

	於 2021 年 6 月 30 日 At 30 June 2021	於 2020 年 12 月 31 日 At 31 December 2020
	港幣千元 HK\$'000	港幣千元 HK\$'000
2.5 億美元永久非累計次級 額外一級資本證券	US\$250 million perpetual non-cumulative subordinated additional tier 1 capital securities 1,937,712	1,937,712

本銀行於2017年11月29日發行了票面值2.5億美元（扣除相關發行成本後等值港幣19.38億元）的永久非累計次級額外一級資本證券（「額外資本工具」）。此永久額外資本工具於2022年11月29日首個提前贖回日期前，票面年利率定於5.25%。若屆時未有行使贖回權，票面年利率將每五年按當時五年期美國國庫債券息率的每年利率加上初始發行利差重設。

票息需每半年派付一次。本銀行有權根據該額外資本工具的條款規定取消利息發放，而取消的利息不會累積。

假如金管局通知本銀行不對本金進行撤銷則無法繼續經營，該額外資本工具的本金將會按與金管局協商後或接受其指令下進行撤銷。

於2022年11月29日或任何其後的派息日，本銀行擁有贖回權贖回所有未償付的額外資本工具，但須受已列載之條款及細則所限制。

2021年5月25日派發此額外資本工具利息港幣50,944,000元。

On 29 November 2017, the Bank issued perpetual non-cumulative subordinated additional tier 1 capital securities ("additional equity instruments") with a face value of US\$250 million (equivalent to HK\$1,938 million net of related issuance costs). The additional equity instruments are perpetual and bear a 5.25% coupon until the first call date on 29 November 2022. The coupon will be reset every five years if the additional equity instruments are not redeemed to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus a fixed initial spread.

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 equity instruments) and the coupon cancelled shall not be cumulative.

The principal of the additional equity instruments will be written down to the amount as directed or agreed with the HKMA if the HKMA notifies the Bank that the Bank would become non-viable if there is no written down of the principal.

The Bank has a call option to redeem all the outstanding additional equity instruments from 29 November 2022 or any subsequent coupon payment date, but subject to restriction as set out in the terms and conditions.

During the period, the coupons of this additional equity instruments were paid with the amount of HK\$50,944,000 on 25 May 2021.



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

29. 綜合現金流量表附註

29. Notes to consolidated cash flow statement

(a) 除稅前溢利與除稅前
經營現金之(流出)/
流入對賬

(a) Reconciliation of profit before taxation to operating cash (outflow) /
inflow before taxation

	半年結算至 2021年 6月30日 Half-year ended 30 June 2021 港幣千元 HK\$'000	半年結算至 2020年 6月30日 Half-year ended 30 June 2020 港幣千元 HK\$'000
除稅前溢利	823,864	877,271
投資物業公平值調整之淨虧損	200	5,930
出售/重估物業、器材及設備之淨收益	(491)	(1,385)
租賃負債之利息支出	4,109	4,038
折舊	70,115	59,103
減值準備淨(撥回)/撥備	(218,014)	58,441
原到期日超過3個月之存放銀行及其他金融機構的結餘之變動	1,446,358	(329,336)
原到期日超過3個月之在銀行及其他金融機構之定期存放之變動	571,103	(424,753)
衍生金融工具之變動	(25,543)	2,435
客戶貸款及貿易票據之變動	(3,243,666)	(1,919,684)
證券投資之變動	(4,620,763)	431,015
其他資產之變動	291,919	(1,031,608)
銀行及其他金融機構之存款及結餘之變動	471,645	(4,604,678)
客戶存款之變動	(78,058)	7,008,177
其他賬項及準備之變動	(536,129)	761,872
匯率變動之影響	(18,155)	21,386
除稅前經營現金之(流出)/流入	(5,061,506)	918,224
經營業務之現金流量中包括		
– 已收利息	1,560,861	2,264,199
– 已付利息	(717,722)	(1,272,902)
– 已收股息	7,837	1,445



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

29. 綜合現金流量表附註
(續)

29. Notes to consolidated cash flow statement (continued)

(b) 現金及等同現金項目結存
分析

(b) Analysis of the balances of cash and cash equivalents

	於 2021 年 6 月 30 日 At 30 June 2021	於 2020 年 6 月 30 日 At 30 June 2020
	港幣千元 HK\$'000	港幣千元 HK\$'000
庫存現金及原到期日在 3 個月內之存放銀行及其他金融機構的結餘	18,479,605	11,856,480
原到期日在 3 個月內之在銀行及其他金融機構之定期存放	1,413,106	2,667,784
原到期日在 3 個月內之債務證券	5,938,038	6,072,323
原到期日在 3 個月內之存款證	-	761,442
	25,830,749	21,358,029

(c) 與綜合財務狀況表的對賬

(c) Reconciliation with the consolidated statement of financial position

	於 2021 年 6 月 30 日 At 30 June 2021	於 2020 年 6 月 30 日 At 30 June 2020
	港幣千元 HK\$'000	港幣千元 HK\$'000
庫存現金及存放銀行及其他金融機構的結餘	20,195,618	14,732,659
在銀行及其他金融機構一至十二個月內到期之定期存放	2,162,730	5,400,926
證券投資		
其中：強制性以公平值變化計入損益之證券	385,064	448,900
其中：界定為以公平值變化計入損益之證券	198,421	216,523
其中：以公平值變化計入其他全面收益之證券	52,212,859	47,941,690
其中：攤銷成本證券	2,097,707	1,589,840
在綜合財務狀況表列示的金額	77,252,399	70,330,538
減：原本期限為 3 個月以上的金額	(49,861,306)	(47,184,928)
減：受規管限制的中央銀行的現金結存	(1,560,344)	(1,787,581)
在綜合現金流量表內的現金及等同現金項目	25,830,749	21,358,029



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

30. 或然負債及承擔

30. Contingent liabilities and commitments

或然負債及承擔乃參照有關資本充足比率之金管局報表的填報指示而編製，其每項重要類別之合約數額及總信貸風險加權數額概述如下：

The following is a summary of the contractual amounts of each significant class of contingent liability and commitment and the aggregate credit risk-weighted amount and is prepared with reference to the completion instructions for the HKMA return of capital adequacy ratio:

		於 2021 年 6 月 30 日 At 30 June 2021	於 2020 年 12 月 31 日 At 31 December 2020
		港幣千元 HK\$'000	港幣千元 HK\$'000
直接信貸替代項目	Direct credit substitutes	2,171	5,147
與交易有關之或然負債	Transaction-related contingencies	24,429	25,621
與貿易有關之或然負債	Trade-related contingencies	530,311	677,387
不需事先通知的無條件撤銷之承諾	Commitments that are unconditionally cancellable without prior notice	9,059,749	10,356,740
其他承擔，原到期日為	Other commitments with an original maturity of		
- 1 年或以下	- up to one year	111,383	564,022
- 1 年以上	- over one year	1,912,483	2,587,573
		11,640,526	14,216,490
信貸風險加權數額	Credit risk-weighted amount	878,046	1,225,636

信貸風險加權數額是根據《銀行業(資本)規則》計算。此數額取決於交易對手之情況及各類合約之期限特性。

The credit risk-weighted amount is calculated in accordance with the Banking (Capital) Rules. The amount is dependent upon the status of the counterparty and the maturity characteristics of each type of contract.



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

31. 資本承擔

31. Capital commitments

本集團未於本中期財務資料中撥備之資本承擔金額如下：

The Group has the following outstanding capital commitments not provided for in this interim financial information:

	於 2021 年 6 月 30 日 At 30 June 2021	於 2020 年 12 月 31 日 At 31 December 2020
	港幣千元 HK\$'000	港幣千元 HK\$'000
已批准及簽約但未撥備	13,234	22,855
已批准但未簽約	-	184
	13,234	23,039

以上資本承擔大部分為將購入之電腦硬件及軟件，以及本集團之樓宇裝修工程之承擔。

The above capital commitments mainly relate to commitments to purchase computer equipment and software, and to renovate the Group's premises.

32. 租賃承擔

32. Lease commitments

(a) 作為承租人

(a) As lessee

根據不可撤銷之經營租賃合約，下列為本集團未來有關租賃承擔所須支付之最低租金：

The Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

	於 2021 年 6 月 30 日 At 30 June 2021	於 2020 年 12 月 31 日 At 31 December 2020
	港幣千元 HK\$'000	港幣千元 HK\$'000
土地及樓宇		
- 不超過 1 年	497	513
- 1 年以上至 5 年內	-	23
	497	536

上列若干不可撤銷之經營租約可再商議及參照協議日期之市值或按租約內的特別條款說明而作租金調整。

Certain non-cancellable operating leases included in the table above were subject to renegotiation and rent adjustment with reference to market rates prevailing at specified agreed dates or according to the special conditions as stipulated in the leases.



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

32. 租賃承擔 (續)

32. Lease commitments (continued)

(b) 作為出租人

(b) As lessor

根據不可撤銷之經營租賃合約，下列為本集團與租客簽訂合約之未來有關租賃之最低應收租金：

The Group has contracted with tenants for the following future minimum lease receivables under non-cancellable operating leases:

	於 2021 年 6 月 30 日 At 30 June 2021	於 2020 年 12 月 31 日 At 31 December 2020
	港幣千元 HK\$'000	港幣千元 HK\$'000
土地及樓宇		
- 不超過 1 年	1,972	1,673
- 1 年以上至 5 年內	1,581	-
	3,553	1,673

本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 3 年。租約條款一般要求租客提交保證金及於租約期滿時，因應租務市場之狀況而調整租金。

The Group leases its investment properties under operating lease arrangements, with leases typically for a period from one to three years. The terms of the leases generally require the tenants to pay security deposits and provide for rent adjustments according to the prevailing market conditions at the expiration of the lease.



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

33. 分類報告

33. Segmental reporting

(a) 按業務劃分

本集團業務分為三個業務分類，它們分別是個人銀行業務、企業銀行業務和財資業務。業務線的分類是基於不同客戶層及產品種類。

個人銀行和企業銀行業務線均會提供全面的銀行服務，包括各類存款、透支、貸款、與貿易相關的產品及其他信貸服務、投資及保險產品、外幣業務及衍生產品。個人銀行業務線主要是服務個人客戶，而企業銀行業務線主要是服務公司客戶。至於財資業務線，除了自營買賣外，還負責管理集團的流動資金、利率和外匯敞口。「其他」這一欄，主要包括本集團持有房地產、投資物業及股權投資。

業務線的資產、負債、收入、支出、經營成果及資本性支出是基於本集團會計政策進行計量。分類資料包括直接屬於該業務線的績效以及可以合理攤分至該業務線的績效。跨業務線資金的定價，按本集團內部資金轉移價格機制釐定，主要是以市場利率為基準，並考慮有關產品的特性。

本集團的主要收入來源為利息收入，並且高級管理層主要按淨利息收入來管理業務，因此所有業務分類的利息收入及支出以淨額列示。

(a) Operating segments information

The Group divides its businesses into three business segments. They are Personal Banking, Corporate Banking and Treasury. The classification of the Group's operating segments is based on customer segment and product type.

Both Personal Banking and Corporate Banking provide general banking services including various deposit products, overdrafts, loans, trade related products and other credit facilities, investment and insurance products, and foreign currency and derivative products. Personal Banking mainly serves retail customers, while Corporate Banking mainly deals with corporate customers. Treasury manages the funding and liquidity, and the interest rate and foreign exchange positions of the Group in addition to proprietary trades. "Others" mainly represents the Group's holdings of premises, investment properties and equity investments.

Measurement of segment assets, liabilities, income, expenses, results and capital expenditure is based on the Group's accounting policies. The segment information includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment funding is charged according to the internal funds transfer pricing mechanism of the Group, which is primarily based on market rates with the consideration of specific features of the product.

As the Group derives a majority of revenue from interest and the senior management relies primarily on net interest income in managing the business, interest income and expense for all reportable segments are presented on a net basis.



中期財務資料附註 (續) **Notes to the Interim Financial Information (continued)**

33. 分類報告 (續) **33. Segmental reporting (continued)**

(a) 按業務劃分 (續)

(a) Operating segments information (continued)

		個人銀行 Personal Banking	企業銀行 Corporate Banking	財資業務 Treasury	其他 Others	小計 Subtotal	合併抵銷 Eliminations	綜合 Consolidated
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
半年結算至	Half-year ended							
2021年6月30日	30 June 2021							
淨利息(支出)/收入	Net interest (expense)/ income							
- 外來	- external	(155,360)	545,130	403,944	-	793,714	-	793,714
- 跨業務	- inter-segment	334,509	23,371	(357,880)	-	-	-	-
		179,149	568,501	46,064	-	793,714	-	793,714
淨服務費及佣金收入	Net fee and commission income	152,351	191,111	933	289	344,684	-	344,684
淨交易性收益/(虧損)	Net trading gain / (loss)	10,776	9,999	5,849	(34,126)	(7,502)	-	(7,502)
其他金融資產之淨收益	Net gain on other financial assets	-	17,134	19,236	(2,166)	34,204	-	34,204
其他經營收入	Other operating income	-	2,637	362	17,531	20,530	(7,570)	12,960
提取減值準備前之淨經營收入	Net operating income before impairment allowances	342,276	789,382	72,444	(18,472)	1,185,630	(7,570)	1,178,060
減值準備淨撥回/(撥備)	Net reversal / (charge) of impairment allowances	43,605	179,450	(15,654)	10,613	218,014	-	218,014
淨經營收入	Net operating income	385,881	968,832	56,790	(7,859)	1,403,644	(7,570)	1,396,074
經營支出	Operating expenses	(201,642)	(183,180)	(17,905)	(177,344)	(580,071)	7,570	(572,501)
經營溢利/(虧損)	Operating profit / (loss)	184,239	785,652	38,885	(185,203)	823,573	-	823,573
投資物業公平值調整之淨虧損	Net loss from fair value adjustments on investment properties	-	-	-	(200)	(200)	-	(200)
出售/重估物業、器材及設備之淨收益	Net gain from disposal / revaluation of properties, plant and equipment	-	-	-	491	491	-	491
除稅前溢利/(虧損)	Profit / (loss) before taxation	184,239	785,652	38,885	(184,912)	823,864	-	823,864
於2021年6月30日	At 30 June 2021							
資產	Assets							
分部資產	Segment assets	17,188,235	70,864,544	74,030,356	1,857,727	163,940,862	-	163,940,862
負債	Liabilities							
分部負債	Segment liabilities	88,065,220	46,887,949	9,868,049	684,792	145,506,010	-	145,506,010
半年結算至	Half-year ended							
2021年6月30日	30 June 2021							
其他資料	Other information							
資本性支出	Capital expenditure	(2,041)	(6,905)	(622)	(73,638)	(83,206)	-	(83,206)
折舊	Depreciation	(2,952)	(6,833)	(41)	(60,289)	(70,115)	-	(70,115)
證券攤銷	Amortisation of securities	-	-	154,394	(734)	153,660	-	153,660



中期財務資料附註 (續) Notes to the Interim Financial Information (continued)

33. 分類報告 (續) 33. Segmental reporting (continued)

(a) 按業務劃分 (續) (a) Operating segments information (continued)

		個人銀行 Personal Banking	企業銀行 Corporate Banking	財資業務 Treasury	其他 Others	小計 Subtotal	合併抵銷 Eliminations	綜合 Consolidated
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
(重列) 半年結算至 2020年6月30日	(Restated) Half-year ended 30 June 2020							
淨利息(支出)/收入	Net interest (expense)/ income							
- 外來	- external	(627,200)	787,280	726,064	-	886,144	-	886,144
- 跨業務	- inter-segment	812,380	(210,640)	(601,740)	-	-	-	-
		185,180	576,640	124,324	-	886,144	-	886,144
淨服務費及佣金收入/ (支出)	Net fee and commission income / (expense)	138,716	180,274	(1,598)	(390)	317,002	-	317,002
淨交易性收益	Net trading gain	9,387	3,849	5,538	10,627	29,401	-	29,401
其他金融資產之淨收益	Net gain on other financial assets	-	111,600	89,544	-	201,144	-	201,144
其他經營收入	Other operating income	-	317	268	12,699	13,284	(7,597)	5,687
提取減值準備前之淨經營收入	Net operating income before impairment allowances	333,283	872,680	218,076	22,936	1,446,975	(7,597)	1,439,378
減值準備淨撥回/(撥備)	Net reversal / (charge) of impairment allowances	41,756	(95,653)	(10,116)	5,572	(58,441)	-	(58,441)
淨經營收入	Net operating income	375,039	777,027	207,960	28,508	1,388,534	(7,597)	1,380,937
經營支出	Operating expenses	(200,426)	(161,770)	(18,702)	(125,820)	(506,718)	7,597	(499,121)
經營溢利/(虧損)	Operating profit / (loss)	174,613	615,257	189,258	(97,312)	881,816	-	881,816
投資物業公平值調整之 淨虧損	Net loss from fair value adjustments on investment properties	-	-	-	(5,930)	(5,930)	-	(5,930)
出售/重估物業、器材 及設備之淨收益	Net gain from disposal / revaluation of properties, plant and equipment	-	-	-	1,385	1,385	-	1,385
除稅前溢利/(虧損)	Profit / (loss) before taxation	174,613	615,257	189,258	(101,857)	877,271	-	877,271
於2020年12月31日	At 31 December 2020							
資產	Assets							
分部資產	Segment assets	16,363,528	72,781,881	72,806,839	1,562,125	163,514,373	-	163,514,373
負債	Liabilities							
分部負債	Segment liabilities	87,484,965	51,696,763	5,807,306	631,039	145,620,073	-	145,620,073
半年結算至 2020年6月30日	Half-year ended 30 June 2020							
其他資料	Other information							
資本性支出	Capital expenditure	(5,030)	(5,182)	(68)	(41,415)	(51,695)	-	(51,695)
折舊	Depreciation	(3,068)	(5,084)	(328)	(50,623)	(59,103)	-	(59,103)
證券攤銷	Amortisation of securities	-	-	41,977	(4,049)	37,928	-	37,928



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

33. 分類報告 (續)

33. Segmental reporting (continued)

(b) 按地理區域劃分

(b) By geographical area

以下資料是根據主要營業地點分類：

The following information is presented based on the principal places of operations:

		半年結算至 2021 年 6 月 30 日 Half-year ended 30 June 2021		半年結算至 2020 年 6 月 30 日 Half-year ended 30 June 2020	
		提取減值 準備前之 淨經營收入 Net operating income before impairment allowances	除稅前 溢利 Profit before taxation	提取減值 準備前之 淨經營收入 Net operating income before impairment allowances	除稅前 溢利 Profit before taxation
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	989,268	783,972	1,009,013	557,368
中國內地	Mainland China	188,792	39,892	430,365	319,903
		1,178,060	823,864	1,439,378	877,271

		於 2021 年 6 月 30 日 At 30 June 2021	於 2020 年 12 月 31 日 At 31 December 2020
		總資產 Total assets	總資產 Total assets
		港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	134,657,419	126,331,879
中國內地	Mainland China	29,283,443	37,182,494
		163,940,862	163,514,373

34. 已抵押資產

34. Assets pledged as security

於 2021 年 6 月 30 日，本集團通過票據抵押之負債為港幣 114,305,000 元 (2020 年 12 月 31 日：無)。本集團為擔保此等負債而質押之資產金額為港幣 114,305,000 元 (2020 年 12 月 31 日：無)，並於「貿易票據」內列賬。

As at 30 June 2021, the liabilities of the Group amounting to HK\$114,305,000 (31 December 2020: Nil) were secured by bills. The amount of assets pledged by the Group to secure these liabilities was HK\$114,305,000 (31 December 2020: Nil) included in "Trade bills".

於 2021 年 6 月 30 日，本集團通過債券抵押之負債為港幣 7,265,480,000 元 (2020 年 12 月 31 日：港幣 8,730,629,000 元)。本集團為擔保此等負債而質押之資產金額為港幣 7,434,427,000 元 (2020 年 12 月 31 日：港幣 9,174,021,000 元)，並於「證券投資」內列賬。

As at 30 June 2021, the liabilities of the Group amounting to HK\$7,265,480,000 (31 December 2020: HK\$8,730,629,000) were secured by debt securities. The amount of assets pledged by the Group to secure these liabilities was HK\$7,434,427,000 (31 December 2020: HK\$9,174,021,000) included in "investment in securities".



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

35. 主要之有關連人士交易 35. Significant related party transactions

母公司的基本資料：

General information of the parent companies:

本集團由廈門國際銀行間接控制，廈門國際銀行是一所於中華人民共和國（「中國」）成立的中資商業銀行。

The Group is indirectly controlled by Xiamen International Bank Co., Ltd., which is a Chinese commercial bank established in the People's Republic of China (the "PRC").

(a) 與母公司及母公司控制之其他公司進行的交易

(a) Transactions with the parent companies and the other companies controlled by the parent companies

本集團之直接控股公司是集友國際金融控股有限公司（「集友國際金控」），集友國際金控是廈門國際投資有限公司全資附屬公司，廈門國際投資有限公司由廈門國際銀行全資擁有。

The Group's immediate holding company is Chiyu International Financial Holdings Limited ("Chiyu International Holdings"), which is a wholly-owned subsidiary of Xiamen International Investment Limited, which is in turn wholly owned by Xiamen International Bank Co., Ltd.

大部分與廈門國際銀行進行的交易源自貨幣市場活動。於2021年6月30日，本集團相關應收及應付廈門國際銀行款項總額分別為港幣4,624,000元（2020年12月31日：港幣4,852,000元）及港幣1,032,645,000元（2020年12月31日：港幣180,564,000元）。2021年上半年，與廈門國際銀行做此類業務過程中產生的收入總額為港幣200,000元（2020年上半年：港幣5,933,000元），沒有與廈門國際銀行做此類業務過程中產生的支出（2020年上半年：港幣14,750,000元）。

The majority of transactions with Xiamen International Bank Co., Ltd. arise from money market activities. As at 30 June 2021, the related aggregate amount due from and to Xiamen International Bank Co., Ltd. of the Group were HK\$4,624,000 (31 December 2020: HK\$4,852,000) and HK\$1,032,645,000 (31 December 2020: HK\$180,564,000) respectively. The aggregate amount of income of the Group arising from these transactions with Xiamen International Bank Co., Ltd. for the first half 2021 was HK\$200,000 (first half of 2020: HK\$5,933,000). There was no expense arising from these transactions with Xiamen International Bank Co., Ltd. for the first half 2021 (first half of 2020: HK\$14,750,000).



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

35. 主要之有關連人士交易
(續)

35. Significant related party transactions (continued)

(a) 與母公司及母公司控制
之其他公司進行的交易
(續)

(a) Transactions with the parent companies and the other companies
controlled by the parent companies (continued)

大部分與母公司控制之其他公司的交易來自客戶存款。於2021年6月30日，本集團相關款項總額為港幣202,982,000元(2020年12月31日：港幣311,784,000元)。2021年上半年與母公司控制之其他公司做此業務過程中產生的支出總額為港幣1,113,000元(2020年上半年：港幣282,000元)。

The majority of transactions with other companies controlled by the parent companies arise from deposits from customers. As at 30 June 2021, the related aggregate amount of the Group was HK\$202,982,000 (31 December 2020: HK\$311,784,000). The aggregate amount of expenses of the Group arising from these transactions for the first half 2021 was HK\$1,113,000 (first half of 2020: HK\$282,000).

與母公司控制之其他公司的交易來自租賃服務。2021年上半年與母公司控制之其他公司做此業務過程中產生的收入總額為港幣835,000元(2020年上半年：港幣835,000元)。

The majority of transactions with other companies controlled by the parent companies arise from rental service. The aggregate amount of expenses of the Group arising from these transactions for the first half 2021 was HK\$835,000 (first half of 2020: HK\$835,000).

截至2021年6月30日止，本集團分別持有港幣150,146,000元(2020年12月31日：港幣145,988,000元)由澳門國際銀行發行的次級債和港幣482,930,000元(2020年12月31日：港幣239,443,000元)由廈門國際銀行發行的債務證券。2021年上半年分別從澳門國際銀行賺取港幣4,463,000元(2020年上半年：港幣4,488,000元)利息收入和從廈門國際銀行賺取港幣5,848,000元(2020年上半年：港幣169,000元)利息收入。

As at 30 June 2021, the related aggregate amount of the Group invested in the subordinated debt issued by Luso International Banking Limited and debt securities issued by Xiamen International Bank were HK\$150,146,000 (31 December 2020: HK\$145,988,000) and HK\$482,930,000 (31 December 2020: HK\$239,443,000) respectively. The interest income gained during first half 2021 from Luso International Banking Limited and Xiamen International Bank were HK\$4,463,000 (first half of 2020: HK\$4,488,000) and HK\$5,848,000 (first half of 2020: HK\$169,000) respectively.



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

35. 主要之有關連人士交易
(續)

35. Significant related party transactions (continued)

(b) 主要高層人員

(b) Key management personnel

主要高層人員是指某些能直接或間接擁有權力及責任來計劃、指導及掌管集團業務之人士，包括董事、高級管理層及主要人員。本集團在正常業務中會接受主要高層人員存款及向其提供貸款及信貸融資。於期內及往期，本集團並沒有與本銀行及其控股公司之主要高層人員或其有關連人士進行重大交易。

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, senior management and key personnel. The Group accepts deposits from and grants loans and credit facilities to key management personnel in the ordinary course of business. During both the current and prior periods, no material transaction was conducted with key management personnel of the Bank and its holding companies, as well as parties related to them.

主要高層人員之薪酬如下：

The compensation of key management personnel is detailed as follows:

	(重列) (Restated)
半年結算至 2021年 6月30日 Half-year ended 30 June 2021	半年結算至 2020年 6月30日 Half-year ended 30 June 2020
港幣千元 HK\$'000	港幣千元 HK\$'000
薪酬、其他短期員工 福利及退休福利	Salaries, other short-term employee benefits and post-employment benefits
19,822	18,026



中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

36. 比較數字

若干比較數字經已重報以符合本年度的呈報方式。

36. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

37. 符合香港會計準則第 34 號

截至 2021 年上半年止的未經審計中期財務資料符合香港會計師公會所頒佈之香港會計準則第 34 號「中期財務報告」之要求。中期財務報告於 2021 年 9 月 8 日核准發佈。

37. Compliance with HKAS 34

The unaudited interim financial information for the first half of 2021 complies with HKAS 34 “Interim Financial Reporting” issued by the HKICPA. The interim financial report was authorised for issue on 8 September 2021.

38. 法定賬目

被納入本中期業績報告作為比較信息的截至 2020 年 12 月 31 日止年度有關的財務信息，雖然來源於本銀行的法定年度綜合財務報表，但不構成本銀行的法定年度綜合財務報表。按照香港《公司條例》第 436 條要求需就這些法定財務報表披露更多有關的信息如下：

本銀行已按照香港《公司條例》第 662(3)條及附表 6 第 3 部的要求送呈截至 2020 年 12 月 31 日止年度的財務報表予公司註冊處。

本銀行的核數師已就該財務報表發出核數師報告。該核數師報告為無保留意見的核數師報告；其中不包含核數師在不發出保留意見的情況下以強調的方式提請使用者注意的任何事項；亦不包含根據香港《公司條例》第 406(2)、407(2)或(3)條作出的聲明。

38. Statutory accounts

The financial information relating to the year ended 31 December 2020 that is included in this Interim Report as comparative information does not constitute the Bank's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Bank has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Bank's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.



獨立審閱報告



致集友銀行有限公司董事會
(於香港註冊成立的有限公司)

引言

我們已審閱 貴集團列載於第 2 頁至第 77 頁的中期財務報告，此中期財務報告包括於 2021 年 6 月 30 日的綜合財務狀況表與截至該日止 6 個月期間有關的綜合收益表、綜合全面收益表、綜合權益變動表和綜合現金流量表以及附註解釋。董事須負責根據《香港會計準則》第 34 號編製及列報中期財務報告。

我們的責任是根據我們的審閱對中期財務報告作出結論，並按照我們雙方所協定的應聘條款，僅向全體董事會報告。除此以外，我們的報告書不可用作其他用途。我們概不就本報告書的內容，對任何其他人士負責或承擔法律責任。

審閱範圍

我們已根據香港會計師公會所頒布的《香港審閱工作準則》第 2410 號「獨立核數師對中期財務信息的審閱」進行審閱。中期財務報告審閱工作包括主要向負責財務會計事項的人員詢問、並實施分析和其他審閱程序。由於審閱的範圍遠較按照《香港審核準則》進行審核的範圍為小，所以不能保證我們會注意到在審核中可能會被發現的所有重大事項。因此我們不會發表任何審核意見。

結論

根據我們的審閱工作，我們並沒有注意到任何事項，使我們相信於 2021 年 6 月 30 日的中期財務報告在所有重大方面沒有按照《香港會計準則》第 34 號「中期財務報告」的規定編製。

畢馬威會計師事務所

執業會計師
香港中環
遮打道十號
太子大廈八樓
2021 年 9 月 8 日

Independent Review Report

To the board of directors of Chiyu Banking Corporation Limited
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 2 to 77 which comprises the consolidated statement of financial position of Chiyu Banking Corporation Limited (the "Bank") and its subsidiaries (together, the "Group") as of 30 June 2021 and the related consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of changes in equity and consolidated cash flow statement for the six month period then ended and explanatory notes. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2021 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, "Interim financial reporting".

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
8 September 2021

Independent Auditor's Report



Independent auditor's report to the members of
Chiyu Banking Corporation Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Chiyu Banking Corporation Limited ("the Bank") and its subsidiaries ("the Group") set out on pages 37 to 183, which comprise the consolidated statement of financial position as at 31 December 2020, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment allowances of advances to customers

Refer to notes 2.14, 4.1, 11 and 22 to the consolidated financial statements.

Key audit matter

The Group's advances to customers as at 31 December 2020 amounted to HK\$77,780,646,000, net of total expected credit losses ("ECL") of HK\$763,790,000. 33% of the Group's advances to customers related to exposures in Mainland China.

Impairment allowances of advances to customers across the banking industry continues to be an area of concern and elevated focus due to the uncertain global economic outlook, including the adverse impact from China – United States tensions and the COVID-19 pandemic.

How the matter was addressed in our audit

Our audit procedures to assess the impairment allowances on advances to customers measured at amortised cost included the following:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls on financial reporting over the approval, recording and monitoring and restructuring of loans measured at amortised cost, the credit grading process, the ECL model enhancement, approval, monitoring, governance and validation process, and the measurement of impairment allowances;
- evaluating the accuracy of the classification of advances to customers. We obtained information on how management applied the classification requirements of the financial instruments standard and the classification results. We assessed, on a sample basis, the contractual cash flow characteristics of advances to customers and relevant documents in relation to the business model;

Independent Auditor's Report (continued)

Impairment allowances of advances to customers (continued)

Refer to notes 2.14, 4.1, 11 and 22 to the consolidated financial statements.

Key audit matter (continued)

The COVID-19 pandemic has led to additional challenges in assessing impairment provisions. The relief measures such as moratoriums on repayment of loan principals have increased the difficulty in identifying those loans which may have significant increase in credit risk and impaired loans. Past historical experience on repayment may therefore be less representative of the borrowers' financial conditions and therefore more judgement is required.

ECL may be materially misstated if the classification and measurement framework for financial instruments is not properly adopted. Therefore, the determination of impairment allowances of advances to customers is subject to the accuracy of the classifications of the Group's advances to customers.

The Group has developed its own model for measuring impairment allowances of financial assets including advances to customers.

Loan exposures that are not already credit-impaired are classified as stage 1 on origination and a 12-month ECL provision is recognised. Loan exposures will transfer to stage 2 if there has been a significant increase in credit risk compared to origination. Loan exposures are classified as stage 3 if they become credit-impaired. A lifetime ECL provision is recognised for loans classified as stage 2 and stage 3.

ECL may be materially misstated if the exposures with a significant increase in credit risk are not properly identified, leading to inaccurate recognition of ECL.

How the matter was addressed in our audit (continued)

- involving specialists in assessing the reliability of the ECL model used by management in determining impairment allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments;
- assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model, by comparing individual loan information, on a sample basis, with the underlying agreements and other related documentation to assess the accuracy of the loan information in the expected credit loss model. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with publicly available sources;
- for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing it to the Group's internal records including historical loss experience and type of collateral. As part of these procedures, we challenged management's revisions, if any, to estimates and input parameters compared with the estimates and input parameters and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development;
- for key parameters used in the expected credit loss model which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis. We involved our information technology specialists in assessing the information systems controls critical to the credit grading process, such as the compilation of the overdue reports for advances to customers. We also assessed the design, implementation and operating effectiveness of relevant automated application controls within these systems, as well as the key internal controls over these underlying systems, including controls over access to these systems and controls over data and change management;
- for selected samples of advances to customers that are credit-impaired, evaluating management's assessment of the value of any collateral held by comparison with available market information. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows, challenged the viability of the Group's recovery plans and evaluated other credit enhancements that are integral to the contract terms;

Independent Auditor's Report (continued)

Impairment allowances of advances to customers (continued)

Refer to notes 2.14, 4.1, 11 and 22 to the consolidated financial statements.

Key audit matter (continued)

The determination of impairment allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.

In particular, the determination of the impairment allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors.

Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third party valuers and considers the influence of various factors including the market price, location and use when assessing the value of property held as collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of impairment allowances as at the end of the reporting period.

We identified the impairment allowances of advances to customers measured at amortised cost as a key audit matter because of the complexity of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.

How the matter was addressed in our audit (continued)

- in respect of identifying exposures with a significant increase in credit risk, evaluating the validity of management's assessment on whether the credit risk of the loan has, or has not, increased significantly since initial recognition and whether the loan is credit-impaired by selecting samples for which we checked loan overdue information, made enquiries of the credit managers about the borrowers' business operations, checked borrowers' financial information and researched market information about borrowers' businesses;
- in respect of assessing the accuracy of ECL calculation, recalculating, on a sample basis, the amount of impairment allowance for 12-month and life-time credit losses using the Bank's expected credit loss model based on the above parameters and assumptions and comparing to the results from the Group;
- assessing the appropriateness of material manual adjustments and overlays, if any, on ECL model outputs; and
- evaluating whether the presentation and disclosures on impairment allowances of advances to customers measured at amortised cost and the relevant disclosures meet the requirements in the prevailing accounting standards.

Assessment of the fair value of financial instruments

Refer to notes 2.12, 5.1, 21 and 23 and to the consolidated financial statements.

Key audit matter

Financial instruments carried at fair value account form a significant portion of the Group's asset. As at 31 December 2020 the fair value of the Group's these financial instruments was HK\$49,606,635,000 of which HK\$2,064,144,000, HK\$47,521,637,000 and HK\$20,854,000 were classified as level 1, 2 and 3 financial instruments respectively.

The valuation of the Group's financial instruments, which are stated at their fair values, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant management judgement.

How the matter was addressed in our audit

Our audit procedures to assess the fair value of financial instruments included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over the processing of transactions in relation to financial instruments and the valuation and independent price verification for financial instruments;
- assessing the fair values of level 1 and certain level 2 financial instruments, on a sample basis, by comparing the fair values applied by the Group with publicly available market data;

Independent Auditor's Report (continued)

Assessment of the fair value of financial instruments (continued)

Refer to notes 2.12, 5.1, 21 and 23 to the consolidated financial statements.

Key audit matter (continued)

The Group has developed its own models to value certain level 2 and 3 financial instruments, which involves significant management judgement.

During the year, the tightened market liquidity and increased market volatility resulted in higher estimation uncertainty in management's assessment of the marketability and valuation of financial instruments held.

We identified assessment of the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in developing its own models and in determining the inputs used in the valuation models.

How the matter was addressed in our audit (continued)

- evaluating the methodology adopted by management and assessing the reasonableness of the inputs and assumptions used by management in the valuations;
- engaging our internal valuation specialists to perform, on a sample basis, independent valuations of certain level 2 financial instruments and comparing these valuations with the Group's valuations. Our independent valuations included developing models, obtaining inputs independently and verifying the inputs obtained independently; and
- assessing whether the disclosures in the consolidated financial statements appropriately reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Fong Hoi Wan.

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

26 April 2021

綜合收益表
Consolidated Income Statement

截至 12 月 31 日止年度	For the year ended 31 December	附註 Notes	2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
利息收入	Interest income		3,845,995	4,208,147
以實際利息法計算的利息收入	Interest income calculated using the effective interest method		3,816,961	4,192,248
其他利息收入	Other interest income		29,034	15,899
利息支出	Interest expense		(2,133,677)	(2,189,574)
淨利息收入	Net interest income	6	1,712,318	2,018,573
服務費及佣金收入	Fee and commission income		834,964	667,254
服務費及佣金支出	Fee and commission expense		(31,541)	(24,256)
淨服務費及佣金收入	Net fee and commission income	7	803,423	642,998
淨交易性（虧損）／收益	Net trading (loss) / gain	8	(44,582)	25,941
界定為以公平值變化計入損益之 金融工具淨（虧損）／收益	Net (loss) / gain on financial instruments designated at fair value through profit or loss		(6,319)	7,307
其他金融資產之淨收益	Net gain on other financial assets	9	312,269	69,489
其他經營收入	Other operating income	10	9,240	12,315
提取減值準備前之淨經營收入	Net operating income before impairment allowances		2,786,349	2,776,623
減值準備淨撥備	Net charge of impairment allowances	11	(638,353)	(345,345)
淨經營收入	Net operating income		2,147,996	2,431,278
經營支出	Operating expenses	12	(1,120,223)	(944,910)
經營溢利	Operating profit		1,027,773	1,486,368
投資物業公平值調整之淨（虧損） ／收益	Net (loss) / gain from fair value adjustments on investment properties	13	(7,330)	4,846
出售／重估物業、器材及設備之 淨（虧損）／收益	Net (loss) / gain from disposal / revaluation of properties, plant and equipment	14	(247)	2,723
除稅前溢利	Profit before taxation		1,020,196	1,493,937
稅項	Taxation	15	(176,936)	(231,369)
年度溢利	Profit for the year		843,260	1,262,568

第 43 至 183 頁之附註屬本財務報表之組成部分。

The notes on pages 43 to 183 are an integral part of these financial statements.

綜合全面收益表
Consolidated Statement of Comprehensive Income

截至 12 月 31 日止年度	For the year ended 31 December	附註 Notes	2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
年度溢利	Profit for the year		843,260	1,262,568
其後不可重新分類至收益表內的項目：	Items that will not be reclassified subsequently to income statement:			
房產：	Premises:			
房產重估	Revaluation of premises	25	(58,186)	27,006
遞延稅項	Deferred tax	29	11,068	(1,853)
			(47,118)	25,153
以公平值變化計入其他全面收益之股份權益工具：	Equity instruments at fair value through other comprehensive income:			
公平值變化	Change in fair value	23	(6,329)	15,108
			(53,447)	40,261
其後可重新分類至收益表內的項目：	Items that may be reclassified subsequently to income statement:			
以公平值變化計入其他全面收益之債務工具：	Debt instruments at fair value through other comprehensive income:			
公平值變化	Change in fair value	23	(159,925)	305,470
因處置之轉撥重新分類至收益表	Release upon disposal reclassified to income statement	9	(306,638)	(69,778)
減值準備變化借記收益表	Change in impairment allowances charged to income statement		350,957	12,116
遞延稅項	Deferred tax	29	30,471	(45,347)
			(85,135)	202,461
貨幣換算差額	Currency translation difference		210,168	(56,687)
			125,033	145,774
年度除稅後其他全面收益	Other comprehensive income for the year, net of tax		71,586	186,035
年度全面收益總額	Total comprehensive income for the year		914,846	1,448,603
應佔全面收益總額：	Total comprehensive income attributable to:			
本銀行股東權益	Equity holders of the Bank		914,846	1,448,603

第 43 至 183 頁之附註屬本財務報表之組成部分。

The notes on pages 43 to 183 are an integral part of these financial statements.

綜合財務狀況表
Consolidated Statement of Financial Position

於 12 月 31 日	As at 31 December	附註 Notes	2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
資產	ASSETS			
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	19	22,971,832	18,235,988
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	20	7,440,298	4,819,212
衍生金融工具	Derivative financial instruments	21	140,505	122,133
客戶貸款及貿易票據	Advances to customers and trade bills	22	78,340,141	76,986,891
證券投資	Investment in securities	23	50,817,131	46,908,420
投資物業	Investment properties	24	153,620	237,150
物業、器材及設備	Properties, plant and equipment	25	2,044,562	2,021,072
應收稅項資產	Current tax assets		21,489	-
遞延稅項資產	Deferred tax assets	29	23,499	640
其他資產	Other assets	26	1,561,296	523,275
資產總額	Total assets		163,514,373	149,854,781
負債	LIABILITIES			
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions		20,567,635	17,747,463
衍生金融工具	Derivative financial instruments	21	75,396	40,361
客戶存款	Deposits from customers	27	122,573,031	116,291,434
其他賬項及準備	Other accounts and provisions	28	2,224,695	1,273,083
應付稅項負債	Current tax liabilities		42,013	195,776
遞延稅項負債	Deferred tax liabilities	29	137,303	183,675
負債總額	Total liabilities		145,620,073	135,731,792
資本	EQUITY			
股本	Share capital	30	6,577,871	3,245,980
儲備	Reserves		9,378,717	8,939,297
本銀行股東應佔股本和儲備	Capital and reserves attributable to the equity holders of the Bank		15,956,588	12,185,277
額外資本工具	Additional equity instruments	31	1,937,712	1,937,712
資本總額	Total equity		17,894,300	14,122,989
負債及資本總額	Total liabilities and equity		163,514,373	149,854,781

第 43 至 183 頁之附註屬本財務報表之組成部分。

The notes on pages 43 to 183 are an integral part of these financial statements.

經董事會於 2021 年 4 月 26 日通過核准並由以下人士代表簽署：

Approved by the Board of Directors on 26 April 2021 and signed on behalf of the Board by:

呂耀明 鄭威
董事 董事

LYU Yaoming ZHENG Wei
Director Director

綜合權益變動表
Consolidated Statement of Changes in Equity

		歸屬於本銀行股東 Attributable to equity holders of the Bank									
		儲備 Reserves									
		股本 Share Capital	房產重估 儲備 ¹ Premises revaluation reserve ¹	公平價值 儲備 ² Fair value reserve ²	監管儲備 ³ Regulatory reserve ³	換算儲備 ⁴ Translation reserve ⁴	留存盈利 Retained earnings	總計 Total	額外資本工具 Additional equity instruments	資本總額 Total equity	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	
於 2020 年 1 月 1 日	At 1 January 2020	3,245,980	1,249,885	588	519,987	(108,991)	7,277,828	12,185,277	1,937,712	14,122,989	
年度溢利	Profit for the year	-	-	-	-	-	843,260	843,260	-	843,260	
其他全面收益：	Other comprehensive income:										
房產	Premises	-	(47,118)	-	-	-	-	(47,118)	-	(47,118)	
以公平價值變化計入 其他全面收益之 股份權益工具	Equity instruments at fair value through other comprehensive income	-	-	(6,329)	-	-	-	(6,329)	-	(6,329)	
以公平價值變化計入 其他全面收益之 債務工具	Debt instruments at fair value through other comprehensive income	-	-	(85,135)	-	-	-	(85,135)	-	(85,135)	
貨幣換算差額	Currency translation difference	-	-	-	-	210,168	-	210,168	-	210,168	
全面收益總額	Total comprehensive income	-	(47,118)	(91,464)	-	210,168	843,260	914,846	-	914,846	
發行普通股	Issuance of ordinary shares	3,331,891	-	-	-	-	-	3,331,891	-	3,331,891	
轉撥至留存盈利	Transfer to retained earnings	-	-	-	(385,262)	-	385,262	-	-	-	
股息	Dividends	-	-	-	-	-	(373,650)	(373,650)	-	(373,650)	
支付額外資本工具持 有者利息	Distribution to the holders of the additional equity instruments	-	-	-	-	-	(101,776)	(101,776)	-	(101,776)	
於 2020 年 12 月 31 日	At 31 December 2020	<u>6,577,871</u>	<u>1,202,767</u>	<u>(90,876)</u>	<u>134,725</u>	<u>101,177</u>	<u>8,030,924</u>	<u>15,956,588</u>	<u>1,937,712</u>	<u>17,894,300</u>	

第 43 至 183 頁之附註屬本財務報表
之組成部分。

The notes on pages 43 to 183 are an integral part of these financial statements.

綜合權益變動表 (續)
Consolidated Statement of Changes in Equity (continued)

		歸屬於本銀行股東 Attributable to equity holders of the Bank								
		儲備 Reserves								
股本	房產重估儲備 ¹	公平價值儲備 ²	監管儲備 ³	換算儲備 ⁴	留存盈利	總計	額外資本工具	資本總額		
Share capital	Premises revaluation reserve ¹	Fair value reserve ²	Regulatory reserve ³	Translation reserve ⁴	Retained earnings	Total	Additional equity instruments	Total equity		
港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000		
於 2019 年 1 月 1 日	At 1 January 2019	1,772,988	1,224,732	(218,350)	414,377	(52,304)	6,524,041	9,665,484	1,937,712	11,603,196
年度溢利	Profit for the year	-	-	-	-	-	1,262,568	1,262,568	-	1,262,568
其他全面收益：	Other comprehensive income:									
房產	Premises	-	25,153	-	-	-	-	25,153	-	25,153
以公平值變化計入其他全面收益之股份權益工具	Equity instruments at fair value through other comprehensive income	-	-	15,108	-	-	-	15,108	-	15,108
以公平值變化計入其他全面收益之債務工具	Debt instruments at fair value through other comprehensive income	-	-	202,461	-	-	-	202,461	-	202,461
貨幣換算差額	Currency translation difference	-	-	-	-	(56,687)	-	(56,687)	-	(56,687)
全面收益總額	Total comprehensive income	-	25,153	217,569	-	(56,687)	1,262,568	1,448,603	-	1,448,603
發行普通股	Issuance of ordinary shares	1,472,992	-	-	-	-	-	1,472,992	-	1,472,992
轉撥自留存盈利	Transfer from retained earnings	-	-	-	105,610	-	(105,610)	-	-	-
股息	Dividends	-	-	-	-	-	(298,920)	(298,920)	-	(298,920)
支付額外資本工具持有者利息	Distribution to the holders of the additional equity instruments	-	-	-	-	-	(102,882)	(102,882)	-	(102,882)
因處置以公平值變化計入其他全面收益之股份權益工具之轉撥 ⁵	Release upon disposal of equity instruments at fair value through other comprehensive income ⁵	-	-	1,369	-	-	(1,369)	-	-	-
於 2019 年 12 月 31 日	At 31 December 2019	<u>3,245,980</u>	<u>1,249,885</u>	<u>588</u>	<u>519,987</u>	<u>(108,991)</u>	<u>7,277,828</u>	<u>12,185,277</u>	<u>1,937,712</u>	<u>14,122,989</u>

1. 房產重估儲備的建立及處理是根據重估房產所採用的會計政策。
2. 公平價值儲備包括持有以公平值變化計入其他全面收益證券直至證券被終止確認的累計公平價值變動淨額。
3. 除按香港財務報告準則第 9 號對貸款提取減值準備外，按金管局要求撥轉部分留存盈利至監管儲備作銀行一般風險之用（包括未來損失或其他不可預期風險）。
4. 換算儲備的建立及處理是根據外幣折算所採用的會計政策。
5. 處置以公平值變化計入其他全面收益之股份權益工具是由於該投資不再以有戰略目的而持有。

1. Premises revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for the revaluation of premises.
2. Fair value reserve comprises the cumulative net change in the fair value of fair value through other comprehensive income securities held until the securities are derecognised.
3. In accordance with the requirements of the HKMA, the amounts are set aside for general banking risks, including future losses or other unforeseeable risks, in addition to the loan impairment allowances recognised under Hong Kong Financial Reporting Standard ("HKFRS") 9.
4. Translation reserve has been set up and is dealt with in accordance with the accounting policies adopted for foreign currency translation.
5. The release upon disposal of equity instruments at fair value through other comprehensive income was made because the investment was no longer to be held for strategic purpose.

綜合現金流量表
Consolidated Cash Flow Statement

截至 12 月 31 日止年度	For the year ended 31 December	附註 Notes	2020	2019
			港幣千元 HK\$'000	港幣千元 HK\$'000
經營業務之現金流量	Cash flows from operating activities			
除稅前經營現金之流入	Operating cash inflow before taxation	32(a)	7,400,368	1,722,883
支付香港利得稅	Hong Kong profits tax paid		(276,272)	(40,342)
支付海外利得稅	Overseas profits tax paid		(100,281)	(66,027)
經營業務之現金流入淨額	Net cash inflow from operating activities		7,023,815	1,616,514
投資業務之現金流量	Cash flows from investing activities			
購入物業、器材及設備	Purchase of properties, plant and equipment	25	(46,246)	(43,218)
投資業務之現金流出淨額	Net cash outflow from investing activities		(46,246)	(43,218)
融資業務之現金流量	Cash flows from financing activities			
支付租賃租金之資本部份	Capital element of lease rentals paid		(80,378)	(66,296)
支付租賃租金之利息部份	Interest element of lease rentals paid		(8,360)	(5,207)
發行普通股本	Issue of ordinary share capital	30	3,331,891	1,472,992
支付本銀行股東之末期股息	Final dividend paid to the equity holders of the Bank	16	(373,650)	(298,920)
支付額外資本工具持有者利息	Distribution to the holders of the additional equity instruments	16	(101,776)	(102,882)
融資業務之現金流入淨額	Net cash inflow from financing activities		2,767,727	999,687
現金及等同現金項目增加	Increase in cash and cash equivalents		9,745,296	2,572,983
於 1 月 1 日之現金及等同現金項目	Cash and cash equivalents at 1 January		21,189,799	18,688,142
匯率變動對現金及等同現金項目的影響	Effect of exchange rate changes on cash and cash equivalents		347,779	(71,326)
於 12 月 31 日之現金及等同現金項目	Cash and cash equivalents at 31 December	32(b)	31,282,874	21,189,799

第 43 至 183 頁之附註屬本財務報表之組成部分。

The notes on pages 43 to 183 are an integral part of these financial statements.

綜合財務報表附註

Notes to the Consolidated Financial Statements

1. 主要業務

本集團主要從事提供銀行及相關之金融服務。

本銀行是一家於香港成立的有限債務公司。公司註冊地址是香港中環德輔道中 78 號。

2. 主要會計政策

用於編製本綜合財務報表之主要會計政策詳列如下。

除特別註明外，該等會計政策均被一致地應用於所有列示之財務年度中。

2.1 編製基準

本集團之綜合財務報表乃按照香港會計師公會頒佈之所有適用之香港財務報告準則編製，這個準則統稱包括所有適用之香港財務報告準則、香港會計準則及詮釋、香港一般採用的會計原則，並符合香港《公司條例》之規定。

本綜合財務報表乃按歷史成本法編製，惟就重估以公平值列賬之證券投資、以公平值變化計入損益之金融資產及金融負債（包括衍生金融工具）、以公平值列賬之貴金屬、以公平值列賬之投資物業及以公平值或重估扣除累計折舊及累計減值損失後列賬之房產作出調整。

按照香港財務報告準則編製財務報表時，需採用若干重大之會計估算。管理層亦需於採用本集團之會計政策時作出有關判斷。當中涉及高度判斷、複雜之範疇、或對綜合財務報表而言屬重大影響之假設及估算，已載於附註 3。

1. Principal activities

The Group is principally engaged in the provision of banking and related financial services.

The Bank is a limited liability company incorporated in Hong Kong. The address of its registered office is No.78 Des Vouex Road Central, Hong Kong.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the fair value revaluation of investment in securities at fair value through other comprehensive income, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, precious metals at fair value, investment properties which are carried at fair value and premises which are carried at fair value or revalued amount less accumulated depreciation and accumulated impairment losses.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

綜合財務報表附註（續）
**Notes to the Consolidated Financial Statements
(continued)**
2. 主要會計政策（續）
2. Significant accounting policies (continued)
2.1 編製基準（續）
2.1 Basis of preparation (continued)

(a) 已於 2020 年 1 月 1 日起開始的會計年度強制性生效之準則及修訂

(a) Standards and amendments issued that are already mandatorily effective for accounting periods beginning on 1 January 2020

準則／修訂	內容	起始適用之年度 Applicable for financial years beginning on / after
Standards / Amendments	Content	
香港財務報告準則第 3 號（經修訂） HKFRS 3 (Amendment)	業務之定義 Definition of a business	2020 年 1 月 1 日 1 January 2020
香港會計準則第 1 號及第 8 號（經修訂） HKAS 1 and HKAS 8 (Amendment)	重大之定義 Definition of material	2020 年 1 月 1 日 1 January 2020
利率基準改革：香港財務報告準則第 9 號、香港會計準則第 39 號及香港財務報告準則第 7 號之修訂 Interest Rate Benchmark Reform: Amendments to HKFRS 9, HKAS 39 and HKFRS 7		2020 年 1 月 1 日 1 January 2020

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.1 編製基準（續）

(a) 已於 2020 年 1 月 1 日起開始的會計年度強制性生效之準則及修訂（續）

與本集團相關之香港財務報告準則詳列如下：

- 利率基準改革是一項由市場倡議，以另一種無風險利率取代。本集團密切關注利率基準改革的發展。採納其修訂並不會對本集團綜合財務報表造成任何重大影響。
- 本集團尚未採納當前會計年度尚未應用的新準則。

2.1 Basis of preparation (continued)

(a) Standards and amendments issued that are already mandatorily effective for accounting periods beginning on 1 January 2020 (continued)

Further information about those HKFRSs that are applicable to the Group is as follows:

- Interest rate benchmark reform is the market-wide initiative to replace or reform interbank offered rates (“IBORs”) with alternatively risk-free interest rates (“RFRs”). The Group has closely monitored the market progress on the transition of IBORs to RFRs. The adoption of this amendment will not have a material impact on the Group’s financial statements.
- The Group has not applied any new standard or interpretation that has not yet effective for the current accounting period.

綜合財務報表附註（續）
**Notes to the Consolidated Financial Statements
(continued)**
2. 主要會計政策（續）
2. Significant accounting policies (continued)
2.1 編製基準（續）
2.1 Basis of preparation (continued)

(b) 已頒佈但尚未強制生效及未被本集團於2020年提前採納之準則及修訂

(b) Standards and amendments issued that are not yet mandatorily effective and have not been early adopted by the Group in 2020

準則／修訂	內容	起始適用之年度 Applicable for financial years beginning on/after
Standards / Amendments	Content	
《香港財務報告準則》第9號、 《香港會計準則》第39號、 《香港財務報告準則》第7號、 《香港財務報告準則》第4 號及《香港財務報告準則》第 16號之修訂	利率基準改革－第二階段	2021年1月1日
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
《香港財務報告準則》第3號之 修訂	引用概念框架	2022年1月1日
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
《香港會計準則》第16號之修訂	物業、廠房及設備：擬定用途前之所得款項	2022年1月1日
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
《香港會計準則》第37號之修訂	虧損性合約－履約成本	2022年1月1日
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
香港財務報告準則於2018年至 2020年期間年度改進		2022年1月1日
Annual Improvements to HKFRSs 2018-2020 Cycle		1 January 2022
《香港會計準則》第1號之修訂	將負債分類為流動或非流動	2023年1月1日
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023

本集團正在評估該等修訂對起始適用之年度可能產生的影響。按目前評估，採納該等修訂將不會對綜合財務報表造成任何重大影響。

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 the adoption of them is unlikely to have a significant impact to the consolidated financial statements.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.2 綜合財務報表

綜合財務報表包含本銀行及所有其附屬公司截至 12 月 31 日的財務數據。

附屬公司

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。本集團基於對有關實體之權利、參與度及權力並可運用此等條件以影響其所得回報，則視為本集團對該實體擁有控制權。在評估是否有控制權時，本集團只考慮實質的權力（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。

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 2.8）的公平價值，或（如適用）按成本初始確認一聯營公司及合資企業投資，及當喪失對該附屬公司控股權時與盈虧沖銷。

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 2.15）列賬。

2.2 Consolidation

The consolidated financial statements include the financial information of the Bank and all of its subsidiaries for the year ended 31 December.

Subsidiaries

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 intragroup transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

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 2.8) or, when appropriate, the cost on initial recognition of an investment in an associate and joint venture, and is offset against the gain or loss on the loss of control of that subsidiary.

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost less any impairment losses, if any (Note 2.15).

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.3 分類報告

分類的經營業績與呈報予管理層的內部報告方式一致，本集團管理層乃本集團的總體營運決策核心，負責資源分配及對營運分類的表現評估。在釐定業務分類表現時，將會包括與各分類直接相關的收入及支出。

2.4 外幣換算

本集團各企業的財務報表所載項目均按各企業於主要經濟環境營運的貨幣計量（「功能貨幣」）。本綜合財務報表以港幣列示，即本銀行之功能及呈列貨幣。

外幣交易均按交易或重新計量項目之估值當日的即期匯率換算為功能貨幣。外幣交易以交易日之匯率結算所引致的匯兌損益，以及以外幣為本位的貨幣性資產及負債按會計結算日的匯率換算的匯兌損益，均直接於收益表確認，惟於其他全面收益內遞延作為合資格淨投資對沖除外。

外幣換算的差異一般會在收益表確認。可是，以下項目產生的外幣換算的差異會在全面收益確認：

- 已選擇以公平值變化計入其他全面收益的股權投資；
- 指定以對沖且對沖有效的外國業務淨投資的金融負債；及
- 符合現金流量對沖的範圍，並且對沖是有效的。

2.3 Segmental reporting

The operating result of segments are reported in a manner consistent with the internal reporting provided to the Group's senior management, which is the chief operating decision maker of the Group, that allocates resources and assesses the performance of operating segments. Income and expenses directly associated with each segment are included in determining operating segment performance.

2.4 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Hong Kong dollars, which is the Bank's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or exchange rates at the end of the reporting period for items that are re-measured. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions using the exchange rates prevailing at the dates of the transactions and monetary assets and liabilities denominated in foreign currencies translated at the exchange rate at the end of the reporting period are recognised directly in the income statement, except when deferred in other comprehensive income as qualifying net investment hedges.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income (OCI):

- equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedge is effective.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.4 外幣換算（續）

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匯交易及外匯交易產品項下列示。因折算已選擇將往後公平價值變動在其他全面收益列示的股份證券所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。

所有本集團內非以港幣為功能貨幣的企業，其業績及財務狀況按以下方式換算為港幣：

- 資產及負債按會計結算日之收市匯率換算；
- 收入及支出按平均匯率換算；及
- 所有產生之換算差額通過其他全面收益於權益項目下之貨幣換算儲備內確認。

於綜合財務報表時，換算對外國企業之淨投資、借款及其他被界定為對沖此投資的貨幣工具所產生之換算差額需列入其他全面收益及分別累計於權益項目下之換算儲備中。當出售該外國企業投資時，此外幣兌換差額需列作為出售收益或虧損的一部分，並由權益中重新分類至收益表內。

2.5 衍生金融工具及對沖會計

衍生金融工具以衍生交易合同簽訂當日的公平值進行初始確認，並以公平值進行後續計量。公平值從活躍市場上的公開市場報價中取得，包括最近的市場交易，或通過使用估值方法，包括貼現現金流量分析模型、期權定價模型（如適用）。當公平值為正值時，衍生金融工具將被列為資產；當公平值為負值時，則被列為負債。

除非衍生金融工具已被界定為用作對沖，並且是屬於有效之對沖工具，則需按對沖會計之要求計量，否則，將被分類為持作交易用途，其公平值變動即時於收益表內確認。

2.4 Foreign currency translation (continued)

Exchange differences relating to investments at fair value through profit or loss (FVTPL) and derivative financial instruments are included in gains less losses from trading securities or financial instruments at fair value through profit or loss. All other exchange differences relating to monetary items are presented as gains less losses from foreign exchange and foreign exchange products in the income statement. Differences arising on translation of equity investments which an election has been made to present subsequent changes in fair value in other comprehensive income are recognised in other comprehensive income and accumulated separately in fair value reserve.

The results and financial position of all the Group entities that have a functional currency different from Hong Kong dollars are translated into Hong Kong dollars as follows:

- assets and liabilities are translated at the closing rate at the end of the reporting period;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognised in the currency translation reserve in equity through other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, borrowings and other currency instruments designated as hedges of such investments are taken to other comprehensive income and are accumulated separately in equity in the translation reserve. When a foreign entity is disposed, such exchange differences are reclassified from equity to the income statement, as part of the gain or loss on sale.

2.5 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and through the use of valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Derivatives are categorised as held for trading and changes in their fair value are recognised immediately in the income statement unless they are designated as hedges and are effective hedging instruments, then they are subject to measurement under the hedge accounting requirements.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.5 衍生金融工具及對沖會計（續）

本集團於交易發生時會記錄對沖工具與相關被對沖項目之關係、風險管理目的和進行各類對沖交易時所採取之策略。本集團並於對沖活動發生時及期間，評估有關衍生金融工具能否高度有效地抵銷相關被對沖項目之公平值或現金流變動，並作出記錄。此等乃符合採用對沖會計方法處理之先決條件。

淨投資對沖

對沖工具有效對沖部分的收益或虧損，會於其他全面收益內確認及於權益內累計；無效部分的收益或虧損即時於收益表內確認。之前於其他全面收益中累計的收益或虧損金額會於出售海外運作時列作出售收益或虧損的一部分，被重新分類至收益表內。

2.6 金融工具之抵銷

若存在法律上可行使的權利，且有意以淨額方式結算，或將資產變現並同時清償債務，則可對已確認入賬之金融資產及負債予以抵銷，並把淨額於財務狀況表內列賬。

2.7 利息收入及支出、服務費及佣金收入及支出

(1) 利息收入及支出

實際利率

所有付息金融工具的利息收入及支出按實際利息法在收益表以應計基準確認。

實際利率是在金融工具預計到期日，將其未來收到或付出的現金流貼現為金融資產或金融負債賬面值所使用的利率。

除信貸減值資產，當計算實際利率時，本集團在估計未來現金流時，會考慮金融工具內的所有合同條款，但不會考慮未來的信用損失。自購入日確認新購入的信貸減值金融資產，則會按已包括預期信用損失（即自購入日沒有預期信用損失減值）的預期未來現金流計算信用調整的實際利率。

計算實際利率的組成部份包括支付或收取的交易成本、費用和點子。交易成本包括購買時產生或發行金融資產或金融負債的成本。

2.5 Derivative financial instruments and hedge accounting (continued)

The Group documents at inception the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. These criteria should be met before a hedge can be qualified to be accounted for under hedge accounting.

Net investment hedge

A gain or loss on the effective portion of the hedging instrument is recognised in other comprehensive income and accumulated in equity; a gain or loss on the ineffective portion is recognised immediately in the income statement. Accumulated gains and losses previously recognised in other comprehensive income are reclassified to the income statement upon disposal of the foreign operation as part of the gain or loss on disposal.

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.7 Interest income and expense and fee and commission income and expense

(1) Interest income and expense

Effective interest rate

Interest income and expense for all interest-bearing financial instruments are recognised in the income statement on an accruals basis using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument but not expected credit losses. For financial assets that were purchased or originated credit-impaired on initial recognition, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses (i.e. no expected credit loss provision is required at initial recognition).

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. The transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.7 利息收入及支出、服務費及佣金收入及支出（續）

(1) 利息收入及支出（續）

攤餘成本及賬面值

金融資產或金融負債的攤餘成本是自初始確認日減本金償還、加或減以實際利息法計算因初始確認金額與到期時金額之間差異的累計攤銷金額及對已調整預期信用損失的金融資產。

金融資產的賬面值是未調整預期信貸損失的攤餘成本。

計算利息收入及支出

在計算利息收入及支出時，實際利率應用於資產的賬面值（當資產沒有信貸減值時）或以攤餘成本記錄的負債。

可是，自初始確認後變成信貸減值的金融資產，其利息收入是通過以金融資產的攤餘成本應用實際利率來計算。如果資產不再是信貸減值，其利息收入將回復至總額計算。

自初始確認時購買的信貸減值資產，利息收入是按照已調整信貸的實際利率對資產的攤餘成本而計算。即使資產的信用風險已改善，利息收入的計算是不可以回復至總額方式。

有關信貸減值的金融資產的資料，請見財務報表附註 2.14。

(2) 服務費及佣金收入及支出

不屬於整體有效利息一部分的服務費及佣金收入及支出，例如行政費、資產管理費和託管服務費，通常在提供相關服務時，以應計基準按比例地於服務期間內確認。當銀團貸款安排已完成且本集團未保留任何貸款或按適用於其他銀團成員的相同實際利率保留部分貸款時，銀團貸款服務費確認為收入。

2.7 Interest income and expense and fee and commission income and expense (continued)

(1) Interest income and expense (continued)

Amortised cost and gross carrying amount

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were purchased or originated credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, please refer to Note 2.14.

(2) Fee and commission income and expense

Fee and commission income and expense that are not an integral part of the effective yield are recognised on an accrual basis ratably over the period when the related service is provided, such as administrative fee, asset management fee and custody services fee. Loan syndication fees are recognised as revenue when the related syndication arrangement has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as applicable to other participants.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.8 金融資產

2.8 Financial assets

(1) 確認及最初計量

金融資產的確認是企業作為金融工具的合約方，購買及出售金融資產在交易日進行確認，即本集團承諾購買或出售有關資產。除以公平值計入損益的項目外，金融資產以其公平值作初始計量，需加上與收購或發行而直接產生的交易成本。

(1) Recognition and initial measurement

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instruments. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the assets. A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

(2) 分類

本集團應用香港財務報告準則第 9 號將金融資產按以下類別進行分類：

- 以公平值變化計入損益；
- 以公平值變化計入其他全面收益；或
- 以攤銷成本計量。

(2) Classification

The Group has applied HKFRS 9 and classifies its financial assets in the following measurement categories:

- fair value through profit and loss;
- fair value through other comprehensive income (FVOCI); or
- amortised cost.

金融資產的分類及其後的計量將視乎以下情況：

- 企業管理資產的業務模型；及
- 資產的現金流特徵。

Classification and subsequent measurement of financial assets depend on:

- the Group's business model for managing the asset; and
- the cash flow characteristics of the assets.

(i) 債務證券

本集團持有的債務證券按以下類別進行分類：

- 若持有的投資主要收取其本金及利息的合約現金流為目的，該投資以攤銷成本計量。利息收入是以實際利息法計算利息收入。
- 該投資的業務模型旨在收取合約現金流及出售金融資產，而該工具本身符合收取本金及利息的合約現金流特徵，則該工具會以公平值變化計入其他全面收益進行計量。除預期信用損失、利息收入(按實際利息法計算)及外匯收益及虧損記錄於損益表外，公平值變化會於其他全面收益進行確認。
- 若資產未能符合以攤銷成本計量或以公平值變化計入其他全面收益的條件，則該投資的公平值變化(包括：利息)將確認以公平值變化計入損益進行計量。

(i) Debt instruments

Debt instruments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.
- FVOCI, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses.
- FVTPL if the assets do not meet the criteria for being measured at amortised cost or FVOCI. Changes in the fair value of the investment (including interest) are recognised in profit or loss.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.8 金融資產（續）

(2) 分類（續）

(ii) 股份證券

股份證券是從發行人角度以符合股票定義發行的工具，該工具是沒有按合約支付的責任，並以發行人的淨資產的剩餘權益作證明。

除初始確認時，本集團管理層作出不可撤回的選擇，指定一項股份證券以公平值變化計入其他全面收益進行分類外，本集團其後將所有股份證券以公平值變化計入損益進行計量。本集團指定股份證券以公平值變化計入其他全面收益的政策是考慮持有該等投資的目的並非只賺取投資回報，當採用這項選擇時，公平值的盈利及虧損將於其他全面收益確認，亦不會於其後包括出售被重新分類至損益。減值準備(及減值準備的回撥)將不會與公平值變化獨立列示。當本集團有明確的權利收取股息，即代表這項投資的回報時，會繼續在損益表確認並於其他經營收入記錄。

以公平值變化計入損益的股份投資的盈利及虧損包括在收益表內的淨交易性（虧損）／收益內。

(iii) 業務模型的評估

本集團以最能反映業務模式及向管理層提供資訊，以組合層面持有資產的業務模式的目標去評估業務模型，考慮的資訊包括：

- 管理的策略是集中賺取合約上的利息收入、維持特定利率情況、匹配金融資產及為這些資產提供資金或通過出售資產而實現現金流的金融負債的期限；
- 如何評估組合的表現及匯報本集團管理層；
- 影響業務模型的風險（及在這個業務模型下持有的金融資產）以及如何管理這些風險；
- 業務經理如何獲得補償，例如補償是否根據其管理的資產公平值或已收取的合約現金流；及
- 過往期間的銷售頻率、數量、時間、銷售的原因及對將來銷售的預期等資訊。可是，銷售行為的資訊不能獨立地考慮，而是作為本集團實現管理金融資產及如何實現現金流的綜合評估的一部份。

2.8 Financial assets (continued)

(2) Classification (continued)

(ii) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments that are not held for trading. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Gains and losses on equity investments at FVTPL are included in the "Net trading (loss) / gain" line in the income statement.

(iii) Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.8 金融資產（續）

2.8 Financial assets (continued)

(2) 分類（續）

(2) Classification (continued)

(iv) 評估合同現金流是否只有本金及利息的支付

(iv) Assessment whether contractual cash flows are solely payments of principal and interest

就是次評估，「本金」是指在初始確認日的金融資產的公平值，「利息」被定義為貨幣的時間值、與特定時間內未償還本金相關的信貸風險、其他基本借貸風險及成本（例如：流動流險及行政成本），以及利差。

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

在評估合約現金流是否只有本金及利息時，本集團會考慮該工具的合約條款，包括評估金融資產是否包含可改變現金流金額及時間引致不符合條件的合約條件。在進行評估時，本集團會考慮：

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- 可能改變現金流金額及時點的偶然事件；
- 槓桿特徵；
- 還款及延期條款；
- 限制本集團對特定資產的現金流索賠的條款(例如：無追溯權的資產安排)；及
- 修改對時間值考慮的特徵，例如：定期重設利率。

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money, e.g. periodical reset of interest rates.

本集團持有可選擇建議在定期重設日修訂利率的長期固定利率的貸款組合。這項修訂權只限於修訂市場利率。借款人有權選擇接受新修訂利率或以本金及沒有處罰的方式下償還貸款。本集團已確定這些貸款修訂利率的權利只考慮時間值、信貸風險、基礎貸款風險及因欠款而產生的相關費用，其合約現金流只有本金及利息。

The Group holds a portfolio of long-term fixed rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or repay the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

(v) 重新分類

(v) Reclassification

除本集團改變管理金融資產的業務模型外，在初始確認日後，金融資產其後不可重新分類。

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.9 金融負債

本集團將其金融負債（財務擔保及貸款承擔除外）分類為按攤銷成本或按通過損益以反映公平值計量類別。

在以下任一情況下，本集團已將若干金融負債指定為按通過損益以反映公平值計量：

- 該負債是按公平值作內部管理、評估及呈報；或
- 該指定可抵銷或明顯減少可能產生的會計錯配。

2.10 財務擔保合約

財務擔保合約是指簽發人在指定的債務人未能根據持有人與債務人之間的債務合約條款而履行還款責任時，需向持有人償付由此而產生之損失的指定付款。

財務擔保合約以合約簽發當日的公平值初始確認為金融負債，並列示於財務報表內的「其他賬項及準備」項下。及後，本集團之責任按以下兩者之較高者計量：(i)根據香港會計準則第 37 號「準備、或然負債及或然資產」釐定之金額；及(ii)初始確認之金額減按直線法於擔保有效期內確認之累計攤銷（如適用）。財務擔保合約負債的變動則於收益表中確認。

2.11 金融工具的終止確認

(1) 金融資產

當收取金融資產現金流的合同權利到期或該權利已轉移，即已轉換金融資產的所有風險及回報或本集團既未轉換亦未保留所有權上的所有風險及回報，且未有保留對該金融資產的控制時，本集團終止確認該金融資產。

於終止確認金融資產時，資產賬面值（或資產被終止確認的部份的賬面值）與(i)已收取的代價（包括獲得新資產減新負債）及(ii)任何已在其其他綜合收益已確認的累計盈利及虧損的總和的差額會在利潤表確認。

2.9 Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

The Group has designated certain financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2.10 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a contract between the holder and the debtor.

Financial guarantee contracts are initially recognised as financial liabilities and reported under “Other accounts and provisions” in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group’s liabilities under such guarantees are measured at the higher of (i) the amount determined in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” and (ii) the amount initially recognised less, where appropriate, accumulated amortisation recognised over the life of the guarantee on a straight-line basis. Any changes in the liability relating to financial guarantee contracts are taken to the income statement.

2.11 Derecognition of financial instruments

(1) Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.11 金融工具的終止確認（續）

(1) 金融資產（續）

已確認其累計盈利/虧損在其他全面收益以公平值變化計入其他全面收益的股份證券，在終止確認該等資產時，不可在損益表進行確認。本集團建立或保留可轉讓該等資產的權益，可確認為獨立資產或負債。

本集團進行將資產負債表上的資產轉換的交易，欲保留轉讓資產中一部份或全部的風險及回報。在這種情況下，轉移資產不可終止確認。

在本集團對該金融資產不轉移其風險、不轉移其回報及維持資產的擁有權的交易中，本集團在繼續參與的情況下，本集團繼續確認該資產，並在該情況考慮轉移資產的價格變化。

在某些交易下，本集團收取費用以保留對已轉移資產提供服務。若已符合終止確認的條件，該已轉移資產會終止確認。若服務費用比資產大或比負債少，則需將服務合約確認為資產或負債。

(2) 金融負債

當合約義務解除、取消或到期時，本集團終止確認金融負債。

2.12 公平值計量

本集團於每個會計結算日以公平值計量房產及投資物業、貴金屬及部分金融工具。公平值是指在估值日當期集團可接觸的主要交易市場或最有利之市場狀況下，市場參與者進行有序交易出售資產或轉移負債之價格。

計量資產或負債公平值運用的假設為市場參與者在其最佳經濟利益的情況下，所採用的資產或負債計價。

非金融資產之公平值計量為考慮市場參與者使用該資產所產生的最高及最佳經濟利益，或出售予另一市場參與者而該參與者可產生的最高及最佳經濟利益。

2.11 Derecognition of financial instruments (continued)

(1) Financial assets (continued)

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

(2) Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

2.12 Fair value measurement

The Group measures its premises and investment properties, precious metals and certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in its principal market or the most advantageous market accessible by the Group at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.12 公平值計量（續）

若資產或負債所處之市場並不活躍，本集團會在合適並有足夠數據的情況下，採用估值方法釐定其公平值，包括運用當時之公平市場交易、貼現現金流量分析、期權定價模型及其他市場參與者通用之估值方法，並會盡可能使用市場上可觀察的相關參數，避免使用不可觀察的參數。

2.13 貴金屬

貴金屬包括黃金、銀及其他貴金屬。貴金屬以其公平值作初始確認和其後重估。貴金屬於進行市場劃價後所產生之收益或虧損，將包括於淨交易性收益／虧損內。

2.14 金融資產減值

本集團確認以下非以公平值變化計入損益的金融工具的預期信貸損失的損失準備：

- 以攤餘成本計量之金融資產，持有主要以收取其本金及利息的合約現金流為目的；
- 以公平值變化計入其他全面收益之債務證券（可回收）；
- 租賃應收賬款；
- 已發出的財務擔保合約；
- 已發出的貸款承擔；及
- 合同資產。

其他以公平值計量的金融資產，包括以公平值變化計入損益之股份及債務證券、指定為以公平值變化計入其他全面收益之股份證券（不可回收）及衍生金融資產無需進行預期信貸損失的評估。

本集團以三階段方法去量度未來12個月或整個存續期的減值準備如下：

階段 Stage	描述 Description	減值損失 Impairment Loss
1	履行中 Performing	12個月內預期信貸損失 12-month ECL
2	履行中但於報告日，信貸風險自初始確認以來已顯著增加 Performing but with credit risk increased significantly at reporting date since its initial recognition	合約期內之預期信貸損失 Lifetime ECL
3	不良 Non-performing	合約期內之預期信貸損失 Lifetime ECL

12個月內之預期信貸損失指金融工具在報告日後的12個月內，所有潛在違約事件所導致的信貸損失。

2.12 Fair value measurement (continued)

If the market for assets or liabilities is not active, the Group uses valuation techniques, including the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.13 Precious metals

Precious metals comprise gold, silver and other precious metals. Precious metals are initially recognised and subsequently re-measured at fair value. Mark-to-market gains or losses on precious metals are included in net trading gain / loss.

2.14 Impairment of financial assets

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets measured at amortised cost, which are held for the collection of contractual cash flows which represent solely payments of principal and interest;
- debt securities measured at FVOCI (recycling);
- lease receivables;
- financial guarantee contracts issued;
- loan commitments issued; and
- contract asset.

Other financial assets measured at fair value, including equity and debt securities measured at FVTPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

The Group measures loss allowances for 12-month or lifetime ECL using a 3-stage approach as follows:

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.14 金融資產減值（續）

計量預期信貸損失

預期信貸損失是一個信貸損失的概率在加權後的估算值，計算方法如下：

- 在報告日，未有信用減值的金融資產：按所有短缺現金的折現值計算（即：根據合約應付實體的現金流與本集團預期收取的現金流的差額）；
- 在報告日，已發生信用減值的金融資產：賬面值與未來預計的現金流的折現值差額；
- 未提取的貸款承擔：本集團因已提取承諾而應付的現金流的折現值與本集團預期會收取的現金流的差額；及
- 財務擔保合約：償還持有人的預期付款減本集團預期收回的金額。

「信貸風險顯著增加」的準則已計及兩個關鍵因素：

- 內部或外部風險評級與風險產生之時的評級相比顯著轉差；及
- 風險的評級不再屬於相當於普遍理解的「投資級別」定義的「低信貸風險界限」。

資產負債表內的減值準備披露如下：

- 按攤銷成本計量的金融資產：從資產帳面總額中扣除；
- 貸款承諾及應收開出保函：一般視作準備；
- 如果金融工具同時包括已提取及未提取部分，而集團無法將貸款承諾部分的減值準備與已提取部分的減值準備分開確定：本集團對這兩個部分提出合併減值準備。合併數額是從已提取部分的帳面總額中扣除。減值準備超過已提取部分總額的餘額將視作準備；及
- 以公平值計入其他全面收益的債務證券：這些以公平值記錄的資產不會在資產負債表確認任何減值損失。然而，其減值準備會確認在以公平值變化計入其他全面收益之金融資產儲備並進行披露。

2.14 Impairment of financial assets (continued)

Measurement of ECL

ECLs are a probability-weighted estimates of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The criteria of “significant increase of credit risk” has taken into consideration of two key factors:

- The exposure has a significant deterioration of internal or external rating as compared with the rating at the time when the exposure was originated; and
- The rating of the exposure falls out of the “Low-Credit Risk Threshold” that is equivalent to the globally understood definition of “investment grade”.

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve in OCI.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.14 金融資產減值（續）

註銷

如果沒有合理的預期收回全部或部分金融資產，貸款和債務證券將被註銷（部分或全部）。一般情況下是當本集團確定借款人沒有資產或收入來源而產生足夠的現金流來償還欠款。這項評估是考慮個別項目而進行。

收回已註銷的金額將會包含在收益表及全面收益表的金融工具減值準備。

已註銷的金融資產仍會按本集團的呆賬收回政策及規定進行處理。

非完整應收開出保函

本集團評估應收開出保函是考慮該保函以組成部份還是獨立計算的金融資產。本集團進行評估時考慮的因素包括：

- 該債務工具的隱含在合約條款內的應收開出保函；
- 在法律及法例規定下的債務工具的應收開出保函；
- 在投入債務工具的同時並在考慮債務工具的情況下訂立的應收開出保函；及
- 由借款人的母公司或借款人集團內的其他公司提供的應收開出保函。

如果本集團確定應收開出保函是金融資產的一個組成部分，則與金融資產初始確認有關的任何應付溢價將被視為獲取該擔保的交易成本。本集團在衡量債務工具的公允價值和衡量減值準備時會考慮其保障。

如果本集團確定應收開出保函不是債務工具的一個組成部分，則確認代表任何提前支付擔保溢價的資產和信用損失的賠償權利。預付保費資產只有在擔保風險既沒有發生信用減值，也沒有在獲得應收開出保函時信用風險顯著增加的情況下才會被確認。這些資產在“其他資產”中確認（見附註26）。本集團在損益表中“其他金融資產減值損失”減值準備淨撥備。

2.14 Impairment of financial assets (continued)

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in impairment losses on financial instruments in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non-integral financial guarantee contracts

The Group assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Group determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Group considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Group determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in other assets (see Note 26). The Group presents gains or losses on a compensation right in profit or loss in the line item 'net charge of impairment allowances'.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.14 金融資產減值（續）

已發生信用減值的金融資產

於各報告日，本集團評估按攤銷成本列賬的金融資產及按通過其他全面收益以反映公平值列賬的債務金融資產是否為信貸不良。當發生一宗或多宗對金融資產的估計未來現金流造成不利影響的事件，則該金融資產屬信貸不良。

在評估債務投資是否受到信貸虧損時，本集團考慮以下因素：

- 市場對債券收益率所反映的信譽的評估；
- 評級機構對信譽的評估；
- 該國家進入資本市場發行新債務的能力；
- 債務重組的可能性，導致持有人因自願或強制性債務減免而遭受損失；
- 為作為向該國提供應急有期資金安排而建立的國際支助機制，以及公開聲明中反映的政府和機構使用這些機制的意圖。這些包括評估這些機制的深度，不論政治意圖如何，是否有能力達到所需標準。

2.14 Impairment of financial assets (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

In making an assessment of whether an investment in debt is credit-impaired, the Group considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessments of creditworthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness;
- the international support mechanisms in place to provide the necessary support as the Contingent Term Facility to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.14 金融資產減值（續）

已發生信用減值的金融資產（續）

金融資產出現信貸減值的證據包括但不限於以下可觀察數據：

- 借款人或發行人出現重大財政困難；
- 違反合約，如拖欠或逾期事件；
- 本集團根據其他情況下不會考慮的條款重組貸款或墊款；
- 借款人很可能會破產或進行其他財務重組；或
- 因財務困難引致活躍市場消失。

除有證據證明無法收取合約現金流的風險已顯著減低且並無其他減值跡象外，因借款人的財政狀況惡化而重訂條款的貸款通常會被視為信貸不良。此外，逾期 90 日或以上的貸款被視為已減值。

重組後的金融資產

如果由於借款人的財政困難而重新談判或修改金融資產的條款，或將現有金融資產更換為新的金融資產，則對金融資產是否應終止確認和計量減值準備進行以下評估：

- 如果預期的重組不會導致對現有資產的終止確認，那麼在計算現有資產的現金短缺時，將修改後的金融資產產生的預期現金流量應包括在內。
- 如果預期的重組將導致終止確認現有資產，那麼新資產的預期公平值在取消確認時被視為現有金融資產的最終現金流。金額包括在計算現有金融資產的現金短缺時，從預期終止確認之日至使用現有金融資產最初有效利率的報告日折現值。

2.14 Impairment of financial assets (continued)

Credit-impaired financial assets (continued)

Evidence that a financial asset is credit-impaired includes but not limited to the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.15 對附屬公司之投資及非金融資產之減值

如因發生事件或情況已改變，並顯示資產之賬面值或將無法被收回，則會進行減值重檢。潛在減值跡象包括運用資產之科技、市場、經濟或法律環境已出現明顯變壞或資產價值大幅或長期下跌至低於其成本值。「大幅」是以投資的原成本值作評價，而「長期」是以公平值低於其原成本值之時期作評價。

資產的賬面值超過其可收回金額的部分會被確認為減值損失。可收回金額是指資產的公平值扣除出售成本後與其使用價值的較高者。為作出減值評估，資產乃按其最小的可分開識別現金流（現金產出單元）層次分類。於每一財務報告日，會對已發生減值的資產進行重檢以確定需否回撥。

在本銀行的財務狀況表，如果附屬公司宣派的股息超過其在該宣派年度的全面收益總額，或其在在本銀行的賬面值超過在其綜合財務狀況表內已包括商譽的淨資產值時，則需要做投資減值測試。

2.16 投資物業

持作賺取長期租金收益或資本增值或兩者兼備者，且並非集團旗下各公司所佔用之物業，均列作投資物業。出租予本集團內公司之物業，於個別公司之財務報表中分類為投資物業，及於同期的綜合財務報表中分類為房產。若經營租賃之土地符合投資物業之其他定義，則會列作為投資物業。有關之經營租賃會作為融資租賃處理。所付租賃款項按附註 2.18 所述進行會計處理。

投資物業初始以成本值（包括相關交易成本）計量。經初始確認後，投資物業按公平值計量。

只有在與項目相關的未來經濟利益很有可能流入本集團，並能夠可靠地計量其成本的情況下，本集團才會將其後續支出計入為資產賬面值之一部分。該等後續支出以扣除減值後之成本列賬，並包括於投資物業的賬面值內。若其後開始產生經濟利益，則以公平值計量。至於所有其他修理及維護費用，均需於產生時確認於當期收益表內。

2.15 Impairment of investment in subsidiaries and non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Potential indications of impairment may include significant adverse changes in the technological, market, economic or legal environment in which the assets operate or whether there has been a significant or prolonged decline in value below their cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

In the Bank's statement of financial position, impairment testing of the investment in a subsidiary is also required upon receiving dividend from that entity if the dividend exceeds the total comprehensive income of that entity concerned in the period the dividend is declared or if the carrying amount of that entity in the Bank's statement of financial position exceeds the carrying amount of that entity's net assets including goodwill in its consolidated statement of financial position.

2.16 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the companies in the Group, are classified as investment properties. Properties leased out within Group companies are classified as investment properties in individual companies' financial statements and as premises in consolidated financial statements in the comparative period. Land held under operating lease is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it is a finance lease. Lease payments were accounted for as described in Note 2.18.

Investment properties are recognised initially at cost, including related transaction costs. After initial recognition, investment properties are measured at fair value.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The item is stated at cost less impairment and is included in the carrying amount of investment properties. Once the item begins to generate economic benefits, it is then measured at fair value. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.16 投資物業（續）

任何公平值之變動會直接於收益表內確認。

若投資物業改為自用，會被重新分類為房產，其於重新分類日之公平值會成為其會計賬上的成本值。若房產項目因其用途改變而成為投資物業，則根據香港會計準則第 16 號「物業、器材及設備」將此項目於轉分類日之賬面值與其公平值之間的差額作為房產重估，確認於其他全面收益內。惟若公平值增值抵銷以往之重估損失或減值損失，該增值則於收益表內確認，並以過往已確認的損失金額為限。

2.17 物業、器材及設備

物業主要為分行及辦公樓房產。房產需定期但最少每年以取自外間獨立估價師之公平值扣除任何隨後發生之累計折舊及資產減值損失列示。重估當日之累計折舊額需先沖銷資產之賬面總額，沖減後之淨額則重新調整至該資產之重估值。相隔期間由董事參考相近物業之公開市值以檢討房產之賬面值，如董事認為該房產價值有重大變動則會作出相應調整。

房產重估後之賬面增值通過其他全面收益撥入房產重估儲備中。與同一個別資產早前之增值作對銷之減值部分，通過其他全面收益於房產重估儲備中扣減；餘下之減值額則確認於收益表內。其後任何增值將撥入收益表（以早前扣減之金額為限），然後撥至房產重估儲備內。出售房產時，房產重估儲備中與先前估值有關之已實現部分，將從房產重估儲備撥轉至留存盈利。

所有器材及設備，包括租賃物業所產生的使用權資產，並非由本集團為物業權益的註冊持有人及器材及設備的租賃（附註 2.18），均以歷史成本扣除累計折舊及減值損失列賬。歷史成本包括因取得及安裝該項目而直接產生之費用。

與資產有關的後續支出，只有當其產生的未來經濟利益很可能流入本集團，並且該支出能夠可靠地計量時，才能將其計入資產的賬面價值或作為單獨的一項資產進行確認（如適當）。該等後續支出以扣除減值後之成本列賬直至其開始產生經濟利益，之後則根據相關資產之後續計量基準進行計量。所有其他修理及維護費用均在發生時計入當期收益表。

2.16 Investment properties (continued)

Any changes in fair value are recognised directly in the income statement.

If an investment property becomes owner-occupied, it is reclassified as premises, and its fair value at the date of reclassification becomes its cost for accounting purposes. If an item of premises becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income as a revaluation of premises under HKAS 16 "Property, Plant and Equipment". However, if a fair value gain reverses a previous revaluation loss or impairment loss, the gain is recognised in the income statement up to the amount previously debited.

2.17 Properties, plant and equipment

Properties are mainly branches and office premises. Premises are stated at fair value based on periodic, at least annually, valuations by external independent valuers less any subsequent accumulated depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. In the intervening periods, the directors review the carrying amount of premises, by reference to the open market value of similar properties, and adjustments are made when there has been a material change.

Increases in the carrying amount arising on revaluation of premises are credited to the premises revaluation reserve through other comprehensive income. Decreases that offset previous increases of the same individual asset are charged against premises revaluation reserve through other comprehensive income; all other decreases are expensed in the income statement. Any subsequent increases are credited to the income statement up to the amount previously debited, and then to the premises revaluation reserve. Upon disposal of premises, the relevant portion of the premises revaluation reserve realised in respect of previous valuations is released and transferred from the premises revaluation reserve to retained earnings.

All plant and equipment, including right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest and leases of underlying plant and equipment (Note 2.18), are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition and installation of the items.

Subsequent costs are included in an asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The item is stated at cost less impairment until it begins to generate economic benefits, then the item is subsequently measured according to the measurement basis of its respective assets class. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.17 物業、器材及設備（續）

折舊以直線法，將資產之成本值或重估價值於其如下估計可用年限內攤銷：

- 物業 按政府土地租約年期
- 器材及設備 2至15年

本集團在每個會計結算日重檢資產的可用年限，並已按適當情況作出調整。

在每個會計結算日，源自內部及外界之資料均會被用作評定物業、器材及設備是否出現減值之跡象。如該跡象存在，則估算資產之可收回價值，及在合適情況下將減值損失確認以將資產減至其可收回價值。該等減值損失在收益表內確認，但假若某資產乃按估值列賬，而減值損失又不超過同一資產之重估盈餘，此等損失則當作重估減值。可收回價值指該資產之公平值扣除出售成本後之金額，與其使用價值之較高者。減值損失會按情況於房產重估儲備或收益表內撥。

出售之收益或虧損是按扣除稅項及費用之出售淨額與有關資產賬面值之差額而釐定，並於出售日在收益表內確認。任何有關重估盈餘會由房產重估儲備撥轉至留存盈利，不會重新分類至收益表內。

2.18 租賃

本集團於訂立合約時會評估有關合約是否屬於租賃或包含租賃。倘某項合約為換取代價而給予在某段時間內對可識別資產使用的控制權，則該合約屬於租賃或包含租賃。如客戶有權指示使用可識別資產，並有權從使用資產獲得絕大部分的經濟利益時，該合約則被視為給予控制權。

(1) 作為承租人

除租賃期限為12個月或以下的短期租賃和低價值資產租賃外，本集團於租賃生效日期確認使用權資產及租賃負債。當本集團就低價值資產訂立租賃時，本集團會就逐項租賃來決定是否資本化。未資本化的相關的租賃付款在租賃期內系統化地確認為支出。使用權資產初步按成本計量，其包括租賃負債的初始金額加上任何於生效日期或之前已付之租賃款項，及任何已付之初始直接成本。如適用，使用權資產的成本亦包括拆卸及移除相關資產或還原相關資產或其所在的估計成本之折讓現值，並減去任何已收之租賃激勵款項。

2.17 Properties, plant and equipment (continued)

Depreciation is calculated on the straight-line method to write down the cost or revalued amount of such assets over their estimated useful lives as follows:

- properties over the life of government land leases
- plant and equipment 2 to 15 years

The useful lives of assets are reviewed, and adjusted if appropriate, as at the end of each reporting period.

At the end of each reporting period, both internal and external sources of information are considered to determine whether there is any indication that properties, plant and equipment, are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such an impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Impairment loss is reversed through the premises revaluation reserve or the income statement as appropriate.

Gains or losses on disposals are determined as the difference between the net disposal proceeds and the carrying amount, relevant taxes and expenses. These are recognised in the income statement on the date of disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained earnings and is not reclassified to the income statement.

2.18 Leases

At inception of a contract, the group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(1) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.18 租賃（續）

2.18 Leases (continued)

(1) 作為承租人（續）

(1) As a lessee (continued)

使用權資產其後按成本減任何累計折舊及減值損失計量，並對租賃的若干重新計量作出調整。倘使用權資產符合投資物業的定義，根據本集團的會計政策，該使用權初始按成本計量，其後按公平價值計量。

The right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is initially measured at cost, and subsequently at fair value, in accordance with the Group's accounting policies.

租賃負債初始按照生效日期尚未支付的租賃款項之現值計量，並採用租約隱含的利率或（倘該利率無法輕易釐定）本集團的增量借款利率。本集團一般以其增量借款利率用作貼現率。

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

租賃負債其後因租賃負債的利息成本而增加，並因所付租賃款項而減少。當未來租賃款項因指數或利率變動而有所改變，根據剩餘價值擔保預計應付的款項之估計出現變動、改變有關會否合理肯定行使購買或延長選擇權或是否合理肯定不會行使終止選擇權的評估時，租賃負債會重新計量。當租賃負債重新計量時，相應調整會在使用權資產之賬面值上調整，或要是使用權資產的賬面值已減至零時，該金額則記入損益賬內。

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

本集團運用判斷以釐定作為承租人若干包括續租權之租約的租期。本集團是否合理肯定行使該等選擇權的評估會影響租期，而租期則會對租賃負債及使用權資產的確認金額產生重大影響。

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

(2) 作為出租人

(2) As a lessor

作為出租人，本集團作為營運租賃的出租人出租其投資物業。營運租賃產生之租金收入按有關租賃之期間以直線法於綜合收益表內確認。

As a lessor, the Group leases out its investment properties as the lessor of operating leases. Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant leases.

2.19 現金及等同現金項目

2.19 Cash and cash equivalents

就綜合現金流量表而言，現金及等同現金項目指按原來到期日，於購入日期起計三個月內到期之結餘，包括現金、銀行及其他金融機構之結餘、短期票據及被分類為投資證券及存款證之票據。現金及等同現金項目的預期信貸損失按照附註 2.14 進行評估。

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise balances with original maturity less than three months from the date of acquisition, including cash, balances with banks and other financial institutions, short-term bills and notes classified as investment securities and certificates of deposit. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in Note 2.14.



綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.20 準備

當本集團因為已發生之事件而須承擔法律性或推定性之現有責任，而解除該責任時有可能消耗有經濟利益之資源，需在責任金額能夠可靠地作出估算之情況下，為確認有關責任而撥備。

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.21 僱員福利

(1) 退休福利成本

本集團根據認可職業退休計劃或強積金計劃之定額供款退休計劃作出供款，集團僱員均可參與。在職業退休計劃下，集團與僱員之供款按僱員基本薪金之百分比計算，在強積金計劃下該等供款則按強積金規例計算。退休福利計劃成本代表本集團應向此等計劃支付之供款，會於產生時在收益表支取。僱員於全數享有其應得之集團供款部分前退出此職業退休計劃，因而被沒收之本集團供款，會被本集團用作扣減其目前供款負擔或根據職業退休計劃信託契據條款沖減其開支。

2.21 Employee benefits

(1) Retirement benefit costs

The Group contributes to defined contribution retirement schemes under either recognised ORSO schemes or MPF schemes that are available to the Group's employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries for the ORSO schemes and in accordance with the MPF rules for MPF schemes. The retirement benefit scheme costs are charged to the income statement as incurred and represent contributions payable by the Group to the schemes. Contributions made by the Group that are forfeited by those employees who leave the ORSO scheme prior to the full vesting of their entitlement to the contributions are used by the Group to reduce the existing level of contributions or to meet its expenses under the trust deed of the ORSO schemes.

退休計劃之資產與本集團之資產分開持有，並由獨立管理基金保管。

The assets of the schemes are held in independently-administered funds separate from those of the Group.

(2) 有償缺勤

僱員獲享之年度休假及病假在累積時確認，本集團會對僱員服務至會計結算日所累積，但尚未使用之年度休假及預計所需支付之病假作出估算及撥備。

(2) Leave entitlements

Employee entitlements to annual leave and sick leave are recognised when they accrue to employees. A provision is made for the estimated liability for unused annual leave and the amount of sick leave expected to be paid as a result of services rendered by employees up to the end of the reporting period.

除病假及經特別批准之年度休假外，其他有償缺勤均不允許累積。若僱員於獲享有償缺勤之年度內未能悉數享用該等可用缺勤，剩餘之可用缺勤將被取消。除未到期之休假外，僱員於離職時亦無權收取現金以彌補任何未被使用之可用缺勤。

Compensated absences other than sick leave and special approved annual leaves are non-accumulating; they lapse if the current period's entitlement is not used in full. Except for unexpired annual leaves, they do not entitle employees to a cash payment for unused entitlement on leaving the Group.

(3) 獎金計劃

若因僱員提供之服務而令集團產生法律性或推定性之現有責任，而該責任之金額亦能可靠地作出估算，集團需確認該預期之獎金支出並以負債列賬。如獎金計劃之負債金額重大，且預期會於 12 個月後才被償付，會以貼現處理。

(3) Bonus plans

The expected cost of bonus payments are recognised as a liability 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. Liabilities for bonus plans that are expected to be settled longer than twelve months will be discounted if the amounts are significant.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.22 本期及遞延所得稅項

在有關期間的稅務支出包括本期及遞延稅項。除因有關項目於其他全面收益或直接記於權益而需分別於其他全面收益或直接於權益內確認其稅項外，稅項於收益表內確認。

基於溢利而需支付之所得稅，是根據本銀行及附屬公司在營運及產生應課稅收入之司法管轄地區於會計結算日已執行或實際會執行之適用稅法計算，並於溢利產生當期確認為本期所得稅項支出。

所有因綜合財務報表內資產及負債之稅務基礎與其賬面值之暫時性差異而產生之遞延所得稅項均以資產負債表負債法提撥。遞延所得稅項是按會計結算日已執行或實際會執行之稅率及稅法，及預期於相關之遞延所得稅資產實現時或遞延所得稅負債需清付時所適用之稅率計算。

主要之暫時性差異源於資產減值準備、房產及設備之折舊、以及若干資產之重估，包括以公平值變化計入其他全面收益的金融工具及房產。除業務合併外，若資產或負債在交易初始確認時，並未有對會計損益或應課稅損益構成影響，則無需確認遞延所得稅項。

所有因應課稅暫時性差異而產生之遞延所得稅負債均會被確認。當未來之應課稅利潤預計可被用作抵扣可抵扣之暫時性差異、結轉之未使用稅務抵免及未使用稅務虧損時，因該等可抵扣之暫時性差異、結轉之未使用稅務抵免及未使用稅務虧損而產生之遞延所得稅資產將全部被確認。

遞延稅項資產的賬面值會於報告期末進行評估並會降至有足夠應課稅溢利可用作收回全部或部份資產的限額內。

遞延所得稅項乃記於收益表內。但因以公平值變化計入其他全面收益的金融工具的公平值的重新計量及對房產之重估記入其他全面收益內，故由此產生的遞延所得稅項也記入其他全面收益內，並於以後隨著相關遞延收益和虧損的確認而一同確認在收益表中。

投資物業的遞延稅項負債或遞延稅項資產的計算方法是假設該等投資物業是通過出售來回收其重估賬面值及採用相關的稅率計算。

2.22 Current and deferred income taxes

Tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in OCI or directly in equity. In these cases, the relevant amounts of tax is recognised in OCI or directly in equity respectively.

Income tax payable on profits, based on the applicable tax law enacted or substantially enacted at the end of the reporting period in each jurisdiction where the Bank and the subsidiaries operate and generate taxable income, is recognised as a current income tax expense in the period in which profits arise.

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from asset impairment provisions, depreciation of premises and equipment, and revaluation of certain assets including financial instruments at FVOCI and premises. However, the deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax liabilities are provided in full on all taxable temporary differences. Deferred income tax assets are recognised on all deductible temporary differences, the carry forward of any unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax is charged or credited in the income statement except for deferred income tax relating to fair value re-measurement of financial instruments at FVOCI and revaluation of premises which are charged or credited to other comprehensive income, in which case the deferred income tax is also credited or charged to other comprehensive income and is subsequently recognised in the income statement together with the realisation of the deferred gain and loss.

Deferred tax liability or deferred tax asset arising from investment property is determined based on the presumption that the revaluation amount of such investment property will be recovered through sale with the relevant tax rate applied.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.23 收回資產

收回資產按其收回日之公平值扣除出售成本後之淨值及有關貸款之攤餘成本之較低者列賬。有關貸款及應收款及有關已提準備於財務狀況表中予以註銷。其後，收回資產取其成本及公平值扣除出售成本後之淨值中之較低者計量，並被確認為「收回資產」，包括於「其他資產」項下。

2.24 信託業務

本集團一般以信託人或其他授託人身分，代表個人、信託及其他機構持有或管理資產。由於該等資產並不屬於本集團，該等資產及據此而產生之任何收益或虧損，將不計入本財務報表內。

2.25 或然負債及或然資產

或然負債是指由過去已發生的事件引起的可能需要履行的責任，其存在將由一宗或多宗本集團所不能完全控制的未來不確定事件出現與否來確認。或然負債也可能是由於過去已發生事件而引致的現有責任，但由於估計不會導致經濟利益的流出或因不能可靠地計量責任金額，故未有被確認。

或然負債不會被確認為準備，但會在財務報表附註中加以披露。如情況發生變化，使經濟利益的流出變得很有可能時，則會將其確認為準備。

或然資產是指由過去已發生的事件引起的可能產生之資產，其存在將由一宗或多宗本集團所不能完全控制的未來不確定事件出現與否來確認。

或然資產不會被確認，但如有可能收到經濟利益時，會在財務報表附註中披露。若將會收到之經濟利益可被實質確定時，將確認為資產。

2.23 Repossessed assets

Repossessed assets are initially recognised at the lower of their fair value less costs to sell and the amortised cost of the related outstanding loans on the date of repossession, and the related loans and advances together with the related impairment allowances are derecognised from the statement of financial position. Subsequently, repossessed assets are measured at the lower of their cost and fair values less costs to sell and are reported as "Repossessed assets" included in "Other assets".

2.24 Fiduciary activities

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are excluded from these financial statements, as they are not assets of the Group.

2.25 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised as a provision but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When the inflow is virtually certain, it will be recognised as an asset.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.26 有關連人士

就此等財務報表而言，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。
- (b) 在以下任何情況下一企業會視為與本集團有關聯：
 - (i) 該企業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) 一企業是另一企業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企業均屬同一集團）。
 - (iii) 兩個企業是同一第三者的合營公司。
 - (iv) 一企業是一第三者的合營公司而另一企業則是該第三者的聯營公司。
 - (v) 該企業是提供福利予本集團或與本集團有關聯之企業的僱員離職後之福利計劃。
 - (vi) 該企業受在(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企業有重大影響力，或該個人是該企業（或是該企業的母公司）的主要管理人員之成員。
 - (viii) 該企業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。

個人的近親家庭成員指可影響，或受該個人影響，他們與該企業交易的家庭成員。

2.26 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.
- (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.

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.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

3. 應用會計政策時之重大會計估計及判斷

在編製綜合財務報表時，管理層對集團會計政策的應用及匯報的資產、負債、收入及支出作出判斷、估計及假設。實際結果可能與估計不同。

(a) 估計不穩定因素的主要來源

附註 4.1E 和附註 5 載述有關減值及金融工具的公平值的假設及其風險因素。估計不穩定因素的主要來源如下：

(i) 減值損失

附註 4.1E 載述金融工具的減值包括決定預期信貸損失模型的參數及納入前瞻性資料。

(ii) 金融工具的估值

本集團對金融工具的估值的會計政策已記錄在附註 5。金融工具的公平值由認可交易所提供市場報價或由經紀/交易商提供非交易所進行交易的報價。

(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) 金融資產的分類

附註 2.8(2)(iii) 及 2.8(2)(iv)：評估持有資產的業務模型及評估金融資產的合約條款是否為未償還金額的本金及利息。

(ii) 計算預期信貸損失

附註 4.1E：製訂準則以評估金融資產自初始確定後的信貸風險是否顯著增加，評估納入前瞻性信息以計算預期信貸損失和選擇模型以計算預期信貸損失。

(iii) 確認遞延稅項資產

按未使用的稅務虧損及減值準備而確認之遞延稅項資產，乃以預計可被運用作抵扣該等虧損之應課稅溢利金額為限。釐定遞延稅項資產的確認金額，需要管理層作出重大判斷，包括基於未來最有可能產生應課稅溢利的時間及其金額。

按未使用的稅務抵免確認遞延稅項資產。在釐定需確認之遞延稅項資產的金額時，需根據對可運用的稅務抵免之估算及收回此等已確認之遞延稅項資產的可能性而作出重大的會計判斷。

3. Critical accounting estimates and judgements in applying accounting policies

In preparing the consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(a) Key sources of estimation uncertainty

Note 4.1E and Note 5 contain information about the assumptions and their risk factors relating to impairment and fair values of financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Impairment losses

Note 4.1E: impairment of financial instruments involves determining inputs into the ECL measurement model, including incorporation of forward-looking information.

(ii) Valuation of financial instruments

The Group's accounting policy for valuation of financial instruments is included in Note 5. 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.

(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) Classification of financial assets

Note 2.8(2)(iii) and Note 2.8(2)(iv): assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

(ii) Measurement of ECL

Note 4.1E: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward looking information into measurement of ECL and selection of models used to measure ECL.

(iii) Recognition of deferred tax assets

Deferred tax assets on unused tax losses and impairment allowances are recognised to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

Deferred tax assets on unused tax credits are recognised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the estimation of available tax credits and the possibility to recover such deferred tax assets recognised.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理

本集團因從事各類業務而涉及金融風險。主要金融風險包括信貸風險、市場風險（包括外匯風險及利率風險）及流動資金風險。本附註概述本集團的這些風險承擔，以及其目標、風險管理的管治架構、政策與程序及量度這些風險的方法。

金融風險管理架構

本集團風險管理管治架構覆蓋業務發展的全部過程，以保證在業務經營中的各類風險都能得到有效管理及控制。本集團擁有完善的風險管理架構，並有一套全面的風險管理政策及程序，用以識別、量度、監察及控制可能出現的各類風險。本集團亦定期重檢及更新風險管理政策及程序，以配合市場及業務策略的轉變。不同層面的風險承擔者分別負責與其相關的風險管理責任。

董事會代表著股東的利益，是本集團風險管理的最高決策機構，並對風險管理負最終責任。董事會在其屬下委員會的協助下，負責確定本集團的風險管理策略，並確保本集團具備有效的風險管理系統以落實執行有關策略。

風險管理委員會是董事會成立的常設委員會，負責監察本集團的各類風險；審批重大的風險管理政策，並監督其執行。總裁辦公會（授信審批）負責對超過行政總裁審批許可權或行政總裁交由總裁辦公會的信貸申請進行審批。稽核委員會協助董事會履行內部監控系統的監控職責。

行政總裁負責管理本集團各類風險，在董事會授權範圍內審批重大風險承擔或交易。首席風險官負責協助行政總裁管理本集團各類風險，在其授權範圍內審批重大的風險承擔或交易。在風險管理部及財務管理部的支援下，首席風險官負責協助行政總裁履行對各類風險日常管理的職責，提出新的風險管理策略、項目和措施以配合監管要求的變化，從而更好地監察及管理新業務、產品及營運環境轉變而引致的風險。首席風險官及風險管理部總經理還在授權範圍內負責審核重大風險承擔或交易。高級管理層在董事會批准的風險管理政策分層原則下，亦需負責審批其主管業務範圍的風險管理辦法。

4. Financial risk management

The Group is exposed to financial risks as a result of engaging in a variety of business activities. The principal financial risks are credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. This note summarises the Group's exposures to these risks, as well as its objectives, risk management governance structure, policies and processes for managing and the methods used to measure these risks.

Financial risk management framework

The Group's risk management governance structure is designed to cover all business processes and ensures various risks are properly managed and controlled in the course of conducting business. The Group has a robust risk management organisational structure with a comprehensive set of policies and procedures to identify, measure, monitor and control various risks that may arise. These risk management policies and procedures are regularly reviewed and updated to reflect changes in markets and business strategies. Various groups of risk takers assume their respective responsibilities for risk management.

The Board of Directors, representing the interests of shareholders, is the highest decision-making authority of the Group and has the ultimate responsibility for risk management. The Board, with the assistance of its committees, has the primary responsibility for the formulation of risk management strategies and ensuring that the Group has an effective risk management system to implement these strategies.

The Risk Management Committee (RC), a standing committee established by the Board of Directors, is responsible for overseeing the Group's various types of risks, approving significant risk management policies and monitoring their implementation. The CEO Executive Meeting (Credit Approval) is responsible for approving credit transactions exceeding Chief Executive (CE) 's authority or referred by CE. The Audit Committee assists the Board in fulfilling its role in overseeing the internal control system.

The CE is responsible for managing the Group's various types of risks, and material risk exposures or transactions within his authority delegated by the Board of Directors. The Chief Risk Officer (CRO) assists the CE in managing the Group's various types of risks, and approving material risk exposures or transactions within his authority. With the support from Risk Management Department (RMD) and Financial Management Department (FMD), the CRO assists the CE in fulfilling his responsibilities for the day-to-day management of risks and initiating new risk management strategies, projects and measures that will enable the Group to better monitor and manage new risk issues or areas that may arise from time to time from new businesses, products and changes in the operating environment. He will also take appropriate initiatives in response to regulatory changes. The CRO and the General Manager of RMD are also responsible for reviewing material risk exposures or transactions within their delegated authority. In accordance with the principle of setting the hierarchy of risk management policies approved by the Board, the senior management is also responsible for approving the detailed risk management policies of their responsible areas.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

金融風險管理架構（續）

本集團的不同單位都有其相應的風險管理責任。業務單位是風險管理的第一道防線，而風險管理單位則獨立於業務單位，負責各類風險的日常管理，以及草擬、檢查和更新各類風險管理政策和程序。

本集團建立了合適的內部控制程序，包括設立權責分立清晰的組織架構，以監察業務運作是否符合既定政策、程序及限額。適當的匯報機制也充分地使監控職能獨立於業務範疇，同時促成機構內適當的職責分工，有助營造適當的內部控制環境。

產品開發及風險監控

為了提高風險評估及監控工作的有效性，本集團建立了一套完善的產品開發及風險監控管理制度。在產品開發過程中，本集團各單位具有清晰的職責及分工，並制定了適當的風險盡職審查程序。

根據董事會及管理層提出的發展目標，產品管理單位負責提出相應的業務發展和產品開發計劃，進行具體的產品開發工作。風險管理單位負責在產品開發過程中進行獨立風險評估。

只有在風險管理單位滿意盡職審查結果及獲單位主管或管理層審批同意後，有關產品才可推出市場。

4.1 信貸風險

信貸風險指因客戶或交易對手未能或不願意履行償債責任而造成損失的風險。本集團的交易賬和銀行賬、以及資產負債表內和表外之交易均存在這種風險。信貸風險主要來自借貸、貿易融資及資金業務。

信貸風險管理架構

本集團制定了一套全面的信貸風險管理政策與程序和恰當的信貸風險限額，用以管理及控制信貸風險。本集團定期重檢及更新該等政策與程序及信貸風險限額，以配合市場及業務策略的轉變。

本集團的組織架構制定了明確的授權及職責，以監控遵守政策、程序及限額的情況。

4. Financial risk management (continued)

Financial risk management framework (continued)

Various units of the Group have their respective risk management responsibilities. Business units act as the first line of defence while risk management units, which are independent from the business units, are responsible for the day-to-day management of different kinds of risks. Risk management units have the primary responsibilities for drafting, reviewing and updating various risk management policies and procedures.

The Group has put in place appropriate internal control systems, including establishment of an organisation structure that sets clear lines of authority and responsibility for monitoring compliance with policies, procedures and limits. Proper reporting lines also provide sufficient independence of the control functions from the business areas, as well as adequate segregation of duties throughout the organisation which helps to promote an appropriate internal control environment.

Product development and risk monitoring

To ensure the effectiveness of risk assessment and monitoring, the Group has a comprehensive product development and risk monitoring system where roles and responsibilities of all related units are clearly defined and proper due diligence processes on product development are in place.

In accordance with the strategic objectives set by the Board and the management, respective product management units are responsible for formulating business and product development plans, and proceeding to specific product development activities. Various risk management units are responsible to conduct independent risk assessment in the product development process.

Products can only be launched upon completion of the product due diligence process to the satisfaction of all risk management units and approval from designated unit heads/the management.

4.1 Credit risk

Credit risk is the risk of loss caused by customers or counterparties who are unable to or unwilling to meet their contractual obligations. Credit risk exists in the trading book and banking book, as well as on- and off-balance sheet transactions of the Group. It arises principally from lending, trade finance and treasury businesses.

Credit risk management framework

The Group has formulated a comprehensive set of credit risk management policies and procedures, and appropriate credit risk limits to manage and control credit risk that may arise. These policies, procedures and credit risk limits are regularly reviewed and updated to cope with changes in market conditions and business strategies.

The Group's organisation structure establishes well-defined authorities and responsibilities for monitoring compliance with policies, procedures and limits.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4.1 信貸風險（續）

信貸風險管理架構（續）

風險評估部及風險管理部負責信貸風險管理工作。本集團的不同單位都有其相應的信貸風險管理責任。業務單位是風險管理的第一道防線，而風險評估部及風險管理部則獨立於業務單位，負責信貸風險的日常管理，對信貸風險的識別、量度、監督和控制做獨立的盡職調查，確保有效的制約與平衡，以及草擬、檢查和更新信貸風險管理政策與程序。

行政總裁在董事會授予之權限內按管理需要轉授權予相關下級人員。本集團按照信貸業務性質、評級、交易風險的程度、信貸風險承擔大小，設置信貸業務的審批權限。

信貸風險評估及監控

因應迅速變化的市場情況，本集團已持續重檢信貸策略，並對關注的組合開展嚴格的信貸重檢。

客戶貸款及貿易票據

不同客戶、交易對手或交易會根據其風險程度採用不同的信貸審批及監控程序。信貸評審委員會由信貸和其他業務專家組成，負責對重大信貸申請進行獨立評審。非零售風險承擔信貸申請由風險管理單位進行獨立審核、客觀評估，並確定債務人評級（按照違約概率程度）和授信等級（按照違約損失率程度）以支持信貸審批；零售信貸交易包括零售小企業貸款、住宅按揭貸款及私人貸款等採取零售內部評級系統進行信貸風險評估。本集團會應用貸款分類級別、債務人評級、授信等級和損失預測結果（如適用）於支持信貸審批。

本集團亦會應用貸款分類級別、債務人評級和損失預測結果（如適用）於支持信貸監控、信貸風險報告及分析。對於非零售風險承擔，本集團會對較高風險的客戶採取更頻密的評級重檢及更密切的監控；對於零售風險承擔則會在組合層面應用每月更新的內部評級及損失預測結果進行監察，對識別為高風險組別客戶，會進行更全面檢討。

本集團使用的內部評級總尺度表能與標準普爾(Standard & Poor's)外部信貸評級相對應。該內部評級總尺度表結構符合《銀行業（資本）規則》的要求。

4. Financial risk management (continued)

4.1 Credit risk (continued)

Credit risk management framework (continued)

Risk Assessment Department (RAD) and RMD are responsible for credit risk management. Various units of the Group have their respective credit risk management responsibilities. Business units act as the first line of defence. Both RAD and RMD, which are independent from the business units, is responsible for the day-to-day management of credit risks and has the primary responsibility for providing an independent due diligence through identifying, measuring, monitoring and controlling credit risk to ensure an effective checks and balances, as well as drafting, reviewing and updating credit risk management policies and procedures.

The Board of Directors delegates credit approval authority to the CE. The CE can further delegate to the subordinates within his limit authorised by the Board of Directors. The Group sets the limits of credit approval authority according to the credit business nature, rating, the level of transaction risk, and the extent of the credit exposure.

Credit risk measurement and control

In view of the rapidly changing market conditions, the Group has been continuously revisiting its credit strategies and conducting rigorous reviews on the concerned portfolios.

Advances to customers and trade bills

Different credit approval and control procedures are adopted according to the level of risk associated with the customer, counterparty or transaction. The Credit Risk Assessment Committee, comprising experts from credit and other functions, is responsible for making an independent assessment of material credit applications. Credit applications for non-retail exposures are independently reviewed and objectively assessed by risk management units. Obligor ratings (in terms of probability of default) and facility ratings (in terms of loss given default) are assigned to these portfolios to support credit approval. Retail internal rating systems are deployed in the risk assessment of retail credit transactions, including small business retail exposures, residential mortgage loans and personal loans. Loan grades, obligor and facility ratings as well as loss estimates (if applicable) are used to support credit approval.

The Group also uses loan grades, obligor ratings and loss estimates (if applicable) to support credit monitoring, reporting and analysis of credit risk information. For non-retail exposures, more frequent rating review and closer monitoring are required for higher-risk customers. For retail exposures, monthly updated internal ratings and loss estimates are used for credit monitoring on a portfolio basis. More comprehensive review is required for obligors being identified under high-risk pools.

The Group adopts an internal master rating scale that can be mapped to Standard & Poor's external credit ratings. The structure of internal master rating scale is in compliance with the requirement of the Banking (Capital) Rules.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4.1 信貸風險（續）

信貸風險評估及監控（續）

客戶貸款及貿易票據（續）

風險管理部定期提供信貸風險管理報告，並按風險管理委員會及董事會的特別要求，提供專題報告，以供其持續監控信貸風險。

本集團也會按照行業、地區、客戶或交易對手等維度識別信貸風險集中度，並監察交易對手信貸風險、信貸資產組合質素、信貸風險集中度的變化，定期向本集團管理層匯報。

本集團參照金管局貸款分類制度的指引，實施信貸資產的五級分類如下：

「合格」是指借款人目前有履行還款責任的貸款，同時全數償還利息及本金的機會也不成疑問。

「關注」是指借款人正面對困難，可能會影響本集團收回貸款的本金及利息。現時並未預期出現最終損失，但如不利情況持續，有可能出現最終損失。

「次級」是指借款人正出現明顯問題，以致可能影響還款的貸款。

「呆滯」是指不大可能全數收回，而本集團在扣除抵押品的可變現淨值後預計會承受本金和／或利息虧損的貸款。

「虧損」是指用盡所有追討欠款方法後（如變賣抵押品、提出法律訴訟等）仍被視為無法收回的貸款。

4. Financial risk management (continued)

4.1 Credit risk (continued)

Credit risk measurement and control (continued)

Advances to customers and trade bills (continued)

RMD provides regular credit management information reports and ad hoc reports to the RC and Board of Directors to facilitate their continuous monitoring of credit risk.

In addition, the Group identifies credit concentration risk by industry, geography, customer and counterparty. The Group monitors changes to counterparty credit risk, quality of the credit portfolio and credit risk concentrations, and reports regularly to the Group's Management.

The Group adopts loan grading criteria which divides credit assets into five categories with reference to the HKMA's guidelines, as below:

“Pass” represents loans where the borrower is current in meeting its repayment obligations and full repayment of interest and principal is not in doubt.

“Special Mention” represents loans where the borrower is experiencing difficulties which may threaten the Group's position. Ultimate loss is not expected at this stage but could occur if adverse conditions persist.

“Substandard” represents loans where the borrower displays a definable weakness that is likely to jeopardise repayment.

“Doubtful” represents loans where collection in full is improbable and the Group expects to sustain a loss of principal and/or interest, taking into account the net realisable value of the collateral.

“Loss” represents loans which are considered uncollectible after all collection options (such as the realisation of collateral or the institution of legal proceedings) have been exhausted.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.1 信貸風險（續）

4.1 Credit risk (continued)

信貸風險評估及監控（續）

Credit risk measurement and control (continued)

債務證券及衍生產品

Debt securities and derivatives

對於債務證券投資，本集團會應用債務人評級或外部信貸評級、通過評估證券相關資產的質素及設定客戶或證券發行人信貸限額，以管理債務證券的信貸風險；對於衍生產品，本集團會採用客戶限額及採用與貸款一致的審批及監控程序管理信貸風險，並制定持續監控及止損程序。

For investments in debt securities, the obligor ratings or external credit ratings, assessment of the underlying assets and credit limits setting on customer or security issuer basis are used for managing credit risk associated with the investment. For derivatives, the Group sets customer limits to manage the credit risk involved and follows the same approval and control processes as applied for advances. Ongoing monitoring and stop-loss procedures are established.

結算風險主要來自交易對手相關外匯交易，以及來自任何以現金、證券或股票支付但未能如期相應收回該交易對手的現金、證券或股票的衍生產品交易。本集團對各交易對手或客戶制定每日結算限額，以涵蓋任何單一日子因本集團的交易而產生的所有結算風險。

Settlement risk arises mainly from foreign exchange transactions with counterparties and also from derivatives transactions in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty or customer to cover all settlement risk arising from the Group's market transactions on any single day.

抵押品及其他改善信貸條件

Collateral held as security and other credit enhancements

本集團制定抵押品估值及管理的信貸風險管理政策與程序，明確抵押品的接受準則、法律效力、貸款與估值比率、估值折扣比率、估值及保險等規定。本集團須定期重估抵押品價值，並按抵押品種類、授信性質及風險狀況而採用不同的估值頻率及方式。物業是本集團主要押品，本集團已建立機制利用指數以組合形式對物業進行估值。個人貸款以物業、存款及證券作為主要抵押品；工商貸款則主要以物業、證券、應收賬項、存款及機器作押。

The valuation and management of collateral have been documented in the credit risk management policies and procedures which cover acceptance criteria, validity of collateral, loan-to-value ratio, haircut ratio, valuation and insurance, etc. The collateral is revalued on a regular basis, though the frequency and the method used varies with the type of collateral involved and the nature and the risk of the underlying credit. The Group has established a mechanism to update the value of its main type of collateral, real estate properties, with the use of public indices on a portfolio basis. In the personal sector, the main types of collateral are real estate properties, cash deposits and securities. In the commercial and industrial sector, the main types of collateral are real estate properties, securities, receivables, cash deposits and machinery.

對於由第三者提供擔保的貸款，本集團會評估擔保人的財政狀況、信貸記錄及履約能力。

For loans guaranteed by a third party, the Group will assess the guarantor's financial condition, credit history and ability to meet obligations.

於 2020 年 12 月 31 日，本集團並無持有任何允許於借款人未違約情況下出售或再抵押之抵押品（2019 年：無）。

As at 31 December 2020, the Group did not hold any collateral that it was permitted to sell or re-pledge in the absence of default by the borrower (2019: Nil).

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.1 信貸風險（續）

4.1 Credit risk (continued)

A. 信貸風險承擔

本集團之最高信貸風險承擔是未考慮任何抵押品或其他改善信貸條件的最大風險承擔。對於資產負債表內資產，最高信貸風險承擔相等於其賬面值。對於開出擔保函，最高信貸風險承擔是被擔保人要求本集團代為償付債務的最高金額。對於貸款承擔及其他信貸有關負債，最高信貸風險承擔為授信承諾的全額。

以下為所持抵押品及其他改善信貸條件的性質及其對本集團各類金融資產的覆蓋程度：

在銀行及其他金融機構的結餘及定期存放

考慮到交易對手的性質，一般會視為低風險承擔。因此一般不會就此等資產尋求抵押品。

證券投資

一般不會就債務證券尋求抵押品。

衍生金融工具

本集團傾向以國際掉期及衍生工具協會出版的主協議（「ISDA 主協議」）作為衍生工具業務的協議文件。該 ISDA 主協議為敝做場外衍生交易提供合約框架，並載有於發生違約事件或終止事件後終止交易時所採用之淨額結算條款。此外，亦會視乎需要考慮於 ISDA 主協議之附約中附加信貸支持附件（CSA）。根據信貸支持附件，抵押品會按情況由交易一方轉交另一方（如適用），以減少風險承擔。

客戶貸款及貿易票據、或然負債及承擔

一般抵押品種類已載於第 75 頁。本集團根據對客戶貸款及貿易票據、或然負債及承擔的個別風險承擔的評估，考慮適當之抵押品。或然負債及承擔之主要組合及性質已載於附註 33，就不需事先通知的無條件撤銷之承諾，如客戶的信貸質素下降，本集團會評估撤回其授信額度的需要性。於 2020 年 12 月 31 日，有抵押品覆蓋之或然負債及承擔為 24.98%（2019 年：26.44%）。

A. Credit exposures

The maximum credit exposure is the worst case scenario of exposure to the Group without taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the maximum exposure to credit risk equals their carrying amount. For letters of guarantee issued, the maximum exposure to credit risk is the maximum amount that the Group could be required to pay if the guarantees are called upon. For loan commitment and other credit related liabilities, the maximum exposure to credit risk is the full amount of the committed facilities.

The nature of the collateral held and other credit enhancements and their financial effect to the different classes of the Group's financial assets are as follows:

Balances and placements with banks and other financial institutions

These exposures are generally considered to be low risk due to the nature of the counterparties. Collateral is generally not sought on these assets.

Investment in securities

Collateral is generally not sought on debt securities.

Derivative financial instruments

The Master Agreement published by the International Swaps and Derivatives Association, Inc. ("ISDA Master Agreement") is the preferred agreement for documenting derivatives activities of the Group. It provides the contractual framework under which dealing activities of over-the-counter ("OTC") transactions are conducted, and sets out close-out netting provisions upon termination following the occurrence of an event of default or a termination event. In addition, if deemed necessary, Credit Support Annex ("CSA") will be included to form part of the Schedule to the ISDA Master Agreement. Under a CSA, collateral is passed from one counterparty to another, as appropriate, to mitigate the exposures.

Advances to customers and trade bills, contingent liabilities and commitments

The general types of collateral are disclosed on page 75. Advances to customers and trade bills, contingent liabilities and commitments are collateralised to the extent considered appropriate by the Group taking account of the risk assessment of individual exposures. The components and nature of contingent liabilities and commitments are disclosed in Note 33. Regarding the commitments that are unconditionally cancellable without prior notice, the Group would assess the necessity to withdraw the credit line in case where the credit quality of a borrower deteriorates. For contingent liabilities and commitments, 24.98% (2019: 26.44%) is covered by collateral as at 31 December 2020.

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.1 信貸風險（續）

4.1 Credit risk (continued)

B. 信貸質素分析

B. Credit quality analysis

(a) 客戶貸款及貿易票據的信貸質素

(a) Credit quality of advances to customers and trade bills

下列關於客戶貸款和貿易票據之信貸質素分析是以賬面值列示。

The following tables set out information about the credit quality of advances to customers and trade bills. The amounts in the table represent gross carrying amount.

		2020			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
按攤銷成本的客戶貸款	Advances to customers at amortised cost				
合格	Pass	76,624,088	223,184	-	76,847,272
需要關注	Special Mention	384	652,827	-	653,211
次級	Substandard	-	-	39,957	39,957
呆滯	Doubtful	-	-	129,827	129,827
虧損	Loss	-	-	110,379	110,379
減值準備	Loss allowance	(476,643)	(8,637)	(278,510)	(763,790)
賬面值	Carrying amount	<u>76,147,829</u>	<u>867,374</u>	<u>1,653</u>	<u>77,016,856</u>
		2019			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
按攤銷成本的客戶貸款	Advances to customers at amortised cost				
合格	Pass	74,473,819	753,406	-	75,227,225
需要關注	Special Mention	4,333	539,201	-	543,534
次級	Substandard	-	-	96,089	96,089
呆滯	Doubtful	-	-	182,289	182,289
虧損	Loss	-	-	17,822	17,822
減值準備	Loss allowance	(326,066)	(18,309)	(284,868)	(629,243)
賬面值	Carrying amount	<u>74,152,086</u>	<u>1,274,298</u>	<u>11,332</u>	<u>75,437,716</u>

綜合財務報表附註
 (續)

 Notes to the Consolidated Financial Statements
 (continued)

4. 金融風險管理 (續)

4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

B. 信貸質素分析

B. Credit quality analysis

(a) 客戶貸款及貿易票據的信貸質素 (續)

(a) Credit quality of advances to customers and trade bills (continued)

		2020			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
按攤銷成本的貿易票據	Trade bills at amortised cost				
合格	Pass	1,327,776	-	-	1,327,776
減值準備	Loss allowance	(4,491)	-	-	(4,491)
賬面值	Carrying amount	<u>1,323,285</u>	<u>-</u>	<u>-</u>	<u>1,323,285</u>
		2019			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
按攤銷成本的貿易票據	Trade bills at amortised cost				
合格	Pass	1,553,101	-	-	1,553,101
減值準備	Loss allowance	(3,926)	-	-	(3,926)
賬面值	Carrying amount	<u>1,549,175</u>	<u>-</u>	<u>-</u>	<u>1,549,175</u>

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
4. 金融風險管理 (續)
4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit risk (continued)
B. 信貸質素分析
B. Credit quality analysis
**(b) 除客戶貸款及貿易票據
外的資產信貸質素**
(b) Credit quality of financial assets other than advances to customers and trade bills

下列關於在銀行及其他金融機構的結餘及存款之信貸質素分析是以賬面值列示。

The following table sets out information about the credit quality of balances and placements with banks and other financial institutions. The amounts in the table represent gross carrying amount.

		2020			
存放央行、銀行及其他 金融機構的結餘及存款	Balances and placements with central banks, banks and other financial institutions	12 個月的預期 信貸虧損 12-month ECL 港幣千元 HK\$'000	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired 港幣千元 HK\$'000	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
合格	Pass	30,197,824	-	-	30,197,824
減值準備	Loss allowance	(1,924)	-	-	(1,924)
賬面值	Carrying amount	30,195,900	-	-	30,195,900
		2019			
存放央行、銀行及其他 金融機構的結餘及存款	Balances and placements with central banks, banks and other financial institutions	12 個月的預期 信貸虧損 12-month ECL 港幣千元 HK\$'000	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired 港幣千元 HK\$'000	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
合格	Pass	22,774,206	-	-	22,774,206
減值準備	Loss allowance	(484)	-	-	(484)
賬面值	Carrying amount	22,773,722	-	-	22,773,722

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
4. 金融風險管理 (續)
4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit risk (continued)
B. 信貸質素分析 (續)
B. Credit quality analysis (continued)
**(b) 除客戶貸款及貿易票據
外的資產信貸質素 (續)**
(b) Credit quality of financial assets other than advances to customers and trade bills (continued)

下表列出強制及界定為以公平值變化計入損益的債務證券的信用質素。在無發行評級的情況下，則會按發行人的評級報告。

The following tables present the credit quality of debt securities mandatorily measured and designated at FVTPL. In the absence of such issue ratings, the ratings designated for the issuers are reported.

		2020					
		Aaa	Aa1 至 Aa3	A1 至 A3	A3 以下 Lower than A3	無評級	總計
		Aaa	Aa1 to Aa3	A1 to A3	Lower than A3	Unrated	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
強制性以公平值變化計入損益之金融資產	Financial assets mandatorily measured at FVTPL	-	-	16,725	196,119	25,384	238,228
界定為以公平值變化計入損益之金融資產	Financial assets designated at FVTPL	-	-	159,752	40,027	163,421	363,200
		<u>-</u>	<u>-</u>	<u>176,477</u>	<u>236,146</u>	<u>188,805</u>	<u>601,428</u>
		2019					
		Aaa	Aa1 至 Aa3	A1 至 A3	A3 以下 Lower than A3	無評級	總計
		Aaa	Aa1 to Aa3	A1 to A3	Lower than A3	Unrated	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
強制性以公平值變化計入損益之金融資產	Financial assets mandatorily measured at FVTPL	-	-	28,999	71,488	47,663	148,150
界定為以公平值變化計入損益之金融資產	Financial assets designated at FVTPL	-	-	158,116	39,959	172,532	370,607
		<u>-</u>	<u>-</u>	<u>187,115</u>	<u>111,447</u>	<u>220,195</u>	<u>518,757</u>

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
4. 金融風險管理 (續)
4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit risk (continued)
B. 信貸質素分析 (續)
B. Credit quality analysis (continued)
**(b) 除客戶貸款及貿易票據
外的資產信貸質素 (續)**
(b) Credit quality of financial assets other than advances to customers and trade bills (continued)

債務證券及存款證交易的信貸風險管理手法，與本集團管理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。

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.

於報告期結束日，按照發行評級分析之債務證券及存款證的信貸質素分析如下：

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:

		2020			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
按攤銷成本計量的債務 證券及存款證	Debt securities and certificate of deposits at amortised cost				
Aaa	Aaa	-	-	-	-
Aa1 至 Aa3	Aa1 to Aa3	120,910	-	-	120,910
A1 至 A3	A1 to A3	887,257	-	-	887,257
A3 以下	Lower than A3	346,434	-	-	346,434
無評級	Unrated	-	-	-	-
減值準備	Loss allowance	(3,600)	-	-	(3,600)
賬面值	Carrying amount	1,351,001	-	-	1,351,001
		2019			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
按攤銷成本計量的債務 證券及存款證	Debt securities and certificate of deposits at amortised cost				
Aaa	Aaa	-	-	-	-
Aa1 至 Aa3	Aa1 to Aa3	113,448	-	-	113,448
A1 至 A3	A1 to A3	1,095,282	-	-	1,095,282
A3 以下	Lower than A3	435,465	-	-	435,465
無評級	Unrated	-	-	-	-
減值準備	Loss allowance	(1,798)	-	-	(1,798)
賬面值	Carrying amount	1,642,397	-	-	1,642,397

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
4. 金融風險管理 (續)
4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit risk (continued)
B. 信貸質素分析 (續)
B. Credit quality analysis (continued)
**(b) 除客戶貸款及貿易票據
外的資產信貸質素 (續)**
**(b) Credit quality of financial assets other than advances to customers and trade
bills (continued)**

		2020			
以公平值變化計入全面 收益的債務證券及存款 證	Debt securities and certificate of deposits at FVOCI	12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
Aaa	Aaa	3,505,435	-	-	3,505,435
Aa1 至 Aa3	Aa1 to Aa3	7,231,983	-	-	7,231,983
A1 至 A3	A1 to A3	29,791,378	-	-	29,791,378
A3 以下	Lower than A3	5,698,954	-	-	5,698,954
無評級	Unrated	2,446,284	-	107,215	2,553,499
賬面值	Carrying amount	48,674,034	-	107,215	48,781,249
減值準備	Loss allowance	33,294	-	344,341	377,635
		2019			
以公平值變化計入全面 收益的債務證券及存款 證	Debt securities and certificate of deposits at FVOCI	12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
Aaa	Aaa	6,947,971	-	-	6,947,971
Aa1 至 Aa3	Aa1 to Aa3	9,990,944	-	-	9,990,944
A1 至 A3	A1 to A3	20,178,046	-	-	20,178,046
A3 以下	Lower than A3	6,184,284	-	-	6,184,284
無評級	Unrated	1,418,838	-	-	1,418,838
賬面值	Carrying amount	44,720,083	-	-	44,720,083
減值準備	Loss allowance	26,400	-	-	26,400

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)
4. 金融風險管理（續）
4. Financial risk management (continued)
4.1 信貸風險（續）
4.1 Credit risk (continued)
B. 信貸質素分析（續）
B. Credit quality analysis (continued)
(b) 除客戶貸款及貿易票據外的資產信貸質素（續）
(b) Credit quality of financial assets other than advances to customers and trade bills (continued)

		2020			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
其他金融資產	Other financial assets				
合格	Pass	1,339,636	-	-	1,339,636
需要關注	Special Mention	-	-	-	-
次級	Substandard	-	-	7	7
呆滯	Doubtful	-	-	653	653
虧損	Loss	-	-	708	708
減值準備	Loss allowance	(4,299)	-	(387)	(4,686)
賬面值	Carrying amount	1,335,337	-	981	1,336,318
		2019			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
其他金融資產	Other financial assets				
合格	Pass	312,153	-	-	312,153
需要關注	Special Mention	-	10	-	10
次級	Substandard	-	-	-	-
呆滯	Doubtful	-	-	432	432
虧損	Loss	-	-	699	699
減值準備	Loss allowance	(306)	-	(735)	(1,041)
賬面值	Carrying amount	311,847	10	396	312,253

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.1 信貸風險（續）

4.1 Credit risk (continued)

B. 信貸質素分析（續）

B. Credit quality analysis (continued)

(b) 除客戶貸款及貿易票據外的資產信貸質素（續）

(b) Credit quality of financial assets other than advances to customers and trade bills (continued)

		2020			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
貸款及應收款的貸款承諾數開出保函	Loan commitments and financial guarantee contracts issued				
合格	Pass	14,094,571	10,000	-	14,104,571
需要關注	Special Mention	-	103,322	-	103,322
次級	Substandard	-	-	-	-
呆滯	Doubtful	-	-	8,597	8,597
虧損	Loss	-	-	-	-
賬面值	Carrying amount	<u>14,094,571</u>	<u>113,322</u>	<u>8,597</u>	<u>14,216,490</u>
減值準備	Loss allowance	<u>(51,644)</u>	<u>(1)</u>	<u>-</u>	<u>(51,645)</u>
		2019			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
貸款及應收款的貸款承諾數開出保函	Loan commitments and financial guarantee contracts issued				
合格	Pass	12,578,378	3,817	-	12,582,195
需要關注	Special Mention	-	47,084	-	47,084
次級	Substandard	-	-	-	-
呆滯	Doubtful	-	-	8,597	8,597
虧損	Loss	-	-	-	-
賬面值	Carrying amount	<u>12,578,378</u>	<u>50,901</u>	<u>8,597</u>	<u>12,637,876</u>
減值準備	Loss allowance	<u>(26,802)</u>	<u>(1)</u>	<u>-</u>	<u>(26,803)</u>

有明確到期日之貸款，若其本金或利息已逾期及仍未償還，則列作逾期貸款。須定期分期償還之貸款，若其中一次分期還款已逾期及仍未償還，則列作逾期處理。須即期償還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，或貸款一直超出借款人獲通知之批准貸款限額，亦列作逾期處理。

Advances with a specific repayment date are classified as overdue when the principal or interest is past due and remains unpaid. Advances repayable by regular instalments are classified as overdue when an instalment payment is past due and remains unpaid. Advances 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 instruction or when the advances have remained continuously exceeded the approved limit that was advised to the borrower.

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.1 信貸風險（續）

4.1 Credit risk (continued)

C. 風險集中度

C. Concentration risk

(a) 在沒有抵押品或其他信用改進前的最高信用風險

(a) Maximum exposure to credit risk before collateral held or other credit enhancement

有關綜合財務狀況表以內的資產的最高信用風險如下：

Maximum exposure to credit risk relating to assets in the consolidated statements of financial position are as follows:

	2020	2019
	港幣千元 HK\$'000	港幣千元 HK\$'000
存放央行、銀行及其他金融機構的結餘	22,755,602	17,954,510
在銀行及其他金融機構一至十二個月內到期之定期存放	7,440,298	4,819,212
衍生金融工具	140,505	122,133
強制性以公平值變化計入損益之證券投資	238,228	148,150
界定為以公平值變化計入損益之債務證券投資	363,200	370,607
以公平值變化計入其他全面收益之存款證及債務證券投資	48,781,249	44,720,083
以攤餘成本計量之證券投資	1,351,001	1,642,397
客戶貸款及貿易票據	78,340,141	76,986,891
	159,410,224	146,763,983

有關綜合財務狀況表以外的項目的最高信用風險如下：

Maximum exposure to credit risk relating to items unrecorded in the consolidated statements of financial position are as follows:

	2020	2019
	港幣千元 HK\$'000	港幣千元 HK\$'000
直接信貸替代項目	5,147	5,147
與交易有關之或然負債	25,621	24,771
與貿易有關之或然負債	677,387	475,735
除不需事先通知的無條件撤銷之承諾	3,151,595	4,645,828
	3,859,750	5,151,481

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.1 信貸風險（續）

4.1 Credit risk (continued)

C. 風險集中度（續）

C. Concentration risk (continued)

(b) 按行業分類之客戶貸款總額

(b) Sectoral analysis of gross advances to customers

以下關於客戶貸款總額之行業分類分析，其行業分類乃參照有關貸款及墊款之金管局報表的填報指示而編製。

The following analysis of the gross advances to customers by industry sector is based on the categories with reference to the completion instructions for the HKMA return of loans and advances.

		2020				
		客戶貸款總額 Gross advances to customers	抵押品或其他抵押覆蓋之百分比 % covered by collateral or other security	減值分類 Impaired	第三階段之減值準備 Stage 3 impairment allowances	第一及第二階段之減值準備 Stage 1 & 2 impairment allowances
		港幣千元 HK\$'000		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
在香港使用之貸款	Loans for use in Hong Kong					
工商金融業	Industrial, commercial and financial					
- 物業發展	- Property development	3,408,076	25.05%	-	-	23,378
- 物業投資	- Property investment	3,638,788	51.02%	25	-	12,878
- 金融業	- Financial concerns	6,026,042	23.71%	-	-	16,460
- 股票經紀	- Stockbrokers	2,276,150	2.06%	-	-	9,561
- 批發及零售業	- Wholesale and retail trade	4,141,089	66.29%	10,284	10,265	19,483
- 製造業	- Manufacturing	709,330	23.08%	-	-	3,107
- 運輸及運輸設備	- Transport and transport equipment	655,320	1.26%	-	-	2,266
- 休閒活動	- Recreational activities	26,716	100.00%	-	-	83
- 資訊科技	- Information technology	72,620	5.56%	-	-	654
- 其他	- Others	2,712,789	66.19%	3,023	3,023	6,829
個人	Individuals					
- 購買居者有其屋計劃、私人機構參建居屋計劃及租者置其屋計劃樓宇之貸款	- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	50,805	98.33%	-	-	75
- 購買其他住宅物業之貸款	- Loans for purchase of other residential properties	4,460,498	100.00%	-	-	4,695
- 其他	- Others	8,495,354	98.41%	776	776	64,702
在香港使用之貸款總額	Total loans for use in Hong Kong	36,673,577	59.44%	14,108	14,064	164,171
貿易融資	Trade finance	407,295	36.85%	155,676	155,676	523
在香港以外使用之貸款	Loans for use outside Hong Kong	40,699,774	20.33%	110,379	108,770	320,586
客戶貸款總額	Gross advances to customers	77,780,646	38.86%	280,163	278,510	485,280

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
4. 金融風險管理 (續)
4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit risk (continued)
C. 風險集中度 (續)
C. Concentration risk (continued)
**(b) 按行業分類之客戶貸款
總額 (續)**
(b) Sectoral analysis of gross advances to customers (continued)

		2019				
		客戶貸款總額 Gross advances to customers 港幣千元 HK\$'000	抵押品或其他抵押 覆蓋之百分比 % covered by collateral or other security	減值分類 Impaired 港幣千元 HK\$'000	第三階段之 減值準備 Stage 3 impairment allowances 港幣千元 HK\$'000	第一及第二階段 之減值準備 Stage 1 & 2 impairment allowances 港幣千元 HK\$'000
在香港使用之貸款	Loans for use in Hong Kong					
工商金融業	Industrial, commercial and financial					
- 物業發展	- Property development	2,948,523	34.74%	-	-	11,265
- 物業投資	- Property investment	2,990,725	74.68%	20	-	10,444
- 金融業	- Financial concerns	3,714,601	24.46%	-	-	17,381
- 股票經紀	- Stockbrokers	1,023,915	7.48%	-	-	2,123
- 批發及零售業	- Wholesale and retail trade	6,201,435	85.16%	-	-	6,445
- 製造業	- Manufacturing	1,510,084	13.47%	-	-	4,169
- 運輸及運輸設備	- Transport and transport equipment	635,218	36.93%	-	-	470
- 休閒活動	- Recreational activities	14,440	100.00%	-	-	20
- 資訊科技	- Information technology	76,715	5.64%	-	-	1,076
- 其他	- Others	4,172,343	59.13%	11	-	7,366
個人	Individuals					
- 購買居者有其屋計劃、私人機構參建居屋計劃及租者置其屋計劃樓宇之貸款	- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	34,610	100.00%	-	-	49
- 購買其他住宅物業之貸款	- Loans for purchase of other residential properties	3,322,481	100.00%	3,239	-	2,557
- 其他	- Others	7,803,061	97.51%	187	-	89,501
在香港使用之貸款總額	Total loans for use in Hong Kong	34,448,151	67.97%	3,457	-	152,866
貿易融資	Trade finance	1,500,565	81.32%	100,339	100,339	2,544
在香港以外使用之貸款	Loans for use outside Hong Kong	40,118,243	13.50%	192,404	184,529	188,965
客戶貸款總額	Gross advances to customers	76,066,959	39.50%	296,200	284,868	344,375

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
4. 金融風險管理 (續)
4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit risk (continued)
C. 風險集中度 (續)
C. Concentration risk (continued)
**(c) 按地理區域分類之客戶
貸款總額**
(c) Geographical analysis of gross advances to customers

下列關於客戶貸款之地理區域分析是根據交易對手之所在地，並已顧及風險轉移因素。若客戶貸款之擔保人所在地與客戶所在地不同，則風險將轉移至擔保人之所在地。

The following geographical analysis of advances to customers is based on the locations of the counterparties, after taking into account the transfer of risk. For an advance to customer guaranteed by a party situated in a country different from the customer, the risk will be transferred to the country of the guarantor.

		2020				
		客戶貸款總額	逾期貸款	減值分類 貸款	第三階段之 減值準備 Stage 3 impairment allowances	第一及第二 階段之 減值準備 Stage 1 & 2 impairment allowances
		Total advances to customers	Overdue advances	Impaired advances	impairment allowances	impairment allowances
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	45,870,310	921,899	179,617	179,617	279,616
中國內地	Mainland China	25,528,684	169,795	100,546	98,893	169,615
其他	Others	6,381,652	2,845	-	-	36,049
		77,780,646	1,094,539	280,163	278,510	485,280
		2019				
		客戶貸款總額	逾期貸款	減值分類 貸款	第三階段之 減值準備 Stage 3 impairment allowances	第一及第二 階段之 減值準備 Stage 1 & 2 impairment allowances
		Total advances to customers	Overdue advances	Impaired advances	impairment allowances	impairment allowances
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	44,810,458	673,783	189,376	188,526	208,876
中國內地	Mainland China	26,231,080	117,457	104,751	96,342	118,006
其他	Others	5,025,421	2,073	2,073	-	17,493
		76,066,959	793,313	296,200	284,868	344,375
				2020	2019	
				港幣千元 HK\$'000	港幣千元 HK\$'000	
減值或特定分類貸款佔 客戶貸款總額百分比	% of impaired or classified advances to total advances to customers			0.36%	0.39%	
減值或特定分類貸款的 抵押品市值	Market value of collateral held against impaired or classified advances			37,050	49,458	

綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements
(continued)

4. 金融風險管理 (續)

4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

D. 押品和其他增信

本集團已制訂各類可接受的抵押品的指引，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 26）。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。

D. Collateral held 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 26). 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.



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements
(continued)

4. 金融風險管理 (續)

4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

D. 押品和其他增信 (續)

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類似工具外，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 33），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。

D. Collateral held and other credit enhancements (continued)

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 33), 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.



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements
(continued)

4. 金融風險管理 (續)

4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

E. 預期信貸損失增加額

計算減值準備的參數、
假設及技術

詳見附註 2.14 的會計政策。

E. Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 2.14.

信貸風險顯著增加

當確認一項金融工具是否存在違約風險顯著增加時，本集團會考慮相關合理及可靠信息，該等訊息是相關又無需投入過多成本精力獲得的。這包括定量和定性信息和分析，是基於集團的歷史經驗和專家的信貸評估。

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment.

評估的目的是通過比較來確定信貸風險暴露是否已顯著增加：

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- 截至報告日的剩餘存續期的違約概率 (PD)；及
- 在初始確認風險時估計的該時點的剩餘存續期 PD (在預付款預期變更時的相關調整)。

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements
(continued)

4. 金融風險管理 (續)

4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

E. 預期信貸損失增加額
(續)

信貸風險級別

本集團基於違約風險預測數據及應用經驗判斷，將每項風險承擔分配對應到不同的信貸風險等級。信貸風險等級是用代表違約風險的定性和定量因素來定義。這些因素取決於風險敞口的性質和借款人的類型。

通過信貸風險等級的定義和校准，使違約發生風險隨著信貸風險的惡化而呈指數增長，例如，信貸風險等級 1 和 2 之間的違約風險差異小於信貸風險等級 2 和 3 之間的風險等級差異。

首次確認借款人的信貸風險等級是基於借款人可得到的信息。之後通過持續監控風險敞口，進而調整信貸風險等級。監控通常涉及以下數據的使用。

E. Amounts arising from ECL (continued)

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements
(continued)

4. 金融風險管理 (續)

4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

E. 預期信貸損失增加額
(續)

E. Amounts arising from ECL (continued)

信貸風險級別 (續)

Credit risk grades (continued)

企業敞口 Corporate exposures	零售敞口 Retail exposures	全部敞口 All exposures
<ul style="list-style-type: none"> 定期審查客戶材料時獲得的信息，比如審計報告、管理會計、預算規劃等。特別關注的例子如：毛利率、財務杠杆率、債務覆蓋率、遵守貸款契約、管理層質量、高級管理層變更 Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes 信貸參考機構的數據，新聞報道，外部信貸評級的變化 Data from credit reference agencies, press articles, changes in external credit ratings 借款人相應的債券和信貸違約掉期 (CDS) 價格 (如果有) Quoted bond and credit default swap (CDS) prices for the borrower where available 借款人所處的政治，監管和技術環境或其業務活動的實際和預期的重大變化 Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities 	<ul style="list-style-type: none"> 內部收集的客戶行為數據 Internally collected data on customer behaviour – e.g. utilisation of credit card facilities 可負擔性指標 Affordability metrics 信貸參考機構的外部數據，包括行業標準信貸評分 External data from credit reference agencies, including industry-standard credit scores 	<ul style="list-style-type: none"> 付款記錄 - 包括逾期狀態以及一系列有關支付比率的變量 Payment record – this includes overdue status as well as a range of variables about payment ratios 授予限額的使用 Utilisation of the granted limit 延期還款的申請和批准 Requests for and granting of forbearance 業務，財務和經濟狀況的現有和未來預測變化 Existing and forecast changes in business, financial and economic conditions

綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements
(continued)

4. 金融風險管理 (續)

4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

E. 預期信貸損失增加額
(續)

E. Amounts arising from ECL (continued)

違約概率期限結構的產生

Generating the term structure of PD

信貸風險等級是決定風險暴露期限結構的主要輸入。本集團根據司法管轄或地區分析、產品和借款人的類型以及信用風險評級收集信用風險暴露的表現和違約信息。對於某些組合，還使用從外部信貸評級機構購買的信息。

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

本集團採用統計模型對收集的數據進行計量分析，並根據風險暴露產生剩餘存續期的違約概率估算，以及預期結果會如何隨時間推移而產生的變化。

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

該分析包括識別和校準違約率變化與關鍵宏觀經濟因素變化之間的關係，以及對某些其他因素(例如寬容經驗)對違約風險影響的深入分析。對於大多數風險暴露，主要的宏觀經濟指標包括：本地經濟生產總值增長，基準利率和失業率。對於特定行業和/或地區的暴露，分析可能會擴展到相關房地產價格。

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark interest rates and unemployment. For exposures to specific industries and/or regions, the analysis may extend to relevant real estate prices.

本集團制定「基本情景」下未來的發展方向，以及其他可行、具代表性範圍的預測方案(見下文關於納入前瞻性信息的討論)。然後，本集團使用這些預測來調整其對違約概率的估算。

The Group formulates a “base case” view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements
(continued)

4. 金融風險管理 (續)

4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

E. 預期信貸損失增加額
(續)

E. Amounts arising from ECL (continued)

決定信貸風險是否顯著
增加

Determining whether credit risk has increased significantly

決定信貸風險是否顯著增加的準則因投資組合而異，包含違約概率的定量轉變及定性因素、以及逾期原因。

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

就本集團採用的定量模型而言，當確定剩餘存續期的違約概率增加超過預定範圍時，則會被認為特定敞口的信貸風險自初始確認以來已顯著增加。

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's quantitative modelling, the remaining lifetime PD is determined to have increased by more than a predetermined range.

憑藉其專家信貸判斷(如適用)，以及相關歷史經驗，本集團可根據其認為具體的特定定性指標確定信貸風險顯著增加，且其影響可能無法及時並充分反映在其定量分析中。

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

作為一項底線要求，本集團認為當資產出現逾期超過 30 天應考慮為信貸風險的顯著增加。逾期天數通過計算自最早到期日期以來尚未收到全額付款的天數來確定。確定到期日時不考慮借款人可能獲得的任何寬限期。

As a backstop, the Group considers that a significant increase in credit risk occurs when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements
(continued)

4. 金融風險管理 (續)

4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

E. 預期信貸損失增加額
(續)

E. Amounts arising from ECL (continued)

決定信貸風險是否顯著
增加 (續)

Determining whether credit risk has increased significantly (continued)

本集團通過定期監控用於識別信貸風險顯著增加的標準的有效性，以確認：

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- 該準則能夠在風險敞口出現違約前識別信貸風險的顯著增加；
- 當資產出現 30 天的逾期時將與該標準的時點中一致；及
- 12 個月的違約概率（第 1 階段）和存續期內的違約概率（第 2 階段）之間的轉換時，沒有不必要的損失準備波動。

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

經調整之金融資產

Modified financial assets

貸款的合同條款可能會因多種原因而被修改，包括市場條件變化，客戶保留以及與客戶當前或潛在信貸狀況惡化無關的其他因素。

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer.

當金融資產的條款被修改且修改未導致終止確認時，決定資產的信貸風險有否顯著增加可根據下列比較反映：

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- 其在報告日基於修改條款後的剩餘存續期的違約概率；及
- 根據初始確認時的數據和原始合同條款估算的剩餘存續期的違約概率。

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.



綜合財務報表附註 (續)

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理 (續)

4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

E. 預期信貸損失增加額 (續)

E. Amounts arising from ECL (continued)

經調整之金融資產 (續)

Modified financial assets (continued)

本集團向有財務困難的客戶(稱為寬容行動)進行重組協議,以最大程度地增加收回的機會並將違約風險降至最低。根據集團的寬容政策,如果債務人目前債務違約或者違約風險很高,並有證據表明債務人已盡一切合理努力按原合同付款,且債務人預計能夠滿足修訂後的條款的條件下,銀行則可有選擇性地給予貸款寬容。

The Group renegotiates loans to customers in financial difficulties (referred to as forbearance activities) to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

修訂後的條款通常包括延長到期日、改變利息支付時間和修改貸款契約條款。零售和企業貸款均受寬容政策的約束。

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

對於經調整之金融資產,違約概率的估算反映了該調整是否改善或恢復了本集團收取利息和本金的能力以及本集團之前的類似寬容行動的經驗。作為此流程的一部分,本集團根據修改後的合同條款評估借款人的還款表現,並考慮各種行為指標。

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

一般來說,寬容是信貸風險顯著增加的定性指標,對給予寬容的資產可能構成信貸減值風險/違約的證據。若風險敞口不再被視為信貸減值/違約,或者違約概率被認為已經減少,使得損失準備的計算為等於12個月預期信貸損失的金額,客戶需要在一段時間內表現出持續良好的還款表現。

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired / in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired / in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements
(continued)

4. 金融風險管理 (續)

4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

E. 預期信貸損失增加額
(續)

E. Amounts arising from ECL (continued)

違約定義

Definition of default

當出現以下情況時，本集團認為該金融資產違約：

The Group considers a financial asset to be in default when:

- 在本集團沒有採取追究擔保品變現的行為下（如有任何擔保），借款人不大可能全額支付其對本集團的信貸責任；或
- 借款人逾期履行其任何重大信貸責任超過90天。一旦客戶違反超出可使用的透支額度或可使用的透支額度少於現時餘欠的則視為逾期。

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

在評估借款人是否違約時，本集團會考慮以下指標：

In assessing whether a borrower is in default, the Group considers indicators that are:

- 定性 – 違反合同；
- 定量 – 例如逾期狀態及不支付同一發行人對本集團的另一項責任；及
- 基於內部開發及從外部獲得的信息。

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

評估金融工具是否違約及其重要性的輸入可會隨著時間的推移而變化，以反映情況的變化。

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

本集團採用之違約定義很大程度上與監管資本用途所適用的定義一致。

The definition of default largely aligns with that applied by the Group for regulatory capital purposes.



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements
(continued)

4. 金融風險管理 (續)

4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

E. 預期信貸損失增加額
(續)

納入前瞻性信息

本集團將前瞻性資料納入其評估自首次確認後金融工具的信貸風險是否大幅增加及其預期信貸損失的評估。本集團制定了相關經濟因素未來發展方向的「基本情景」展望以及其他具代表性範圍的可能預測方案。該過程涉及開發兩個或更多其他經濟情景並考慮每個結果的相對概率。外部信息包括本集團經營所在國家的政府機構和金融管理局，經合組織和國際貨幣基金組織等超國家組織以及選定的私營機構和學術預測機構所發佈的經濟數據和預測。

基本情景是指最大可能的結果，並與本集團用於戰略規劃和預算等其他目的的資料保持一致。其他情景是指更樂觀和更悲觀的結果。本集團定期對更極端的衝擊進行壓力測試，以校準其對這些其他代表性情景的決定。

本集團已識別並記錄每個金融工具組合的信貸風險及信貸損失的主要因素，並使用歷史數據分析估計宏觀經濟因素與信貸風險及信貸損失之間的關係。

E. Amounts arising from ECL (continued)

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund, and selected private-sector and academic forecasters.

The "base case" represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
4. 金融風險管理 (續)
4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit risk (continued)
**E. 預期信貸損失增加額
(續)**
E. Amounts arising from ECL (continued)
納入前瞻性信息 (續)
Incorporation of forward-looking information (continued)

經濟情景包含以下關鍵指標的預測。

The economic scenarios included the forecast of the following key indicators.

		2020	2019
香港實際本地生產總值增長率	Hong Kong Real GDP Growth Rate	-5.9% to 4.7%	-1.3% to 2.6%
中國實際國內生產總值增長率	China Real GDP Growth Rate	2.0% to 7.8%	5.1% to 5.7%
中國失業率	China Unemployment Rate	3.6% to 3.9%	3.6%
香港金融管理局 - 香港貸款、墊款	HKMA Hong Kong Loans & Advances	4.1% to 9.4%	3.0% to 5.9%
香港住宅物業物價指數	Hong Kong Residential Property Price Index	-0.6% to 5.3%	-0.9% to 5.5%
香港私人消費	Hong Kong Private Consumption	-10.2% to 5.4%	-1.8% to 3.0%

計算預期信貸損失
Measurement of ECL

計算預期信貸損失的關鍵輸入以下變量：

The key inputs into the measurement of ECL are the term structure of the following variables:

- 違約概率；
- 違約損失率；及
- 違約風險承擔。

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

這些參數通常來自內部開發的統計模型和其他歷史數據。通過調整這些參數來反映上述的前瞻性信息。

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

違約概率是於特定日期的估算值，其基於統計評級模型計算，並使用針對各類交易對手和風險敞口的評級工具進行評估。這些統計模型基於內部編制的數據，包括定量和定性因素。在可用的情況下，市場數據也可用於推知大型企業交易對手的違約概率。如果交易對手或風險暴露在評級類別之間遷移，則這將導致相關違約概率的估計發生變化。違約概率是根據風險承擔的合約到期日和估計的提前償付率估算。

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements
(continued)

4. 金融風險管理 (續)

4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

E. 預期信貸損失增加額
(續)

計算預期信貸損失
(續)

違約損失率指在發生違約的情況下可能損失的程度。本集團根據違約交易對手的歷史索賠恢復率估算違約損失率。違約損失率模型考慮結構、抵押品、索賠的級別、交易對手行業和金融資產任何不可或缺的抵押品的恢復成本。對於零售物業抵押的貸款，貸款與押品價值比率是決定違約損失率的關鍵參數。違約損失率估計針對不同的經濟情景進行重新校準，對於房地產貸款，則反映房地產價格的可能變化。

違約風險承擔是指發生違約時的預期風險敞口。本集團從交易對手現時的風險敞口和合約項下允許的當前金額變化(包括攤銷)來推算違約風險承擔。金融資產的違約風險承擔是其賬面總額。對於貸款承諾和財務擔保，違約風險承擔包括已提取的金額和在歷史觀察和前瞻性預測估算下，根據合同未來可能提取的金額。對於某些金融資產，違約風險承擔是通過使用情景和統計技術在不同時間點對可能範圍內的風險敞口結果進行建模來確認。

E. Amounts arising from ECL (continued)

Measurement of ECL (continued)

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements
(continued)

4. 金融風險管理 (續)

4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

E. 預期信貸損失增加額
(續)

計算預期信貸損失
(續)

如上所述，對於信貸風險未顯著增加的金融資產最多使用 12 個月的違約概率，本集團會考慮暴露於信貸風險下的最大合約期內（包括任何借款人的延期選項）的違約風險來衡量預期信貸損失，即使出於風險管理目的，本集團會考慮更長的期限。最長合約期限延續至本集團有權要求償還貸款或終止貸款承諾或擔保的日期。

然而，對於包括貸款和未提取承諾部分的零售透支，如果本集團要求客戶還款和取消未提取的承諾額度時未能限制本集團風險敞口於合同通知期內的信貸損失，則本集團採用超過最長合同期的時間來計算預期信貸損失。這些貸款沒有固定期限或還款結構，並且是集體管理的。本集團可立即取消這些貸款，但此合約權利並非在日常管理中強制執行，而只有在本集團意識到信貸層面的信貸風險增加時才會執行。該較長期限的估算考慮本集團預期採取的信貸風險管理行為，這些行為有助於減低預期信貸損失。這其中包括減少限額，取消信貸和/或將餘額轉為具有固定還款條款的貸款。

E. Amounts arising from ECL (continued)

Measurement of ECL (continued)

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for retail overdrafts that include both a loan and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements
(continued)

4. 金融風險管理 (續)

4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

E. 預期信貸損失增加額
(續)

E. Amounts arising from ECL (continued)

計算預期信貸損失
(續)

Measurement of ECL (continued)

當構建模型的參數在集體的基礎上進行，金融工具根據一些共同的風險特徵進行組合分類，包括：

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- 金融工具類別；
- 信貸風險評級；
- 抵押品種類；
- 零售抵押貸款的貸款價值比；
- 初始確認日；
- 剩餘到期日；
- 行業；及
- 借款人的地理位置。

- instrument type;
- credit risk grading;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

為確保特定組別內的風險敞口保持適當的同質性，組別均需進行定期重檢。

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

對於本集團歷史數據有限的投資組合，外部基準資料用於補充內部數據。

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data.

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
4. 金融風險管理 (續)
4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit risk (continued)
**E. 預期信貸損失增加額
(續)**
減值準備對賬

下表列示金融工具的類別劃分減值準備的期初結餘與期末結餘的對賬。此對賬是以交易層面比較1月1日至12月31日的情況。

E. Amounts arising from ECL (continued)
Loss allowance reconciliation

The following tables show reconciliations from the opening to the closing balance of the impairment allowance by class of financial instrument. The reconciliation is prepared by comparing the position of impairment allowance between 1 January and 31 December at transaction level.

		2020			
		12 個月的預期 信貸虧損	非信貸減值的 終身預期虧損 Lifetime ECL not credit-impaired	信貸減值的 終身預期虧損 Lifetime ECL credit-impaired	總計
		12-month ECL	credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
客戶貸款	Advances to customers				
於1月1日	Balance at 1 January	326,066	18,309	284,868	629,243
轉至12個月的預期信貸虧損	Transfer to 12-month ECL	646	(646)	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	(924)	924	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	(648)	-	648	-
新購入的金融資產	New financial assets originated	299,221	163	-	299,384
已終止確認的金融資產	Financial assets that have been derecognised	(133,266)	(13,209)	(105,337)	(251,812)
註銷	Write-offs	-	-	(131,051)	(131,051)
模型變動	Changes in models	-	-	-	-
折現減值準備回撥	Unwind of discount of loans impairment loss	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	5,485	44	4,685	10,214
減值準備的重新計量	Net remeasurement of loss allowance	(19,937)	3,052	224,697	207,812
於12月31日	Balance at 31 December	476,643	8,637	278,510	763,790
		2019			
		12 個月的預期 信貸虧損	非信貸減值的 終身預期虧損 Lifetime ECL not credit-impaired	信貸減值的 終身預期虧損 Lifetime ECL credit-impaired	總計
		12-month ECL	credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
客戶貸款	Advances to customers				
於1月1日	Balance at 1 January	139,832	17,599	189,268	346,699
轉至12個月的預期信貸虧損	Transfer to 12-month ECL	191	(191)	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	(9,722)	9,722	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	(291)	(11,506)	11,797	-
新購入的金融資產	New financial assets originated	208,291	149	-	208,440
已終止確認的金融資產	Financial assets that have been derecognised	(41,630)	(377)	(69,260)	(111,267)
註銷	Write-offs	-	-	(27,019)	(27,019)
模型變動	Changes in models	-	-	-	-
折現減值準備回撥	Unwind of discount of loans impairment loss	-	-	3,414	3,414
外匯調整及其他變動	Foreign exchange and other movements	400	(110)	(4,403)	(4,113)
減值準備的重新計量	Net remeasurement of loss allowance	28,995	3,023	181,071	213,089
於12月31日	Balance at 31 December	326,066	18,309	284,868	629,243

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
4. 金融風險管理 (續)
4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit risk (continued)
**E. 預期信貸損失增加額
(續)**
E. Amounts arising from ECL (continued)
減值準備對賬 (續)
Loss allowance reconciliation (continued)

		2020			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
貿易票據	Trade bills				
於1月1日	Balance at 1 January	3,926	-	-	3,926
轉至12個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	4,491	-	-	4,491
已終止確認的金融資產	Financial assets that have been derecognised	(3,926)	-	-	(3,926)
註銷	Write-offs	-	-	-	-
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	234	-	-	234
減值準備的重新計量	Net remeasurement of loss allowance	(234)	-	-	(234)
於12月31日	Balance at 31 December	<u>4,491</u>	<u>-</u>	<u>-</u>	<u>4,491</u>
		2019			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
貿易票據	Trade bills				
於1月1日	Balance at 1 January	1,624	-	-	1,624
轉至12個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	3,733	-	-	3,733
已終止確認的金融資產	Financial assets that have been derecognised	(1,624)	-	-	(1,624)
註銷	Write-offs	-	-	-	-
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	(58)	-	-	(58)
減值準備的重新計量	Net remeasurement of loss allowance	251	-	-	251
於12月31日	Balance at 31 December	<u>3,926</u>	<u>-</u>	<u>-</u>	<u>3,926</u>

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
4. 金融風險管理 (續)
4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit risk (continued)
**E. 預期信貸損失增加額
(續)**
E. Amounts arising from ECL (continued)
減值準備對賬 (續)
Loss allowance reconciliation (continued)

		2020			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
以攤餘成本列賬之債務證券及 存款證	Debt securities and Certificate of deposits at amortised cost				
於 1 月 1 日	Balance at 1 January	1,798	-	-	1,798
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit- impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit- impaired	-	-	-	-
新購入的金融資產	New financial assets originated	-	-	-	-
已終止確認的金融資產	Financial assets that have been derecognised	(271)	-	-	(271)
註銷	Write-offs	-	-	-	-
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	5	-	-	5
減值準備的重新計量	Net remeasurement of loss allowance	2,068	-	-	2,068
於 12 月 31 日	Balance at 31 December	<u>3,600</u>	<u>-</u>	<u>-</u>	<u>3,600</u>
		2019			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
以攤餘成本列賬之債務證券及 存款證	Debt securities and Certificate of deposits at amortised cost				
於 1 月 1 日	Balance at 1 January	334	-	-	334
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit- impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit- impaired	-	-	-	-
新購入的金融資產	New financial assets originated	41	-	-	41
已終止確認的金融資產	Financial assets that have been derecognised	(16)	-	-	(16)
註銷	Write-offs	-	-	-	-
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	(13)	-	-	(13)
減值準備的重新計量	Net remeasurement of loss allowance	1,452	-	-	1,452
於 12 月 31 日	Balance at 31 December	<u>1,798</u>	<u>-</u>	<u>-</u>	<u>1,798</u>

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
4. 金融風險管理 (續)
4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit risk (continued)
**E. 預期信貸損失增加額
(續)**
E. Amounts arising from ECL (continued)
減值準備對賬 (續)
Loss allowance reconciliation (continued)

		2020			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
以公平值變化計入其他全面收 益之債務證券及存款證	Debt securities and Certificate of deposits at FVOCI				
於 1 月 1 日	Balance at 1 January	26,400	-	-	26,400
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit- impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit- impaired	(8,169)	-	8,169	-
新購入的金融資產	New financial assets originated	19,353	-	-	19,353
已終止確認的金融資產	Financial assets that have been derecognised	(13,587)	-	-	(13,587)
註銷	Write-offs	-	-	-	-
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	278	-	-	278
減值準備的重新計量	Net remeasurement of loss allowance	9,019	-	336,172	345,191
於 12 月 31 日	Balance at 31 December	<u>33,294</u>	<u>-</u>	<u>344,341</u>	<u>377,635</u>
		2019			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
以公平值變化計入其他全面收 益之債務證券及存款證	Debt securities and Certificate of deposits at FVOCI				
於 1 月 1 日	Balance at 1 January	14,428	-	-	14,428
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit- impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit- impaired	-	-	-	-
新購入的金融資產	New financial assets originated	9,344	-	-	9,344
已終止確認的金融資產	Financial assets that have been derecognised	(4,986)	-	-	(4,986)
註銷	Write-offs	-	-	-	-
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	(144)	-	-	(144)
減值準備的重新計量	Net remeasurement of loss allowance	7,758	-	-	7,758
於 12 月 31 日	Balance at 31 December	<u>26,400</u>	<u>-</u>	<u>-</u>	<u>26,400</u>

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
4. 金融風險管理 (續)
4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit risk (continued)
**E. 預期信貸損失增加額
(續)**
E. Amounts arising from ECL (continued)
減值準備對賬 (續)
Loss allowance reconciliation (continued)

		2020			
存放央行、銀行及其他金融機構的結餘及存款	Balances and placements with central banks, banks and other financial institutions	12 個月的預期 信貸虧損 12-month ECL	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 1 月 1 日	Balance at 1 January	484	-	-	484
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	1,916	-	-	1,916
已終止確認的金融資產	Financial assets that have been derecognised	(482)	-	-	(482)
註銷	Write-offs	-	-	-	-
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	13	-	-	13
減值準備的重新計量	Net remeasurement of loss allowance	(7)	-	-	(7)
於 12 月 31 日	Balance at 31 December	<u>1,924</u>	<u>-</u>	<u>-</u>	<u>1,924</u>
		2019			
存放央行、銀行及其他金融機構的結餘及存款	Balances and placements with central banks, banks and other financial institutions	12 個月的預期 信貸虧損 12-month ECL	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 1 月 1 日	Balance at 1 January	325	-	-	325
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	485	-	-	485
已終止確認的金融資產	Financial assets that have been derecognised	(318)	-	-	(318)
註銷	Write-offs	-	-	-	-
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	-	-	-	-
減值準備的重新計量	Net remeasurement of loss allowance	(8)	-	-	(8)
於 12 月 31 日	Balance at 31 December	<u>484</u>	<u>-</u>	<u>-</u>	<u>484</u>

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
4. 金融風險管理 (續)
4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit risk (continued)
**E. 預期信貸損失增加額
(續)**
E. Amounts arising from ECL (continued)
減值準備對賬 (續)
Loss allowance reconciliation (continued)

		2020			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
其他金融資產	Other financial assets				
於 1 月 1 日	Balance at 1 January	306	-	735	1,041
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	1	-	27	28
已終止確認的金融資產	Financial assets that have been derecognised	(1)	-	(40)	(41)
註銷	Write-offs	-	-	(10)	(10)
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	11	-	36	47
減值準備的重新計量	Net remeasurement of loss allowance	3,982	-	(361)	3,621
於 12 月 31 日	Balance at 31 December	4,299	-	387	4,686
		2019			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
其他金融資產	Other financial assets				
於 1 月 1 日	Balance at 1 January	120	-	1,305	1,425
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	-	-	175	175
已終止確認的金融資產	Financial assets that have been derecognised	-	-	-	-
註銷	Write-offs	-	-	(960)	(960)
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	(12)	-	(9)	(21)
減值準備的重新計量	Net remeasurement of loss allowance	198	-	224	422
於 12 月 31 日	Balance at 31 December	306	-	735	1,041

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
4. 金融風險管理 (續)
4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit risk (continued)
**E. 預期信貸損失增加額
(續)**
E. Amounts arising from ECL (continued)
減值準備對賬 (續)
Loss allowance reconciliation (continued)

		2020			
貸款承諾及應收開出保函	Loan commitments and financial guarantee contracts issued	12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
於 1 月 1 日	Balance at 1 January	26,802	1	-	26,803
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	33,530	-	-	33,530
已終止確認的金融資產	Financial assets that have been derecognised	(6,004)	(1)	-	(6,005)
註銷	Write-offs	-	-	-	-
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	(7)	-	-	(7)
減值準備的重新計量	Net remeasurement of loss allowance	(2,677)	1	-	(2,676)
於 12 月 31 日	Balance at 31 December	<u>51,644</u>	<u>1</u>	<u>-</u>	<u>51,645</u>
		2019			
貸款承諾及應收開出保函	Loan commitments and financial guarantee contracts issued	12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
於 1 月 1 日	Balance at 1 January	8,427	22	-	8,449
轉至 12 個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	(1)	1	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	14,049	-	-	14,049
已終止確認的金融資產	Financial assets that have been derecognised	(1,551)	(22)	-	(1,573)
註銷	Write-offs	-	-	-	-
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	(21)	1	-	(20)
減值準備的重新計量	Net remeasurement of loss allowance	5,899	(1)	-	5,898
於 12 月 31 日	Balance at 31 December	<u>26,802</u>	<u>1</u>	<u>-</u>	<u>26,803</u>

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.2 市場風險

4.2 Market risk

市場風險是指因金融市場價格（匯率、利率、股票價格、商品價格）波動導致銀行外匯、利率、股票和商品持倉值出現變化而可能給本集團帶來的損失。本集團採取適中的市場風險偏好，實現風險與收益的平衡。市場風險管理的目標，是根據本集團的風險偏好和資金業務發展策略，依靠完善的風險管理制度和相關管理手段，有效管理本集團業務中可能產生的市場風險，促進資金業務健康發展。

Market risk refers to the risk of loss arising from movements in the value of foreign exchange, interest rate, equity and commodity positions held by the Group due to the volatility of financial market price (foreign exchange rate, interest rate, equity price, commodity price). The Group adopts a moderate market risk appetite to achieve a balance between risk and return. The Group's objective in managing market risk is to secure healthy growth of the treasury business, by effective management of potential market risk in the Group's business, according to the Group's overall risk appetite and strategy of treasury business on the basis of a well-established risk management regime and related management measures.

本集團按照風險管理企業管治原則管理市場風險，董事會及風險管理委員會、高級管理層和職能部／單位，各司其職，各負其責。風險管理部是負責市場風險管理的主責單位，協助高級管理層履行日常管理職責，獨立監察本集團的市場風險狀況以及管理政策和限額執行情況，並確保整體和個別的市場風險均控制在可接受的風險水平內。

In accordance with the Group's corporate governance principles in respect of risk management, the Board and RC, senior management and functional departments/units perform their duties and responsibilities to manage the Group's market risk. RMD is mainly responsible for managing market risk, assisting senior management to perform their day-to-day duties, independently monitoring the market risk profile and compliance of management policies and limits of the Group, and ensuring that the aggregate and individual market risks are within acceptable levels.

本銀行設有市場風險指標及限額，用於識別、計量、監測和控制市場風險。主要風險指標和限額包括但不限於風險值、止損額、敞口額、壓力測試以及敏感性分析等。主要風險指標和限額視管理需要劃分為三個層級，分別由風險管理委員會、總裁辦公會及風險管理部總經理批准，業務單位必須在批核的市場風險指標和限額範圍內開展業務。

The Bank sets up market risk indicators and limits to identify, measure, monitor and control market risk. Major risk indicators and limits include but are not limited to VAR, Stop Loss, Open Position, Stress Testing and Sensitivity Analysis etc. To meet management requirements, major risk indicators and limits are classified into three levels, and are approved by the RC, CEO Executive Meeting and the General Manager of RMD respectively. Business units are required to conduct their business within approved market risk indicators and limits.

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.2 市場風險（續）

4.2 Market risk (continued)

A. 風險值

本銀行採用風險值量度一般市場風險，並定期向風險管理委員會和高級管理層報告。本集團採用統一的風險值計量模型，運用歷史模擬法，以過去兩年歷史市場數據為參照，計算99%置信水平下及1天持有期內集團層面的風險值，並設定本集團的風險值限額。

下表詳述本銀行一般市場風險持倉的風險值¹。

A. VAR

The Bank uses the VAR to measure and report general market risks to the RC and senior management on a periodic basis. The Group adopts a uniformed VAR calculation model, using a historical simulation approach and two years of historical market data, to calculate the VAR of the Group over a one-day holding period with a 99% confidence level, and sets up the VAR limit of the Group.

The following table sets out the VAR for all general market risk exposure¹ of the Bank.

		年份	於 12月31日	全年 最低數值	全年 最高數值	全年 平均數值
		Year	At 31 December	Minimum for the year	Maximum for the year	Average for the year
			港幣千元	港幣千元	港幣千元	港幣千元
			HK\$'000	HK\$'000	HK\$'000	HK\$'000
全部市場風險之風險值	VAR for all market risk	2020	1,980	776	2,097	1,677
		2019	793	73	798	426
匯率風險之風險值	VAR for foreign exchange risk	2020	1,980	776	2,097	1,677
		2019	793	73	798	426
利率風險之風險值	VAR for interest rate risk	2020	-	-	2	-
		2019	-	-	1	-

註：

1. 不包括部分外匯結構性敞口的風險值。

Note:

1. Part of structural FX positions have been excluded.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.2 市場風險（續）

4.2 Market risk (continued)

A. 風險值（續）

A. VAR (continued)

雖然風險值是量度市場風險的一項重要指標，但也有其局限性，例如：

Although a valuable guide to market risk, VAR should always be viewed in the context of its limitations. For example:

- 採用歷史市場數據估計未來動態未能顧及所有可能出現的情況，尤其是一些極端情況；
- 1 天持有期的計算方法假設所有頭盤均可以在一日內套現或對沖。這項假設未必能完全反映市場風險，尤其在市場流通度極低時，可能未及在 1 天持有期內套現或對沖所有頭盤；
- 根據定義，當採用 99% 置信水平時，即未有考慮在此置信水平以外或會出現的虧損；及
- 風險值是以營業時間結束時的頭盤作計算基準，因此並不一定反映交易時段內的風險。

- the use of historical market data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- the use of a one-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;
- the use of a 99% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence; and
- VAR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures.

本銀行充分了解風險值指標的局限性，因此，制定了壓力測試指標及限額以評估和管理風險值不能涵蓋的市場風險。市場風險壓力測試包括按不同風險因素改變的嚴峻程度所作的敏感性測試，以及對歷史事件的情景分析，如 1994 債券市場危機、1997 亞洲金融風暴以及 2008 金融海嘯等。

The Bank recognises these limitations by formulating stress test indicators and limits to assess and manage the market risk uncovered by VAR. The stress testing programme of the market risk includes sensitivity testing on changes in risk factors with various degrees of severity, as well as scenario analysis on historical events including the 1994 Bond Market Crash, 1997 Asian Financial Crisis and 2008 Financial Tsunami, etc.

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
4. 金融風險管理 (續)
4. Financial risk management (continued)
4.2 市場風險 (續)
4.2 Market risk (continued)
B. 外匯風險

本集團的資產及負債集中在港元、美元及人民幣等主要貨幣。為確保外匯風險承擔保持在可接受水平，本集團利用風險限額（例如頭盤及風險值限額）作為監控工具。此外，本集團致力於減少同一貨幣的資產與負債錯配，並通常利用外匯合約（例如外匯掉期）管理由外幣資產負債所產生的外匯風險。

於報告期結束日，本集團的以下結構性持倉淨額不低於結構性外幣淨持倉總額 10%：

B. Currency risk

The Group's assets and liabilities are denominated in major currencies, particularly the HK dollar, the US dollar and Renminbi. To ensure the currency risk exposure of the Group is kept to an acceptable level, risk limits (e.g. Position and VAR limit) are used to serve as a monitoring tool. Moreover, the Group seeks to minimise the gap between assets and liabilities in the same currency. Foreign exchange contracts (e.g. FX swaps) are usually used to manage FX risk associated with foreign currency-denominated assets and liabilities.

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:

		2020		
		港幣千元等值		
		Equivalent in thousand of HK\$		
		美元	人民幣	外幣總額
		US		Total
		Dollars	Renminbi	foreign
		currencies		
結構性倉盤淨額	Net structural position	1,925,020	2,171,063	4,096,083
<hr/>				
		2019		
		港幣千元等值		
		Equivalent in thousand of HK\$		
		美元	人民幣	外幣總額
		US		Total
		Dollars	Renminbi	foreign
		currencies		
結構性倉盤淨額	Net structural position	1,933,901	1,691,215	3,625,116

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.2 市場風險（續）

4.2 Market risk (continued)

C. 利率風險

C. Interest rate risk

利率風險是指因利率水平、資產負債期限結構等要素發生變動而可能導致銀行整體收益和經濟價值承受損失的風險。本集團的利率風險承擔主要來自結構性持倉。結構性持倉的主要利率風險類別為：

Interest rate risk means the risks to a bank's earnings and economic value arising from movements in interest rate and term structures of the bank's asset and liability positions. The Group's interest rate risk exposures are mainly structural. The major types of interest rate risk from structural positions are:

- 缺口風險：因不同到期期限的票據的利率變動所產生的風險。缺口風險的程度視乎有關利率的期限結構的變動，是否一致地出現在整個收益率曲線(平行風險)或不同期限各有不同(非平行風險)；
- 息率基準風險：不同交易的定價基準不同，令資產的收益率和負債的成本可能會在同一重訂價格期間以不同的幅度變化；及
- 期權風險：由利率期權衍生工具或資產、負債及／或表外工具所包含具有選擇權的元素引起，可更改相關現金流的水平及時間。期權風險可按其特點進一步區分為自動化期權風險及習性期權風險。

- gap risk: gap risk is the risk arising from the changes in the interest rates on instruments of different maturities. The extent of gap risk depends on whether changes to the term structure of interest rates occur consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk);
- basis risk: different pricing basis for different transactions resulting that the yield on assets and cost of liabilities may change by different amounts within the same repricing period; and
- option risk: option risk arises from interest rate option derivatives or from optional elements embedded in an authorised institution's assets, liabilities and / or off-balance sheet instruments, where the authorised institutions or its customer can alter the level and timing of their cash flows. Option risk can be further characterised into automatic option risk and behavioural option risk.

本集團風險管理架構同樣適用於利率風險管理。根據董事會批准的《銀行賬利率風險管理政策》，資產負債管理委員會具體履行管理集團利率風險的職責。財務管理部主責利率風險管理，在金融市場部的配合下，協助資產負債管理委員會開展日常的利率風險管理工作，包括但不限於起草管理政策，選擇管理方法，設立風險指標和限額，評估目標資產負債平衡表，監督利率風險管理政策與限額執行情況，向高級管理層以及風險管理委員會提交利率風險管理報告等。

The Group's risk management framework applies also to interest rate risk management. The Asset and Liability Management Committee (ALCO) exercises its oversight of interest rate risk in accordance with the "Banking Book Interest Rate Risk Management Policy" approved by the Board. FMD is responsible for interest rate risk management. With the cooperation of Financial Markets Department, FMD assists the ALCO to perform day-to-day interest rate risk management. Its roles include, but are not limited to, the formulation of management policies, selection of methodologies, setting of risk indicators and limits, assessment of target balance sheet, monitoring of the compliance with policies and limits, and submission of interest rate risk management reports to the senior management and the RC, etc.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.2 市場風險（續）

4.2 Market risk (continued)

C. 利率風險（續）

C. Interest rate risk (continued)

本集團設定利率風險指標及限額，用於識別、計量、監測和控制利率風險。主要風險指標和限額包括但不限於重訂價缺口、利率基準風險、基點現值(PVBP)、淨利息波動比率(NII)、經濟價值波動比率(EV)等。主要風險指標和限額劃分不同層級，按不同層級分別由風險管理委員會、總裁辦公會及風險管理部總經理批准。承擔利率風險的各業務單位必須在利率風險指標限額範圍內開展相關業務。本集團推出銀行賬新產品或新業務前，相關單位須先執行風險評估程序，包括評估其潛在的利率風險，並考慮現行的風險監控機制是否足夠。如在風險評估程序中發現對銀行利率風險造成重大影響，須上報風險管理委員會審批。

The Group sets out interest rate risk indicators and limits to identify, measure, monitor and control interest rate risk. The indicators and limits include, but are not limited to, repricing gap limits, basis risk, price value of a basis point (PVBP), net interest income sensitivity ratio (NII), economic value sensitivity ratio (EV), etc. The indicators and limits are classified into different levels, which are approved by the RC, CEO Executive Meeting and the General Manager of RMD accordingly. Risk-taking business units are required to conduct their business within the boundary of the interest rate risk limits. Before launching a new product or business in the banking book, the relevant departments are required to go through a risk assessment process, which includes the assessment of underlying interest rate risk and consideration of the adequacy of current risk monitoring mechanism. Any material impact on interest rate risk noted during the risk assessment process will be submitted to the RC for approval.

淨利息波動比率(NII)和經濟價值波動比率(EV)反映利率變動對集團淨利息收入和資本基礎的影響，是本集團管理利率風險的重要風險指標。前者衡量利率變動導致的淨利息收入變動佔當年預期淨利息收入的比率；後者衡量利率變化對銀行經濟價值（即按市場利率折算的資產、負債及表外業務預測現金流的淨現值）的影響佔最新資本基礎的比率。風險管理委員會為這兩項指標設定限額，用來監測和控制本集團銀行賬利率風險。

NII and EV assess the impact of interest rate movement on the Group's net interest income and capital base. They are the Group's key interest rate risk indicators. The former assesses the impact of interest rate movement on net interest income as a percentage to the projected net interest income for the year. The latter assesses the impact of interest rate movement on economic value (i.e. the net present value of cash-flows of assets, liabilities and off-balance sheet items discounted using market interest rate) as a percentage to the latest capital base. Limits are set by the RC on these two indicators to monitor and control the Group's banking book interest rate risk.

本集團採用情景分析和壓力測試方法，評估不利市況下銀行賬可能承受的利率風險。情景分析和壓力測試同時用於測試儲蓄存款客戶擇權及按揭客戶提早還款對銀行淨利息收入和經濟價值的影響。

The Group uses scenario analyses and stress tests to assess the banking book interest rate risk that the Group would face under adverse circumstances. Scenario analyses and stress tests are also used to assess the impact on net interest income and economic value arising from the optionality of savings deposits and the prepayment of mortgage loans.

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
4. 金融風險管理 (續)
4. Financial risk management (continued)
4.2 市場風險 (續)
4.2 Market risk (continued)
C. 利率風險 (續)
C. Interest rate risk (continued)

下表概述了本集團於 12 月 31 日之資產負債表內的利率風險承擔。表內以賬面值列示資產及負債，並按合約重訂息率日期或到期日（以較早者為準）分類。

The tables below summarise the Group's on-balance sheet exposure to interest rate risk as at 31 December. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing date and maturity date.

		2020						
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	不計息 Non-interest bearing	總計 Total
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
資產	Assets							
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	20,078,836	-	-	-	-	2,892,996	22,971,832
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	7,384,601	55,697	-	-	-	7,440,298
衍生金融工具	Derivative financial instruments	-	-	-	-	-	140,505	140,505
客戶貸款及貿易票據	Advances to customers and trade bills	47,929,386	11,237,761	13,767,410	2,671,492	2,734,092	-	78,340,141
證券投資	Investment in securities							
- 強制性以公平值變化計入損益之證券	- securities mandatorily measured at FVTPL	-	9,552	95,518	72,633	60,525	62,599	300,827
- 界定為以公平值變化計入損益之證券	- securities designated at FVTPL	-	-	15,880	199,779	147,541	-	363,200
- 以公平值變化計入其他全面收益之證券	- securities at FVOCI	8,287,698	7,584,871	12,830,277	20,078,403	-	20,854	48,802,103
- 以攤餘成本計量之證券	- securities at amortised cost	-	665,328	340,152	345,521	-	-	1,351,001
投資物業	Investment properties	-	-	-	-	-	153,620	153,620
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	2,044,562	2,044,562
其他資產(包括應收稅項及遞延稅項資產)	Other assets (including current and deferred tax assets)	34,935	-	-	-	-	1,571,349	1,606,284
資產總額	Total assets	76,330,855	26,882,113	27,104,934	23,367,828	2,942,158	6,886,485	163,514,373
負債	Liabilities							
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	(14,604,011)	(2,085,395)	(1,981,301)	-	-	(1,896,928)	(20,567,635)
衍生金融工具	Derivative financial instruments	-	-	-	-	-	(75,396)	(75,396)
客戶存款	Deposits from customers	(47,951,252)	(34,802,381)	(26,507,551)	(4,442,405)	-	(8,869,442)	(122,573,031)
其他賬項及準備(包括應付稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	(167,326)	(13,862)	(58,980)	(145,210)	(13,105)	(2,005,528)	(2,404,011)
負債總額	Total liabilities	(62,722,589)	(36,901,638)	(28,547,832)	(4,587,615)	(13,105)	(12,847,294)	(145,620,073)
利率敏感度缺口	Interest sensitivity gap	13,608,266	(10,019,525)	(1,442,898)	18,780,213	2,929,053	(5,960,809)	17,894,300

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
4. 金融風險管理 (續)
4. Financial risk management (continued)
4.2 市場風險 (續)
4.2 Market risk (continued)
C. 利率風險 (續)
C. Interest rate risk (continued)

		2019						
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	不計息 Non-interest bearing	總計
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
資產	Assets							
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	13,924,513	-	-	-	-	4,311,475	18,235,988
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	3,506,091	1,313,121	-	-	-	4,819,212
衍生金融工具	Derivative financial instruments	-	-	-	-	-	122,133	122,133
客戶貸款及貿易票據	Advances to customers and trade bills	53,135,176	9,958,833	12,747,625	1,118,133	27,124	-	76,986,891
證券投資	Investment in securities							
- 強制性以公平值變化計入損益之證券	- securities mandatorily measured at FVTPL	12,536	55,340	20,549	53,407	6,318	-	148,150
- 界定為以公平值變化計入損益之證券	- securities designated at FVTPL	-	-	-	214,401	156,206	-	370,607
- 以公平值變化計入其他全面收益之證券	- securities at FVOCI	4,753,137	7,967,402	9,618,909	22,380,635	-	27,183	44,747,266
- 以攤餘成本計量之證券	- securities at amortised cost	-	705,422	93,230	843,745	-	-	1,642,397
投資物業	Investment properties	-	-	-	-	-	237,150	237,150
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	2,021,072	2,021,072
其他資產(包括應收稅項及遞延稅項資產)	Other assets (including current and deferred tax assets)	21,917	-	-	-	-	501,998	523,915
資產總額	Total assets	71,847,279	22,193,088	23,793,434	24,610,321	189,648	7,221,011	149,854,781
負債	Liabilities							
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	(7,543,112)	(1,559,588)	(6,348,801)	-	-	(2,295,962)	(17,747,463)
衍生金融工具	Derivative financial instruments	-	-	-	-	-	(40,361)	(40,361)
客戶存款	Deposits from customers	(44,942,074)	(31,812,183)	(34,016,778)	(1,849,932)	-	(3,670,467)	(116,291,434)
其他賬項及準備(包括應付稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	(315,413)	(11,162)	(50,251)	(153,885)	(17,106)	(1,104,717)	(1,652,534)
負債總額	Total liabilities	(52,800,599)	(33,382,933)	(40,415,830)	(2,003,817)	(17,106)	(7,111,507)	(135,731,792)
利率敏感度缺口	Interest sensitivity gap	19,046,680	(11,189,845)	(16,622,396)	22,606,504	172,542	109,504	14,122,989

綜合財務報表附註（續）
**Notes to the Consolidated Financial Statements
(continued)**
4. 金融風險管理（續）
4. Financial risk management (continued)
4.2 市場風險（續）
4.2 Market risk (continued)
**D. 本集團市場風險承擔之敏感度
分析**
D. Sensitivity analysis to market risk exposure of the Group

本集團主要面對港元、美元及人民幣利率風險。截至 2020 年 12 月 31 日，若港元、美元及人民幣市場利率的收益率曲線平行上移／下移 100 個基點，其他因素不變情況下，當年稅前溢利將會增加／減少港幣 36,700,000 元（2019 年：港幣 28,100,000 元）。這對儲備的影響輕微。上述利率敏感度分析僅供說明用途。

The Group is principally exposed to HK dollar, US dollar, and Renminbi in terms of interest rate risk. As at 31 December 2020, if HK dollar, US dollar and Renminbi market interest rates had a 100 basis point parallel upward / downward shift of the yield curve in relevant currency with other variables held constant, profit before tax for the year would have been HK\$36,700,000 (2019: HK\$28,100,000) higher / lower. The impact on reserves would be insignificant. The sensitivity analysis set out above is for illustration only.

銀行賬利率風險
Interest rate exposures in banking book

下列為若市場利率變化而對銀行賬主要貨幣利率風險潛在之影響，以下分析不包括附屬公司：

The following is a summary of possible effects of market interest rates shocks on the interest rate exposure for major currencies in banking book. Subsidiaries are excluded from the analysis below:

盈利角度 測試情景	Earnings perspective Scenarios	於 12 月 31 日影響 Impact on positions at 31 December	
		2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
港元孳息曲線 平行上移／下移 100 基點	Up / down 100 basis points parallel shift in HK dollar yield curves	182,000 / (182,000)	173,500 / (173,500)
美元孳息曲線 平行上移／下移 100 基點	Up / down 100 basis points parallel shift in US dollar yield curves	(500) / 500	(51,000) / 51,000
人民幣孳息曲線 平行上移／下移 100 基點	Up / down 100 basis points parallel shift in Renminbi yield curves	(144,800) / 144,800	(94,400) / 94,400

上述敏感度計算僅供說明用途，當中包括（但不限於）下列假設，如相關貨幣息口的相關性變化、利率平行移動、未計及為減低利率風險可能採取的緩釋風險行動、對沖會計的有效性、所有持倉均計至到期日為止、實際重訂息日與合約重訂息日有差異或沒有到期日之產品的習性假設。上述風險水平只為本集團整體利率風險的一部分。

The sensitivities above are for illustration only and are based on several assumptions, including, but not limited to, the change in the correlation between interest rates of relevant currencies, parallel movement of interest rates, the absence of actions that would be taken to mitigate the impact of interest rate risk, the effectiveness of hedge accounting, all positions being assumed to run to maturity, behavioural assumptions of products in which actual repricing date differs from contractual repricing date or products without contractual maturity. The above exposures form only a part of the Group's overall interest rate risk exposures.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.3 流動資金風險

4.3 Liquidity risk

流動資金風險是指銀行因無法提供充裕資金以應對資產增加或履行到期義務，而可能要承受的不欲接受的損失。本集團遵循穩健的流動資金風險偏好，確保在正常情況或壓力情景下均有能力提供穩定、可靠和足夠的現金來源，滿足流動資金需求；在極端情景下無需借助金管局的應急期資金安排，累積的淨現金流為正值，可以保證基本生存期內的流動資金需要。

Liquidity risk is the risk that banks fail to provide sufficient funds to grow assets or pay due obligations, and need to bear an unacceptable loss. The Group maintains sound liquidity risk appetite to provide stable, reliable and adequate sources of cash to meet liquidity needs under normal circumstances or stressed scenarios; and to survive with net positive cumulative cash flow in extreme scenarios, without requesting the HKMA to act as the Contingent Term Facility.

本集團管理流動資金風險的目標，是按照流動資金風險偏好，以合理的成本有效管理資產負債表內及表外業務的流動性，實現穩健經營和持續盈利。本集團以客戶存款為主要的資金來源，積極吸納和穩定核心存款，並輔以同業市場拆入款項，確保穩定和充足的資金來源。本集團根據不同期限及壓力情景下的流動資金需求，調整資產組合的結構（包括貸款、債券投資及拆放同業等），保持充足的流動資產，以便提供足夠的流動資金支持正常業務需要，及在緊急情況下有能力以合理的成本及時籌集到資金，保證對外支付。本集團致力實現資金運用、融資渠道和期限的多樣化，以避免資產負債過於集中，防止因資金來源或運用過於集中在某個方面，當其出現問題時，導致整個資金供應鏈斷裂，觸發流動資金風險。本集團制訂了集團內部流動資金風險管理指引，管理集團內各成員之間的流動資金，避免相互間在資金上過度依賴。本集團亦注重管理表外業務，如貸款承諾、衍生工具、期權及其他複雜的結構性產品可能產生的流動資金風險。本集團的流動資金風險管理策略涵蓋了外幣資產負債流動管理、抵押品、即日流動性、集團內流動性以及其它風險引致的流動資金風險等，並針對流動資金風險制訂了應急計劃。如有需要，為減低流動資金風險，本集團會採取緩解措施，包括但不限於在二級市場出售債券，在同業市場融資或在貨幣市場進行回購，積極吸納和穩定核心存款。

The Group's liquidity risk management objective is to effectively manage the liquidity of on- and off-balance sheet items with reasonable cost based on the liquidity risk appetite to achieve sound operation and sustainable profitability. Deposits from customers are the Group's primary source of funds. To ensure stable and sufficient source of funds are in place, the Group actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market. According to different term maturities and the results of funding needs estimated from stressed scenarios, the Group adjusts its asset structure (including loans, bonds investment, interbank placement, etc.) to maintain sufficient liquid assets which provides adequate funds in support of normal business needs and ensure its ability to raise funds at a reasonable cost to serve external claims in case of emergency. The Group is committed to diversify the use of funds and sources and tenors of funding to avoid excessive concentration of assets and liabilities and prevent triggering liquidity risk due to the break of funding strand when problem occurred in one concentrated funding source. The Group has established intra-group liquidity risk management guideline to manage the liquidity funding among different entities within the Group, and to restrict their reliance of funding on each other. The Group also pays attention to manage liquidity risk created by off-balance sheet activities, such as loan commitments, derivatives, options and other complex structured products. The Group has an overall liquidity risk management strategy to cover the liquidity management of foreign currency assets and liabilities, collateral, intra-day liquidity, intra-group liquidity, the liquidity risk arising from other risks, etc., and has formulated corresponding contingency plan. Where necessary, in order to mitigate liquidity risk, the Group could take different mitigation actions which include, but are not limited to sales of bonds in the secondary market, funding from interbank market or repo in the money market, attracting new deposits and keeping the core deposit.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.3 流動資金風險（續）

4.3 Liquidity risk (continued)

風險管理委員會是流動資金風險管理決策機構，並對流動資金風險承擔最終管理責任。風險管理委員會授權資產負債管理委員會管理日常的流動資金風險，確保本集團的業務經營符合董事會設定的流動資金風險偏好和政策規定。財務管理部主責本集團流動資金風險管理，它與金融市場部合作，根據各自的職責分工協助資產負債管理委員會履行具體的流動資金管理職能。

The RC is the decision-making authority of liquidity risk management, and assumes the ultimate responsibility of liquidity risk management. As authorised by RC, ALCO exercises its oversight of liquidity risk and ensures the daily operations of the Group are in accordance with risk appetite and policies as set by the Board. FMD is responsible for overseeing the Group's liquidity risk. It cooperates with Financial Markets Department to assist the ALCO to perform liquidity management functions according to their specific responsibilities.

本集團設定流動資金風險指標和限額，每日用來識別、計量、監測和控制流動資金風險，包括但不限於流動性覆蓋比率、淨穩定資金比率、貸存比率、最大累計現金流出，以及流動資金緩衝等。本集團採用現金流量分析以評估本集團於正常情況下的流動資金狀況，並最少每月進行流動資金風險壓力測試（包括自身危機、市場危機情況及合併危機）和其他方法，評估本集團抵禦各種嚴峻流動資金危機的能力。本集團亦建立了相關管理資訊系統如資產負債管理系統及巴塞爾流動比率管理系統，提供數據及協助編製常規管理報表，以管理好流動資金風險。

The Group established liquidity risk management indicators and limits to identify, measure, monitor and control liquidity risk on daily basis. These indicators and limits include, but are not limited to liquidity coverage ratio (LCR), net stable funding ratio (NSFR), loan-to-deposit ratio, maximum cumulative cash outflow (MCO) and liquidity cushion. The Group applies cash flow analysis to assess the Group's liquidity condition under normal conditions and also performs a liquidity stress test (including institution specific, general market crisis and combined crisis) and other methods at least on monthly basis to assess the Group's capability to withstand various severe liquidity crises. Also, relevant management information systems such as Assets and Liabilities Management System and Basel Liquidity Ratio Management System are developed to provide data and the preparation for regular management reports to facilitate liquidity risk management duties.

本集團根據金管局頒佈之監管政策手冊 LM-2《穩健的流動性風險管理制度及管控措施》中的要求，落實對現金流分析及壓力測試當中所採用的習性模型及假設，以強化本集團於日常及壓力情景下的現金流分析。在日常情況下的現金流分析，本集團對各項應用於表內（如客戶存款）及表外（如貸款承諾）項目作出假設。因應不同資產、負債及表外項目的特性，根據合約到期日、客戶習性假設及資產負債規模變化假設，以預測本集團的未來現金流量狀況。本集團設定「最大累計現金流出」指標，根據以上假設預測在日常情況下的未來30日之最大累計現金淨流出，以評估本集團的融資能力是否足以應付該現金流缺口，以達到持續經營的目的。於2020年12月31日，在沒有考慮出售未到期有價證券的現金流入之情況下，本銀行之30日累計現金流是淨流入，為港幣4,614,063,000元（2019年：港幣8,400,908,000元），符合內部限額要求。

In accordance with the requirements of Supervisory Policy Manual LM-2 "Sound Systems and controls for Liquidity Risk Management" issued by the HKMA, the Group has implemented behaviour model and assumptions of cash flow analysis and stress test to enhance the Group's cash flow analysis under both normal and stressed conditions. In cash flow analysis under normal circumstances, assumptions have been made relating to on-balance sheet items (such as deposits from customers) and off-balance sheet items (such as loan commitments). According to various characteristics of the assets, liabilities and off-balance sheet items, the Group forecasts the future cash flow based on contractual maturity date and the assumptions of customer behaviour and balance sheet changes. The Group establishes MCO indicator which predicts the future 30 days maximum cumulative net cash outflow in normal situations based on the above assumptions, to assess if the Group has sufficient financing capacity to meet the cash flow gap in order to achieve the objective of continuing operation. As at 31 December 2020, before taking the cash inflow through the sale of outstanding marketable securities into consideration, the Bank's 30-day cumulative cash flow was a net cash inflow, amounting to HK\$4,614,063,000 (2019: HK\$8,400,908,000) and was in compliance with the internal limit requirements.

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4.3 流動資金風險（續）

在流動資金風險壓力測試中，本集團設立了自身危機、市場危機及合併危機情景，合併危機情景結合自身危機及市場危機，並採用一套更嚴謹的假設，以評估本集團於更嚴峻的流動資金危機情況下的抵禦能力。壓力測試的假設包括零售存款、批發存款及同業存款之流失率，貸款承擔及與貿易相關的或然負債之提取率，貸款逾期比例及滾動發放比率，同業拆出及有價證券的折扣率等。於2020年12月31日，本集團在以上三種壓力情景下都能維持現金淨流入，表示本集團有能力應付壓力情景下的融資需要。此外，本集團的管理政策要求本集團維持流動資金緩衝，當中包括的高質素或質素相若的有價證券為由官方實體、中央銀行、公營單位或多邊發展銀行發行或擔保，而其風險權重為0%或20%，或由非金融企業發行的有價證券，其外部信用評級相等於A-或以上，以確保在壓力情況下的資金需求。於2020年12月31日，流動資金緩衝（折扣前）為港幣19,425,985,000元（2019年：港幣24,625,303,000元）。應急計劃明確了需根據壓力測試結果和預警指標結果為啟動方案的條件，並詳述了相關行動計劃、程序以及各相關部門的職責。

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，本集團被金管局指定為第一類認可機構，並需要以綜合基礎計算。於2020年度，本集團須維持流動性覆蓋比率不少於100%。

穩定資金淨額比率是根據由2018年1月1日起生效的《銀行業（流動性）規則》計算，本集團被金管局指定為第一類認可機構，並需要以綜合基礎計算。本集團須維持穩定資金淨額比率不少於100%。

本集團對流動資金風險的管理，同時適用於新產品或新業務。在新產品或業務推出前，相關單位必須首先履行風險評估程序，包括評估潛在的流動資金風險，並考慮現行管理措施是否足夠控制相關風險。如果新產品或新業務可能對銀行流動資金風險形成重大影響，須上報風險管理委員會審批。

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

In the liquidity stress test, institution specific, general market crisis and combined crisis scenario has been set up, combined crisis scenario is a combination of institution specific and general market crisis to assess the Group's capability to withstand a more severe liquidity crisis, with a more stringent set of assumptions being adopted. Stress test assumptions include the run-off rate of retail, wholesale and interbank deposits; drawdown rate of loan commitments and trade-related contingent liabilities; delinquency ratio and rollover rate of customer loans; and haircut of interbank placement and marketable securities. As at 31 December 2020, the Group was able to maintain a net cash inflow under the three stressed scenarios, indicating the Group has the ability to meet financing needs under stressed conditions. In addition, the Group has a policy in place to maintain a liquidity cushion which includes high quality or comparable quality marketable securities issued or guaranteed by sovereigns, central banks, public sector entities or multilateral development banks with 0% or 20% risk weight or marketable securities issued by non-financial corporate with a corresponding external credit rating of A- or above to ensure funding needs even under stressed scenarios. As at 31 December 2020, the liquidity cushion (before haircut) was HK\$19,425,985,000 (2019: HK\$24,625,303,000). A contingency plan is being established which details the conditions to trigger the plan based on stress test results and early warning indicators, the action plans and relevant procedures and responsibility of various departments.

The LCR is calculated in accordance with the Banking (Liquidity) Rules effective from 1 January 2015, the Group, being classified as category 1 authorised institution by the HKMA, is required to calculate LCR on consolidated basis. During the year of 2020, the Group is required to maintain a LCR not less than 100%.

The NSFR is calculated in accordance with the Banking (Liquidity) Rules effective from 1 January 2018, the Group, being classified as category 1 authorised institution by the HKMA, is required to calculate NSFR on consolidated basis. The Group is required to maintain a NSFR not less than 100%.

The Group's liquidity risk management also covers new products or business developments. Before launching a new product or business, the relevant departments are required to go through a risk assessment process, which includes the assessment of underlying liquidity risk and consideration of the adequacy of the current risk management mechanism. Any material impact on liquidity risk noted during the risk assessment process will be reported to RC for approval.

綜合財務報表附註
(續)
Notes to the Consolidated Financial Statements (continued)
4. 金融風險管理 (續)
4. Financial risk management (continued)
4.3 流動資金風險 (續)
4.3 Liquidity risk (continued)
A. 到期日分析
A. Maturity analysis

下表為本集團於 12 月 31 日之資產及負債的到期日分析，按於結算日時，資產及負債相距合約到期日的剩餘期限分類。

The tables below analyse the Group's assets and liabilities as at 31 December into relevant maturity groupings based on the remaining period at the end of the reporting date to the contractual maturity date.

		2020							
		即期	一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定日期	總計
		On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
資產	Assets								
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	5,217,582	15,903,303	-	-	-	-	1,850,947	22,971,832
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	-	7,384,601	55,697	-	-	-	7,440,298
衍生金融工具	Derivative financial instruments	95,385	631	22,621	1,391	20,477	-	-	140,505
客戶貸款及貿易票據	Advances to customers and trade bills	18,474,079	2,378,205	5,333,036	24,329,934	22,208,667	5,616,220	-	78,340,141
證券投資	Investment in securities								
- 強制性以公平值變化計入損益之證券	- securities mandatorily measured at FVTPL	-	585	10,517	95,851	71,503	59,772	62,599	300,827
- 界定為以公平值變化計入損益之證券	- securities designated at FVTPL	-	610	1,210	17,434	197,959	145,987	-	363,200
- 以公平值變化計入其他全面收益之證券	- securities at FVOCI	53,212	6,188,368	3,759,443	14,905,206	23,875,020	-	20,854	48,802,103
- 以攤餘成本計量之證券	- securities at amortised cost	-	6,291	632	426,171	917,907	-	-	1,351,001
投資物業	Investment properties	-	-	-	-	-	-	153,620	153,620
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	-	2,044,562	2,044,562
其他資產 (包括應收稅項及遞延稅項資產)	Other assets (including current and deferred tax assets)	987,203	448,857	123,327	21,208	-	-	25,689	1,606,284
資產總額	Total assets	24,827,461	24,926,850	16,635,387	39,852,892	47,291,533	5,821,979	4,158,271	163,514,373
負債	Liabilities								
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	(4,406,596)	(12,094,343)	(2,085,395)	(1,981,301)	-	-	-	(20,567,635)
衍生金融工具	Derivative financial instruments	(13,360)	(5,670)	(26,758)	(2,761)	(26,847)	-	-	(75,396)
客戶存款	Deposits from customers	(40,680,848)	(16,139,846)	(34,802,381)	(26,507,551)	(4,442,405)	-	-	(122,573,031)
其他賬項及準備 (包括應付稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	(422,344)	(1,217,258)	(66,855)	(400,594)	(145,210)	(13,105)	(138,645)	(2,404,011)
負債總額	Total liabilities	(45,523,148)	(29,457,117)	(36,981,389)	(28,892,207)	(4,614,462)	(13,105)	(138,645)	(145,620,073)
流動資金缺口	Net liquidity gap	(20,695,687)	(4,530,267)	(20,346,002)	10,960,685	42,677,071	5,808,874	4,019,626	17,894,300

**綜合財務報表附註
(續)**
Notes to the Consolidated Financial Statements (continued)
4. 金融風險管理 (續)
4. Financial risk management (continued)
4.3 流動資金風險 (續)
4.3 Liquidity risk (continued)
A. 到期日分析 (續)
A. Maturity analysis (continued)

		2019							
		即期	一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定日期	總計
		On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
資產	Assets								
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	6,104,131	10,633,966	-	-	-	-	1,497,891	18,235,988
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	-	3,506,091	1,313,121	-	-	-	4,819,212
衍生金融工具	Derivative financial instruments	87,106	5,259	6,763	14,805	8,200	-	-	122,133
客戶貸款及貿易票據	Advances to customers and trade bills	16,224,011	3,202,383	6,801,934	23,734,721	22,269,514	4,754,328	-	76,986,891
證券投資	Investment in securities								
- 強制性以公平值變化計入損益之證券	- securities mandatorily measured at FVTPL	-	12,814	50,971	20,615	57,468	6,282	-	148,150
- 界定為以公平值變化計入損益之證券	- securities designated at FVTPL	-	613	1,215	1,770	212,356	154,653	-	370,607
- 以公平值變化計入其他全面收益之證券	- securities at FVOCI	-	3,740,834	4,382,640	10,141,356	26,455,253	-	27,183	44,747,266
- 以攤餘成本計量之證券	- securities at amortised cost	-	8,437	1,598	135,038	1,497,324	-	-	1,642,397
投資物業	Investment properties	-	-	-	-	-	-	237,150	237,150
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	-	2,021,072	2,021,072
其他資產 (包括應收稅項及遞延稅項資產)	Other assets (including current and deferred tax assets)	145,840	230,619	144,323	304	-	-	2,829	523,915
資產總額	Total assets	22,561,088	17,834,925	14,895,535	35,361,730	50,500,115	4,915,263	3,786,125	149,854,781
負債	Liabilities								
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	(4,530,452)	(5,308,622)	(1,559,588)	(6,348,801)	-	-	-	(17,747,463)
衍生金融工具	Derivative financial instruments	(6,246)	(15,683)	(1,045)	(5,799)	(11,588)	-	-	(40,361)
客戶存款	Deposits from customers	(27,832,051)	(20,780,489)	(31,812,183)	(34,016,778)	(1,849,933)	-	-	(116,291,434)
其他賬項及準備 (包括應付稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	(581,226)	(371,590)	(51,439)	(292,270)	(153,966)	(17,025)	(185,018)	(1,652,534)
負債總額	Total liabilities	(32,949,975)	(26,476,384)	(33,424,255)	(40,663,648)	(2,015,487)	(17,025)	(185,018)	(135,731,792)
流動資金缺口	Net liquidity gap	(10,388,887)	(8,641,459)	(18,528,720)	(5,301,918)	48,484,628	4,898,238	3,601,107	14,122,989

本集團將逾期列為「即期」資產。對於按不同款額或分期償還之資產，只有該資產中實際逾期之部分被視作逾期。其他未到期之部分仍繼續根據剩餘期限分類。上述列示之資產已扣除任何相關準備 (如有)。

The Group has reported assets such as advances and debt securities which have been overdue as "On demand". In the case of an asset that is repayable by different payments or instalments, only that portion of the asset that is actually overdue is reported as overdue. Any part of the asset that is not due is reported according to the residual maturity. The above assets are stated after deduction of provisions, if any.

綜合財務報表附註 (續) Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理 (續)

4. Financial risk management (continued)

4.3 流動資金風險 (續)

4.3 Liquidity risk (continued)

B. 按合約到期日分析之未折現現金流

B. Analysis of undiscounted cash flows by contractual maturities

(a) 非衍生工具之現金流

(a) Non-derivative cash flows

下表概述了本集團於 12 月 31 日之非衍生金融負債以剩餘合約到期日列示之現金流。

The tables below summarise the cash flows of the Group as at 31 December for non-derivative financial liabilities by remaining contractual maturity.

		2020					
		一至	三至	十二個月	一至五年	五年以上	總計
		一個月內	三個月	三個月	一至五年	五年以上	總計
		Up to	1 to 3	3 to 12	1 to 5	Over 5	Total
		1 month	months	months	years	years	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
金融負債	Financial liabilities						
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	(16,508,806)	(2,096,275)	(2,011,615)	-	-	(20,616,696)
客戶存款	Deposits from customers	(56,828,247)	(34,870,066)	(26,684,489)	(4,852,496)	-	(123,235,298)
其他金融負債	Other financial liabilities	(1,592,607)	(15,147)	(210,367)	(145,210)	(13,105)	(1,976,436)
金融負債總額	Total financial liabilities	(74,929,660)	(36,981,488)	(28,906,471)	(4,997,706)	(13,105)	(145,828,430)
		2019					
		一至	三至	十二個月	一至五年	五年以上	總計
		一個月內	三個月	三個月	一至五年	五年以上	總計
		Up to	1 to 3	3 to 12	1 to 5	Over 5	Total
		1 month	months	months	years	years	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
金融負債	Financial liabilities						
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	(9,841,190)	(1,567,829)	(6,465,183)	-	-	(17,874,202)
客戶存款	Deposits from customers	(48,633,964)	(31,946,437)	(34,451,129)	(2,138,214)	-	(117,169,744)
其他金融負債	Other financial liabilities	(759,801)	(15,108)	(137,267)	(153,966)	(17,025)	(1,083,167)
金融負債總額	Total financial liabilities	(59,234,955)	(33,529,374)	(41,053,579)	(2,292,180)	(17,025)	(136,127,113)

綜合財務報表附註 (續)
Notes to the Consolidated Financial Statements (continued)
4. 金融風險管理 (續)
4. Financial risk management (continued)
4.3 流動資金風險 (續)
4.3 Liquidity risk (continued)
B. 按合約到期日分析之未折現現金流 (續)
B. Analysis of undiscounted cash flows by contractual maturities (continued)
(b) 衍生工具之現金流
(b) Derivative cash flows

下表概述了本集團於12月31日以剩餘合約到期日列示之現金流，包括按淨額基準結算之衍生金融負債，及所有按總額基準結算之衍生金融工具（不論有關合約屬資產或負債）。除部分衍生工具以公平值列示外，下表披露的其他金額均為未經折現的合同現金流。

The tables below summarise the cash flows of the Group by remaining contractual maturity as at 31 December for derivative financial liabilities that will be settled on a net basis, together with all derivative financial instruments that will be settled on a gross basis regardless of whether the contract is in an asset or liability position. The amounts disclosed in the tables are the contractual undiscounted cash flows, except for certain derivatives which are disclosed at fair value.

本集團按淨額基準結算之衍生金融工具主要包括利率掉期，而按總額基準結算之衍生金融工具主要包括貨幣遠期及貨幣掉期。

The Group's derivative financial instruments that will be settled on a net basis mainly include interest rate swaps whereas derivative financial instruments that will be settled on a gross basis mainly include currency forwards and currency swaps.

		2020					
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	總計
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
按淨額基準結算之衍生金融負債	Derivative financial liabilities settled on a net basis	(14,415)	(4,325)	(9,787)	(12,456)	-	(40,983)
按總額基準結算之衍生金融工具	Derivative financial instruments settled on a gross basis						
總流入	Total inflow	5,448,549	7,748,929	1,532,786	-	-	14,730,264
總流出	Total outflow	(5,453,529)	(7,754,352)	(1,538,816)	-	-	(14,746,697)

		2019					
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	總計
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
按淨額基準結算之衍生金融負債	Derivative financial liabilities settled on a net basis	(6,583)	(1,617)	(1,491)	(8,336)	-	(18,027)
按總額基準結算之衍生金融工具	Derivative financial instruments settled on a gross basis						
總流入	Total inflow	2,201,560	2,054,737	4,109,610	-	-	8,365,907
總流出	Total outflow	(2,221,216)	(2,047,317)	(4,093,243)	-	-	(8,361,776)

綜合財務報表附註（續） **Notes to the Consolidated Financial Statements (continued)**

4. 金融風險管理（續）

4. Financial risk management (continued)

4.3 流動資金風險（續）

4.3 Liquidity risk (continued)

B. 按合約到期日分析之未折現現金流（續）

B. Analysis of undiscounted cash flows by contractual maturities (continued)

(c) 資產負債表外項目

(c) Off-balance sheet items

貸款承擔

Loan commitments

有關本集團於 2020 年 12 月 31 日向客戶承諾延長信貸及其他融資之表外金融工具，其合約金額為港幣 13,508,335,000 元（2019 年：港幣 12,132,223,000 元）。

The contractual amounts of the Group's off-balance sheet financial instruments as at 31 December 2020 that the Group commits to extend credit to customers and other facilities amounted to HK\$13,508,335,000 (2019: HK\$12,132,223,000).

財務擔保及其他財務融資

Financial guarantees and other financial facilities

本集團於 2020 年 12 月 31 日之財務擔保及其他財務融資金額為港幣 708,155,000 元（2019 年：港幣 505,653,000 元），其到期日少於一年。

Financial guarantees and other financial facilities of the Group as at 31 December 2020 amounting to HK\$708,155,000 (2019: HK\$505,653,000) are maturing no later than one year.

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4.4 資本管理

本集團資本管理的主要目標是維持與銀行整體風險狀況相稱的資本充足水平，同時為股東帶來最大回報。資產負債管理委員會定期檢討本集團資本結構，並在需要時進行調整以保持風險、回報與資本充足性的最佳平衡。

本集團已經建立一套有效的資本管理政策和調控機制，並且運行良好。此套機制保證集團在支持業務發展的同時，滿足法定資本充足率的要求。資產負債管理委員會負責監控本集團的資本充足性。本集團在報告時段內就銀行業務符合各項金管局的法定資本規定，詳述如下：

本集團在過往年度採用基礎內部評級基準計算法計算大部分非證券化類別風險承擔的信貸風險資本要求。自 2020 年 10 月 1 日，本集團改為採用標準（信貸風險）計算法計算所有信用風險資本要求。本集團繼續採用標準信貸估值調整方法，計算具有信貸估值調整風險的交易對手資本要求。

本集團獲金管局批准由 2020 年 4 月起使用標準（市場風險）計算外匯及利率的一般市場風險資本要求，並豁免本集團的部份人民幣結構性外匯敞口計算市場風險資本要求。本集團繼續採用標準（市場風險）計算法計算其餘市場風險資本要求。

本集團繼續採用標準（業務操作風險）計算法計算操作風險資本要求。

4. Financial risk management (continued)

4.4 Capital management

The major objective of the Group's capital management is to maximise total shareholders' return while maintaining a capital adequacy position in relation to the Group's overall risk profile. The ALCO periodically reviews the Group's capital structure and adjusts the capital mix where appropriate to maintain an optimal balance among risk, return and capital adequacy.

The Group has developed and maintained a sound framework of policies and controls on capital management to support the development of the Group's business and to meet the statutory capital adequacy ratio requirement. The ALCO monitors the Group's capital adequacy requirement. The Group has complied with all the statutory capital requirements of the HKMA for the reported periods in respect of banking operation as further elaborated below:

In prior years, the Group adopted the foundation internal ratings-based ("FIRB") approach to calculate the credit risk capital charge for the majority of its non-securitisation exposures. Since 1 October 2020, the Group has adopted the standardised (credit risk) ("STC") approach to calculate all the credit risk capital charge. The Group continues to adopt the standardised credit valuation adjustment ("CVA") method to calculate the capital charge for the CVA risk of the counterparty.

Since April 2020, the HKMA has approved the Group to adopt the standardised (market risk) ("STM") approach to calculate general market risk capital charge for foreign exchange and interest rate exposures and exclude part of our Group's CNY structural FX positions in the calculation of the market risk capital charge. The Group continues to adopt the standardised (market risk) ("STM") approach to calculate the market risk capital charge for the remaining exposures.

The Group continues to adopt standardised (operational risk) (STO) approach to calculate the operational risk capital charge.

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4.4 資本管理（續）

本集團於 2020 年繼續採用內部資本充足評估程序以符合金管局監管政策手冊「監管審查程序」內的要求。按金管局對第二支柱的指引，內部資本充足評估程序主要用以評估在第一支柱下未有涵蓋或充分涵蓋的重大風險所需的額外資本，從而設定本銀行最低普通股權一級資本比率、最低一級資本比率及最低總資本比率。同時，本集團亦就前述的資本比率設定了運作區間，以支持業務發展需要及促進資本的有效運用。本集團認為內部資本充足評估程序是一個持續的資本管理過程，並會因應自身的整體風險狀況而定期重檢及按需要調整其資本結構。

此外，本集團每年制定年度資本規劃，由資產負債管理委員會審議後呈董事會批准。資本規劃從業務策略、股東回報、風險偏好、信用評級、監控要求等多維度評估對資本充足性的影響，從而預測未來資本需求及資本來源，以保障本集團能維持良好的資本充足性及資本組合結構，配合業務發展，保持風險、回報與資本充足性的最佳平衡。

4. Financial risk management (continued)

4.4 Capital management (continued)

The Group has continued to adopt an internal capital adequacy assessment process (ICAAP) to comply with the HKMA's requirements in the Supervisory Policy Manual "Supervisory Review Process" in 2020. Based on the HKMA's guidelines on Pillar II, ICAAP has been initiated to assess the extra capital needed to cover the material risks not captured or not adequately captured under Pillar I, and therefore minimum Common Equity Tier 1 capital ratio, minimum Tier 1 capital ratio and minimum Total capital ratio are determined. Meanwhile, operating ranges for the aforementioned capital ratios have also been established which enable the flexibility for future business growth and efficiency of capital utilisation. The Group considers this ICAAP as an ongoing process for capital management and periodically reviews and adjusts its capital structure where appropriate in relation to the overall risk profile.

In addition, the capital plan of the Group is drawn up annually and then submitted to the Board of Directors for approval after endorsement of the ALCO. The plan is built up by assessing the implications of various factors upon capital adequacy such as the business strategies, return on equity, risk appetite, credit rating, as well as regulatory requirements. Hence, the future capital requirement is determined and capital sources are identified also. The plan is to ensure the Group maintains adequate capital and appropriate capital structure which align with its business development needs, thereby achieving an optimal balance among risk, return and capital adequacy.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

5. 資產和負債的公平值

所有以公平值計量或在財務報表內披露的資產及負債，均按香港財務報告準則第13號「公平值計量」的定義，於公平值層級表內分類。該等分類乃參照估值方法所採用的因素之可觀察性及重大性，並基於對整體公平值計量有重大影響之最低層級因素來釐定：

- 第一層級：相同資產或負債在活躍市場中的報價（未經調整）。此層級包括部分政府發行的債務工具及若干場內交易的衍生合約。
- 第二層級：乃基於估值技術所採用的最低層級因素（同時需對整體公平值計量有重大影響）可被直接或間接地觀察。此層級包括大部分場外交易的衍生合約、從估值服務供應商獲取價格的債務證券及存款證。同時亦包括對可觀察的市場因素進行了不重大調整的物業。
- 第三層級：乃基於估值技術所採用的最低層級因素（同時需對整體公平值計量有重大影響）屬不可被觀察。此層級包括有重大不可觀察因素的股份投資及債務工具。同時亦包括對可觀察的市場因素進行了重大調整的物業。

對於以重複基準確認於財務報表的資產及負債，本集團會於每一財務報告週期的結算日重新評估其分類（基於對整體公平值計量有重大影響之最低層級因素），以確定有否在公平值層級之間發生轉移。

本集團建立了完善的公平值管治及控制架構，公平值數據由獨立於前線的控制單位確定或核實。各控制單位負責獨立核實前線業務之估值結果及重大公平值數據。其他特定控制程序包括核實可觀察的估值參數、審核新的估值模型或任何模型改動、根據可觀察的市場交易價格校準及回顧測試所採用的估值模型、深入分析日常重大估值變動、評估重大不可觀察估值參數及估值調整。重大估值事項將向高級管理層、風險管理委員會及稽核委員會匯報。

當無法從公開市場獲取報價時，本集團通過一些估值技術或經紀／交易商之詢價來確定金融工具的公平值。

對於本集團所持有的金融工具，其估值技術使用的主要參數包括債券價格、利率、匯率、權益及股票價格、波幅、交易對手信貸利差及其他等，主要為可從公開市場觀察及獲取的參數。

5. Fair values of assets and liabilities

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as defined in HKFRS 13, "Fair value measurement". The categorisation are determined with reference to the observability and significance of the inputs used in the valuation methods and based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities. This category includes debt instruments issued by certain governments and certain exchange-traded derivative contracts.
- Level 2: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly. This category includes majority of the OTC derivative contracts, debt securities and certificates of deposit with quote from pricing services vendors. It also includes properties with insignificant adjustments made to observable market inputs.
- Level 3: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. This category includes equity investment and debt instruments with significant unobservable components. It also includes properties with significant adjustments made to observable market inputs.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group has an established governance structure and controls framework to ensure that fair values are either determined or validated by control units independent of the front offices. Control units have overall responsibility for independent verification of valuation results from front line businesses and all other significant fair value measurements. Specific controls include verification of observable pricing inputs; review and approval for new models and changes to models; calibration and back-testing of models against observed market transactions; analysis and investigation of significant daily valuation movements; review of significant unobservable inputs and valuation adjustments. Significant valuation issues are reported to senior management, RC and AC.

The Group uses valuation techniques or broker / dealer quotations to determine the fair value of financial instruments when unable to obtain the open market quotation in active markets.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stock prices, volatilities, counterparty credit spreads and others, which are mostly observable and obtainable from open market.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

5. 資產和負債的公平值（續）

5. Fair values of assets and liabilities (continued)

5.1 以公平值計量的金融工具

5.1 Financial instruments measured at fair value

用以釐定以下金融工具公平值的估值方法如下：

The technique used to calculate the fair value of the following financial instruments is as below:

債務證券及存款證

Debt securities and certificates of deposit

此類工具的公平值由交易所、交易商或外間獨立估值服務供應商提供的市場報價或使用貼現現金流模型分析而決定。貼現現金流模型是一個利用預計未來現金流，以一個可反映市場上相類似風險的工具所需信貸息差之貼現率或貼現差額計量而成現值的估值技術。這些參數是市場上可觀察或由可觀察或不可觀察的市場數據證實。

The fair value of these instruments is determined by obtaining quoted market prices from exchange, dealer or independent pricing service vendors or using discounted cash flow technique. Discounted cash flow model is a valuation technique that measures present value using estimated expected future cash flows from the instruments and then discounts these flows using a discount rate or discount margin that reflects the credit spreads required by the market for instruments with similar risk. These inputs are observable or can be corroborated by observable or unobservable market data.

衍生工具

Derivatives

場外交易的衍生工具合約包括外匯、利率、股票或商品的遠期、掉期及期權合約。衍生工具合約的價格主要由貼現現金流模型及期權計價模型等估值技術釐定。所使用的參數為可觀察或不可觀察市場數據。可觀察的參數包括利率、匯率、權益及股票價格、商品價格及波幅。不可觀察的參數如波幅平面可用於嵌藏於結構性存款中非交易頻繁的期權類產品。對一些複雜的衍生工具合約，公平值將按經紀／交易商之報價為基礎。

OTC derivative contracts include forward, swap and option contracts on foreign exchange, interest rate, equity or commodity. The fair values of these contracts are mainly measured using valuation techniques such as discounted cash flow models and option pricing models. The inputs can be observable or unobservable market data. Observable inputs include interest rate, foreign exchange rates, equity and stock prices, commodity prices and volatilities. Unobservable inputs such as volatility surface may be used for less commonly traded option products which are embedded in structured deposits. For certain complex derivative contracts, the fair values are determined based on broker / dealer price quotations.

本集團對場外交易的衍生工具作出了信貸估值調整及債務估值調整。調整分別反映對市場因素變化、交易對手信譽及集團自身信貸息差的期望。有關調整主要是按每一交易對手，以未來預期敞口、違約率及收回率釐定。

Credit valuation adjustments (“CVA”) and debit valuation adjustments (“DVA”) are applied to the Group’s OTC derivatives. These adjustments reflect market factors movement, expectations of counterparty creditworthiness and the Group’s own credit spread respectively. They are mainly determined for each counterparty and are dependent on expected future values of exposures, default probabilities and recovery rates.

綜合財務報表附註（續）

 Notes to the Consolidated Financial Statements
 (continued)

5. 資產和負債的公平值（續）

5. Fair values of assets and liabilities (continued)

5.1 以公平值計量的金融工具（續）

5.1 Financial instruments measured at fair value (continued)

A. 公平值的等級

A. Fair value hierarchy

		2020			
		第一層級	第二層級	第三層級	總計
		Level 1	Level 2	Level 3	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
金融資產		Financial assets			
強制性以公平值變化計入損益之證券（附註 23）		Investment in securities mandatorily measured at fair value through profit or loss (Note 23)			
- 債務證券		-	238,228	-	238,228
- 存款證		-	-	-	-
- 股份證券		-	62,599	-	62,599
界定為以公平值變化計入損益之證券（附註 23）		Investment in securities designated at fair value through profit or loss (Note 23)			
- 債務證券		-	363,200	-	363,200
衍生金融工具（附註 21）		Derivative financial instruments (Note 21)			
		-	140,505	-	140,505
以公平值變化計入其他全面收益的證券（附註 23）		Investment in securities measured at FVOCI (Note 23)			
- 債務證券		2,064,144	37,988,869	-	40,053,013
- 存款證		-	8,728,236	-	8,728,236
- 股份證券		-	-	20,854	20,854
		2,064,144	47,521,637	20,854	49,606,635
金融負債		Financial liabilities			
衍生金融工具（附註 21）		Derivative financial Instruments (Note 21)			
		-	(75,396)	-	(75,396)

綜合財務報表附註（續）
**Notes to the Consolidated Financial Statements
(continued)**
5. 資產和負債的公平值（續）
5. Fair values of assets and liabilities (continued)
5.1 以公平值計量的金融工具（續）
5.1 Financial instruments measured at fair value (continued)
A. 公平值的等級（續）
A. Fair value hierarchy (continued)

	2019			
	第一層級	第二層級	第三層級	總計
	Level 1	Level 2	Level 3	Total
	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產	Financial assets			
強制性以公平值變化計入損益 之證券（附註 23）	Investment in securities mandatorily measured at fair value through profit or loss (Note 23)			
- 債務證券	-	89,739	-	89,739
- 存款證	-	58,411	-	58,411
- 股份證券	-	-	-	-
界定為以公平值變化計入損益 之證券（附註 23）	Investment in securities designated at fair value through profit or loss (Note 23)			
- 債務證券	-	370,607	-	370,607
衍生金融工具（附註 21）	Derivative financial instruments (Note 21)			
- 債務證券	-	122,133	-	122,133
以公平值變化計入其他全面收 益的證券（附註 23）	Investment in securities measured at FVOCI (Note 23)			
- 債務證券	6,966,205	32,313,573	-	39,279,778
- 存款證	-	5,440,305	-	5,440,305
- 股份證券	-	-	27,183	27,183
	<u>6,966,205</u>	<u>38,394,768</u>	<u>27,183</u>	<u>45,388,156</u>
金融負債	Financial liabilities			
衍生金融工具（附註 21）	Derivative financial Instruments (Note 21)			
	-	(40,361)	-	(40,361)

本集團之金融資產及負債於年內均沒有第一層級及第二層級之間的轉移（2019年：無）。

There were no financial asset and liability transfers between Level 1 and Level 2 for the Group during the year (2019: Nil).

綜合財務報表附註（續）

**Notes to the Consolidated Financial Statements
(continued)**

5. 資產和負債的公平值（續）

5. Fair values of assets and liabilities (continued)

5.1 以公平值計量的金融工具（續）

5.1 Financial instruments measured at fair value (continued)

B. 第三層級的項目變動

B. Reconciliation of level 3 items

		以公平值變化計入其他全面收益 之金融資產		
		Financial assets at FVOCI		
		債務證券	股份證券	總計
		Debt securities	Equity securities	Total
		港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000
於 2020 年 1 月 1 日	At 1 January 2020	-	27,183	27,183
虧損	Losses			
– 其他全面收益	– Other comprehensive income			
– 公平值變化	– Change in fair value	-	(6,329)	(6,329)
買入	Purchases	-	-	-
賣出	Sales	-	-	-
轉出第三層	Transfer out of Level 3	-	-	-
於 2020 年 12 月 31 日	At 31 December 2020	-	20,854	20,854
		以公平值變化計入其他全面收益 之金融資產		
		Financial assets at FVOCI		
		債務證券	股份證券	總計
		Debt securities	Equity securities	Total
		港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000
於 2019 年 1 月 1 日	At 1 January 2019	-	21,465	21,465
收益	Gains			
– 其他全面收益	– Other comprehensive income			
– 公平值變化	– Change in fair value	-	5,718	5,718
買入	Purchases	-	-	-
賣出	Sales	-	-	-
轉出第三層	Transfer out of Level 3	-	-	-
於 2019 年 12 月 31 日	At 31 December 2019	-	27,183	27,183
於 2020 年及 2019 年 12 月 31 日，分類為第三層級的金融工具主要為非上市股權。	As at 31 December 2020 and 2019, financial instruments categorised as level 3 are mainly comprised of unlisted equity shares.			

綜合財務報表附註（續）
**Notes to the Consolidated Financial Statements
(continued)**
5. 資產和負債的公平值（續）
5. Fair values of assets and liabilities (continued)
5.1 以公平值計量的金融工具（續）
5.1 Financial instruments measured at fair value (continued)
B. 第三層級的項目變動（續）
B. Reconciliation of level 3 items (continued)

非上市股權的公平值的估算是根據被投資方的業務情況及財結果，使用貼現現金流模型或參考可供比較的上市公司之平均市價／盈利倍數，或若沒有合適可供比較的公司，則按其資產淨值釐定。公平值與適合採用之可比較倍數比率或資產淨值存在正向關係。若股權投資的企業之資產淨值增長／減少 5%，則本集團之其他全面收益將增加／減少港幣 1,043,000 元（2019 年：港幣 1,359,000 元）。

The fair values of unlisted equity shares are estimated using the discounted cash flow model, on the basis of an analysis of the investee's financial position and results, or with reference to multiples of comparable listed companies, such as average of the price / earning ratios of comparables or net asset value, if appropriate comparables are not available. The fair value is positively correlated to the price / earning ratios of appropriate comparables or net asset values. Had the net asset value of the underlying equity investments increased / decreased by 5%, the Group's other comprehensive income would have increased / decreased by HK\$1,043,000 (2019: HK\$1,359,000).

	估值模式 Valuation technique	重要非可觀察參數 Significant unobservable Input(s)	幅度 Range
非上市以公平值變化計入其他全面收益的股份工具 Unlisted equity instruments at fair value through other comprehensive income	資產淨值 Net asset value	不適用 Not applicable	不適用 Not applicable
	現金流折扣模式 Discounted cash flow model	折扣率 Discount rate	17.20% (2019: 11.69%)

綜合財務報表附註（續）

5. 資產和負債的公平值（續）

5.2 非以公平值計量的金融工具

公平值是在一特定時點按相關市場資料及不同金融工具之資料來評估。以下之方法及假設已按實際情況應用於評估各類金融工具之公平值。

存放／尚欠銀行及其他金融機構之結餘及貿易票據

大部分之金融資產及負債將於結算日後一年內到期，其賬面值與公平值相若。

客戶貸款

大部分之客戶貸款是浮動利率，按市場息率計算利息，其賬面值與公平值相若。

以攤餘成本計量之債務工具

採用以現時收益率曲線相對應剩餘期限之利率為基礎的貼現現金流模型計算。

客戶存款

大部分之客戶存款將於結算日後一年內到期，其賬面值與公平值相若。

Notes to the Consolidated Financial Statements (continued)

5. Fair values of assets and liabilities (continued)

5.2 Financial instruments not measured at fair value

Fair value estimates are made at a specific point in time based on relevant market information and information about various financial instruments. The following methods and assumptions have been used to estimate the fair value of each class of financial instrument as far as practicable.

Balances with / from banks and other financial institutions and trade bills

Substantially all the financial assets and liabilities mature within one year from the end of the reporting date and their carrying value approximates fair value.

Advances to customers

Substantially all the advances to customers are on floating rate terms, bear interest at prevailing market interest rates and their carrying value approximates fair value.

Debt securities at amortised cost

A discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

Deposits from customers

Substantially all the deposits from customers mature within one year from the end of the reporting date and their carrying value approximates fair value.

綜合財務報表附註（續）
**Notes to the Consolidated Financial Statements
(continued)**
5. 資產和負債的公平值（續）
5. Fair values of assets and liabilities (continued)
5.2 非以公平值計量的金融工具（續）
5.2 Financial instruments not measured at fair value (continued)

除以上其賬面值與公平值相若的金融工具外，下表為非以公平值計量的金融工具之賬面值和公平值。

The following tables set out the carrying values and fair values of the financial instruments not measured at fair value, except for the above with their carrying values being approximation of fair values.

		2020	
		賬面值 Carrying value	公平值 Fair value
		港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產	Financial assets		
以攤餘成本計量的證券 (附註 23)	Investment in securities measured at amortised cost (Note 23)	1,351,001	1,364,469

		2019	
		賬面值 Carrying value	公平值 Fair value
		港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產	Financial assets		
以攤餘成本計量的證券 (附註 23)	Investment in securities measured at amortised cost (Note 23)	1,642,397	1,661,545

下表列示已披露其公平值的金融工具之公平值等級。

The following tables show the fair value hierarchy for financial instruments with fair values disclosed.

		2020			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產	Financial assets				
以攤餘成本計量的證券	Investment in securities measured at amortised cost	-	1,364,469	-	1,364,469

		2019			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產	Financial assets				
以攤餘成本計量的證券	Investment in securities measured at amortised cost	-	1,661,545	-	1,661,545

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

5. 資產和負債的公平值（續）

5. Fair values of assets and liabilities (continued)

5.3 以公平值計量的非金融資產

5.3 Non-financial assets measured at fair value

本集團通過一些估值技術或活躍市場報價來確定非金融資產的公平值。

The Group uses valuation techniques or quoted market prices in active market to determine the fair value of non-financial assets.

投資物業及房產

Investment properties and premises

本集團之物業可分為投資物業及房產。所有本集團之投資物業及房產已於年底進行重估。本年之估值由獨立特許測量師萊坊測量師行有限公司進行，其擁有具備香港測量師學會資深專業會員及專業會員資格之人員，並在估值物業所處地區及種類上擁有經驗。當估值於每半年末及年末進行時，本集團管理層會跟測量師討論估值方法、估值假設及估值結果。估值方法於年內沒有改變，亦與去年一致。

The Group's properties can be divided into investment properties and premises. All of the Group's investment properties and premises were revalued as at year end. This year, the valuations were carried out by an independent firm of chartered surveyors, Knight Frank Petty Limited, who have among their staff Fellow and Members of The Hong Kong Institute of Surveyors with recent experience in the locations and categories of properties being valued. The Group's Management had discussions with the surveyors on the valuation methods, valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date. There has been no change in valuation methods during the year and the methods used are consistent with last year.

(i) 第二層級公平值計量採用的估值方法及因素

(i) Valuation methods and inputs used in Level 2 fair value measurements

被分類為第二層級之物業的公平值，乃參考可比較物業之近期出售成交價（市場比較法）或參考市場租金及資本化率（收入資本法），再對可比較物業及被評估物業之間的差異作出適當調整。此等調整被認為對整體計量並不構成重大影響。

The fair value of properties classified as Level 2 is determined using either the market comparison approach by reference to recent sales price of comparable properties or the income capitalisation approach by reference to market rent and capitalisation rate, with appropriate adjustments to reflect the differences between the comparable properties and the subject properties. These adjustments are considered as insignificant to the entire measurement.

本集團之物業均位於香港及內地之主要城市，被認為是活躍及透明的物業市場。可比較物業之出售價、市場租金及資本化率一般均可在此等市場上被直接或間接觀察得到。

The Group's properties are located in Hong Kong and major cities in the PRC where the property markets are considered active and transparent. Sales price, market rent and capitalisation rate of comparable properties are generally observable either directly or indirectly in these markets.

(ii) 有關第三層級公平值計量的資料

(ii) Information about Level 3 fair value measurements

被分類為第三層級之本集團物業之公平值均採用市場比較法或收入資本法，再按本集團物業相對於可比較物業之性質作折溢價調整來釐定。

The fair value of all of the Group's properties classified as Level 3 is determined using either the market comparison approach or the income capitalisation approach, adjusted for a premium or a discount specific to the features of the Group's properties compared to the comparable properties.

綜合財務報表附註 (續)
Notes to the Consolidated Financial Statements (continued)
5. 資產和負債的公平值 (續)
5. Fair values of assets and liabilities (continued)
5.3 以公平值計量的非金融資產 (續)
5.3 Non-financial assets measured at fair value (continued)
投資物業及房產

(ii) 有關第三層級公平值計量的資料 (續)

以下為在公平值計量時對被分類為第三層級之本集團物業所採用的估值方法及重大不可觀察因素：

Investment properties and premises

(ii) Information about Level 3 fair value measurements (continued)

The valuation methods and significant unobservable inputs used in the fair value measurement of the Group's properties classified as Level 3 are as follows:

估值方法 Valuation method	重大不可觀察因素 Significant unobservable inputs	加權平均 Weighted average	不可觀察因素與公平值的關係 Relationship of unobservable inputs to fair value.
市場比較法或收入資本法 Market comparison approach or income capitalisation approach	物業相對可比較物業在性質上之溢價／(折價) Premium / (discount) on features of the property compared to comparable properties	-5.37% (2019: 5.10%)	溢價越高，公平值越高。 The higher the premium, the higher the fair value. 折價越高，公平值越低。 The higher the discount, the lower the fair value.

物業相對可比較物業在性質上之溢價／(折價)乃參考與可比較物業在不同因素上的差異，例如成交後之市場變動、位置、便達性、樓齡／狀況、樓層、面積、佈局等而釐定。

Premium / (discount) on features of the property is determined after taken into account various factors, such as time for market movement, location, accessibility, building age/condition, floor level, size, layout etc., with reference to the differences in features with comparable properties.

A. 公平值的等級
A. Fair value hierarchy
非金融資產

投資物業 (附註 24)

物業、器材及設備 (附註 25)

- 房產

Non-financial assets

Investment properties (Note 24)

Properties, plant and equipment (Note 25)

- Premises

2020			
第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
-	-	153,620	153,620
-	-	1,706,828	1,706,828
-	-	1,860,448	1,860,448

非金融資產

投資物業 (附註 24)

物業、器材及設備 (附註 25)

- 房產

Non-financial assets

Investment properties (Note 24)

Properties, plant and equipment (Note 25)

- Premises

2019			
第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
-	-	237,150	237,150
-	-	1,707,835	1,707,835
-	-	1,944,985	1,944,985

本集團之非金融資產於年內沒有第一層級及第二層級之間的轉移 (2019年：無)。

There were no non-financial asset transfers between Level 1 and Level 2 for the Group during the year (2019: Nil).

綜合財務報表附註（續）

 Notes to the Consolidated Financial Statements
 (continued)

5. 資產和負債的公平值（續）

5. Fair values of assets and liabilities (continued)

5.3 以公平值計量的非金融資產（續）

5.3 Non-financial assets measured at fair value (continued)

B. 第三層級的項目變動

B. Reconciliation of level 3 items

		2020	
		非金融資產	
		Non-financial assets	
		投資物業	物業、器材及設備
		Investment properties	Properties, plant and equipment
		港幣千元	港幣千元
		HK\$'000	HK\$'000
於 2020 年 1 月 1 日	At 1 January 2020	237,150	1,707,835
收益／（虧損）	Gains / (losses)		
– 收益表	– Income statement		
– 投資物業公平值調整之淨虧損	– Net loss from fair value adjustments on investment properties	(7,330)	-
– 重估房產之淨虧損	– Net loss from revaluation of premises	-	(239)
– 其他全面收益	– Other comprehensive income		
– 房產重估	– Revaluation of premises	-	(58,186)
折舊	Depreciation	-	(23,192)
增置	Additions	-	4,410
轉入第三層級	Transfer into Level 3	-	-
重新分類	Reclassification	(76,200)	76,200
匯兌差額	Exchange difference	-	-
於 2020 年 12 月 31 日	At 31 December 2020	153,620	1,706,828
於 2020 年 12 月 31 日持有的非金融資產於年內計入收益表的未實現虧損總額	Total unrealised losses for the year included in income statement for non-financial assets held as at 31 December 2020		
– 投資物業公平值調整之淨虧損	– Net loss from fair value adjustments on investment properties	(7,330)	-
– 重估房產之淨虧損	– Net loss from revaluation of premises	-	(239)
		(7,330)	(239)

綜合財務報表附註（續）

**Notes to the Consolidated Financial Statements
(continued)**
5. 資產和負債的公平值（續）
5. Fair values of assets and liabilities (continued)
5.3 以公平值計量的非金融資產（續）
5.3 Non-financial assets measured at fair value (continued)
B. 第三層級的項目變動（續）
B. Reconciliation of level 3 items (continued)

		2019	
		非金融資產	
		Non-financial assets	
		投資物業	物業、器材及設備
		Investment properties	Properties, plant and equipment
		房產	Premises
		港幣千元	港幣千元
		HK\$'000	HK\$'000
於 2019 年 1 月 1 日	At 1 January 2019	233,350	1,696,410
收益／（虧損）	Gains / (losses)		
– 收益表	– Income statement		
– 投資物業公平值調整之淨收益	– Net gain from fair value adjustments on investment properties	4,846	-
– 重估房產之淨虧損	– Net loss from revaluation of premises	-	2,794
– 其他全面收益	– Other comprehensive income		
– 房產重估	– Revaluation of premises	-	27,006
折舊	Depreciation	-	(22,528)
增置	Additions	-	3,107
轉入第三層級	Transfer into Level 3	-	-
重新分類	Reclassification	(1,046)	1,046
匯兌差額	Exchange difference	-	-
於 2019 年 12 月 31 日	At 31 December 2019	<u>237,150</u>	<u>1,707,835</u>
於 2019 年 12 月 31 日持有的非金融資產於年內計入收益表的未實現收益總額	Total unrealised gains for the year included in income statement for non-financial assets held as at 31 December 2019		
– 投資物業公平值調整之淨收益	– Net gain from fair value adjustments on investment properties	4,846	-
– 重估房產之淨收益	– Net gain from revaluation of premises	-	2,794
		<u>4,846</u>	<u>2,794</u>



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements
(continued)

6. 淨利息收入

6. Net interest income

	2020	2019
	港幣千元 HK\$'000	港幣千元 HK\$'000
利息收入		
存放於同業及其他金融機構的 款項	224,508	378,279
客戶貸款及貿易票據	2,638,468	2,753,187
證券投資	980,139	1,071,164
其他	2,880	5,517
	3,845,995	4,208,147
利息支出		
同業及其他金融機構存放的款 項	(175,228)	(151,730)
客戶存款	(1,949,565)	(2,030,662)
租賃負債	(8,360)	(5,207)
其他	(524)	(1,975)
	(2,133,677)	(2,189,574)
淨利息收入	1,712,318	2,018,573

非以公平值變化計入損益之金融資產與金融負債所產生的利息收入及利息支出分別為港幣3,816,961,000元(2019年:港幣4,192,248,000元)及港幣2,133,677,000元(2019年:港幣2,189,574,000元)。

Included within interest income and interest expense are HK\$3,816,961,000 (2019: HK\$4,192,248,000) and HK\$2,133,677,000 (2019: HK\$2,189,574,000) for financial assets and financial liabilities that are not recognised at fair value through profit or loss respectively.



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements (continued)

7. 淨服務費及佣金收入

7. Net fee and commission income

		2020	2019
		港幣千元	港幣千元
		HK\$'000	HK\$'000
服務費及佣金收入	Fee and commission income		
保險	Insurance	141,239	175,423
證券經紀	Securities brokerage	115,087	74,216
貸款佣金	Loan commissions	423,120	285,575
繳款服務	Payment services	29,083	33,677
匯票佣金	Bills commissions	22,440	14,641
保管箱	Safe deposit box	20,463	19,849
基金分銷	Funds distribution	8,193	7,789
其他	Others	75,339	56,084
		834,964	667,254
服務費及佣金支出	Fee and commission expense		
證券經紀	Securities brokerage	(17,231)	(12,540)
其他	Others	(14,310)	(11,716)
		(31,541)	(24,256)
淨服務費及佣金收入	Net fee and commission income	803,423	642,998
其中源自：	Of which arise from:		
非以公平值變化計入損益之 金融資產或金融負債	Financial assets or financial liabilities not at fair value through profit or loss		
- 服務費及佣金收入	- Fee and commission income	445,561	300,217
- 服務費及佣金支出	- Fee and commission expense	(272)	(261)
		445,289	299,956
信託及其他受託活動	Trust and other fiduciary activities		
- 服務費及佣金收入	- Fee and commission income	6,886	6,704
- 服務費及佣金支出	- Fee and commission expense	(1,665)	(1,358)
		5,221	5,346

**綜合財務報表附註
(續)**
Notes to the Consolidated Financial Statements (continued)
8. 淨交易性(虧損)/收益
8. Net trading (loss) / gain

	2020	2019
	港幣千元 HK\$'000	港幣千元 HK\$'000
淨(虧損)/收益源自：		
外匯交易及外匯交易產品	(43,903)	32,448
強制性以公平值變化計入損益之證券淨收益/(虧損)	4,314	(300)
利率工具	(5,297)	(6,257)
商品	304	50
	(44,582)	25,941

9. 其他金融資產之淨收益
9. Net gain on other financial assets

	2020	2019
	港幣千元 HK\$'000	港幣千元 HK\$'000
以攤餘成本計量之證券淨收益	5,997	-
以公平值變化計入其他全面收益之證券淨收益	306,638	69,778
其他	(366)	(289)
	312,269	69,489

10. 其他經營收入
10. Other operating income

	2020	2019
	港幣千元 HK\$'000	港幣千元 HK\$'000
證券投資股息收入		
- 非上市證券投資	2,171	4,437
投資物業之租金總收入	4,513	6,631
有關投資物業之收入	227	255
其他	2,329	992
	9,240	12,315

於 2020 年內有關投資物業之支出中並沒有屬於未出租投資物業之直接經營支出 (2019 年：無)。

There are no direct operating expenses included in the outgoings in respect of investment properties related to investment properties that were not let during 2020 (2019: Nil).

**綜合財務報表附註
(續)**
Notes to the Consolidated Financial Statements (continued)
11. 減值準備淨撥備
11. Net charge of impairment allowances

		2020	2019
		港幣千元 HK\$'000	港幣千元 HK\$'000
客戶貸款及貿易票據	Advances to customers and trade bills	255,715	312,622
證券投資	Investment in securities	352,754	13,593
存放央行、銀行及其他金融機構的結餘	Balances with central banks, banks and other financial institutions	1,427	159
其他金融資產	Other financial assets	3,608	597
資產負債表外	Off-balance sheet	24,849	18,374
		638,353	345,345

12. 經營支出
12. Operating expenses

		2020	2019
		港幣千元 HK\$'000	港幣千元 HK\$'000
人事費用 (包括董事酬金)	Staff costs (including directors' emoluments)		
- 薪酬及其他費用	- Salaries and other costs	696,510	580,415
- 退休成本	- Pension cost	33,693	33,209
		730,203	613,624
房產及設備支出 (不包括折舊)	Premises and equipment expenses (excluding depreciation)		
- 房產租金	- Rental of premises	59	80
- 資訊科技	- Information technology	12,102	9,546
- 其他	- Others	11,105	13,676
		23,266	23,302
折舊 (附註 25)	Depreciation (Note 25)	123,170	95,565
- 自用物業、器材及設備	- Owned properties, plant and equipment	37,909	31,529
- 使用權資產	- Right-of-use assets	85,261	64,036
核數師酬金	Auditors' remuneration	4,194	6,315
- 審計服務	- Audit services	3,406	2,793
- 非審計服務	- Non-audit services	788	3,522
其他經營支出	Other operating expenses	239,390	206,104
		1,120,223	944,910

13. 投資物業公平值調整之淨 (虧損) / 收益
13. Net (loss) / gain from fair value adjustments on investment properties

		2020	2019
		港幣千元 HK\$'000	港幣千元 HK\$'000
投資物業公平值調整之淨 (虧損) / 收益 (附註 24)	Net (loss) / gain from fair value adjustments on investment properties (Note 24)	(7,330)	4,846

**綜合財務報表附註
(續)**
Notes to the Consolidated Financial Statements (continued)
14. 出售／重估物業、器材及設備之淨（虧損）／收益
14. Net (loss) / gain from disposal / revaluation of properties, plant and equipment

	2020	2019
	港幣千元 HK\$'000	港幣千元 HK\$'000
出售設備、固定設施及裝備之淨虧損	(8)	(71)
重估房產之淨（虧損）／收益（附註 25）	(239)	2,794
	(247)	2,723

15. 稅項
15. Taxation

綜合收益表內之稅項組成如下：

Taxation in the consolidated income statement represents:

	2020	2019
	港幣千元 HK\$'000	港幣千元 HK\$'000
本期稅項		
香港利得稅		
- 年內計入稅項	106,965	146,318
- 往年不足撥備	4,631	24
	111,596	146,342
海外稅項		
- 年內計入稅項	89,704	79,979
	201,300	226,321
遞延稅項		
暫時性差額之產生（附註 29）	(24,364)	5,048
	176,936	231,369

香港利得稅乃按照本年度估計應課稅溢利依稅率 16.5%（2019 年：16.5%）提撥。海外溢利之稅款按照本年度估計應課稅溢利依本集團經營業務所在國家之現行稅率計算。

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
15. 稅項 (續)
15. Taxation (continued)

本集團除稅前溢利產生的實際稅項，與根據香港利得稅率計算的稅項差異如下：

The taxation on the Group's profit before taxation that differs from the theoretical amount that would arise using the taxation rate of Hong Kong is as follows:

		<u>2020</u>	<u>2019</u>
		港幣千元	港幣千元
		HK\$'000	HK\$'000
除稅前溢利	Profit before taxation	<u>1,020,196</u>	<u>1,493,937</u>
按稅率 16.5% (2019 年： 16.5%) 計算的稅項	Calculated at a taxation rate of 16.5% (2019: 16.5%)	168,332	246,500
其他地區稅率差異的影響	Effect of different taxation rates in another jurisdiction	18,660	41,767
無需課稅之收入	Income not subject to taxation	(24,202)	(52,424)
稅務上不可扣減之開支	Expenses not deductible for taxation purposes	23,726	12,478
往年不足撥備	Under-provision in prior year	4,631	24
派發額外一級資本證券股息	Additional tier 1 capital securities dividend payment	(16,793)	(16,976)
海外預提稅	Foreign withholding tax	2,582	-
計入稅項	Taxation charge	<u>176,936</u>	<u>231,369</u>
實際稅率	Effective tax rate	<u>17.34%</u>	<u>15.49%</u>

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
16. 股息及支付利息
16. Dividends and Distributions

- (i) 於年度核准及支付屬上年度股息

- (i) Dividends payable to equity holders attributable to the previous financial year, approved and paid during the year

2020		2019	
每股*	總額	每股	總額
Per share*	Total	Per share	Total
港幣	港幣千元	港幣	港幣千元
HK\$	HK\$'000	HK\$	HK\$'000

本年度經批准及支付的上年度末期股息

Final dividend in respect of the previous financial year, approved and paid during the year

0.2	373,650	80	298,920
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* 2019年5月30日起，本銀行股本中每1股已發行股拆細為500股拆細股份（「股份拆細」），截至2020年12月31日止期間的每股股息以拆細後的發行股份計算。

* With effect from 30 May 2019, every one issued share in the capital of the Bank was subdivided into 500 subdivided shares (the "Share Subdivision"), the dividend per share for the period ended 31 December 2020 was calculated by reference to the issued shares after the Share Subdivision.

- (ii) 本年永久非累計次級額外一級資本證券支付的利息為港幣 101,776,000 元（2019年：港幣 102,882,000 元）。

- (ii) During the year, amount paid on perpetual non-cumulative subordinated additional tier 1 capital securities is HK\$101,776,000 (2019: HK\$102,882,000).

綜合財務報表附註（續）
**Notes to the Consolidated Financial Statements
(continued)**
17. 退休福利成本

本集團給予本集團員工的界定供款計劃主要為獲《強積金條例》豁免之職業退休計劃及中銀保誠簡易強積金計劃。根據職業退休計劃，僱員須向職業退休計劃之每月供款為其基本薪金之5%，而僱主之每月供款為僱員基本月薪之5%至15%不等（視乎僱員之服務年期）。僱員有權於退休、提前退休或僱用期終止且服務年資滿10年或以上等情況下收取100%之僱主供款。服務滿3年至9年的員工，因其他原因而終止僱用期（被即時解僱除外），可收取30%至90%之僱主供款。僱主供款須受《強制性公積金計劃條例》所限。

隨著《強積金條例》於2000年12月1日實施，本集團亦參與中銀保誠簡易強積金計劃，該計劃之受託人為中銀國際英國保誠信託有限公司，投資管理人為中銀國際英國保誠資產管理有限公司。

截至2020年12月31日，在扣除約港幣810,000元（2019年：約港幣713,000元）之沒收供款後，職業退休計劃之供款總額約為港幣14,701,000元（2019年：約港幣14,892,000元），而本集團向強積金計劃之供款總額則約為港幣7,058,000元（2019年：約港幣6,317,000元）。

18. 董事酬金

根據《香港公司條例》（第622章）第383節及公司（披露董事利益資料）規例，本年度本集團就本銀行董事為本銀行及管理附屬公司提供之服務而已付及其應收未收之酬金詳情如下：

董事袍金
其他酬金
- 基本薪金及津貼
- 酌情發放之花紅
- 其他（包括退休金供款）

本年度支付予獨立非執行董事之酬金總額為港幣2,360,000元（2019：港幣2,604,000元）。

17. Retirement benefit costs

Defined contribution schemes for the Group's employees are ORSO schemes exempted under the MPF Schemes Ordinance and the BOC-Prudential Easy Choice MPF Scheme. Under the ORSO schemes, employees make monthly contributions to the ORSO schemes equal to 5% of their basic salaries, while the employer makes monthly contributions equal to 5% to 15% of the employees' monthly basic salaries, depending on years of service. The employees are entitled to receive 100% of the employer's contributions upon retirement, early retirement or termination of employment after completing 10 years of service. Employees with 3 to 9 years of service are entitled to receive the employer's contributions at a scale ranging from 30% to 90% upon termination of employment for other reasons other than summary dismissal. All employer's contributions are subjected to MPF Schemes Ordinance.

With the implementation of the MPF Schemes Ordinance on 1 December 2000, the Group also participates in the BOC-Prudential Easy Choice MPF Scheme, of which the trustee is BOCI-Prudential Trustee and the investment manager is BOCI-Prudential Manager.

The Group's total contributions made to the ORSO schemes for the year ended 31 December 2020 amounted to approximately HK\$14,701,000 (2019: approximately HK\$14,892,000), after a deduction of forfeited contributions of approximately HK\$810,000 (2019: approximately HK\$713,000). For the MPF Scheme, the Group contributed approximately HK\$7,058,000 (2019: approximately HK\$6,317,000) for the year ended 31 December 2020.

18. Directors' emoluments

The emoluments of the Directors of the Bank disclosed pursuant to section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation. Details of the emoluments paid to or receivable by the directors of the Bank in respect of their services rendered for the Bank and managing the subsidiaries within the Group during the year are as follows:

	2020	2019
	港幣千元	港幣千元
	HK\$'000	HK\$'000
Director's fees	4,370	4,314
Other emoluments		
- basic salaries and allowances	8,160	9,410
- discretionary bonuses	-	17,429
- others (including pension contributions)	3,273	2,951
	15,803	34,104

Fees of HK\$2,360,000 (2019: HK\$2,604,000) were paid to the Independent Non-executive Directors during the year.

綜合財務報表附註
 (續)

Notes to the Consolidated Financial Statements (continued)

19. 庫存現金及存放銀行及其他金融機構的結餘

19. Cash and balances with banks and other financial institutions

		2020	2019
		港幣千元	港幣千元
		HK\$'000	HK\$'000
庫存現金	Cash	216,230	281,478
存放中央銀行的結餘	Balances with central banks	3,909,384	5,591,532
存放銀行及其他金融機構的結餘	Balances with banks and other financial institutions	2,942,926	1,729,013
在銀行及其他金融機構一個月內到期之定期存放	Placements with banks and other financial institutions maturing within one month	<u>15,903,903</u>	<u>10,634,047</u>
		22,972,443	18,236,070
減值準備	Impairment allowances		
- 按第一階段	- Stage 1	(611)	(82)
- 按第二階段	- Stage 2	-	-
- 按第三階段	- Stage 3	-	-
		<u>-</u>	<u>-</u>
		22,971,832	18,235,988

20. 在銀行及其他金融機構一至十二個月內到期之定期存放

20. Placements with banks and other financial institutions maturing between one and twelve months

		2020	2019
		港幣千元	港幣千元
		HK\$'000	HK\$'000
存放銀行及其他金融機構一至十二個月內到期之定期存放	Balances with banks and other financial institutions maturing between one to twelve months	7,441,611	4,819,614
減值準備	Impairment allowances		
- 按第一階段	- Stage 1	(1,313)	(402)
- 按第二階段	- Stage 2	-	-
- 按第三階段	- Stage 3	-	-
		<u>-</u>	<u>-</u>
		7,440,298	4,819,212

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

21. 衍生金融工具

21. Derivative financial instruments

本集團訂立匯率及利率相關的衍生金融工具合約作買賣及風險管理之用。

The Group enters into exchange rate and interest rate related derivative financial instrument contracts for trading and risk management purposes.

貨幣遠期是指於未來某一日期買或賣外幣的承諾。

Currency forwards represent commitments to purchase and sell foreign currency on a future date.

貨幣及利率掉期是指交換不同現金流的承諾。掉期的結果是交換不同貨幣或利率（如固定利率與浮動利率）或以上的所有組合。除某些貨幣掉期合約外，該等交易無需交換本金。

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these. Except for certain currency swap contracts, no exchange of principal takes place.

外匯期權是指期權的賣方（出讓方）為買方（持有方）提供在未來某一特定日期或未來一定時期內按約定的價格買進（認購期權）或賣出（認沽期權）一定數量的金融工具的權利（而非承諾）的一種協議。考慮到外匯和利率風險，期權的賣方從購買方收取一定的期權費。本集團期權合約是與對手方在場外協商達成或透過交易所進行（如於交易所進行買賣之期權）。

Foreign currency options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of the financial instrument at a predetermined price. In consideration for the assumption of foreign exchange and interest rate risk, the seller receives a premium from the purchaser. Options are negotiated over-the-counter between the Group and its counterparty or traded through the stock exchange (for example, exchange-traded stock option).

本集團之衍生金融工具合約／名義數額及其公平值詳列於下表。各類型金融工具的合約／名義數額僅顯示於財務狀況表日未完成之交易量，而若干金融工具之合約／名義數額則提供了一個與財務狀況表內所確認的資產或負債的公平值對比的基礎。但是，這並不反映所涉及的未來的現金流或當前的公平值，因而也不能反映本集團所面臨的信貸風險或市場風險。隨著與衍生金融工具合約條款相關的匯率或市場利率的波動，衍生金融工具的估值可能產生有利（資產）或不利（負債）的影響，這些影響可能在不同期間有較大的波動。

The contract / notional amounts and fair values of derivative financial instruments held by the Group are set out in the following tables. The contract / notional amounts of these instruments indicate the volume of transactions outstanding at the end of the reporting dates and certain of them provide a basis for comparison with fair values of instruments recognised on the statement of financial position. However, they do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates or market interest rates relative to their terms. The aggregate fair values of derivative financial instruments can fluctuate significantly from time to time.

本集團進行場內或場外衍生產品交易的主要目的是開展客戶業務。本集團與客戶及同業市場鈞做的衍生產品交易均需嚴格遵從本集團的各相關風險管理政策及規定。

The Group trades derivative products (both exchange-traded or OTC) mainly for customer business. The Group strictly follows risk management policies and requirement in providing derivative products to our customers and in trading of derivative products in the interbank market.

衍生產品亦應用於管理銀行賬的利率風險，只有獲批准之產品名單上載有的衍生產品方可進行交易。由衍生產品交易產生的風險承擔名義數額以設限控制，並制訂交易的最長期限。每宗衍生產品交易必須記錄於相應的系統，以進行結算、市場劃價、報告及監控。

Derivatives are also used to manage the interest rate risk of the banking book. A derivative instrument must be included in the approved product list before any transactions for that instrument can be made. There are limits to control the notional amount of exposure arising from derivative transactions, and the maximum tenor of the deal is set. Every derivative transaction must be input into the relevant system for settlement, mark-to-market revaluation, reporting and control.

**綜合財務報表附註
(續)**
Notes to the Consolidated Financial Statements (continued)
21. 衍生金融工具 (續) 21. Derivative financial instruments (continued)

下表概述各類衍生金融工具於12月31日之合約／名義數額及公平值：

The following tables summarise the contract / notional amounts and fair values of each class of derivative financial instrument as at 31 December:

		2020		
		合約／名義數額 Contract / notional amounts	公平值 Fair values	
			資產 Assets	負債 Liabilities
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
匯率合約	Exchange rate contracts			
即期及遠期	Spot and forwards	961,017	97,298	(15,142)
掉期	Swaps	14,096,968	22,146	(32,726)
外匯交易期權	Foreign currency options			
- 買入期權	- Options purchased	8,351	23	-
- 賣出期權	- Options written	8,351	-	(27)
		15,074,687	119,467	(47,895)
利率合約	Interest rate contracts			
掉期	Swaps	1,678,689	21,038	(27,501)
		16,753,376	140,505	(75,396)
		2019		
		合約／名義數額 Contract / notional amounts	公平值 Fair values	
			資產 Assets	負債 Liabilities
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
匯率合約	Exchange rate contracts			
即期及遠期	Spot and forwards	1,170,736	88,544	(7,427)
掉期	Swaps	8,017,633	25,361	(21,307)
外匯交易期權	Foreign currency options			
- 買入期權	- Options purchased	1,571	6	-
- 賣出期權	- Options written	1,571	-	(10)
		9,191,511	113,911	(28,744)
利率合約	Interest rate contracts			
掉期	Swaps	2,143,257	8,222	(11,617)
		11,334,768	122,133	(40,361)

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)
22. 客戶貸款及貿易票據 22. Advances to customers and trade bills

		2020	2019
		港幣千元	港幣千元
		HK\$'000	HK\$'000
個人貸款	Personal loans and advances	13,616,426	12,045,683
公司貸款	Corporate loans and advances	<u>64,164,220</u>	<u>64,021,276</u>
客戶貸款	Advances to customers	77,780,646	76,066,959
客戶貸款減值準備	Advances to customers impairment allowances		
- 按第一階段	- Stage 1	(476,643)	(326,066)
- 按第二階段	- Stage 2	(8,637)	(18,309)
- 按第三階段	- Stage 3	<u>(278,510)</u>	<u>(284,868)</u>
		<u>77,016,856</u>	<u>75,437,716</u>
貿易票據	Trade bills	1,327,776	1,553,101
貿易票據減值準備	Trade bills impairment allowances		
- 按第一階段	- Stage 1	(4,491)	(3,926)
- 按第二階段	- Stage 2	-	-
- 按第三階段	- Stage 3	<u>-</u>	<u>-</u>
		<u>1,323,285</u>	<u>1,549,175</u>
		<u>78,340,141</u>	<u>76,986,891</u>

於2020年12月31日，客戶貸款包括應計利息港幣180,337,000元（2019年：港幣237,214,000元）。

As at 31 December 2020, advances to customers included accrued interest of HK\$180,337,000 (2019: HK\$237,214,000).

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)
23. 證券投資
23. Investment in securities

		2020				
		強制性以公平 值變化計入損 益之證券	界定為以公平 值變化計入損 益之證券	以公平值變 化計入其他全 面收益之證券	以攤餘成本 計量之證券	總計
		Investment in securities mandatorily measured at fair value through profit or loss	Investment in securities designated at fair value through profit and loss	Investment in securities at fair value through other comprehensive income	Investment in securities at amortised cost	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
存款證：	Certificates of deposit:					
- 於香港上市	- Listed in Hong Kong	-	-	-	-	-
- 於香港以外上市	- Listed outside Hong Kong	-	-	-	-	-
- 非上市	- Unlisted	-	-	8,728,236	-	8,728,236
		-	-	8,728,236	-	8,728,236
債務證券：	Debt securities:					
- 於香港上市	- Listed in Hong Kong	82,522	40,027	6,094,516	1,013,552	7,230,617
- 於香港以外上市	- Listed outside Hong Kong	152,637	175,632	4,752,932	120,910	5,202,111
- 非上市	- Unlisted	3,069	147,541	29,205,565	220,139	29,576,314
		238,228	363,200	40,053,013	1,354,601	42,009,042
		238,228	363,200	48,781,249	1,354,601	50,737,278
減值準備	Impairment allowances					
- 按第一階段	- Stage 1	-	-	-	(3,600)	(3,600)
- 按第二階段	- Stage 2	-	-	-	-	-
- 按第三階段	- Stage 3	-	-	-	-	-
		-	-	-	(3,600)	(3,600)
存款證及債務證券	Total debt securities and certificates of deposit	238,228	363,200	48,781,249	1,351,001	50,733,678
股份證券：	Equity securities:					
- 於香港上市	- Listed in Hong Kong	51,535	-	-	-	51,535
- 於香港以外上市	- Listed outside Hong Kong	11,064	-	-	-	11,064
- 非上市	- Unlisted	-	-	20,854	-	20,854
股份證券總額	Total equity securities	62,599	-	20,854	-	83,453
		300,827	363,200	48,802,103	1,351,001	50,817,131
按發行機構之分類 如下：	Analysed by type of issuer as follows :					
官方實體	Sovereigns	-	-	18,872,423	-	18,872,423
公營單位	Public sector entities	-	-	1,513,178	-	1,513,178
銀行及 其他金融機構	Banks and other financial institutions	51,256	347,320	23,433,969	799,529	24,632,074
公司企業	Corporate entities	249,571	15,880	4,982,533	551,472	5,799,456
		300,827	363,200	48,802,103	1,351,001	50,817,131

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
23. 證券投資 (續)
23. Investment in securities (continued)

		2019				
		強制性以公平 值變化計入損 益之證券	界定為以公平 值變化計入損 益之證券	以公平值變 化計入其他全 面收益之證券	以攤餘成本 計量之證券	總計
Investment in securities		Investment in securities mandatorily measured at fair value through profit or loss	Investment in securities designated at fair value through profit and loss	Investment in securities at fair value through other comprehensive income	Investment in securities at amortised cost	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
存款證：	Certificates of deposit:					
- 於香港上市	- Listed in Hong Kong	-	-	-	-	-
- 於香港以外上市	- Listed outside Hong Kong	-	-	-	-	-
- 非上市	- Unlisted	58,411	-	5,440,305	-	5,498,716
		58,411	-	5,440,305	-	5,498,716
債務證券：	Debt securities:					
- 於香港上市	- Listed in Hong Kong	59,248	39,959	8,963,966	1,106,571	10,169,744
- 於香港以外上市	- Listed outside Hong Kong	30,491	174,442	10,428,704	252,093	10,885,730
- 非上市	- Unlisted	-	156,206	19,887,108	285,531	20,328,845
		89,739	370,607	39,279,778	1,644,195	41,384,319
		148,150	370,607	44,720,083	1,644,195	46,883,035
減值準備	Impairment allowances					
- 按第一階段	- Stage 1	-	-	-	(1,798)	(1,798)
- 按第二階段	- Stage 2	-	-	-	-	-
- 按第三階段	- Stage 3	-	-	-	-	-
		-	-	-	(1,798)	(1,798)
存款證及債務證券	Total debt securities and certificates of deposit	148,150	370,607	44,720,083	1,642,397	46,881,237
股份證券：	Equity securities:					
- 於香港上市	- Listed in Hong Kong	-	-	-	-	-
- 於香港以外上市	- Listed outside Hong Kong	-	-	-	-	-
- 非上市	- Unlisted	-	-	27,183	-	27,183
股份證券總額	Total equity securities	-	-	27,183	-	27,183
		148,150	370,607	44,747,266	1,642,397	46,908,420
按發行機構之分類 如下：	Analysed by type of issuer as follows :					
官方實體	Sovereigns	-	-	19,912,275	-	19,912,275
公營單位	Public sector entities	-	-	1,415,230	-	1,415,230
銀行及 其他金融機構	Banks and other financial institutions	81,983	354,282	18,623,804	912,851	19,972,920
公司企業	Corporate entities	66,167	16,325	4,795,957	729,546	5,607,995
		148,150	370,607	44,747,266	1,642,397	46,908,420

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
23. 證券投資 (續)
23. Investment in securities (continued)

證券投資之變動概述如下：

The movements in investment in securities are summarised as follows:

		2020				
		強制性以公平 值變化計入損 益之證券	界定為以公平 值變化計入損 益之證券	以公平值變 化計入其他全 面收益之證券	以攤餘成本 計量之證券	總計
		Investment in securities mandatorily measured at fair value through profit or loss	Investment in securities designated at fair value through profit and loss	Investment in securities at fair value through other comprehensive income	Investment in securities at amortised cost	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2020 年 1 月 1 日	At 1 January 2020	148,150	370,607	44,747,266	1,642,397	46,908,420
增加	Additions	556,668	-	79,716,573	-	80,273,241
處置、贖回及到期	Disposals, redemptions and maturity	(410,971)	-	(76,635,834)	(303,135)	(77,349,940)
攤銷	Amortisation	3,281	(106)	54,580	(1,022)	56,733
公平值變化	Change in fair value	4,314	(6,319)	(166,254)	-	(168,259)
匯兌差額	Exchange difference	(615)	(982)	1,085,772	14,558	1,098,733
減值準備	Impairment allowances	-	-	-	(1,797)	(1,797)
於 2020 年 12 月 31 日	At 31 December 2020	<u>300,827</u>	<u>363,200</u>	<u>48,802,103</u>	<u>1,351,001</u>	<u>50,817,131</u>
		2019				
		強制性以公平 值變化計入損 益之證券	界定為以公平 值變化計入損 益之證券	以公平值變 化計入其他全 面收益之證券	以攤餘成本 計量之證券	總計
		Investment in securities mandatorily measured at fair value through profit or loss	Investment in securities designated at fair value through profit and loss	Investment in securities at fair value through other comprehensive income	Investment in securities at amortised cost	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2019 年 1 月 1 日	At 1 January 2019	-	364,604	26,592,001	1,670,901	28,627,506
增加	Additions	150,492	-	77,786,627	134,954	78,072,073
處置、贖回及到期	Disposals, redemptions and maturity	(2,594)	-	(59,950,084)	(150,000)	(60,102,678)
攤銷	Amortisation	985	(104)	266,651	1,194	268,726
公平值變化	Change in fair value	(300)	7,307	320,578	-	327,585
匯兌差額	Exchange difference	(433)	(1,200)	(268,507)	(13,175)	(283,315)
減值準備	Impairment allowances	-	-	-	(1,477)	(1,477)
於 2019 年 12 月 31 日	At 31 December 2019	<u>148,150</u>	<u>370,607</u>	<u>44,747,266</u>	<u>1,642,397</u>	<u>46,908,420</u>



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements
(continued)

24. 投資物業

24. Investment properties

		<u>2020</u>	<u>2019</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
於 1 月 1 日	At 1 January	237,150	233,350
公平值 (虧損) / 收益 (附註 13)	Fair value (losses) / gains (Note 13)	(7,330)	4,846
重新分類轉至物業、器材及 設備 (附註 25)	Reclassification to properties, plant and equipment (Note 25)	<u>(76,200)</u>	<u>(1,046)</u>
於 12 月 31 日	At 31 December	<u>153,620</u>	<u>237,150</u>

投資物業之賬面值按租約剩
餘期限分析如下：

The carrying value of investment properties is analysed based on the remaining terms of
the leases as follows:

		<u>2020</u>	<u>2019</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
在香港持有	Held in Hong Kong		
長期租約 (超過 50 年)	On long-term lease (over 50 years)	144,920	228,250
在香港以外持有	Held outside Hong Kong		
中期租約 (10 年至 50 年)	On medium-term lease (10 – 50 years)	<u>8,700</u>	<u>8,900</u>
		<u>153,620</u>	<u>237,150</u>

於 2020 年 12 月 31 日，列
於財務狀況表內之投資物
業，乃依據獨立特許測量師
萊坊測量師行有限公司於
2020 年 12 月 31 日以公平
值為基準所進行之專業估
值。公平值指在計量當日若
在有秩序成交的情況下向市
場參與者出售每一項投資物
業應取得的價格。

As at 31 December 2020, investment properties were included in the statement of financial
position at valuation carried out at 31 December 2020 on the basis of their fair value by an
independent firm of chartered surveyors, Knight Frank Petty Limited. The fair value
represents the price that would be received to sell each investment property in an orderly
transaction with market participants at the measurement date.

綜合財務報表附註 (續) Notes to the Consolidated Financial Statements (continued)
25. 物業、器材及設備 25. Properties, plant and equipment

		房產使用權 資產 Right-of-use assets of premises	房產 Premises	設備、固定 設施及裝備 Equipment, fixtures and fittings	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2020 年 1 月 1 日之 賬面淨值	Net book value at 1 January 2020	240,083	1,707,835	73,154	2,021,072
增置	Additions	71,917	4,410	41,836	118,163
出售	Disposals	(368)	-	(8)	(376)
重估	Revaluation	-	(58,425)	-	(58,425)
年度折舊 (附註 12)	Depreciation for the year (Note 12)	(85,261)	(23,192)	(14,717)	(123,170)
重新分類轉自投資物業 (附註 24)	Reclassification from investment properties (Note 24)	-	76,200	-	76,200
匯兌差額	Exchange difference	10,200	-	898	11,098
於 2020 年 12 月 31 日之 賬面淨值	Net book value at 31 December 2020	236,571	1,706,828	101,163	2,044,562
於 2020 年 12 月 31 日 按成本值	At 31 December 2020 At cost	358,100	-	205,823	563,923
按估值	At valuation	-	1,706,828	-	1,706,828
		358,100	1,706,828	205,823	2,270,751
累計折舊及減值	Accumulated depreciation and impairment	(121,529)	-	(104,660)	(226,189)
於 2020 年 12 月 31 日之 賬面淨值	Net book value at 31 December 2020	236,571	1,706,828	101,163	2,044,562

綜合財務報表附註 (續) Notes to the Consolidated Financial Statements (continued)
25. 物業、器材及設備 (續) 25. Properties, plant and equipment (continued)

	房產使用權 資產 Right-of-use assets of premises	房產 Premises	設備、固定 設施及裝備 Equipment, fixtures and fittings	總計 Total
	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2019 年 1 月 1 日之 賬面淨值		Net book value at 1 January 2019		
應用香港財務報告準則 第 16 號的調整		Adjustment on initial application of HKFRS 16		
增置	117,730			117,730
出售	188,005	3,107		231,223
重估	-	-	(71)	(71)
年度折舊 (附註 12)	-	29,800	-	29,800
重新分類轉自投資物業 (附註 24)	(64,036)	(22,528)	(9,001)	(95,565)
匯兌差額	-	1,046	-	1,046
	(1,616)	-	(44)	(1,660)
於 2019 年 12 月 31 日之 賬面淨值	240,083	1,707,835	73,154	2,021,072
於 2019 年 12 月 31 日 按成本值	295,876	-	164,607	460,483
按估值	-	1,707,835	-	1,707,835
累計折舊及減值	295,876	1,707,835	164,607	2,168,318
	(55,793)	-	(91,453)	(147,246)
於 2019 年 12 月 31 日之 賬面淨值	240,083	1,707,835	73,154	2,021,072

綜合財務報表附註
(續)
Notes to the Consolidated Financial Statements (continued)
25. 物業、器材及設備
(續)
25. Properties, plant and equipment (continued)

房產之賬面值按租約剩餘期限分析如下：

The carrying value of premises is analysed based on the remaining terms of the leases as follows:

	2020	2019
	港幣千元	港幣千元
	HK\$'000	HK\$'000
在香港持有		
長期租約 (超過 50 年)	1,257,828	1,252,635
中期租約 (10 年至 50 年)	410,700	416,200
在香港以外持有		
長期租約 (超過 50 年)	33,000	33,700
中期租約 (10 年至 50 年)	5,300	5,300
	1,706,828	1,707,835

於 2020 年 12 月 31 日，列於財務狀況表內之房產，乃依據獨立特許測量師萊坊測量師行有限公司於 2020 年 12 月 31 日以公平值為基準所進行之專業估值。公平值指在計量當日若有秩序成交的情況下向市場參與者出售每一項房產應取得的價格。

As at 31 December 2020, premises were included in the statement of financial position at valuation carried out at 31 December 2020 on the basis of their fair value by an independent firm of chartered surveyors, Knight Frank Petty Limited. The fair value represents the price that would be received to sell each premises in an orderly transaction with market participants at the measurement date.

根據上述之重估結果，房產估值變動已於房產重估儲備及收益表確認如下：

As a result of the above-mentioned revaluations, changes in value of the premises were recognised in the premises revaluation reserve and income statement as follows:

	2020	2019
	港幣千元	港幣千元
	HK\$'000	HK\$'000
(借記) / 貸記房產重估儲備，除稅前值	(58,186)	27,006
重估房產之淨 (虧損) / 收益 (附註 14)	(239)	2,794
	(58,425)	29,800

於 2020 年 12 月 31 日，假若房產按成本值扣減累計折舊及減值損失列賬，本集團之財務狀況表內之房產之賬面淨值應為港幣 515,312,000 元 (2019 年：港幣 443,569,000 元)。

As at 31 December 2020, the net book value of premises that would have been included in the Group's statement of financial position had the premises been carried at cost less accumulated depreciation and impairment losses was HK\$515,312,000 (2019: HK\$443,569,000).

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
26. 其他資產
26. Other assets

		2020	2019
		港幣千元 HK\$'000	港幣千元 HK\$'000
貴金屬	Precious metals	65,179	54,525
收回資產	Reposessed assets	122,324	144,240
應收賬項及預付費用	Accounts receivable and prepayments	1,378,479	325,551
		1,565,982	524,316
減值準備	Impairment allowances		
- 按第一階段	- Stage 1	(4,299)	(306)
- 按第二階段	- Stage 2	-	-
- 按第三階段	- Stage 3	(387)	(735)
		1,561,296	523,275

27. 客戶存款
27. Deposits from customers

		2020	2019
		港幣千元 HK\$'000	港幣千元 HK\$'000
即期存款及往來存款	Demand deposits and current accounts	10,065,280	7,634,868
儲蓄存款	Savings deposits	30,394,687	19,524,084
定期、短期及通知存款	Time, call and notice deposits	82,113,064	89,132,482
		122,573,031	116,291,434

28. 其他賬項及準備
28. Other accounts and provisions

		2020	2019
		港幣千元 HK\$'000	港幣千元 HK\$'000
其他應付賬項	Other accounts payable	1,923,601	998,403
租賃負債	Lease liabilities	238,449	237,823
準備	Provisions	11,000	10,054
		2,173,050	1,246,280
貸款承諾及應收開出保函之 減值準備	Impairment allowances of loan commitments and financial guarantees contracts issued		
- 按第一階段	- Stage 1	51,644	26,802
- 按第二階段	- Stage 2	1	1
- 按第三階段	- Stage 3	-	-
		2,224,695	1,273,083



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements (continued)

29. 遞延稅項

29. Deferred taxation

遞延稅項是根據香港會計準則第12號「所得稅」計算，就資產負債之稅務基礎與其在財務報表內賬面值兩者之暫時性差額及未使用稅項抵免作提撥。

Deferred tax is recognised in respect of the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and unused tax credits in accordance with HKAS 12, "Income Taxes".

財務狀況表內之遞延稅項負債／(資產)主要組合，以及其在年度內之變動如下：

The major components of deferred tax liabilities / (assets) recorded in the statement of financial position, and the movements during the year are as follows:

		2020					
		加速折舊 免稅額 Accelerated tax depreciation	房產重估 Premises revaluation	虧損 Losses	減值準備 Impairment allowance	其他 Others	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於2020年1月1日	At 1 January 2020	26,426	224,540	(390)	(42,017)	(25,524)	183,035
借記／(貸記)收益表 (附註15)	Charged / (credited) to income statement (Note 15)	3,496	9,302	(75)	(37,087)	-	(24,364)
貸記其他全面收益	Credited to other comprehensive income	-	(11,068)	-	-	(30,471)	(41,539)
匯兌差額	Exchange difference	-	-	-	(3,741)	413	(3,328)
於2020年12月31日	At 31 December 2020	<u>29,922</u>	<u>222,774</u>	<u>(465)</u>	<u>(82,845)</u>	<u>(55,582)</u>	<u>113,804</u>
		2019					
		加速折舊 免稅額 Accelerated tax depreciation	房產重估 Premises revaluation	虧損 Losses	減值準備 Impairment allowance	其他 Others	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於2019年1月1日	At 1 January 2019	23,753	222,601	(713)	(45,825)	(70,871)	128,945
借記收益表 (附註15)	Charged to income statement (Note 15)	2,673	86	309	1,980	-	5,048
借記其他全面收益	Charged to other comprehensive income	-	1,853	-	-	45,347	47,200
匯兌差額	Exchange difference	-	-	14	1,828	-	1,842
於2019年12月31日	At 31 December 2019	<u>26,426</u>	<u>224,540</u>	<u>(390)</u>	<u>(42,017)</u>	<u>(25,524)</u>	<u>183,035</u>

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
29. 遞延稅項 (續)

當有法定權利可將現有稅項資產與現有稅項負債抵銷，而遞延稅項涉及同一財政機關，則可將個別法人的遞延稅項資產與遞延稅項負債互相抵銷。下列在財務狀況表內列賬之金額，已計入適當抵銷：

遞延稅項資產
遞延稅項負債

29. Deferred taxation (continued)

Deferred tax assets and liabilities are offset on an individual entity basis when there is a legal right to set off current tax assets against current tax liabilities and when the deferred taxation relates to the same authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	2020	2019
	港幣千元 HK\$'000	港幣千元 HK\$'000
Deferred tax assets	(23,499)	(640)
Deferred tax liabilities	137,303	183,675
	113,804	183,035

30. 股本

普通股持有人有權不時收取已宣告派發的股息，並在銀行剩餘淨資產會議上投票。

於 1 月 1 日
已發行股票
股份拆細之影響
於 12 月 31 日

根據香港《公司條例》第135條，本銀行的普通股並無票面值。普通股持有人有權獲得不時宣佈派發的紅利，並有權在銀行股東會議按一股一票方行進行投票。所有普通股在銀行剩餘資產方面的排名相等。

本銀行分別於2020年9月29日、10月31日及12月28日通過決議，以每股港幣9.52元向現有股東發行新股。第1次配售於2020年9月29日發行203,994,800股、收取港幣1,942,030,496元，第2次配售於2020年10月31日發行10,504,200股、收取港幣99,999,984元及第3次配售於2020年12月28日發行135,489,500股、收取港幣1,289,860,040元。

30. Share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank's residual net assets.

	2020		2019	
	股份數目 Number of shares	港幣千元 HK\$'000	股份數目 Number of shares	港幣千元 HK\$'000
At 1 January	1,868,247,500	3,245,980	3,368,247	1,772,988
Shares issued	349,988,500	3,331,891	368,248	1,472,992
Effect of share subdivision	-	-	1,864,511,005	-
At 31 December	2,218,236,000	6,577,871	1,868,247,500	3,245,980

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Bank do not have a par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

The Bank passed the resolution on 29 September, 31 October and 28 December 2020 to issue new shares at HK\$9.52 each to its existing shareholders. The first allotment of 203,994,800 shares was issued with a consideration of HK\$1,942,030,496 on 29 September 2020, the second allotment of 10,504,200 shares was issued with a consideration of HK\$99,999,984 on 31 October 2020 and the third allotment of 135,489,500 shares was issued with a consideration of HK\$1,289,860,040 on 28 December 2020.

31. 額外資本工具

31. Additional equity instruments

	2020	2019
	港幣千元 HK\$'000	港幣千元 HK\$'000
2.5 億美元永久非累計次級額外一級資本證券	1,937,712	1,937,712
<p>US\$250 million perpetual non-cumulative subordinated additional tier 1 capital securities</p> <p>On 29 November 2017, the Bank issued perpetual non-cumulative subordinated additional tier 1 capital securities ("additional equity instruments") with a face value of US\$250 million (equivalent to HK\$1,938,000,000 net of related issuance costs). The additional equity instruments are perpetual and bear a 5.25% coupon until the first call date on 29 November 2022. The coupon will be reset every five years if the additional equity instruments are not redeemed to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus a fixed initial spread.</p> <p>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 equity instruments) and the coupon cancelled shall not be cumulative.</p> <p>The principal of the additional equity instruments will be written down to the amount as directed or agreed with the HKMA if the HKMA notifies the Bank that the Bank would become non-viable if there is no written down of the principal.</p> <p>The Bank has a call option to redeem all the outstanding additional equity instruments from 29 November 2022 or any subsequent coupon payment date, but subject to restriction as set out in the terms and conditions.</p> <p>During the year, the coupons of this additional equity instruments were paid with the amount of HK\$50,907,000 and HK\$50,869,000 on 22 May 2020 and 24 November 2020 respectively.</p>		
<p>本銀行於2017年11月29日發行了票面值2.5億美元(扣除相關發行成本後等值港幣1,938,000,000元)的永久非累計次級額外一級資本證券(「額外資本工具」)。此永久額外資本工具於2022年11月29日首個提前贖回日期前,票面年利率定於5.25%。若屆時未有行使贖回權,票面年利率將每五年按當時五年期美國國庫債券息率的每年利率加上初始發行利差重設。</p> <p>票息需每半年派付一次。本銀行有權根據該額外資本工具的條款規定取消利息發放,而取消的利息不會累積。</p> <p>假如金管局通知本銀行不對本金進行撇銷則無法繼續經營,該額外資本工具的本金將會按與金管局協商後或接受其指令下進行撇銷。</p> <p>於2022年11月29日或任何其後的派息日,本銀行擁有贖回權贖回所有未償付的額外資本工具,但須受已列載之條款及細則所限制。</p> <p>2020年5月22日及11月24日已分別派發此額外資本工具利息港幣50,907,000元及港幣50,869,000元。</p>		

綜合財務報表附註
 (續)

Notes to the Consolidated Financial Statements (continued)

32. 綜合現金流量表附註 32. Notes to consolidated cash flow statement

 (a) 除稅前溢利與除稅前
 經營現金之流入對
 賬

 (a) Reconciliation of profit before taxation to operating cash inflow
 before taxation

	2020	2019
	港幣千元	港幣千元
	HK\$'000	HK\$'000
除稅前溢利	1,020,196	1,493,937
投資物業公平值調整之 淨虧損／(收益)	7,330	(4,846)
出售／重估物業、器材 及設備淨虧損／(收 益)	247	(2,723)
租賃負債之利息支出	8,360	5,207
折舊	123,170	95,565
減值準備淨撥備	638,353	345,345
原到期日超過3個月之 存放銀行及其他金融 機構之結餘之變動	(615,528)	(982,756)
原到期日超過3個月之 在銀行及其他金融機 構之定期存放之變動	985,805	539,001
衍生金融工具之變動	16,663	(2,360)
客戶貸款及貿易票據之 變動	(1,608,965)	(27,365,223)
證券投資之變動	(2,018,958)	(16,394,127)
其他資產之變動	(1,041,629)	(68,513)
銀行及其他金融機構之 存款及結餘之變動	2,820,172	5,814,193
客戶存款之變動	6,281,597	37,961,919
其他賬項及準備之變動	925,392	270,575
匯率變動之影響	(141,837)	17,689
除稅前經營現金之流入	<u>7,400,368</u>	<u>1,722,883</u>
經營業務之現金流量中 包括：		
– 已收利息	3,916,154	3,937,309
– 已付利息	(2,408,325)	(1,868,326)
– 已收股息	2,171	4,437



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements
(continued)

32. 綜合現金流量表附註
(續)

32. Notes to consolidated cash flow statement (continued)

(b) 現金及等同現金項目結
存分析

(b) Analysis of the balances of cash and cash equivalents

	2020	2019
	港幣千元	港幣千元
	HK\$'000	HK\$'000
庫存現金及原到期日在 3 個月內之存放銀行及其他金融機構的結餘	19,809,461	15,689,145
原到期日在 3 個月內之在銀行及其他金融機構之定期存放	6,117,853	2,509,536
原到期日在 3 個月內之債務證券	4,070,683	2,404,986
原到期日在 3 個月內之存款證	1,284,877	586,132
	31,282,874	21,189,799

(c) 與綜合財務狀況表的對
賬

(c) Reconciliation with the consolidated statement of financial position

	2020	2019
	港幣千元	港幣千元
	HK\$'000	HK\$'000
庫存現金及存放銀行及其他金融機構的結餘 (附註 19)	22,971,832	18,235,988
在銀行及其他金融機構一至十二個月內到期之定期存放 (附註 20)	7,440,298	4,819,212
證券投資		
其中：強制性以公平值變化計入損益之證券	238,228	148,150
其中：界定為以公平值變化計入損益之證券	363,200	370,607
其中：以公平值變化計入其他全面收益之證券	48,781,249	44,720,083
其中：攤銷成本證券	1,351,001	1,642,397
在綜合財務狀況表列示的金額	81,145,808	69,936,437
減：原本期限為 3 個月以上的金額	(48,011,987)	(47,248,747)
減：受規管限制的中央銀行的現金結存	(1,850,947)	(1,497,891)
在綜合現金流量表內的現金及等同現金項目	31,282,874	21,189,799

**綜合財務報表附註
(續)**
**Notes to the Consolidated Financial Statements
(continued)**
33. 或然負債及承擔
33. Contingent liabilities and commitments

或然負債及承擔乃參照有關資本充足比率之金管局報表的填報指示而編製，其每項重要類別之合約數額及總信貸風險加權數額概述如下：

The following is a summary of the contractual amounts of each significant class of contingent liability and commitment and the aggregate credit risk-weighted amount and is prepared with reference to the completion instructions for the HKMA return of capital adequacy ratio:

	2020	2019
	港幣千元 HK\$'000	港幣千元 HK\$'000
直接信貸替代項目	5,147	5,147
與交易有關之或然負債	25,621	24,771
與貿易有關之或然負債	677,387	475,735
不需事先通知的無條件撤銷之承諾	10,356,740	7,486,395
其他承擔，原到期日為		
- 1年或以下	564,022	275,275
- 1年以上	2,587,573	4,370,553
	14,216,490	12,637,876
信貸風險加權數額	1,225,636	1,843,553

信貸風險加權數額是根據《銀行業(資本)規則》計算。此數額取決於交易對手之情況及各類合約之期限特性。

The credit risk-weighted amount is calculated in accordance with the Banking (Capital) Rules. The amount is dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

34. 資本承擔
34. Capital commitments

本集團未於財務報表中撥備之資本承擔金額如下：

The Group has the following outstanding capital commitments not provided for in the financial statements:

	2020	2019
	港幣千元 HK\$'000	港幣千元 HK\$'000
已批准及簽約但未撥備	22,855	13,758
已批准但未簽約	184	18,226
	23,039	31,984

以上資本承擔大部分為將購入之電腦硬件及軟件，以及本集團之樓宇裝修工程之承擔。

The above capital commitments mainly relate to commitments to purchase computer equipment and software, and to renovate the Group's premises.

**綜合財務報表附註
(續)**
Notes to the Consolidated Financial Statements (continued)
35. 租賃承擔
35. Lease commitments
(a) 作為承租人

根據不可撤銷之經營租賃合約，下列為本集團未來有關租賃承擔所須支付之最低租金：

土地及樓宇
 - 不超過 1 年
 - 1 年以上至 5 年內

上列若干不可撤銷之經營租約可再商議及參照協議日期之市值或按租約內的特別條款說明而作租金調整。

(a) As lessee

The Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

	2020	2019
	港幣千元 HK\$'000	港幣千元 HK\$'000
Land and buildings		
- Not later than one year	513	330
- Later than one year but not later than five years	23	-
	536	330

Certain non-cancellable operating leases included in the table above were subject to renegotiation and rent adjustment with reference to market rates prevailing at specified agreed dates or according to the special condition as stipulated in the leases.

(b) 作為出租人

根據不可撤銷之經營租賃合約，下列為本集團與租客簽訂合約之未來有關租賃之最低應收租金：

土地及樓宇
 - 不超過 1 年
 - 1 年以上至 5 年內

本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 3 年。租約條款一般要求租客提交保證金及於租約期滿時，因應租務市況之狀況而調整租金。

(b) As lessor

The Group has contracted with tenants for the following future minimum lease receivables under non-cancellable operating leases:

	2020	2019
	港幣千元 HK\$'000	港幣千元 HK\$'000
Land and buildings		
- Not later than one year	1,673	4,440
- Later than one year but not later than five years	-	1,669
	1,673	6,109

The Group leases its investment properties under operating lease arrangements, with leases typically for a period from one to three years. The terms of the leases generally require the tenants to pay security deposits and provide for rent adjustments according to the prevailing market conditions at the expiration of the lease.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

36. 訴訟

本集團正面對多項由獨立人士提出的索償及反索償。該等索償及反索償與本集團的正常商業活動有關。

由於董事認為本集團可對申索人作出有力抗辯或預計該等申索所涉及的數額不大，故並未對此等索償及反索償作出重大撥備。

36. Litigation

The Group has been served a number of claims and counterclaims by various independent parties. These claims and counterclaims are in relation to the normal commercial activities of the Group.

No material provision was made against these claims and counterclaims because the directors believe that the Group has meritorious defences against the claimants or the amounts involved in these claims are not expected to be material.

37. 分類報告

37. Segmental reporting

(a) 按業務劃分

本集團業務共分為三個業務分類，它們分別是個人銀行業務、企業銀行業務和財資業務。業務線的分類是基於不同客戶層及產品種類。

個人銀行和企業銀行業務線均會提供全面的銀行服務，包括各類存款、透支、貸款、與貿易相關的產品及其他信貸服務、投資及保險產品、外幣業務及衍生產品。個人銀行業務線主要是服務個人客戶，而企業銀行業務線主要是服務公司客戶。至於財資業務線，除了自營買賣外，還負責管理集團的流動資金、利率和外匯敞口。「其他」這一欄，主要包括本集團持有房地產、投資物業及股權投資等。

業務線的資產、負債、收入、支出、經營成果及資本性支出是基於集團會計政策進行計量。分類資料包括直接屬於該業務線的績效以及可以合理攤分至該業務線的績效。跨業務線資金的定價，按集團內部資金轉移價格機制釐定，主要是以市場利率為基準，並考慮有關產品的特性。

本集團的主要收入來源為利息收入，並且高級管理層主要按淨利息收入來管理業務，因此所有業務分類的利息收入及支出以淨額列示。

(a) Operating segments information

The Group divides its businesses into three operating segments. They are Personal Banking, Corporate Banking and Treasury. The classification of the Group's operating segments is based on customer segment and product type.

Both Personal Banking and Corporate Banking provide general banking services including various deposit products, overdrafts, loans, trade related products and other credit facilities, investment and insurance products, and foreign currency and derivative products. Personal Banking mainly serves retail customers while Corporate Banking mainly deals with corporate customers. Treasury manages the funding and liquidity, and the interest rate and foreign exchange positions of the Group in addition to proprietary trades. "Others" mainly represents the Group's holdings of premises, investment properties and equity investments.

Measurement of segment assets, liabilities, income, expenses, results and capital expenditure is based on the Group's accounting policies. The segment information includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment funding is charged according to the internal funds transfer pricing mechanism of the Group, which is primarily based on market rates with the consideration of specific features of the product.

As the Group derives a majority of revenue from interest and the senior management relies primarily on net interest income in managing the business, interest income and expense for all reportable segments are presented on a net basis.



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements (continued)

37. 分類報告 (續)

37. Segmental reporting (continued)

(a) 按業務劃分 (續)

(a) Operating segments information (continued)

		2020						
		個人銀行 Personal Banking	企業銀行 Corporate Banking	財資業務 Treasury	其他 Others	小計 Subtotal	合併抵銷 Eliminations	綜合 Consolidated
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
淨利息(支出)/收入	Net interest (expense) / income							
- 外來	- External	(907,770)	1,407,740	1,212,348	-	1,712,318	-	1,712,318
- 跨業務	- Inter-segment	1,297,380	(239,192)	(1,058,188)	-	-	-	-
		389,610	1,168,548	154,160	-	1,712,318	-	1,712,318
淨服務費及佣金收入 /(支出)	Net fee and commission income / (expense)	281,525	523,712	(2,600)	786	803,423	-	803,423
淨交易性收益/(虧損)	Net trading gain / (loss)	20,093	14,700	9,841	(89,216)	(44,582)	-	(44,582)
界定為以公平值變化 計入損益之金融工 具淨虧損	Net loss on financial instruments designated at fair value through profit or loss	-	-	(6,319)	-	(6,319)	-	(6,319)
其他金融資產之淨收 益	Net gain on other financial assets	-	113,424	198,845	-	312,269	-	312,269
其他經營收入	Other operating income	-	448	550	23,435	24,433	(15,193)	9,240
提取減值準備前之淨 經營收入/ (支出)	Net operating income / (expense) before impairment allowances	691,228	1,820,832	354,477	(64,995)	2,801,542	(15,193)	2,786,349
減值準備淨撥回/ (撥備)	Net reversal / (charge) of impairment allowances	18,826	(274,540)	(352,754)	(29,885)	(638,353)	-	(638,353)
淨經營收入/ (支出)	Net operating income / (expense)	710,054	1,546,292	1,723	(94,880)	2,163,189	(15,193)	2,147,996
經營支出	Operating expenses	(411,360)	(349,860)	(37,340)	(336,856)	(1,135,416)	15,193	(1,120,223)
經營溢利/(虧損)	Operating profit / (loss)	298,694	1,196,432	(35,617)	(431,736)	1,027,773	-	1,027,773
投資物業公平值調整 之淨虧損	Net loss from fair value adjustments on investment properties	-	-	-	(7,330)	(7,330)	-	(7,330)
出售/重估物業、器 材及設備之淨虧損	Net loss from disposal / revaluation of properties, plant and equipment	-	-	-	(247)	(247)	-	(247)
除稅前溢利/ (虧損)	Profit / (loss) before taxation	298,694	1,196,432	(35,617)	(439,313)	1,020,196	-	1,020,196
資產	Assets							
分部資產	Segment assets	16,363,528	72,781,881	72,806,839	1,562,125	163,514,373	-	163,514,373
負債	Liabilities							
分部負債	Segment liabilities	87,484,965	51,696,763	5,807,306	631,039	145,620,073	-	145,620,073
其他資料	Other information							
資本性支出	Capital expenditure	(6,135)	(25,433)	(103)	(86,492)	(118,163)	-	(118,163)
折舊	Depreciation	(6,002)	(10,752)	(560)	(105,856)	(123,170)	-	(123,170)
證券攤銷	Amortisation of securities	-	-	53,453	3,280	56,733	-	56,733



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements (continued)

37. 分類報告 (續)

37. Segmental reporting (continued)

(a) 按業務劃分 (續)

(a) Operating segments information (continued)

		2019						
		個人銀行 Personal Banking	企業銀行 Corporate Banking	財資業務 Treasury	其他 Others	小計 Subtotal	合併抵銷 Eliminations	綜合 Consolidated
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
淨利息(支出)/收入	Net interest (expense) / income							
- 外來	- External	(1,150,380)	1,853,880	1,315,073	-	2,018,573	-	2,018,573
- 跨業務	- Inter-segment	1,548,109	(519,687)	(1,028,422)	-	-	-	-
		397,729	1,334,193	286,651	-	2,018,573	-	2,018,573
淨服務費及佣金收入 / (支出)	Net fee and commission income / (expense)	288,014	356,302	(1,318)	-	642,998	-	642,998
淨交易性收益 / (虧損)	Net trading gain / (loss)	25,966	17,282	6,172	(23,479)	25,941	-	25,941
界定為以公平值變化 計入損益之金融工 具淨收益	Net gain on financial instruments designated at fair value through profit or loss	-	-	7,307	-	7,307	-	7,307
其他金融資產之淨收 益	Net gain on other financial assets	-	22,538	46,951	-	69,489	-	69,489
其他經營收入	Other operating income	-	582	592	26,215	27,389	(15,074)	12,315
提取減值準備前之淨 經營收入	Net operating income before impairment allowances	711,709	1,730,897	346,355	2,736	2,791,697	(15,074)	2,776,623
減值準備淨撥備	Net charge of impairment allowances	(85,450)	(228,131)	(13,594)	(18,170)	(345,345)	-	(345,345)
淨經營收入 / (支出)	Net operating income / (expense)	626,259	1,502,766	332,761	(15,434)	2,446,352	(15,074)	2,431,278
經營支出	Operating expenses	(432,665)	(274,115)	(35,520)	(217,684)	(959,984)	15,074	(944,910)
經營溢利 / (虧損)	Operating profit / (loss)	193,594	1,228,651	297,241	(233,118)	1,486,368	-	1,486,368
投資物業公平值調整 之淨收益	Net gain from fair value adjustments on investment properties	-	-	-	4,846	4,846	-	4,846
出售/重估物業、器 材及設備之淨收益	Net gain from disposal / revaluation of properties, plant and equipment	-	-	-	2,723	2,723	-	2,723
除稅前溢利 / (虧損)	Profit / (loss) before taxation	193,594	1,228,651	297,241	(225,549)	1,493,937	-	1,493,937
資產	Assets							
分部資產	Segment assets	14,293,027	69,974,778	63,635,494	1,951,482	149,854,781	-	149,854,781
負債	Liabilities							
分部負債	Segment liabilities	81,679,680	45,208,054	8,068,192	775,866	135,731,792	-	135,731,792
其他資料	Other information							
資本性支出	Capital expenditure	(5,425)	(34,846)	(41)	(190,911)	(231,223)	-	(231,223)
折舊	Depreciation	(5,593)	(2,739)	(280)	(86,953)	(95,565)	-	(95,565)
證券攤銷	Amortisation of securities	-	-	268,726	-	268,726	-	268,726



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements (continued)

37. 分類報告 (續)

37. Segmental reporting (continued)

(b) 按地理區域劃分

(b) By geographical area

以下資料是根據主要營業地點分類：

The following information is presented based on the principal places of operations:

		2020		2019	
		提取減值 準備前之 淨經營收入 Net operating income before impairment allowances	除稅前 溢利 Profit before taxation	提取減值 準備前之 淨經營收入 Net operating income before impairment allowances	除稅前 溢利 Profit before taxation
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	2,230,629	754,943	2,133,678	1,058,989
中國內地	Mainland China	555,720	265,253	642,945	434,948
		2,786,349	1,020,196	2,776,623	1,493,937

		2020	2019
		總資產 Total assets	總資產 Total assets
		港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	126,331,879	117,583,454
中國內地	Mainland China	37,182,494	32,271,327
		163,514,373	149,854,781

38. 已抵押資產

38. Assets pledged as security

於2020年12月31日，本集團沒有通過票據作抵押（2019年：港幣446,922,000元）。本集團沒有質押之資產（2019年：港幣441,717,000元），於「貿易票據」內列賬。

As at 31 December 2020, there were no liabilities which were secured by bills (2019: HK\$446,922,000). There were no assets pledged (2019: HK\$441,717,000) included in "Trade bills".

於2020年12月31日，本集團通過債券抵押之負債為港幣8,730,628,607元（2019年：港幣3,316,597,000元）。本集團為擔保此等負債而質押之資產金額為港幣9,174,021,415元（2019年：港幣3,421,293,000元），於「證券投資」內列賬。

As at 31 December 2020, the liabilities of the Group amounting to HK\$8,730,628,607 (2019: HK\$3,316,597,000) were secured by debt securities. The amount of assets pledged by the Group to secure these liabilities was HK\$9,174,021,415 (2019: HK\$3,421,293,000) included in "investment in securities".

**綜合財務報表附註
(續)**
Notes to the Consolidated Financial Statements (continued)
39. 金融工具之抵銷

下表列示本集團已抵銷、受執行性淨額結算總協議和其他相近協議約束的金融工具詳情：

39. Offsetting financial instruments

The following tables present details of the Group's financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements:

		2020					
		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	未有於財務狀況表中抵銷之 相關金額		淨額
					金融工具	已收取之 現金押品	
		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	Financial instruments	Cash collateral received	Net amount
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
資產	Assets						
衍生金融 工具	Derivative financial instruments	20,997	-	20,997	(20,997)	-	-
其他資產	Other assets	496,037	(445,856)	50,181	-	-	50,181
		517,034	(445,856)	71,178	(20,997)	-	50,181
		2020					
		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	未有於財務狀況表中抵銷之 相關金額		淨額
					金融工具	已抵押之 現金押品	
		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	Financial instruments	Cash collateral pledged	Net amount
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
負債	Liabilities						
衍生金融 工具	Derivative financial instruments	61,988	-	61,988	(20,997)	-	40,991
其他負債	Other liabilities	966,717	(445,856)	520,861	-	-	520,861
		1,028,705	(445,856)	582,849	(20,997)	-	561,852

綜合財務報表附註
 (續)

Notes to the Consolidated Financial Statements (continued)

 39. 金融工具之抵銷
 (續)

39. Offsetting financial instruments (continued)

		2019					
		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		未有於財務狀況表中抵銷之相 關金額 Related amounts not set off in the statement of financial position	
		已確認金融 資產總額	已確認金融 負債總額	金融工具	已收取之 現金押品	淨額	
		Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Financial instruments	Cash collateral received	Net amount	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
資產	Assets						
衍生金融 工具	Derivative financial instruments	14,277	-	14,277	(14,277)	-	-
其他資產	Other assets	503,191	(416,593)	86,598	-	-	86,598
		<u>517,468</u>	<u>(416,593)</u>	<u>100,875</u>	<u>(14,277)</u>	<u>-</u>	<u>86,598</u>
		2019					
		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		未有於財務狀況表中抵銷之相 關金額 Related amounts not set off in the statement of financial position	
		已確認金融 負債總額	已確認金融 資產總額	金融工具	已抵押之 現金押品	淨額	
		Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statement of financial position	Financial instruments	Cash collateral pledged	Net amount	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
負債	Liabilities						
衍生金融 工具	Derivative financial instruments	33,032	-	33,032	(14,277)	-	18,755
其他負債	Other liabilities	422,539	(416,593)	5,946	-	-	5,946
		<u>455,571</u>	<u>(416,593)</u>	<u>38,978</u>	<u>(14,277)</u>	<u>-</u>	<u>24,701</u>

**綜合財務報表附註
(續)**
Notes to the Consolidated Financial Statements (continued)
**39. 金融工具之抵銷
(續)**

按本集團簽訂有關場外衍生工具交易的淨額結算總協議，倘若發生違約或其他事先議定的事件，則同一交易對手之相關金額可採用淨額結算。

39. Offsetting financial instruments (continued)

For master netting agreements for OTC derivative transactions entered into by the Group related amounts with the same counterparty can be offset if an event of default or other predetermined events occur.

40. 董事貸款

根據香港《公司條例》第383條及《公司(披露董事利益資料)規例》第三部的規定，向本銀行董事提供之貸款詳情如下：

40. Loans to directors

Particulars of loans made to directors of the Bank pursuant to section 383 of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2020	2019
	港幣千元	港幣千元
	HK\$'000	HK\$'000
於年末尚未償還之有關交易總額	-	-
於年內未償還有關交易之最高總額	-	-



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements
(continued)

41. 主要之有關連人士交易 41. Significant related party transactions

母公司的基本資料：

General information of the parent companies:

本集團由廈門國際銀行間接控制，廈門國際銀行是一所於中華人民共和國（「中國」）成立的中資商業銀行。

The Group is indirectly controlled by Xiamen International Bank Co., Ltd., which is a Chinese commercial bank established in the People's Republic of China (the "PRC").

(a) 與母公司及母公司控制之其他公司進行的交易

(a) Transactions with the parent companies and the other companies controlled by the parent companies

本集團之直接控股公司是集友國際金融控股有限公司（「集友國際金控」），集友國際金控是廈門國際投資有限公司全資附屬公司，廈門國際投資有限公司由廈門國際銀行全資擁有。

The Group's immediate holding company is Chiyu International Financial Holdings Limited ("Chiyu International Holdings"), which is a wholly-owned subsidiary of Xiamen International Investment Limited, which is in turn wholly owned by Xiamen International Bank Co., Ltd.

大部分與廈門國際銀行進行的交易源自貨幣市場活動。於 2020 年 12 月 31 日，本集團相關應收及應付廈門國際銀行款項總額分別為港幣 4,852,000 元（2019 年 12 月 31 日：港幣 471,331,000 元）及港幣 180,564,000 元（2019 年 12 月 31 日：港幣 2,700,491,000 元）。2020 年與廈門國際銀行敘做此類業務過程中產生的收入及支出總額分別為港幣 52,000 元（2019 年 12 月 31 日：港幣 11,997,000 元）及港幣 15,317,000 元（2019 年 12 月 31 日：港幣 91,670,000 元）。

The majority of transactions with Xiamen International Bank Co., Ltd. arise from money market activities. As at 31 December 2020, the related aggregate amount due from and to Xiamen International Bank Co., Ltd. of the Group were HK\$4,852,000 (31 December 2019: HK\$471,331,000) and HK\$180,564,000 (31 December 2019: HK\$2,700,491,000) respectively. The aggregate amount of income and expenses of the Group arising from these transactions with Xiamen International Bank Co., Ltd. during 2020 was HK\$52,000 (31 December 2019: HK\$11,997,000) and HK\$15,317,000 (31 December 2019: HK\$91,670,000) respectively.



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements
(continued)

41. 主要之有關連人士交易 (續) 41. Significant related party transactions (continued)

(a) 與母公司及母公司控制之其他公司進行的交易 (續)

大部分與母公司控制之其他公司的交易來自客戶存款。於 2020 年 12 月 31 日，本集團相關款項總額為港幣 311,784,000 元 (2019 年 12 月 31 日：港幣 302,312,000 元)。2020 年與母公司控制之其他公司敝做此業務過程中產生的支出總額為港幣 4,586,000 元 (2019 年 12 月 31 日：港幣 7,392,000 元)。

與母公司及其控制之其他公司的交易來自租賃服務。2020 年與母公司控制之其他公司敝做此業務過程中產生的收入總額為港幣 1,670,000 元 (2019 年 12 月 31 日：港幣 1,550,000 元)。

截至 2020 年 12 月 31 日止，本集團持有港幣 145,988,000 元 (2019 年 12 月 31 日：港幣 154,653,000 元) 由澳門國際銀行發行的次級債。截至 2020 年 12 月 31 日止，本集團持有港幣 239,443,000 元由廈門國際銀行發行的債務證券 (2019 年 12 月 31 日：無)。2020 年分別從澳門國際銀行賺取港幣 9,025,000 元 (2019 年 12 月 31 日：港幣 9,000,000 元) 利息收入和從廈門國際銀行賺取港幣 2,287,000 元 (2019 年 12 月 31 日：港幣 10,922,000 元) 利息收入。

(a) Transactions with the parent companies and the other companies controlled by the parent companies (continued)

The majority of transactions with other companies controlled by the parent companies arise from deposits from customers. As at 31 December 2020, the related aggregate amount of the Group was HK\$311,784,000 (31 December 2019: HK\$302,312,000). The aggregate amount of expenses of the Group arising from these transactions during 2020 was HK\$4,586,000 (31 December 2019: HK\$7,392,000).

The majority of transactions with parent companies and the other companies controlled by the parent companies arise from rental service. The aggregate amount of income of the Group arising from these transactions during 2020 was HK\$1,670,000 (31 December 2019: HK\$1,550,000).

As at 31 December 2020, the related aggregate amount of the Group invested in the subordinated debt issued by Luso International Banking Limited was HK\$145,988,000 (31 December 2019: HK\$154,653,000). As at 31 December 2020, there were HK\$239,443,000 in debt securities issued by Xiamen International Bank (31 December 2019: Nil). The interest income gained during 2020 from Luso International Banking Limited and Xiamen International Bank were HK\$9,025,000 (31 December 2019: HK\$9,000,000) and HK\$2,287,000 (31 December 2019: HK\$10,922,000) respectively.



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements
(continued)

41. 主要之有關連人士交易
(續)

41. Significant related party transactions (continued)

(b) 主要高層人員

(b) Key management personnel

主要高層人員是指某些能直接或間接擁有權力及責任來計劃、指導及掌管集團業務之人士，包括董事、高級管理層及主要人員。本集團在正常業務中會接受主要高層人員存款及向其提供貸款及信貸融資。於期內及往期，本集團並沒有與本銀行及其控股公司之主要高層人員或其有關連人士進行重大交易。

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, senior management and key personnel. The Group accepts deposits from and grants loans and credit facilities to key management personnel in the ordinary course of business. During both the current and prior periods, no material transaction was conducted with key management personnel of the Bank and its holding companies, as well as parties related to them.

主要高層人員截至12月31日止年度之薪酬如下：

The compensation of key management personnel for the year ended 31 December is detailed as follows:

	<u>2020</u>	<u>2019</u>
	港幣千元 HK\$'000	港幣千元 HK\$'000
薪酬、其他短期員工福利及退休福利	<u>50,678</u>	<u>84,327</u>
Salaries, other short-term employee benefits and post-employment benefits	<u>50,678</u>	<u>84,327</u>

綜合財務報表附註
 (續)

Notes to the Consolidated Financial Statements (continued)

42. 財務狀況表及權益變動表

42. Statement of financial position and statement of changes in equity

(a) 財務狀況表

(a) Statement of financial position

於 12 月 31 日

As at 31 December

	2020	2019
	港幣千元	港幣千元
	HK\$'000	HK\$'000
資產		
庫存現金及存放銀行及其他金融機構的結餘	22,880,381	18,228,791
在銀行及其他金融機構一至十二個月內到期之定期存放	7,440,298	4,819,212
衍生金融工具	140,505	122,133
客戶貸款及貿易票據	78,340,141	76,986,891
證券投資	50,516,304	46,760,270
投資附屬公司	365,713	195,713
應收附屬公司款項	227,085	192,040
投資物業	153,620	237,150
物業、器材及設備	1,932,855	1,909,471
應收稅項資產	20,539	-
遞延稅項資產	23,373	640
其他資產	1,555,958	520,449
資產總額	163,596,772	149,972,760
負債		
銀行及其他金融機構之存款及結餘	20,511,269	17,747,463
衍生金融工具	75,396	40,361
客戶存款	122,783,631	116,443,676
應付附屬公司款項	1,795	1,795
其他賬項及準備	2,221,801	1,272,603
應付稅項負債	41,950	186,248
遞延稅項負債	132,544	179,674
負債總額	145,768,386	135,871,820
資本		
股本	6,577,871	3,245,980
儲備	9,312,803	8,917,248
本銀行股東應佔股本和儲備	15,890,674	12,163,228
額外資本工具	1,937,712	1,937,712
資本總額	17,828,386	14,100,940
負債及資本總額	163,596,772	149,972,760

經董事會於 2021 年 4 月 26 日通過核准並由以下人士代表簽署：

Approved by the Board of Directors on 26 April 2021 and signed on behalf of the Board by:

 呂耀明 鄭威
 董事 董事

 LYU Yaoming ZHENG Wei
 Director Director



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements (continued)

42. 財務狀況表及權益變動表 (續)

42. Statement of financial position and statement of changes in equity (continued)

(b) 權益變動表

(b) Statement of changes in equity

		歸屬於本銀行股東 Attributable to equity holders of the Bank								
		儲備 Reserves								
	股本 Share capital	房產重估 儲備 ¹ Premises revaluation reserve ¹	公平價值 儲備 ² Fair value reserve ²	監管儲備 ³ Regulatory reserve ³	換算儲備 ⁴ Translation reserve ⁴	留存盈利 Retained earnings	總計 Total	額外資本工具 Additional equity instruments	資本總額 Total equity	
	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	
於 2020 年 1 月 1 日	At 1 January 2020	3,245,980	1,227,167	588	519,987	(108,991)	7,278,497	12,163,228	1,937,712	14,100,940
年度溢利	Profit for the year	-	-	-	-	800,314	800,314	-	800,314	
其他全面收益：	Other comprehensive income:									
房產	Premises	-	(48,072)	-	-	-	(48,072)	-	(48,072)	
以公平價值變化計入 其他全面收益之 股份權益工具	Equity instruments at fair value through other comprehensive income	-	-	(6,329)	-	-	(6,329)	-	(6,329)	
以公平價值變化計入 其他全面收益之 債務工具	Debt instruments at fair value through other comprehensive income	-	-	(85,135)	-	-	(85,135)	-	(85,135)	
貨幣換算差額	Currency translation difference	-	-	-	210,203	-	210,203	-	210,203	
全面收益總額	Total comprehensive income	-	(48,072)	(91,464)	-	210,203	800,314	870,981	-	870,981
發行普通股	Issuance of ordinary shares	3,331,891	-	-	-	-	3,331,891	-	3,331,891	
轉撥至留存盈利	Transfer to retained earnings	-	-	-	(385,262)	385,262	-	-	-	
股息	Dividends	-	-	-	-	(373,650)	(373,650)	-	(373,650)	
支付額外資本工具持 有者利息	Distribution to the holders of the additional equity instruments	-	-	-	-	(101,776)	(101,776)	-	(101,776)	
於 2020 年 12 月 31 日	At 31 December 2020	6,577,871	1,179,095	(90,876)	134,725	101,212	7,988,647	15,890,674	1,937,712	17,828,386



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements (continued)

42. 財務狀況表及權益變動表 (續)

42. Statement of financial position and statement of changes in equity (continued)

(b) 權益變動表 (續)

(b) Statement of changes in equity (continued)

		歸屬於本銀行股東 Attributable to equity holders of the Bank								
		儲備 Reserves								
	股本 Share capital	房產重估儲備 ¹ Premises revaluation reserve ¹	公平價值儲備 ² Fair value reserve ²	監管儲備 ³ Regulatory reserve ³	換算儲備 ⁴ Translation reserve ⁴	留存盈利 Retained earnings	總計 Total	額外資本工具 Additional equity instruments	資本總額 Total equity	
	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	
於 2019 年 1 月 1 日	At 1 January 2019	1,772,988	1,203,829	(218,350)	414,377	(52,304)	6,539,494	9,660,034	1,937,712	11,597,746
年度溢利	Profit for the year	-	-	-	-	1,247,784	1,247,784	-	1,247,784	
其他全面收益：	Other comprehensive income:									
房產	Premises	-	23,338	-	-	-	23,338	-	23,338	
以公平價值變化計入其他全面收益之股份權益工具	Equity instruments at fair value through other comprehensive income	-	-	15,108	-	-	15,108	-	15,108	
以公平價值變化計入其他全面收益之債務工具	Debt instruments at fair value through other comprehensive income	-	-	202,461	-	-	202,461	-	202,461	
貨幣換算差額	Currency translation difference	-	-	-	(56,687)	-	(56,687)	-	(56,687)	
全面收益總額	Total comprehensive income	-	23,338	217,569	-	(56,687)	1,247,784	1,432,004	-	1,432,004
發行普通股	Issuance of ordinary shares	1,472,992	-	-	-	-	1,472,992	-	1,472,992	
轉撥自留存盈利	Transfer from retained earnings	-	-	-	105,610	(105,610)	-	-	-	
股息	Dividends	-	-	-	-	(298,920)	(298,920)	-	(298,920)	
支付額外資本工具持有者利息	Distribution to the holders of the additional equity instruments	-	-	-	-	(102,882)	(102,882)	-	(102,882)	
因處置以公平價值變化計入其他全面收益之股份權益工具之轉撥 ⁵	Release upon disposal of equity instruments at fair value through other comprehensive income ⁵	-	-	1,369	-	(1,369)	-	-	-	
於 2019 年 12 月 31 日	At 31 December 2019	3,245,980	1,227,167	588	519,987	(108,991)	7,278,497	12,163,228	1,937,712	14,100,940

1. 房產重估儲備的建立及處理是根據重估房產所採用的會計政策。
2. 公平價值儲備包括持有以公平價值變化計入其他全面收益證券直至證券被終止確認的累計公平價值變動淨額。
3. 除按香港財務報告準則第 9 號對貸款提取減值準備外，按金管局要求撥轉部分留存盈利至監管儲備作銀行一般風險之用（包括未來損失或其他不可預期風險）。
4. 換算儲備的建立及處理是根據外幣折算所採用的會計政策。
5. 處置以公平價值變化計入其他全面收益之股份權益工具是由於該投資不再以有戰略目的而持有。

1. Premises revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for the revaluation of premises.
2. Fair value reserve comprises the cumulative net change in the fair value of fair value through other comprehensive income securities held until the securities are derecognised.
3. In accordance with the requirements of the HKMA, the amounts are set aside for general banking risks, including future losses or other unforeseeable risks, in addition to the loan impairment allowances recognised under Hong Kong Financial Reporting Standard ("HKFRS") 9.
4. Translation reserve has been set up and is dealt with in accordance with the accounting policies adopted for foreign currency translation.
5. The release upon disposal of equity instruments at fair value through other comprehensive income was made because the investment was no longer to be held for strategic purpose.

**綜合財務報表附註
(續)**
Notes to the Consolidated Financial Statements (continued)
43. 本銀行之附屬公司
43. Subsidiaries of the Bank

於 2020 年 12 月 31 日日本銀行直接及間接附屬公司的具體情況列示如下：

The particulars of direct and indirect subsidiaries of the Bank as at 31 December 2020 are as follows:

名稱	註冊／營業地點及日期	已發行並繳足股本／註冊資本	持有權益	主要業務
Name	Place and date of incorporation / operation	Issued share capital / Registered capital	Interest held	Principal activities
集友銀行（代理人）有限公司	香港 1981 年 11 月 3 日	普通股份 100,000 港元	100%	代理服務及投資控股
Chiyu Banking Corporation (Nominees) Limited	Hong Kong 3 November 1981	Ordinary shares HK\$100,000	100%	Nominee service and investment holding
誠信置業有限公司	香港 1961 年 12 月 11 日	普通股份 2,800,000 港元	100%	投資控股及集團間物業租賃
Seng Sun Development Company, Limited	Hong Kong 11 December 1961	Ordinary shares HK\$2,800,000	100%	Investment holding and leasing of properties to group companies
欣澤有限公司	香港 2001 年 5 月 4 日	普通股份 2 港元	100%*	投資控股
Grace Charter Limited	Hong Kong 4 May 2001	Ordinary shares HK\$2	100%*	Investment holding
集友國際資本有限公司	香港 2017 年 3 月 13 日	普通股份 5,000,000 港元	100%	提供企業融資顧問服務
Chiyu International Capital Limited	Hong Kong 13 March 2017	Ordinary shares HK\$5,000,000	100%	Corporate finance advisory
集友資產管理有限公司	香港 2017 年 3 月 13 日	普通股份 356,800,000 港元	100%	資產管理業務
Chiyu Asset Management Limited	Hong Kong 13 March 2017	Ordinary shares HK\$356,800,000	100%	Asset management
Sun King Limited	香港 2018 年 3 月 29 日	普通股份 1 港元	100%*	持有物業
集友基金獨立投資組合公司	開曼群島 2019 年 1 月 22 日	管理股份 100 美元	100%*	基金工具公司
Chiyu Fund Segregated Portfolio Company	Cayman Islands 22 January 2019	Management shares USD100	100%*	Fund vehicle
集友股權投資管理（深圳）有限公司 （自 2021 年 3 月 29 日起名稱變更為：集友私募股權投資基金管理（深圳）有限公司）	深圳 2020 年 4 月 17 日	註冊資本 1,250,050 美元	100%*	股權投資業務
(Name changed to 集友私募股權投資基金管理（深圳）有限公司 with effect from 29 March 2021)	Shenzhen 17 April 2020	Registered capital USD1,250,050	100%*	Equity Investment
集友科技創新（深圳）有限公司	深圳 2020 年 9 月 21 日	-	100%	信息科技、數據處理及其他相關服務
	Shenzhen 21 September 2020	-	100%	Information technology, data processing and other related services

*本銀行間接持有股份

* Shares held indirectly by the Bank



**綜合財務報表附註
(續)**

Notes to the Consolidated Financial Statements (continued)

44. 直接及最終控股公司

於2020年12月31日，本行之直接控股公司為集友國際金融控股有限公司，該公司於香港註冊成立，其最終控股公司為廈門國際銀行，該公司是一所於中華人民共和國註冊成立的中資商業銀行。

44. Immediate and ultimate holding company

At 31 December 2020, the immediate holding company of the Bank is Chiyu International Financial Holdings Limited, a company incorporated in Hong Kong and its ultimate holding company is Xiamen International Bank Co., Ltd., a Chinese commercial bank incorporated in the PRC.

45. 比較數字

若干比較數字經已重報以符合本年度的呈報方式。

45. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

46. 財務報表核准

本財務報表於2021年4月26日經董事會通過及核准發佈。

46. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 26 April 2021.

Independent Auditor's Report



Independent auditor's report to the members of
Chiyu Banking Corporation Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Chiyu Banking Corporation Limited ("the Bank") and its subsidiaries ("the Group") set out on pages 34 to 187, which comprise the consolidated statement of financial position as at 31 December 2019, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment allowances of advances to customers

Refer to notes 2.14, 4.1, 11 and 22 to the consolidated financial statements.

Key audit matter

The Group's advances to customers as at 31 December 2019 amounted to HK\$76,066,959,000, net of total expected credit losses ("ECL") of HK\$629,243,000. 34% of the Group's advances to customers related to exposures in Mainland China.

Impairment allowances of advances to customers across the banking industry continue to be an area of concern and elevated focus due to the uncertain global economic outlook.

How the matter was addressed in our audit

Our audit procedures to assess the impairment allowances of advances to customers measured at amortised cost included the following:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls on financial reporting over the approval, recording and monitoring and restructuring of loans measured at amortised cost, the credit grading process, the ECL model enhancement, approval, monitoring, governance and validation process, and the measurement of impairment allowances;
- evaluating the accuracy of the classification of advances to customers. We obtained information on how management applied the classification requirements of the financial instruments standard and the classification results and on a sample basis we assessed the contractual cash flow characteristics of advances to customers and relevant documents in relation to the business model;

Independent Auditor's Report (continued)

Impairment allowances of advances to customers (continued)

Refer to notes 2.14, 4.1, 11 and 22 to the consolidated financial statements.

Key audit matter (continued)

ECL may be materially misstated if the classification and measurement framework for financial instruments is not properly adopted. Therefore, the determination of impairment allowances of advances to customers is subject to the accuracy of the classifications of the Group's advances to customers.

The Group has developed its own model for measuring impairment allowances of financial assets including advances to customers.

Loan exposures that are not already credit-impaired are classified as stage 1 on origination and a 12-month ECL provision is recognised. Loan exposures will transfer to stage 2 if there has been a significant increase in credit risk compared to origination. Loan exposures are classified as stage 3 if they become credit-impaired. A lifetime ECL provision is recognised for loans classified as stage 2 and stage 3.

ECL may be materially misstated if the exposures with a significant increase in credit risk are not properly identified, leading to inaccurate recognition of ECL.

The determination of impairment allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgement is involved in the selection of those parameters and the application of the assumptions.

How the matter was addressed in our audit (continued)

- involving specialists in assessing the reliability of the ECL model used by management in determining impairment allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments;
- assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model, by comparing individual loan information on a sample basis with the underlying agreements and other related documentation to assess the accuracy of the loan information in the ECL model. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with publicly available sources;
- for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing it to the Group's internal records including historical loss experience and type of collateral. As part of these procedures, we challenged management's revisions to estimates and input parameters compared with the estimates and input parameters at the beginning of the year and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development;
- for key parameters used in the ECL model which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis. We involved our information technology specialists in assessing the information systems controls critical to the credit grading process, such as the compilation of the overdue reports for advances to customers. We also assessed the design, implementation and operating effectiveness of relevant automated application controls within these systems, as well as the key internal controls over these underlying systems, including controls over access to these systems and controls over data and change management;
- for selected samples of advances to customers that are credit-impaired, evaluating management's assessment of the value of any collateral held by comparison with available market information. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows, challenged the viability of the Group's recovery plans and evaluated other credit enhancements that are integral to the contract terms;

Independent Auditor's Report (continued)

Impairment allowances of advances to customers (continued)

Refer to notes 2.14, 4.1, 11 and 22 to the consolidated financial statements.

Key audit matter (continued)

In particular, the determination of the impairment allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors.

Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third party valuers and considers the influence of various factors including the market price, location and use when assessing the value of property held as collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of impairment allowances as at the end of the reporting period.

We identified the impairment allowances of advances to customers measured at amortised cost as a key audit matter because of the complexity of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.

How the matter was addressed in our audit (continued)

- in respect of identifying exposures with a significant increase in credit risk, evaluating the validity of management's assessment on whether the credit risk of the loan has, or has not, increased significantly since initial recognition and whether the loan is credit-impaired by selecting samples for which we checked loan overdue information, made enquiries of the credit managers about the borrowers' business operations, checked borrowers' financial information and researched market information about borrowers' businesses;
- in respect of assessing the accuracy of ECL calculation, recalculating the amount of impairment allowance for 12-month and life-time credit losses using the ECL model based on the above parameters and assumptions for a sample of advances to customers where the credit risk of the loan has not, or has, increased significantly since initial recognition, respectively and comparing to the results from the Group;
- assessing the appropriateness of material manual adjustments and overlays on ECL model outputs; and
- evaluating whether the presentation and disclosures on impairment allowances of advances to customers measured at amortised cost and the relevant disclosures meet the requirements in the prevailing accounting standards.

Assessment of the fair value of financial instruments

Refer to notes 2.12, 5.1, 21 and 23 to the consolidated financial statements.

Key audit matter

Financial instruments carried at fair value account for a significant portion of the Group's assets. As at 31 December 2019, the fair value of these financial instruments was HK\$45,388,156,000 of which HK\$6,966,205,000, HK\$38,394,768,000 and HK\$27,183,000 were classified as level 1, 2 and 3 financial instruments respectively.

The valuation of the Group's financial instruments, which are stated at their fair values, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant management judgement.

How the matter was addressed in our audit

Our audit procedures to assess the fair value of financial instruments included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over the valuation and independent price verification for financial instruments;
- for the key underlying systems used for the processing of transactions in relation to financial instruments we utilised our information technology specialists to assess the design, implementation and operating effectiveness of a selection of relevant automated controls within these systems. We also assessed the design, implementation and operating effectiveness of the key internal controls over these underlying systems, including controls over access to these systems and controls over data and change management;

Independent Auditor's Report (continued)

Assessment of the fair value of financial instruments (continued)

Refer to notes 2.12, 5.1, 21 and 23 to the consolidated financial statements.

Key audit matter (continued)

The Group has developed its own models to value certain level 2 and 3 financial instruments, which involves significant management judgement.

We identified assessment of the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in developing its own models and in determining the inputs used in the valuation models.

How the matter was addressed in our audit (continued)

- assessing the fair values of level 1 and certain level 2 financial instruments by comparing the fair values applied by the Group with publicly available market data, on a sample basis;
- evaluating the methodology adopted by management and assessing the reasonableness of the inputs and assumptions used by management in the valuations;
- engaging our internal valuation specialists to perform, on a sample basis, independent valuations of certain level 2 financial instruments and comparing these valuations with the Group's valuations. Our independent valuations included developing models, obtaining inputs independently and verifying the inputs obtained independently; and
- assessing whether the disclosures in the consolidated financial statements appropriately reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Fong Hoi Wan.

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

24 April 2020

綜合收益表
Consolidated Income Statement

截至 12 月 31 日止年度	For the year ended 31 December	附註 Notes	2019 港幣千元 HK\$'000	2018 港幣千元 HK\$'000
利息收入	Interest income		4,208,147	2,546,178
以實際利息法計算的利息收入	Interest income calculated using the effective interest method		4,192,248	2,523,327
其他利息收入	Other interest income		15,899	22,851
利息支出	Interest expense		(2,189,574)	(987,748)
淨利息收入	Net interest income	6	2,018,573	1,558,430
服務費及佣金收入	Fee and commission income		667,254	394,830
服務費及佣金支出	Fee and commission expense		(24,256)	(24,011)
淨服務費及佣金收入	Net fee and commission income	7	642,998	370,819
淨交易性收益	Net trading gain	8	25,941	71,743
界定為以公平值變化計入損益之 金融工具淨收益	Net gain on financial instruments designated at fair value through profit or loss		7,307	465
其他金融資產之淨收益	Net gain on other financial assets	9	69,489	5,874
其他經營收入	Other operating income	10	12,315	12,408
提取減值準備前之淨經營收入	Net operating income before impairment allowances		2,776,623	2,019,739
減值準備淨撥備	Net charge of impairment allowances	11	(345,345)	(138,429)
淨經營收入	Net operating income		2,431,278	1,881,310
經營支出	Operating expenses	12	(944,910)	(671,060)
經營溢利	Operating profit		1,486,368	1,210,250
投資物業公平值調整之淨收益	Net gain from fair value adjustments on investment properties	13	4,846	18,440
出售／重估物業、器材及設備之 淨收益／（虧損）	Net gain/(loss) from disposal / revaluation of properties, plant and equipment	14	2,723	(23,948)
除稅前溢利	Profit before taxation		1,493,937	1,204,742
稅項	Taxation	15	(231,369)	(202,295)
年度溢利	Profit for the year		1,262,568	1,002,447

本集團已於 2019 年 1 月 1 日採用經修訂的追溯法初步應用香港財務報告準則第 16 號。根據這種方法，比較信息是不會重列。

The Group has initially applied Hong Kong Financial Reporting Standard ("HKFRS") 16 at 1 January 2019, using modified retrospective approach. Under this approach, comparative information is not restated.

第 40 至 187 頁之附註屬本財務報表之組成部分。

The notes on pages 40 to 187 are an integral part of these financial statements.

綜合全面收益表
Consolidated Statement of Comprehensive Income

截至 12 月 31 日止年度	For the year ended 31 December	附註 Notes	2019 港幣千元 HK\$'000	2018 港幣千元 HK\$'000
年度溢利	Profit for the year		1,262,568	1,002,447
其後不可重新分類至收益表內的項目：	Items that will not be reclassified subsequently to income statement:			
房產：	Premises:			
房產重估	Revaluation of premises	25	27,006	119,251
遞延稅項	Deferred tax	29	(1,853)	(16,953)
			25,153	102,298
以公平值變化計入其他全面收益之股份權益工具：	Equity instruments at fair value through other comprehensive income:			
公平值變化	Change in fair value	23	15,108	(2,466)
			40,261	99,832
其後可重新分類至收益表內的項目：	Items that may be reclassified subsequently to income statement:			
以公平值變化計入其他全面收益之債務工具：	Debt instruments at fair value through other comprehensive income:			
公平值變化	Change in fair value	23	304,306	(169,370)
因處置之轉撥重新分類至收益表	Release upon disposal reclassified to income statement	9	(69,778)	(6,061)
減值準備變化借記收益表	Change in impairment allowances charged to income statement		12,116	(4,439)
遞延稅項	Deferred tax	29	(45,347)	32,699
			201,297	(147,171)
貨幣換算差額	Currency translation difference		(55,523)	(71,895)
			145,774	(219,066)
年度除稅後其他全面收益	Other comprehensive income for the year, net of tax		186,035	(119,234)
年度全面收益總額	Total comprehensive income for the year		1,448,603	883,213
應佔全面收益總額：	Total comprehensive income attributable to:			
本銀行股東權益	Equity holders of the Bank		1,448,603	883,213

本集團已於 2019 年 1 月 1 日採用經修訂的追溯法初步應用香港財務報告準則第 16 號。根據這種方法，比較信息是不會重列。

The Group has initially applied HKFRS 16 at 1 January 2019, using modified retrospective approach. Under this approach, comparative information is not restated.

第 40 至 187 頁之附註屬本財務報表之組成部分。

The notes on pages 40 to 187 are an integral part of these financial statements.

綜合財務狀況表
Consolidated Statement of Financial Position

於 12 月 31 日	As at 31 December	附註 Notes	2019 港幣千元 HK\$'000	2018 港幣千元 HK\$'000
資產	ASSETS			
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	19	18,235,988	15,446,012
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	20	4,819,212	6,302,563
衍生金融工具	Derivative financial instruments	21	122,133	122,680
客戶貸款及貿易票據	Advances to customers and trade bills	22	76,986,891	49,934,290
證券投資	Investment in securities	23	46,908,420	28,627,506
投資物業	Investment properties	24	237,150	233,350
物業、器材及設備	Properties, plant and equipment	25	2,021,072	1,738,569
遞延稅項資產	Deferred tax assets	29	640	12,298
其他資產	Other assets	26	523,275	455,359
資產總額	Total assets		149,854,781	102,872,627
負債	LIABILITIES			
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions		17,747,463	11,933,270
衍生金融工具	Derivative financial instruments	21	40,361	43,268
客戶存款	Deposits from customers	27	116,291,434	78,329,515
其他賬項及準備	Other accounts and provisions	28	1,273,083	746,311
應付稅項負債	Current tax liabilities		195,776	75,824
遞延稅項負債	Deferred tax liabilities	29	183,675	141,243
負債總額	Total liabilities		135,731,792	91,269,431
資本	EQUITY			
股本	Share capital	30	3,245,980	1,772,988
儲備	Reserves		8,939,297	7,892,496
本銀行股東應佔股本和儲備	Capital and reserves attributable to the equity holders of the Bank		12,185,277	9,665,484
額外資本工具	Additional equity instruments	31	1,937,712	1,937,712
資本總額	Total equity		14,122,989	11,603,196
負債及資本總額	Total liabilities and equity		149,854,781	102,872,627

本集團已於 2019 年 1 月 1 日採用經修訂的追溯法初步應用香港財務報告準則第 16 號。根據這種方法，比較信息是不會重列。

The Group has initially applied HKFRS 16 at 1 January 2019, using modified retrospective approach. Under this approach, comparative information is not restated.

第 40 至 187 頁之附註屬本財務報表之組成部分。

The notes on pages 40 to 187 are an integral part of these financial statements.

經董事會於 2020 年 4 月 24 日通過核准並由以下人士代表簽署：

Approved by the Board of Directors on 24 April 2020 and signed on behalf of the Board by:

呂耀明 鄭威
董事 董事

LYU Yaoming ZHENG Wei
Director Director

綜合權益變動表
Consolidated Statement of Changes in Equity

		歸屬於本銀行股東 Attributable to equity holders of the Bank								
		儲備 Reserves								
		房產重估 儲備 ¹ Premises revaluation reserve ¹	公平價值 儲備 ² Fair value reserve ²	監管儲備 ³ Regulatory reserve ³	換算儲備 ⁴ Translation reserve ⁴	留存盈利 Retained earnings	總計 Total	額外資本工具 Additional equity instruments	資本總額 Total equity	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	
於 2019 年 1 月 1 日	At 1 January 2019	1,772,988	1,224,732	(218,350)	414,377	(52,304)	6,524,041	9,665,484	1,937,712	11,603,196
年度溢利	Profit for the year	-	-	-	-	-	1,262,568	1,262,568	-	1,262,568
其他全面收益：	Other comprehensive income:									
房產	Premises	-	25,153	-	-	-	25,153	-	-	25,153
以公平值變化計入 其他全面收益之 股份權益工具	Equity instruments at fair value through other comprehensive income	-	-	15,108	-	-	15,108	-	-	15,108
以公平值變化計入 其他全面收益之 債務工具	Debt instruments at fair value through other comprehensive income	-	-	201,297	-	-	201,297	-	-	201,297
貨幣換算差額	Currency translation difference	-	-	1,164	-	(56,687)	(55,523)	-	-	(55,523)
全面收益總額	Total comprehensive income	-	25,153	217,569	-	(56,687)	1,262,568	1,448,603	-	1,448,603
發行普通股	Issuance of ordinary shares	1,472,992	-	-	-	-	1,472,992	-	-	1,472,992
轉撥至留存盈利	Transfer to retained earnings	-	-	-	105,610	-	(105,610)	-	-	-
股息	Dividends	-	-	-	-	-	(298,920)	(298,920)	-	(298,920)
支付額外資本工具持 有者利息	Distribution to the holders of the additional equity instruments	-	-	-	-	-	(102,882)	(102,882)	-	(102,882)
因處置以公平值變化 計入其他全面收益 之股份權益工具之 轉撥	Release upon disposal of equity instruments at fair value through other comprehensive income	-	-	1,369	-	-	(1,369)	-	-	-
於 2019 年 12 月 31 日	At 31 December 2019	3,245,980	1,249,885	588	519,987	(108,991)	7,277,828	12,185,277	1,937,712	14,122,989

處置以公平值變化計入其他全面收益之股份權益工具是由於該投資不再以有戰略目的而持有。

The release upon disposal of equity instruments at fair value through other comprehensive income was made because the investment was no longer to be held for strategic purpose.

本集團已於 2019 年 1 月 1 日採用經修訂的追溯法初步應用香港財務報告準則第 16 號。根據這種方法，比較信息是不會重列。

The Group has initially applied HKFRS 16 at 1 January 2019, using modified retrospective approach. Under this approach, comparative information is not restated.

第 40 至 187 頁之附註屬本財務報表之組成部分。

The notes on pages 40 to 187 are an integral part of these financial statements.

綜合權益變動表 (續) Consolidated Statement of Changes in Equity (continued)

		歸屬於本銀行股東 Attributable to equity holders of the Bank								
		儲備 Reserves								
股本 Share capital	房產重估儲備 ¹ Premises revaluation reserve	公平價值儲備 ² Fair value reserve	監管儲備 ³ Regulatory reserve	換算儲備 ⁴ Translation reserve	留存盈利 Retained earnings	總計 Total	額外資本工具 Additional equity instruments	資本總額 Total equity		
									港幣千元 HK\$'000	港幣千元 HK\$'000
於2018年1月1日之 早期列賬	At 1 January 2018, as previously reported	300,000	1,122,434	(84,885)	325,391	20,003	5,942,842	7,625,785	1,937,712	9,563,497
應用香港財務報告準 則第9號的調整	Adjustment on initial application of HKFRS 9	-	-	15,760	-	-	(4,413)	11,347	-	11,347
於2018年1月1日之 重列	At 1 January 2018, as restated	300,000	1,122,434	(69,125)	325,391	20,003	5,938,429	7,637,132	1,937,712	9,574,844
年度溢利	Profit for the year	-	-	-	-	-	1,002,447	1,002,447	-	1,002,447
其他全面收益：	Other comprehensive income:									
房產	Premises	-	102,298	-	-	-	-	102,298	-	102,298
以公平值變化計入 其他全面收益之 股份權益工具	Equity instruments at fair value through other comprehensive income	-	-	(2,466)	-	-	-	(2,466)	-	(2,466)
以公平值變化計入 其他全面收益之 債務工具	Debt instruments at fair value through other comprehensive income	-	-	(147,171)	-	-	-	(147,171)	-	(147,171)
貨幣換算差額	Currency translation difference	-	-	412	-	(72,307)	-	(71,895)	-	(71,895)
全面收益總額	Total comprehensive income	-	102,298	(149,225)	-	(72,307)	1,002,447	883,213	-	883,213
發行普通股	Issuance of ordinary shares	1,472,988	-	-	-	-	-	1,472,988	-	1,472,988
轉撥至留存盈利	Transfer to retained earnings	-	-	-	88,986	-	(88,986)	-	-	-
股息	Dividends	-	-	-	-	-	(225,000)	(225,000)	-	(225,000)
支付額外資本工具持 有者利息	Distribution to the holders of the additional equity instruments	-	-	-	-	-	(102,849)	(102,849)	-	(102,849)
於2018年12月31日	At 31 December 2018	<u>1,772,988</u>	<u>1,224,732</u>	<u>(218,350)</u>	<u>414,377</u>	<u>(52,304)</u>	<u>6,524,041</u>	<u>9,665,484</u>	<u>1,937,712</u>	<u>11,603,196</u>

1. 房產重估儲備的建立及處理是根據重估房產所採用的會計政策。

2. 公平價值儲備包括持有以公平值變化計入其他全面收益金融工具直至被終止確認的累計公平價值變動淨額。

3. 除按香港財務報告準則第9號對貸款提取減值準備外，按金管局要求撥轉部分留存盈利至監管儲備作銀行一般風險之用（包括未來損失或其他不可預期風險）。

4. 換算儲備的建立及處理是根據附註2.4中外幣折算所採用的會計政策。

第40至187頁之附註屬本財務報表之組成部分。

1. Premises revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for the revaluation of premises.

2. Fair value reserve comprises the cumulative net change in the fair value of financial instruments at fair value through other comprehensive income held until the financial instruments are derecognised.

3. In accordance with the requirements of the HKMA, the amounts are set aside for general banking risks, including future losses or other unforeseeable risks, in addition to the loan impairment allowances recognised under HKFRS 9.

4. Translation reserve has been set up and is dealt with in accordance with the accounting policies adopted for foreign currency translation in Note 2.4.

The notes on pages 40 to 187 are an integral part of these financial statements.

綜合現金流量表
Consolidated Cash Flow Statement

截至 12 月 31 日止年度	For the year ended 31 December	附註 Notes	2019 港幣千元 HK\$'000	2018 港幣千元 HK\$'000
經營業務之現金流量	Cash flows from operating activities			
除稅前經營現金之流入／（流出）	Operating cash inflow / (outflow) before taxation			
		32(a)	1,722,883	(995,167)
支付香港利得稅	Hong Kong profits tax paid		(40,342)	(150,155)
支付海外利得稅	Overseas profits tax paid		(66,027)	(53,703)
經營業務之現金流入／（流出）淨額	Net cash inflow / (outflow) from operating activities		1,616,514	(1,199,025)
投資業務之現金流量	Cash flows from investing activities			
購入物業、器材及設備	Purchase of properties, plant and equipment	25	(43,218)	(120,462)
投資業務之現金流出淨額	Net cash outflow from investing activities		(43,218)	(120,462)
融資業務之現金流量	Cash flows from financing activities			
支付租賃租金之資本部份	Capital element of lease rentals paid		(66,296)	-
支付租賃租金之利息部份	Interest element of lease rentals paid		(5,207)	-
發行普通股本	Issue of ordinary share capital	30	1,472,992	1,472,988
支付本銀行股東之末期股息	Final dividend paid to the equity holders of the Bank	16	(298,920)	(225,000)
支付額外資本工具持有者利息	Distribution to the holders of the additional equity instruments	16	(102,882)	(102,849)
融資業務之現金流入淨額	Net cash inflow from financing activities		999,687	1,145,139
現金及等同現金項目增加／（減少）	Increase / (decrease) in cash and cash equivalents		2,572,983	(174,348)
於 1 月 1 日之現金及等同現金項目	Cash and cash equivalents at 1 January		18,688,142	19,012,716
匯率變動對現金及等同現金項目的影響	Effect of exchange rate changes on cash and cash equivalents		(71,326)	(150,226)
於 12 月 31 日之現金及等同現金項目	Cash and cash equivalents at 31 December	32(b)	21,189,799	18,688,142

本集團已於 2019 年 1 月 1 日採用經修訂的追溯法初步應用香港財務報告準則第 16 號。根據這種方法，比較信息是不會重列。

The Group has initially applied HKFRS 16 at 1 January 2019, using modified retrospective approach. Under this approach, comparative information is not restated.

第 40 至 187 頁之附註屬本財務報表之組成部分。

The notes on pages 40 to 187 are an integral part of these financial statements.

綜合財務報表附註

Notes to the Consolidated Financial Statements

1. 主要業務

本集團主要從事提供銀行及相關之金融服務。

本銀行是一家於香港成立的有限債務公司。公司註冊地址是香港中環德輔道中78號。

1. Principal activities

The Group is principally engaged in the provision of banking and related financial services.

The Bank is a limited liability company incorporated in Hong Kong. The address of its registered office is No.78 Des Vouex Road Central, Hong Kong.

2. 主要會計政策

用於編製本綜合財務報表之主要會計政策詳列如下。

除特別註明外，該等會計政策均被一致地應用於所有列示之財務年度中。

2. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 編製基準

本集團之綜合財務報表乃按照香港會計師公會頒佈之所有適用之香港財務報告準則編製，這個準則統稱包括所有適用之香港財務報告準則、香港會計準則及詮釋、香港一般採用的會計原則，並符合香港《公司條例》之規定。

本綜合財務報表乃按歷史成本法編製，惟就重估以公平值列賬之證券投資、以公平值變化計入損益之金融資產及金融負債（包括衍生金融工具）、以公平值列賬之貴金屬、以公平值列賬之投資物業及以公平值或重估扣除累計折舊及累計減值損失後列賬之房產作出調整。

按照香港財務報告準則編製財務報表時，需採用若干重大之會計估算。管理層亦需於採用本集團之會計政策時作出有關判斷。當中涉及高度判斷、複雜之範疇、或對綜合財務報表而言屬重大影響之假設及估算，已載於附註3。

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the fair value revaluation of investment in securities at fair value through other comprehensive income, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, precious metals at fair value, investment properties which are carried at fair value and premises which are carried at fair value or revalued amount less accumulated depreciation and accumulated impairment losses.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements
(continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.1 編製基準（續）

2.1 Basis of preparation (continued)

(a) 已於2019年1月1日起開始的會計年度強制性生效之準則及修訂

(a) Standards and amendments issued that are already mandatorily effective for accounting periods beginning on 1 January 2019

準則／修訂	內容	起始適用之年度 Applicable for financial years beginning on/after
Standards/Amendments	Content	
香港財務報告準則第16號 HKFRS 16	租賃 Leases	2019年1月1日 1 January 2019
香港財務報告準則詮釋第23號 HK(IFRIC) – Int 23	所得稅之不確定性之處理 Uncertainty over Income Tax Treatments	2019年1月1日 1 January 2019
香港財務報告準則於2015年至 2017年期間年度改進 Annual improvements to HKFRSs 2015 – 2017 cycle		2019年1月1日 1 January 2019

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.1 編製基準（續）

2.1 Basis of preparation (continued)

(a) 已於2019年1月1日起開始的會計年度強制性生效之準則及修訂（續）

(a) Standards and amendments issued that are already mandatorily effective for accounting periods beginning on 1 January 2019 (continued)

與本集團相關之香港財務報告準則詳列如下：

Further information about those HKFRSs that are applicable to the Group is as follows:

- 香港財務報告準則第16號取代香港會計準則第17號租賃及相關詮釋：香港《國際財務報告準則詮釋委員會詮釋》第4號「決定一項安排是否包含租賃」、HK(SIC)15，經營租賃-獎勵及HK(SIC)27，評估實質內容涉及租賃法律形式的交易。它為承租人引入單一會計模式，要求承租人確認所有租賃的使用權資產和租賃負債，但租賃期限為12個月或以下的租賃（“短期租賃”）和低價值資產的租賃除外。出租人會計要求仍按照香港會計準則第17號，大致維持不變。
- 香港財務報告準則第16號亦引入其他定量及定性的披露規定，旨在使財務報表使用者能評估租賃對企業財務狀況、財務績效及現金流量的影響。
- 本集團自2019年1月1日起應用香港財務報告準則第16號。本集團已選擇使用經修訂的追溯法，並已確認首次應用的累計影響於2019年1月1日權益的期初餘額進行調整。比較資料不會重列，繼續根據香港會計準則第17號報告匯報。
- HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.
- HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.
- The Group has initially applied HKFRS 16 from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

(i) 會計政策的修訂

(i) Change in accounting policies

(1) 租賃新定義

(1) New definition of a lease

本集團以往在訂立合約時釐定某項安排是否屬於租賃或包含租賃是根據香港《國際財務報告準則詮釋委員會詮釋》第4號「決定一項安排是否包含租賃」。本集團現根據《香港財務報告準則》第16號的租賃定義釐定某項合約為是否屬於或包含租賃。在《香港財務報告準則》第16號下，倘某項合約為換取代價而給予在某段時間內對可識別資產使用的控制權，則該合約屬於租賃或包含租賃。

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under HK(IFRIC) 4 *Determining whether an arrangement contains a lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.1 編製基準（續）

2.1 Basis of preparation (continued)

(a) 已於2019年1月1日起開始的會計年度強制性生效之準則及修訂（續）

(a) Standards and amendments issued that are already mandatorily effective for accounting periods beginning on 1 January 2019 (continued)

(i) 會計政策的修訂（續）

(i) Change in accounting policies (continued)

(2) 承租人會計

(2) Lessee accounting

本集團於租賃生效日期確認使用權資產及租賃負債。使用權資產初步按成本計量，其包括租賃負債的初始金額加上任何於生效日期或之前已付之租賃款項，及任何已付之初始直接成本。如適用，使用權資產的成本亦包括拆卸及移除相關資產或還原相關資產或其所在的估計成本之折讓現值，並減去任何已收之租賃激勵款項。

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

使用權資產其後按成本減任何累計折舊及減值損失計量，並對租賃的若干重新計量作出調整。倘使用權資產符合投資物業的定義，根據本集團的會計政策，該使用權初始按成本計量，其後按公平價值計量。

The right-of-use asset is subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is initially measured at cost, and subsequently at fair value, in accordance with the Group's accounting policies.

租賃負債初始按照生效日期尚未支付的租賃款項之現值計量，並採用租約隱含的利率或（倘該利率無法輕易釐定）本集團的增量借款利率。本集團一般以其增量借款利率用作貼現率。

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

租賃負債其後因租賃負債的利息成本而增加，並因所付租賃款項而減少。當未來租賃款項因指數或利率變動而有所改變，根據剩餘價值擔保預計應付的款項之估計出現變動、改變有關會否合理肯定行使購買或延長選擇權或是否合理肯定不會行使終止選擇權的評估時，租賃負債會重新計量。當租賃負債重新計量時，相應調整會在使用權資產之賬面值上調整，或要是使用權資產的賬面值已減至零時，該金額則記入損益賬內。

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

本集團運用判斷以釐定作為承租人若干包括續租權之租約的租期。本集團是否合理肯定行使該等選擇權的評估會影響租期，而租期則會對租賃負債及使用權資產的確認金額產生重大影響。

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements
(continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.1 編製基準（續）

2.1 Basis of preparation (continued)

(a) 已於2019年1月1日起開始的會計年度強制性生效之準則及修訂（續）

(a) Standards and amendments issued that are already mandatorily effective for accounting periods beginning on 1 January 2019 (continued)

(i) 會計政策的修訂（續）

(i) Change in accounting policies (continued)

(3) 出租人會計

(3) Lessor accounting

本集團作為經營租賃的出租人將其投資物業出租。作為出租人適用於本集團的會計政策與香港會計準則第17號下的會計政策大致維持不變。

The Group leases out its investment property as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

(ii) 過渡性影響

(ii) Transitional impact

於過渡時，在《香港會計準則》第17號下分為經營租賃的租賃，其租賃負債按餘下租賃款項根據本集團於2019年1月1日的增量借款利率折算為現值計量。使用權資產則按租賃負債的等值金額計量並調整任何預付或應計租賃款項的金額。本集團應用此方法於所有租賃。

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all leases.

本集團將《香港財務報告準則》第16號於以往在《香港會計準則》第17號下分類為經營租賃的租賃時，採用以下務實權宜方法。

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

- 應用豁免不就租期少於12個月的租賃確認使用權資產及負債。
- 於初始應用日期計量使用權資產時，豁除初始直接成本。
- 若合約包含延長或終止租賃的選擇權，則採用事後確認方法釐定租期。

- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- used hindsight when determining the lease term if the contract contains option to extend or terminate the lease.

使用權資產列於物業、器材及設備

Right-of-use assets presented in properties, plant and equipment

2019年1月1日

1 January 2019

港幣千元

HK\$'000

117,730

租賃負債列於其他賬項及準備

Lease liabilities presented in other accounts and provisions

117,730



綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.1 編製基準（續）

2.1 Basis of preparation (continued)

(a) 已於 2019 年 1 月 1 日起開始的會計年度強制性生效之準則及修訂（續）

(a) Standards and amendments issued that are already mandatorily effective for accounting periods beginning on 1 January 2019 (continued)

(ii) 過渡性影響（續）

(ii) Transitional impact (continued)

於2019年1月1日應用於租賃負債的加權平均承租人增量借款利率為3.69%。

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.69%.

下表將2018年12月31日附註35(a)所披露的經營租賃承擔與2019年1月1日確認的租賃負債期初餘額核對：

The following table reconciles the operating lease commitments as disclosed in Note 35(a) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

		2019年1月1日 1 January 2019
		港幣千元 HK\$'000
於2018年12月31日的經營租賃承擔	Operating lease commitment at 31 December 2018	127,140
減：與免於資本化的租賃有關的承諾：	Less: commitments relating to leases exempt from capitalisation:	
- 短期租賃	- short-term leases	(78)
- 低價值資產租賃	- leases of low-value assets	(54)
		127,008
減：未來利息總支出	Less: total future interest expenses	(9,278)
於2019年1月1日確認的租賃負債	Lease liabilities recognised at 1 January 2019	117,730

• 香港財務報告準則詮釋第23號「所得稅之不確定性之處理」。此詮釋指出需判斷不確定稅務處理被稅務機關所接納的可能性，以反映及計量該不確定性對所得稅核算的影響。該詮釋將會追溯性實施，並容許提前採納。採納該詮釋對本集團的財務報表沒有重大影響。

• HK(IFRIC) – Int 23, “Uncertainty over Income Tax Treatments”. The interpretation states that the effects of uncertainty in accounting for income taxes should be reflected and measured by determining how probable a taxation authority will accept an uncertain tax treatment. The interpretation is applied retrospectively. Early application is permitted. The application of this interpretation will not have a material impact on the Group's financial statements.

• 本集團沒有於本會計年度提前採納未生效的會計準則及詮釋。

• The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

綜合財務報表附註（續）

**Notes to the Consolidated Financial Statements
(continued)**

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.1 編製基準（續）

2.1 Basis of preparation (continued)

(b) 已頒佈但尚未強制生效及未被本集團於2019年提前採納之準則及修訂

(b) Standards and amendments issued that are not yet mandatorily effective and have not been early adopted by the Group in 2019

準則／修訂	內容	起始適用之年度 Applicable for financial years beginning on/after
Standards/Amendments	Content	
香港財務報告準則第3號（經修訂） HKFRS 3 (Amendment)	業務之定義 Definition of a business	2020年1月1日 1 January 2020
香港會計準則第1號及第8號（經修訂） HKAS 1 and HKAS 8 (Amendment)	重大之定義 Definition of material	2020年1月1日 1 January 2020

本集團正在評估該等修訂對起始適用之年度可能產生的影響。按目前評估，採納該等修訂將不會對綜合財務報表造成任何重大影響。

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 the adoption of them is unlikely to have a significant impact to the consolidated financial statements.



綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.2 綜合財務報表

綜合財務報表包含本銀行及所有其附屬公司截至 12 月 31 日的財務報表。

附屬公司

附屬公司是指由本集團直接或非直接控制的企業（包括結構性實體）。控制體現為本集團涉及，或有權從參與被投資企業業務中取得可變動回報，並有權力通過被投資企業影響自身回報（即賦予本集團現行權力以指引被投資企業的相關活動）。當本銀行對被投資企業的直接或間接表決權或類似權利少於大多數時，本集團會考慮所有相關的事實及情況，以評估是否對該被投資企業存在控制權，包括：(a) 與被投資企業其他表決者的合約安排；(b) 由其他合約安排所產生的權利；及(c) 本集團的表決權及潛在表決權。附屬公司於控制權轉入本集團之日起完全納入合併，並於本集團的控制權終止當日不再納入合併。

(i) 非受共同控制的業務合併

收購非受共同控制之業務時，應以收購法進行會計處理。業務合併的代價乃集團因換取被收購方的控制權，而在收購當日所轉讓的資產的公平值、所產生的負債（包括或然代價安排）、以及所發行的權益。與收購相關的成本會於發生時於收益表內確認。

轉讓的代價、持有被收購方的非控制權益金額、以及本集團之前已持有被收購方之權益的公平值（如有）之總和，其高於收購日的被收購可識別資產及需承擔負債的淨值，被計量為商譽。如經評估後，被收購方的可識別淨資產的公平值高於轉讓的代價、持有被收購方的非控制權益金額、以及本集團之前已持有被收購方之權益的公平值（如有）之總和，多出的部分將即時於收益表內被確認為優惠收購收益。之後，需至少每年對商譽進行減值測試。

2.2 Consolidation

The consolidated financial statements include the financial statements of the Bank and all of its subsidiaries for the year ended 31 December.

Subsidiaries

Subsidiaries are entities (including structured entities), directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee). When the Bank has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and (c) the Group's voting rights and potential voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(i) Business combinations not under common control

Acquisitions of businesses not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is the fair values at the acquisition date of the assets transferred, the liabilities incurred (including contingent consideration arrangement) and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed in the income statement as incurred.

Goodwill is measured as the excess of the sum 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 (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If after assessment, the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held interest in the acquiree (if any), the excess is recognised immediately in the income statement as a bargain purchase gain. Subsequently, goodwill is subject to impairment testing at least annually.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.2 綜合財務報表（續）

2.2 Consolidation (continued)

附屬公司（續）

Subsidiaries (continued)

(i) 非受共同控制的業務合併（續）

當集團於業務合併時轉讓的代價包含因或然代價安排而產生的資產或負債時，有關的或然代價將按收購日的公平值計量，並被視為業務合併時所轉讓代價的一部分。符合作為計量期間調整的或然代價的公平值變動，需以追溯方式進行調整，並需於商譽或優惠收購收益內進行相應的調整。計量期間調整是指於計量期間，取得與收購日已存在的事實或情況相關的額外資訊而產生的調整。計量期間為自收購日起計的一年之內。

以逐項收購為基準，本集團可選擇以公平值或按非控制權益之比例攤佔被收購方之可識別淨資產之公平值，來確認被收購方之非控制權益。

(ii) 受共同控制的業務合併

合併會計處理會被應用於合併受共同控制之公司。合併會計的原則是按被收購方之業務乃一直由收購方經營的假設，去合併受共同控制的公司。本集團的綜合財務報表之綜合業績，綜合現金流量及綜合財務狀況，會按本銀行與被收購方自最初受到共同控制後，即進行合併的假設而編製（即在合併日不需進行公平值調整）。在合併時的代價與賬面值的差額，將於權益內確認。在編製本集團的綜合財務報表時，對於所有本集團與被收購方之間的交易，不論是在合併前或是在合併後發生，其影響均會被對銷。除非被收購方的共同控制於其後日子開始，否則比較數據乃按被收購方之業務於收購開始日合併來列示。合併之交易成本會於收益表上被列支為費用。

(iii) 集團內部交易

集團內部交易、交易餘額、以及未實現收益已被對銷；除非能提供集團內交易所轉讓資產已發生減值的證據，否則未實現損失也將被對銷。如有需要，附屬公司的會計政策會作出適當調整，以確保本集團所採用會計政策的一致性。

(i) Business combinations not under common control (continued)

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at fair value at the acquisition date and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

(ii) Business combinations under common control

For a combination with a company under common control, the merger accounting method will be applied. The principle of merger accounting is a way to combine companies under common control as though the business of the acquiree had always been carried out by the acquirer. The Group's consolidated financial statements represent the consolidated results, consolidated cash flows and consolidated financial position of the Group as if any such combination had occurred from the date when the Bank and the acquiree first came under common control (i.e. no fair value adjustment on the date of combination is required). The difference between the consideration and carrying amount at the time of combination is recognised in equity. The effects of all transactions between the Group and the acquiree, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements of the Group. Comparative amounts are presented as if the acquiree had been combined at the start of the earliest period presented unless the acquiree first came under common control at a later date. The transaction costs for the combination will be expensed in the income statement.

(iii) Inter-company transactions

Inter-company transactions, balances and unrealised gains on transactions between the Group's companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.2 綜合財務報表（續）

2.2 Consolidation (continued)

附屬公司（續）

Subsidiaries (continued)

(iv) 投資附屬公司

(iv) Investments in subsidiaries

於本銀行的財務狀況表內，對附屬公司的投資是以成本扣除減值損失準備列賬。本銀行按照已收及應收股息基準確認附屬公司之業績。當本銀行具有權利收取附屬公司的派息時，將於收益表內確認。

In the Bank's statement of financial position, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Bank on the basis of dividends received and receivable. Dividend income from subsidiaries is recognised in the income statement when the right to receive payment is established.

2.3 分類報告

2.3 Segmental reporting

分類的經營業績與呈報予管理層的内部報告方式一致，本集團管理層乃本集團的總體營運決策核心，負責資源分配及對營運分類的表現評估。在釐定業務分類表現時，將會包括與各分類直接相關的收入及支出。

The operating result of segments are reported in a manner consistent with the internal reporting provided to the Group's senior management, which is the chief operating decision maker of the Group, that allocates resources and assesses the performance of operating segments. Income and expenses directly associated with each segment are included in determining operating segment performance.

2.4 外幣換算

2.4 Foreign currency translation

本集團各企業的財務報表所載項目均按各企業於主要經濟環境營運的貨幣計量（「功能貨幣」）。本綜合財務報表以港幣列示，即本銀行之功能及呈列貨幣。

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Bank's functional and presentation currency.

外幣交易均按交易或重新計量項目之估值當日的即期匯率換算為功能貨幣。外幣交易以交易日之匯率結算所引致的匯兌損益，以及以外幣為本位的貨幣性資產及負債按會計結算日的匯率換算的匯兌損益，均直接於收益表確認，惟於其他全面收益內遞延作為合資格淨投資對沖除外。

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or exchange rates at the end of the reporting period for items that are re-measured. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions using the exchange rates prevailing at the dates of the transactions and monetary assets and liabilities denominated in foreign currencies translated at the exchange rate at the end of the reporting period are recognised directly in the income statement, except when deferred in other comprehensive income as qualifying net investment hedges.

外幣換算的差異一般會在收益表確認。可是，以下項目產生的外幣換算的差異會在全面收益確認：

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income ("OCI"):

- 已選擇以公平值變化計入其他全面收益的股權投資；
- 指定以對沖且對沖有效的外國業務淨投資的金融負債；及
- 符合現金流量對沖的範圍，並且對沖是有效的。

- equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedge is effective.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.4 外幣換算（續）

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匯交易及外匯交易產品項下列示。因折算已選擇將往後公平價值變動在其他全面收益列示的股份證券所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。

所有本集團內非以港幣為功能貨幣的企業，其業績及財務狀況按以下方式換算為港幣：

- 資產及負債按會計結算日之收市匯率換算；
- 收入及支出按平均匯率換算；及
- 所有產生之換算差額通過其他全面收益於權益項目下之貨幣換算儲備內確認。

於綜合財務報表時，換算對外國企業之淨投資、借款及其他被界定為對沖此投資的貨幣工具所產生之換算差額需列入其他全面收益及分別累計於權益項目下之換算儲備中。當出售該外國企業投資時，此外幣兌換差額需列作為出售收益或虧損的一部分，並由權益中重新分類至收益表內。

2.5 衍生金融工具及對沖會計

衍生金融工具以衍生交易合同簽訂當日的公平值進行初始確認，並以公平值進行後續計量。公平值從活躍市場上的公開市場報價中取得，包括最近的市場交易，或通過使用估值方法，包括貼現現金流量分析模型、期權定價模型（如適用）。當公平值為正值時，衍生金融工具將被列為資產；當公平值為負值時，則被列為負債。

除非衍生金融工具已被界定為用作對沖，並且是屬於有效之對沖工具，則需按對沖會計之要求計量，否則，將被分類為持作交易用途，其公平值變動即時於收益表內確認。

2.4 Foreign currency translation (continued)

Exchange differences relating to investments at fair value through profit or loss (FVTPL) and derivative financial instruments are included in gains less losses from trading securities or financial instruments at fair value through profit or loss. All other exchange differences relating to monetary items are presented as gains less losses from foreign exchange and foreign exchange products in the income statement. Differences arising on translation of equity investments which an election has been made to present subsequent changes in fair value in other comprehensive income are recognised in other comprehensive income and accumulated separately in fair value reserve.

The results and financial position of all the Group entities that have a functional currency different from Hong Kong dollars are translated into Hong Kong dollars as follows:

- assets and liabilities are translated at the closing rate at the end of the reporting period;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognised in the currency translation reserve in equity through other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, borrowings and other currency instruments designated as hedges of such investments are taken to other comprehensive income and are accumulated separately in equity in the translation reserve. When a foreign entity is disposed, such exchange differences are reclassified from equity to the income statement, as part of the gain or loss on sale.

2.5 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and through the use of valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Derivatives are categorised as held for trading and changes in their fair value are recognised immediately in the income statement unless they are designated as hedges and are effective hedging instruments, then they are subject to measurement under the hedge accounting requirements.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.5 衍生金融工具及對沖會計（續）

本集團於交易發生時會記錄對沖工具與相關被對沖項目之關係、風險管理目的和進行各類對沖交易時所採取之策略。本集團並於對沖活動發生時及期間，評估有關衍生金融工具能否高度有效地抵銷相關被對沖項目之公平值或現金流變動，並作出記錄。此等乃符合採用對沖會計方法處理之先決條件。

淨投資對沖

對沖工具有效對沖部分的收益或虧損，會於其他全面收益內確認及於權益內累計；無效部分的收益或虧損即時於收益表內確認。之前於其他全面收益中累計的收益或虧損金額會列作出售收益或虧損的一部分，並於出售海外運作時被重新分類至收益表內。

2.6 金融工具之抵銷

若存在法律上可行使的權利，可對已確認入賬之項目進行抵銷，且有意以淨額方式結算，或將資產變現並同時清償債務，則金融資產及負債可予抵銷，並把淨額於財務狀況表內列賬。

2.7 利息收入及支出、服務費及佣金收入及支出

(1) 利息收入及支出

實際利率

所有付息金融工具的利息收入及支出按實際利息法在收益表以應計基準確認。

實際利率是在金融工具預計到期日，將其未來收到或付出的現金流貼現為金融資產或金融負債賬面值所使用的利率。

除信貸減值資產，當計算實際利率時，本集團在估計未來現金流時，會考慮金融工具內的所有合同條款，但不會考慮未來的信用損失。自購入日確認新購入的信貸減值金融資產，則會按已包括預期信用損失（即自購入日沒有預期信用損失減值）的預期未來現金流計算信用調整的實際利率。

計算實際利率的組成部份包括支付或收取的交易成本、費用和點子。交易成本包括購買時產生或發行金融資產或金融負債的成本。

2.5 Derivative financial instruments and hedge accounting (continued)

The Group documents at inception the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. These criteria should be met before a hedge can be qualified to be accounted for under hedge accounting.

Net investment hedge

A gain or loss on the effective portion of the hedging instrument is recognised in other comprehensive income and accumulated in equity; a gain or loss on the ineffective portion is recognised immediately in the income statement. Accumulated gains and losses previously recognised in other comprehensive income are reclassified to the income statement upon disposal of the foreign operation as part of the gain or loss on disposal.

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.7 Interest income and expense and fee and commission income and expense

(1) Interest income and expense

Effective interest rate

Interest income and expense for all interest-bearing financial instruments are recognised in the income statement on an accruals basis using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument but not expected credit losses. For financial assets that were purchased or originated credit-impaired on initial recognition, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses (i.e. no expected credit loss provision is required at initial recognition).

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. The transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.7 利息收入及支出、服務費及佣金收入及支出（續）

(1) 利息收入及支出（續）

攤餘成本及賬面值

金融資產或金融負債的攤餘成本是自初始確認日減本金償還、加或減以實際利息法計算因初始確認金額與到期時金額之間差異的累計攤銷金額及對已調整預期信用損失的金融資產。

金融資產的賬面值是未調整預期信貸損失的攤餘成本。

計算利息收入及支出

在計算利息收入及支出時，實際利率應用於資產的賬面值（當資產沒有信貸減值時）或以攤餘成本記錄的負債。

可是，自初始確認後變成信貸減值的金融資產，其利息收入是通過以金融資產的攤餘成本應用實際利率來計算。如果資產不再是信貸減值，其利息收入將回復至總額計算。

自初始確認時購買的信貸減值資產，利息收入是按照已調整信貸的實際利率對資產的攤餘成本而計算。即使資產的信用風險已改善，利息收入的計算是不可以回復至總額方式。

有關信貸減值的金融資產的資料，請見財務報表附註2.14。

(2) 服務費及佣金收入及支出

不屬於整體有效利息一部分的服務費及佣金收入及支出，例如行政費、資產管理費和託管服務費，通常在提供相關服務時，以應計基準按比例地於服務期間內確認。當銀團貸款安排已完成且本集團未保留任何貸款或按適用於其他銀團成員的相同實際利率保留部分貸款時，銀團貸款服務費確認為收入。

2.7 Interest income and expense and fee and commission income and expense (continued)

(1) Interest income and expense (continued)

Amortised cost and gross carrying amount

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were purchased or originated credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, please refer to Note 2.14.

(2) Fee and commission income and expense

Fee and commission income and expense that are not an integral part of the effective yield are recognised on an accrual basis ratably over the period when the related service is provided, such as administrative fee, asset management fee and custody services fee. Loan syndication fees are recognised as revenue when the related syndication arrangement has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as applicable to other participants.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.8 金融資產

2.8 Financial assets

(1) 確認及最初計量

金融資產的確認是企業作為金融工具的合約方，購買及出售金融資產在交易日進行確認，即本集團承諾購買或出售有關資產。除以公平值計入損益的項目外，金融資產以其公平值作初始計量，需加上與收購或發行而直接產生的交易成本。

(1) Recognition and initial measurement

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instruments. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the assets. A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

(2) 分類

本集團應用香港財務報告準則第9號將金融資產按以下類別進行分類：

- 以公平值變化計入損益；
- 以公平值變化計入其他全面收益；或
- 以攤銷成本計量。

金融資產的分類及其後的計量將視乎以下情況：

- 企業管理資產的業務模型；及
- 資產的現金流特徵。

(i) 債務證券

本集團持有的債務證券按以下類別進行分類：

- 若持有的投資主要收取其本金及利息的合約現金流為目的，該投資以攤銷成本計量。利息收入是以實際利息法計算利息收入。
- 該投資的業務模型旨在收集合約現金流及出售金融資產，而該工具本身符合收取本金及利息的合約現金流特徵，則該工具會以公平值變化計入其他全面收益進行計量。除預期信用損失記錄於損益表外，利息收入（按實際利息法計算）及外匯收益及虧損外，公平值變化會於其他全面收益進行確認。
- 若資產未能符合以攤銷成本計量或以公平值變化計入其他全面收益的條件，則該投資的公平值變化（包括：利息）將確認以公平值變化計入損益進行計量。

(2) Classification

The Group has applied HKFRS 9 and classifies its financial assets in the following measurement categories:

- fair value through profit and loss;
- fair value through other comprehensive income (FVOCI); or
- amortised cost.

Classification and subsequent measurement of financial assets depend on:

- the Group's business model for managing the asset; and
- the cash flow characteristics of the assets.

(i) Debt instruments

Debt instruments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.
- FVOCI, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses.
- FVTPL if the assets do not meet the criteria for being measured at amortised cost or FVOCI. Changes in the fair value of the investment (including interest) are recognised in profit or loss.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.8 金融資產（續）

(2) 分類（續）

(ii) 股份證券

股份證券是從發行人角度以符合股票定義發行的工具，該工具是沒有按合約支付的責任，並以發行人的淨資產的剩餘權益作證明。

除初始確認時，本集團管理層作出不可撤回的選擇，指定一項股份證券以公平值變化計入其他全面收益進行分類外，本集團其後將所有股份證券以公平值變化計入損益進行計量。本集團指定股份證券以公平值變化計入其他全面收益的政策是考慮持有該等投資的目的並非只賺取投資回報，當採用這項選擇時，公平值的盈利及虧損將於其他全面收益確認，亦不會於其後包括出售被重新分類至損益。減值準備(及減值準備的回撥)將不會與公平值變化獨立列示。當本集團有明確的權利收取股息，即代表這項投資的回報時，會繼續在損益表確認並於其他經營收入記錄。

以公平值變化計入損益的股份投資的盈利及虧損包括在收益表內的淨交易性收益內。

(iii) 業務模型的評估

本集團以最能反映業務模式及向管理層提供資訊，以組合層面持有資產的業務模式的目標去評估業務模型，考慮的資訊包括：

- 管理的策略是集中賺取合約上的利息收入、維持特定利率情況、匹配金融資產及為這些資產提供資金或通過出售資產而實現現金流的金融負債的期限；
- 如何評估組合的表現及匯報本集團管理層；
- 影響業務模型的風險(及在這個業務模型下持有的金融資產)以及如何管理這些風險；
- 業務經理如何獲得補償，例如補償是否根據其管理的資產公平值或已收取的合約現金流；及
- 過往期間的銷售頻率、數量、時間、銷售的原因及對將來銷售的預期等資訊。可是，銷售行為的資訊不能獨立地考慮，而是作為本集團實現管理金融資產及如何實現現金流的綜合評估的一部份。

2.8 Financial assets (continued)

(2) Classification (continued)

(ii) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments that are not held for trading. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Gains and losses on equity investments at FVTPL are included in the "Net trading gain" line in the income statement.

(iii) Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.8 金融資產（續）

(2) 分類（續）

(iv) 評估合同現金流是否只有本金及利息的支付

就是次評估，「本金」是指在初始確認日的金融資產的公平值，「利息」被定義為貨幣的時間值、與特定時間內未償還本金相關的信貸風險、其他基本借貸風險及成本（例如：流動流險及行政成本），以及利差。

在評估合約現金流是否只有本金及利息時，本集團會考慮該工具的合約條款，包括評估金融資產是否包含可改變現金流金額及時間引致不符合條件的合約條件。在進行評估時，本集團會考慮：

- 可能改變現金流金額及時點的偶然事件；
- 槓桿特徵；
- 還款及延期條款；
- 限制本集團對特定資產的現金流索賠的條款(例如：無追溯權的資產安排)；及
- 修改對時間值考慮的特徵，例如：定期重設利率。

本集團持有可選擇建議在定期重設日修訂利率的長期固定利率的貸款組合。這項修訂權只限於修訂市場利率。借款人有權選擇接受新修訂利率或以本金及沒有處罰的方式下贖回貸款。本集團已確定這些貸款修訂利率的權利只考慮時間值、信貸風險、基礎貸款風險及因欠款而產生的相關費用，其合約現金流只有本金及利息。

(v) 重新分類

除本集團改變管理金融資產的業務模型外，在初始確認日後，金融資產其後不可重新分類。

2.8 Financial assets (continued)

(2) Classification (continued)

(iv) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money, e.g. periodical reset of interest rates.

The Group holds a portfolio of long-term fixed rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

(v) Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.9 金融負債

本集團將其金融負債（財務擔保及貸款承擔除外）分類為按攤銷成本或按通過損益以反映公平值計量類別。

在以下任一情況下，本集團已將若干金融負債指定為按通過損益以反映公平值計量：

- 該負債是按公平值作內部管理、評估及呈報；或
- 該指定可抵銷或明顯減少可能產生的會計錯配。

2.10 財務擔保合約

財務擔保合約是指簽發人在指定的債務人未能根據持有人與債務人之間的債務合約條款而履行還款責任時，需向持有人償付由此而產生之損失的指定付款。

財務擔保合約以合約簽發當日的公平值初始確認為金融負債，並列示於財務報表內的「其他賬項及準備」項下。及後，本集團之責任按以下兩者之較高者計量：(i)根據香港會計準則第37號「準備、或然負債及或然資產」釐定之金額；及(ii)初始確認之金額減按直線法於擔保有效期內確認之累計攤銷（如適用）。財務擔保合約負債的變動則於收益表中確認。

2.11 金融工具的終止確認

(1) 金融資產

當收取金融資產現金流的合同權利到期或該權利已轉移，即已轉換金融資產的所有風險及回報或本集團既未轉換亦未保留所有權上的所有風險及回報，且未有保留對該金融資產的控制時，本集團終止確認該金融資產。

於終止確認金融資產時，資產賬面值（或資產被終止確認的部份的賬面值）與(i)已收取的代價（包括獲得新資產減新負債）及(ii)任何已在其其他綜合收益已確認的累計盈利及虧損的總和的差額會在利潤表確認。

2.9 Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

The Group has designated certain financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2.10 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a contract between the holder and the debtor.

Financial guarantee contracts are initially recognised as financial liabilities and reported under “Other accounts and provisions” in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group’s liabilities under such guarantees are measured at the higher of (i) the amount determined in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” and (ii) the amount initially recognised less, where appropriate, accumulated amortisation recognised over the life of the guarantee on a straight-line basis. Any changes in the liability relating to financial guarantee contracts are taken to the income statement.

2.11 Derecognition of financial instruments

(1) Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.11 金融工具的終止確認（續）

2.11 Derecognition of financial instruments (continued)

(1) 金融資產（續）

(1) Financial assets (continued)

已確認其累計盈利/虧損在其他全面收益以公平值變化計入其他全面收益的股份證券，在終止確認該等資產時，不可在損益表進行確認。本集團建立或保留可轉讓該等資產的權益，可確認為獨立資產或負債。

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

本集團進行將資產負債表上的資產轉換的交易，欲保留轉讓資產中一部份或全部的風險及回報。在這情況下，轉移資產不可終止確認。

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

在本集團對該金融資產不轉移其風險、不轉移其回報及維持資產的擁有權的交易中，本集團在繼續參與的情況下，本集團繼續確認該資產，並在該情況考慮轉移資產的價格變化。

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

在某些交易下，本集團收取費用以保留對已轉移資產提供服務。若已符合終止確認的條件，該已轉移資產會終止確認。若服務費用比資產大或比負債少，則需將服務合約確認為資產或負債。

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

(2) 金融負債

(2) Financial liabilities

當合約義務解除、取消或到期時，本集團終止確認金融負債。

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

2.12 公平值計量

2.12 Fair value measurement

本集團於每個會計結算日以公平值計量房產及投資物業、貴金屬及部分金融工具。公平值是指在估值日當期集團可接觸的主要交易市場或最有利之市場狀況下，市場參與者進行有序交易出售資產或轉移負債之價格。

The Group measures its premises and investment properties, precious metals and certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in its principal market or the most advantageous market accessible by the Group at the measurement date.

計量資產或負債公平值運用的假設為市場參與者在其最佳經濟利益的情況下，所採用的資產或負債計價。

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

非金融資產之公平值計量為考慮市場參與者使用該資產所產生的最高及最佳經濟利益，或出售予另一市場參與者而該參與者可產生的最高及最佳經濟利益。

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.12 公平值計量（續）

若資產或負債所處之市場並不活躍，本集團會在合適並有足夠數據的情況下，採用估值方法釐定其公平值，包括運用當時之公平市場交易、貼現現金流量分析、期權定價模型及其他市場參與者通用之估值方法，並會盡可能使用市場上可觀察的相關參數，避免使用不可觀察的參數。

2.13 貴金屬

貴金屬包括黃金、銀及其他貴金屬。貴金屬以其公平值作初始確認和其後重估。貴金屬於進行市場劃價後所產生之收益或虧損，將包括於淨交易性收益／虧損內。

2.14 金融資產減值

本集團確認以下非以公平值變化計入損益的金融工具的預期信貸損失的損失準備：

- 屬於債務證券的金融資產；
- 租賃應收賬款；
- 已發出的財務擔保合約；
- 已發出的貸款承擔；及
- 合同資產。

股份證券沒有確認減值損失。

本集團以三階段方法去量度未來12個月或整個存續期的減值準備如下：

階段 Stage	描述 Description	減值損失 Impairment Loss
1	履行中 Performing	12個月內預期信貸損失 12-month ECL
2	履行中但於報告日，信貸風險自初始確認以來已顯著增加 Performing but with credit risk increased significantly at reporting date since its initial recognition	合約期內之預期信貸損失 Lifetime ECL
3	不良 Non-performing	合約期內之預期信貸損失 Lifetime ECL

12個月內之預期信貸損失指金融工具在報告日後的12個月內，所有潛在違約事件所導致的信貸損失。

2.12 Fair value measurement (continued)

If the market for assets or liabilities is not active, the Group uses valuation techniques, including the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.13 Precious metals

Precious metals comprise gold, silver and other precious metals. Precious metals are initially recognised and subsequently re-measured at fair value. Mark-to-market gains or losses on precious metals are included in net trading gain/loss.

2.14 Impairment of financial assets

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued;
- loan commitments issued; and
- contract asset.

No impairment loss is recognised on equity investments.

The Group measures loss allowances for 12-month or lifetime ECL using a 3-stage approach as follows:

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.14 金融資產減值（續）

計量預期信貸損失

預期信貸損失是一個信貸損失的概率在加權後的估算值，計算方法如下：

- 在報告日，未有信用減值的金融資產：按所有短缺現金的折現值計算（即：根據合約應付實體的現金流與本集團預期收取的現金流的差額）；
- 在報告日，已發生信用減值的金融資產：賬面值與未來預計的現金流的折現值差額；
- 未提取的貸款承擔：本集團因已提取承諾而應付的現金流的折現值與本集團預期會收取的現金流的差額；及
- 財務擔保合約：償還持有人的預期付款減本集團預期收回的金額。

在評估債務投資是否受到信貸虧損時，本集團考慮以下因素：

- 市場對債券收益率所反映的信譽的評估；
- 評級機構對信譽的評估；
- 該國家進入資本市場發行新債務的能力；
- 債務重組的可能性，導致持有人因自願或強制性債務減免而遭受損失；
- 為作為向該國提供“最後貸款人”而建立的國際支助機制，以及公開聲明中反映的政府和機構使用這些機制的意圖。這些包括評估這些機制的深度，不論政治意圖如何，是否有能力達到所需標準。

2.14 Impairment of financial assets (continued)

Measurement of ECL

ECL are a probability-weighted estimates of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

In making an assessment of whether an investment in debt is credit-impaired, the Group considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessments of creditworthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness;
- the international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.14 金融資產減值（續）

計量預期信貸損失（續）

資產負債表內的減值準備披露如下：

- 按攤銷成本計量的金融資產：從資產帳面總額中扣除；
- 貸款承諾及應收開出保函：一般視作準備；
- 如果金融工具同時包括已提取及未提取部分，而集團無法將貸款承諾部分的減值準備與提取部分的減值準備分開確定：本集團對這兩個部分提出合併減值準備。合併數額是從提取部分的帳面總額中扣除。減值準備超過提取部分總額的餘額將視作準備；及
- 以公平值計入其他全面收益的債務證券：這些以公平值記錄的資產不會在資產負債表確認任何減值損失。可是，其減值準備會確認在以公平值變化計入其他全面收益之金融資產儲備並進行披露。

註銷

如果沒有合理的預期收回全部或部分金融資產，貸款和債務證券將被註銷（部分或全部）。一般情況下是當本集團確定借款人沒有資產或收入來源而產生足夠的現金流來償還欠款。這項評估是考慮個別項目而進行。

收回已註銷的金額將會包括收益表及全面收益表的金融工具減值準備。

已註銷的金融資產仍會按本集團的收回呆賬政策及規定進行處理。

2.14 Impairment of financial assets (continued)

Measurement of ECL (continued)

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in impairment losses on financial instruments in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.14 金融資產減值（續）

非完整應收開出保函

本集團評估應收開出保函是考慮該保函以組成部份還是獨立計算的金融資產。本集團進行評估時考慮的因素包括：

- 該債務工具的隱含在合約條款內的應收開出保函；
- 在法律及法例規定下的債務工具的應收開出保函；
- 在投入債務工具的同時並在考慮債務工具的情況下訂立的應收開出保函；及
- 由借款人的母公司或借款人集團內的其他公司提供的應收開出保函。

如果本集團確定應收開出保函是金融資產的一個組成部分，則與金融資產初始確認有關的任何應付溢價將被視為獲取該擔保的交易成本。本集團在衡量債務工具的公允價值和衡量減值準備時會考慮其保障。

如果本集團確定應收開出保函不是債務工具的一個組成部分，則確認代表任何提前支付擔保溢價的資產和信用損失的賠償權利。預付保費資產只有在擔保風險既沒有發生信用減值，也沒有在獲得應收開出保函時信用風險顯著增加的情況下才會被確認。這些資產在“其他資產”中確認（見附註26）。本集團在損益表中“其他金融資產減值損失”減值準備淨撥備。

已發生信用減值的金融資產

於各報告日，本集團評估按攤銷成本列賬的金融資產及按通過其他全面收益以反映公平值列賬的債務金融資產是否為信貸不良。當發生一宗或多宗對金融資產的估計未來現金流造成不利影響的事件，則該金融資產屬信貸不良。

2.14 Impairment of financial assets (continued)

Non-integral financial guarantee contracts

The Group assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Group determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Group considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Group determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in other assets (see Note 26). The Group presents gains or losses on a compensation right in profit or loss in the line item 'net charge of impairment allowances'.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.14 金融資產減值（續）

已發生信用減值的金融資產（續）

金融資產出現信貸減值的證據包括但不限於以下可觀察數據：

- 借款人或發行人出現重大財政困難；
- 違反合約，如拖欠或逾期事件；
- 本集團根據其他情況下不會考慮的條款重組貸款或墊款；
- 借款人很可能會破產或進行其他財務重組；或
- 因財務困難引致活躍市場消失。

因借款人的財政狀況惡化而重訂條款的貸款，除有證據證明無法收取合約現金流的風險已顯著減低且並無其他減值跡象外，通常被視為信貸不良。此外，逾期90日或以上的貸款被視為已減值。

重組後的金融資產

如果由於借款人的財政困難而重新談判或修改金融資產的條款，或將現有金融資產更換為新的金融資產，則對金融資產是否應取消確認和計量減值準備進行以下評估：

- 如果預期的重組不會導致對現有資產的取消確認，那麼在計算現有資產的現金短缺時，將修改後的金融資產產生的預期現金流量應包括在內。
- 如果預期的重組將導致取消確認現有資產，那麼新資產的預期公平值在取消確認時被視為現有金融資產的最終現金流。金額包括在計算現有金融資產的現金短缺時，從預期取消確認之日起至使用現有金融資產最初有效利率的報告日折現值。

2.14 Impairment of financial assets (continued)

Credit-impaired financial assets (continued)

Evidence that a financial asset is credit-impaired includes but not limited to the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.15 對附屬公司之投資及非金融資產之減值

如因發生事件或情況已改變，並顯示資產之賬面值或將無法被收回，則會進行減值重檢。潛在減值跡象包括運用資產之科技、市場、經濟或法律環境已出現明顯變壞或資產價值大幅或長期下跌至低於其成本值。「大幅」是以投資的原成本值作評價，而「長期」是以公平值低於其原成本值之時期作評價。

資產的賬面值超過其可收回金額的部分會被確認為減值損失。可收回金額是指資產的公平值扣除出售成本後與其使用價值的較高者。為作出減值評估，資產乃按其最小的可分開識別現金流（現金產出單元）層次分類。於每一財務報告日，會對已發生減值的資產進行重檢以確定需否回撥。

在本銀行的財務狀況表，如果附屬公司宣派的股息超過其在該宣派年度的全面收益總額，或其在本銀行的賬面值超過在其綜合財務狀況表內已包括商譽的淨資產值時，則需要做投資減值測試。

2.16 投資物業

持作賺取長期租金收益或資本增值或兩者兼備者，且並非集團旗下各公司所佔用之物業，均列作投資物業。出租予本集團內公司之物業，於個別公司之財務報表中分類為投資物業，及於同期的綜合財務報表中分類為房產。若經營租賃之土地符合投資物業之其他定義，則會列作為投資物業。有關之經營租賃會作為融資租賃處理。所付租賃款項按附註 2.18 所述進行會計處理。

投資物業初始以成本值（包括相關交易成本）計量。經初始確認後，投資物業按公平值計量。

只有在與項目相關的未來經濟利益很有可能流入本集團，並能夠可靠地計量其成本的情況下，本集團才會將其後續支出計入為資產賬面值之一部分。該等後續支出以扣除減值後之成本列賬，並包括於投資物業的賬面值內。若其後開始產生經濟利益，則以公平值計量。至於所有其他修理及維護費用，均需於產生時確認於當期收益表內。

2.15 Impairment of investment in subsidiaries and non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Potential indications of impairment may include significant adverse changes in the technological, market, economic or legal environment in which the assets operate or whether there has been a significant or prolonged decline in value below their cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

In the Bank's statement of financial position, impairment testing of the investment in a subsidiary is also required upon receiving dividend from that entity if the dividend exceeds the total comprehensive income of that entity concerned in the period the dividend is declared or if the carrying amount of that entity in the Bank's statement of financial position exceeds the carrying amount of that entity's net assets including goodwill in its consolidated statement of financial position.

2.16 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the companies in the Group, are classified as investment properties. Properties leased out within Group companies are classified as investment properties in individual companies' financial statements and as premises in consolidated financial statements in the comparative period. Land held under operating lease is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it is a finance lease. Lease payments were accounted for as described in Note 2.18.

Investment properties are recognised initially at cost, including related transaction costs. After initial recognition, investment properties are measured at fair value.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The item is stated at cost less impairment and is included in the carrying amount of investment properties. Once the item begins to generate economic benefits, it is then measured at fair value. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.16 投資物業（續）

任何公平值之變動會直接於收益表內確認。

若投資物業改為自用，會被重新分類為房產，其於重新分類日之公平值會成為其會計賬上的成本值。若房產項目因其用途改變而成為投資物業，則根據香港會計準則第16號「物業、器材及設備」將此項目於轉分類日之賬面值與其公平值之間的差額作為房產重估，確認於其他全面收益內。惟若公平值增值抵銷以往之重估損失或減值損失，該增值則於收益表內確認，並以過往已確認的損失金額為限。

2.17 物業、器材及設備

物業主要為分行及辦公樓房產。房產需定期但最少每年以取自外間獨立估價師之公平值扣除任何隨後發生之累計折舊及資產減值損失列示。重估當日之累計折舊額需先沖銷資產之賬面總額，沖減後之淨額則重新調整至該資產之重估值。相隔期間由董事參考相近物業之公開市值以檢討房產之賬面值，如董事認為該房產價值有重大變動則會作出相應調整。

房產重估後之賬面增值通過其他全面收益撥入房產重估儲備中。與同一個別資產早前之增值作對銷之減值部分，通過其他全面收益於房產重估儲備中扣減；餘下之減值額則確認於收益表內。其後任何增值將撥入收益表（以早前扣減之金額為限），然後撥至房產重估儲備內。出售房產時，房產重估儲備中與先前估值有關之已實現部分，將從房產重估儲備撥轉至留存盈利。

所有器材及設備，包括租賃物業所產生的使用權資產，並非由本集團為物業權益的註冊持有人及器材及設備的租賃（附註2.18），均以歷史成本扣除累計折舊及減值損失列賬。歷史成本包括因取得及安裝該項目而直接產生之費用。

與資產有關的後續支出，只有當其產生的未來經濟利益很可能流入本集團，並且該支出能夠可靠地計量時，才能將其計入資產的賬面價值或作為單獨的一項資產進行確認（如適當）。該等後續支出以扣除減值後之成本列賬直至其開始產生經濟利益，之後則根據相關資產之後續計量基準進行計量。所有其他修理及維護費用均在發生時計入當期收益表。

2.16 Investment properties (continued)

Any changes in fair value are recognised directly in the income statement.

If an investment property becomes owner-occupied, it is reclassified as premises, and its fair value at the date of reclassification becomes its cost for accounting purposes. If an item of premises becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income as a revaluation of premises under HKAS 16 "Property, Plant and Equipment". However, if a fair value gain reverses a previous revaluation loss or impairment loss, the gain is recognised in the income statement up to the amount previously debited.

2.17 Properties, plant and equipment

Properties are mainly branches and office premises. Premises are stated at fair value based on periodic, at least annually, valuations by external independent valuers less any subsequent accumulated depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. In the intervening periods, the directors review the carrying amount of premises, by reference to the open market value of similar properties, and adjustments are made when there has been a material change.

Increases in the carrying amount arising on revaluation of premises are credited to the premises revaluation reserve through other comprehensive income. Decreases that offset previous increases of the same individual asset are charged against premises revaluation reserve through other comprehensive income; all other decreases are expensed in the income statement. Any subsequent increases are credited to the income statement up to the amount previously debited, and then to the premises revaluation reserve. Upon disposal of premises, the relevant portion of the premises revaluation reserve realised in respect of previous valuations is released and transferred from the premises revaluation reserve to retained earnings.

All plant and equipment, including right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest and leases of underlying plant and equipment (Note 2.18), are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition and installation of the items.

Subsequent costs are included in an asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The item is stated at cost less impairment until it begins to generate economic benefits, then the item is subsequently measured according to the measurement basis of its respective assets class. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.17 物業、器材及設備（續）

折舊以直線法，將資產之成本值或重估價值於其如下估計可用年限內攤銷：

- 物業 按政府土地租約年期
- 器材及設備 2至15年

本集團在每個會計結算日重檢資產的可用年限，並已按適當情況作出調整。

在每個會計結算日，源自內部及外界之資料均會被用作評定物業、器材及設備是否出現減值之跡象。如該跡象存在，則估算資產之可收回價值，及在合適情況下將減值損失確認以將資產減至其可收回價值。該等減值損失在收益表內確認，但假若某資產乃按估值列賬，而減值損失又不超過同一資產之重估盈餘，此等損失則當作重估減值。可收回價值指該資產之公平值扣除出售成本後之金額，與其使用價值之較高者。減值損失會按情況於房產重估儲備或收益表內回撥。

出售之收益或虧損是按扣除稅項及費用之出售淨額與有關資產賬面值之差額而釐定，並於出售日在收益表內確認。任何有關重估盈餘會由房產重估儲備撥轉至留存盈利，不會重新分類至收益表內。

2.18 租賃

(1) 自2019年1月1日起適用的政策

除租賃期限為12個月或以下的短期租賃和低價值資產租賃外，本集團於租賃生效日期確認使用權資產及租賃負債。當本集團就低價值資產訂立租賃時，本集團會就逐項租賃來決定是否資本化。未資本化的相關的租賃付款在租賃期內系統化地確認為支出。使用權資產初步按成本計量，其包括租賃負債的初始金額加上任何於生效日期或之前已付之租賃款項，及任何已付之初始直接成本。如適用，使用權資產的成本亦包括拆卸及移除相關資產或還原相關資產或其所在的估計成本之折讓現值，並減去任何已收之租賃激勵款項。

使用權資產其後按成本減任何累計折舊及減值損失計量，並對租賃的若干重新計量作出調整。倘使用權資產符合投資物業的定義，根據本集團的會計政策，該使用權初始按成本計量，其後按公平價值計量。

2.17 Properties, plant and equipment (continued)

Depreciation is calculated on the straight-line method to write down the cost or revalued amount of such assets over their estimated useful lives as follows:

- properties over the life of government land leases
- plant and equipment 2 to 15 years

The useful lives of assets are reviewed, and adjusted if appropriate, as at the end of each reporting period.

At the end of each reporting period, both internal and external sources of information are considered to determine whether there is any indication that properties, plant and equipment, are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such an impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Impairment loss is reversed through the premises revaluation reserve or the income statement as appropriate.

Gains or losses on disposals are determined as the difference between the net disposal proceeds and the carrying amount, relevant taxes and expenses. These are recognised in the income statement on the date of disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained earnings and is not reclassified to the income statement.

2.18 Leases

(1) Policy applicable from 1 January 2019

The Group recognises a right-of-use asset and a lease liability at the lease commencement date, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is initially measured at cost, and subsequently at fair value, in accordance with the Group's accounting policies.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.18 租賃（續）

2.18 Leases (continued)

(1) 自2019年1月1日起適用的政策（續）

租賃負債初始按照生效日期尚未支付的租賃款項之現值計量，並採用租約隱含的利率或（倘該利率無法輕易釐定）本集團的增量借款利率。本集團一般以其增量借款利率用作貼現率。

租賃負債其後因租賃負債的利息成本而增加，並因所付租賃款項而減少。當未來租賃款項因指數或利率變動而有所改變，根據剩餘價值擔保預計應付的款項之估計出現變動，改變有關會否合理肯定行使購買或延長選擇權或是否合理肯定不會行使終止選擇權的評估時，租賃負債會重新計量。當租賃負債重新計量時，相應調整會在使用權資產之賬面值上調整，或要是使用權資產的賬面值已減至零時，該金額則記入損益賬內。

本集團運用判斷以釐定作為承租人若干包括續租權之租約的租期。本集團是否合理肯定行使該等選擇權的評估會影響租期，而租期則會對租賃負債及使用權資產的確認金額產生重大影響。

(2) 2019年1月1日前適用的政策

(1) 經營租賃

經營租賃是指實質上由出租人保留擁有資產之絕大部分風險及回報之租賃。經營租賃之總租金款額（扣除自出租人收取之任何回扣額），將於租賃期內以直線法在收益表中確認。或然租金以該支出產生的會計期間列作費用。

若經營租賃於租約到期前已結束，任何需繳付予出租人之罰款將於結束發生當月於收益表內確認為支出。經營租賃之租金收入在租約期內以直線法確認。

(2) 融資租賃

如承租人已實質上獲得了所有風險及回報，該資產的租賃應歸類為融資租賃。由於位於香港之土地的最低租約付款的現值（即成交價）已實質上等同於土地的公平值，因此香港政府土地的租賃被歸類為融資租賃，尤如屬無期業權。

(1) Policy applicable from 1 January 2019 (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

(2) Policy applicable before 1 January 2019

(1) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The total payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Contingent rental payable is recognised as expense in the accounting period in which they are incurred.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place. Rental income from operating leases is recognised on a straight-line basis over the lease term.

(2) Finance leases

Leases of assets where lessee have obtained substantially all the risks and rewards of ownership are classified as finance leases. Government land leases in Hong Kong are classified as finance leases as the present value of the minimum lease payments (i.e. transaction price) of the land amounted to substantially all of the fair value of the land as if it were freehold.



綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.18 租賃（續）

2.18 Leases (continued)

(2) 2019年1月1日前適用的政策（續）

(2) Policy applicable before 1 January 2019 (continued)

(2) 融資租賃（續）

(2) Finance leases (continued)

融資租賃會在租賃開始時，按租賃資產之公平值與其最低租約付款的現值之較低者予以資產化。每期租金均會分配於負債及財務費用，以達至一個固定息率於融資餘額上。相應的租賃責任，在扣除財務費用後，會計入其他負債。按融資租賃方法購入的投資物業以公平值列賬。

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other liabilities. Investment properties acquired under finance leases are carried at their fair value.

當資產按融資租賃租出，租金的現值會被確認為應收款項。租賃收入是以投資淨額方法於租賃期內確認，以反映固定的回報率。

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. Lease income is recognised over the term of the lease using net investment method, which reflects a constant periodic rate of return.

2.19 現金及等同現金項目

2.19 Cash and cash equivalents

就綜合現金流量表而言，現金及等同現金項目指按原來到期日，於購入日期起計三個月內到期之結餘，包括現金、銀行及其他金融機構之結餘、短期票據及被分類為投資證券及存款證之票據。

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise balances with original maturity less than three months from the date of acquisition, including cash, balances with banks and other financial institutions, short-term bills and notes classified as investment securities and certificates of deposit.

2.20 準備

2.20 Provisions

當本集團因為已發生之事件而須承擔法律性或推定性之現有責任，而解除該責任時有可能消耗有經濟利益之資源，需在責任金額能夠可靠地作出估算之情況下，為確認有關責任而撥備。

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.21 僱員福利

2.21 Employee benefits

(1) 退休福利成本

本集團根據認可職業退休計劃或強積金計劃之定額供款退休計劃作出供款，集團僱員均可參與。在職業退休計劃下，集團與僱員之供款按僱員基本薪金之百分比計算，在強積金計劃下該等供款則按強積金規例計算。退休福利計劃成本代表本集團應向此等計劃支付之供款，會於產生時在收益表支取。僱員於全數享有其應得之集團供款部分前退出此職業退休計劃，因而被沒收之本集團供款，會被本集團用作扣減其目前供款負擔或根據職業退休計劃信託契據條款沖減其開支。

退休計劃之資產與本集團之資產分開持有，並由獨立管理基金保管。

(2) 有償缺勤

僱員獲享之年度休假及病假在累積時確認，本集團會對僱員服務至會計結算日所累積，但尚未使用之年度休假及預計所需支付之病假作出估算及撥備。

除病假及經特別批准之年度休假外，其他有償缺勤均不允許累積。若僱員於獲享有償缺勤之年度內未能悉數享用該等可用缺勤，剩餘之可用缺勤將被取消。除未到期之休假外，僱員於離職時亦無權收取現金以彌補任何未被使用之可用缺勤。

(3) 獎金計劃

若因僱員提供之服務而令集團產生法律性或推定性之現有責任，而該責任之金額亦能可靠地作出估算，集團需確認該預期之獎金支出並以負債列賬。如獎金計劃之負債金額重大，且預期會於 12 個月後才被償付，會以貼現處理。

(1) Retirement benefit costs

The Group contributes to defined contribution retirement schemes under either recognised ORSO schemes or MPF schemes that are available to the Group's employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries for the ORSO schemes and in accordance with the MPF rules for MPF schemes. The retirement benefit scheme costs are charged to the income statement as incurred and represent contributions payable by the Group to the schemes. Contributions made by the Group that are forfeited by those employees who leave the ORSO scheme prior to the full vesting of their entitlement to the contributions are used by the Group to reduce the existing level of contributions or to meet its expenses under the trust deed of the ORSO schemes.

The assets of the schemes are held in independently-administered funds separate from those of the Group.

(2) Leave entitlements

Employee entitlements to annual leave and sick leave are recognised when they accrue to employees. A provision is made for the estimated liability for unused annual leave and the amount of sick leave expected to be paid as a result of services rendered by employees up to the end of the reporting period.

Compensated absences other than sick leave and special approved annual leaves are non-accumulating; they lapse if the current period's entitlement is not used in full. Except for unexpired annual leaves, they do not entitle employees to a cash payment for unused entitlement on leaving the Group.

(3) Bonus plans

The expected cost of bonus payments are recognised as a liability 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. Liabilities for bonus plans that are expected to be settled longer than twelve months will be discounted if the amounts are significant.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.22 本期及遞延所得稅項

在有關期間的稅務支出包括本期及遞延稅項。除因有關項目於其他全面收益或直接記於權益而需分別於其他全面收益或直接於權益內確認其稅項外，稅項於收益表內確認。

基於溢利而需支付之所得稅，是根據本銀行及附屬公司在營運及產生應課稅收入之司法管轄地區於會計結算日已執行或實際會執行之適用稅法計算，並於溢利產生當期確認為本期所得稅項支出。

所有因綜合財務報表內資產及負債之稅務基礎與其賬面值之暫時性差異而產生之遞延所得稅項均以資產負債表負債法提撥。遞延所得稅項是按會計結算日已執行或實際會執行之稅率及稅法，及預期於相關之遞延所得稅資產實現時或遞延所得稅負債需清付時所適用之稅率計算。

主要之暫時性差異源於資產減值準備、房產及設備之折舊、以及若干資產之重估，包括以公平值變化計入其他全面收益的金融工具及房產。除業務合併外，若資產或負債在交易初始確認時，並未有對會計損益或應課稅損益構成影響，則無需確認遞延所得稅項。

所有因應課稅暫時性差異而產生之遞延所得稅負債均會被確認。當未來之應課稅利潤預計可被用作抵扣可抵扣之暫時性差異、結轉之未使用稅務抵免及未使用稅務虧損時，因該等可抵扣之暫時性差異、結轉之未使用稅務抵免及未使用稅務虧損而產生之遞延所得稅資產將全部被確認。

遞延所得稅項乃記於收益表內。但因以公平值變化計入其他全面收益的金融工具的公平值的重新計量及對房產之重估記入其他全面收益內，故由此產生的遞延所得稅項也記入其他全面收益內，並於以後隨著相關遞延收益和虧損的確認而一同確認在收益表中。

投資物業的遞延稅項負債或遞延稅項資產的計算法是假設該等投資物業是通過出售來回收其重估賬面值及採用相關的稅率計算。

2.22 Current and deferred income taxes

Tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in OCI or directly in equity. In these cases, the tax is also recognised in other comprehensive income or directly in equity respectively.

Income tax payable on profits, based on the applicable tax law enacted or substantially enacted at the end of the reporting period in each jurisdiction where the Bank and the subsidiaries operate and generate taxable income, is recognised as a current income tax expense in the period in which profits arise.

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from asset impairment provisions, depreciation of premises and equipment, and revaluation of certain assets including financial instruments at FVOCI and premises. However, the deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax liabilities are provided in full on all taxable temporary differences. Deferred income tax assets are recognised on all deductible temporary differences, the carry forward of any unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred income tax is charged or credited in the income statement except for deferred income tax relating to fair value re-measurement of financial instruments at FVOCI and revaluation of premises which are charged or credited to other comprehensive income, in which case the deferred income tax is also credited or charged to other comprehensive income and is subsequently recognised in the income statement together with the realisation of the deferred gain and loss.

Deferred tax liability or deferred tax asset arising from investment property is determined based on the presumption that the revaluation amount of such investment property will be recovered through sale with the relevant tax rate applied.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.23 收回資產

收回資產按其收回日之公平值扣除出售成本後之淨值及有關貸款之攤餘成本之較低者列賬。有關貸款及應收款及有關已提準備於財務狀況表中予以註銷。其後，收回資產取其成本及公平值扣除出售成本後之淨值中之較低者計量，並被確認為「收回資產」，包括於「其他資產」項下。

2.24 信託業務

本集團一般以信託人或其他授託人身分，代表個人、信託及其他機構持有或管理資產。由於該等資產並不屬於本集團，該等資產及據此而產生之任何收益或虧損，將不計入本財務報表內。

2.25 或然負債及或然資產

或然負債是指由過去已發生的事件引起的可能需要履行的責任，其存在將由一宗或多宗本集團所不能完全控制的未來不確定事件出現與否來確認。或然負債也可能是由於過去已發生事件而引致的現有責任，但由於估計不會導致經濟利益的流出或因不能可靠地計量責任金額，故未有被確認。

或然負債不會被確認為準備，但會在財務報表附註中加以披露。如情況發生變化，使經濟利益的流出變得很有可能時，則會將其確認為準備。

或然資產是指由過去已發生的事件引起的可能產生之資產，其存在將由一宗或多宗本集團所不能完全控制的未來不確定事件出現與否來確認。

或然資產不會被確認，但如有可能收到經濟利益時，會在財務報表附註中披露。若將會收到之經濟利益可被實質確定時，將確認為資產。

2.23 Repossessed assets

Repossessed assets are initially recognised at the lower of their fair value less costs to sell and the amortised cost of the related outstanding loans on the date of repossession, and the related loans and advances together with the related impairment allowances are derecognised from the statement of financial position. Subsequently, repossessed assets are measured at the lower of their cost and fair values less costs to sell and are reported as "Repossessed assets" included in "Other assets".

2.24 Fiduciary activities

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are excluded from these financial statements, as they are not assets of the Group.

2.25 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised as a provision but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When the inflow is virtually certain, it will be recognised as an asset.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

2. 主要會計政策（續）

2. Significant accounting policies (continued)

2.26 有關連人士

就此等財務報表而言，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。
- (b) 在以下任何情況下一企業會視為與本集團有關聯：
 - (i) 該企業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) 一企業是另一企業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企業均屬同一集團）。
 - (iii) 兩個企業是同一第三者的合營公司。
 - (iv) 一企業是一第三者的合營公司而另一企業則是該第三者的聯營公司。
 - (v) 該企業是提供福利予本集團或與本集團有關聯之企業的僱員離職後之福利計劃。
 - (vi) 該企業受在(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企業有重大影響力，或該個人是該企業（或是該企業的母公司）的主要管理人員之成員。
 - (viii) 該企業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。

個人的近親家庭成員指可影響，或受該個人影響，他們與該企業交易的家庭成員。

2.26 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.
- (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.

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.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

3. 應用會計政策時之重大會計估計及判斷

在編製綜合財務報表時，管理層對集團會計政策的應用及匯報的資產、負債、收入及支出作出判斷、估計及假設。實際結果可能與估計不同。

(a) 估計不穩定因素的主要來源

附註 4.1E 和附註 5 載述有關減值及金融工具的公平值的假設及其風險因素。估計不穩定因素的主要來源如下：

(i) 減值損失

附註 4.1E 載述金融工具的減值包括決定預期信貸損失模型的參數及納入前瞻性資料。

(ii) 金融工具的估值

本集團對金融工具的估值的會計政策已記錄在附註 5。金融工具的公平值由認可交易所提供市場報價或由經紀/交易商提供非交易所進行交易的報價。

3. Critical accounting estimates and judgements in applying accounting policies

In preparing the consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(a) Key sources of estimation uncertainty

Note 4.1E and Note 5 contain information about the assumptions and their risk factors relating to impairment and fair values of financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Impairment losses

Note 4.1E: impairment of financial instruments involves determining inputs into the ECL measurement model, including incorporation of forward-looking information.

(ii) Valuation of financial instruments

The Group's accounting policy for valuation of financial instruments is included in Note 5. 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.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

3. 應用會計政策時之重大會計估計及判斷（續）

(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) 金融資產的分類

附註 2.8(2)(iii) 及 2.8(2)(iv)：評估持有資產的業務模型及評估金融資產的合約條款是否為未償還金額的本金及利息。

(ii) 計算預期信貸損失

附註 4.1E：製訂準則以評估金融資產自初始確定後的信貸風險是否顯著增加，評估納入前瞻性信息以計算預期信貸損失和選擇模型以計算預期信貸損失。

(iii) 確認遞延稅項資產

按未使用的稅務虧損及減值準備而確認之遞延稅項資產，乃以預計可被運用作抵扣該等虧損之應課稅溢利金額為限。釐定遞延稅項資產的確認金額，需要管理層作出重大判斷，包括基於未來最有可能產生應課稅溢利的時間及其金額。

按未使用的稅務抵免確認遞延稅項資產。在釐定需確認之遞延稅項資產的金額時，需根據對可運用的稅務抵免之估算及收回此等已確認之遞延稅項資產的可能性而作出重大的會計判斷。

3. Critical accounting estimates and judgements in applying accounting policies (continued)

(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) Classification of financial assets

Note 2.8(2)(iii) and Note 2.8(2)(iv): assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

(ii) Measurement of ECL

Note 4.1E: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward looking information into measurement of ECL and selection of models used to measure ECL.

(iii) Recognition of deferred tax assets

Deferred tax assets on unused tax losses and impairment allowances are recognised to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

Deferred tax assets on unused tax credits are recognised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the estimation of available tax credits and the possibility to recover such deferred tax assets recognised.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理

本集團因從事各類業務而涉及金融風險。主要金融風險包括信貸風險、市場風險（包括外匯風險及利率風險）及流動資金風險。本附註概述本集團的這些風險承擔，以及其目標、風險管理的管治架構、政策與程序及量度這些風險的方法。

金融風險管理架構

本集團風險管理管治架構覆蓋業務發展的全部過程，以保證在業務經營中的各類風險都能得到有效管理及控制。本集團擁有完善的風險管理架構，並有一套全面的風險管理政策及程序，用以識別、量度、監察及控制可能出現的各類風險。本集團亦定期重檢及更新風險管理政策及程序，以配合市場及業務策略的轉變。不同層面的風險承擔者分別負責與其相關的風險管理責任。

董事會代表著股東的利益，是本集團風險管理的最高決策機構，並對風險管理負最終責任。董事會在其屬下委員會的協助下，負責確定本集團的風險管理策略，並確保本集團具備有效的風險管理系統以落實執行有關策略。

風險管理委員會是董事會成立的常設委員會，負責監察本集團的各類風險；審批重大的風險管理政策，並監督其執行。總裁辦公會（授信審批）負責對超過行政總裁審批許可權或行政總裁交由總裁辦公會的信貸申請進行審批。稽核委員會協助董事會履行內部監控系統的監控職責。

行政總裁負責管理本集團各類風險，在董事會授權範圍內審批重大風險承擔或交易。首席風險官負責協助行政總裁管理本集團各類風險，在其授權範圍內審批重大的風險承擔或交易。在風險管理部及財務管理部的支援下，首席風險官負責協助行政總裁履行對各類風險日常管理的職責，提出新的風險管理策略、項目和措施以配合監管要求的變化，從而更好地監察及管理新業務、產品及營運環境轉變而引致的風險。首席風險官及風險管理部總經理還在授權範圍內負責審核重大風險承擔或交易。高級管理層在董事會批准的風險管理政策分層原則下，亦需負責審批其主管業務範圍的風險管理辦法。

4. Financial risk management

The Group is exposed to financial risks as a result of engaging in a variety of business activities. The principal financial risks are credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. This note summarises the Group's exposures to these risks, as well as its objectives, risk management governance structure, policies and processes for managing and the methods used to measure these risks.

Financial risk management framework

The Group's risk management governance structure is designed to cover all business processes and ensures various risks are properly managed and controlled in the course of conducting business. The Group has a robust risk management organisational structure with a comprehensive set of policies and procedures to identify, measure, monitor and control various risks that may arise. These risk management policies and procedures are regularly reviewed and updated to reflect changes in markets and business strategies. Various groups of risk takers assume their respective responsibilities for risk management.

The Board of Directors, representing the interests of shareholders, is the highest decision-making authority of the Group and has the ultimate responsibility for risk management. The Board, with the assistance of its committees, has the primary responsibility for the formulation of risk management strategies and ensuring that the Group has an effective risk management system to implement these strategies.

The Risk Management Committee (RC), a standing committee established by the Board of Directors, is responsible for overseeing the Group's various types of risks, approving significant risk management policies and monitoring their implementation. The CEO Executive Meeting (Credit Approval) is responsible for approving credit transactions exceeding Chief Executive (CE)'s authority or referred by CE. The Audit Committee assists the Board in fulfilling its role in overseeing the internal control system.

The CE is responsible for managing the Group's various types of risks, and material risk exposures or transactions within his authority delegated by the Board of Directors. The Chief Risk Officer (CRO) assists the CE in managing the Group's various types of risks, and approving material risk exposures or transactions within his authority. With the support from Risk Management Department (RMD) and Financial Management Department (FMD), the CRO assists the CE in fulfilling his responsibilities for the day-to-day management of risks and initiating new risk management strategies, projects and measures that will enable the Group to better monitor and manage new risk issues or areas that may arise from time to time from new businesses, products and changes in the operating environment. He will also take appropriate initiatives in response to regulatory changes. The CRO and the General Manager of RMD are also responsible for reviewing material risk exposures or transactions within their delegated authority. In accordance with the principle of setting the hierarchy of risk management policies approved by the Board, the senior management is also responsible for approving the detailed risk management policies of their responsible areas.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

金融風險管理架構（續）

本集團的不同單位都有其相應的風險管理責任。業務單位是風險管理的第一道防線，而風險管理單位則獨立於業務單位，負責各類風險的日常管理，以及草擬、檢查和更新各類風險管理政策和程序。

本集團建立了合適的內部控制程序，包括設立權責分明清晰的組織架構，以監察業務運作是否符合既定政策、程序及限額。適當的匯報機制也充分地使監控職能獨立於業務範疇，同時促成機構內適當的職責分工，有助營造適當的內部控制環境。

產品開發及風險監控

為了提高風險評估及監控工作的有效性，本集團建立了一套完善的產品開發及風險監控管理制度。在產品開發過程中，本集團各單位具有清晰的職責及分工，並制定了適當的風險盡職審查程序。

根據董事會及管理層提出的發展目標，產品管理單位負責提出相應的業務發展和產品開發計劃，進行具體的產品開發工作。風險管理單位負責在產品開發過程中進行獨立風險評估。

只有在風險管理單位滿意盡職審查結果及獲單位主管或管理層審批同意後，有關產品才可推出市場。

4.1 信貸風險

信貸風險指因客戶或交易對手未能或不願意履行償債責任而造成損失的風險。本集團的交易賬和銀行賬、以及資產負債表內和表外之交易均存在這種風險。信貸風險主要來自借貸、貿易融資及資金業務。

信貸風險管理架構

本集團制定了一套全面的信貸風險管理政策與程序和恰當的信貸風險限額，用以管理及控制信貸風險。本集團定期重檢及更新該等政策與程序及信貸風險限額，以配合市場及業務策略的轉變。

本集團的組織架構制定了明確的授權及職責，以監控遵守政策、程序及限額的情況。

4. Financial risk management (continued)

Financial risk management framework (continued)

Various units of the Group have their respective risk management responsibilities. Business units act as the first line of defence while risk management units, which are independent from the business units, are responsible for the day-to-day management of different kinds of risks. Risk management units have the primary responsibilities for drafting, reviewing and updating various risk management policies and procedures.

The Group has put in place appropriate internal control systems, including establishment of an organisation structure that sets clear lines of authority and responsibility for monitoring compliance with policies, procedures and limits. Proper reporting lines also provide sufficient independence of the control functions from the business areas, as well as adequate segregation of duties throughout the organisation which helps to promote an appropriate internal control environment.

Product development and risk monitoring

To ensure the effectiveness of risk assessment and monitoring, the Group has a comprehensive product development and risk monitoring system where roles and responsibilities of all related units are clearly defined and proper due diligence processes on product development are in place.

In accordance with the strategic objectives set by the Board and the management, respective product management units are responsible for formulating business and product development plans, and proceeding to specific product development activities. Various risk management units are responsible to conduct independent risk assessment in the product development process.

Products can only be launched upon completion of the product due diligence process to the satisfaction of all risk management units and approval from designated unit heads/the management.

4.1 Credit risk

Credit risk is the risk of loss caused by customers or counterparties who are unable to or unwilling to meet their contractual obligations. Credit risk exists in the trading book and banking book, as well as on- and off-balance sheet transactions of the Group. It arises principally from lending, trade finance and treasury businesses.

Credit risk management framework

The Group has formulated a comprehensive set of credit risk management policies and procedures, and appropriate credit risk limits to manage and control credit risk that may arise. These policies, procedures and credit risk limits are regularly reviewed and updated to cope with changes in market conditions and business strategies.

The Group's organisation structure establishes well-defined authorities and responsibilities for monitoring compliance with policies, procedures and limits.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.1 信貸風險（續）

4.1 Credit risk (continued)

信貸風險管理架構（續）

Credit risk management framework (continued)

風險評估部及風險管理部負責信貸風險管理工作。本集團的不同單位都有其相應的信貸風險管理責任。業務單位是風險管理的第一道防線，而風險評估部及風險管理部則獨立於業務單位，負責信貸風險的日常管理，對信貸風險的識別、量度、監督和控制做獨立的盡職調查，確保有效的制約與平衡，以及草擬、檢查和更新信貸風險管理政策與程序。

Risk Assessment Department (RAD) and RMD are responsible for credit risk management. Various units of the Group have their respective credit risk management responsibilities. Business units act as the first line of defence. Both RAD and RMD, which are independent from the business units, is responsible for the day-to-day management of credit risks and has the primary responsibility for providing an independent due diligence through identifying, measuring, monitoring and controlling credit risk to ensure an effective checks and balances, as well as drafting, reviewing and updating credit risk management policies and procedures.

行政總裁在董事會授予之權限內按管理需要轉授權予相關下級人員。本集團按照信貸業務性質、評級、交易風險的程度、信貸風險承擔大小，設置信貸業務的審批權限。

The Board of Directors delegates credit approval authority to the CE. The CE can further delegate to the subordinates within his limit authorised by the Board of Directors. The Group sets the limits of credit approval authority according to the credit business nature, rating, the level of transaction risk, and the extent of the credit exposure.

信貸風險評估及監控

Credit risk measurement and control

因應迅速變化的市場情況，本集團已持續重檢信貸策略，並對關注的組合開展嚴格的信貸重檢。

In view of the rapidly changing market conditions, the Group has been continuously revisiting its credit strategies and conducting rigorous reviews on the concerned portfolios.

貸款

Advances

不同客戶、交易對手或交易會根據其風險程度採用不同的信貸審批及監控程序。信貸評審委員會由信貸和其他業務專家組成，負責對重大信貸申請進行獨立評審。非零售風險承擔信貸申請由風險管理單位進行獨立審核、客觀評估，並確定債務人評級（按照違約概率程度）和授信等級（按照違約損失率程度）以支持信貸審批；零售信貸交易包括零售小企業貸款、住宅按揭貸款及私人貸款等採取零售內部評級系統進行信貸風險評估。本集團會應用貸款分類級別、債務人評級、授信等級和損失預測結果（如適用）於支持信貸審批。

Different credit approval and control procedures are adopted according to the level of risk associated with the customer, counterparty or transaction. The Credit Risk Assessment Committee, comprising experts from credit and other functions, is responsible for making an independent assessment of material credit applications. Credit applications for non-retail exposures are independently reviewed and objectively assessed by risk management units. Obligor ratings (in terms of probability of default) and facility ratings (in terms of loss given default) are assigned to these portfolios to support credit approval. Retail internal rating systems are deployed in the risk assessment of retail credit transactions, including small business retail exposures, residential mortgage loans and personal loans. Loan grades, obligor and facility ratings as well as loss estimates (if applicable) are used to support credit approval.

本集團亦會應用貸款分類級別、債務人評級和損失預測結果（如適用）於支持信貸監控、信貸風險報告及分析。對於非零售風險承擔，本集團會對較高風險的客戶採取更頻密的評級重檢及更密切的監控；對於零售風險承擔則會在組合層面應用每月更新的內部評級及損失預測結果進行監察，對識別為高風險組別客戶，會進行更全面檢討。

The Group also uses loan grades, obligor ratings and loss estimates (if applicable) to support credit monitoring, reporting and analysis of credit risk information. For non-retail exposures, more frequent rating review and closer monitoring are required for higher-risk customers. For retail exposures, monthly updated internal ratings and loss estimates are used for credit monitoring on a portfolio basis. More comprehensive review is required for obligors being identified under high-risk pools.

本集團使用的內部評級總尺度表能與標準普爾(Standard & Poor's)外部信貸評級相對應。該內部評級總尺度表結構符合《銀行業（資本）規則》的要求。

The Group adopts an internal master rating scale that can be mapped to Standard & Poor's external credit ratings. The structure of internal master rating scale is in compliance with the requirement of the Banking (Capital) Rules.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.1 信貸風險（續）

4.1 Credit risk (continued)

信貸風險評估及監控（續）

Credit risk measurement and control (continued)

貸款（續）

Advances (continued)

風險管理部定期提供信貸風險管理報告，並按風險管理委員會及董事會的特別要求，提供專題報告，以供其持續監控信貸風險。

RMD provides regular credit management information reports and ad hoc reports to the RC and Board of Directors to facilitate their continuous monitoring of credit risk.

本集團也會按照行業、地區、客戶或交易對手等維度識別信貸風險集中度，並監察交易對手信貸風險、信貸資產組合質素、信貸風險集中度的變化，定期向本集團管理層匯報。

In addition, the Group identifies credit concentration risk by industry, geography, customer and counterparty. The Group monitors changes to counterparty credit risk, quality of the credit portfolio and credit risk concentrations, and reports regularly to the Group's Management.

本集團參照金管局貸款分類制度的指引，實施信貸資產的五級分類如下：

The Group adopts loan grading criteria which divides credit assets into five categories with reference to the HKMA's guidelines, as below:

「合格」是指借款人目前有履行還款責任的貸款，同時全數償還利息及本金的機會也不成疑問。

“Pass” represents loans where the borrower is current in meeting its repayment obligations and full repayment of interest and principal is not in doubt.

「關注」是指借款人正面對困難，可能會影響本集團收回貸款的本金及利息。現時並未預期出現最終損失，但如不利情況持續，有可能出現最終損失。

“Special Mention” represents loans where the borrower is experiencing difficulties which may threaten the Group's position. Ultimate loss is not expected at this stage but could occur if adverse conditions persist.

「次級」是指借款人正出現明顯問題，以致可能影響還款的貸款。

“Substandard” represents loans where the borrower displays a definable weakness that is likely to jeopardise repayment.

「呆滯」是指不大可能全數收回，而本集團在扣除抵押品的可變現淨值後預計會承受本金和／或利息虧損的貸款。

“Doubtful” represents loans where collection in full is improbable and the Group expects to sustain a loss of principal and/or interest, taking into account the net realisable value of the collateral.

「虧損」是指用盡所有追討欠款方法後（如變賣抵押品、提出法律訴訟等）仍被視為無法收回的貸款。

“Loss” represents loans which are considered uncollectible after all collection options (such as the realisation of collateral or the institution of legal proceedings) have been exhausted.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.1 信貸風險（續）

4.1 Credit risk (continued)

信貸風險評估及監控（續）

Credit risk measurement and control (continued)

債務證券及衍生產品

Debt securities and derivatives

對於債務證券投資，本集團會應用債務人評級或外部信貸評級，通過評估證券相關資產的質素及設定客戶或證券發行人信貸限額，以管理債務證券的信貸風險；對於衍生產品，本集團會採用客戶限額及採用與貸款一致的審批及監控程序管理信貸風險，並制定持續監控及止損程序。

For investments in debt securities, the obligor ratings or external credit ratings, assessment of the underlying assets and credit limits setting on customer or security issuer basis are used for managing credit risk associated with the investment. For derivatives, the Group sets customer limits to manage the credit risk involved and follows the same approval and control processes as applied for advances. Ongoing monitoring and stop-loss procedures are established.

結算風險主要來自交易對手相關外匯交易，以及來自任何以現金、證券或股票支付但未能如期相應收回該交易對手的現金、證券或股票的衍生產品交易。本集團對各交易對手或客戶制定每日結算限額，以涵蓋任何單一日子因本集團的交易而產生的所有結算風險。

Settlement risk arises mainly from foreign exchange transactions with counterparties and also from derivatives transactions in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty or customer to cover all settlement risk arising from the Group's market transactions on any single day.

抵押品及其他改善信貸條件

Collateral held as security and other credit enhancements

本集團制定抵押品估值及管理的信貸風險管理政策與程序，明確抵押品的接受準則、法律有效期、貸款與估值比率、估值折扣比率、估值及保險等規定。本集團須定期重估抵押品價值，並按抵押品種類、授信性質及風險狀況而採用不同的估值頻率及方式。物業是本集團主要押品，本集團已建立機制利用指數以組合形式對物業進行估值。個人貸款以物業、存款及證券作為主要抵押品；工商貸款則主要以物業、證券、應收賬項、存款及機器作押。

The valuation and management of collateral have been documented in the credit risk management policies and procedures which cover acceptance criteria, validity of collateral, loan-to-value ratio, haircut ratio, valuation and insurance, etc. The collateral is revalued on a regular basis, though the frequency and the method used varies with the type of collateral involved and the nature and the risk of the underlying credit. The Group has established a mechanism to update the value of its main type of collateral, real estate properties, with the use of public indices on a portfolio basis. In the personal sector, the main types of collateral are real estate properties, cash deposits and securities. In the commercial and industrial sector, the main types of collateral are real estate properties, securities, receivables, cash deposits and machinery.

對於由第三者提供擔保的貸款，本集團會評估擔保人的財政狀況、信貸記錄及履約能力。

For loans guaranteed by a third party, the Group will assess the guarantor's financial condition, credit history and ability to meet obligations.

於2019年12月31日，本集團並無持有任何允許於借款人未違約情況下出售或再抵押之抵押品（2018年：無）。

As at 31 December 2019, the Group did not hold any collateral that it was permitted to sell or re-pledge in the absence of default by the borrower (2018: Nil).

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.1 信貸風險（續）

4.1 Credit risk (continued)

A. 信貸風險承擔

本集團之最高信貸風險承擔是未考慮任何抵押品或其他改善信貸條件的最大風險承擔。對於資產負債表內資產，最高信貸風險承擔相等於其賬面值。對於開出擔保函，最高信貸風險承擔是被擔保人要求本集團代為償付債務的最高金額。對於貸款承擔及其他信貸有關負債，最高信貸風險承擔為授信承諾的全額。

以下為所持抵押品及其他改善信貸條件的性質及其對本集團各類金融資產的覆蓋程度：

在銀行及其他金融機構的結餘及定期存放

考慮到交易對手的性質，一般會視為低風險承擔。因此一般不會就此等資產尋求抵押品。

證券投資

一般不會就債務證券尋求抵押品。

衍生金融工具

本集團傾向以國際掉期及衍生工具協會出版的主協議（「ISDA 主協議」）作為衍生工具業務的協議文件。該 ISDA 主協議為做場外衍生交易提供合約框架，並載有於發生違約事件或終止事件後終止交易時所採用之淨額結算條款。此外，亦會視乎需要考慮於 ISDA 主協議之附約中附加信貸支持附件 (CSA)。根據信貸支持附件，抵押品會按情況由交易一方轉交另一方(如適用)，以減少風險承擔。

客戶貸款及貿易票據、或然負債及承擔

一般抵押品種類已載於第 78 頁。本集團根據對客戶貸款及貿易票據、或然負債及承擔的個別風險承擔的評估，考慮適當之抵押品。或然負債及承擔之主要組合及性質已載於附註 33，就不需事先通知的無條件撤銷之承諾，如客戶的信貸質素下降，本集團會評估撤回其授信額度的需要性。於 2019 年 12 月 31 日，有抵押品覆蓋之或然負債及承擔為 26.44%（2018 年：29.36%）。

A. Credit exposures

The maximum credit exposure is the worst case scenario of exposure to the Group without taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the maximum exposure to credit risk equals their carrying amount. For letters of guarantee issued, the maximum exposure to credit risk is the maximum amount that the Group could be required to pay if the guarantees are called upon. For loan commitment and other credit related liabilities, the maximum exposure to credit risk is the full amount of the committed facilities.

The nature of the collateral held and other credit enhancements and their financial effect to the different classes of the Group's financial assets are as follows:

Balances and placements with banks and other financial institutions

These exposures are generally considered to be low risk due to the nature of the counterparties. Collateral is generally not sought on these assets.

Investment in securities

Collateral is generally not sought on debt securities.

Derivative financial instruments

The Master Agreement published by the International Swaps and Derivatives Association, Inc. ("ISDA Master Agreement") is the preferred agreement for documenting derivatives activities of the Group. It provides the contractual framework under which dealing activities of over-the-counter ("OTC") transactions are conducted, and sets out close-out netting provisions upon termination following the occurrence of an event of default or a termination event. In addition, if deemed necessary, Credit Support Annex ("CSA") will be included to form part of the Schedule to the ISDA Master Agreement. Under a CSA, collateral is passed from one counterparty to another, as appropriate, to mitigate the exposures.

Advances to customers and trade bills, contingent liabilities and commitments

The general types of collateral are disclosed on page 78. Advances to customers and trade bills, contingent liabilities and commitments are collateralised to the extent considered appropriate by the Group taking account of the risk assessment of individual exposures. The components and nature of contingent liabilities and commitments are disclosed in Note 33. Regarding the commitments that are unconditionally cancellable without prior notice, the Group would assess the necessity to withdraw the credit line in case where the credit quality of a borrower deteriorates. For contingent liabilities and commitments, 26.44% (2018: 29.36%) is covered by collateral as at 31 December 2019.

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.1 信貸風險（續）

4.1 Credit risk (continued)

B. 信貸質素分析

B. Credit quality analysis

(a) 總客戶貸款及貿易票據的信貸質素

(a) Credit quality of advances to customers and trade bills

下列關於客戶貸款和貿易票據之信貸質素分析是以賬面值列示。

The following tables set out information about the credit quality of advances to customers and trade bills. The amounts in the table represent gross carrying amount.

		2019			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
按攤銷成本的客戶總貸款	Advances to customers at amortised cost				
合格	Pass	74,473,819	753,406	-	75,227,225
需要關注	Special Mention	4,333	539,201	-	543,534
次級	Substandard	-	-	96,089	96,089
呆滯	Doubtful	-	-	182,289	182,289
虧損	Loss	-	-	17,822	17,822
減值準備	Loss allowance	(326,066)	(18,309)	(284,868)	(629,243)
賬面值	Carrying amount	74,152,086	1,274,298	11,332	75,437,716
		2018			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
按攤銷成本的客戶總貸款	Advances to customers at amortised cost				
合格	Pass	47,273,923	718,270	-	47,992,193
需要關注	Special Mention	-	229,016	-	229,016
次級	Substandard	-	-	105,671	105,671
呆滯	Doubtful	-	-	142,578	142,578
虧損	Loss	-	-	8,910	8,910
減值準備	Loss allowance	(139,832)	(17,599)	(189,268)	(346,699)
賬面值	Carrying amount	47,134,091	929,687	67,891	48,131,669

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續） 4. Financial risk management (continued)

4.1 信貸風險（續） 4.1 Credit risk (continued)

B. 信貸質素分析 B. Credit quality analysis

(a) 總客戶貸款及貿易票據的信貸質素（續） (a) Credit quality of advances to customers and trade bills (continued)

		2019			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
按攤銷成本的貿易票據	Trade bills at amortised cost				
合格	Pass	1,553,101	-	-	1,553,101
減值準備	Loss allowance	(3,926)	-	-	(3,926)
賬面值	Carrying amount	<u>1,549,175</u>	<u>-</u>	<u>-</u>	<u>1,549,175</u>
		2018			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
按攤銷成本的貿易票據	Trade bills at amortised cost				
合格	Pass	1,804,245	-	-	1,804,245
減值準備	Loss allowance	(1,624)	-	-	(1,624)
賬面值	Carrying amount	<u>1,802,621</u>	<u>-</u>	<u>-</u>	<u>1,802,621</u>

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)
4. 金融風險管理(續)
4. Financial risk management (continued)
4.1 信貸風險(續)
4.1 Credit risk (continued)
B. 信貸質素分析
B. Credit quality analysis
(b) 除總客戶貸款及貿易票據外的資產信貸質素
(b) Credit quality of financial assets other than advances to customers and trade bills

下列關於在銀行及其他金融機構的結餘及存款之信貸質素分析是以賬面值列示。

The following table sets out information about the credit quality of balances and placements with banks and other financial institutions. The amounts in the table represent gross carrying amount.

		2019			
存放央行、銀行及其他金融機構的結餘及存款	Balances and placements with central banks, banks and other financial institutions	12 個月的預期 信貸虧損 12-month ECL 港幣千元 HK\$'000	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired 港幣千元 HK\$'000	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
合格	Pass	22,774,206	-	-	22,774,206
減值準備	Loss allowance	(484)	-	-	(484)
賬面值	Carrying amount	<u>22,773,722</u>	<u>-</u>	<u>-</u>	<u>22,773,722</u>
		2018			
存放央行、銀行及其他金融機構的結餘及存款	Balances and placements with central banks, banks and other financial institutions	12 個月的預期 信貸虧損 12-month ECL 港幣千元 HK\$'000	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired 港幣千元 HK\$'000	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
合格	Pass	21,572,238	-	-	21,572,238
減值準備	Loss allowance	(325)	-	-	(325)
賬面值	Carrying amount	<u>21,571,913</u>	<u>-</u>	<u>-</u>	<u>21,571,913</u>

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)
4. 金融風險管理(續) 4. Financial risk management (continued)
4.1 信貸風險(續)
B. 信貸質素分析(續)
(b) 除總客戶貸款及貿易票據外的資產信貸質素(續)

下表列出強制及界定為以公平值變化計入損益的債務證券的信用質素。在無發行評級的情況下，則會按發行人的評級報告。

4.1 Credit risk (continued)
B. Credit quality analysis (continued)
(b) Credit quality of financial assets other than advances to customers and trade bills (continued)

The following tables present the credit quality of debt securities mandatorily measured and designated at FVTPL. In the absence of such issue ratings, the ratings designated for the issuers are reported.

		2019					
		Aaa	Aa1 至 Aa3	A1 至 A3	A3 以下 Lower than A3	無評級 Unrated	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
強制性以公平值變化計入損益之金融資產	Financial assets mandatorily measured at FVTPL	-	-	28,999	71,488	47,663	148,150
界定為以公平值變化計入損益之金融資產	Financial assets designated at FVTPL	-	-	158,116	39,959	172,532	370,607
		<u>-</u>	<u>-</u>	<u>187,115</u>	<u>111,447</u>	<u>220,195</u>	<u>518,757</u>
		2018					
		Aaa	Aa1 至 Aa3	A1 至 A3	A3 以下 Lower than A3	無評級 Unrated	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
強制性以公平值變化計入損益之金融資產	Financial assets mandatorily measured at FVTPL	-	-	-	-	-	-
界定為以公平值變化計入損益之金融資產	Financial assets designated at FVTPL	-	-	154,449	39,215	170,940	364,604
		<u>-</u>	<u>-</u>	<u>154,449</u>	<u>39,215</u>	<u>170,940</u>	<u>364,604</u>

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)
4. 金融風險管理(續) 4. Financial risk management (continued)
4.1 信貸風險(續)
B. 信貸質素分析(續)
(b) 除總客戶貸款及貿易票據外的資產信貸質素(續)

債務證券及存款證交易的信貸風險管理手法，與本集團管理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，按照發行評級分析之債務證券及存款證的信貸質素分析如下：

4.1 Credit risk (continued)
B. Credit quality analysis (continued)
(b) Credit quality of financial assets other than advances to customers and trade bills (continued)

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:

		2019			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
按攤銷成本計量的債務 證券及存款證		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
Aaa	Aaa	-	-	-	-
Aa1 至 Aa3	Aa1 to Aa3	113,448	-	-	113,448
A1 至 A3	A1 to A3	1,095,282	-	-	1,095,282
A3 以下	Lower than A3	435,465	-	-	435,465
無評級	Unrated	-	-	-	-
減值準備	Loss allowance	(1,798)	-	-	(1,798)
賬面值	Carrying amount	<u>1,642,397</u>	<u>-</u>	<u>-</u>	<u>1,642,397</u>
		2018			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
按攤銷成本計量的債務 證券及存款證		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
Aaa	Aaa	-	-	-	-
Aa1 至 Aa3	Aa1 to Aa3	115,445	-	-	115,445
A1 至 A3	A1 to A3	1,132,189	-	-	1,132,189
A3 以下	Lower than A3	423,601	-	-	423,601
無評級	Unrated	-	-	-	-
減值準備	Loss allowance	(334)	-	-	(334)
賬面值	Carrying amount	<u>1,670,901</u>	<u>-</u>	<u>-</u>	<u>1,670,901</u>

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)
4. 金融風險管理(續) 4. Financial risk management (continued)
4.1 信貸風險(續)
4.1 Credit risk (continued)
B. 信貸質素分析(續)
B. Credit quality analysis (continued)
(b) 除總客戶貸款及貿易票據外的資產信貸質素(續)
(b) Credit quality of financial assets other than advances to customers and trade bills (continued)

		2019			
以公平值變化計入全面 收益的債務證券及存款 證	Debt securities and certificate of deposits at FVOCI	12 個月的預期 信貸虧損 12-month ECL	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
Aaa	Aaa	6,947,971	-	-	6,947,971
Aa1 至 Aa3	Aa1 to Aa3	9,990,944	-	-	9,990,944
A1 至 A3	A1 to A3	20,178,046	-	-	20,178,046
A3 以下	Lower than A3	6,184,284	-	-	6,184,284
無評級	Unrated	1,418,838	-	-	1,418,838
賬面值	Carrying amount	44,720,083	-	-	44,720,083
減值準備	Loss allowance	26,400	-	-	26,400
		2018			
以公平值變化計入全面 收益的債務證券及存款 證	Debt securities and certificate of deposits at FVOCI	12 個月的預期 信貸虧損 12-month ECL	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
Aaa	Aaa	2,630,256	-	-	2,630,256
Aa1 至 Aa3	Aa1 to Aa3	4,691,281	-	-	4,691,281
A1 至 A3	A1 to A3	11,041,190	-	-	11,041,190
A3 以下	Lower than A3	5,910,737	-	-	5,910,737
無評級	Unrated	2,229,634	-	-	2,229,634
賬面值	Carrying amount	26,503,098	-	-	26,503,098
減值準備	Loss allowance	14,428	-	-	14,428

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.1 信貸風險（續）

4.1 Credit risk (continued)

B. 信貸質素分析（續）

B. Credit quality analysis (continued)

(b) 除總客戶貸款及貿易票據 外的資產信貸質素（續）

(b) Credit quality of financial assets other than advances to customers and trade bills (continued)

		2019			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
其他金融資產	Other financial assets				
合格	Pass	312,153	-	-	312,153
需要關注	Special Mention	-	10	-	10
次級	Substandard	-	-	-	-
呆滯	Doubtful	-	-	432	432
虧損	Loss	-	-	699	699
減值準備	Loss allowance	(306)	-	(735)	(1,041)
賬面值	Carrying amount	311,847	10	396	312,253
		2018			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
其他金融資產	Other financial assets				
合格	Pass	339,583	8	-	339,591
需要關注	Special Mention	-	-	-	-
次級	Substandard	-	-	1,819	1,819
呆滯	Doubtful	-	-	534	534
虧損	Loss	-	-	125	125
減值準備	Loss allowance	(120)	-	(1,305)	(1,425)
賬面值	Carrying amount	339,463	8	1,173	340,644

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.1 信貸風險（續）

4.1 Credit risk (continued)

B. 信貸質素分析（續）

B. Credit quality analysis (continued)

(b) 除總客戶貸款及貿易票據外的資產信貸質素（續）

(b) Credit quality of financial assets other than advances to customers and trade bills (continued)

		2019			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
貸款及應收款的貸款承諾應數開出保函		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
合格	Pass	12,578,378	3,817	-	12,582,195
需要關注	Special Mention	-	47,084	-	47,084
次級	Substandard	-	-	-	-
呆滯	Doubtful	-	-	8,597	8,597
虧損	Loss	-	-	-	-
賬面值	Carrying amount	<u>12,578,378</u>	<u>50,901</u>	<u>8,597</u>	<u>12,637,876</u>
減值準備	Loss allowance	<u>(26,802)</u>	<u>(1)</u>	<u>-</u>	<u>(26,803)</u>
		2018			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
貸款及應收款的貸款承諾應數開出保函		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
合格	Pass	11,289,208	70,204	-	11,359,412
需要關注	Special Mention	-	81,660	-	81,660
次級	Substandard	-	-	-	-
呆滯	Doubtful	-	-	8,597	8,597
虧損	Loss	-	-	-	-
賬面值	Carrying amount	<u>11,289,208</u>	<u>151,864</u>	<u>8,597</u>	<u>11,449,669</u>
減值準備	Loss allowance	<u>(8,427)</u>	<u>(22)</u>	<u>-</u>	<u>(8,449)</u>

有明確到期日之貸款，若其本金或利息已逾期及仍未償還，則列作逾期貸款。須定期分期償還之貸款，若其中一次分期還款已逾期及仍未償還，則列作逾期處理。須即期償還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，或貸款一直超出借款人獲通知之批准貸款限額，亦列作逾期處理。

Advances with a specific repayment date are classified as overdue when the principal or interest is past due and remains unpaid. Advances repayable by regular instalments are classified as overdue when an instalment payment is past due and remains unpaid. Advances 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 instruction or when the advances have remained continuously exceeded the approved limit that was advised to the borrower.

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.1 信貸風險（續）

4.1 Credit risk (continued)

C. 風險集中度

C. Concentration risk

(a) 在沒有抵押品或其他信用 改進前的最高信用風險

(a) Maximum exposure to credit risk before collateral held or other credit enhancement

有關綜合財務狀況表以內
的資產的最高信用風險如
下：

Maximum exposure to credit risk relating to assets in the consolidated
statements of financial position are as follows:

	2019	2018
	港幣千元 HK\$'000	港幣千元 HK\$'000
存放央行、銀行及其他金融 機構的結餘	17,954,510	15,269,350
在銀行及其他金融機構一 至十二個月內到期之定 期存放	4,819,212	6,302,563
衍生金融工具	122,133	122,680
強制性以公平值變化計入 損益之證券投資	148,150	-
界定為以公平值變化計入 損益之證券投資	370,607	364,604
以公平值變化計入其他全 面收益之債務證券投資	44,720,083	26,503,098
以攤餘成本計量之證券投 資	1,642,397	1,670,901
客戶貸款及貿易票據	76,986,891	49,934,290
	146,763,983	100,167,486

有關綜合財務狀況表以外
的項目的最高信用風險如
下：

Maximum exposure to credit risk relating to items unrecorded in the consolidated
statements of financial position are as follows:

	2019	2018
	港幣千元 HK\$'000	港幣千元 HK\$'000
直接信貸替代項目	5,147	10,005
與交易有關之或然負債	24,771	30,801
與貿易有關之或然負債	475,735	604,858
除不需事先通知的無條件 撤銷之承諾	4,645,828	3,652,073
	5,151,481	4,297,737

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.1 信貸風險（續）

4.1 Credit risk (continued)

C. 風險集中度（續）

C. Concentration risk (continued)

(b) 按行業分類之客戶貸款總額

(b) Sectoral analysis of gross advances to customers

以下關於客戶貸款總額之行業分類分析，其行業分類乃參照有關貸款及墊款之金管局報表的填報指示而編製。

The following analysis of the gross advances to customers by industry sector is based on the categories with reference to the completion instructions for the HKMA return of loans and advances.

		2019				
		客戶貸款總額 Gross advances to customers	抵押品或其他抵押覆蓋之百分比 % covered by collateral or other security	減值分類 Impaired	第三階段之減值準備 Stage 3 impairment allowances	第一及第二階段之減值準備 Stage 1 & 2 impairment allowances
		港幣千元 HK\$'000		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
在香港使用之貸款	Loans for use in Hong Kong					
工商金融業	Industrial, commercial and financial					
- 物業發展	- Property development	2,948,523	34.74%	-	-	11,265
- 物業投資	- Property investment	2,990,725	74.68%	20	-	10,444
- 金融業	- Financial concerns	3,714,601	24.46%	-	-	17,381
- 股票經紀	- Stockbrokers	1,023,915	7.48%	-	-	2,123
- 批發及零售業	- Wholesale and retail trade	6,201,435	85.16%	-	-	6,445
- 製造業	- Manufacturing	1,510,084	13.47%	-	-	4,169
- 運輸及運輸設備	- Transport and transport equipment	635,218	36.93%	-	-	470
- 休閒活動	- Recreational activities	14,440	100.00%	-	-	20
- 資訊科技	- Information technology	76,715	5.64%	-	-	1,076
- 其他	- Others	4,172,343	59.13%	11	-	7,366
個人	Individuals					
- 購買居者有其屋計劃、私人機構參建居屋計劃及租者置其屋計劃樓宇之貸款	- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	34,610	100.00%	-	-	49
- 購買其他住宅物業之貸款	- Loans for purchase of other residential properties	3,322,481	100.00%	3,239	-	2,557
- 其他	- Others	7,803,061	97.51%	187	-	89,501
在香港使用之貸款總額	Total loans for use in Hong Kong	34,448,151	67.97%	3,457	-	152,866
貿易融資	Trade finance	1,500,565	81.32%	100,339	100,339	2,544
在香港以外使用之貸款	Loans for use outside Hong Kong	40,118,243	13.50%	192,404	184,529	188,965
客戶貸款總額	Gross advances to customers	76,066,959	39.50%	296,200	284,868	344,375

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理(續) 4. Financial risk management (continued)

4.1 信貸風險(續) 4.1 Credit risk (continued)

C. 風險集中度(續) C. Concentration risk (continued)

(b) 按行業分類之客戶貸款總額(續) (b) Sectoral analysis of gross advances to customers (continued)

		2018				
		客戶貸款總額	抵押品或其他抵押 覆蓋之百分比	減值分類	第三階段之 減值準備	第一及第二階段 之減值準備
		Gross advances to customers	% covered by collateral or other security	Impaired	Stage 3 impairment allowances	Stage 1 & 2 impairment allowances
		港幣千元 HK\$'000		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
在香港使用之貸款	Loans for use in Hong Kong					
工商金融業	Industrial, commercial and financial					
- 物業發展	- Property development	2,827,961	59.39%	-	-	7,351
- 物業投資	- Property investment	3,386,914	99.82%	21	-	4,237
- 金融業	- Financial concerns	3,257,733	18.94%	-	-	21,878
- 股票經紀	- Stockbrokers	909,296	8.64%	-	-	2,842
- 批發及零售業	- Wholesale and retail trade	3,790,704	85.64%	-	-	5,432
- 製造業	- Manufacturing	1,056,826	24.02%	-	-	2,854
- 運輸及運輸設備	- Transport and transport equipment	448,768	99.98%	-	-	3,246
- 休閒活動	- Recreational activities	37,260	100.00%	-	-	26
- 資訊科技	- Information technology	467,658	2.33%	-	-	143
- 其他	- Others	4,729,181	64.46%	17,832	2,133	5,594
個人	Individuals					
- 購買居者有其屋計劃、私人機構參建居屋計劃及租者置其屋計劃樓宇之貸款	- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	37,146	100.00%	-	-	19
- 購買其他住宅物業之貸款	- Loans for purchase of other residential properties	2,825,257	100.00%	5	-	1,314
- 其他	- Others	3,745,888	94.59%	352	329	7,401
在香港使用之貸款總額	Total loans for use in Hong Kong	27,520,592	69.79%	18,210	2,462	62,337
貿易融資	Trade finance	1,054,516	73.24%	80,602	80,251	1,911
在香港以外使用之貸款	Loans for use outside Hong Kong	19,903,260	28.32%	158,347	106,555	93,183
客戶貸款總額	Gross advances to customers	48,478,368	52.84%	257,159	189,268	157,431

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)
4. 金融風險管理(續) 4. Financial risk management (continued)
4.1 信貸風險(續)
C. 風險集中度(續)
**(c) 按地理區域分類之客戶
貸款總額**

下列關於客戶貸款之地理區域分析是根據交易對手之所在地，並已顧及風險轉移因素。若客戶貸款之擔保人所在地與客戶所在地不同，則風險將轉移至擔保人之所在地。

4.1 Credit risk (continued)
C. Concentration risk (continued)
(c) Geographical analysis of gross advances to customers

The following geographical analysis of advances to customers is based on the locations of the counterparties, after taking into account the transfer of risk. For an advance to customer guaranteed by a party situated in a country different from the customer, the risk will be transferred to the country of the guarantor.

		2019				
		客戶貸款總額	逾期貸款	減值分類 貸款	第三階段之 減值準備 Stage 3	第一及第二 階段之 減值準備 Stage 1 & 2
		Total advances to customers	Overdue advances	Impaired advances	impairment allowances	impairment allowances
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	44,810,458	673,783	189,376	188,526	208,876
中國內地	Mainland China	26,231,080	117,457	104,751	96,342	118,006
其他	Others	5,025,421	2,073	2,073	-	17,493
		76,066,959	793,313	296,200	284,868	344,375
		2018				
		客戶貸款總額	逾期貸款	減值分類 貸款	第三階段之 減值準備 Stage 3	第一及第二 階段之 減值準備 Stage 1 & 2
		Total advances to customers	Overdue advances	Impaired advances	impairment allowances	impairment allowances
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	39,787,907	277,438	107,509	91,403	120,254
中國內地	Mainland China	5,273,038	51,680	147,631	97,865	19,986
其他	Others	3,417,423	2,094	2,019	-	17,191
		48,478,368	331,212	257,159	189,268	157,431
				2019	2018	
				港幣千元 HK\$'000	港幣千元 HK\$'000	
減值或特定分類貸款佔 客戶貸款總額百分比	% of impaired or classified advances to total advances to customers			0.39%	0.53%	
減值或特定分類貸款的 抵押品市值	Market value of collateral held against impaired or classified advances			49,458	318,122	

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理(續)

4.1 信貸風險(續)

D. 押品和其他增信

本集團已制訂各類可接受的抵押品的指引，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 26）。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。

4. Financial risk management (continued)

4.1 Credit risk (continued)

D. Collateral held 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 26). 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.

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理(續)

4.1 信貸風險(續)

D. 押品和其他增信(續)

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類似工具外，債務證券、庫券及其他認可票據一般俱屬無抵押的。然而，信貸風險可能隱合於相關工具的條款內或於相關工具的公平值中反映。

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 33)，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。

4. Financial risk management (continued)

4.1 Credit risk (continued)

D. Collateral held and other credit enhancements (continued)

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 33), 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.

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理(續)

4. Financial risk management (continued)

4.1 信貸風險(續)

4.1 Credit risk (continued)

E. 預期信貸損失增加額

計算減值準備的參數、 假設及技術

詳見附註 2.14 的會計政策。

信貸風險顯著增加

當確認一項金融工具是否存在違約風險顯著增加時，本集團會考慮相關合理及可靠信息，該等訊息是相關又無需投入過多成本精力獲得的。這包括定量和定性信息和分析，是基於集團的歷史經驗和專家的信貸評估。

評估的目的是通過比較來確定信貸風險暴露是否已顯著增加：

- 截至報告日的剩餘存續期的違約概率 (PD)；及
- 在初始確認風險時估計的該時點的剩餘存續期 PD (在預付款預期變更時的相關調整)。

E. Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 2.14.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理(續)

4. Financial risk management (continued)

4.1 信貸風險(續)

4.1 Credit risk (continued)

E. 預期信貸損失增加額 (續)

信貸風險級別

本集團基於違約風險預測數據及應用經驗判斷，將每項風險承擔分配對應到不同的信貸風險等級。信貸風險等級是用代表違約風險的定性和定量因素來定義。這些因素取決於風險敞口的性質和借款人的類型。

通過信貸風險等級的定義和校准，使違約發生風險隨著信貸風險的惡化而呈指數增長，例如，信貸風險等級 1 和 2 之間的違約風險差異小於信貸風險等級 2 和 3 之間的風險等級差異。

首次確認借款人的信貸風險等級是基於借款人可得到的信息。之後通過持續監控風險敞口，進而調整信貸風險等級。監控通常涉及以下數據的使用。

E. Amounts arising from ECL (continued)

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理(續) 4. Financial risk management (continued)

4.1 信貸風險(續)

E. 預期信貸損失增加額 (續)

信貸風險級別(續)

企業敞口

Corporate exposures

- 定期審查客戶材料時獲得的信息，比如審計報告、管理會計、預算規劃等。特別關注的例子如：毛利率、財務杠杆率、債務覆蓋率、遵守貸款契約、管理層質量、高級管理層變更
- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes
- 信貸參考機構的數據，新聞報道，外部信貸評級的變化
- Data from credit reference agencies, press articles, changes in external credit ratings
- 借款人相應的債券和信貸違約掉期(CDS)價格(如果有)
- Quoted bond and credit default swap (CDS) prices for the borrower where available
- 借款人所處的政治，監管和技術環境或其業務活動的實際和預期的重大變化
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities

4.1 Credit risk (continued)

E. Amounts arising from ECL (continued)

Credit risk grades (continued)

零售敞口

Retail exposures

- 內部收集的客戶行為數據
- Internally collected data on customer behaviour – e.g. utilisation of credit card facilities
- 可負擔性指標
- Affordability metrics
- 信貸參考機構的外部數據，包括行業標準信貸評分
- External data from credit reference agencies, including industry-standard credit scores

全部敞口

All exposures

- 付款記錄 - 包括逾期狀態以及一系列有關支付比率的變量
- Payment record – this includes overdue status as well as a range of variables about payment ratios
- 授有限額的使用
- Utilisation of the granted limit
- 延期還款的申請和批准
- Requests for and granting of forbearance
- 業務，財務和經濟狀況的現有和未來預測變化
- Existing and forecast changes in business, financial and economic conditions

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理(續)

4.1 信貸風險(續)

E. 預期信貸損失增加額(續)

違約概率期限結構的產生

信貸風險等級是決定風險暴露期限結構的主要輸入。本集團根據司法管轄或地區分析、產品和借款人的類型以及信用風險評級收集信用風險暴露的表現和違約信息。對於某些組合，還使用從外部信貸評級機構購買的信息。

本集團採用統計模型對收集的數據進行計量分析，並根據風險暴露產生剩餘存續期的違約概率估算，以及預期結果會如何隨時間推移而產生的變化。

該分析包括識別和校準違約率變化與關鍵宏觀經濟因素變化之間的關係，以及對某些其他因素（例如寬容經驗）對違約風險影響的深入分析。對於大多數風險暴露，主要的宏觀經濟指標包括：本地經濟生產總值增長，基準利率和失業率。對於特定行業和/或地區的暴露，分析可能會擴展到相關房地產價格。

本集團制定“基本情景”下未來的發展方向，以及其他可行、具代表性範圍的預測方案（見下文關於納入前瞻性信息的討論）。然後，本集團使用這些預測來調整其對違約概率的估算。

4. Financial risk management (continued)

4.1 Credit risk (continued)

E. Amounts arising from ECL (continued)

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark interest rates and unemployment. For exposures to specific industries and/or regions, the analysis may extend to relevant real estate prices.

The Group formulates a “base case” view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理(續)

4. Financial risk management (continued)

4.1 信貸風險(續)

4.1 Credit risk (continued)

E. 預期信貸損失增加額 (續)

決定信貸風險是否顯著 增加

決定信貸風險是否顯著增加的準則因投資組合而異，包含違約概率的定量轉變及定性因素、以及逾期原因。

就本集團採用的定量模型而言，當確定剩餘存續期的違約概率增加超過預定範圍時，則會被認定為特定敞口的信貸風險自初始確認以來已顯著增加。

憑藉其專家信貸判斷(如適用)，以及相關歷史經驗，本集團可根據其認為具體的特定定性指標確定信貸風險顯著增加，且其影響可能無法及時並充分反映在其定量分析中。

作為一項底線要求，本集團認為當資產出現逾期超過 30 天應考慮為信貸風險的顯著增加。逾期天數通過計算自最早到期日期以來尚未收到全額付款的天數來確定。確定到期日時不考慮借款人可能獲得的任何寬限期。

E. Amounts arising from ECL (continued)

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's quantitative modelling, the remaining lifetime PD is determined to have increased by more than a predetermined range.

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group considers that a significant increase in credit risk occurs when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

綜合財務報表附註（續）Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.1 信貸風險（續）

4.1 Credit risk (continued)

E. 預期信貸損失增加額（續）

決定信貸風險是否顯著增加（續）

本集團通過定期監控用於識別信貸風險顯著增加的標準的有效性，以確認：

- 該準則能夠在風險敞口出現違約前識別信貸風險的顯著增加；
- 當資產出現 30 天的逾期時將與該標準的時點中一致；及
- 12 個月的違約概率（第 1 階段）和存續期內的違約概率（第 2 階段）之間的轉換時，沒有不必要的損失準備波動。

經調整之金融資產

貸款的合同條款可能會因多種原因而被修改，包括市場條件變化，客戶保留以及與客戶當前或潛在信貸狀況惡化無關的其他因素。

當金融資產的條款被修改且修改未導致終止確認時，決定資產的信貸風險有否顯著增加可根據下列比較反映：

- 其在報告日基於修改條款後的剩餘存續期的違約概率；及
- 根據初始確認時的數據和原始合同條款估算的剩餘存續期的違約概率。

E. Amounts arising from ECL (continued)

Determining whether credit risk has increased significantly (continued)

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4.1 信貸風險（續）

E. 預期信貸損失增加額（續）

經調整之金融資產（續）

本集團向有財務困難的客戶（稱為寬容行動）進行重組協議，以最大程度地增加收回的機會並將違約風險降至最低。根據集團的寬容政策，如果債務人目前債務違約或者違約風險很高，並有證據表明債務人已盡一切合理努力按原合同付款，且債務人預計能夠滿足修訂後的條款的條件下，銀行則可有選擇性地給予貸款寬容。

修訂後的條款通常包括延長到期日、改變利息支付時間和修改貸款契約條款。零售和企業貸款均受寬容政策的約束。

對於經調整之金融資產，違約概率的估算反映了該調整是否改善或恢復了本集團收取利息和本金的能力以及本集團之前的類似寬容行動的經驗。作為此流程的一部分，本集團根據修改後的合同條款評估借款人的還款表現，並考慮各種行為指標。

一般來說，寬容是信貸風險顯著增加的定性指標，對給予寬容的資產可能構成信貸減值風險/違約的證據。若風險敞口不再被視為信貸減值/違約，或者違約概率被認為已經減少，使得損失準備的計算為等於12個月預期信貸損失的金額，客戶需要在一段時間內表現出持續良好的還款表現。

4. Financial risk management (continued)

4.1 Credit risk (continued)

E. Amounts arising from ECL (continued)

Modified financial assets (continued)

The Group renegotiates loans to customers in financial difficulties (referred to as forbearance activities) to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired / in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired / in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理(續)

4. Financial risk management (continued)

4.1 信貸風險(續)

4.1 Credit risk (continued)

E. 預期信貸損失增加額(續)

違約定義

當出現以下情況時，本集團認為該金融資產違約：

- 在本集團沒有採取追究擔保品變現的行為下(如有任何擔保)，借款人不大可能全額支付其對本集團的信貸責任；或
- 借款人逾期履行其任何重大信貸責任超過90天。一旦客戶違反超出可使用的透支額度或可使用的透支額度少於現時餘欠的則視為逾期。

在評估借款人是否違約時，本集團會考慮以下指標：

- 定性 – 違反合同；
- 定量 – 例如逾期狀態及不支付同一發行人對本集團的另一項責任；及
- 基於內部開發及從外部獲得的信息。

評估金融工具是否違約及其重要性的輸入可會隨著時間的推移而變化，以反映情況的變化。

本集團採用之違約定義很大程度上與監管資本用途所適用的定義一致。

E. Amounts arising from ECL (continued)

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

綜合財務報表附註（續）Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.1 信貸風險（續）

4.1 Credit risk (continued)

E. 預期信貸損失增加額 （續）

納入前瞻性信息

本集團將前瞻性資料納入其評估自首次確認後金融工具的信貸風險是否大幅增加及其預期信貸損失的評估。本集團制定了相關經濟因素未來發展方向的“基本情景”展望以及其他具代表性範圍的可能預測方案。該過程涉及開發兩個或更多其他經濟情景並考慮每個結果的相對概率。外部信息包括本集團經營所在國家的政府機構和金融管理局，經合組織和國際貨幣基金組織等超國家組織以及選定的私營機構和學術預測機構所發佈的經濟數據和預測。

基本情景是指最大可能的結果，並與本集團用於戰略規劃和預算等其他目的的資料保持一致。其他情景是指更樂觀和更悲觀的結果。本集團定期對更極端的衝擊進行壓力測試，以校準其對這些其他代表性情景的決定。

本集團已識別並記錄每個金融工具組合的信貸風險及信貸損失的主要因素，並使用歷史數據分析估計宏觀經濟因素與信貸風險及信貸損失之間的關係。

E. Amounts arising from ECL (continued)

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group formulates a ‘base case’ view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund, and selected private-sector and academic forecasters.

The “base case” represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理(續)

4. Financial risk management (continued)

4.1 信貸風險(續)

4.1 Credit risk (continued)

E. 預期信貸損失增加額(續)

E. Amounts arising from ECL (continued)

納入前瞻性信息(續)

Incorporation of forward-looking information (continued)

經濟情景包含以下關鍵指標的預測。

The economic scenarios included the forecast of the following key indicators.

		2019	2018
香港實際本地生產總值增長率	Hong Kong Real GDP Growth Rate	-1.3% to 2.6%	1.7% to 3.0%
中國實際國內生產總值增長率	China Real GDP Growth Rate	5.1% to 5.7%	6.0% to 6.7%
中國失業率	China Unemployment Rate	3.6%	3.75% to 3.9%
香港金融管理局 - 香港貸款、墊款	HKMA Hong Kong Loans & Advances	3.0% to 5.9%	0.1% to 10.9%
香港住宅物業物價指數	Hong Kong Residential Property Price Index	-0.9% to 5.5%	-11.9% to 9.0%
香港私人消費	Hong Kong Private Consumption	-1.8% to 3.0%	2.8% to 7.3%

計算預期信貸損失

計算預期信貸損失的關鍵輸入以下變量：

- 違約概率；
- 違約損失率；及
- 違約風險承擔。

這些參數通常來自內部開發的統計模型和其他歷史數據。通過調整這些參數來反映上述的前瞻性信息。

違約概率是於特定日期的估算值，其基於統計評級模型計算，並使用針對各類交易對手和風險敞口的評級工具進行評估。這些統計模型基於內部編制的數據，包括定量和定性因素。在可用的情況下，市場數據也可用於推知大型企業交易對手的違約概率。如果交易對手或風險暴露在評級類別之間遷移，則這將導致相關違約概率的估計發生變化。違約概率是根據風險承擔的合約到期日和估計的提前償付率估算。

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理(續)

4. Financial risk management (continued)

4.1 信貸風險(續)

4.1 Credit risk (continued)

E. 預期信貸損失增加額 (續)

計算預期信貸損失(續)

違約損失率指在發生違約的情況下可能損失的程度。本集團根據違約交易對手的歷史索賠恢復率估算違約損失率。違約損失率模型考慮結構、抵押品、索賠的級別、交易對手行業和金融資產任何不可或缺的抵押品的恢復成本。對於零售物業抵押的貸款，貸款與押品價值比率是決定違約損失率的關鍵參數。違約損失率估計針對不同的經濟情景進行重新校準，對於房地產貸款，則反映房地產價格的可能變化。

違約風險承擔是指發生違約時的預期風險敞口。本集團從交易對手現時的風險敞口和合約項下允許的當前金額變化(包括攤銷)來推算違約風險承擔。金融資產的違約風險承擔是其賬面總額。對於貸款承諾和財務擔保，違約風險承擔包括已提取的金額和在歷史觀察和前瞻性預測估算下，根據合同未來可能提取的金額。對於某些金融資產，違約風險承擔是通過使用情景和統計技術在不同時間點對可能範圍內的風險敞口結果進行建模來確認。

E. Amounts arising from ECL (continued)

Measurement of ECL (continued)

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理(續)

4. Financial risk management (continued)

4.1 信貸風險(續)

4.1 Credit risk (continued)

E. 預期信貸損失增加額 (續)

計算預期信貸損失(續)

如上所述，對於信貸風險未顯著增加的金融資產最多使用 12 個月的違約概率，本集團會考慮暴露於信貸風險下的最大合約期內（包括任何借款人的延期選項）的違約風險來衡量預期信貸損失，即使出於風險管理目的，本集團會考慮更長的期限。最長合約期限延續至本集團有權要求償還貸款或終止貸款承諾或擔保的日期。

然而，對於包括貸款和未提取承諾部分的零售透支，如果本集團要求客戶還款和取消未提取的承諾額度時未能限制本集團風險敞口於合同通知期內的信貸損失，則本集團採用超過最長合同期的時間來計算預期信貸損失。這些貸款沒有固定期限或還款結構，並且是集體管理的。本集團可立即取消這些貸款，但此合約權利並非在日常管理中強制執行，而只有在本集團意識到信貸層面的信貸風險增加時才會執行。該較長期限的估算考慮本集團預期採取的信貸風險管理行為，這些行為有助於減低預期信貸損失。這其中包括減少限額，取消信貸和/或將餘額轉為具有固定還款條款的貸款。

E. Amounts arising from ECL (continued)

Measurement of ECL (continued)

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for retail overdrafts that include both a loan and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

綜合財務報表附註（續）Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.1 信貸風險（續）

4.1 Credit risk (continued)

E. 預期信貸損失增加額 （續）

計算預期信貸損失（續）

當構建模型的參數在集體的基礎上進行，金融工具根據一些共同的風險特徵進行組合分類，包括：

- 金融工具類別；
- 信貸風險評級；
- 抵押品種類；
- 零售抵押貸款的貸款價值比；
- 初始確認日；
- 剩餘到期日；
- 行業；及
- 借款人的地理位置。

為確保特定組別內的風險敞口保持適當的同質性，組別均需進行定期重檢。

對於本集團歷史數據有限的投資組合，外部基準資料用於補充內部數據。

E. Amounts arising from ECL (continued)

Measurement of ECL (continued)

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk grading;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data.

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)
4. 金融風險管理(續) 4. Financial risk management (continued)
4.1 信貸風險(續)
4.1 Credit risk (continued)
**E. 預期信貸損失增加額
(續)**
E. Amounts arising from ECL (continued)
減值準備對賬
Loss allowance reconciliation

下表列示金融工具的類別劃分減值準備的期初結餘與期末結餘的對賬。此對賬是以交易層面比較1月1日至12月31日的情況。

The following tables show reconciliations from the opening to the closing balance of the impairment allowance by class of financial instrument. The reconciliation is prepared by comparing the position of impairment allowance between 1 January and 31 December at transaction level.

		2019			
		12 個月的預期 信貸虧損	非信貸減值的 終身預期虧損 Lifetime ECL not credit-impaired	信貸減值的 終身預期虧損 Lifetime ECL credit-impaired	總計
		12-month ECL	not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
客戶總貸款	Advances to customers				
於1月1日	Balance at 1 January	139,832	17,599	189,268	346,699
轉至12個月的預期信貸虧損	Transfer to 12-month ECL	191	(191)	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	(9,722)	9,722	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	(291)	(11,506)	11,797	-
新購入的金融資產	New financial assets originated	208,291	149	-	208,440
已終止確認的金融資產	Financial assets that have been derecognised	(41,630)	(377)	(69,260)	(111,267)
註銷	Write-offs	-	-	(27,019)	(27,019)
模型變動	Changes in models	-	-	-	-
折現減值準備回撥	Unwind of discount of loans impairment loss	-	-	3,414	3,414
外匯調整及其他變動	Foreign exchange and other movements	400	(110)	(4,403)	(4,113)
減值準備的重新計量	Net remeasurement of loss allowance	28,995	3,023	181,071	213,089
於12月31日	Balance at 31 December	326,066	18,309	284,868	629,243
		2018			
		12 個月的預期 信貸虧損	非信貸減值的 終身預期虧損 Lifetime ECL not credit-impaired	信貸減值的 終身預期虧損 Lifetime ECL credit-impaired	總計
		12-month ECL	not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
客戶總貸款	Advances to customers				
於1月1日	Balance at 1 January	147,159	8,049	70,424	225,632
轉至12個月的預期信貸虧損	Transfer to 12-month ECL	1,166	(1,166)	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	(4,683)	4,683	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	(300)	(513)	813	-
新購入的金融資產	New financial assets originated	80,297	3,528	-	83,825
已終止確認的金融資產	Financial assets that have been derecognised	(36,315)	(4,545)	(514)	(41,374)
註銷	Write-offs	-	-	(24,926)	(24,926)
模型變動	Changes in models	-	-	-	-
折現減值準備回撥	Unwind of discount of loans impairment loss	-	-	2,071	2,071
外匯調整及其他變動	Foreign exchange and other movements	(169)	(571)	(2,143)	(2,883)
減值準備的重新計量	Net remeasurement of loss allowance	(47,323)	8,134	143,543	104,354
於12月31日	Balance at 31 December	139,832	17,599	189,268	346,699

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)
4. 金融風險管理(續) 4. Financial risk management (continued)
4.1 信貸風險(續)
4.1 Credit risk (continued)
**E. 預期信貸損失增加額
(續)**
E. Amounts arising from ECL (continued)
減值準備對賬(續)
Loss allowance reconciliation (continued)

		2019			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
貿易票據	Trade bills				
於1月1日	Balance at 1 January	1,624	-	-	1,624
轉至12個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	3,733	-	-	3,733
已終止確認的金融資產	Financial assets that have been derecognised	(1,624)	-	-	(1,624)
註銷	Write-offs	-	-	-	-
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	(58)	-	-	(58)
減值準備的重新計量	Net remeasurement of loss allowance	251	-	-	251
於12月31日	Balance at 31 December	<u>3,926</u>	<u>-</u>	<u>-</u>	<u>3,926</u>
		2018			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
貿易票據	Trade bills				
於1月1日	Balance at 1 January	121	-	-	121
轉至12個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	4,136	-	-	4,136
已終止確認的金融資產	Financial assets that have been derecognised	(121)	-	-	(121)
註銷	Write-offs	-	-	-	-
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	(152)	-	-	(152)
減值準備的重新計量	Net remeasurement of loss allowance	(2,360)	-	-	(2,360)
於12月31日	Balance at 31 December	<u>1,624</u>	<u>-</u>	<u>-</u>	<u>1,624</u>

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)
4. 金融風險管理(續) 4. Financial risk management (continued)
4.1 信貸風險(續)
4.1 Credit risk (continued)
**E. 預期信貸損失增加額
(續)**
E. Amounts arising from ECL (continued)
減值準備對賬(續)
Loss allowance reconciliation (continued)

		2019			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
以攤餘成本列賬之債務證券及 存款證	Debt securities and Certificate of deposits at amortised cost				
於1月1日	Balance at 1 January	334	-	-	334
轉至12個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	41	-	-	41
已終止確認的金融資產	Financial assets that have been derecognised	(16)	-	-	(16)
註銷	Write-offs	-	-	-	-
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	(13)	-	-	(13)
減值準備的重新計量	Net remeasurement of loss allowance	1,452	-	-	1,452
於12月31日	Balance at 31 December	<u>1,798</u>	<u>-</u>	<u>-</u>	<u>1,798</u>
		2018			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
以攤餘成本列賬之債務證券及 存款證	Debt securities and Certificate of deposits at amortised cost				
於1月1日	Balance at 1 January	-	-	-	-
轉至12個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	572	-	-	572
已終止確認的金融資產	Financial assets that have been derecognised	-	-	-	-
註銷	Write-offs	-	-	-	-
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	(1)	-	-	(1)
減值準備的重新計量	Net remeasurement of loss allowance	(237)	-	-	(237)
於12月31日	Balance at 31 December	<u>334</u>	<u>-</u>	<u>-</u>	<u>334</u>

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)
4. 金融風險管理(續) 4. Financial risk management (continued)
4.1 信貸風險(續)
4.1 Credit risk (continued)
**E. 預期信貸損失增加額
(續)**
E. Amounts arising from ECL (continued)
減值準備對賬(續)
Loss allowance reconciliation (continued)

		2019			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
以公平值變化計入其他全面收益之債務證券及存款證	Debt securities and Certificate of deposits at FVOCI				
於1月1日	Balance at 1 January	14,428	-	-	14,428
轉至12個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	9,344	-	-	9,344
已終止確認的金融資產	Financial assets that have been derecognised	(4,986)	-	-	(4,986)
註銷	Write-offs	-	-	-	-
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	(144)	-	-	(144)
減值準備的重新計量	Net remeasurement of loss allowance	7,758	-	-	7,758
於12月31日	Balance at 31 December	26,400	-	-	26,400
		2018			
		12 個月的預期 信貸虧損	非信貸減值的終身 預期虧損	信貸減值的終身 預期虧損	總計
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
以公平值變化計入其他全面收益之債務證券及存款證	Debt securities and Certificate of deposits at FVOCI				
於1月1日	Balance at 1 January	18,829	-	-	18,829
轉至12個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	8,766	-	-	8,766
已終止確認的金融資產	Financial assets that have been derecognised	(3,576)	-	-	(3,576)
註銷	Write-offs	-	-	-	-
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	38	-	-	38
減值準備的重新計量	Net remeasurement of loss allowance	(9,629)	-	-	(9,629)
於12月31日	Balance at 31 December	14,428	-	-	14,428

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)
4. 金融風險管理(續) 4. Financial risk management (continued)
4.1 信貸風險(續)
4.1 Credit risk (continued)
**E. 預期信貸損失增加額
(續)**
E. Amounts arising from ECL (continued)
減值準備對賬(續)
Loss allowance reconciliation (continued)

		2019			
存放央行、銀行及其他金融機構的結餘及存款	Balances and placements with central banks, banks and other financial institutions	12 個月的預期 信貸虧損 12-month ECL	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於1月1日	Balance at 1 January	325	-	-	325
轉至12個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	485	-	-	485
已終止確認的金融資產	Financial assets that have been derecognised	(318)	-	-	(318)
註銷	Write-offs	-	-	-	-
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	-	-	-	-
減值準備的重新計量	Net remeasurement of loss allowance	(8)	-	-	(8)
於12月31日	Balance at 31 December	<u>484</u>	<u>-</u>	<u>-</u>	<u>484</u>
		2018			
存放央行、銀行及其他金融機構的結餘及存款	Balances and placements with central banks, banks and other financial institutions	12 個月的預期 信貸虧損 12-month ECL	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於1月1日	Balance at 1 January	323	-	-	323
轉至12個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	640	-	-	640
已終止確認的金融資產	Financial assets that have been derecognised	(323)	-	-	(323)
註銷	Write-offs	-	-	-	-
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	(19)	-	-	(19)
減值準備的重新計量	Net remeasurement of loss allowance	(296)	-	-	(296)
於12月31日	Balance at 31 December	<u>325</u>	<u>-</u>	<u>-</u>	<u>325</u>

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)
4. 金融風險管理(續) 4. Financial risk management (continued)
4.1 信貸風險(續)
4.1 Credit risk (continued)
**E. 預期信貸損失增加額
(續)**
E. Amounts arising from ECL (continued)
減值準備對賬(續)
Loss allowance reconciliation (continued)

		2019			
其他金融資產	Other financial assets	12 個月的預期 信貸虧損 12-month ECL	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於1月1日	Balance at 1 January	120	-	1,305	1,425
轉至12個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	-	-	175	175
已終止確認的金融資產	Financial assets that have been derecognised	-	-	-	-
註銷	Write-offs	-	-	(960)	(960)
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	(12)	-	(9)	(21)
減值準備的重新計量	Net remeasurement of loss allowance	198	-	224	422
於12月31日	Balance at 31 December	<u>306</u>	<u>-</u>	<u>735</u>	<u>1,041</u>
		2018			
其他金融資產	Other financial assets	12 個月的預期 信貸虧損 12-month ECL	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於1月1日	Balance at 1 January	631	-	-	631
轉至12個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	-	-	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	(6)	-	6	-
新購入的金融資產	New financial assets originated	16	-	-	16
已終止確認的金融資產	Financial assets that have been derecognised	(10)	-	-	(10)
註銷	Write-offs	-	-	-	-
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	(2)	-	(1)	(3)
減值準備的重新計量	Net remeasurement of loss allowance	(509)	-	1,300	791
於12月31日	Balance at 31 December	<u>120</u>	<u>-</u>	<u>1,305</u>	<u>1,425</u>

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)
4. 金融風險管理(續) 4. Financial risk management (continued)
4.1 信貸風險(續)
4.1 Credit risk (continued)
**E. 預期信貸損失增加額
(續)**
E. Amounts arising from ECL (continued)
減值準備對賬(續)
Loss allowance reconciliation (continued)

		2019			
貸款承諾及應收開出保函	Loan commitments and financial guarantee contracts issued	12 個月的預期 信貸虧損 12-month ECL	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於1月1日	Balance at 1 January	8,427	22	-	8,449
轉至12個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	(1)	1	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	14,049	-	-	14,049
已終止確認的金融資產	Financial assets that have been derecognised	(1,551)	(22)	-	(1,573)
註銷	Write-offs	-	-	-	-
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	(21)	1	-	(20)
減值準備的重新計量	Net remeasurement of loss allowance	5,899	(1)	-	5,898
於12月31日	Balance at 31 December	26,802	1	-	26,803
		2018			
貸款承諾及應收開出保函	Loan commitments and financial guarantee contracts issued	12 個月的預期 信貸虧損 12-month ECL	非信貸減值的終身 預期虧損 Lifetime ECL not credit-impaired	信貸減值的終身 預期虧損 Lifetime ECL credit-impaired	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於1月1日	Balance at 1 January	15,305	-	-	15,305
轉至12個月的預期信貸虧損	Transfer to 12-month ECL	-	-	-	-
轉至非信貸減值的終身預期虧損	Transfer to lifetime ECL not credit-impaired	(1)	1	-	-
轉至信貸減值的終身預期虧損	Transfer to lifetime ECL credit-impaired	-	-	-	-
新購入的金融資產	New financial assets originated	5,248	-	-	5,248
已終止確認的金融資產	Financial assets that have been derecognised	(9,807)	-	-	(9,807)
註銷	Write-offs	-	-	-	-
模型變動	Changes in models	-	-	-	-
外匯調整及其他變動	Foreign exchange and other movements	(110)	(1)	-	(111)
減值準備的重新計量	Net remeasurement of loss allowance	(2,208)	22	-	(2,186)
於12月31日	Balance at 31 December	8,427	22	-	8,449

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4.2 市場風險

市場風險是指因金融市場價格（匯率、利率、股票價格、商品價格）波動導致銀行外匯、利率、股票和商品持倉值出現變化而可能給本集團帶來的損失。本集團採取適中的市場風險偏好，實現風險與收益的平衡。市場風險管理的目標，是根據本集團的風險偏好和資金業務發展策略，依靠完善的風險管理制度和相關管理手段，有效管理本集團業務中可能產生的市場風險，促進資金業務健康發展。

本集團按照風險管理企業管治原則管理市場風險，董事會及風險管理委員會、高級管理層和職能部／單位，各司其職，各負其責。財務管理部是負責市場風險管理的主責單位，協助高級管理層履行日常管理職責，獨立監察本集團的市場風險狀況以及管理政策和限額執行情況，並確保整體和個別的市場風險均控制在可接受的風險水平內。

本銀行設有市場風險指標及限額，用於識別、計量、監測和控制市場風險。主要風險指標和限額包括但不限於風險值、止損額、敞口額、壓力測試以及敏感性分析等。主要風險指標和限額視管理需要劃分為三個層級，分別由風險管理委員會、資產負債管理委員會及財務管理部總經理批准，業務單位必須在批核的市場風險指標和限額範圍內開展業務。

4. Financial risk management (continued)

4.2 Market risk

Market risk refers to the risk of loss arising from movements in the value of foreign exchange, interest rate, equity and commodity positions held by the Group due to the volatility of financial market price (foreign exchange rate, interest rate, equity price, commodity price). The Group adopts a moderate market risk appetite to achieve a balance between risk and return. The Group's objective in managing market risk is to secure healthy growth of the treasury business, by effective management of potential market risk in the Group's business, according to the Group's overall risk appetite and strategy of treasury business on the basis of a well-established risk management regime and related management measures.

In accordance with the Group's corporate governance principles in respect of risk management, the Board and RC, senior management and functional departments/units perform their duties and responsibilities to manage the Group's market risk. FMD is mainly responsible for managing market risk, assisting senior management to perform their day-to-day duties, independently monitoring the market risk profile and compliance of management policies and limits of the Group, and ensuring that the aggregate and individual market risks are within acceptable levels.

The Bank sets up market risk indicators and limits to identify, measure, monitor and control market risk. Major risk indicators and limits include but are not limited to VAR, Stop Loss, Open Position, Stress Testing and Sensitivity Analysis etc. To meet management requirements, major risk indicators and limits are classified into three levels, and are approved by the RC, Asset and Liability Management Committee (ALCO) and the General Manager of FMD respectively. Business units are required to conduct their business within approved market risk indicators and limits.

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4.2 市場風險（續）

A. 風險值

本銀行採用風險值量度一般市場風險，並定期向風險管理委員會和高級管理層報告。本集團採用統一的風險值計量模型，運用歷史模擬法，以過去兩年歷史市場數據為參照，計算 99% 置信水平下及 1 天持有期內集團層面的風險值，並設定本集團的風險值限額。

下表詳述本銀行一般市場風險持倉的風險值¹。

4. Financial risk management (continued)

4.2 Market risk (continued)

A. VAR

The Bank uses the VAR to measure and report general market risks to the RC and senior management on a periodic basis. The Group adopts a uniformed VAR calculation model, using a historical simulation approach and two years of historical market data, to calculate the VAR of the Group over a one-day holding period with a 99% confidence level, and sets up the VAR limit of the Group.

The following table sets out the VAR for all general market risk exposure¹ of the Bank.

		年份	於 12月31日	全年 最低數值	全年 最高數值	全年 平均數值
		Year	At 31 December	Minimum for the year	Maximum for the year	Average for the year
			港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
全部市場風險之風險值	VAR for all market risk	2019	793	73	798	426
		2018	705	54	716	270
匯率風險之風險值	VAR for foreign exchange risk	2019	793	73	798	426
		2018	704	54	716	270
利率風險之風險值	VAR for interest rate risk	2019	-	-	1	-
		2018	1	-	1	-

註：

1. 不包括外匯結構性敞口的風險值。

Note:

1. Structural FX positions have been excluded.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.2 市場風險（續）

4.2 Market risk (continued)

A. 風險值（續）

A. VAR (continued)

雖然風險值是量度市場風險的一項重要指標，但也有其局限性，例如：

Although a valuable guide to market risk, VAR should always be viewed in the context of its limitations. For example:

- 採用歷史市場數據估計未來動態未能顧及所有可能出現的情況，尤其是一些極端情況；
- 1 天持有期的計算方法假設所有頭盤均可以在一日內套現或對沖。這項假設未必能完全反映市場風險，尤其在市場流通度極低時，可能未及在 1 天持有期內套現或對沖所有頭盤；
- 根據定義，當採用 99% 置信水平時，即未有考慮在此置信水平以外或會出現的虧損；及
- 風險值是以營業時間結束時的頭盤作計算基準，因此並不一定反映交易時段內的風險。

- the use of historical market data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- the use of a one-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;
- the use of a 99% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence; and
- VAR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures.

本銀行充分了解風險值指標的局限性，因此，制定了壓力測試指標及限額以評估和管理風險值不能涵蓋的市場風險。市場風險壓力測試包括按不同風險因素改變的嚴峻程度所作的敏感性測試，以及對歷史事件的情景分析，如 1994 債券市場危機、1997 亞洲金融風暴以及 2008 金融海嘯等。

The Bank recognises these limitations by formulating stress test indicators and limits to assess and manage the market risk uncovered by VAR. The stress testing programme of the market risk includes sensitivity testing on changes in risk factors with various degrees of severity, as well as scenario analysis on historical events including the 1994 Bond Market Crash, 1997 Asian Financial Crisis and 2008 Financial Tsunami, etc.

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理(續) 4. Financial risk management (continued)

4.2 市場風險(續)

B. 外匯風險

本集團的資產及負債集中在港元、美元及人民幣等主要貨幣。為確保外匯風險承擔保持在可接受水平，本集團利用風險限額(例如頭盤及風險值限額)作為監控工具。此外，本集團致力於減少同一貨幣的資產與負債錯配，並通常利用外匯合約(例如外匯掉期)管理由外幣資產負債所產生的外匯風險。

於報告期結束日，本集團的以下結構性持倉淨額不低於結構性外幣淨持倉總額 10%：

4.2 Market risk (continued)

B. Currency risk

The Group's assets and liabilities are denominated in major currencies, particularly the HK dollar, the US dollar and Renminbi. To ensure the currency risk exposure of the Group is kept to an acceptable level, risk limits (e.g. Position and VAR limit) are used to serve as a monitoring tool. Moreover, the Group seeks to minimise the gap between assets and liabilities in the same currency. Foreign exchange contracts (e.g. FX swaps) are usually used to manage FX risk associated with foreign currency-denominated assets and liabilities.

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:

		2019		
		港幣千元等值		
		Equivalent in thousand of HK\$		
		美元	人民幣	外幣總額
		Total		
		US	foreign	
		Dollars	Renminbi	currencies
結構性倉盤淨額	Net structural position	1,933,901	1,691,215	3,625,116
		2018		
		港幣千元等值		
		Equivalent in thousand of HK\$		
		美元	人民幣	外幣總額
		Total		
		US	foreign	
		Dollars	Renminbi	currencies
結構性倉盤淨額	Net structural position	1,944,791	1,079,684	3,024,475



綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.2 市場風險（續）

4.2 Market risk (continued)

C. 利率風險

C. Interest rate risk

利率風險是指因利率水平、資產負債期限結構等要素發生變動而可能導致銀行整體收益和經濟價值承受損失的風險。本集團的利率風險承擔主要來自結構性持倉。結構性持倉的主要利率風險類別為：

Interest rate risk means the risks to a bank's earnings and economic value arising from movements in interest rate and term structures of the bank's asset and liability positions. The Group's interest rate risk exposures are mainly structural. The major types of interest rate risk from structural positions are:

- 缺口風險：因不同到期期限的票據的利率變動所產生的風險。缺口風險的程度視乎有關利率的期限結構的變動，是否一致地出現在整個收益率曲線(平行風險)或不同期限各有不同(非平行風險)；
- 息率基準風險：不同交易的定價基準不同，令資產的收益率和負債的成本可能會在同一重訂價格期間以不同的幅度變化；及
- 期權風險：由利率期權衍生工具或資產、負債及 / 或表外工具所包含具有選擇權的元素引起，可更改相關現金流的水平及時間。期權風險可按其特點進一步區分為自動化期權風險及習性期權風險。

- gap risk: gap risk is the risk arising from the changes in the interest rates on instruments of different maturities. The extent of gap risk depends on whether changes to the term structure of interest rates occur consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk);
- basis risk: different pricing basis for different transactions resulting that the yield on assets and cost of liabilities may change by different amounts within the same repricing period; and
- option risk: option risk arises from interest rate option derivatives or from optional elements embedded in an authorised institution's assets, liabilities and/or off-balance sheet instruments, where the authorised institutions or its customer can alter the level and timing of their cash flows. Option risk can be further characterised into automatic option risk and behavioural option risk.

本集團風險管理架構同樣適用於利率風險管理。根據董事會批准的《銀行賬利率風險管理政策》，資產負債管理委員會具體履行管理集團利率風險的職責。財務管理部主責利率風險管理，在金融市場部的配合下，協助資產負債管理委員會開展日常的利率風險管理工作，包括但不限於起草管理政策，選擇管理方法，設立風險指標和限額，評估目標資產負債平衡表，監督利率風險管理政策與限額執行情況，向高級管理層以及風險管理委員會提交利率風險管理報告等。

The Group's risk management framework applies also to interest rate risk management. The ALCO exercises its oversight of interest rate risk in accordance with the "Banking Book Interest Rate Risk Management Policy" approved by the Board. FMD is responsible for interest rate risk management. With the cooperation of Financial Markets Department, FMD assists the ALCO to perform day-to-day interest rate risk management. Its roles include, but are not limited to, the formulation of management policies, selection of methodologies, setting of risk indicators and limits, assessment of target balance sheet, monitoring of the compliance with policies and limits, and submission of interest rate risk management reports to the senior management and the RC, etc.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.2 市場風險（續）

4.2 Market risk (continued)

C. 利率風險（續）

C. Interest rate risk (continued)

本集團設定利率風險指標及限額，用於識別、計量、監測和控制利率風險。主要風險指標和限額包括但不限於重訂價缺口、利率基準風險、基點現值(PVBP)、淨利息波動比率(NII)、經濟價值波動比率(EV)等。主要風險指標和限額劃分不同層級，按不同層級分別由風險管理委員會、資產負債管理委員會及財務管理部總經理批准。承擔利率風險的各業務單位必須在利率風險指標限額範圍內開展相關業務。本集團推出銀行賬新產品或新業務前，相關單位須先執行風險評估程序，包括評估其潛在的利率風險，並考慮現行的風險監控機制是否足夠。如在風險評估程序中發現對銀行利率風險造成重大影響，須上報風險管理委員會審批。

The Group sets out interest rate risk indicators and limits to identify, measure, monitor and control interest rate risk. The indicators and limits include, but are not limited to, repricing gap limits, basis risk, price value of a basis point (PVBP), net interest income sensitivity ratio (NII), economic value sensitivity ratio (EV), etc. The indicators and limits are classified into different levels, which are approved by the RC, ALCO and the General Manager of FMD accordingly. Risk-taking business units are required to conduct their business within the boundary of the interest rate risk limits. Before launching a new product or business in the banking book, the relevant departments are required to go through a risk assessment process, which includes the assessment of underlying interest rate risk and consideration of the adequacy of current risk monitoring mechanism. Any material impact on interest rate risk noted during the risk assessment process will be submitted to the RC for approval.

淨利息波動比率(NII)和經濟價值波動比率(EV)反映利率變動對集團淨利息收入和資本基礎的影響，是本集團管理利率風險的重要風險指標。前者衡量利率變動導致的淨利息收入變動佔當年預期淨利息收入的比率；後者衡量利率變化對銀行經濟價值（即按市場利率折算的資產、負債及表外業務預測現金流的淨現值）的影響佔最新資本基礎的比率。風險管理委員會為這兩項指標設定限額，用來監測和控制本集團銀行賬利率風險。

NII and EV assess the impact of interest rate movement on the Group's net interest income and capital base. They are the Group's key interest rate risk indicators. The former assesses the impact of interest rate movement on net interest income as a percentage to the projected net interest income for the year. The latter assesses the impact of interest rate movement on economic value (i.e. the net present value of cash-flows of assets, liabilities and off-balance sheet items discounted using market interest rate) as a percentage to the latest capital base. Limits are set by the RC on these two indicators to monitor and control the Group's banking book interest rate risk.

本集團採用情景分析和壓力測試方法，評估不利市況下銀行賬可能承受的利率風險。情景分析和壓力測試同時用於測試儲蓄存款客戶擇權及按揭客戶提早還款對銀行淨利息收入和經濟價值的影響。

The Group uses scenario analyses and stress tests to assess the banking book interest rate risk that the Group would face under adverse circumstances. Scenario analyses and stress tests are also used to assess the impact on net interest income and economic value arising from the optionality of savings deposits and the prepayment of mortgage loans.

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)
4. 金融風險管理(續) 4. Financial risk management (continued)
4.2 市場風險(續)
4.2 Market risk (continued)
C. 利率風險(續)
C. Interest rate risk (continued)

下表概述了本集團於 12 月 31 日之資產負債表內的利率風險承擔。表內以賬面值列示資產及負債，並按合約重訂息率日期或到期日(以較早者為準)分類。

The tables below summarise the Group's on-balance sheet exposure to interest rate risk as at 31 December. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing date and maturity date.

		2019						
		一至 一個月內	三至 三個月	三至 十二個月	一至五年	五年以上	不計息 Non- interest bearing	總計 Total
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non- interest bearing	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
資產	Assets							
庫存現金及存放銀行及 其他金融機構的結餘	Cash and balances with banks and other financial institutions	13,924,513	-	-	-	-	4,311,475	18,235,988
在銀行及其他金融機構 一至十二個月內到期之 定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	3,506,091	1,313,121	-	-	-	4,819,212
衍生金融工具	Derivative financial instruments	-	-	-	-	-	122,133	122,133
客戶貸款及貿易票據	Advances to customers and trade bills	53,135,176	9,958,833	12,747,625	1,118,133	27,124	-	76,986,891
證券投資	Investment in securities							
- 強制性以公平值變化計 入損益之證券	- securities mandatorily measured at FVTPL	12,536	55,340	20,549	53,407	6,318	-	148,150
- 界定為以公平值變化計 入損益之證券	- securities designated at FVTPL	-	-	-	214,401	156,206	-	370,607
- 以公平值變化計入其他 全面收益之證券	- securities at FVOCI	4,753,137	7,967,402	9,618,909	22,380,635	-	27,183	44,747,266
- 以攤餘成本計量之證券	- securities at amortised cost	-	705,422	93,230	843,745	-	-	1,642,397
投資物業	Investment properties	-	-	-	-	-	237,150	237,150
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	2,021,072	2,021,072
其他資產(包括遞延稅項 資產)	Other assets (including deferred tax assets)	21,917	-	-	-	-	501,998	523,915
資產總額	Total assets	71,847,279	22,193,088	23,793,434	24,610,321	189,648	7,221,011	149,854,781
負債	Liabilities							
銀行及其他金融機構之存 款及結餘	Deposits and balances from banks and other financial institutions	(7,543,112)	(1,559,588)	(6,348,801)	-	-	(2,295,962)	(17,747,463)
衍生金融工具	Derivative financial instruments	-	-	-	-	-	(40,361)	(40,361)
客戶存款	Deposits from customers	(44,942,074)	(31,812,183)	(34,016,778)	(1,849,932)	-	(3,670,467)	(116,291,434)
其他賬項及準備(包括應 付稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	(315,413)	(11,162)	(50,251)	(153,885)	(17,106)	(1,104,717)	(1,652,534)
負債總額	Total liabilities	(52,800,599)	(33,382,933)	(40,415,830)	(2,003,817)	(17,106)	(7,111,507)	(135,731,792)
利率敏感度缺口	Interest sensitivity gap	19,046,680	(11,189,845)	(16,622,396)	22,606,504	172,542	109,504	14,122,989

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)
4. 金融風險管理(續) 4. Financial risk management (continued)
4.2 市場風險(續) 4.2 Market risk (continued)
C. 利率風險(續) C. Interest rate risk (continued)

		2018 (restated)					
		一 至 三個月	三 至 十二個月	一 至 五 年	五 年 以 上	不計息 Non- interest bearing	總計 Total
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
資產	Assets						
庫存現金及存放銀行及 其他金融機構的結餘	Cash and balances with banks and other financial institutions	14,408,002	-	-	-	1,038,010	15,446,012
在銀行及其他金融機構 一至十二個月內到期之 定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	4,784,315	1,518,248	-	-	6,302,563
衍生金融工具	Derivative financial instruments	-	-	-	-	122,680	122,680
客戶貸款及貿易票據	Advances to customers and trade bills	41,981,083	6,591,112	1,318,363	43,679	53	49,934,290
證券投資	Investment in securities						
- 強制性以公平值變化計 入損益之證券	- securities mandatorily measured at FVTPL	-	-	-	-	-	-
- 界定為以公平值變化計 入損益之證券	- securities designated at FVTPL	-	-	-	210,135	154,469	364,604
- 以公平值變化計入其他 全面收益之證券	- securities at FVOCI	2,431,499	3,244,648	6,269,661	14,557,290	-	26,592,001
- 以攤餘成本計量之證券	- securities at amortised cost	-	710,521	151,698	808,682	-	1,670,901
投資物業	Investment properties	-	-	-	-	233,350	233,350
物業、器材及設備	Properties, plant and equipment	-	-	-	-	1,738,569	1,738,569
其他資產(包括遞延稅項 資產)	Other assets (including deferred tax assets)	-	-	-	-	467,657	467,657
資產總額	Total assets	58,820,584	15,330,596	9,257,970	15,619,786	3,689,169	102,872,627
負債	Liabilities						
銀行及其他金融機構之存 款及結餘	Deposits and balances from banks and other financial institutions	(7,460,496)	(22,655)	(2,255,961)	(1,750,994)	-	(11,933,270)
衍生金融工具	Derivative financial instruments	-	-	-	-	(43,268)	(43,268)
客戶存款	Deposits from customers	(34,386,316)	(13,358,293)	(27,277,475)	(840,862)	-	(78,329,515)
其他賬項及準備(包括應 付稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	(186,547)	-	-	-	(776,831)	(963,378)
負債總額	Total liabilities	(42,033,359)	(13,380,948)	(29,533,436)	(2,591,856)	(3,729,832)	(91,269,431)
利率敏感度缺口	Interest sensitivity gap	16,787,225	1,949,648	(20,275,466)	13,027,930	154,522	11,603,196

綜合財務報表附註 (續)
**Notes to the Consolidated Financial Statements
(continued)**
4. 金融風險管理 (續)
4. Financial risk management (continued)
4.2 市場風險 (續)
4.2 Market risk (continued)
**D. 本集團市場風險承擔之敏感度
分析**
D. Sensitivity analysis to market risk exposure of the Group

本集團主要面對港元、美元及人民幣利率風險。截至 2019 年 12 月 31 日，若港元、美元及人民幣市場利率的收益率曲線平行上移/下移 100 個基點，其他因素不變情況下，當年稅前溢利將會增加/減少港幣 28,100,000 元 (2018 年：港幣 98,000,000 元)。這對儲備的影響輕微。上述利率敏感度分析僅供說明用途。

The Group is principally exposed to HK dollar, US dollar, and Renminbi in terms of interest rate risk. As at 31 December 2019, if HK dollar, US dollar and Renminbi market interest rates had a 100 basis point parallel upward/downward shift of the yield curve in relevant currency with other variables held constant, profit before tax for the year would have been HK\$28,100,000 (2018: HK\$98,000,000) higher/lower. The impact on reserves would be insignificant. The sensitivity analysis set out above is for illustration only.

銀行賬利率風險
Interest rate exposures in banking book

下列為若市場利率變化而對銀行賬主要貨幣利率風險潛在之影響，以下分析不包括附屬公司：

The following is a summary of possible effects of market interest rates shocks on the interest rate exposure for major currencies in banking book. Subsidiaries are excluded from the analysis below:

盈利角度 測試情景	Earnings perspective Scenarios	於 12 月 31 日影響 Impact on positions at 31 December	
		2019	2018
		港幣千元 HK\$'000	港幣千元 HK\$'000
港元孳息曲線 平行上移/(下移)100 基點	Up/(down) 100 basis points parallel shift in HK dollar yield curves	<u>173,500/(173,500)</u>	<u>184,000/(184,000)</u>
美元孳息曲線 平行上移/(下移)100 基點	Up/(down) 100 basis points parallel shift in US dollar yield curves	<u>(51,000)/51,000</u>	<u>(68,500)/68,500</u>
人民幣孳息曲線 平行上移/(下移)100 基點	Up/(down) 100 basis points parallel shift in Renminbi yield curves	<u>(94,400)/94,400</u>	<u>(17,500)/17,500</u>

上述敏感度計算僅供說明用途，當中包括 (但不限於) 下列假設，如相關貨幣息口的相關性變化、利率平行移動、未計及為減低利率風險可能採取的緩釋風險行動、對沖會計的有效性、所有持倉均計至到期日為止、實際重訂息日與合約重訂息日有差異或沒有到期日之產品的習性假設。上述風險水平只為本集團整體利率風險的一部分。

The sensitivities above are for illustration only and are based on several assumptions, including, but not limited to, the change in the correlation between interest rates of relevant currencies, parallel movement of interest rates, the absence of actions that would be taken to mitigate the impact of interest rate risk, the effectiveness of hedge accounting, all positions being assumed to run to maturity, behavioural assumptions of products in which actual repricing date differs from contractual repricing date or products without contractual maturity. The above exposures form only a part of the Group's overall interest rate risk exposures.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.3 流動資金風險

4.3 Liquidity risk

流動資金風險是指銀行因無法提供充裕資金以應對資產增加或履行到期義務，而可能要承受的不欲接受的損失。本集團遵循穩健的流動資金風險偏好，確保在正常情況或壓力情景下均有能力提供穩定、可靠和足夠的現金來源，滿足流動資金需求；在極端情景下無需借助金管局的流動性支持，累積的淨現金流為正值，可以保證基本生存期內的流動資金需要。

Liquidity risk is the risk that banks fail to provide sufficient funds to grow assets or pay due obligations, and need to bear an unacceptable loss. The Group maintains sound liquidity risk appetite to provide stable, reliable and adequate sources of cash to meet liquidity needs under normal circumstances or stressed scenarios; and to survive with net positive cumulative cash flow in extreme scenarios, without requesting the HKMA to act as the lender of last resort.

本集團管理流動資金風險的目標，是按照流動資金風險偏好，以合理的成本有效管理資產負債表內及表外業務的流動性，實現穩健經營和持續盈利。本集團以客戶存款為主要的資金來源，積極吸納和穩定核心存款，並輔以同業市場拆入款項，確保穩定和充足的資金來源。本集團根據不同期限及壓力情景下的流動資金需求，調整資產組合的結構（包括貸款、債券投資及拆放同業等），保持充足的流動資產，以便提供足夠的流動資金支持正常業務需要，及在緊急情況下有能力以合理的成本及時籌集到資金，保證對外支付。本集團致力實現資金運用、融資渠道和期限的多樣化，以避免資產負債過於集中，防止因資金來源或運用過於集中在某個方面，當其出現問題時，導致整個資金供應鏈斷裂，觸發流動資金風險。本集團制訂了集團內部流動資金風險管理指引，管理集團內各成員之間的流動資金，避免相互間在資金上過度依賴。本集團亦注重管理表外業務，如貸款承諾、衍生工具、期權及其他複雜的結構性產品可能產生的流動資金風險。本集團的流動資金風險管理策略涵蓋了外幣資產負債流動管理、抵押品、即日流動性、集團內流動性以及其它風險引致的流動資金風險等，並針對流動資金風險制訂了應急計劃。如有需要，為減低流動資金風險，本集團會採取緩解措施，包括但不限於在二級市場出售債券，在同業市場融資或在貨幣市場進行回購，積極吸納和穩定核心存款。

The Group's liquidity risk management objective is to effectively manage the liquidity of on- and off-balance sheet items with reasonable cost based on the liquidity risk appetite to achieve sound operation and sustainable profitability. Deposits from customers are the Group's primary source of funds. To ensure stable and sufficient source of funds are in place, the Group actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market. According to different term maturities and the results of funding needs estimated from stressed scenarios, the Group adjusts its asset structure (including loans, bonds investment, interbank placement, etc.) to maintain sufficient liquid assets which provides adequate funds in support of normal business needs and ensure its ability to raise funds at a reasonable cost to serve external claims in case of emergency. The Group is committed to diversify the use of funds and sources and tenors of funding to avoid excessive concentration of assets and liabilities and prevent triggering liquidity risk due to the break of funding strand when problem occurred in one concentrated funding source. The Group has established intra-group liquidity risk management guideline to manage the liquidity funding among different entities within the Group, and to restrict their reliance of funding on each other. The Group also pays attention to manage liquidity risk created by off-balance sheet activities, such as loan commitments, derivatives, options and other complex structured products. The Group has an overall liquidity risk management strategy to cover the liquidity management of foreign currency assets and liabilities, collateral, intra-day liquidity, intra-group liquidity, the liquidity risk arising from other risks, etc., and has formulated corresponding contingency plan. Where necessary, in order to mitigate liquidity risk, the Group could take different mitigation actions which include, but are not limited to sales of bonds in the secondary market, funding from interbank market or repo in the money market, attracting new deposits and keeping the core deposit.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.3 流動資金風險（續）

4.3 Liquidity risk (continued)

風險管理委員會是流動資金風險管理決策機構，並對流動資金風險承擔最終管理責任。風險管理委員會授權資產負債管理委員會管理日常的流動資金風險，確保本集團的業務經營符合董事會設定的流動資金風險偏好和政策規定。財務管理部主責本集團流動資金風險管理，它與金融市場部合作，根據各自的職責分工協助資產負債管理委員會履行具體的流動資金管理職能。

The RC is the decision-making authority of liquidity risk management, and assumes the ultimate responsibility of liquidity risk management. As authorised by RC, ALCO exercises its oversight of liquidity risk and ensures the daily operations of the Group are in accordance with risk appetite and policies as set by the Board. FMD is responsible for overseeing the Group's liquidity risk. It cooperates with Financial Markets Department to assist the ALCO to perform liquidity management functions according to their specific responsibilities.

本集團設定流動資金風險指標和限額，每日用來識別、計量、監測和控制流動資金風險，包括但不限於流動性覆蓋比率、淨穩定資金比率、貸存比率、最大累計現金流出、以及流動資金緩衝等。本集團採用現金流量分析以評估本集團於正常情況下的流動資金狀況，並最少每月進行流動資金風險壓力測試（包括自身危機、市場危機情況及合併危機）和其他方法，評估本集團抵禦各種嚴峻流動資金危機的能力。本集團亦建立了相關管理資訊系統如資產負債管理系統及巴塞爾流動比率管理系統，提供數據及協助編製常規管理報表，以管理好流動資金風險。

The Group established liquidity risk management indicators and limits to identify, measure, monitor and control liquidity risk on daily basis. These indicators and limits include, but are not limited to liquidity coverage ratio (LCR), net stable funding ratio (NSFR), loan-to-deposit ratio, maximum cumulative cash outflow (MCO) and liquidity cushion. The Group applies cash flow analysis to assess the Group's liquidity condition under normal conditions and also performs a liquidity stress test (including institution specific, general market crisis and combined crisis) and other methods at least on monthly basis to assess the Group's capability to withstand various severe liquidity crises. Also, relevant management information systems such as Assets and Liabilities Management System and Basel Liquidity Ratio Management System are developed to provide data and the preparation for regular management reports to facilitate liquidity risk management duties.

本集團根據金管局頒佈之監管政策手冊 LM-2《穩健的流動性風險管理制度及管控措施》中的要求，落實對現金流分析及壓力測試當中所採用的習性模型及假設，以強化本集團於日常及壓力情景下的現金流分析。在日常情況下的現金流分析，本集團對各項應用於表內（如客戶存款）及表外（如貸款承諾）項目作出假設。因應不同資產、負債及表外項目的特性，根據合約到期日、客戶習性假設及資產負債規模變化假設，以預測本集團的未來現金流量狀況。本集團設定「最大累計現金流出」指標，根據以上假設預測在日常情況下的未來30日之最大累計現金淨流出，以評估本集團的融資能力是否足以應付該現金缺口，以達到持續經營的目的。於2019年12月31日，在沒有考慮出售未到期有價證券的現金流入之情況下，本銀行之30日累計現金流是淨流入，為港幣8,400,908,000元（2018年：港幣6,579,324,000元），符合內部限額要求。

In accordance with the requirements of Supervisory Policy Manual LM-2 "Sound Systems and controls for Liquidity Risk Management" issued by the HKMA, the Group has implemented behaviour model and assumptions of cash flow analysis and stress test to enhance the Group's cash flow analysis under both normal and stressed conditions. In cash flow analysis under normal circumstances, assumptions have been made relating to on-balance sheet items (such as deposits from customers) and off-balance sheet items (such as loan commitments). According to various characteristics of the assets, liabilities and off-balance sheet items, the Group forecasts the future cash flow based on contractual maturity date and the assumptions of customer behaviour and balance sheet changes. The Group establishes MCO indicator which predicts the future 30 days maximum cumulative net cash outflow in normal situations based on the above assumptions, to assess if the Group has sufficient financing capacity to meet the cash flow gap in order to achieve the objective of continuing operation. As at 31 December 2019, before taking the cash inflow through the sale of outstanding marketable securities into consideration, the Bank's 30-day cumulative cash flow was a net cash inflow, amounting to HK\$8,400,908,000 (2018: HK\$6,579,324,000) and was in compliance with the internal limit requirements.

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4.3 流動資金風險（續）

在流動資金風險壓力測試中，本集團設立了自身危機、市場危機及合併危機情景，合併危機情景結合自身危機及市場危機，並採用一套更嚴謹的假設，以評估本集團於更嚴峻的流動資金危機情況下的抵禦能力。壓力測試的假設包括零售存款、批發存款及同業存款之流失率，貸款承擔及與貿易相關的或然負債之提取率，貸款逾期比例及滾動發放比率，同業拆出及有價證券的折扣率等。於 2019 年 12 月 31 日，本集團在以上三種壓力情景下都能維持現金淨流入，表示本集團有能力應付壓力情景下的融資需要。此外，本集團的管理政策要求本集團維持流動資金緩衝，當中包括的高質素或質素相若的有價證券為由官方實體、中央銀行、公營單位或多邊發展銀行發行或擔保，而其風險權重為 0% 或 20%，或由非金融企業發行的有價證券，其外部信用評級相等於 A-或以上，以確保在壓力情況下的資金需求。於 2019 年 12 月 31 日，流動資金緩衝（折扣前）為港幣 24,625,303,000 元（2018 年：港幣 12,041,088,000 元）。應急計劃明確了需根據壓力測試結果和預警指標結果為啟動方案的條件，並詳述了相關行動計劃、程序以及各相關部門的職責。

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，本集團被金管局指定為第一類認可機構，並需要以綜合基礎計算。於 2019 年度，本集團須維持流動性覆蓋比率不少於 100%。

穩定資金淨額比率是根據由 2018 年 1 月 1 日起生效的《銀行業（流動性）規則》計算，本集團被金管局指定為第一類認可機構，並需要以綜合基礎計算。本集團須維持穩定資金淨額比率不少於 100%。

本集團對流動資金風險的管理，同時適用於新產品或新業務。在新產品或業務推出前，相關單位必須首先履行風險評估程序，包括評估潛在的流動資金風險，並考慮現行管理措施是否足夠控制相關風險。如果新產品或新業務可能對銀行流動資金風險形成重大影響，須上報風險管理委員會審批。

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

In the liquidity stress test, institution specific, general market crisis and combined crisis scenario has been set up, combined crisis scenario is a combination of institution specific and general market crisis to assess the Group's capability to withstand a more severe liquidity crisis, with a more stringent set of assumptions being adopted. Stress test assumptions include the run-off rate of retail, wholesale and interbank deposits; drawdown rate of loan commitments and trade-related contingent liabilities; delinquency ratio and rollover rate of customer loans; and haircut of interbank placement and marketable securities. As at 31 December 2019, the Group was able to maintain a net cash inflow under the three stressed scenarios, indicating the Group has the ability to meet financing needs under stressed conditions. In addition, the Group has a policy in place to maintain a liquidity cushion which includes high quality or comparable quality marketable securities issued or guaranteed by sovereigns, central banks, public sector entities or multilateral development banks with 0% or 20% risk weight or marketable securities issued by non-financial corporate with a corresponding external credit rating of A- or above to ensure funding needs even under stressed scenarios. As at 31 December 2019, the liquidity cushion (before haircut) was HK\$ 24,625,303,000 (2018: HK\$12,041,088,000). A contingency plan is being established which details the conditions to trigger the plan based on stress test results and early warning indicators, the action plans and relevant procedures and responsibility of various departments.

The LCR is calculated in accordance with the Banking (Liquidity) Rules effective from 1 January 2015, the Group, being classified as category 1 authorised institution by the HKMA, is required to calculate LCR on consolidated basis. During the year of 2019, the Group is required to maintain a LCR not less than 100%.

The NSFR is calculated in accordance with the Banking (Liquidity) Rules effective from 1 January 2018, the Group, being classified as category 1 authorised institution by the HKMA, is required to calculate NSFR on consolidated basis. The Group is required to maintain a NSFR not less than 100%.

The Group's liquidity risk management also covers new products or business developments. Before launching a new product or business, the relevant departments are required to go through a risk assessment process, which includes the assessment of underlying liquidity risk and consideration of the adequacy of the current risk management mechanism. Any material impact on liquidity risk noted during the risk assessment process will be reported to RC for approval.

綜合財務報表附註
(續)
Notes to the Consolidated Financial Statements (continued)
4. 金融風險管理 (續)
4. Financial risk management (continued)
4.3 流動資金風險 (續)
4.3 Liquidity risk (continued)
A. 到期日分析
A. Maturity analysis

下表為本集團於 12 月 31 日之資產及負債的到期日分析，按於結算日時，資產及負債相距合約到期日的剩餘期限分類。

The tables below analyse the Group's assets and liabilities as at 31 December into relevant maturity groupings based on the remaining period at the end of the reporting date to the contractual maturity date.

		2019							
		即期	一個月內	一至	三至	一至五年	五年以上	不確定	總計
		On demand	Up to 1 month	3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
資產	Assets								
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	6,104,131	10,633,966	-	-	-	-	1,497,891	18,235,988
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	-	3,506,091	1,313,121	-	-	-	4,819,212
衍生金融工具	Derivative financial instruments	87,106	5,259	6,763	14,805	8,200	-	-	122,133
客戶貸款及貿易票據	Advances to customers and trade bills	16,224,011	3,202,383	6,801,934	23,734,721	22,269,514	4,754,328	-	76,986,891
證券投資	Investment in securities								
- 強制性以公平值變化計入損益之證券	- securities mandatorily measured at FVTPL	-	12,814	50,971	20,615	57,468	6,282	-	148,150
- 界定為以公平值變化計入損益之證券	- securities designated at FVTPL	-	613	1,215	1,770	212,356	154,653	-	370,607
- 以公平值變化計入其他全面收益之證券	- securities at FVOCI	-	3,740,834	4,382,640	10,141,356	26,455,253	-	27,183	44,747,266
- 以攤餘成本計量之證券	- securities at amortised cost	-	8,437	1,598	135,038	1,497,324	-	-	1,642,397
投資物業	Investment properties	-	-	-	-	-	-	237,150	237,150
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	-	2,021,072	2,021,072
其他資產(包括遞延稅項資產)	Other assets (including deferred tax assets)	145,840	230,619	144,323	304	-	-	2,829	523,915
資產總額	Total assets	22,561,088	17,834,925	14,895,535	35,361,730	50,500,115	4,915,263	3,786,125	149,854,781
負債	Liabilities								
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	(4,530,452)	(5,308,622)	(1,559,588)	(6,348,801)	-	-	-	(17,747,463)
衍生金融工具	Derivative financial instruments	(6,246)	(15,683)	(1,045)	(5,799)	(11,588)	-	-	(40,361)
客戶存款	Deposits from customers	(27,832,051)	(20,780,489)	(31,812,183)	(34,016,778)	(1,849,933)	-	-	(116,291,434)
其他賬項及準備(包括應付稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	(581,226)	(371,590)	(51,439)	(292,270)	(153,966)	(17,025)	(185,018)	(1,652,534)
負債總額	Total liabilities	(32,949,975)	(26,476,384)	(33,424,255)	(40,663,648)	(2,015,487)	(17,025)	(185,018)	(135,731,792)
流動資金缺口	Net liquidity gap	(10,388,887)	(8,641,459)	(18,528,720)	(5,301,918)	48,484,628	4,898,238	3,601,107	14,122,989

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)
4. 金融風險管理 (續) 4. Financial risk management (continued)
4.3 流動資金風險 (續) 4.3 Liquidity risk (continued)
A. 到期日分析 (續) A. Maturity analysis (continued)

		2018							
		即期	一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定日期	總計
		On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
資產	Assets								
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	1,877,197	13,035,493	-	-	-	-	533,322	15,446,012
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	-	4,784,315	1,518,248	-	-	-	6,302,563
衍生金融工具	Derivative financial instruments	96,038	509	7,115	1,415	13,968	3,635	-	122,680
客戶貸款及貿易票據	Advances to customers and trade bills	8,777,625	3,212,005	3,035,831	8,735,806	21,484,038	4,688,985	-	49,934,290
證券投資	Investment in securities								
- 強制性以公平值變化計入損益之證券	- securities mandatorily measured at FVTPL	-	-	-	-	-	-	-	-
- 界定為以公平值變化計入損益之證券	- securities designated at FVTPL	-	617	1,222	1,771	208,078	152,916	-	364,604
- 以公平值變化計入其他全面收益之證券	- securities at FVOCI	-	2,178,850	1,821,667	6,334,276	16,168,305	-	88,903	26,592,001
- 以攤餘成本計量之證券	- securities at amortised cost	-	7,391	1,954	158,706	1,502,850	-	-	1,670,901
投資物業	Investment properties	-	-	-	-	-	-	233,350	233,350
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	-	1,738,569	1,738,569
其他資產(包括遞延稅項資產)	Other assets (including deferred tax assets)	85,728	209,050	157,851	541	-	-	14,487	467,657
資產總額	Total assets	10,836,588	18,643,915	9,809,955	16,750,763	39,377,239	4,845,536	2,608,631	102,872,627
負債	Liabilities								
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	(5,984,733)	(1,918,927)	(22,655)	(2,255,961)	(1,750,994)	-	-	(11,933,270)
衍生金融工具	Derivative financial instruments	(8,021)	(16,824)	(2,300)	(1,668)	(11,158)	(3,297)	-	(43,268)
客戶存款	Deposits from customers	(23,875,084)	(12,977,801)	(13,358,293)	(27,277,475)	(840,862)	-	-	(78,329,515)
其他賬項及準備(包括應付稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	(450,543)	(124,344)	(23,575)	(222,329)	-	-	(142,587)	(963,378)
負債總額	Total liabilities	(30,318,381)	(15,037,896)	(13,406,823)	(29,757,433)	(2,603,014)	(3,297)	(142,587)	(91,269,431)
流動資金缺口	Net liquidity gap	(19,481,793)	3,606,019	(3,596,868)	(13,006,670)	36,774,225	4,842,239	2,466,044	11,603,196

本集團將逾期列為「即期」資產。對於按不同款額或分期償還之資產，只有該資產中實際逾期之部分被視作逾期。其他未到期之部分仍繼續根據剩餘期限分類。上述列示之資產已扣除任何相關準備(如有)。

The Group has reported assets such as advances and debt securities which have been overdue as "On demand". In the case of an asset that is repayable by different payments or instalments, only that portion of the asset that is actually overdue is reported as overdue. Any part of the asset that is not due is reported according to the residual maturity. The above assets are stated after deduction of provisions, if any.

綜合財務報表附註 (續) Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理 (續)

4. Financial risk management (continued)

4.3 流動資金風險 (續)

4.3 Liquidity risk (continued)

B. 按合約到期日分析之未折現現金流

B. Analysis of undiscounted cash flows by contractual maturities

(a) 非衍生工具之現金流

(a) Non-derivative cash flows

下表概述了本集團於 12 月 31 日之非衍生金融負債以剩餘合約到期日列示之現金流。

The tables below summarise the cash flows of the Group as at 31 December for non-derivative financial liabilities by remaining contractual maturity.

		2019					
		一至	三至	十二個月	一至五年	五年以上	總計
		一個月內	三個月	三至十二個月	一至五年	五年以上	總計
		Up to	1 to 3	3 to 12	1 to 5	Over 5	Total
		1 month	months	months	years	years	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
金融負債	Financial liabilities						
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	(9,841,190)	(1,567,829)	(6,465,183)	-	-	(17,874,202)
客戶存款	Deposits from customers	(48,633,964)	(31,946,437)	(34,451,129)	(2,138,214)	-	(117,169,744)
其他金融負債	Other financial liabilities	(759,801)	(15,108)	(137,267)	(153,966)	(17,025)	(1,083,167)
金融負債總額	Total financial liabilities	(59,234,955)	(33,529,374)	(41,053,579)	(2,292,180)	(17,025)	(136,127,113)
		2018					
		一至	三至	十二個月	一至五年	五年以上	總計
		一個月內	三個月	三至十二個月	一至五年	五年以上	總計
		Up to	1 to 3	3 to 12	1 to 5	Over 5	Total
		1 month	months	months	years	years	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
金融負債	Financial liabilities						
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	(7,905,985)	(22,654)	(2,316,370)	(1,760,973)	-	(12,005,982)
客戶存款	Deposits from customers	(36,864,280)	(13,412,061)	(27,734,773)	(894,066)	-	(78,905,180)
其他金融負債	Other financial liabilities	(549,995)	(8,345)	(77,829)	-	-	(636,169)
金融負債總額	Total financial liabilities	(45,320,260)	(13,443,060)	(30,128,972)	(2,655,039)	-	(91,547,331)

綜合財務報表附註 (續) Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理 (續)

4.3 流動資金風險 (續)

B. 按合約到期日分析之未折現現金流 (續)

(b) 衍生工具之現金流

下表概述了本集團於12月31日以剩餘合約到期日列示之現金流，包括按淨額基準結算之衍生金融負債，及所有按總額基準結算之衍生金融工具（不論有關合約屬資產或負債）。除部分衍生工具以公平值列示外，下表披露的其他金額均為未經折現的合同現金流。

本集團按淨額基準結算之衍生金融工具主要包括利率掉期，而按總額基準結算之衍生金融工具主要包括貨幣遠期及貨幣掉期。

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

B. Analysis of undiscounted cash flows by contractual maturities (continued)

(b) Derivative cash flows

The tables below summarise the cash flows of the Group by remaining contractual maturity as at 31 December for derivative financial liabilities that will be settled on a net basis, together with all derivative financial instruments that will be settled on a gross basis regardless of whether the contract is in an asset or liability position. The amounts disclosed in the tables are the contractual undiscounted cash flows, except for certain derivatives which are disclosed at fair value.

The Group's derivative financial instruments that will be settled on a net basis mainly include interest rate swaps whereas derivative financial instruments that will be settled on a gross basis mainly include currency forwards and currency swaps.

		2019					
		一至	三至	一至五年	五年以上	總計	
		一個月內	三個月	十二個月	一至五年	五年以上	總計
		Up to	1 to 3	3 to 12	1 to 5	Over 5	Total
		1 month	months	months	years	years	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
按淨額基準結算之衍生金融負債	Derivative financial liabilities settled on a net basis	(6,583)	(1,617)	(1,491)	(8,336)	-	(18,027)
按總額基準結算之衍生金融工具	Derivative financial instruments settled on a gross basis						
總流入	Total inflow	2,201,560	2,054,737	4,109,610	-	-	8,365,907
總流出	Total outflow	(2,221,216)	(2,047,317)	(4,093,243)	-	-	(8,361,776)
		2018					
		一至	三至	一至五年	五年以上	總計	
		一個月內	三個月	十二個月	一至五年	五年以上	總計
		Up to	1 to 3	3 to 12	1 to 5	Over 5	Total
		1 month	months	months	years	years	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
按淨額基準結算之衍生金融負債	Derivative financial liabilities settled on a net basis	(8,406)	2,030	(8,714)	(9,376)	(164)	(24,630)
按總額基準結算之衍生金融工具	Derivative financial instruments settled on a gross basis						
總流入	Total inflow	8,611,283	2,363,904	930,055	-	-	11,905,242
總流出	Total outflow	(8,629,885)	(2,354,565)	(930,535)	-	-	(11,914,985)

綜合財務報表附註（續） **Notes to the Consolidated Financial Statements**
(continued)

4. 金融風險管理（續）

4. Financial risk management (continued)

4.3 流動資金風險（續）

4.3 Liquidity risk (continued)

**B. 按合約到期日分析之未折現
現金流（續）**

B. Analysis of undiscounted cash flows by contractual maturities (continued)

(c) 資產負債表外項目

(c) Off-balance sheet items

貸款承擔

Loan commitments

有關本集團於 2019 年 12 月 31 日向客戶承諾延長信貸及其他融資之表外金融工具，其合約金額為港幣 12,132,223,000 元（2018 年：港幣 10,801,604,000 元）。

The contractual amounts of the Group's off-balance sheet financial instruments as at 31 December 2019 that the Group commits to extend credit to customers and other facilities amounted to HK\$12,132,223,000 (2018: HK\$10,801,604,000).

財務擔保及其他財務融資

Financial guarantees and other financial facilities

本集團於 2019 年 12 月 31 日之財務擔保及其他財務融資金額為港幣 505,653,000 元（2018 年：港幣 645,664,000 元），其到期日少於一年。

Financial guarantees and other financial facilities of the Group as at 31 December 2019 amounting to HK\$505,653,000 (2018: HK\$645,664,000) are maturing no later than one year.

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4.4 資本管理

本集團資本管理的主要目標是維持與銀行整體風險狀況相稱的資本充足水平，同時為股東帶來最大回報。資產負債管理委員會定期檢討本集團資本結構，並在需要時進行調整以保持風險、回報與資本充足性的最佳平衡。

本集團已經建立一套有效的資本管理政策和調控機制，並且運行良好。此套機制保證集團在支持業務發展的同時，滿足法定資本充足率的要求。資產負債管理委員會負責監控本集團的資本充足性。本集團在報告時段內就銀行業務符合各項金管局的法定資本規定，詳述如下：

本集團已採用基礎內部評級基準計算法計算大部分非證券化類別風險承擔的信貸風險資本要求。小部分信貸風險承擔則繼續按標準（信貸風險）計算法計算。本集團採用標準信貸估值調整方法，計算具有信貸估值調整風險的交易對手資本要求。

本集團繼續採用內部模式計算法計算外匯及利率的一般市場風險資本要求，並獲金管局批准豁免計算結構性外匯敞口產生的市場風險資本要求。本集團繼續採用標準（市場風險）計算法計算其餘市場風險資本要求。

本集團繼續採用標準（業務操作風險）計算法計算操作風險資本要求。

4. Financial risk management (continued)

4.4 Capital management

The major objective of the Group's capital management is to maximise total shareholders' return while maintaining a capital adequacy position in relation to the Group's overall risk profile. The ALCO periodically reviews the Group's capital structure and adjusts the capital mix where appropriate to maintain an optimal balance among risk, return and capital adequacy.

The Group has developed and maintained a sound framework of policies and controls on capital management to support the development of the Group's business and to meet the statutory capital adequacy ratio requirement. The ALCO monitors the Group's capital adequacy requirement. The Group has complied with all the statutory capital requirements of the HKMA for the reported periods in respect of banking operation as further elaborated below:

The Group has adopted the foundation internal ratings-based (FIRB) approach to calculate the credit risk capital charge for the majority of its non-securitisation exposures. A small residual credit exposures are remained under the standardised (credit risk) (STC) approach. The Group has adopted the standardised credit valuation adjustment (CVA) method to calculate the capital charge for the CVA risk of the counterparty.

The Group continues to adopt the internal models (IMM) approach to calculate the general market risk capital charge for foreign exchange and interest rate exposures and, with the approvals from the HKMA, exclude its structural FX positions in the calculation of the market risk capital charge. The Group continues to adopt the standardised (market risk) (STM) approach to calculate the market risk capital charge for the remaining exposures.

The Group continues to adopt standardised (operational risk) (STO) approach to calculate the operational risk capital charge.

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)

4. 金融風險管理（續）

4.4 資本管理（續）

本集團於 2019 年繼續採用內部資本充足評估程序以符合金管局監管政策手冊「監管審查程序」內的要求。按金管局對第二支柱的指引，內部資本充足評估程序主要用以評估在第一支柱下未有涵蓋或充分涵蓋的重大風險所需的額外資本，從而設定本銀行最低普通股權一級資本比率、最低一級資本比率及最低總資本比率。同時，本集團亦就前述的資本比率設定了運作區間，以支持業務發展需要及促進資本的有效運用。本集團認為內部資本充足評估程序是一個持續的資本管理過程，並會因應自身的整體風險狀況而定期重檢及按需要調整其資本結構。

此外，本集團每年制定年度資本規劃，由資產負債管理委員會審議後呈董事會批准。資本規劃從業務策略、股東回報、風險偏好、信用評級、監控要求等多維度評估對資本充足性的影響，從而預測未來資本需求及資本來源，以保障本集團能維持良好的資本充足性及資本組合結構，配合業務發展，保持風險、回報與資本充足性的最佳平衡。

4. Financial risk management (continued)

4.4 Capital management (continued)

The Group has continued to adopt an internal capital adequacy assessment process (ICAAP) to comply with the HKMA's requirements in the Supervisory Policy Manual "Supervisory Review Process" in 2019. Based on the HKMA's guidelines on Pillar II, ICAAP has been initiated to assess the extra capital needed to cover the material risks not captured or not adequately captured under Pillar I, and therefore minimum Common Equity Tier 1 capital ratio, minimum Tier 1 capital ratio and minimum Total capital ratio are determined. Meanwhile, operating ranges for the aforementioned capital ratios have also been established which enable the flexibility for future business growth and efficiency of capital utilisation. The Group considers this ICAAP as an ongoing process for capital management and periodically reviews and adjusts its capital structure where appropriate in relation to the overall risk profile.

In addition, the capital plan of the Group is drawn up annually and then submitted to the Board of Directors for approval after endorsement of the ALCO. The plan is built up by assessing the implications of various factors upon capital adequacy such as the business strategies, return on equity, risk appetite, credit rating, as well as regulatory requirements. Hence, the future capital requirement is determined and capital sources are identified also. The plan is to ensure the Group maintains adequate capital and appropriate capital structure which align with its business development needs, thereby achieving an optimal balance among risk, return and capital adequacy.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

5. 資產和負債的公平值

所有以公平值計量或在財務報表內披露的資產及負債，均按香港財務報告準則第13號「公平值計量」的定義，於公平值層級表內分類。該等分類乃參照估值方法所採用的因素之可觀察性及重大性，並基於對整體公平值計量有重大影響之最低層級因素來釐定：

- 第一層級：相同資產或負債在活躍市場中的報價（未經調整）。此層級包括部分政府發行的債務工具及若干場內交易的衍生合約。
- 第二層級：乃基於估值技術所採用的最低層級因素（同時需對整體公平值計量有重大影響）可被直接或間接地觀察。此層級包括大部分場外交易的衍生合約、從估值服務供應商獲取價格的債務證券及存款證。同時亦包括對可觀察的市場因素進行了不重大調整的物業。
- 第三層級：乃基於估值技術所採用的最低層級因素（同時需對整體公平值計量有重大影響）屬不可被觀察。此層級包括有重大不可觀察因素的股份投資及債務工具。同時亦包括對可觀察的市場因素進行了重大調整的物業。

對於以重複基準確認於財務報表的資產及負債，本集團會於每一財務報告週期的結算日重新評估其分類（基於對整體公平值計量有重大影響之最低層級因素），以確定有否在公平值層級之間發生轉移。

本集團建立了完善的公平值管治及控制架構，公平值數據由獨立於前線的控制單位確定或核實。各控制單位負責獨立核實前線業務之估值結果及重大公平值數據。其他特定控制程序包括核實可觀察的估值參數、審核新的估值模型或任何模型改動、根據可觀察的市場交易價格校準及回顧測試所採用的估值模型、深入分析日常重大估值變動、評估重大不可觀察估值參數及估值調整。重大估值事項將向高級管理層、風險管理委員會及稽核委員會匯報。

當無法從公開市場獲取報價時，本集團通過一些估值技術或經紀／交易商之詢價來確定金融工具的公平值。

對於本集團所持有的金融工具，其估值技術使用的主要參數包括債券價格、利率、匯率、權益及股票價格、波幅、交易對手信貸利差及其他等，主要為可從公開市場觀察及獲取的參數。

5. Fair values of assets and liabilities

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as defined in HKFRS 13, "Fair value measurement". The categorisation are determined with reference to the observability and significance of the inputs used in the valuation methods and based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities. This category includes debt instruments issued by certain governments and certain exchange-traded derivative contracts.
- Level 2: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly. This category includes majority of the OTC derivative contracts, debt securities and certificates of deposit with quote from pricing services vendors. It also includes properties with insignificant adjustments made to observable market inputs.
- Level 3: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. This category includes equity investment and debt instruments with significant unobservable components. It also includes properties with significant adjustments made to observable market inputs.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group has an established governance structure and controls framework to ensure that fair values are either determined or validated by control units independent of the front offices. Control units have overall responsibility for independent verification of valuation results from front line businesses and all other significant fair value measurements. Specific controls include verification of observable pricing inputs; review and approval for new models and changes to models; calibration and back-testing of models against observed market transactions; analysis and investigation of significant daily valuation movements; review of significant unobservable inputs and valuation adjustments. Significant valuation issues are reported to senior management, RC and AC.

The Group uses valuation techniques or broker/dealer quotations to determine the fair value of financial instruments when unable to obtain the open market quotation in active markets.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stock prices, volatilities, counterparty credit spreads and others, which are mostly observable and obtainable from open market.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

5. 資產和負債的公平值（續）

5. Fair values of assets and liabilities (continued)

5.1 以公平值計量的金融工具

5.1 Financial instruments measured at fair value

用以釐定以下金融工具公平值的估值方法如下：

The technique used to calculate the fair value of the following financial instruments is as below:

債務證券及存款證

Debt securities and certificates of deposit

此類工具的公平值由交易所、交易商或外間獨立估值服務供應商提供的市場報價或使用貼現現金流模型分析而決定。貼現現金流模型是一個利用預計未來現金流，以一個可反映市場上相類似風險的工具所需信貸息差之貼現率或貼現差額計量而成現值的估值技術。這些參數是市場上可觀察或由可觀察或不可觀察的市場數據證實。

The fair value of these instruments is determined by obtaining quoted market prices from exchange, dealer or independent pricing service vendors or using discounted cash flow technique. Discounted cash flow model is a valuation technique that measures present value using estimated expected future cash flows from the instruments and then discounts these flows using a discount rate or discount margin that reflects the credit spreads required by the market for instruments with similar risk. These inputs are observable or can be corroborated by observable or unobservable market data.

衍生工具

Derivatives

場外交易的衍生工具合約包括外匯、利率、股票或商品的遠期、掉期及期權合約。衍生工具合約的價格主要由貼現現金流模型及期權計價模型等估值技術釐定。所使用的參數為可觀察或不可觀察市場數據。可觀察的參數包括利率、匯率、權益及股票價格、商品價格及波幅。不可觀察的參數如波幅平面可用於嵌藏於結構性存款中非交易頻繁的期權類產品。對一些複雜的衍生工具合約，公平值將按經紀／交易商之報價為基礎。

OTC derivative contracts include forward, swap and option contracts on foreign exchange, interest rate, equity or commodity. The fair values of these contracts are mainly measured using valuation techniques such as discounted cash flow models and option pricing models. The inputs can be observable or unobservable market data. Observable inputs include interest rate, foreign exchange rates, equity and stock prices, commodity prices and volatilities. Unobservable inputs such as volatility surface may be used for less commonly traded option products which are embedded in structured deposits. For certain complex derivative contracts, the fair values are determined based on broker/dealer price quotations.

本集團對場外交易的衍生工具作出了信貸估值調整及債務估值調整。調整分別反映對市場因素變化、交易對手信譽及集團自身信貸息差的期望。有關調整主要是按每一交易對手，以未來預期敞口、違約率及收回率釐定。

Credit valuation adjustments ("CVA") and debit valuation adjustments ("DVA") are applied to the Group's OTC derivatives. These adjustments reflect market factors movement, expectations of counterparty creditworthiness and the Group's own credit spread respectively. They are mainly determined for each counterparty and are dependent on expected future values of exposures, default probabilities and recovery rates.



綜合財務報表附註（續）

Notes to the Consolidated Financial Statements
(continued)

5. 資產和負債的公平值（續）

5. Fair values of assets and liabilities (continued)

5.1 以公平值計量的金融工具（續）

5.1 Financial instruments measured at fair value (continued)

A. 公平值的等級

A. Fair value hierarchy

		2019			
		第一層級	第二層級	第三層級	總計
		Level 1	Level 2	Level 3	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
金融資產		Financial assets			
強制性以公平值變化計入損益之證券（附註 23）		Investment in securities mandatorily measured at fair value through profit or loss (Note 23)			
- 債務證券		-	89,739	-	89,739
- 存款證		-	58,411	-	58,411
界定為以公平值變化計入損益之證券（附註 23）		Investment in securities designated at fair value through profit or loss (Note 23)			
- 債務證券		-	370,607	-	370,607
衍生金融工具（附註 21）		Derivative financial instruments (Note 21)			
		-	122,133	-	122,133
以公平值變化計入其他全面收益的證券（附註 23）		Investment in securities measured at FVOCI (Note 23)			
- 債務證券		6,966,205	32,313,573	-	39,279,778
- 存款證		-	5,440,305	-	5,440,305
- 股份證券		-	-	27,183	27,183
		6,966,205	38,394,768	27,183	45,388,156
金融負債		Financial liabilities			
衍生金融工具（附註 21）		Derivative financial Instruments (Note 21)			
		-	(40,361)	-	(40,361)

綜合財務報表附註（續）
**Notes to the Consolidated Financial Statements
(continued)**
5. 資產和負債的公平值（續）
5. Fair values of assets and liabilities (continued)
5.1 以公平值計量的金融工具（續）
5.1 Financial instruments measured at fair value (continued)
A. 公平值的等級（續）
A. Fair value hierarchy (continued)

		2018			
		第一層級	第二層級	第三層級	總計
		Level 1	Level 2	Level 3	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
金融資產	Financial assets				
強制性以公平值變化計入損益之證券（附註 23）	Investment in securities mandatorily measured at fair value through profit or loss (Note 23)				
- 債務證券	- Debt securities	-	-	-	-
- 存款證	- Certificates of deposit	-	-	-	-
界定為以公平值變化計入損益之證券（附註 23）	Investment in securities designated at fair value through profit or loss (Note 23)				
- 債務證券	- Debt securities	-	364,604	-	364,604
衍生金融工具（附註 21）	Derivative financial instruments (Note 21)	-	122,680	-	122,680
以公平值變化計入其他全面收益的證券（附註 23）	Investment in securities measured at FVOCI (Note 23)				
- 債務證券	- Debt securities	2,331,316	22,237,616	-	24,568,932
- 存款證	- Certificates of deposit	-	1,934,166	-	1,934,166
- 股份證券	- Equity securities	-	67,438	21,465	88,903
		<u>2,331,316</u>	<u>24,726,504</u>	<u>21,465</u>	<u>27,079,285</u>
金融負債	Financial liabilities				
衍生金融工具（附註 21）	Derivative financial Instruments (Note 21)	-	(43,268)	-	(43,268)

本集團之金融資產及負債於年內均沒有第一層級及第二層級之間的轉移（2018年：無）。

There were no financial asset and liability transfers between Level 1 and Level 2 for the Group during the year (2018: Nil).

綜合財務報表附註（續）
**Notes to the Consolidated Financial Statements
(continued)**
5. 資產和負債的公平值（續）
5. Fair values of assets and liabilities (continued)
5.1 以公平值計量的金融工具（續）
5.1 Financial instruments measured at fair value (continued)
B. 第三層級的項目變動
B. Reconciliation of level 3 items

		以公平值變化計入其他全面收益 之金融資產		
		Financial assets at FVOCI		
		債務證券	股份證券	總計
		Debt securities	Equity securities	Total
		港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000
於 2019 年 1 月 1 日	At 1 January 2019	-	21,465	21,465
收益	Gains			
– 其他全面收益	– Other comprehensive income			
– 公平值變化	– Change in fair value	-	5,718	5,718
買入	Purchases	-	-	-
賣出	Sales	-	-	-
轉出第三層	Transfer out of Level 3	-	-	-
於 2019 年 12 月 31 日	At 31 December 2019	-	27,183	27,183
		以公平值變化計入其他全面收益 之金融資產		
		Financial assets at FVOCI		
		債務證券	股份證券	總計
		Debt securities	Equity securities	Total
		港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000
於 2018 年 1 月 1 日	At 1 January 2018	-	14,278	14,278
收益	Gains			
– 其他全面收益	– Other comprehensive income			
– 公平值變化	– Change in fair value	-	6,870	6,870
買入	Purchases	-	317	317
賣出	Sales	-	-	-
轉出第三層	Transfer out of Level 3	-	-	-
於 2018 年 12 月 31 日	At 31 December 2018	-	21,465	21,465

於 2019 年 12 月 31 日及 2018 年 12 月 31 日，分類為第三層級的金融工具主要為非上市股權。

As at 31 December 2019 and 2018, financial instruments categorised as level 3 are mainly comprised of unlisted equity shares.

綜合財務報表附註（續）
**Notes to the Consolidated Financial Statements
(continued)**
5. 資產和負債的公平值（續）
5. Fair values of assets and liabilities (continued)
5.1 以公平值計量的金融工具（續）
5.1 Financial instruments measured at fair value (continued)
B. 第三層級的項目變動（續）
B. Reconciliation of level 3 items (continued)

非上市股權的公平值的估算是根據被投資方的業務情況及財務結果，使用貼現現金流模型或參考可供比較的上市公司之平均市價／盈利倍數，或若沒有合適可供比較的公司，則按其資產淨值釐定。公平值與適合採用之可比較倍數比率或資產淨值存在正向關係。若股權投資的企業之資產淨值增長／減少 5%，則本集團之其他全面收益將增加／減少港幣 1,359,000 元（2018 年：港幣 1,073,000 元）。

The fair values of unlisted equity shares are estimated using the discounted cash flow model, on the basis of an analysis of the investee's financial position and results, or with reference to multiples of comparable listed companies, such as average of the price/earning ratios of comparables or net asset value, if appropriate comparables are not available. The fair value is positively correlated to the price/earning ratios of appropriate comparables or net asset values. Had the net asset value of the underlying equity investments increased/decreased by 5%, the Group's other comprehensive income would have increased/decreased by HK\$1,359,000 (2018: HK\$1,073,000).

	估值模式 Valuation technique	重要非可觀察參數 Significant unobservable Input(s)	幅度 Range
非上市以公平值變化計入其他全面收益的股份工具 Unlisted equity instruments at fair value through other comprehensive income	資產淨值 Net asset value	不適用 Not applicable	不適用 Not applicable
	現金流折扣模式 Discounted cash flow model	折扣率 Discount rate	11.69% (2018: 15.19%)

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

5. 資產和負債的公平值（續）

5. Fair values of assets and liabilities (continued)

5.2 非以公平值計量的金融工具

5.2 Financial instruments not measured at fair value

公平值是在一特定時點按相關市場資料及不同金融工具之資料來評估。以下之方法及假設已按實際情況應用於評估各類金融工具之公平值。

Fair value estimates are made at a specific point in time based on relevant market information and information about various financial instruments. The following methods and assumptions have been used to estimate the fair value of each class of financial instrument as far as practicable.

存放／尚欠銀行及其他金融機構之結餘及貿易票據

大部分之金融資產及負債將於結算日後一年內到期，其賬面值與公平值相若。

Balances with/from banks and other financial institutions and trade bills

Substantially all the financial assets and liabilities mature within one year from the end of the reporting date and their carrying value approximates fair value.

客戶貸款

大部分之客戶貸款是浮動利率，按市場息率計算利息，其賬面值與公平值相若。

Advances to customers

Substantially all the advances to customers are on floating rate terms, bear interest at prevailing market interest rates and their carrying value approximates fair value.

以攤餘成本計量之債務工具

採用以現時收益率曲線相對應剩餘期限之利率為基礎的貼現現金流模型計算。

Debt securities at amortised cost

A discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

客戶存款

大部分之客戶存款將於結算日後一年內到期，其賬面值與公平值相若。

Deposits from customers

Substantially all the deposits from customers mature within one year from the end of the reporting date and their carrying value approximates fair value.

綜合財務報表附註（續）
**Notes to the Consolidated Financial Statements
(continued)**
5. 資產和負債的公平值（續）
5. Fair values of assets and liabilities (continued)
5.2 非以公平值計量的金融工具（續）
5.2 Financial instruments not measured at fair value (continued)

除以上其賬面值與公平值相若的金融工具外，下表為非以公平值計量的金融工具之賬面值和公平值。

The following tables set out the carrying values and fair values of the financial instruments not measured at fair value, except for the above with their carrying values being approximation of fair values.

		2019	
		賬面值 Carrying value	公平值 Fair value
		港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產	Financial assets		
以攤餘成本計量的證券 (附註 23)	Investment in securities measured at amortised cost (Note 23)	1,642,397	1,661,545

		2018	
		賬面值 Carrying value	公平值 Fair value
		港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產	Financial assets		
以攤餘成本計量的證券 (附註 23)	Investment in securities measured at amortised cost (Note 23)	1,670,901	1,640,600

下表列示已披露其公平值的金融工具之公平值等級。

The following tables show the fair value hierarchy for financial instruments with fair values disclosed.

		2019			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產	Financial assets				
以攤餘成本計量的證券	Investment in securities measured at amortised cost	-	1,661,545	-	1,661,545

		2018			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產	Financial assets				
以攤餘成本計量的證券	Investment in securities measured at amortised cost	-	1,640,600	-	1,640,600

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

5. 資產和負債的公平值（續）

5. Fair values of assets and liabilities (continued)

5.3 以公平值計量的非金融資產

5.3 Non-financial assets measured at fair value

本集團通過一些估值技術或活躍市場報價來確定非金融資產的公平值。

The Group uses valuation techniques or quoted market prices in active market to determine the fair value of non-financial assets.

投資物業及房產

Investment properties and premises

本集團之物業可分為投資物業及房產。所有本集團之投資物業及房產已於年底進行重估。本年之估值由獨立特許測量師萊坊測量師行有限公司進行，其擁有具備香港測量師學會資深專業會員及專業會員資格之人員，並在估值物業所處地區及種類上擁有經驗。當估值於每半年末及年末進行時，本集團管理層會跟測量師討論估值方法、估值假設及估值結果。估值方法於年內沒有改變，亦與去年一致。

The Group's properties can be divided into investment properties and premises. All of the Group's investment properties and premises were revalued as at year end. This year, the valuations were carried out by an independent firm of chartered surveyors, Knight Frank Petty Limited, who have among their staff Fellow and Members of The Hong Kong Institute of Surveyors with recent experience in the locations and categories of properties being valued. The Group's Management had discussions with the surveyors on the valuation methods, valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date. There has been no change in valuation methods during the year and the methods used are consistent with last year.

(i) 第二層級公平值計量採用的估值方法及因素

(i) Valuation methods and inputs used in Level 2 fair value measurements

被分類為第二層級之物業的公平值，乃參考可比較物業之近期出售成交價（市場比較法）或參考市場租金及資本化率（收入資本法），再對可比較物業及被評估物業之間的差異作出適當調整。此等調整被認為對整體計量並不構成重大影響。

The fair value of properties classified as Level 2 is determined using either the market comparison approach by reference to recent sales price of comparable properties or the income capitalisation approach by reference to market rent and capitalisation rate, with appropriate adjustments to reflect the differences between the comparable properties and the subject properties. These adjustments are considered as insignificant to the entire measurement.

本集團之物業均位於香港及內地之主要城市，被認為是活躍及透明的物業市場。可比較物業之出售價、市場租金及資本化率一般均可在此等市場上被直接或間接觀察得到。

The Group's properties are located in Hong Kong and major cities in the PRC where the property markets are considered active and transparent. Sales price, market rent and capitalisation rate of comparable properties are generally observable either directly or indirectly in these markets.

(ii) 有關第三層級公平值計量的資料

(ii) Information about Level 3 fair value measurements

被分類為第三層級之本集團物業之公平值均採用市場比較法或收入資本法，再按本集團物業相對於可比較物業之性質作折溢價調整來釐定。

The fair value of all of the Group's properties classified as Level 3 is determined using either the market comparison approach or the income capitalisation approach, adjusted for a premium or a discount specific to the features of the Group's properties compared to the comparable properties.

綜合財務報表附註（續）
**Notes to the Consolidated Financial Statements
(continued)**
5. 資產和負債的公平值（續）
5. Fair values of assets and liabilities (continued)
5.3 以公平值計量的非金融資產（續）
5.3 Non-financial assets measured at fair value (continued)
投資物業及房產
Investment properties and premises

(ii) 有關第三層級公平值計量的資料（續）

(ii) Information about Level 3 fair value measurements (continued)

以下為在公平值計量時對被分類為第三層級之本集團物業所採用的估值方法及重大不可觀察因素：

The valuation methods and significant unobservable inputs used in the fair value measurement of the Group's properties classified as Level 3 are as follows:

估值方法 Valuation method	重大不可觀察因素 Significant unobservable inputs	加權平均 Weighted average	不可觀察因素與公平值的關係 Relationship of unobservable inputs to fair value.
市場比較法或收入資本法 Market comparison approach or income capitalisation approach	物業相對可比較物業在性質上之溢價／（折價） Premium/(discount) on features of the property compared to comparable properties	5.10% (2018: 6.53%)	溢價越高，公平值越高。 The higher the premium, the higher the fair value. 折價越高，公平值越低。 The higher the discount, the lower the fair value.

物業相對可比較物業在性質上之溢價／（折價）乃參考與可比較物業在不同因素上的差異，例如成交後之市場變動、位置、便達性、樓齡／狀況、樓層、面積、佈局等而釐定。

Premium/(discount) on features of the property is determined after taken into account various factors, such as time for market movement, location, accessibility, building age/condition, floor level, size, layout etc., with reference to the differences in features with comparable properties.

A. 公平值的等級
A. Fair value hierarchy
非金融資產

投資物業（附註 24）

物業、器材及設備（附註 25）

- 房產

Non-financial assets

 Investment properties
(Note 24)

 Properties, plant and
equipment
(Note 25)

- Premises

2019			
第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
-	-	237,150	237,150
-	-	1,707,835	1,707,835
-	-	1,944,985	1,944,985

非金融資產

投資物業（附註 24）

物業、器材及設備（附註 25）

- 房產

Non-financial assets

 Investment properties
(Note 24)

 Properties, plant and
equipment
(Note 25)

- Premises

2018			
第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
-	-	233,350	233,350
-	-	1,696,410	1,696,410
-	-	1,929,760	1,929,760

本集團之非金融資產於年內沒有第一層級及第二層級之間的轉移（2018年：無）。

There were no non-financial asset transfers between Level 1 and Level 2 for the Group during the year (2018: Nil).

綜合財務報表附註（續）

**Notes to the Consolidated Financial Statements
(continued)**

5. 資產和負債的公平值（續）

5. Fair values of assets and liabilities (continued)

5.3 以公平值計量的非金融資產（續）

5.3 Non-financial assets measured at fair value (continued)

B. 第三層級的項目變動

B. Reconciliation of level 3 items

		2019	
		非金融資產	
		Non-financial assets	
		投資物業	物業、器材及設備
		Investment properties	Properties, plant and equipment
		房產	Premises
		港幣千元	港幣千元
		HK\$'000	HK\$'000
於 2019 年 1 月 1 日	At 1 January 2019	233,350	1,696,410
收益／（虧損）	Gains / (losses)		
– 收益表	– Income statement		
– 投資物業公平值調整之淨收益	– Net gain from fair value adjustments on investment properties	4,846	-
– 重估房產之淨收益	– Net gain from revaluation of premises	-	2,794
– 其他全面收益	– Other comprehensive income		
– 房產重估	– Revaluation of premises	-	27,006
折舊	Depreciation	-	(22,528)
增置	Additions	-	3,107
轉入第三層級	Transfer into Level 3	-	-
重新分類	Reclassification	(1,046)	1,046
匯兌差額	Exchange difference	-	-
於 2019 年 12 月 31 日	At 31 December 2019	237,150	1,707,835
於 2019 年 12 月 31 日持有的非金融資產於年內計入收益表的未實現收益總額	Total unrealised gains for the year included in income statement for non-financial assets held as at 31 December 2019		
– 投資物業公平值調整之淨收益	– Net gain from fair value adjustments on investment properties	4,846	-
– 重估房產之淨收益	– Net gain from revaluation of premises	-	2,794
		4,846	2,794

綜合財務報表附註（續）

**Notes to the Consolidated Financial Statements
(continued)**

5. 資產和負債的公平值（續）

5. Fair values of assets and liabilities (continued)

5.3 以公平值計量的非金融資產（續）

5.3 Non-financial assets measured at fair value (continued)

B. 第三層級的項目變動（續）

B. Reconciliation of level 3 items (continued)

		2018	
		非金融資產	
		Non-financial assets	
		投資物業 Investment properties	物業、器材及設備 Properties, plant and equipment
		房產 Premises	
		港幣千元 HK\$'000	港幣千元 HK\$'000
於 2018 年 1 月 1 日	At 1 January 2018	214,910	1,506,300
收益／（虧損）	Gains / (losses)		
– 收益表	– Income statement		
– 投資物業公平值調整之淨收益	– Net gain from fair value adjustments on investment properties	18,440	-
– 重估房產之淨虧損	– Net loss from revaluation of premises	-	(23,932)
– 其他全面收益	– Other comprehensive income		
– 房產重估	– Revaluation of premises	-	119,251
折舊	Depreciation	-	(20,452)
增置	Additions	-	115,244
轉入第三層級	Transfer into Level 3	-	-
重新分類	Reclassification	-	-
匯兌差額	Exchange difference	-	(1)
於 2018 年 12 月 31 日	At 31 December 2018	<u>233,350</u>	<u>1,696,410</u>
於 2018 年 12 月 31 日持有的非金融資產於年內計入收益表的未實現收益／（虧損）總額	Total unrealised gains / (losses) for the year included in income statement for non-financial assets held as at 31 December 2018		
– 投資物業公平值調整之淨收益	– Net gain from fair value adjustments on investment properties	18,440	-
– 重估房產之淨虧損	– Net loss from revaluation of premises	-	(23,932)
		<u>18,440</u>	<u>(23,932)</u>

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)
6. 淨利息收入
6. Net interest income

		<u>2019</u>	<u>2018</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
利息收入	Interest income		
存放於同業及其他金融機構的款項	Due from banks and other financial institutions	378,279	294,567
客戶貸款及貿易票據	Advances to customers and trade bills	2,753,187	1,603,113
證券投資	Investment in securities	1,071,164	628,275
其他	Others	5,517	20,223
		<u>4,208,147</u>	<u>2,546,178</u>
利息支出	Interest expense		
同業及其他金融機構存放的款項	Due to banks and other financial institutions	(151,730)	(81,493)
客戶存款	Deposits from customers	(2,030,662)	(904,092)
租賃負債	Lease liabilities	(5,207)	-
其他	Others	(1,975)	(2,163)
		<u>(2,189,574)</u>	<u>(987,748)</u>
淨利息收入	Net interest income	<u>2,018,573</u>	<u>1,558,430</u>

非以公平值變化計入損益之金融資產與金融負債所產生的利息收入及利息支出分別為港幣4,192,248,000元(2018年:港幣2,523,327,000元)及港幣2,184,367,000元(2018年:港幣987,748,000元)。

Included within interest income and interest expense are HK\$4,192,248,000 (2018: HK\$2,523,327,000) and HK\$2,184,367,000 (2018: HK\$987,748,000) for financial assets and financial liabilities that are not recognised at fair value through profit or loss respectively.

綜合財務報表附註
 (續)

Notes to the Consolidated Financial Statements (continued)

7. 淨服務費及佣金收入

7. Net fee and commission income

		2019	2018
		港幣千元	港幣千元
		HK\$'000	HK\$'000
服務費及佣金收入	Fee and commission income		
保險	Insurance	175,423	59,862
證券經紀	Securities brokerage	74,216	101,192
貸款佣金	Loan commissions	285,575	89,332
繳款服務	Payment services	33,677	32,542
匯票佣金	Bills commissions	14,641	19,096
保管箱	Safe deposit box	19,849	9,019
基金分銷	Funds distribution	7,789	9,362
其他	Others	56,084	74,425
		<u>667,254</u>	<u>394,830</u>
服務費及佣金支出	Fee and commission expense		
證券經紀	Securities brokerage	(12,540)	(14,798)
其他	Others	(11,716)	(9,213)
		<u>(24,256)</u>	<u>(24,011)</u>
淨服務費及佣金收入	Net fee and commission income	<u>642,998</u>	<u>370,819</u>
其中源自：	Of which arise from:		
非以公平值變化計入損益之 金融資產或金融負債	Financial assets or financial liabilities not at fair value through profit or loss		
- 服務費及佣金收入	- Fee and commission income	300,217	108,429
- 服務費及佣金支出	- Fee and commission expense	(261)	(349)
		<u>299,956</u>	<u>108,080</u>
信託及其他受託活動	Trust and other fiduciary activities		
- 服務費及佣金收入	- Fee and commission income	6,704	6,663
- 服務費及佣金支出	- Fee and commission expense	(1,358)	(722)
		<u>5,346</u>	<u>5,941</u>

**綜合財務報表附註
(續)**
Notes to the Consolidated Financial Statements (continued)
8. 淨交易性收益
8. Net trading gain

		<u>2019</u>	<u>2018</u>
		港幣千元	港幣千元
		HK\$'000	HK\$'000
淨收益源自：	Net gain from:		
外匯交易及外匯交易產品	Foreign exchange and foreign exchange products	32,448	69,310
強制性以公平值變化計入損益之證券淨虧損	Net loss on investment in securities mandatorily measured at fair value through profit or loss	(300)	-
利率工具	Interest rate instruments	(6,257)	2,416
商品	Commodities	50	17
		<u>25,941</u>	<u>71,743</u>

9. 其他金融資產之淨收益
9. Net gain on other financial assets

		<u>2019</u>	<u>2018</u>
		港幣千元	港幣千元
		HK\$'000	HK\$'000
以公平值變化計入其他全面收益之證券淨收益	Net gain on investment in securities measured at FVOCI	69,778	6,061
其他	Others	(289)	(187)
		<u>69,489</u>	<u>5,874</u>

10. 其他經營收入
10. Other operating income

		<u>2019</u>	<u>2018</u>
		港幣千元	港幣千元
		HK\$'000	HK\$'000
證券投資股息收入	Dividend income from investment in securities		
- 非上市證券投資	- Unlisted investments	4,437	5,941
投資物業之租金總收入	Gross rental income from investment properties	6,631	5,915
有關投資物業之收入	Incomings in respect of investment properties	255	221
其他	Others	992	331
		<u>12,315</u>	<u>12,408</u>

於 2019 年內有關投資物業之支出中並沒有屬於未出租投資物業之直接經營支出 (2018 年：無)。

There are no direct operating expenses included in the outgoings in respect of investment properties related to investment properties that were not let during 2019 (2018: Nil).

**綜合財務報表附註
(續)**
Notes to the Consolidated Financial Statements (continued)
11. 減值準備淨撥備
11. Net charge of impairment allowances

		2019	2018
		港幣千元	港幣千元
		HK\$'000	HK\$'000
客戶貸款及貿易票據	Advances to customers and trade bills	312,622	148,460
證券投資	Investment in securities	13,593	(4,104)
存放央行、銀行及其他金融機構的結餘	Balances with central banks, banks and other financial institutions	159	21
其他金融資產	Other financial assets	597	797
資產負債表外	Off-balance sheet	18,374	(6,745)
		345,345	138,429

12. 經營支出
12. Operating expenses

		2019	2018
		港幣千元	港幣千元
		HK\$'000	HK\$'000
人事費用 (包括董事酬金)	Staff costs (including directors' emoluments)		
- 薪酬及其他費用	- Salaries and other costs	580,415	428,873
- 退休成本	- Pension cost	33,209	24,127
		613,624	453,000
房產及設備支出 (不包括折舊)	Premises and equipment expenses (excluding depreciation)		
- 房產租金	- Rental of premises	80	37,660
- 資訊科技	- Information technology	9,546	6,825
- 其他	- Others	13,676	11,160
		23,302	55,645
折舊 (附註 25)	Depreciation (Note 25)	95,565	29,297
- 自用物業、器材及設備	- Owned properties, plant and equipment	31,529	29,297
- 使用權資產	- Right-of-use assets	64,036	-
核數師酬金	Auditors' remuneration	6,315	2,217
- 審計服務	- Audit services	2,793	2,191
- 非審計服務	- Non-audit services	3,522	26
其他經營支出	Other operating expenses	206,104	130,901
		944,910	671,060

13. 投資物業公平值調整之淨收益
13. Net gain from fair value adjustments on investment properties

		2019	2018
		港幣千元	港幣千元
		HK\$'000	HK\$'000
投資物業公平值調整之淨收益 (附註 24)	Net gain from fair value adjustments on investment properties (Note 24)	4,846	18,440

**綜合財務報表附註
(續)**
Notes to the Consolidated Financial Statements (continued)
14. 出售／重估物業、器材及設備之淨收益／(虧損)
14. Net gain/(loss) from disposal/revaluation of properties, plant and equipment

	2019	2018
	港幣千元	港幣千元
	HK\$'000	HK\$'000
出售設備、固定設施及裝備之淨虧損	(71)	(16)
重估房產之淨收益／(虧損) (附註 25)	2,794	(23,932)
	2,723	(23,948)

15. 稅項
15. Taxation

綜合收益表內之稅項組成如下：

Taxation in the consolidated income statement represents:

	2019	2018
	港幣千元	港幣千元
	HK\$'000	HK\$'000
本期稅項		
香港利得稅		
- 年內計入稅項	146,318	129,485
- 往年不足撥備	24	-
	146,342	129,485
海外稅項		
- 年內計入稅項	79,979	58,645
	226,321	188,130
遞延稅項		
暫時性差額之產生 (附註 29)	5,048	14,165
	231,369	202,295

香港利得稅乃按照本年度估計應課稅溢利依稅率 16.5% (2018 年：16.5%) 提撥。海外溢利之稅款按照本年度估計應課稅溢利依本集團經營業務所在國家之現行稅率計算。

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)

15. 稅項(續)

本集團除稅前溢利產生的實際稅項，與根據香港利得稅率計算的稅項差異如下：

15. Taxation (continued)

The taxation on the Group's profit before taxation that differs from the theoretical amount that would arise using the taxation rate of Hong Kong is as follows:

		2019	2018
		港幣千元	港幣千元
		HK\$'000	HK\$'000
除稅前溢利	Profit before taxation	1,493,937	1,204,742
按稅率 16.5% (2018 年：16.5%) 計算的稅項	Calculated at a taxation rate of 16.5% (2018: 16.5%)	246,500	198,782
其他地區稅率差異的影響	Effect of different taxation rates in another jurisdiction	41,767	21,144
無需課稅之收入	Income not subject to taxation	(52,424)	(12,623)
稅務上不可扣減之開支	Expenses not deductible for taxation purposes	12,478	12,077
往年不足撥備	Under-provision in prior year	24	-
派發額外一級資本證券股息	Additional tier 1 capital securities dividend payment	(16,976)	(16,970)
海外預提稅	Foreign withholding tax	-	(115)
計入稅項	Taxation charge	231,369	202,295
實際稅率	Effective tax rate	15.49%	16.79%

16. 股息及支付利息

(i) 於年度核准及支付屬上年度股息

16. Dividends and Distributions

(i) Dividends payable to equity holders attributable to the previous financial year, approved and paid during the year

	2019		2018	
	每股	總額	每股	總額
	Per share	Total	Per share	Total
	港幣	港幣千元	港幣	港幣千元
	HK\$	HK\$'000	HK\$	HK\$'000
本年度經批准及支付的上年度末期股息				
	80	298,920	75	225,000

(ii) 本年永久非累計次級額外一級資本證券支付的利息為港幣 102,882,000 元 (2018 年：港幣 102,849,000 元)。

(ii) During the year, amount paid on perpetual non-cumulative subordinated additional tier 1 capital securities is HK\$102,882,000 (2018: HK\$102,849,000).

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)

17. 退休福利成本

本集團給予本集團員工的界定供款計劃主要為獲《強積金條例》豁免之職業退休計劃及中銀保誠簡易強積金計劃。根據職業退休計劃，僱員須向職業退休計劃之每月供款為其基本薪金之5%，而僱主之每月供款為僱員基本月薪之5%至15%不等（視乎僱員之服務年期）。僱員有權於退休、提前退休或僱用期終止且服務年資滿10年或以上等情況下收取100%之僱主供款。服務滿3年至9年的員工，因其他原因而終止僱用期（被即時解僱除外），可收取30%至90%之僱主供款。僱主供款須受《強制性公積金計劃條例》所限。

隨著《強積金條例》於2000年12月1日實施，本集團亦參與中銀保誠簡易強積金計劃，該計劃之受託人為中銀國際英國保誠信託有限公司，投資管理人為中銀國際英國保誠資產管理有限公司。

截至2019年12月31日，在扣除約港幣713,000元（2018年：約港幣964,000元）之沒收供款後，職業退休計劃之供款總額約為港幣14,892,000元（2018年：約港幣14,503,000元），而本集團向強積金計劃之供款總額則約為港幣6,317,000元（2018年：約港幣4,485,000元）。

17. Retirement benefit costs

Defined contribution schemes for the Group's employees are ORSO schemes exempted under the MPF Schemes Ordinance and the BOC-Prudential Easy Choice MPF Scheme. Under the ORSO schemes, employees make monthly contributions to the ORSO schemes equal to 5% of their basic salaries, while the employer makes monthly contributions equal to 5% to 15% of the employees' monthly basic salaries, depending on years of service. The employees are entitled to receive 100% of the employer's contributions upon retirement, early retirement or termination of employment after completing 10 years of service. Employees with 3 to 9 years of service are entitled to receive the employer's contributions at a scale ranging from 30% to 90% upon termination of employment for other reasons other than summary dismissal. All employer's contributions are subjected to MPF Schemes Ordinance.

With the implementation of the MPF Schemes Ordinance on 1 December 2000, the Group also participates in the BOC-Prudential Easy Choice MPF Scheme, of which the trustee is BOCI-Prudential Trustee and the investment manager is BOCI-Prudential Manager.

The Group's total contributions made to the ORSO schemes for the year ended 31 December 2019 amounted to approximately HK\$14,892,000 (2018: approximately HK\$14,503,000), after a deduction of forfeited contributions of approximately HK\$713,000 (2018: approximately HK\$964,000). For the MPF Scheme, the Group contributed approximately HK\$6,317,000 (2018: approximately HK\$4,485,000) for the year ended 31 December 2019.

18. 董事、高級管理層及主要人員酬金 18. Directors', Senior Management's and Key Personnel's emoluments

(a) 董事酬金

本年度本集團就本銀行董事為本銀行及管理附屬公司提供之服務而已付及其應收未收之酬金詳情如下：

董事袍金
其他酬金
- 基本薪金及津貼
- 酌情發放之花紅
- 其他（包括退休金供款）

本年度支付予獨立非執行董事之酬金總額為港幣2,604,000元（2018：港幣1,908,000元）。

(a) Directors' emoluments

Details of the emoluments paid to or receivable by the directors of the Bank in respect of their services rendered for the Bank and managing the subsidiaries within the Group during the year are as follows:

	2019	2018
	港幣千元	港幣千元
	HK\$'000	HK\$'000
Directors' fees	4,314	4,751
Other emoluments		
- basic salaries and allowances	9,410	8,869
- discretionary bonuses	17,429	10,343
- others (including pension contributions)	2,951	2,134
	34,104	26,097

Fees of HK\$2,604,000 (2018: HK\$1,908,000) were paid to the Independent Non-executive Directors during the year.

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)
18. 董事、高級管理層及主要人員酬金（續） 18. Directors', Senior Management's and Key Personnel's emoluments (continued)
(b) CG-5穩健的薪酬制度指引下高級管理層及主要人員的薪酬

按金管局發出之CG-5《穩健的薪酬制度指引》，本年度本集團之高級管理層及主要人員的薪酬詳情如下：

(i) 於年內授予的薪酬

(b) Remuneration for the Senior Management and Key Personnel under CG-5 Guideline on a Sound Remuneration System

Pursuant to CG-5 Guideline on a Sound Remuneration System issued by the HKMA, details of the remuneration for Senior Management and Key Personnel of the Group during the year are as follows:

(i) Remuneration awarded during the year

		2019					
		高級管理層 Senior Management			主要人員 Key Personnel		
		非遞延 Non-deferred	遞延 Deferred	總計 Total	非遞延 Non-deferred	遞延 Deferred	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
固定薪酬	Fixed remuneration						
現金	Cash	20,314	-	20,314	16,446	-	16,446
浮動薪酬	Variable remuneration						
現金	Cash	22,116	9,008	31,124	10,430	1,888	12,318
		42,430	9,008	51,438	26,876	1,888	28,764
		2018					
		高級管理層 Senior Management			主要人員 Key Personnel		
		非遞延 Non-deferred	遞延 Deferred	總計 Total	非遞延 Non-deferred	遞延 Deferred	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
固定薪酬	Fixed remuneration						
現金	Cash	16,017	-	16,017	11,028	-	11,028
浮動薪酬	Variable remuneration						
現金	Cash	9,940	4,260	14,200	5,087	847	5,934
		25,957	4,260	30,217	16,115	847	16,962

以上薪酬包括6名（2018年：7名）高級管理層及12名（2018年：9名）主要人員。

The remuneration above includes 6 (2018: 7) members of Senior Management and 12 (2018: 9) members of Key Personnel.

綜合財務報表附註（續） **Notes to the Consolidated Financial Statements**
(continued)

18. 董事、高級管理層及主要人員酬金（續） **18. Directors', Senior Management's and Key Personnel's emoluments (continued)**

(b) CG-5穩健的薪酬制度指引下高級管理層及主要人員的薪酬（續）

(b) Remuneration for the Senior Management and Key Personnel under CG-5 Guideline on a Sound Remuneration System (continued)

(ii) 遞延薪酬

(ii) Deferred remuneration

		2019		2018	
		高級管理層 Senior Management 港幣千元 HK\$'000	主要人員 Key Personnel 港幣千元 HK\$'000	高級管理層 Senior Management 港幣千元 HK\$'000	主要人員 Key Personnel 港幣千元 HK\$'000
遞延薪酬	Deferred remuneration				
已歸屬	Vested	1,332	169	513	-
未歸屬	Unvested	15,398	2,897	7,722	1,476
		16,729	3,066	8,235	1,476
於 1 月 1 日	At 1 January	7,722	1,476	3,975	629
已授予	Awarded	9,008	1,888	4,260	847
已發放	Paid out	(1,332)	(169)	(513)	-
調整按績效評估而扣減部分	Reduced through performance adjustments	-	(298)	-	-
於 12 月 31 日	At 31 December	15,398	2,897	7,722	1,476

就披露用途，本部分提及的高級管理層及主要人員乃根據金管局《穩健的薪酬制度指引》定義。

For the purpose of disclosure, Senior Management and Key Personnel mentioned in this section are defined according to the HKMA's Guideline on a Sound Remuneration System.

高級管理層：董事會指定的高級管理層，負責總體策略或重要業務，包括執行董事、行政總裁、副總裁、首席風險官及首席財務官。

Senior Management: The senior executives designated by the Board who are responsible for oversight of the firm-wide strategy or material business lines, including Executive Directors, Chief Executive, Deputy Chief Executives, Chief Risk Officer and Chief Financial Officer.

主要人員：個人業務活動涉及重大風險承擔，對風險暴露有重大影響，或個人職責對風險管理有直接、重大影響，或對盈利有直接影響的人員，包括業務盈利規模較大的部門總經理、金融市場部總經理，以及對風險管理有直接影響的職能單位第一責任人。

Key Personnel: The employees whose individual business activities involve the assumption of material risk which may have significant impact on risk exposure, or whose individual responsibilities are directly and materially linked to the risk management, or those who have direct influence to the profit, including General Managers of material business lines, General Manager of Financial Markets Department, as well as the General Managers of risk control functions.

綜合財務報表附註
 (續)

Notes to the Consolidated Financial Statements (continued)

 19. 庫存現金及存放銀行
 及其他金融機構的結
 餘

19. Cash and balances with banks and other financial institutions

		2019	2018
		港幣千元	港幣千元
		HK\$'000	HK\$'000
庫存現金	Cash	281,478	176,662
存放中央銀行的結餘	Balances with central banks	5,591,532	1,277,587
存放銀行及其他金融機構 的結餘	Balances with banks and other financial institutions	1,729,013	956,278
在銀行及其他金融機構一 個月內到期之定期存放	Placements with banks and other financial institutions maturing within one month	<u>10,634,047</u>	<u>13,035,556</u>
		18,236,070	15,446,083
減值準備	Impairment allowances		
- 按第一階段	- Stage 1	(82)	(71)
- 按第二階段	- Stage 2	-	-
- 按第三階段	- Stage 3	-	-
		<u>18,235,988</u>	<u>15,446,012</u>

 20. 在銀行及其他金融機
 構一至十二個月內到
 期之定期存放

 20. Placements with banks and other financial institutions maturing
 between one and twelve months

		2019	2018
		港幣千元	港幣千元
		HK\$'000	HK\$'000
存放銀行及其他金融機構 一至十二個月內到期之 定期存放	Balances with banks and other financial institutions maturing between one to twelve months	4,819,614	6,302,817
減值準備	Impairment allowances		
- 按第一階段	- Stage 1	(402)	(254)
- 按第二階段	- Stage 2	-	-
- 按第三階段	- Stage 3	-	-
		<u>4,819,212</u>	<u>6,302,563</u>

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

21. 衍生金融工具

21. Derivative financial instruments

本集團訂立匯率及利率相關的衍生金融工具合約作買賣及風險管理之用。

The Group enters into exchange rate and interest rate related derivative financial instrument contracts for trading and risk management purposes.

貨幣遠期是指於未來某一日期買或賣外幣的承諾。

Currency forwards represent commitments to purchase and sell foreign currency on a future date.

貨幣及利率掉期是指交換不同現金流的承諾。掉期的結果是交換不同貨幣或利率（如固定利率與浮動利率）或以上的所有組合。除某些貨幣掉期合約外，該等交易無需交換本金。

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these. Except for certain currency swap contracts, no exchange of principal takes place.

外匯期權是指期權的賣方（出讓方）為買方（持有方）提供在未來某一特定日期或未來一定時期內按約定的價格買進（認購期權）或賣出（認沽期權）一定數量的金融工具的權利（而非承諾）的一種協議。考慮到外匯和利率風險，期權的賣方從購買方收取一定的期權費。本集團期權合約是與對手方在場外協商達成或透過交易所進行（如於交易所進行買賣之期權）。

Foreign currency options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of the financial instrument at a predetermined price. In consideration for the assumption of foreign exchange and interest rate risk, the seller receives a premium from the purchaser. Options are negotiated over-the-counter between the Group and its counterparty or traded through the stock exchange (for example, exchange-traded stock option).

本集團之衍生金融工具合約／名義數額及其公平值詳列於下表。各類型金融工具的合約／名義數額僅顯示於財務狀況表日未完成之交易量，而若干金融工具之合約／名義數額則提供了一個與財務狀況表內所確認的資產或負債的公平值對比的基礎。但是，這並不反映所涉及的未來的現金流或當前的公平值，因而也不能反映本集團所面臨的信貸風險或市場風險。隨著與衍生金融工具合約條款相關的匯率或市場利率的波動，衍生金融工具的估值可能產生有利（資產）或不利（負債）的影響，這些影響可能在不同期間有較大的波動。

The contract/notional amounts and fair values of derivative financial instruments held by the Group are set out in the following tables. The contract/notional amounts of these instruments indicate the volume of transactions outstanding at the end of the reporting dates and certain of them provide a basis for comparison with fair values of instruments recognised on the statement of financial position. However, they do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates or market interest rates relative to their terms. The aggregate fair values of derivative financial instruments can fluctuate significantly from time to time.

本集團進行場內或場外衍生產品交易的主要目的是開展客戶業務。本集團與客戶及同業市場做的衍生產品交易均需嚴格遵從本集團的各相關風險管理政策及規定。

The Group trades derivative products (both exchange-traded or OTC) mainly for customer business. The Group strictly follows risk management policies and requirement in providing derivative products to our customers and in trading of derivative products in the interbank market.

衍生產品亦應用於管理銀行賬的利率風險，只有獲批准之產品名單上載有的衍生產品方可進行交易。由衍生產品交易產生的風險承擔名義數額以設限控制，並制訂交易的最長期限。每宗衍生產品交易必須記錄於相應的系統，以進行結算、市場劃價、報告及監控。

Derivatives are also used to manage the interest rate risk of the banking book. A derivative instrument must be included in the approved product list before any transactions for that instrument can be made. There are limits to control the notional amount of exposure arising from derivative transactions, and the maximum tenor of the deal is set. Every derivative transaction must be input into the relevant system for settlement, mark-to-market revaluation, reporting and control.

綜合財務報表附註
 (續)

Notes to the Consolidated Financial Statements (continued)

21. 衍生金融工具 (續) 21. Derivative financial instruments (continued)

下表概述各類衍生金融工具於12月31日之合約／名義數額及公平值：

The following tables summarise the contract/notional amounts and fair values of each class of derivative financial instrument as at 31 December:

		2019		
		合約／名義數額 Contract/ notional amounts	公平值 Fair values	
			資產 Assets	負債 Liabilities
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
匯率合約	Exchange rate contracts			
即期及遠期	Spot and forwards	1,170,736	88,544	(7,427)
掉期	Swaps	8,017,633	25,361	(21,307)
外匯交易期權	Foreign currency options			
- 買入期權	- Options purchased	1,571	6	-
- 賣出期權	- Options written	1,571	-	(10)
		9,191,511	113,911	(28,744)
利率合約	Interest rate contracts			
掉期	Swaps	2,143,257	8,222	(11,617)
		11,334,768	122,133	(40,361)
		2018		
		合約／名義數額 Contract/ notional amounts	公平值 Fair values	
			資產 Assets	負債 Liabilities
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
匯率合約	Exchange rate contracts			
即期及遠期	Spot and forwards	998,600	96,280	(8,047)
掉期	Swaps	11,850,009	8,795	(19,636)
外匯交易期權	Foreign currency options			
- 買入期權	- Options purchased	120	1	-
- 賣出期權	- Options written	120	-	(1)
		12,848,849	105,076	(27,684)
利率合約	Interest rate contracts			
掉期	Swaps	2,935,961	17,604	(15,584)
		15,784,810	122,680	(43,268)

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)
22. 客戶貸款及貿易票據
22. Advances to customers and trade bills

		2019	2018
		港幣千元	港幣千元
		HK\$'000	HK\$'000
個人貸款	Personal loans and advances	12,045,683	7,465,826
公司貸款	Corporate loans and advances	<u>64,021,276</u>	<u>41,012,542</u>
客戶貸款	Advances to customers	76,066,959	48,478,368
貸款減值準備	Loan impairment allowances		
- 按第一階段	- Stage 1	(326,066)	(139,832)
- 按第二階段	- Stage 2	(18,309)	(17,599)
- 按第三階段	- Stage 3	<u>(284,868)</u>	<u>(189,268)</u>
		<u>75,437,716</u>	<u>48,131,669</u>
貿易票據	Trade bills	1,553,101	1,804,245
貿易票據減值準備	Trade bills impairment allowances		
- 按第一階段	- Stage 1	(3,926)	(1,624)
- 按第二階段	- Stage 2	-	-
- 按第三階段	- Stage 3	<u>-</u>	<u>-</u>
		<u>1,549,175</u>	<u>1,802,621</u>
		<u><u>76,986,891</u></u>	<u><u>49,934,290</u></u>

於2019年12月31日，客戶貸款包括應計利息港幣237,214,000元（2018年：港幣136,345,000元）。

As at 31 December 2019, advances to customers included accrued interest of HK\$237,214,000 (2018: HK\$136,345,000).

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)
23. 證券投資
23. Investment in securities

		2019				
		強制性以公平 值變化計入損 益之證券	界定為以公平 值變化計入損 益之證券	以公平值變 化計入其他全 面收益之證券	以攤餘成本 計量之證券	總計
		Investment in securities mandatorily measured at fair value through profit or loss	Investment in securities designated at fair value through profit and loss	Investment in securities at fair value through other comprehensive income	Investment in securities at amortised cost	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
存款證：	Certificate of deposit:					
- 於香港上市	- Listed in Hong Kong	-	-	-	-	-
- 於香港以外上市	- Listed outside Hong Kong	-	-	-	-	-
- 非上市	- Unlisted	58,411	-	5,440,305	-	5,498,716
		<u>58,411</u>	<u>-</u>	<u>5,440,305</u>	<u>-</u>	<u>5,498,716</u>
債務證券：	Debt securities:					
- 於香港上市	- Listed in Hong Kong	59,248	39,959	8,963,966	1,106,571	10,169,744
- 於香港以外上市	- Listed outside Hong Kong	30,491	174,442	10,428,704	252,093	10,885,730
- 非上市	- Unlisted	-	156,206	19,887,108	285,531	20,328,845
		<u>89,739</u>	<u>370,607</u>	<u>39,279,778</u>	<u>1,644,195</u>	<u>41,384,319</u>
		<u>148,150</u>	<u>370,607</u>	<u>44,720,083</u>	<u>1,644,195</u>	<u>46,883,035</u>
減值準備	Impairment allowances					
- 按第一階段	- Stage 1	-	-	-	(1,798)	(1,798)
- 按第二階段	- Stage 2	-	-	-	-	-
- 按第三階段	- Stage 3	-	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,798)</u>	<u>(1,798)</u>
存款證及債務證券	Total debt securities and certificates of deposits	<u>148,150</u>	<u>370,607</u>	<u>44,720,083</u>	<u>1,642,397</u>	<u>46,881,237</u>
股份證券：	Equity securities:					
- 於香港上市	- Listed in Hong Kong	-	-	-	-	-
- 於香港以外上市	- Listed outside Hong Kong	-	-	-	-	-
- 非上市	- Unlisted	-	-	27,183	-	27,183
股份證券總額	Total equity securities	<u>-</u>	<u>-</u>	<u>27,183</u>	<u>-</u>	<u>27,183</u>
		<u>148,150</u>	<u>370,607</u>	<u>44,747,266</u>	<u>1,642,397</u>	<u>46,908,420</u>
按發行機構之分類 如下：	Analysed by type of issuer as follows :					
官方實體	Sovereigns	-	-	19,912,275	-	19,912,275
公營單位	Public sector entities	-	-	1,415,230	-	1,415,230
銀行及 其他金融機構	Banks and other financial institutions	81,983	354,282	18,623,804	912,851	19,972,920
公司企業	Corporate entities	66,167	16,325	4,795,957	729,546	5,607,995
		<u>148,150</u>	<u>370,607</u>	<u>44,747,266</u>	<u>1,642,397</u>	<u>46,908,420</u>

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)
23. 證券投資(續)
23. Investment in securities (continued)

		2018				
		強制性以公平 值變化計入損 益之證券	界定為以公平 值變化計入損 益之證券	以公平值變 化計入其他全 面收益之證券	以攤餘成本 計量之證券	總計
Investment in securities		Investment in securities mandatorily measured at fair value through profit or loss	Investment in securities designated at fair value through profit and loss	Investment in securities at fair value through other comprehensive income	Investment in securities at amortised cost	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
存款證：	Certificate of deposit:					
- 於香港上市	- Listed in Hong Kong	-	-	-	-	-
- 於香港以外上市	- Listed outside Hong Kong	-	-	9,009	-	9,009
- 非上市	- Unlisted	-	-	1,925,157	151,728	2,076,885
		-	-	1,934,166	151,728	2,085,894
債務證券：	Debt securities:					
- 於香港上市	- Listed in Hong Kong	-	39,215	8,607,155	1,098,955	9,745,325
- 於香港以外上市	- Listed outside Hong Kong	-	170,920	5,301,496	130,580	5,602,996
- 非上市	- Unlisted	-	154,469	10,660,281	289,972	11,104,722
		-	364,604	24,568,932	1,519,507	26,453,043
		-	364,604	26,503,098	1,671,235	28,538,937
減值準備	Impairment allowances					
- 按第一階段	- Stage 1	-	-	-	(334)	(334)
- 按第二階段	- Stage 2	-	-	-	-	-
- 按第三階段	- Stage 3	-	-	-	-	-
		-	-	-	(334)	(334)
存款證及債務證券	Total debt securities and certificates of deposits	-	364,604	26,503,098	1,670,901	28,538,603
股份證券：	Equity securities:					
- 於香港上市	- Listed in Hong Kong	-	-	67,438	-	67,438
- 於香港以外上市	- Listed outside Hong Kong	-	-	-	-	-
- 非上市	- Unlisted	-	-	21,465	-	21,465
股份證券總額	Total equity securities	-	-	88,903	-	88,903
		-	364,604	26,592,001	1,670,901	28,627,506
按發行機構之分類 如下：	Analysed by type of issuer as follows :					
官方實體	Sovereigns	-	-	10,455,426	-	10,455,426
公營單位	Public sector entities	-	-	-	-	-
銀行及 其他金融機構	Banks and other financial institutions	-	348,133	11,312,388	1,071,043	12,731,564
公司企業	Corporate entities	-	16,471	4,824,187	599,858	5,440,516
		-	364,604	26,592,001	1,670,901	28,627,506

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)

23. 證券投資(續)

23. Investment in securities (continued)

證券投資之變動概述如下:

The movements in investment in securities are summarised as follows:

		2019				
		強制性以公平 值變化計入損 益之證券	界定為以公平 值變化計入損 益之證券	以公平值變 化計入其他全 面收益之證券	以攤餘成本 計量之證券	總計
		Investment in securities mandatorily measured at fair value through profit or loss	Investment in securities designated at fair value through profit and loss	Investment in securities at fair value through other comprehensive income	Investment in securities at amortised cost	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2019 年 1 月 1 日	At 1 January 2019	-	364,604	26,592,001	1,670,901	28,627,506
增加	Additions	150,492	-	77,786,627	134,954	78,072,073
處置、贖回及到期	Disposals, redemptions and maturity	(2,594)	-	(59,950,084)	(150,000)	(60,102,678)
攤銷	Amortisation	985	(104)	266,651	1,194	268,726
公平值變化	Change in fair value	(300)	7,307	319,414	-	326,421
匯兌差額	Exchange difference	(433)	(1,200)	(267,343)	(13,175)	(282,151)
減值準備	Impairment allowance	-	-	-	(1,477)	(1,477)
於 2019 年 12 月 31 日	At 31 December 2019	148,150	370,607	44,747,266	1,642,397	46,908,420
		2018				
		強制性以公平 值變化計入損 益之證券	界定為以公平 值變化計入損 益之證券	以公平值變 化計入其他全 面收益之證券	以攤餘成本 計量之證券	總計
		Investment in securities mandatorily measured at fair value through profit or loss	Investment in securities designated at fair value through profit and loss	Investment in securities at fair value through other comprehensive income	Investment in securities at amortised cost	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2018 年 1 月 1 日	At 1 January 2018	-	212,225	20,011,461	-	20,223,686
增加	Additions	-	150,000	68,777,569	1,658,730	70,586,299
處置、贖回及到期	Disposals, redemptions and maturity	-	-	(62,091,145)	-	(62,091,145)
攤銷	Amortisation	-	1,470	133,638	17,368	152,476
公平值變化	Change in fair value	-	465	(171,836)	-	(171,371)
匯兌差額	Exchange difference	-	444	(67,686)	(4,862)	(72,104)
減值準備	Impairment allowance	-	-	-	(335)	(335)
於 2018 年 12 月 31 日	At 31 December 2018	-	364,604	26,592,001	1,670,901	28,627,506

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)

24. 投資物業

24. Investment properties

		<u>2019</u>	<u>2018</u>
		港幣千元	港幣千元
		HK\$'000	HK\$'000
於 1 月 1 日	At 1 January	233,350	214,910
公平值收益 (附註 13)	Fair value gains (Note 13)	4,846	18,440
重新分類轉至物業、器材及 設備 (附註 25)	Reclassification to properties, plant and equipment (Note 25)	<u>(1,046)</u>	-
於 12 月 31 日	At 31 December	<u>237,150</u>	<u>233,350</u>

投資物業之賬面值按租約剩餘期限分析如下：

The carrying value of investment properties is analysed based on the remaining terms of the leases as follows:

		<u>2019</u>	<u>2018</u>
		港幣千元	港幣千元
		HK\$'000	HK\$'000
在香港持有	Held in Hong Kong		
長期租約 (超過 50 年)	On long-term lease (over 50 years)	228,250	223,750
在香港以外持有	Held outside Hong Kong		
中期租約 (10 年至 50 年)	On medium-term lease (10 – 50 years)	<u>8,900</u>	<u>9,600</u>
		<u>237,150</u>	<u>233,350</u>

於 2019 年 12 月 31 日，列於財務狀況表內之投資物業，乃依據獨立特許測量師萊坊測量師行有限公司於 2019 年 12 月 31 日以公平值為基準所進行之專業估值。公平值指在計量當日若有秩序成交的情況下向市場參與者出售每一項投資物業應取得的價格。

As at 31 December 2019, investment properties were included in the statement of financial position at valuation carried out at 31 December 2019 on the basis of their fair value by an independent firm of chartered surveyors, Knight Frank Petty Limited. The fair value represents the price that would be received to sell each investment property in an orderly transaction with market participants at the measurement date.

綜合財務報表附註 (續) Notes to the Consolidated Financial Statements (continued)
25. 物業、器材及設備 25. Properties, plant and equipment

		房產使用權 資產 Right-of-use assets of premises	房產 Premises	設備、固定 設施及裝備 Equipment, fixtures and fittings	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2019 年 1 月 1 日之 賬面淨值	Net book value at 1 January 2019	-	1,696,410	42,159	1,738,569
應用香港財務報告準則 第 16 號的調整	Adjustment on initial application of HKFRS 16	117,730	-	-	117,730
增置	Additions	188,005	3,107	40,111	231,223
出售	Disposals	-	-	(71)	(71)
重估	Revaluation	-	29,800	-	29,800
年度折舊 (附註 12)	Depreciation for the year (Note 12)	(64,036)	(22,528)	(9,001)	(95,565)
重新分類轉自投資物業 (附註 24)	Reclassification from investment properties (Note 24)	-	1,046	-	1,046
匯兌差額	Exchange difference	(1,616)	-	(44)	(1,660)
於 2019 年 12 月 31 日之 賬面淨值	Net book value at 31 December 2019	240,083	1,707,835	73,154	2,021,072
於 2019 年 12 月 31 日 按成本值	At 31 December 2019 At cost	295,876	-	164,607	460,483
按估值	At valuation	-	1,707,835	-	1,707,835
		295,876	1,707,835	164,607	2,168,318
累計折舊及減值	Accumulated depreciation and impairment	(55,793)	-	(91,453)	(147,246)
於 2019 年 12 月 31 日之 賬面淨值	Net book value at 31 December 2019	240,083	1,707,835	73,154	2,021,072
		房產使用權 資產 Right-of-use assets of premises	房產 Premises	設備、固定 設施及裝備 Equipment, fixtures and fittings	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2018 年 1 月 1 日之 賬面淨值	Net book value at 1 January 2018	-	1,506,300	45,953	1,552,253
增置	Additions	-	115,244	5,218	120,462
出售	Disposals	-	-	(16)	(16)
重估	Revaluation	-	95,319	-	95,319
年度折舊 (附註 12)	Depreciation for the year (Note 12)	-	(20,452)	(8,845)	(29,297)
匯兌差額	Exchange difference	-	(1)	(151)	(152)
於 2018 年 12 月 31 日之 賬面淨值	Net book value at 31 December 2018	-	1,696,410	42,159	1,738,569
於 2018 年 12 月 31 日 按成本值	At 31 December 2018 At cost	-	-	142,521	142,521
按估值	At valuation	-	1,696,410	-	1,696,410
		-	1,696,410	142,521	1,838,931
累計折舊及減值	Accumulated depreciation and impairment	-	-	(100,362)	(100,362)
於 2018 年 12 月 31 日之 賬面淨值	Net book value at 31 December 2018	-	1,696,410	42,159	1,738,569

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)
**25. 物業、器材及設備
(續)**
25. Properties, plant and equipment (continued)

房產之賬面值按租約剩餘期限分析如下：

The carrying value of premises is analysed based on the remaining terms of the leases as follows:

		<u>2019</u>	<u>2018</u>
		港幣千元	港幣千元
		HK\$'000	HK\$'000
在香港持有	Held in Hong Kong		
長期租約 (超過 50 年)	On long-term lease (over 50 years)	1,252,635	1,244,330
中期租約 (10 年至 50 年)	On medium-term lease (10 – 50 years)	416,200	415,480
在香港以外持有	Held outside Hong Kong		
長期租約 (超過 50 年)	On long-term lease (over 50 years)	33,700	32,800
中期租約 (10 年至 50 年)	On medium-term lease (10 – 50 years)	5,300	3,800
		<u>1,707,835</u>	<u>1,696,410</u>

於 2019 年 12 月 31 日，列於財務狀況表內之房產，乃依據獨立特許測量師萊坊測量師行有限公司於 2019 年 12 月 31 日以公平值為基準所進行之專業估值。公平值指在計量當日若有秩序成交的情況下向市場參與者出售每一項房產應取得的價格。

As at 31 December 2019, premises were included in the statement of financial position at valuation carried out at 31 December 2019 on the basis of their fair value by an independent firm of chartered surveyors, Knight Frank Petty Limited. The fair value represents the price that would be received to sell each premises in an orderly transaction with market participants at the measurement date.

根據上述之重估結果，房產估值變動已於房產重估儲備及收益表確認如下：

As a result of the above-mentioned revaluations, changes in value of the premises were recognised in the premises revaluation reserve and income statement as follows:

		<u>2019</u>	<u>2018</u>
		港幣千元	港幣千元
		HK\$'000	HK\$'000
借記房產重估儲備之重估，除稅前增值	Increase in valuation charged to premises revaluation reserve, gross of tax	27,006	119,251
重估房產之淨收益／(虧損) (附註 14)	Net gain/(loss) on revaluation of premises (Note 14)	2,794	(23,932)
		<u>29,800</u>	<u>95,319</u>

於 2019 年 12 月 31 日，假若房產按成本值扣減累計折舊及減值損失列賬，本集團之財務狀況表內之房產之賬面淨值應為港幣 443,569,000 元 (2018 年：港幣 442,814,000 元)。

As at 31 December 2019, the net book value of premises that would have been included in the Group's statement of financial position had the premises been carried at cost less accumulated depreciation and impairment losses was HK\$443,569,000 (2018: HK\$442,814,000).

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)
26. 其他資產
26. Other assets

		2019	2018
		港幣千元 HK\$'000	港幣千元 HK\$'000
貴金屬	Precious metals	54,525	39,044
收回資產	Repossessed assets	144,240	157,770
應收賬項及預付費用	Accounts receivable and prepayments	325,551	259,970
		524,316	456,784
減值準備	Impairment allowances		
- 按第一階段	- Stage 1	(306)	(120)
- 按第二階段	- Stage 2	-	-
- 按第三階段	- Stage 3	(735)	(1,305)
		523,275	455,359

27. 客戶存款
27. Deposits from customers

		2019	2018
		港幣千元 HK\$'000	港幣千元 HK\$'000
即期存款及往來存款	Demand deposits and current accounts	7,634,868	5,401,426
儲蓄存款	Savings deposits	19,524,084	18,443,998
定期、短期及通知存款	Time, call and notice deposits	89,132,482	54,484,091
		116,291,434	78,329,515

28. 其他賬項及準備
28. Other accounts and provisions

		2019	2018
		港幣千元 HK\$'000	港幣千元 HK\$'000
其他應付賬項	Other accounts payable	998,403	736,519
租賃負債	Lease liabilities	237,823	-
準備	Provisions	10,054	1,343
		1,246,280	737,862
貸款承諾及應收開出保函之減值準備	Impairment allowances of loan commitments and financial guarantees contracts issued		
- 按第一階段	- Stage 1	26,802	8,427
- 按第二階段	- Stage 2	1	22
- 按第三階段	- Stage 3	-	-
		1,273,083	746,311

**綜合財務報表附註
(續)**
Notes to the Consolidated Financial Statements (continued)
29. 遞延稅項

遞延稅項是根據香港會計準則第12號「所得稅」計算，就資產負債之稅務基礎與其在財務報表內賬面值兩者之暫時性差額及未使用稅項抵免作提撥。

財務狀況表內之遞延稅項(資產)/負債主要組合，以及其在年度內之變動如下：

29. Deferred taxation

Deferred tax is recognised in respect of the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and unused tax credits in accordance with HKAS 12, "Income Taxes".

The major components of deferred tax (assets)/liabilities recorded in the statement of financial position, and the movements during the year are as follows:

		2019					
		加速折舊 免稅額 Accelerated tax depreciation	房產重估 Premises revaluation	虧損 Losses	減值準備 Impairment allowance	其他 Others	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於2019年1月1日	At 1 January 2019	23,753	222,601	(713)	(45,825)	(70,871)	128,945
借記收益表 (附註15)	Charged to income statement (Note 15)	2,673	86	309	1,980	-	5,048
借記其他全面收益	Charged to other comprehensive income	-	1,853	-	-	45,347	47,200
匯兌差額	Exchange difference	-	-	14	1,828	-	1,842
於2019年12月31日	At 31 December 2019	<u>26,426</u>	<u>224,540</u>	<u>(390)</u>	<u>(42,017)</u>	<u>(25,524)</u>	<u>183,035</u>
		2018					
		加速折舊 免稅額 Accelerated tax depreciation	房產重估 Premises revaluation	虧損 Losses	減值準備 Impairment allowance	其他 Others	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於2018年1月1日 之早前列賬	At 1 January 2018, as previously reported	17,921	205,523	-	(53,521)	(41,880)	128,043
應用香港財務報告 準則第9號的調整	Adjustment on initial application of HKFRS 9	-	-	-	(1,998)	3,069	1,071
於2018年1月1日 之重列	At 1 January 2018, as restated	17,921	205,523	-	(55,519)	(38,811)	129,114
借記/(貸記)收益表 (附註15)	Charged/(credited) to income statement (Note 15)	5,832	125	(710)	8,279	639	14,165
借記/(貸記)其他全 面收益	Charged/(credited) to other comprehensive income	-	16,953	-	-	(32,699)	(15,746)
匯兌差額	Exchange difference	-	-	(3)	1,415	-	1,412
於2018年12月31日	At 31 December 2018	<u>23,753</u>	<u>222,601</u>	<u>(713)</u>	<u>(45,825)</u>	<u>(70,871)</u>	<u>128,945</u>

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)

29. 遞延稅項(續)

當有法定權利可將現有稅項資產與現有稅項負債抵銷，而遞延稅項涉及同一財政機關，則可將個別法人的遞延稅項資產與遞延稅項負債互相抵銷。下列在財務狀況表內列賬之金額，已計入適當抵銷：

遞延稅項資產
遞延稅項負債

29. Deferred taxation (continued)

Deferred tax assets and liabilities are offset on an individual entity basis when there is a legal right to set off current tax assets against current tax liabilities and when the deferred taxation relates to the same authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	2019	2018
	港幣千元 HK\$'000	港幣千元 HK\$'000
Deferred tax assets	(640)	(12,298)
Deferred tax liabilities	183,675	141,243
	183,035	128,945

30. 股本

普通股持有人有權不時收取已宣告派發的股息，並在銀行剩餘淨資產會議上投票。

於1月1日
已發行股票
股份拆細之影響
於12月31日

根據香港《公司條例》第135條，本銀行的普通股並無票面值。普通股持有人有權獲得不時宣佈派發的紅利，並有權在銀行股東會議按一股一票方行進行投票。所有普通股在銀行剩餘資產方面的排名相等。

本銀行於2018年12月3日通過決議，向現有股東發行新股。第1次配售於2018年12月31日發行368,247股、收取港幣1,472,988,000元，及第2次配售於2019年1月29日發行368,248股、收取港幣1,472,992,000元。

根據本銀行於2019年5月29日舉行之周年成員大會通過的決議，批准本銀行股本中每1股普通股拆細為500股拆細股份(“股份拆細”)，股份拆細於2019年5月30日生效。股份拆細後，本銀行已發行1,868,247,500股拆細股份。

30. Share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank's residual net assets.

	2019		2018	
	股份數目 Number of shares	港幣千元 HK\$'000	股份數目 Number of shares	港幣千元 HK\$'000
At 1 January	3,368,247	1,772,988	3,000,000	300,000
Shares issued	368,248	1,472,992	368,247	1,472,988
Effect of share subdivision	1,864,511,005	-	-	-
At 31 December	1,868,247,500	3,245,980	3,368,247	1,772,988

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Bank do not have a par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

The Bank passed the resolution on 3 December 2018 to issue new shares to its existing shareholders. The first allotment of 368,247 shares was issued with a consideration of HK\$1,472,988,000 on 31 December 2018 and the second allotment of 368,248 shares was issued with a consideration of HK\$1,472,992,000 on 29 January 2019.

Pursuant to the resolution passed by the shareholders at annual general meeting of the Bank on 29 May 2019, a share subdivision was approved with effect from 30 May 2019 in which every one share issued share capital of the Bank was subdivided into 500 subdivided shares (“Share Subdivision”). Immediately after the Share Subdivision, 1,868,247,500 subdivided shares were issued.



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements (continued)

31. 額外資本工具

31. Additional equity instruments

	2019	2018
	港幣千元 HK\$'000	港幣千元 HK\$'000
2.5 億美元永久非累計次級額外一級資本證券	1,937,712	1,937,712
US\$250 million perpetual non-cumulative subordinated additional tier 1 capital securities		
<p>本銀行於2017年11月29日發行了票面值2.5億美元（扣除相關發行成本後等值港幣1,938,000,000元）的永久非累計次級額外一級資本證券（「額外資本工具」）。此永久額外資本工具於2022年11月29日首個提前贖回日期前，票面年利率定於5.25%。若屆時未有行使贖回權，票面年利率將每五年按當時五年期美國國庫債券息率的每年利率加上初始發行利差重設。</p> <p>票息需每半年派付一次。本銀行有權根據該額外資本工具的條款規定取消利息發放，而取消的利息不會累積。</p> <p>假如金管局通知本銀行不對本金進行撇銷則無法繼續經營，該額外資本工具的本金將會按與金管局協商後或接受其指令下進行撇銷。</p> <p>於2022年11月29日或任何其後的派息日，本銀行擁有贖回權贖回所有未償付的額外資本工具，但須受已列載之條款及細則所限制。</p> <p>2019年5月23日及11月25日已分別派發此額外資本工具利息港幣51,510,000元及港幣51,372,000元。</p>	<p>On 29 November 2017, the Bank issued perpetual non-cumulative subordinated additional tier 1 capital securities ("additional equity instruments") with a face value of US\$250 million (equivalent to HK\$1,938,000,000 net of related issuance costs). The additional equity instruments are perpetual and bear a 5.25% coupon until the first call date on 29 November 2022. The coupon will be reset every five years if the additional equity instruments are not redeemed to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus a fixed initial spread.</p> <p>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 equity instruments) and the coupon cancelled shall not be cumulative.</p> <p>The principal of the additional equity instruments will be written down to the amount as directed or agreed with the HKMA if the HKMA notifies the Bank that the Bank would become non-viable if there is no written down of the principal.</p> <p>The Bank has a call option to redeem all the outstanding additional equity instruments from 29 November 2022 or any subsequent coupon payment date, but subject to restriction as set out in the terms and conditions.</p> <p>During the year, the coupons of this additional equity instruments were paid with the amount of HK\$51,510,000 and HK\$51,372,000 on 23 May 2019 and 25 November 2019 respectively.</p>	



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements (continued)

32. 綜合現金流量表附註 32. Notes to consolidated cash flow statement

(a) 除稅前溢利與除稅前
經營現金之流入/
(流出) 對賬

(a) Reconciliation of profit before taxation to operating cash
inflow/(outflow) before taxation

	2019	2018
	港幣千元	港幣千元
	HK\$'000	HK\$'000
除稅前溢利	1,493,937	1,204,742
投資物業公平值調整之 淨收益	(4,846)	(18,440)
出售/重估物業、器材 及設備淨(收益)/ 虧損	(2,723)	23,948
租賃負債之利息支出	5,207	-
折舊	95,565	29,297
減值準備淨撥備	345,345	138,429
原到期日超過3個月之 存放銀行及其他金融 機構的結餘之變動	(982,756)	(1,186,642)
原到期日超過3個月之 在銀行及其他金融機 構之定期存放之變動	539,001	(2,068,139)
衍生金融工具之變動	(2,360)	30,945
客戶貸款及貿易票據之 變動	(27,365,223)	(6,999,754)
證券投資之變動	(16,394,127)	(9,331,896)
其他資產之變動	(68,513)	369,051
銀行及其他金融機構之 存款及結餘之變動	5,814,193	1,945,636
客戶存款之變動	37,961,919	15,050,078
其他賬項及準備之變動	270,575	(262,317)
匯率變動之影響	17,689	79,895
除稅前經營現金之流入 /(流出)	<u>1,722,883</u>	<u>(995,167)</u>
經營業務之現金流量中 包括：		
– 已收利息	3,937,309	2,328,166
– 已付利息	(1,868,326)	(758,832)
– 已收股息	4,437	5,941

綜合財務報表附註 (續) Notes to the Consolidated Financial Statements (continued)

32. 綜合現金流量表附註 (續)

(b) 現金及等同現金項目結存分析

庫存現金及原到期日在 3 個月內之存放銀行及其他金融機構的結餘
 原到期日在 3 個月內之在銀行及其他金融機構之定期存放
 原到期日在 3 個月內之債務證券
 原到期日在 3 個月內之存款證

32. Notes to consolidated cash flow statement (continued)

(b) Analysis of the balances of cash and cash equivalents

	2019	2018
	港幣千元	港幣千元
	HK\$'000	HK\$'000
Cash and balances with banks and other financial institutions with original maturity within three months	15,689,145	13,881,925
Placements with banks and other financial institutions with original maturity within three months	2,509,536	3,453,725
Debt securities with original maturity within three months	2,404,986	519,685
Certificates of deposit with original maturity within three months	586,132	832,807
	21,189,799	18,688,142

(c) 與綜合財務狀況表的對賬

庫存現金及存放銀行及其他金融機構的結餘
 在銀行及其他金融機構一至十二個月內到期之定期存放
 證券投資
 其中：強制性以公平值變化計入損益之證券
 其中：界定為以公平值變化計入損益之證券
 其中：以公平值變化計入其他全面收益之證券
 其中：攤銷成本證券
 在綜合財務狀況表列示的金額

減：原本期限為 3 個月以上的金額
 減：受規管限制的中央銀行的現金結存

在綜合現金流量表內的現金及等同現金項目

(c) Reconciliation with the consolidated statement of financial position

	2019	2018 (restated)
	港幣千元	港幣千元
	HK\$'000	HK\$'000
Cash and balances with banks and other financial institutions	18,235,988	15,446,012
Placements with banks and other financial institutions maturing between one and twelve months	4,819,212	6,302,563
Investment in securities		
Of which: securities mandatorily measured at fair value through profit or loss securities	148,150	-
Of which: securities designated at fair value through profit and loss	370,607	364,604
Of which: securities at fair value through other comprehensive income	44,747,266	26,592,001
Of which: securities at amortised cost	1,642,397	1,670,901
Amount shown in the consolidated statement of financial position	69,963,620	50,376,081
Less: Amounts with an original maturity of beyond three months	(47,275,930)	(31,154,617)
Less: Cash balance with central bank subject to regulatory restriction	(1,497,891)	(533,322)
Cash and cash equivalents in the consolidated cash flow statement	21,189,799	18,688,142

綜合財務報表附註（續） Notes to the Consolidated Financial Statements (continued)

33. 或然負債及承擔

或然負債及承擔乃參照有關資本充足比率之金管局報表的填報指示而編製，其每項重要類別之合約數額及總信貸風險加權數額概述如下：

		2019	2018
		港幣千元	港幣千元
		HK\$'000	HK\$'000
直接信貸替代項目	Direct credit substitutes	5,147	10,005
與交易有關之或然負債	Transaction-related contingencies	24,771	30,801
與貿易有關之或然負債	Trade-related contingencies	475,735	604,858
不需事先通知的無條件撤銷之承諾	Commitments that are unconditionally cancellable without prior notice	7,486,395	7,149,531
其他承擔，原到期日為	Other commitments with an original maturity of		
- 1年或以下	- up to one year	275,275	108,304
- 1年以上	- over one year	4,370,553	3,543,769
		12,637,876	11,447,268
信貸風險加權數額	Credit risk-weighted amount	1,843,553	1,439,509

信貸風險加權數額是根據《銀行業（資本）規則》計算。此數額取決於交易對手之情況及各類合約之期限特性。

The following is a summary of the contractual amounts of each significant class of contingent liability and commitment and the aggregate credit risk-weighted amount and is prepared with reference to the completion instructions for the HKMA return of capital adequacy ratio:

The credit risk-weighted amount is calculated in accordance with the Banking (Capital) Rules. The amount is dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

34. 資本承擔

本集團未於財務報表中撥備之資本承擔金額如下：

		2019	2018
		港幣千元	港幣千元
		HK\$'000	HK\$'000
已批准及簽約但未撥備	Authorised and contracted for but not provided for	13,758	520
已批准但未簽約	Authorised but not contracted for	18,226	-
		31,984	520

以上資本承擔大部分為將購入之電腦硬件及軟件，以及本集團之樓宇裝修工程之承擔。

The Group has the following outstanding capital commitments not provided for in the financial statements:

The above capital commitments mainly relate to commitments to purchase computer equipment and software, and to renovate the Group's premises.



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements (continued)

35. 租賃承擔

35. Lease commitments

(a) 作為承租人

根據不可撤銷之經營租賃合約，下列為本集團未來有關租賃承擔所須支付之最低租金：

土地及樓宇
- 不超過1年
- 1年以上至5年內

上列若干不可撤銷之經營租約可再商議及參照協議日期之市值或按租約內的特別條款說明而作租金調整。

本集團為根據租賃持有的物業的承租人，而該等物業之前已根據香港會計準則第17號分類為經營租賃。本集團已採用經修訂的追溯法初始應用香港財務報告準則第16號。根據該方法，本集團於2019年1月1日調整期初結餘以確認與該等租賃有關的租賃負債（見附註2.1(a)(ii)）。自2019年1月1日起，根據附註2.1(a)(i)所載政策，未來租賃付款在財務狀況表中確認為租賃負債。

(a) As lessee

The Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

	2019	2018
	港幣千元	港幣千元
	HK\$'000	HK\$'000
Land and buildings		
- Not later than one year	330	49,067
- Later than one year but not later than five years	-	78,073
	<u>330</u>	<u>127,140</u>

Certain non-cancellable operating leases included in the table above were subject to renegotiation and rent adjustment with reference to market rates prevailing at specified agreed dates or according to the special condition as stipulated in the leases.

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 2.1(a)(ii)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in Note 2.1(a)(i).



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements (continued)

35. 租賃承擔 (續)

35. Lease commitments (continued)

(b) 作為出租人

根據不可撤銷之經營租賃合約，下列為本集團與租客簽訂合約之未來有關租賃之最低應收租金：

土地及樓宇
- 不超過 1 年
- 1 年以上至 5 年內

本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 3 年。租約條款一般要求租客提交保證金及於租約期滿時，因應租務市況之狀況而調整租金。

(b) As lessor

The Group has contracted with tenants for the following future minimum lease receivables under non-cancellable operating leases:

	<u>2019</u>	<u>2018</u>
	港幣千元	港幣千元
	HK\$'000	HK\$'000
Land and buildings		
- Not later than one year	4,440	4,607
- Later than one year but not later than five years	1,669	1,037
	<u>6,109</u>	<u>5,644</u>

The Group leases its investment properties under operating lease arrangements, with leases typically for a period from one to three years. The terms of the leases generally require the tenants to pay security deposits and provide for rent adjustments according to the prevailing market conditions at the expiration of the lease.

36. 訴訟

36. Litigation

本集團正面對多項由獨立人士提出的索償及反索償。該等索償及反索償與本集團的正常商業活動有關。

由於董事認為本集團可對申索人作出有力抗辯或預計該等申索所涉及的數額不大，故並未對此等索償及反索償作出重大撥備。

The Group has been served a number of claims and counterclaims by various independent parties. These claims and counterclaims are in relation to the normal commercial activities of the Group.

No material provision was made against these claims and counterclaims because the directors believe that the Group has meritorious defences against the claimants or the amounts involved in these claims are not expected to be material.

綜合財務報表附註（續）

Notes to the Consolidated Financial Statements (continued)

37. 分類報告

37. Segmental reporting

(a) 按業務劃分

本集團業務共分為三個業務分類，它們分別是個人銀行業務、企業銀行業務和財資業務。業務線的分類是基於不同客戶層及產品種類。

個人銀行和企業銀行業務線均會提供全面的銀行服務，包括各類存款、透支、貸款、與貿易相關的產品及其他信貸服務、投資及保險產品、外幣業務及衍生產品。個人銀行業務線主要是服務個人客戶，而企業銀行業務線主要是服務公司客戶。至於財資業務線，除了自營買賣外，還負責管理集團的流動資金、利率和外匯敞口。「其他」這一欄，主要包括本集團持有房地產、投資物業及股權投資等。

業務線的資產、負債、收入、支出、經營成果及資本性支出是基於集團會計政策進行計量。分類資料包括直接屬於該業務線的績效以及可以合理攤分至該業務線的績效。跨業務線資金的定價，按集團內部資金轉移價格機制釐定，主要是以市場利率為基準，並考慮有關產品的特性。

本集團的主要收入來源為利息收入，並且高級管理層主要按淨利息收入來管理業務，因此所有業務分類的利息收入及支出以淨額列示。

(a) Operating segments information

The Group divides its businesses into three operating segments. They are Personal Banking, Corporate Banking and Treasury. The classification of the Group's operating segments is based on customer segment and product type.

Both Personal Banking and Corporate Banking provide general banking services including various deposit products, overdrafts, loans, trade related products and other credit facilities, investment and insurance products, and foreign currency and derivative products. Personal Banking mainly serves retail customers while Corporate Banking mainly deals with corporate customers. Treasury manages the funding and liquidity, and the interest rate and foreign exchange positions of the Group in addition to proprietary trades. "Others" mainly represents the Group's holdings of premises, investment properties and equity investments.

Measurement of segment assets, liabilities, income, expenses, results and capital expenditure is based on the Group's accounting policies. The segment information includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment funding is charged according to the internal funds transfer pricing mechanism of the Group, which is primarily based on market rates with the consideration of specific features of the product.

As the Group derives a majority of revenue from interest and the senior management relies primarily on net interest income in managing the business, interest income and expense for all reportable segments are presented on a net basis.



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements (continued)

37. 分類報告 (續)

37. Segmental reporting (continued)

(a) 按業務劃分 (續)

(a) Operating segments information (continued)

		2019						
		個人銀行 Personal Banking	企業銀行 Corporate Banking	財資業務 Treasury	其他 Others	小計 Subtotal	合併抵銷 Eliminations	綜合 Consolidated
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
淨利息(支出)/收入	Net interest (expense)/income							
- 外來	- External	(1,150,380)	1,853,880	1,315,073	-	2,018,573	-	2,018,573
- 跨業務	- Inter-segment	1,548,109	(519,687)	(1,028,422)	-	-	-	-
		397,729	1,334,193	286,651	-	2,018,573	-	2,018,573
淨服務費及佣金收入 /(支出)	Net fee and commission income/(expense)	288,014	356,302	(1,318)	-	642,998	-	642,998
淨交易性收益/(虧損)	Net trading gain/(loss)	25,966	17,282	6,172	(23,479)	25,941	-	25,941
界定為以公平值變化 計入損益之金融工 具淨收益	Net gain on financial instruments designated at fair value through profit or loss	-	-	7,307	-	7,307	-	7,307
其他金融資產之淨收 益	Net gain on other financial assets	-	22,538	46,951	-	69,489	-	69,489
其他經營收入	Other operating income	-	582	592	26,215	27,389	(15,074)	12,315
提取減值準備前之淨 經營收入	Net operating income before impairment allowances	711,709	1,730,897	346,355	2,736	2,791,697	(15,074)	2,776,623
減值準備淨撥備	Net charge of impairment allowances	(85,450)	(228,131)	(13,594)	(18,170)	(345,345)	-	(345,345)
淨經營收入	Net operating income	626,259	1,502,766	332,761	(15,434)	2,446,352	(15,074)	2,431,278
經營支出	Operating expenses	(432,665)	(274,115)	(35,520)	(217,684)	(959,984)	15,074	(944,910)
經營溢利/(虧損)	Operating profit/(loss)	193,594	1,228,651	297,241	(233,118)	1,486,368	-	1,486,368
投資物業公平值調整 之淨收益	Net gain from fair value adjustments on investment properties	-	-	-	4,846	4,846	-	4,846
出售/重估物業、器 材及設備之淨收益	Net gain from disposal/revaluation of properties, plant and equipment	-	-	-	2,723	2,723	-	2,723
除稅前溢利/(虧損)	Profit/(loss) before taxation	193,594	1,228,651	297,241	(225,549)	1,493,937	-	1,493,937
資產	Assets							
分部資產	Segment assets	14,293,027	69,974,778	63,635,494	1,951,482	149,854,781	-	149,854,781
負債	Liabilities							
分部負債	Segment liabilities	81,679,680	45,208,054	8,068,192	775,866	135,731,792	-	135,731,792
其他資料	Other information							
資本性支出	Capital expenditure	5,425	34,846	41	190,911	231,223	-	231,223
折舊	Depreciation	5,593	2,739	280	86,953	95,565	-	95,565
證券攤銷	Amortisation of securities	-	-	(268,726)	-	(268,726)	-	(268,726)



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements (continued)

37. 分類報告 (續)

37. Segmental reporting (continued)

(a) 按業務劃分 (續)

(a) Operating segments information (continued)

		2018						
		個人銀行 Personal Banking	企業銀行 Corporate Banking	財資業務 Treasury	其他 Others	小計 Subtotal	合併抵銷 Eliminations	綜合 Consolidated
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
淨利息(支出)/收入	Net interest (expense)/income							
- 外來	- External	(455,260)	1,209,930	803,760	-	1,558,430	-	1,558,430
- 跨業務	- Inter-segment	787,980	(409,780)	(378,200)	-	-	-	-
		332,720	800,150	425,560	-	1,558,430	-	1,558,430
淨服務費及佣金收入	Net fee and commission income	188,655	180,757	1,407	-	370,819	-	370,819
淨交易性收益	Net trading gain	28,360	11,262	9,403	22,718	71,743	-	71,743
界定為以公平值變化計入損益之金融工具淨收益	Net gain on financial instruments designated at fair value through profit or loss	-	-	465	-	465	-	465
其他金融資產之淨(虧損)/收益	Net (loss)/gain on other financial assets	-	(187)	6,061	-	5,874	-	5,874
其他經營收入	Other operating income	-	338	611	28,207	29,156	(16,748)	12,408
提取減值準備前之淨經營收入	Net operating income before impairment allowances	549,735	992,320	443,507	50,925	2,036,487	(16,748)	2,019,739
減值準備淨撥備/(撥回)	Net charge/(reversal) of impairment allowances	(3,554)	(144,905)	4,104	5,926	(138,429)	-	(138,429)
淨經營收入	Net operating income	546,181	847,415	447,611	56,851	1,898,058	(16,748)	1,881,310
經營支出	Operating expenses	(381,494)	(173,657)	(26,908)	(105,749)	(687,808)	16,748	(671,060)
經營溢利/(虧損)	Operating profit/(loss)	164,687	673,758	420,703	(48,898)	1,210,250	-	1,210,250
投資物業公平值調整之淨收益	Net gain from fair value adjustments on investment properties	-	-	-	18,440	18,440	-	18,440
出售/重估物業、器材及設備之淨虧損	Net loss from disposal/revaluation of properties, plant and equipment	-	-	-	(23,948)	(23,948)	-	(23,948)
除稅前溢利/(虧損)	Profit/(loss) before taxation	164,687	673,758	420,703	(54,406)	1,204,742	-	1,204,742
資產	Assets							
分部資產	Segment assets	10,014,438	44,995,637	45,860,715	2,001,837	102,872,627	-	102,872,627
負債	Liabilities							
分部負債	Segment liabilities	63,569,114	21,199,392	6,070,074	430,851	91,269,431	-	91,269,431
其他資料	Other information							
資本性支出	Capital expenditure	1,529	1,126	22	117,785	120,462	-	120,462
折舊	Depreciation	5,857	3,207	93	20,140	29,297	-	29,297
證券攤銷	Amortisation of securities	-	-	(152,476)	-	(152,476)	-	(152,476)

**綜合財務報表附註
(續)**
Notes to the Consolidated Financial Statements (continued)
37. 分類報告 (續)
37. Segmental reporting (continued)
(b) 按地理區域劃分

以下資料是根據主要營業地點分類：

(b) By geographical area

The following information is presented based on the principal places of operations:

		2019		2018	
		提取減值 準備前之 淨經營收入 Net operating income before impairment allowance	除稅前 溢利 Profit before taxation	提取減值 準備前之 淨經營收入 Net operating income before impairment allowance	除稅前 溢利 Profit before taxation
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	2,133,678	1,058,989	1,651,477	949,912
中國內地	Mainland China	642,945	434,948	368,262	254,830
		2,776,623	1,493,937	2,019,739	1,204,742

		2019	2018
		總資產 Total assets	總資產 Total assets
		港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	117,583,454	83,843,111
中國內地	Mainland China	32,271,327	19,029,516
		149,854,781	102,872,627

38. 已抵押資產
38. Assets pledged as security

於2019年12月31日，本集團通過票據抵押之負債為港幣446,922,000元（2018年：港幣247,788,000元）。本集團為擔保此等負債而質押之資產金額為港幣441,717,000元（2018年：港幣246,850,000元），並於「貿易票據」內列賬。

As at 31 December 2019, the liabilities of the Group amounting to HK\$446,922,000 (2018: HK\$247,788,000) were secured by bills. The amount of assets pledged by the Group to secure these liabilities was HK\$441,717,000 (2018: HK\$246,850,000) included in "Trade bills".

於2019年12月31日，本集團通過債券抵押之負債為港幣3,316,597,000元（2018年：港幣1,531,520,000元）。本集團為擔保此等負債而質押之資產金額為港幣3,421,293,000元（2018年：港幣1,571,559,000元），並於「證券投資」內列賬。

As at 31 December 2019 the liabilities of the Group amounting to HK\$3,316,597,000 (2018: HK\$1,531,520,000) were secured by debt securities. The amount of assets pledged by the Group to secure these liabilities was HK\$3,421,293,000 (2018: HK\$1,571,559,000) included in "investment in securities".

**綜合財務報表附註
(續)**
Notes to the Consolidated Financial Statements (continued)
39. 金融工具之抵銷

下表列示本集團已抵銷、受執行性淨額結算總協議和其他相近協議約束的金融工具詳情：

39. Offsetting financial instruments

The following tables present details of the Group's financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements:

		2019					
		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	未有於財務狀況表中抵銷之 相關金額		淨額
					金融工具	已收取之 現金押品	
		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	Financial instruments	Cash collateral received	Net amount
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
資產	Assets						
衍生金融 工具	Derivative financial instruments	14,277	-	14,277	(14,277)	-	-
其他資產	Other assets	503,191	(416,593)	86,598	-	-	86,598
		517,468	(416,593)	100,875	(14,277)	-	86,598
		2019					
		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	未有於財務狀況表中抵銷之 相關金額		淨額
					金融工具	已抵押之 現金押品	
		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	Financial instruments	Cash collateral pledged	Net amount
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
負債	Liabilities						
衍生金融 工具	Derivative financial instruments	33,032	-	33,032	(14,277)	-	18,755
其他負債	Other liabilities	422,539	(416,593)	5,946	-	-	5,946
		455,571	(416,593)	38,978	(14,277)	-	24,701

39. 金融工具之抵銷 (續) 39. Offsetting financial instruments (continued)

		2018					
		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		未有於財務狀況表中抵銷之相 關金額 Related amounts not set off in the statement of financial position	
		已確認金融 資產總額	已確認金融 負債總額	金融工具	已收取之 現金押品	淨額	
		Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Financial instruments	Cash collateral received	Net amount	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
資產	Assets						
衍生金融 工具	Derivative financial instruments	20,877	-	20,877	(5,679)	-	15,198
其他資產	Other assets	443,773	(340,580)	103,193	-	-	103,193
		464,650	(340,580)	124,070	(5,679)	-	118,391
		2018					
		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		未有於財務狀況表中抵銷之相 關金額 Related amounts not set off in the statement of financial position	
		已確認金融 負債總額	已確認金融 資產總額	金融工具	已抵押之 現金押品	淨額	
		Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statement of financial position	Financial instruments	Cash collateral pledged	Net amount	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
負債	Liabilities						
衍生金融 工具	Derivative financial instruments	5,679	-	5,679	(5,679)	-	-
其他負債	Other liabilities	361,514	(340,580)	20,934	-	-	20,934
		367,193	(340,580)	26,613	(5,679)	-	20,934

39. 金融工具之抵銷 (續) 39. Offsetting financial instruments (continued)

按本集團簽訂有關場外衍生工具交易的淨額結算總協議，倘若發生違約或其他事先議定的事件，則同一交易對手之相關金額可採用淨額結算。

For master netting agreements for OTC derivative transactions entered into by the Group related amounts with the same counterparty can be offset if an event of default or other predetermined events occur.

40. 董事貸款

40. Loans to directors

根據香港《公司條例》第383條及《公司(披露董事利益資料)規例》第三部的規定，向本銀行董事提供之貸款詳情如下：

Particulars of loans made to directors of the Bank pursuant to section 383 of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2019	2018
	港幣千元	港幣千元
	HK\$'000	HK\$'000
於年末尚未償還之有關交易總額	-	-
於年內未償還有關交易之最高總額	-	-

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)

41. 主要之有關連人士交易 41. Significant related party transactions

母公司的基本資料：

本集團由廈門國際銀行間接控制，廈門國際銀行是一所於中華人民共和國（「中國」）成立的中資商業銀行。

(a) 與母公司及母公司控制之其他公司進行的交易

本集團之直接控股公司是集友國際金融控股有限公司（「集友國際金控」），集友國際金控是廈門國際投資有限公司全資附屬公司，廈門國際投資有限公司由廈門國際銀行全資擁有。

大部分與廈門國際銀行進行的交易源自貨幣市場活動。於 2019 年 12 月 31 日，本集團相關應收及應付廈門國際銀行款項總額分別為港幣 471,331,000 元（2018 年 12 月 31 日：港幣 269,051,000 元）及港幣 2,700,491,000 元（2018 年 12 月 31 日：港幣 2,705,038,000 元）。2019 年與廈門國際銀行做此類業務過程中產生的收入及支出總額分別為港幣 11,997,000 元（2018 年 12 月 31 日：港幣 1,251,000 元）及港幣 91,670,000 元（2018 年 12 月 31 日：港幣 51,096,000 元）。

General information of the parent companies:

The Group is indirectly controlled by Xiamen International Bank Co., Ltd., which is a Chinese commercial bank established in the People's Republic of China (the "PRC").

(a) Transactions with the parent companies and the other companies controlled by the parent companies

The Group's immediate holding company is Chiyu International Financial Holdings Limited ("Chiyu International Holdings"), which is a wholly-owned subsidiary of Xiamen International Investment Limited, which is in turn wholly owned by Xiamen International Bank Co., Ltd.

The majority of transactions with Xiamen International Bank Co., Ltd. arise from money market activities. As at 31 December 2019, the related aggregate amount due from and to Xiamen International Bank Co., Ltd. of the Group were HK\$471,331,000 (31 December 2018: HK\$269,051,000) and HK\$2,700,491,000 (31 December 2018: HK\$2,705,038,000) respectively. The aggregate amount of income and expenses of the Group arising from these transactions with Xiamen International Bank Co., Ltd. during 2019 was HK\$11,997,000 (31 December 2018: HK\$1,251,000) and HK\$91,670,000 (31 December 2018: HK\$51,096,000) respectively.

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)

41. 主要之有關連人士交易 (續) 41. Significant related party transactions (continued)

(a) 與母公司及母公司控制之其他公司進行的交易 (續)

大部分與母公司控制之其他公司的交易來自客戶存款。於 2019 年 12 月 31 日，本集團相關款項總額為港幣 302,312,000 元(2018 年 12 月 31 日：港幣 45,114,000 元)。2019 年與母公司控制之其他公司敝做此業務過程中產生的支出總額為港幣 622,000 元(2018 年 12 月 31 日：港幣 687,000 元)。

與母公司及其控制之其他公司的交易來自租賃服務。2019 年與母公司控制之其他公司敝做此業務過程中產生的收入總額為港幣 1,550,000 元(2018 年 12 月 31 日：港幣 1,430,000 元)。

截至 2019 年 12 月 31 日止，本集團持有港幣 154,653,000 元(2018 年 12 月 31 日：港幣 152,916,000 元)由澳門國際銀行發行的次級債。截至 2019 年 12 月 31 日止，本集團沒有持有由廈門國際銀行發行的債務證券(2018 年 12 月 31 日：港幣 341,294,000 元)。2019 年分別從澳門國際銀行賺取港幣 9,000,000 元(2018 年 12 月 31 日：港幣 1,529,000 元)利息收入和從廈門國際銀行賺取港幣 10,922,000 元(2018 年 12 月 31 日：港幣 1,881,000 元)利息收入。

(a) Transactions with the parent companies and the other companies controlled by the parent companies (continued)

The majority of transactions with other companies controlled by the parent companies arise from deposits from customers. As at 31 December 2019, the related aggregate amount of the Group was HK\$302,312,000 (31 December 2018: HK\$45,114,000). The aggregate amount of expenses of the Group arising from these transactions during 2019 was HK\$622,000 (31 December 2018: HK\$687,000).

The majority of transactions with parent companies and the other companies controlled by the parent companies arise from rental service. The aggregate amount of expenses of the Group arising from these transactions during 2019 was HK\$1,550,000 (31 December 2018: HK\$1,430,000).

As at 31 December 2019, the related aggregate amount of the Group invested in the subordinated debt issued by Luso International Banking Limited was HK\$154,653,000 (31 December 2018: HK\$152,916,000). As at 31 December 2019, there were no investment in debt securities issued by Xiamen International Bank (31 December 2018: HK\$341,294,000). The interest income gained during 2019 from Luso International Banking Limited and Xiamen International Bank were HK\$9,000,000 (31 December 2018: HK\$1,529,000) and HK\$10,922,000 (31 December 2018: HK\$1,881,000) respectively.

綜合財務報表附註(續) Notes to the Consolidated Financial Statements (continued)

41. 主要之有關連人士交易 (續) 41. Significant related party transactions (continued)

(b) 主要高層人員

主要高層人員是指某些能直接或間接擁有權力及責任來計劃、指導及掌管集團業務之人士，包括董事及高級管理層。本集團在正常業務中會接受主要高層人員存款及向其提供貸款及信貸融資。於期內及往期，本集團並沒有與本銀行及其控股公司之主要高層人員或其有關連人士進行重大交易。

主要高層人員截至12月31日止年度之薪酬如下：

薪酬、其他短期員工福利及退休福利

(b) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and senior management. The Group accepts deposits from and grants loans and credit facilities to key management personnel in the ordinary course of business. During both the current and prior periods, no material transaction was conducted with key management personnel of the Bank and its holding companies, as well as parties related to them.

The compensation of key management personnel for the year ended 31 December is detailed as follows:

	<u>2019</u>	<u>2018</u>
	港幣千元 HK\$'000	港幣千元 HK\$'000
Salaries, other short-term employee benefits and post-employment benefits	<u>48,484</u>	<u>33,851</u>

**綜合財務報表附註
(續)**
Notes to the Consolidated Financial Statements (continued)
42. 財務狀況表及權益變動表
42. Statement of financial position and statement of changes in equity
(a) 財務狀況表
(a) Statement of financial position

12月31日

As at 31 December

資產

 庫存現金及存放銀行及其他金融機構的結餘
 在銀行及其他金融機構一至十二個月內到期之定期存放

衍生金融工具

客戶貸款及貿易票據

證券投資

投資附屬公司

應收附屬公司款項

投資物業

物業、器材及設備

遞延稅項資產

其他資產

資產總額

ASSETS

Cash and balances with banks and other financial institutions

Placements with banks and other financial institutions maturing between one and twelve months

Derivative financial instruments

Advances to customers and trade bills

Investment in securities

Investment in subsidiaries

Amounts due from subsidiaries

Investment properties

Properties, plant and equipment

Deferred tax assets

Other assets

Total assets

2019
2018

港幣千元

港幣千元

HK\$'000
HK\$'000
18,228,791

15,446,012

4,819,212

6,302,563

122,133

122,680

76,986,891

49,934,290

46,760,270

28,627,506

195,713

11,713

192,040

163,636

237,150

233,350

1,909,471

1,628,187

640

12,298

520,449

454,578

149,972,760
102,936,813
負債

銀行及其他金融機構之存款及結餘

衍生金融工具

客戶存款

應付附屬公司款項

其他賬項及準備

應付稅項負債

遞延稅項負債

負債總額

LIABILITIES

Deposits and balances from banks and other financial institutions

Derivative financial instruments

Deposits from customers

Amounts due to subsidiaries

Other accounts and provisions

Current tax liabilities

Deferred tax liabilities

Total liabilities

17,747,463

11,933,270

40,361

43,268

116,443,676

78,417,282

1,795

824

1,272,603

746,119

186,248

63,050

179,674

135,254

135,871,820
91,339,067
資本

股本

儲備

本銀行股東應佔股本和儲備

額外資本工具

資本總額

負債及資本總額

EQUITY

Share capital

Reserves

Capital and reserves attributable to the equity holders of the Bank

Additional equity instruments

Total equity

Total liabilities and equity

3,245,980

1,772,988

8,917,248
7,887,046
12,163,228

9,660,034

1,937,712

1,937,712

14,100,940
11,597,746
149,972,760
102,936,813

本集團已於 2019 年 1 月 1 日採用經修訂的追溯法初步應用香港財務報告準則第 16 號。根據這種方法，比較信息是不會重列。

The Group has initially applied HKFRS 16 at 1 January 2019, using modified retrospective approach. Under this approach, comparative information is not restated.

經董事會於 2020 年 4 月 24 日通過核准並由以下人士代表簽署：

Approved by the Board of Directors on 24 April 2020 and signed on behalf of the Board by:

呂耀明 鄭威
董事 董事

LYU Yaoming ZHENG Wei
Director Director



綜合財務報表附註
(續)

Notes to the Consolidated Financial Statements (continued)

42. 財務狀況表及權益變動表 (續)

42. Statement of financial position and statement of changes in equity (continued)

(b) 權益變動表

(b) Statement of changes in equity

		歸屬於本銀行股東 Attributable to equity holders of the Bank								
		儲備 Reserves								
股本	房產重估 儲備 ¹	公平價值 儲備 ²	監管儲備 ³	換算儲備 ⁴	留存盈利	總計	額外資本工具	資本總額		
Share capital	Premises revaluation reserve ¹	Fair value reserve ²	Regulatory reserve ³	Translation reserve ⁴	Retained earnings	Total	Additional equity instruments	Total equity		
港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000		
於 2019 年 1 月 1 日	At 1 January 2019	1,772,988	1,203,829	(218,350)	414,377	(52,304)	6,539,494	9,660,034	1,937,712	11,597,746
年度溢利	Profit for the year	-	-	-	-	-	1,247,784	1,247,784	-	1,247,784
其他全面收益：	Other comprehensive income:									
房產	Premises	-	23,338	-	-	-	-	23,338	-	23,338
以公平價值變化計入 其他全面收益之 股份權益工具	Equity instruments at fair value through other comprehensive income	-	-	15,108	-	-	-	15,108	-	15,108
以公平價值變化計入 其他全面收益之 債務工具	Debt instruments at fair value through other comprehensive income	-	-	201,297	-	-	-	201,297	-	201,297
貨幣換算差額	Currency translation difference	-	-	1,164	-	(56,687)	-	(55,523)	-	(55,523)
全面收益總額	Total comprehensive income	-	23,338	217,569	-	(56,687)	1,247,784	1,432,004	-	1,432,004
發行普通股	Issuance of ordinary shares	1,472,992	-	-	-	-	-	1,472,992	-	1,472,992
轉撥至留存盈利	Transfer to retained earnings	-	-	-	105,610	-	(105,610)	-	-	-
股息	Dividends	-	-	-	-	-	(298,920)	(298,920)	-	(298,920)
支付額外資本工具持 有者利息	Distribution to the holders of the additional equity instruments	-	-	-	-	-	(102,882)	(102,882)	-	(102,882)
因處置以公平價值變化 計入其他全面收益 之股份權益工具之 轉撥	Release upon disposal of equity instruments at fair value through other comprehensive income	-	-	1,369	-	-	(1,369)	-	-	-
於 2019 年 12 月 31 日	At 31 December 2019	3,245,980	1,227,167	588	519,987	(108,991)	7,278,497	12,163,228	1,937,712	14,100,940

處置以公平價值變化計入其他全面收益之股份權益工具是由於該投資不再以有戰略目的而持有。

The release upon disposal of equity instruments at fair value through other comprehensive income was made because the investment was no longer to be held for strategic purpose.

本集團已於 2019 年 1 月 1 日採用經修訂的追溯法初步應用香港財務報告準則第 16 號。根據這種方法，比較信息是不會重列。

The Group has initially applied HKFRS 16 at 1 January 2019, using modified retrospective approach. Under this approach, comparative information is not restated.

**綜合財務報表附註
(續)**
Notes to the Consolidated Financial Statements (continued)
42. 財務狀況表及權益變動表 (續)
42. Statement of financial position and statement of changes in equity (continued)
(b) 權益變動表 (續)
(b) Statement of changes in equity (continued)

		歸屬於本銀行股東 Attributable to equity holders of the Bank								
		儲備 Reserves								
股本	房產重估儲備 ¹	公平價值儲備 ²	監管儲備 ³	換算儲備 ⁴	留存盈利	總計	額外資本工具	資本總額		
Share capital	Premises revaluation reserve ¹	Fair value reserve ²	Regulatory reserve ³	Translation reserve ⁴	Retained earnings	Total	Additional equity instruments	Total equity		
港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000		
於 2018 年 1 月 1 日之 早期列賬	At 1 January 2018, as previously reported	300,000	1,104,169	(84,885)	325,391	20,003	5,916,657	7,581,335	1,937,712	9,519,047
應用香港財務報告準 則第 9 號的調整*	Adjustment on initial application of HKFRS 9*	-	-	15,760	-	-	(4,548)	11,212	-	11,212
於 2018 年 1 月 1 日之 重列	At 1 January 2018, as restated	300,000	1,104,169	(69,125)	325,391	20,003	5,912,109	7,592,547	1,937,712	9,530,259
年度溢利	Profit for the year	-	-	-	-	-	1,044,220	1,044,220	-	1,044,220
其他全面收益：	Other comprehensive income:									
房產	Premises	-	99,660	-	-	-	-	99,660	-	99,660
以公平值變化計入 其他全面收益之 股份權益工具	Equity instruments at fair value through other comprehensive income	-	-	(2,466)	-	-	-	(2,466)	-	(2,466)
以公平值變化計入 其他全面收益之 債務工具	Debt instruments at fair value through other comprehensive income	-	-	(147,171)	-	-	-	(147,171)	-	(147,171)
貨幣換算差額	Currency translation difference	-	-	412	-	(72,307)	-	(71,895)	-	(71,895)
全面收益總額	Total comprehensive income	-	99,660	(149,225)	-	(72,307)	1,044,220	922,348	-	922,348
發行普通股	Issuance of ordinary shares	1,472,988	-	-	-	-	-	1,472,988	-	1,472,988
轉撥至留存盈利	Transfer to retained earnings	-	-	-	88,986	-	(88,986)	-	-	-
股息	Dividends	-	-	-	-	-	(225,000)	(225,000)	-	(225,000)
支付額外資本工具持 有者利息	Distribution to the holders of the additional equity instruments	-	-	-	-	-	(102,849)	(102,849)	-	(102,849)
於 2018 年 12 月 31 日	At 31 December 2018	1,772,988	1,203,829	(218,350)	414,377	(52,304)	6,539,494	9,660,034	1,937,712	11,597,746

1. 房產重估儲備的建立及處理是根據重估投資物業及房產所採用的會計政策。
2. 公平價值儲備包括持有以公平值變化計入其他全面收益金融工具直至被終止確認的累計公平價值變動淨額。
3. 除按香港財務報告準則第 9 號對貸款提取減值準備外，按金管局要求撥轉部分留存盈利至監管儲備作銀行一般風險之用（包括未來損失或其他不可預期風險）。
4. 換算儲備的建立及處理是根據外幣折算所採用的會計政策。

1. Premises revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for the revaluation of investment properties and premises.
2. Fair value reserve comprises the cumulative net change in the fair value of financial instruments at fair value through other comprehensive income held until the financial instruments are derecognised.
3. In accordance with the requirements of the HKMA, the amounts are set aside for general banking risks, including future losses or other unforeseeable risks, in addition to the loan impairment allowances recognised under Hong Kong Financial Reporting Standard ("HKFRS") 9.
4. Translation reserve has been set up and is dealt with in accordance with the accounting policies adopted for foreign currency translation.

**綜合財務報表附註
(續)**
Notes to the Consolidated Financial Statements (continued)
43. 本銀行之附屬公司

於2019年12月31日本銀行直接及間接附屬公司的具體情況列示如下：

43. Subsidiaries of the Bank

The particulars of direct and indirect subsidiaries of the Bank as at 31 December 2019 are as follows:

名稱 Name	註冊／營業地點及日期 Place and date of incorporation/operation	已發行股本 Issued share capital	持有權益 Interest held	主要業務 Principal activities
集友銀行（代理人）有限公司 Chiyu Banking Corporation (Nominees) Limited	香港 1981年11月3日 Hong Kong 3 November 1981	普通股份 100,000 港元 Ordinary shares HK\$100,000	100%	代理服務及投資控股 Nominee service and investment holding
誠信置業有限公司 Seng Sun Development Company, Limited	香港 1961年12月11日 Hong Kong 11 December 1961	普通股份 2,800,000 港元 Ordinary shares HK\$2,800,000	100%	投資控股及集團間物業租賃 Investment holding and leasing of properties to group companies
欣澤有限公司 Grace Charter Limited	香港 2001年5月4日 Hong Kong 4 May 2001	普通股份 2 港元 Ordinary shares HK\$2	100%*	投資控股 Investment holding
集友國際資本有限公司 Chiyu International Capital Limited	香港 2017年3月13日 Hong Kong 13 March 2017	普通股份 5,000,000 港元 Ordinary shares HK\$5,000,000	100%	企業融資顧問服務 Corporate finance advisory
集友資產管理有限公司 Chiyu Asset Management Limited	香港 2017年3月13日 Hong Kong 13 March 2017	普通股份 186,800,000 港元 Ordinary shares HK\$186,800,000	100%	資產管理業務 Asset management
Sun King Limited	香港 2018年3月29日 Hong Kong 29 March 2018	普通股份 1 港元 Ordinary shares HK\$1	100%*	持有物業 Property holding
集友基金獨立投資組合公司 Chiyu Fund Segregated Portfolio Company	開曼群島 2019年1月22日 Cayman Islands 22 January 2019	管理股份 100 美元 Management shares USD100	100%*	基金工具公司 Fund vehicle

*本銀行間接持有股份

* Shares held indirectly by the Bank

44. 直接及最終控股公司

於2019年12月31日，本行之直接控股公司為集友國際金融控股有限公司，該公司於香港註冊成立，其最終控股公司為廈門國際銀行，該公司是一所於中華人民共和國註冊成立的中資商業銀行。

44. Immediate and ultimate holding company

At 31 December 2019, the immediate holding company of the Bank is Chiyu International Financial Holdings Limited, a company incorporated in Hong Kong and its ultimate holding company is Xiamen International Bank Co., Ltd., a Chinese commercial bank incorporated in the PRC.



**綜合財務報表附註
(續)**

Notes to the Consolidated Financial Statements (continued)

45. 資產負債表日後事項

自 2020 年初以來，新型冠狀病毒感染的肺炎疫情之爆發已對本集團的經營環境帶來不確定因素及對本集團的營運產生影響。

本集團一直密切關注事態近來的發展對本集團業務之影響，並制定了應急措施。本集團對本集團的貸款組合和預期信用損失造成的潛在影響進行了評估。結果顯示在現階段此將不會對綜合財務報表造成任何重大影響。本集團將因應事態發展繼續檢討應急措施及風險管理控制。有需要時，會果斷地採取行動以減低潛在影響。因疫情發展迅速，在估算疫情對本集團的整體財務影響並不合適，因其仍可能有重大變動。

46. 比較數字

若干比較數字經已重報以符合本年度的呈報方式。

47. 財務報表核准

本財務報表於 2020 年 4 月 24 日經董事會通過及核准發佈。

45. Events after the balance sheet date

The coronavirus outbreak since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations.

The Group has been closely monitoring the impact of the recent developments on the Group's business and has put in place contingency measures. The Group performed assessment on the potential impact to the Group's loan portfolios and the expected credit losses. The results showed that it is unlikely to have a significant financial impact on the consolidated financial statement at the current stage. The Group will closely monitor its contingency measures and risk management controls as the situation evolves. Whenever necessary, prompt actions will be undertaken to mitigate potential impacts. While the circumstances of the outbreak are evolving rapidly, an estimate of its overall financial impact to the Group may not be appropriate as it will be subject to material change.

46. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

47. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 24 April 2020.

ISSUER

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Certified Public Accountants
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TRUSTEE

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