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This announcement and the listing document referred to herein have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever. For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.

Notice to Hong Kong investors: The Issuer confirms that the Capital Securities (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 Stock Exchange of Hong Kong Limited) only and the Capital Securities have been listed on The Stock Exchange of Hong Kong Limited on that basis. This announcement is for distribution to Professional Investors only. Investors must not purchase the Capital Securities unless they are Professional Investors and understand the risks involved.

PUBLICATION OF THE OFFERING CIRCULAR

China CITIC Bank International Limited

(incorporated with limited liability in Hong Kong)

(the “Issuer”)

U.S.\$600,000,000 Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities (the “Capital Securities”)

(Stock Code: 5190)

under the Issuer’s U.S.\$3,000,000,000 Medium Term Note Programme (the “Programme”)

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 10 June 2021 in relation to the Programme, the supplemental offering circular dated 13 April 2022 and the pricing supplement dated 13 April 2022 (together, the “**Offering Circular**”) appended herein in relation to the issuance of the Capital Securities. As disclosed in the Offering Circular, the Capital Securities are intended for purchase by Professional Investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on the Hong Kong Stock Exchange on that basis.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

Hong Kong, 25 April 2022

As at the date of this announcement, the directors of the Issuer are YANG Yu (Chairman), BAI Lijun, BI Mingqiang, FANG Heying, GUO Danghuai, HU Gang, KAN NG Chau Yuk Helen, LI Shuk Yin Edwina, TANG Nai Pan, TANG Shisheng, TSANG King Suen Katherine, WANG Guoliang and WU Jiesi.

APPENDIX 1 – OFFERING CIRCULAR DATED 10 JUNE 2021

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the “Offering Circular”), and 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 SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES 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 SECURITIES 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 APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS 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 ADDRESS IN THE UNITED STATES. 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.

Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must not be located in the United States. This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to us that: (1) the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) you consent to delivery of such Offering Circular by electronic transmission. To the extent you purchase the securities described in the attached document, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S under the Securities Act (“**Regulation S**”).

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

The materials relating to the offering of securities to which this 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. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the relevant Dealer or any affiliate of the relevant Dealer is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the relevant Dealer or such affiliate on behalf of the Bank (as defined in this Offering Circular) in such jurisdiction.

This 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 China CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited) (the “**Bank**”), China CITIC Bank International Limited and Citigroup Global Markets Limited (the “**Arrangers**” and “**Dealers**”), , any person who controls the Arrangers or the Dealers, any director, officer, employee nor agent of the Bank, the Arrangers or the Dealers, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any such alteration or change to the Offering Circular distributed to you in electronic format or any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

Restrictions: Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of any of the Bank, the Arrangers or the Dealers to subscribe or purchase any of the securities described therein. Any securities to be issued will not be registered under the Securities Act and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration. Access has been limited so that it shall not constitute a general solicitation in the United States or elsewhere. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

If you receive the Offering Circular by e-mail, you should not reply by e-mail to the Offering Circular, and you may not purchase any securities 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.

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.



CHINA CITIC BANK INTERNATIONAL LIMITED

(incorporated with limited liability in Hong Kong)

U.S.\$3,000,000,000

Medium Term Note Programme

On 30 November 2007, China CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited and CITIC Bank International Limited) (the “**Issuer**” or the “**Bank**”) established a US\$2,000,000,000 Medium Term Note Programme (the “**Programme**”) and issued an offering circular on that date describing the Programme. On 29 June 2018, the Issuer increased the aggregate nominal amount of the Programme from U.S.\$2,000,000,000 to U.S.\$3,000,000,000. This Offering Circular supersedes the previous offering circular (including any supplement thereto) issued in respect of the Programme prior to the date hereof. Any Notes (as defined below) issued under this Programme on or after the date of this Offering Circular are issued subject to the provisions described herein. This does not affect any Notes issued prior to the date of this Offering Circular.

Under the Programme, the Issuer, subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the “**Notes**”) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below)

Notes may be issued in bearer or registered form (respectively “**Bearer Notes**” and “**Registered Notes**”). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*Summary of the Programme*” and any additional Dealer appointed under the Programme from time to time by the Issuer (each a “**Dealer**” and together the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the “**relevant Dealer**” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Application has been made to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for permission to deal in and quotation for any Notes that may be issued pursuant to the Programme and which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, its subsidiaries, its associated companies, the Programme or such Notes. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be set out in a pricing supplement (the “**Pricing Supplement**”).

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

The Issuer may agree with any Dealer and the Trustee (as defined herein) that the Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplementary offering circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

See “*Investment Considerations*” for a discussion of certain factors to be considered in connection with an investment in the Notes.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**EU MiFID Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the EU MiFID Product Governance Rules.

MiFID II product governance / target market – The Pricing Supplement in respect of any Notes may include a legend entitled “EU MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended “**EU MiFID II**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR product governance rules set out in the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

UK MiFIR product governance/target market — The Pricing Supplement in respect of any Notes may include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the UK MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend “Prohibition of Sales to EEA Retail Investors”, the Notes 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; (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 EU MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**EU PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend “Prohibition of Sales to UK Retail Investors”, the Notes 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 United Kingdom (“**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, as amended (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; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Arrangers and Dealers

China CITIC Bank International

Citigroup

The date of this Offering Circular is 10 June 2021

To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything that would make the statements therein, in light of the circumstances which they were made misleading. The Issuer, having made all reasonable enquiries, confirms that this Offering Circular contains or incorporates all information which is material in the context of the issue and offering of the Notes, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility accordingly.

No person is or has been authorised by the Issuer or the Trustee to give any information or to make any representations other than those contained in this Offering Circular in connection with the Programme or the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Dealers or the Trustee.

Neither the Arrangers (as specified under “*Summary of the Programme*”), the Dealers nor the Trustee has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arrangers, the Dealers, the Trustee or any of them as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the Programme.

This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Arrangers, the Dealers or the Trustee that any recipient of this Offering Circular should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Arrangers or the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arrangers, the Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act). For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this Offering Circular, see “*Subscription and Sale*”.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) 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 Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of

the SFA), that the Notes are 'prescribed capital markets 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).

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Arrangers, the Dealers and the Trustee represents that this Offering Circular may be lawfully distributed, or that any Notes 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 assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arrangers, the Dealers or the Trustee which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of the Notes in the United States, the European Economic Area (including The Netherlands), the United Kingdom, Singapore, Japan, Hong Kong, the People's Republic of China and Taiwan. See "*Subscription and Sale*".

CERTAIN DEFINITIONS

Unless otherwise specified or the context requires, references herein to “**US dollars**”, “**U.S.\$**” and “**USD**” are to the lawful currency of the United States of America (the “**USA**” or the “**US**”), references to “**Hong Kong dollars**”, “**HK dollars**”, “**HK\$**” and “**HKD**” are to the lawful currency of the Hong Kong Special Administrative Region of the PRC (“**Hong Kong**”), references to “**Renminbi**”, “**RMB**” and “**CNY**” are to the lawful currency of the People’s Republic of China (the “**PRC**”), references to “**Sterling**” and “**£**” are to the lawful currency of the United Kingdom and references to “**EUR**”, “**euro**” and “**€**” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

In addition, references to “**Macau**” are to the Macau Special Administrative Region of the PRC, references to “**Mainland China**” are to the PRC excluding Hong Kong and Macau and references to “**Greater China**” are to the PRC including Hong Kong and Macau.

For convenience only and unless otherwise noted, all translations from HK\$ into U.S.\$ in this Offering Circular were made at the rate of HK\$7.75 to U.S.\$1. No representation is made that the HK dollar amounts referred to in this Offering Circular could have been or could be converted into US dollars at any particular rate or at all.

Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

FORWARD-LOOKING STATEMENTS

The Bank has included statements in this Offering Circular which contain words or phrases such as **will, would, aim, aimed, will likely result, is likely, are likely, believe, expect, expected to, will continue, will achieve, anticipate, estimate, estimating, intend, plan, contemplate, seek to, seeking to, trying to, target, propose to, future, objective, goal, project, should, can, could, may, will pursue** and similar expressions or variations of such expressions, that are “forward-looking statements”. Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with the Bank’s expectations with respect to, but not limited to, its ability to successfully implement its strategy, its ability to integrate recent or future mergers or acquisitions into its operations, future levels of non-performing assets and restructured assets, its growth and expansion, the adequacy of its provision for credit and investment losses, technological changes, investment income, its ability to market new products, cash flow projections, the outcome of any legal or regulatory proceedings it is or becomes a party to, the future impact of new accounting standards, its ability to pay dividends, its ability to roll over its short-term funding sources, its exposure to operational, market, credit, interest rate and currency risks and the market acceptance of and demand for Internet banking services.

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IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE RELEVANT ISSUE DATE. HOWEVER, THERE IS NO OBLIGATION ON SUCH STABILISATION MANAGER(S) TO DO THIS. SUCH STABILISATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISATION SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the published audited financial statements of the Issuer for the two most recent financial years and the most recently published unaudited interim financial results of the Issuer, in each case including any notes thereto; and
- (b) all supplements or amendments to this Offering Circular circulated by the Issuer from time to time, save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office set out at the end of this Offering Circular. In addition, such documents will be available free of charge from the office of Citibank, N.A., London Branch (the “**Principal Paying Agent**”) at c/o 1 North Wall Quay, Dublin 1, Ireland.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, a new offering circular will be prepared.

Save for the Issuer’s audited consolidated financial statements as at and for the year ended 31 December 2020, the financial information contained in this Offering Circular does not constitute the Issuer’s specified financial statements (as defined in the Companies Ordinance (Cap. 622) of Hong Kong) for the financial year ended 31 December 2020 but, in respect of financial information relating to the full financial year, is derived from those specified financial statements. The Issuer has delivered the specified financial statements for the financial year ended 31 December 2020 to the Registrar of Companies of Hong Kong.

PricewaterhouseCoopers (Certified Public Accountants), the auditors of the Issuer, has issued auditor’s report on the specified financial statements in relation to the Issuer for the financial year ended 31 December 2020. Such report was not qualified or otherwise modified, did not refer to any matters to which the auditors drew attention by way of emphasis without qualifying the reports and did not contain any statement under Sections 406(2) or 407(2) or (3) of the Companies Ordinance (Cap. 622) of Hong Kong.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency, subject to as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under “*Form of the Notes*”.

This Offering Circular and any supplement will only be valid for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.\$3,000,000,000 or its equivalent in other currencies. For the purpose of calculating the US dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

- (a) the US dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in Hong Kong, in each case on the basis of the spot rate for the sale of the US dollar against the purchase of such Specified Currency in the Hong Kong foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;
- (b) the US dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and
- (c) the US dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

SUMMARY FINANCIAL AND OTHER INFORMATION

The following tables set forth the summary consolidated financial and other information of the Bank as at and for the periods indicated. The summary consolidated financial information as at and for the years ended 31 December 2019 and 2020 set forth below is derived from the Bank's audited consolidated financial statements as at and for the year ended 31 December 2020, and should be read in conjunction with the audited consolidated financial statements of the Bank as at and for the year ended 31 December 2020 and the notes thereto included elsewhere in this Offering Circular. Certain items in the consolidated financial statements of the Bank as at and for the year ended 31 December 2020 have been aggregated for the purpose of presentation of the summary financial information in the tables below.

The Bank's audited consolidated financial statements as at and for the year ended 31 December 2020 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The accounting policies of the Bank have been summarised in note 2 to the Bank's audited consolidated financial statements for the year ended 31 December 2020.

SUMMARY INCOME STATEMENT DATA

	Years ended 31 December		
	2019	2020	2020
	<i>HK\$</i>	<i>HK\$</i>	<i>U.S.\$</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
	<i>(in millions)</i>		
Interest income	12,164.0	9,038.8	1,166.3
Interest expense	(5,821.2)	(3,852.6)	(497.1)
Net interest income	6,342.8	5,186.2	669.2
Non-interest income.....	2,008.5	2,169.5	279.9
Operating expenses	(3,696.4)	(3,661.8)	(472.5)
Operating profit before impairment	4,654.9	3,693.9	476.6
Impairment losses	(1,267.7)	(2,352.5)	(303.5)
	3,387.2	1,341.4	173.1
Non-operating income	(53.2)	(35.3)	(4.6)
Profit before taxation	3,334.0	1,306.1	168.5
Income tax	(523.7)	(150.3)	(19.4)
Profit for the year.....	HK\$2,810.3	HK\$1,155.8	US\$149.1
Earnings per share (HK\$)	0.23	0.10	0.01

SUMMARY FINANCIAL AND OTHER INFORMATION

SUMMARY STATEMENT OF FINANCIAL POSITION DATA

	As at 31 December		
	2019	2020	2020
	HK\$	HK\$	U.S.\$
	(audited)	(audited)	(unaudited)
		(in millions)	
Assets			
Cash and balances with banks, central banks and other financial institutions.....	26,005.6	32,783.9	4,230.2
Placements with and advances to banks, central banks and other financial institutions	54,468.9	28,969.8	3,738.0
Financial assets at fair value through profit or loss.....	1,908.4	2,649.1	341.8
Derivative financial instruments	6,283.6	14,378.6	1,855.3
Loans and advances to customers and other accounts	193,572.2	226,790.0	29,263.2
Financial assets at fair value through other comprehensive income	76,668.3	84,950.9	10,961.4
Amortised cost investments.....	-	48.5	6.3
Property and equipment.....			
— Investment properties.....	229.1	254.8	32.9
— Other premises and equipment.....	499.0	511.8	66.0
Right-of-use assets.....	679.5	696.7	89.9
Intangible assets.....	584.8	635.1	81.9
Tax recoverable	6.8	55.4	7.2
Deferred tax assets.....	315.2	174.1	22.5
Total Assets	361,221.5	392,898.7	50,696.7
Equity and Liabilities			
Deposits and balances of banks and other financial institutions .	7,121.6	5,326.4	687.3
Deposits from customers	276,872.7	309,877.0	39,984.1
Financial liabilities at fair value through profit or loss	146.5	290.2	37.4
Derivative financial instruments.....	6,363.1	15,160.3	1,956.2
Certificates of deposit issued.....	3,112.9	-	-
Debt securities issued	3,346.1	-	-
Current tax liabilities	705.8	19.7	2.5
Deferred tax liabilities	2.2	0.9	0.1
Other liabilities	10,155.3	10,078.2	1,300.4
Lease liabilities.....	695.9	722.9	93.3
Loan capital	6,249.2	3,855.4	497.5

	As at 31 December		
	2019	2020	2020
	HK\$	HK\$	U.S.\$
	(audited)	(audited)	(unaudited)
	(in millions)		
Total Liabilities	314,771.3	345,331.0	44,558.8
Equity			
Share capital	18,404.0	18,404.0	2,374.7
Reserves	20,275.8	21,393.3	2,760.4
Total equity attributable to equity shareholders of the Bank	38,679.8	39,797.3	5,135.1
Other equity instruments	7,770.4	7,770.4	1,002.6
Total Equity and Liabilities	361,221.5	392,898.7	50,696.7

	At 31 December 2019	At 31 December 2020
	(audited)	(audited)
	(per cent.)	

OTHER INFORMATION

Common Equity Tier 1 (“CET1”) capital ⁽¹⁾	14.3	12.3
Tier 1 capital ratio ⁽¹⁾	17.2	14.9
Total capital ratio ⁽¹⁾	20.0	17.3
Average liquidity coverage ratio ⁽²⁾	226	217
Loans to deposits	67.6	71.0
Loans to total assets	52.4	56.0
ECL Allowance Coverage ⁽³⁾	1.9	1.1
Cost to income	44.3	49.8
Return on average assets	0.79	0.3
Return on average shareholders’ equity	7.44	2.91

Notes:

- (1) As at 31 December 2020 and 31 December 2019, the capital adequacy ratio was computed on a consolidated basis covering the Bank and certain of its subsidiaries as required by the Hong Kong Monetary Authority (the “HKMA”) for its regulatory purposes and was in accordance with the Banking (Capital) Rules issued by the HKMA.
- (2) Under the Banking (Liquidity) Rules, the Group being a Category 1 institution is required to maintain a Liquidity Coverage Ratio (“LCR”) above the statutory minimum requirement.
- (3) The ratios represented collectively assessed impairment allowance divided by gross loans and advances.

TIER I AND TIER II CAPITAL BASE — As at 31 December 2020

Capital adequacy ratios (“CARs”) are complied with in accordance with the Banking (Capital) Rules issued by the HKMA. The CARs are computed on a consolidated basis covering the Bank and some of its subsidiaries as required by the HKMA. The Bank has adopted the “standardised approach” for calculating the risk-weighted amount for credit risk and market risk and the “basic indicator approach” for calculating operational risk.

	Years ended 31 December		
	2019	2020	2020
	HK\$	HK\$	U.S.\$
	(audited)	(audited)	(unaudited)
	(in millions)		
CET1 capital: instruments and reserves			
Directly issued qualifying CET1 capital instruments plus any related share premium	18,404.0	18,404.0	2,374.7
Retained earnings	19,681.1	20,416.2	2,634.3
Disclosed reserves	646.9	1,050.8	135.6
CET1 capital before regulatory deductions	38,732.0	39,871.0	5,144.6
CET1 capital: regulatory deductions			
Deferred tax assets net of deferred tax liabilities	315.2	174.1	22.5
Other intangible assets (net of related deferred tax liability)	584.8	635.1	81.9
Cumulative fair value gains arising from the revaluation of land and buildings (own use and investment properties)	149.5	173.8	22.4
Regulatory reserve for general banking risks	243.3	1,926.8	248.6
Valuation adjustments	6.4	26.1	3.4
Debt valuation adjustments in respect of derivative contracts	2.5	2.4	0.3
Total regulatory deductions to CET1 capital	1,301.7	2,938.3	379.1
CET1 capital	37,430.3	36,932.7	4,765.5
Additional Tier 1 (AT1) capital	7,772.1	7,772.1	1,002.9
Tier 1 capital	45,202.4	44,704.8	5,768.4
Tier 2 capital: instruments and provisions			
Qualifying Tier 2 capital instruments plus any related share premium	4,365.5	3,876.2	500.2
Reserve attributable to fair value gains on revaluation of holdings of land and buildings	67.2	78.2	10.1

	Years ended 31 December		
	2019	2020	2020
	<i>HK\$</i>	<i>HK\$</i>	<i>U.S.\$</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
		<i>(in millions)</i>	
Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	2,841.8	3,234.5	417.3
Tier 2 capital base before deductions	7,274.5	7,188.9	927.6
Tier 2 capital: regulatory deductions			
Regulatory deductions to Tier 2 capital.....	—	—	—
Tier 2 capital	7,274.5	7,188.9	927.6
Total capital	52,476.9	51,893.7	6,696.0

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this summary.

Issuer	China CITIC Bank International Limited
	The Issuer is incorporated and licensed in Hong Kong with business operations and presence spanning across Hong Kong, Macau, the PRC, the United States and Singapore. It is majority-owned by CITIC International Financial Holdings Limited, a company incorporated in Hong Kong, which in turn is wholly-owned by China CITIC Bank Corporation Limited.
Description:	Medium Term Note Programme.
Arrangers:.....	China CITIC Bank International Limited and Citigroup Global Markets Limited.
Dealers:	China CITIC Bank International Limited and Citigroup Global Markets Limited and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this Offering Circular.
	Notes having a maturity of less than one year
	Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “ <i>Subscription and Sale</i> ”.
Trustee:.....	Citibank, N.A., London Branch.
Principal Paying Agent, Transfer Agent and Agent Bank:	Citibank, N.A., London Branch.
Registrar:	Citigroup Global Markets Europe AG.
CMU Lodging Agent:.....	Citibank, N.A., Hong Kong Branch.
Programme Size:	Up to U.S.\$3,000,000,000 (or its equivalent in other currencies calculated as described under “ <i>General Description of the Programme</i> ”) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the

Programme Agreement.

- Investment Considerations: There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Investment Considerations*" below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Investment Considerations*" and include certain risks relating to the structure of particular Series of Notes and certain market risks.
- Distribution: Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
- Currencies: Subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.
- Redenomination: The applicable Pricing Supplement may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 5.
- Maturities: Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
- Issue Price: Notes may be issued on a fully-paid or (in the case of the Notes other than Subordinated Notes) a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
- Form of Notes: The Notes will be issued in bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.
- Fixed Rate Notes: Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the Dealer.
- Floating Rate Notes: Floating Rate Notes will bear interest at a rate determined:
- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
 - (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service;
 - (c) or on such other basis as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed

	between the Issuer and the relevant Dealer for each series of Floating Rate Notes. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate, or both.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
Dual Currency Notes:.....	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.
Partly Paid Notes:.....	The Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount, or offered and sold at their nominal amount and be redeemed at a premium, and will not bear interest.
Other Notes:	The Issuer may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.
Redemption:	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or regulatory reasons or pursuant to a winding-up of the Issuer following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

The applicable Pricing Supplement may provide that Notes may be redeemable in separate instalments in such amounts and on such dates as are indicated in the applicable Pricing Supplement.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see “*Certain Restrictions — Notes having a maturity of less than one year*” above.

Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see “ <i>Certain Restrictions</i> ” above.
Taxation:.....	<p>All payments of principal and interest in respect of the Notes, Receipts and Coupons will be made without deduction for or on account of withholding taxes imposed by Hong Kong, subject as provided in Condition 9. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 9, be required to pay additional amounts to cover the amounts so deducted.</p> <p>Without prejudice to the Issuer’s obligation to pay additional amounts as described above, all payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to fiscal and other laws, as provided in Condition 7.8.</p>
Negative Pledge:	The terms of the Senior Notes will contain a negative pledge provision as further described in Condition 4.
Events of Default for Senior Notes:	Events of default for Senior Notes are set out in Condition 11.1.
Cross Default:.....	The terms of the Senior Notes will contain a cross default provision as further described in Condition 11.1.
Status of the Senior Notes:	The Senior Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of the negative pledge in Condition 4) unsecured obligations of the Issuer, ranking <i>pari passu</i> and without any preference among themselves. The payment obligations of the Issuer under the Senior Notes will rank at least equally with all other unsecured and unsubordinated obligations of the Issuer, present and future, including liabilities in respect of deposits, save for such exceptions as may be provided by applicable legislation and subject to Condition 4.
Status, Events of Default and other terms of Subordinated Notes:	Subordinated Notes will be Dated Subordinated Notes or Undated Subordinated Notes as indicated in the applicable Pricing Supplement. The status of the Subordinated Notes and events of default applicable to Subordinated Notes are set out in Conditions 3.2 and 11.2, respectively. Subordinated Notes do not have the benefit of a negative pledge or cross default provision.
Listing:	Application has been made to the SGX-ST for permission to deal in and quotation for any Notes that may be issued pursuant to the Programme and which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. For so long as any Notes are listed on the SGX-ST and

the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies).

Unlisted Notes may also be issued.

The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).

- Governing Law:..... The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes and the Trust Deed will be governed by, and shall be construed in accordance with, English law, except that the provisions of the Notes and the Trust Deed relating to subordination shall be governed by, and construed in accordance with, the laws of Hong Kong.
- Selling Restrictions: There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including The Netherlands), United Kingdom, Singapore, Japan, Hong Kong, the PRC and Taiwan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see “*Subscription and Sale*”.
- United States Selling Restrictions: Regulation S, Category 1 or 2, as specified in the applicable Pricing Supplement. TEFRA C or D/TEFRA not applicable, as specified in the applicable Pricing Supplement.
- Clearing Systems:..... The CMU Service, Clearstream, Luxembourg, Euroclear and/or any other clearing system as specified in the applicable Pricing Supplement, see “*Form of the Notes*”.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached.

Bearer Notes

Each Tranche of Bearer Notes will be in bearer form and will be initially issued in the form of a temporary bearer global note (a “**Temporary Bearer Global Note**”) or, if so specified in the applicable Pricing Supplement, a permanent bearer global note (a “**Permanent Bearer Global Note**”, together with any Temporary Bearer Global Note, the “**Bearer Global Notes**”) which, in either case, will be delivered on or prior to the original issue date of the Tranche to either (i) a common depositary (the “**Common Depositary**”) for, Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”) or (ii) a sub-custodian for the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority (the “**CMU Service**”).

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and/or the CMU Lodging Agent and (in the case of a Temporary Bearer Global Note delivered to a Common Depositary for Euroclear and Clearstream, Luxembourg) Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent (as defined in “*Terms and Conditions of the Notes*”). On and after the date (the “**Exchange Date**”) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Bearer Global Note of the same Series or (b) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that the purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The CMU Service may require that any such exchange for a Permanent Global Bearer Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report or any other relevant notification supplied to the CMU lodging Agent by the CMU Service) have so certified. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

In respect of a Bearer Global Note held through the CMU Service, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Bearer Global Note are credited (as set out in a CMU Issue Position Report or any other relevant notification

supplied to the CMU Lodging Agent by the CMU Service) and, save in the case of final payment, no presentation of the relevant Bearer Global Note shall be required for such purpose.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days' written notice (i), in the case of Notes held by a Common Depository for Euroclear and Clearstream, Luxembourg, from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (ii), in the case of Notes held through a sub-custodian for the CMU Service, from the relevant account holders therein to the CMU Lodging Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default (as defined in Condition 11) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have, or in the case of Notes cleared through the CMU Service, the CMU Service has, been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bearer Notes represented by the Permanent Bearer Global Note in definitive form and a certificate to such effect signed by two directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes held by a Common Depository for Euroclear and Clearstream, Luxembourg, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or, (b) in the case of Notes held through a sub-custodian for the CMU Service, the relevant account holders therein, may give notice to the Principal Paying Agent or, as the case may be, the CMU Lodging Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent or, as the case may be, the CMU Lodging Agent.

The following legend will appear on all Bearer Global Notes (other than Temporary Bearer Global Notes), receipts and interest coupons relating to such Notes where TEFRA D is specified in the applicable Pricing Supplement:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold outside the United States (and, in the case of Notes being offered or sold in reliance on Category 2 of Regulation S,

only to non-U.S. persons), will initially be represented by a global note in registered form (a “**Registered Global Note**”, together with any Bearer Global Note, the “**Global Notes**”). Prior to expiry of the distribution compliance period (as defined in Regulation S), if any, applicable to each Tranche of Notes, beneficial interests in a Registered Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear, Clearstream, Luxembourg or the CMU Service and such Registered Global Note will bear a legend regarding such restrictions on transfer.

Registered Global Notes will be deposited with a Common Depositary for, and registered in the name of a common nominee of, Euroclear, Clearstream, Luxembourg and/or deposited with a sub-custodian for the CMU Service (if applicable), as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7.4) as the registered holder of the Registered Global Notes. None of the Issuer, the Trustee, the Principal Paying Agent, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, Exchange Event means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has or will become subject to adverse tax consequences which would not be suffered where the Notes represented by the Registered Global Notes in definitive form or (iii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg and, in the case of Notes cleared through the CMU Service, the CMU Service have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any case, no successor or alternative clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes registered in the name of a nominee for a Common Depositary for Euroclear and Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) and/or, (b) in the case of Notes held through a sub-custodian for the CMU Service, the relevant account holders therein, may give notice to the Registrar or the CMU Lodging Agent, as the case may be, requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar or the CMU Lodging Agent, as the case may be.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial

owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear, Clearstream, Luxembourg and the CMU Service, in each case to the extent applicable.

General

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Principal Paying Agent or, as the case may be, the CMU Lodging Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CMU instrument number which are different from the common code, CMU instrument number and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act), if any, applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg or the CMU Service, each person (other than Euroclear and/or Clearstream, Luxembourg or the CMU Service) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg or the CMU Service as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg or the CMU Service as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purposes the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Trustee and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Trustee.

No Noteholder, Receiptholder or Couponholder (as defined under “*Terms and Conditions of the Notes*”) shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 6, 7, 8 (except Condition 8.2), 12, 13, 14, 15 (insofar as such Notes are not listed or admitted to trade on any stock exchange) or 19, they will not necessitate the preparation of a supplement to this Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that any of the Global Notes representing such Notes is exchanged for definitive Notes. In addition, in the event that any of the Global Notes is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

APPLICABLE PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[Date]

CHINA CITIC BANK INTERNATIONAL LIMITED

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.\$3,000,000,000
Medium Term Note Programme**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 10 June 2021 [and the supplement[s] to it dated [●] [and [●]]] (the “**Offering Circular**”). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

[PRIIPs REGULATION - PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes 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 (the “**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 Directive 2014/65/EU (as amended, “**EU MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**EU 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; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “**EU Prospectus Regulation**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**EU PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.]

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes 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 United Kingdom (“**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 (“**EUWA**”); (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 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; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[EU MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the

[Notes] has led to the conclusion that: (i) the target market for the [Notes] is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “EU MiFID II”)] [EU MiFID II]; or (ii) all channels for distribution of the [Notes] to eligible counterparties and professional clients are appropriate. Any [person subsequently offering, selling or recommending the [Notes] (a “distributor”)] should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the [Notes] (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[UK MiFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the [Notes] is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“COBS”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“UK MiFIR”); and (ii) all channels for distribution of the [Notes] to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”)/[distributor] should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “UK MiFIR Product Governance Rules”) is responsible for undertaking its own target market assessment in respect of the [Notes] (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products]/[capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded]/[Specified] Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products).] *[For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.]*

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Offering Circular dated [●] 2021 and the supplement dated [date]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date], save in respect of the Conditions which are extracted from the Offering Circular dated [●] 2021 and are attached hereto.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination [must/may need to] be £100,000 or its equivalent in any other currency.]

- | | | |
|---|--------------------|---|
| 1 | Issuer: | China CITIC Bank International Limited
(Legal Entity Identifier: 54930034UPFJV0NHXV95) |
| 2 | (a) Series Number: | [●] |

- (b) Tranche Number: [●] *(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
- (c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 25 below, which is expected to occur on or about [date]][Not Applicable]
- 3 Specified Currency or Currencies: [●]
- 4 Aggregate Nominal Amount: [●]
- (a) Series: [●]
- (b) Tranche: [●]
- 5 (a) [Issue Price: [●] per cent, of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
- (b) [Net Proceeds: [●] *(required only for listed issues)*]
- 6 (a) Specified Denominations: [●] Notes
- (N.B. Notes must have a minimum denomination of €100,000 (or equivalent)*
- Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA and] which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies). (Note — where multiple denominations above [€100,000] or equivalent are being used with respect to Bearer Notes, the following sample wording should be followed:*
- “(€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above €199,000).”*
- (N.B. If an issue of Notes is (i) NOT admitted to trading on a European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Regulation the €[1,000]/[100,000] minimum denomination is not required.)*
- (In the case of Registered Notes, this means the minimum integral amount in which transfers can be made.)*
- (Notwithstanding any other regulatory or listing requirements in respect of specified denominations, the minimum specified denomination for any series or tranche of Subordinated Notes intending to qualify as Tier 2 capital under the Banking Capital Regulations shall be, if denominated in: (i) Hong Kong dollars, HKD2,000,000; (ii) United States dollars, US\$250,000; (iii)*

- Euros, €200,000; or (iv) any other currency, the equivalent in that currency to HKD2,000,000 with reference to the relevant exchange rate on the date of issue)*
- (b) Calculation Amount: [●] *(If only one Specified Denomination, insert the Specified Denomination.*
If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)
- 7 (a) Issue Date: [●]
- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable] *(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
- (c) Trade Date: [●]
- 8 Maturity Date: [Specify date or for Floating rate notes - Interest Payment Date falling in or nearest to [specify month and year]]¹
- 9 Interest Basis: [[●] per cent. Fixed Rate]
[[LIBOR/EURIBOR/HIBOR] +/- [●] per cent. Floating Rate]
[SOFR]
[Zero Coupon]
[Index Linked Interest]
[Dual Currency Interest]
[specify other]
(further particulars specified below)
- 10 Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption] [Dual Currency Redemption]
[Partly Paid]
[Instalment]
[specify other]
- 11 Change of Interest Basis or Redemption/Payment Basis: [Applicable/Not Applicable]
[If applicable, specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]
- 12 Put/Call Options: [Investor Put]
[Issuer Call]
(further particulars specified below)
[Not Applicable]
- 13 (a) Status of the Notes: [Senior/[Dated/Undated]Subordinated]
- (b) [Qualification of the Notes:] [Not Applicable/The Subordinated Notes are intended to qualify as Tier 2 Capital under the Capital Regulations (see further Item [32] below]

¹ Note that for Hong Kong dollar and Renminbi denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

- (c) Date of Board approval for issuance of Notes obtained: [●] [and [●], respectively]/[None required] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)
- (d) Date of regulatory approval for issuance of Notes obtained: [Pre-issuance registration certificate/NDRC approval] dated [●] from the NDRC²
- 14 Listing: [Singapore/specify other/None]
- 15 Method of distribution: [Syndicated/Non-syndicated]
- PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**
- 16 Fixed Rate Note Provisions: [Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (a) Rate(s) of Interest: [●] per cent, per annum [payable in arrear] on each Interest Payment Date (*If payable other than annually, consider amending Condition 6*)
- (b) Interest Payment Date(s): [[●] in each year³ up to and including the Maturity Date]/[specify other] (Amend in the case of irregular coupons)
- (c) Fixed Coupon Amount(s) for Notes in definitive form (in relation to Notes in global form – see the Conditions): [●] per Calculation Amount⁴
- (d) Broken Amount(s) for Notes in definitive form (in relation to Notes in global form – see the Conditions): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] [Not Applicable]
- (e) Day Count Fraction: [[30/360] [Actual/Actual (ICMA)] [Actual/365 (Fixed)⁵] or [specify other]]
- (f) [Determination Date(s): [[●] in each year] [Not Applicable]
(*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*)
*N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration*² *N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))*]
- (g) Party responsible for [●]

² Delete unless the Notes have a maturity of more than one year.

³ Note that for certain Hong Kong dollar and Renminbi denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: “provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. For these purposes, “**Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and currency deposits) in Hong Kong and [●].”

⁴ For Hong Kong dollar and Renminbi denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: “Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest [HK\$0.01, HK\$0.005/CNY0.01, CNY0.005] being rounded upwards”

⁵ Applicable to Hong Kong dollar and Renminbi denominated Fixed Rate Notes.

- calculating the amount of interest payable per Calculation Amount (if not the Principal Paying Agent):
- (h) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/*Give details*]
- 17 Floating Rate Note Provisions [Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (a) Specified Period(s)/Specified Interest Payment Dates: [●] [subject to adjustment in accordance with the Business Day Convention set out in (c) below /, not subject to any adjustment, as the Business Day Convention in (c) below is specified to be Not Applicable]
- (b) First Interest Payment Date: [●]
- (c) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*] [Not Applicable]
- (d) Additional Business Centre(s): [●]
- (e) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/*specify other*]
- (f) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [●]
- (g) Screen Rate Determination:
- Reference Rate: [●] month [[LIBOR/EURIBOR/HIBOR/Simple Average SOFR with [Lockout/Shift/Lookback]/Compounded SOFR with [Lockout/Shift/Lookback]/SOFR Index Average /*specify other Reference Rate*]
 - Interest Determination Date(s): [●] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling, Hong Kong dollar or euro LIBOR), first day of each Interest Period if Sterling LIBOR or Hong Kong dollar LIBOR or HIBOR and the second day on which the TARGET 2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR*)/[[●] U.S. Government Securities Business Day(s) prior to each Interest Payment Date] (if SOFR)]
 - Relevant Screen Page: [●] (*In the case of EURIBOR, if not Reuters EURIBOROI ensure it is a page which shows a composite rate or amend the fallback provisions appropriately / (if SOFR) only applicable in the case of SOFR Index Average*)
 - Calculation Methods: [Simple Average/Compounded Daily/Not Applicable]

- Rate Cut-off Date (Only applicable if Simple Average SOFR with Lockout or Compounded SOFR with Lockout): [As set out in Condition 6.2.2(c)/[•]/Not Applicable]
 - Lookback Days: [Not Applicable / [•] U.S. Government Securities Business Day(s) (Only applicable if Simple Average SOFR with Lookback or Compounded SOFR with Lookback)]
 - Observation Shift Days: [Not Applicable / [•] U.S. Government Securities Business Day(s) (Only applicable if Simple Average SOFR with Shift or Compounded SOFR with Shift)]
 - SOFR Index_{Start}: [Not Applicable / [•] U.S. Government Securities Business Day(s) (Only applicable in the case of SOFR Index Average)]
 - SOFR Index_{End}: [Not Applicable / [•] U.S. Government Securities Business Day(s) (Only applicable in the case of SOFR Index Average)]
- (h) ISDA Determination:
- Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: [•]
(in the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)
- (i) Margin(s): [+/-] [•] per cent, per annum
- (j) Minimum Rate of Interest: [•] per cent, per annum
- (k) Maximum Rate of Interest: [•] per cent, per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)] [Actual/360]
[30/360]
[360/360]
[Bond Basis]
[30E/360]
[Eurobond Basis]
[30E/360 (ISDA)]
[Other]
(See Condition 6 for alternatives)
- 18 Zero Coupon Note Provisions [Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Accrual Yield: [•] per cent, per annum
 - (b) Reference Price: [•]
 - (c) Any other formula/basis of determining amount payable: [•]

- (d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 8.6(c) and 8.11 apply/specify other] (Consider applicable day count fraction if not U.S. dollar denominated)
- 19 Index Linked Interest Note Provisions [Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Index/Formula: [Give or annex details]
- (b) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Principal Paying Agent): [●]
- (c) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [Need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (d) Specified Period(s)/Specified Interest Payment Dates: [●]
- (e) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (f) Additional Business Centre(s): [●]
- (g) Minimum Rate of Interest: [●] per cent, per annum
- (h) Maximum Rate of Interest: [●] per cent, per annum
- (i) Day Count Fraction: [●]
- 20 Dual Currency Interest Note Provisions [Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate of Exchange/method of calculating Rate of Exchange: [Give or annex details]
- (b) Party, if any, responsible for calculating the principal and/or interest due (if not the Principal Paying Agent): [●]
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [Need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (d) Person at whose option Specified Currency(ies) is/are payable: [●]

PROVISIONS RELATING TO REDEMPTION

- 21 Issuer Call: [Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Optional Redemption Date(s): [●]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[●] per Calculation Amount/specify other/see Appendix]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [●] per Calculation Amount
- (ii) Maximum Redemption Amount: [●] per Calculation Amount
- (d) Notice period (if other than as set out in the Conditions): [●] (N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Trustee)
- 22 Investor Put: [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [●]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[●] per Calculation Amount/specify other/see Appendix]
- (c) Notice period (if other than as set out in the Conditions): [●] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Trustee)*
- 23 Final Redemption Amount: [●] per Calculation Amount/specify other/see Appendix]
- 24 Early Redemption Amount payable on redemption for taxation reasons or regulatory reasons or on event of default: [●] per Calculation Amount/specify other/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 25 Form of Notes: [Bearer Notes: Temporary Bearer Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Bearer Notes: Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- [Bearer Notes: Permanent Bearer Global Note exchangeable for

Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]

[Registered Notes: Registered Global Note ([●] nominal amount)]

(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. N.B. The exchange upon notice/at any time options for Bearer Notes should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for Definitive Notes.)

- 26 Additional Financial Centre(s) or other special provisions relating to Payment Days: [Not Applicable/give details] *(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraphs 16(b), 17(d) and 19(f) relate)*
- 27 Talons for future Coupons or Receipts to be attached to Definitive Notes in Bearer form (and dates on which such Talons mature): [Yes/No. If yes, give details]
- 28 Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. N.B. a new form of Temporary Bearer Global Note and/or Permanent Bearer Global Note may be required for Partly Paid issues]
- 29 Details relating to Instalment Notes:
- (a) Instalment Amount(s): [Not Applicable/give details]
- (b) Instalment Date(s): [Not Applicable/give details]
- 30 Redenomination applicable: Redenomination [not] applicable *(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))*
- 31 Payment of US Dollar Equivalent⁶ [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*

⁶ Applicable to Notes denominated in Renminbi.

In respect of Notes denominated in Renminbi, notwithstanding all other provisions in the Conditions, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able to satisfy payments of principal or interest (in whole or in part) in respect of Notes when due in Renminbi in Hong Kong, the Issuer shall, on giving not less than five nor more than 30 days' irrevocable notice to the Noteholders prior to the due date for payment, settle any such payment (in whole or in part) in US dollars on the due date at the US Dollar Equivalent of any such Renminbi denominated amount.

In such event, payments of the US Dollar Equivalent of the relevant principal or interest in respect of the Notes denominated in Renminbi shall be made in accordance with the Conditions applicable for payment of U.S. dollars.

In the event of a payment pursuant to this paragraph 31, the following modification shall be made in respect of the Conditions:

The definition of "*Payment Day*" in Condition 7.6 in relation to any sum payable in Renminbi, shall mean a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for business in the relevant place of presentation and on which foreign exchange transactions may be carried out in US dollars in New York City.

In this paragraph 31:

Determination Business Day means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong and in New York City.

Determination Date means the day which is two Determination Business Days before the due date of the relevant amount under the Conditions.

Governmental Authority means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong.

Illiquidity means the general Renminbi exchange market in Hong Kong becomes illiquid as a result of which the Issuer cannot obtain sufficient Renminbi in order to satisfy its obligation to pay interest or principal in respect of the Notes as determined by the Issuer in good faith and in a commercially reasonable manner following consultation with two Renminbi Dealers.

Inconvertibility means the occurrence of any event that makes it impossible (where it had previously been possible) for the Issuer to convert any amount due in respect of the Notes in the

general Renminbi exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after [pricing date] and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation).

Non-transferability means the occurrence of any event that makes it impossible for the Issuer to transfer Renminbi between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after [pricing date] and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation).

Renminbi Dealer means an independent foreign exchange dealer of international reports active in the Renminbi exchange market in Hong Kong.

Spot Rate means the CNY/U.S. Dollar official fixing rate, expressed as the amount of CNY per one U.S. Dollar, for settlement in two Determination Business Days reported by the Treasury Markets Association which appears on Reuters page <CNHFIX> at approximately 11:15 a.m. (Hong Kong time).

If such rate is not available, the Calculation Agent will determine the Spot Rate at or around 11.00 a.m. (Hong Kong time) on the Determination Date as the most recently available CNY/U.S. dollar official fixing rate for settlement in two Determination Business Days reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

US Dollar Equivalent means the Renminbi amount converted into US dollars using the Spot Rate for the relevant Determination Date.

In respect of Notes denominated in Renminbi and cleared through CMU, the CMU Lodging Agent shall act as the Calculation Agent, notwithstanding any other provisions of this Pricing Supplement or the Conditions, in the event of any Inconvertibility, Non-transferability or Illiquidity relating to such Notes.

In respect of Notes denominated in Renminbi and cleared

through Euroclear/Clearstream, the Principal Paying Agent shall act as the Calculation Agent, notwithstanding any other provisions of this Pricing Supplement or the Conditions, in the event of any Inconvertibility, Non-transferability or Illiquidity relating to such Notes.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this paragraph 31 by the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agents and all Noteholders.

32 Other terms or special conditions:

[A new Condition 4.2 will be deemed to be inserted after Condition 4 (Negative Pledge (Senior Notes Only)) and shall read as follows:

“4.2 Reporting Covenants

In relation to each Tranche of Notes, the Issuer undertakes to file or cause to be filed with the National Development and Reform Commission of the PRC (NDRC) the requisite information and documents within 10 PRC Business Days (as defined below) after the relevant Issue Date in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (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)) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules as issued by the NDRC from time to time (the **NDRC Post-issue Filing**).

The Issuer shall complete the NDRC Post-issue Filing within the prescribed timeframe and shall comply with all applicable PRC laws and regulations in connection with the Notes.

For the purposes of this Condition:

PRC Business Day means a day on which commercial banks are open for business in the PRC.”⁷

[give other details]

DISTRIBUTION

- 33 (a) If syndicated, names of [Not Applicable/give names]
Managers:
(b) Stabilisation Manager(s) (if [Not Applicable/give name]

⁷ Delete unless the Notes have a maturity of more than one year.

any):

- 34 If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
- 35 U.S. Selling Restrictions: [Reg. S Category 1/2]; TEFRA D/TEFRA C/TEFRA not applicable]
- 36 Additional selling restrictions: [Not Applicable/give details]
- 37 Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
(if the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no KID will be prepared, “Applicable” should be specified.)
- 38 Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]
(if the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no KID will be prepared, “Applicable” should be specified.)

OPERATIONAL INFORMATION

- 39 Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [CMU/Not Applicable/give name(s) and number(s)]
- 40 Delivery: Delivery [against/free of] payment
- 41 Additional Paying Agent(s) (if any): [●]
ISIN: [●]
Common Code: [●]
Legal Entity Identifier: [●]

(insert here any other relevant codes such as a CMU instrument number)

[LISTING APPLICATION

This Pricing Supplement comprises the pricing supplement required to list the issue of Notes described herein pursuant to the U.S.\$3,000,000,000 Medium Term Note Programme of China CITIC Bank International Limited.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

[The Singapore Exchange Securities Trading Limited (the “SGX-ST”) assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Pricing Supplement. The approval in-principle from, and the admission of the Notes to the Official List of, the SGX-ST are not to be taken as indications of the merits of the Issuer, its subsidiaries, its associated companies, the Programme or the Notes.]

Signed on behalf of the Issuer:

By:

.....
Duly authorised

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the rules of the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Pricing Supplement" for a description of the contents of the applicable Pricing Supplement which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by China CITIC Bank International Limited (the "**Issuer**") pursuant constituted by an amended and restated trust deed dated 10 June 2021 (such trust deed as further modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") made between the Issuer and Citibank, N.A., London Branch (the "**Trustee**", which expression shall include any successor as Trustee).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a "**Global Note**"), units of each Specified Denomination in the currency specified herein or, if none is specified, the currency in which the Notes are denominated (the "**Specified Currency**");
- (b) any Global Note in bearer form (each a "**Bearer Global Note**");
- (c) any Global Notes in registered form (each a "**Registered Global Note**");
- (d) any definitive Notes in bearer form ("**Definitive Bearer Notes**", together with the Bearer Global Notes, the "**Bearer Notes**") issued in exchange for a Global Note in bearer form; and
- (e) any definitive Notes in registered form ("**Definitive Registered Notes**", together with the Registered Global Notes, the "**Global Notes**") (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an amended and restated agency agreement dated 10 June 2021 (such agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") and made between the Issuer, the Trustee, Citibank, N.A., London Branch as issuing and principal paying agent and agent bank (the "**Principal Paying Agent**", which expression shall include any successor principal paying agent), Citibank, N.A., Hong Kong Branch as CMU lodging agent (the "**CMU Lodging Agent**", which expression shall include any successor CMU lodging agent) and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents) and Citigroup Global Markets Europe AG as registrar (the "**Registrar**", which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents). For the purposes of these Terms and Conditions (the "**Conditions**"), all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Principal Paying Agent shall, with respect to a Series of Notes to be held in the CMU (as defined below), be deemed to be a reference to the CMU Lodging Agent and all such references shall be construed accordingly.

Interest-bearing Definitive Bearer Notes have interest coupons ("**Coupons**Error! Bookmark not defined.") and, if indicated in the applicable Pricing Supplement, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons. Definitive Bearer Notes repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Definitive Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in the Pricing Supplement attached to or endorsed on this Note which supplements the Conditions and to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the "**applicable Pricing Supplement**" are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean (in the case of Definitive Bearer Notes) the holders of the Notes and (in the case of Definitive Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to "**Receptholders**" shall mean the holders of the Receipts and any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

The Trustee acts for the benefit of the Noteholders, the Receptholders and the Couponholders in accordance with the provisions of the Trust Deed.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices (as set out in the applicable Pricing Supplement).

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee being at 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom and at the specified office of each of the Paying Agents. Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of each of the Paying Agents save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable during normal business hours at the specified office of each of the Paying Agents save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the Trustee or, as the case may be, and the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

Words and expressions defined in the Trust Deed and the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and **provided that**, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. **Form, Denomination and Title**

The Notes are issued in bearer form or in registered form as specified in the applicable Pricing Supplement and, in the case of definitive Notes, serially numbered, in the currency (the "**Specified Currency**") and the denomination (the "**Specified Denomination(s)**") specified in the applicable Pricing Supplement. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Notes in bearer form may not be exchanged for Notes in registered form and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

This Note may also be a Senior Note, an Undated Subordinated Note or a Dated Subordinated Note, as indicated in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to Definitive Bearer Notes, Receipts and Coupons will pass by delivery and title to Definitive Registered Notes will pass upon registration of transfers in the register which is kept by the Registrar in accordance with the provisions of the Trust Deed and the Agency Agreement. The Issuer, the Paying Agents, the Trustee, the Registrar and the Transfer Agents will (except as otherwise required by law) deem and treat the bearer of any Definitive Bearer Note, Receipt or Coupon and the registered holder of any Definitive Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes, but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and/or a sub-custodian for the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the "**CMU**"), each person (other than Euroclear or Clearstream, Luxembourg or the CMU) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg or the CMU as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or the CMU as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Paying Agents, the Registrar, the Trustee and the Transfer Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, any Paying Agent, the Registrar, the Trustee and any Transfer Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder and holder of Notes**" and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg and the CMU, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg and/or the CMU shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Trustee.

2. **Transfers of Registered Notes**

2.1 **Transfers of interests in Registered Global Notes**

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear, Clearstream, Luxembourg or the CMU, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing system acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Definitive Registered Notes or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear, Clearstream, Luxembourg or the CMU and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for Euroclear, Clearstream, Luxembourg or the CMU shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of Euroclear, Clearstream, Luxembourg or the CMU or to a successor if Euroclear, Clearstream, Luxembourg or the CMU or such successor's nominee.

2.2 **Transfers of Definitive Registered Notes**

Subject as provided in Condition 2.5 below, upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer (i) the holder or holders must (A) surrender the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 3 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Definitive Registered Note in definitive form of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 **Registration of transfer upon partial redemption**

In the event of a partial redemption of Notes under Condition 8, the Issuer shall not be required to register the transfer of any Definitive Registered Note, or part of a Definitive Registered Note, called for partial redemption.

2.4 **Costs of registration**

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

2.5 **Closed Periods**

No Noteholder may require the transfer of a Registered Note to be registered during the period of (i) 15 days ending on (and including) the due date for redemption of, or payment of any Instalment Amount in respect of, that Note and (ii) during the period of seven days ending on (and including) any Record Date.

2.6 **Exchanges and transfers of Definitive Registered Notes generally**

Holders of Definitive Registered Notes may exchange such Notes for interests in a Registered Global Note of the same type at any time.

3. **Status of the Notes**

3.1 **Status of the Senior Notes**

The Notes the status of which is specified in the applicable Pricing Supplement as Senior (the "**Senior Notes**") and any relative Receipts and Coupons constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Senior Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at

all times rank at least equally with all its other present and future unsecured and unsubordinated obligations including liabilities in respect of deposits.

3.2 **Status of the Subordinated Notes**

This Condition 3.2 applies only to Notes specified in the applicable Pricing Supplement as being either Dated Subordinated Notes or Undated Subordinated Notes. Undated Subordinated Notes and Dated Subordinated Notes are together referred to in the Conditions as "**Subordinated Notes**".

3.2.1 **Provisions relating to Dated Subordinated Notes**

If the Notes are specified as Dated Subordinated Notes in the applicable Pricing Supplement, the Dated Subordinated Notes and the relative Receipts and Coupons constitute direct, unconditional, unsecured and, in accordance with this Condition 3.2.1, subordinated obligations of the Issuer, ranking *pari passu* without any preference among themselves.

In the event of the Winding-Up of the Issuer, the claims of the Trustee, the Noteholders, the Receiptholders and the Couponholders against the Issuer in respect of the Dated Subordinated Notes and the relative Receipts and Coupons will be subordinated in right of payment to the claims of depositors and all other unsubordinated creditors of the Issuer and will rank at least *pari passu* in right of payment with all other Subordinated Indebtedness, present and future, of the Issuer in the manner provided in the Trust Deed. Claims in respect of the Notes will rank in priority to the rights and claims of holders of subordinated liabilities which by their terms rank or are expressed to rank in right of payment junior to the Notes and of all classes of equity securities of the Issuer. Any amounts paid to the Trustee in the Winding-Up of the Issuer as aforesaid will be held on trust for distribution in satisfaction of the claims of unsubordinated creditors to the extent (if any) not fully paid and thereafter in or towards payment of the amounts due under the Dated Subordinated Notes and the relative Receipts and Coupons. For these purposes, "**Subordinated Indebtedness**" means all indebtedness which is subordinated, in the event of the winding-up of the Issuer, in right of payment to the claims of depositors and other unsubordinated creditors of the Issuer, and for this purpose indebtedness shall include all liabilities, whether actual or contingent.

The provisions of this Condition 3.2.1 apply only to the principal and interest in respect of the Dated Subordinated Notes and nothing in this Condition 3.2.1 shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

3.2.2 **Provisions relating to Undated Subordinated Notes**

If the Notes are specified as Undated Subordinated Notes in the applicable Pricing Supplement, the Undated Subordinated Notes and any relative Receipts and Coupons are direct, unsecured and subordinated obligations of the Issuer, conditional as described below and rank *pari passu* without any preference among themselves.

The rights of the holders of the Undated Subordinated Notes and any relative Receipts and Coupons will, in the event of the Winding-Up (as defined in Condition 11.2) of the Issuer, be subordinated in right of payment to the claims of Prior Creditors. In the event of the Winding-Up of the Issuer, there shall be payable by the Issuer in respect of each Undated Subordinated Note (in lieu of any other payment by the Issuer), but subject as provided in this Condition, such amount, if any, as would have been payable to the Noteholder thereof if, at the close of business on the day prior to the commencement of the Winding-Up of the Issuer and thereafter, such Noteholder were the holder of a class of fully paid, validly issued preference shares in the capital of the Issuer having a preferential right to a return of assets in the Winding-Up of the Issuer over the holders of all issued shares (including for this purpose other preference shares issued) for the time being in the Issuer's capital on the assumption that such preference share was entitled to receive on a return of assets in such Winding-Up of the Issuer an amount (disregarding any tax credit which would have been given in relation to dividends payable on such preference share)

equal to the principal amount of such Undated Subordinated Note together with Arrears of Interest, if any, and accrued interest as provided below.

The Issuer's obligation to make any payment of interest and, where applicable, any repayment of principal in respect of any Undated Subordinated Notes is conditional upon the Issuer being able to make such payment and remain Solvent immediately thereafter.

For the purposes of this Condition, "**Solvent**" and "**Solvency**" means that the Issuer:

- (i) is able to pay its debts as they fall due; and
- (ii) has Assets that exceed its Liabilities (other than its Liabilities to persons in respect of Primary Capital Indebtedness).

The Trust Deed contains provisions requiring a certificate as to the Solvency of the Issuer to be signed by (i) two directors of the Issuer or, (ii) in certain circumstances as provided in the Trust Deed, the Auditors or, (iii) if the Issuer is in Winding-Up, the liquidator of the Issuer to be delivered to the Trustee prior to any payment of principal or interest and also prior to the purchase of any Undated Subordinated Notes beneficially by or for the account of the Issuer or any of its Subsidiaries. Any such certificate or report shall be treated and accepted by the Issuer, the Trustee, the Noteholders and the Couponholders as correct and sufficient evidence of such Solvency.

In these Conditions, the following expressions have the following meanings:

"**Assets**" means the unconsolidated gross assets of the Issuer and "**Liabilities**" means the unconsolidated gross liabilities (including contingent liabilities) of the Issuer, all as shown in the latest published balance sheet having the benefit of an unqualified Auditors' report, but with such adjustments as the Auditors or, if the Issuer is in Winding-Up, the liquidator shall determine;

"**Auditors**" means the independent certified public accountants for the time being of the Issuer;

"**Primary Capital Indebtedness**" means (i) any money payable under the Undated Subordinated Notes and (ii) Undated Subordinated Indebtedness, the right to payment by the Issuer by the terms whereof is, or is expressed to be, subordinated in the event of a Winding-Up of the Issuer to the claims of all or any of the creditors of the Issuer (including all or any of the creditors in respect of the Undated Subordinated Indebtedness) so that it ranks *pari passu* with, or junior to, claims against the Issuer in respect of (i) undated subordinated notes or (ii) undated subordinated guarantees or is required by the terms of any agreement here before or hereafter entered into by the Issuer to be so subordinated but is not so subordinated;

"**Prior Creditors**" means creditors of the Issuer (including creditors in respect of the principal and interest payable in respect of notes issued or guaranteed by the Issuer which do not constitute Primary Capital Indebtedness) except creditors in respect of Primary Capital Indebtedness;

"**Undated Subordinated Indebtedness**" means any liability of the Issuer howsoever arising for the payment of money (including (i) the principal and interest payable in respect of dated subordinated notes, (ii) the principal and interest payable in respect of undated subordinated notes, (iii) any amounts payable by the Issuer under dated subordinated guarantees and (iv) any amounts payable by the Issuer under undated subordinated guarantees) the right to payment of which by the Issuer by the terms whereof is, or is expressed to be, subordinated in the event of a Winding-Up of the Issuer to the claims of all or any of the creditors; and "**Subsidiary**" a subsidiary or subsidiary undertaking of the Issuer whose affairs are for the time being required to be fully consolidated in the consolidated accounts of the Issuer.

3.2.3 **Set-off**

Subject to applicable law, no Noteholder, Receiptholder or Couponholder 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 Subordinated Notes, the relative Receipts or the Coupons and each Noteholder, Receiptholder and Couponholder shall, by virtue of being the

holder of any Subordinated Note, Receipt or Coupon, be deemed to have waived all such rights of such set-off, counter-claim or retention.

In the event that any Noteholder, Receiptholder or Couponholder 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 Notes, other than in accordance with this Condition 3.2, such Noteholder, Receiptholder or Couponholder 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 Noteholder, Receiptholder or Couponholder, by virtue of becoming a holder or any Subordinated Note, Receipt or Coupon, 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. **Negative Pledge (Senior Notes Only)**

So long as any of the Senior Notes and the relative Receipts or Coupons remains outstanding (as defined in the Trust Deed) the Issuer will not create or permit to subsist, and will procure that no Subsidiary of the Issuer creates or permits to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("**Security**") upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any International Investment Securities (as defined below) or to secure any guarantee of or indemnity in respect of any International Investment Securities unless, at the same time or prior thereto, the Issuer's obligations under the Senior Notes are, to the satisfaction of the Trustee, (a) secured equally and rateably therewith or benefit from a guarantee or indemnity that is secured equally and rateably therewith, as the case may be, or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee shall, in its absolute discretion, deem not materially less beneficial to the interests of the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

For the purposes of this Condition, "**International Investment Securities**" means any present or future indebtedness in the form of, or represented by, bonds, debentures, notes or other investment securities which are for the time being, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market outside Hong Kong.

5. **Redenomination**

5.1 **Redenomination**

Where redenomination is specified in the applicable Pricing Supplement as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders but after prior consultation with the Trustee, on giving prior notice to the Principal Paying Agent, Euroclear and Clearstream, Luxembourg and/or as applicable, the CMU and at least 30 days' prior notice to the Noteholders in accordance with Condition 15, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (a) the Notes and the Receipts shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, **provided that**, if the Issuer determines, with the agreement of the Principal Paying Agent and the Trustee, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Paying Agents of such deemed amendments;

- (b) save to the extent that an Exchange Notice has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Principal Paying Agent and the Trustee may approve) euro 0.01 and such other denominations as the Principal Paying Agent shall determine and notify to the Noteholders;
- (d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the "**Exchange Notice**") that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (**provided that** such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;
- (e) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee;
- (f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:
 - (i) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and
 - (ii) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;
 and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding; and
- (g) if the Notes are Floating Rate Notes, the applicable Pricing Supplement will specify any relevant changes to the provisions relating to interest; and
- (h) such other changes shall be made to this Condition as the Issuer may decide, after consultation with the Principal Paying Agent and the Trustee, and as may be specified in the notice, to conform it to conventions then applicable to instruments denominated in euro.

5.2 Definitions

In the Conditions, the following expressions have the following meanings:

"Established Rate" means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty;

"euro" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

"Redenomination Date" means (in the case of interest-bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to Condition 5.1 above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and **"Treaty"** means the Treaty on the functioning of the European Union, as amended.

6. Interest

6.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount (or if it is a Partly Paid Note, the nominal amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in the Conditions, **"Fixed Interest Period"** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

"Day Count Fraction" means, in respect of the calculation of an amount of interest in accordance with this Condition 6.1:

- (a) if "**Actual/Actual (ICMA)**" is specified in the applicable Pricing Supplement:
 - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
 - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (b) if "**30/360**" is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and
- (c) if "**Actual/365 (Fixed)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365.

In these Conditions:

"Determination Period" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and **"sub-unit"** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

6.2 Interest on Floating Rate Notes and Index Linked Interest Notes

6.2.1 Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or if it is a Partly Paid Note, the nominal amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In the Conditions, "**Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

In these Conditions, if a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 6.2.1(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "**Business Day**" means (other than in respect of Notes for which the Reference Rate is specified as SOFR in the applicable Pricing Supplement) a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre (other than the TARGET2 System (as defined below)) specified in the applicable Pricing Supplement;
- (b) if the TARGET2 System is specified as an Additional Business Centre in the applicable Pricing Supplement, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open; and
- (c) either (i) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne and Wellington, respectively), (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open and (iii) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong.

6.2.2 Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(a) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this subparagraph (i), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated or (if specified in applicable Pricing Supplement) the 2021 Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time or any successor definitional booklet for interest rate derivatives published from time to time as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

- (A) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (C) the relevant Reset Date is either (a) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("**LIBOR**") on the Euro-zone inter-bank offered rate ("**EURIBOR**") or on the Hong Kong inter-bank offered rate ("**HIBOR**"), the first day of that Interest Period or (b) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this subparagraph (i), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

(b) Screen Rate Determination for Floating Rate Notes not referencing SOFR

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period (other than in respect of Notes for which SOFR is specified as the Reference Rate in the applicable Pricing Supplement) will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR, EURIBOR or HIBOR as specified in the applicable Pricing Supplement) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR, or Hong Kong time, in the case of HIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal

Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of the offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR or HIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(c) Screen Rate Determination for Floating Rate Notes referencing SOFR

(A) If SOFR is specified in the applicable Pricing Supplement and if "Simple Average" is specified as the calculation method:

- (1) where "Simple Average SOFR with Lockout" is specified in the applicable Pricing Supplement to be applicable, then the rate of interest applicable to the Notes for each Interest Period will be the sum of the relevant Margin and the arithmetic mean of the SOFR rates for each day during the Interest Period, all as determined by the Calculation Agent on each Interest Determination Date for such Interest Period and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards, provided that, SOFR in respect of each calendar day during the period from (and including) the Rate Cut-off Date to (but excluding) the next occurring Interest Payment Date will be SOFR on the Rate Cut-off Date; or
- (2) where "Simple Average SOFR with Shift" is specified in the applicable Pricing Supplement to be applicable, then the rate of interest applicable to the Notes for each Interest Period will be the sum of the relevant Margin and the arithmetic mean of the SOFR rates for each day during the relevant Observation Period, all as determined by the Calculation Agent, and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards; or
- (3) where "Simple Average SOFR with Lookback" is specified in the applicable Pricing Supplement to be applicable, then
 - (i) SOFR for any U.S. Government Securities Business Day in the relevant Interest Period is equal to SOFR in respect of the U.S. Government Securities Business Days falling a number of U.S. Government Securities Business Days prior to that day equal to the number of Lookback Days; and
 - (ii) the rate of interest applicable to the Notes for each Interest Period will be the sum of the relevant Margin and the arithmetic mean of the SOFR rates for each day during the relevant Interest Period as determined pursuant to paragraph (i), all as determined by the Calculation Agent, and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards.

In each of (1), (2) or (3) above, SOFR in respect of any calendar day which is not a U.S. Government Securities Business Day shall be deemed to be SOFR in respect of the U.S. Government Securities Business Day immediately preceding such calendar day.

- (B) If SOFR is specified in the applicable Pricing Supplement and if "Compounded SOFR" is specified as the calculation method, then the rate of interest applicable to the Notes for each Interest Period will be equal to the value of the SOFR rates for each day during the relevant Interest Period (where Compounded SOFR with Lookback is specified in the applicable Pricing Supplement to determine Compounded SOFR) or Observation Period (where Compounded SOFR with Observation Period Shift is specified in the applicable Pricing Supplement to determine Compounded SOFR).

Compounded SOFR shall be calculated in accordance with one of the formulas referenced below:

- (1) Compounded SOFR with Lookback:

$$\left[\prod_{i=1}^{d_0} \left(1 + \frac{SOFR_{i-xUSBD} \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards,

where:

"**d**" means the number of calendar days in the relevant Interest Period;

"**d₀**" for any Interest Period, means the number of U.S. Government Securities Business Days in the relevant Interest Period;

"**i**" means a series of whole numbers from one to **d₀**, each representing the relevant U.S. Government Securities Business Days in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period;

"**n_i**" for any U.S. Government Securities Business Day "**i**" in the relevant Interest Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day "**i**" up to (but excluding) the following U.S. Government Securities Business Day; and

"**SOFR_{i-xUSBD}**" for any U.S. Government Securities Business Day "**i**" in the relevant Interest Period, is equal to the SOFR in respect of the U.S. Government Securities Business Days falling a number of U.S. Government Securities Business Days prior to that day "**i**" equal to the number of Lookback Days.

- (2) Compounded SOFR with Observation Period Shift:

$$\left[\prod_{i=1}^{d_0} \left(1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred- thousandth of a percentage point, with 0.000005 being rounded upwards,

where:

"**d**" means, in relation to any Observation Period, the number of calendar days in such Observation Period;

"**d₀**" means, in relation to any Observation Period, the number of U.S. Government Securities Business Days in such Observation Period;

"**i**" means, in relation to any Observation Period, a series of whole numbers from one to **d₀**, each representing the relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in such Observation Period;

"**n_i**" means, in relation to any U.S. Government Securities Business Day "**i**", the number of calendar days from (and including) such U.S. Government Securities Business Day "**i**" up to (but excluding) the following U.S. Government Securities Business Day; and

"**SOFR_i**" for any U.S. Government Securities Business Day "**i**" in the relevant Observation Period, is equal to SOFR in respect of that day "**i**".

(3) Compounded SOFR with Lockout:

$$\left[\prod_{i=1}^{d_0} \left(1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred- thousandth of a percentage point, with 0.000005 being rounded upwards, provided that, SOFR in respect of each calendar day during the period from (and including) the Rate Cut- off Date to (but excluding) the next occurring Interest Payment Date will be SOFR on the Rate Cut-off Date,

where:

"**d**" means, in relation to any Interest Period, the number of calendar days in such Interest Period;

"**d₀**" means, in relation to any Interest Period, the number of U.S. Government Securities Business Days in such Interest Period;

"**i**" means, in relation to any Interest Period, a series of whole numbers from one to **d₀**, each representing the relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in such Interest Period;

"**n_i**" means, in relation to any U.S. Government Securities Business Day "**i**", the number of calendar days from (and including) such U.S. Government Securities Business Day "**i**" up to (but excluding) the following U.S. Government Securities Business Day; and

"**SOFR_i**" for any U.S. Government Securities Business Day "**i**" in the relevant Interest Period, is equal to SOFR in respect of that day "**i**".

- (C) If SOFR Index Average ("**SOFR Index Average**") is specified as applicable in the applicable Pricing Supplement, the SOFR for each Interest Period shall be equal to the value of the SOFR rates for each day during the relevant Interest Period as calculated by the Calculation Agent as follows:

$$\left(\frac{SOFR\ Index_{End}}{SOFR\ Index_{Start}} - 1 \right) \times \left(\frac{360}{d_c} \right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards,

where:

"**SOFR Index**" means the SOFR Index in relation to any U.S. Government Securities Business Day as published by the New York Federal Reserve on the New York Federal Reserve's Website at approximately 3:00 p.m. (New York City time) on the relevant U.S. Government Securities Business Day and appearing on the Relevant Screen Page.

"**SOFR Index_{Start}**" means the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the applicable Pricing Supplement preceding the first date of the relevant Interest Period (a "**SOFR Index Determination Date**").

"**SOFR Index_{End}**" means the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the applicable Pricing Supplement preceding the Interest Payment Date relating to such Interest Period (or in the final Interest Period, the Maturity Date).

"**d_c**" means the number of calendar days from (and including) the SOFR Index_{Start} to (but excluding) the SOFR Index_{End}.

If the SOFR Index is not published on any relevant SOFR Index Determination Date, the "SOFR Index Average" shall be calculated on any Interest Determination Date with respect to an Interest Period, in accordance with the formula described above in Condition 6.2.2(c)(B)(2) (*Compounded SOFR with Observation Period Shift*) and the term "Observation Shift Days" shall mean two U.S. Government Securities Business Days. In such case, the provisions set forth in the definition of "SOFR" below (including, for the avoidance of doubt, paragraphs (ii) and (iii) in that definition) shall apply.

- (D) For the purposes of Condition 6.2.2(c), the following additional definitions shall apply:

"**Federal Reserve's Website**" means the website of the Board of Governors of the Federal Reserve System currently at <http://www.federalreserve.gov>, or any successor website.

"**Lookback Days**" means the number of U.S. Government Securities Business Days specified in the applicable Pricing Supplement.

"**New York City Banking Day**" means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York City.

"New York Federal Reserve's Website" means the website of the Federal Reserve Bank of New York currently at <http://www.newyorkfed.org>, or any successor website.

"OBFR Index Cessation Effective Date" means, in relation to an OBFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the daily Overnight Bank Funding Rate) ceases to publish the daily Overnight Bank Funding Rate or the date as of which the daily Overnight Bank Funding Rate may no longer be used.

"OBFR Index Cessation Event" means the occurrence of one or more of the following events:

- (i) a public statement by the Federal Reserve Bank of New York (or a successor administrator of the daily Overnight Bank Funding Rate) announcing that it has ceased or will cease to publish or provide the daily Overnight Bank Funding Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide a daily Overnight Bank Funding Rate;
- (ii) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the daily Overnight Bank Funding Rate) has ceased or will cease to provide the daily Overnight Bank Funding Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the daily Overnight Bank Funding Rate; or
- (iii) a public statement by a U.S. regulator or other U.S. official sector entity prohibiting the use of the daily Overnight Bank Funding Rate that applies to, but need not be limited to, all swap transactions, including existing swap transactions.

"Observation Period" means the period from and including the date falling a number of U.S. Government Securities Business Days equal to the Observation Shift Days preceding the first date of the relevant Interest Period to, but excluding, the date falling a number of U.S. Government Securities Business Days equal to the Observation Shift Days preceding (i) the Interest Payment Date relating to such Interest Period, or (ii) in the final Interest Period, the Maturity Date, or (iii) if the Notes become due and payable, the date on which the Notes become due and payable.

"Observation Shift Days" means the number of U.S. Government Securities Business Days specified in the applicable Pricing Supplement; and

"Rate Cut-off Date" means, in respect of an Interest Period and unless specified otherwise in the applicable Pricing Supplement, the day that is the second U.S. Government Securities Business Day prior to the Interest Payment Date.

"Relevant Screen Page" means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Pricing Supplement (or its successor or replacement page, section, caption, column or other part of a particular information service).

"SIFMA" means the Securities Industry and Financial Markets Association or any successor thereto.

"SOFR" means the rate determined by the Calculation Agent in respect of a U.S. Government Securities Business Day, in accordance with the following provision:

- (i) the Secured Overnight Financing Rate in respect of such U.S. Government Securities Business Day that appears at approximately 3:00 p.m. (New York City time) (the "**SOFR Determination Time**") on the NY Federal Reserve's Website on such U.S. Government Securities Business Day, as such rate is reported on the Bloomberg Screen SOFRRATE Page for such U.S. Government Securities Business Day or, if no such rate is reported on the Bloomberg Screen SOFRRATE Page, then the Secured Overnight Financing Rate that is reported on the Reuters Page USDSOFR= or, if no such rate is reported on the Reuters Page USDSOFR=, then the Secured Overnight Financing Rate that appears at approximately 3:00 p.m. (New York City time) on the New York Federal Reserve's Website on such U.S. Government Securities Business Day ("**SOFR Screen Page**"); or
- (ii) if the rate specified in (i) above does not so appear, and a SOFR Index Cessation Event and a SOFR Index Cessation Date have not occurred, then the Calculation Agent shall use the Secured Overnight Financing Rate published on the New York Federal Reserve's Website in respect of the first preceding U.S. Government Securities Business Day for which the Secured Overnight Financing Rate was published on the New York Federal Reserve's Website;
- (iii) if the rate specified in (i) above is not so published, and a SOFR Index Cessation Event and SOFR Index Cessation Effective Date have both occurred, "**SOFR**" in relation to such SOFR Determination Date shall be the rate that was recommended as the replacement for the daily Secured Overnight Financing Rate by the Federal Reserve Board and/or the Federal Reserve Bank of New York or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York for the purpose of recommending a replacement for the daily Secured Overnight Financing Rate (which rate may be produced by the Federal Reserve Bank of New York or other designated administrator, and which rate may include any adjustments or spreads); provided, however, that, if no such rate has been recommended within one U.S. Government Securities Business Day of the SOFR Index Cessation Effective Date, then:
 - (A) subject to (B) below, "**SOFR**" in relation to each SOFR Determination Date falling on or after the SOFR Index Cessation Effective Date shall be equal to the rate determined in accordance with (i) or (ii) above (as applicable) but as if:
 - (aa) references in Condition 6.2.2(c) to "U.S. Government Securities Business Day" were to "New York City Banking Day" (but so that, in the case of the Observation Period in which the SOFR Index Cessation Effective Date occurred, "d0" shall be construed so that it means the aggregate of (x) the number of U.S. Government Securities Business Days in such Observation Period up to (but excluding) the SOFR Index Cessation Effective Date and (y) the number of New York City Banking Days in such Observation Period from (and including) the SOFR Index Cessation Effective Date, and "i" shall be construed accordingly);
 - (bb) references to "daily Secured Overnight Financing Rate" were to the daily Overnight Bank Funding Rate;
 - (cc) references to "SOFR Index Cessation Event" were references to "OBFR Index Cessation Event"; and

- (dd) references to "SOFR Index Cessation Effective Date" were references to "OBFR Index Cessation Effective Date"; and
- (B) if the rate specified in (A) above is not so published and an OBFR Index Cessation Event and an OBFR Index Cessation Effective Date have both occurred, then, in relation to each SOFR Determination Date falling on or after the later of the SOFR Index Cessation Effective Date and the OBFR Index Cessation Effective Date, "SOFR" shall be equal to the rate determined in accordance with (i) above but as if:
 - (aa) references in Condition 6.2.2(c) to "U.S. Government Securities Business Day" were to "New York City Banking Day" (but so that, in the case of the Observation Period in which the SOFR Index Cessation Effective Date occurred, "d0" shall be construed so that it means the aggregate of (x) the number of U.S. Government Securities Business Days in such Observation Period up to (but excluding) the SOFR Index Cessation Effective Date and (y) the number of New York City Banking Days in such Observation Period from (and including) the SOFR Index Cessation Effective Date, and "i" shall be construed accordingly); and
 - (bb) the reference in paragraph (i) above to the relevant SOFR Screen Page were a reference to the short-term interest rate target set by the Federal Open Market Committee, as published on the Federal Reserve's Website and as prevailing on such SOFR Determination Date, or if the Federal Open Market Committee has not set a single rate, the mid-point of the short-term interest rate target range set by the Federal Open Market Committee, as published on the Federal Reserve's Website and as prevailing on such SOFR Determination Date (calculated as the arithmetic average of the upper bound of the target range and the lower bound of the target range, rounded, if necessary, to the nearest second decimal place with 0.005 being rounded upwards).

"SOFR Index Cessation Effective Date" means, in relation to a SOFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the daily Secured Overnight Financing Rate) ceases to publish the daily Secured Overnight Financing Rate, or the date as of which the daily Secured Overnight Financing Rate may no longer be used.

"SOFR Index Cessation Event" means the occurrence of one or more of the following events:

- (i) a public statement by the Federal Reserve Bank of New York (or a successor administrator of the daily Secured Overnight Financing Rate) announcing that it has ceased or will cease to publish or provide the daily Secured Overnight Financing Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide a daily Secured Overnight Financing Rate;
- (ii) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the daily Secured Overnight Financing Rate) has ceased or will cease to provide the daily Secured Overnight Financing Rate permanently or indefinitely, provided that, at that time there is no successor

administrator that will continue to publish or provide the daily Secured Overnight Financing Rate; or

- (iii) a public statement by a U.S. regulator or other U.S. official sector entity prohibiting the use of the daily Secured Overnight Financing Rate that applies to, but need not be limited to, all swap transactions, including existing swap transactions.

"U.S. Government Securities Business Day" means any day except for a Saturday, Sunday or a day on which SIFMA recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

- (E) The Issuer may at any time (in consultation with the Calculation Agent, where applicable) specify such changes to paragraph (iii) of the definition of "SOFR" set out in Condition 6.2.2(c) as it determines are reasonably necessary to ensure the proper operation and comparability to the rates determined in accordance with such paragraph, which changes shall apply to the Notes for all future Interest Periods (subject to the subsequent operation of Condition 6.2.2(c)). No consent or approval of the holders of the relevant Notes shall be required in connection with effecting such changes, including for the execution of any documents or the taking of other steps by the Issuer, the Trustee or any of the parties to the Agency Appointment Agreement (if required). The Issuer shall promptly following the determination of any changes pursuant to this Condition 6.2.2(c)(E) give notice thereof to the Trustee, the Principal Paying Agent, the Calculation Agent and the Noteholders in accordance with Condition 15.

6.2.3 **Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) or (c) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) or (c) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

6.2.4 **Determination of Rate of Interest and calculation of Interest Amounts**

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (a) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (b) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 6.2:

- (i) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "**Actual/365 (Fixed)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (iii) if "**Actual/365 (Sterling)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "**Actual/360**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows: where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and "**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (vi) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows: where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and "D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30; and

- (vii) if "30E/360 (ISDA)" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows: where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and "D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and D₂ will be 30.

6.2.5 Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed by no later than the first day of each Interest Period and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression London Business Day means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

6.2.6 Determination or Calculation by Trustee

If for any reason at any relevant time the Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with Condition 6.2.2 or as otherwise specified in the applicable Pricing Supplement, as the case may be, and in each case in accordance with Condition 6.2.4 above, the Trustee shall determine the Rate of Interest (or shall, at the expense of the Issuer, appoint an agent on its behalf to do so) at such rate as, in its absolute discretion (having such regard to the foregoing provisions of this Condition and the terms of the applicable Pricing Supplement, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Pricing Supplement), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable

in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as applicable.

6.2.7 **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6.2, whether by the Principal Paying Agent or, if applicable, the Calculation Agent or, if applicable, the Trustee, shall (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Trustee, the Principal Paying Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default and bad faith) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

6.2.8 **Benchmark Discontinuation**

This Condition 6.2.8 shall not apply to Notes for which the Reference Rate is specified in the applicable Pricing Supplement as being "SOFR", in respect of which the provisions of Condition 6.2.2(c) will apply.

If the Issuer determines that a Benchmark Event has occurred (or will occur on or prior to the Interest Determination Date relating to the next succeeding Interest Period), when the Rate of Interest (or any relevant component part thereof) remains to be determined by reference to the Reference Rate, then the following provisions shall apply:

- (a) The Issuer shall use its reasonable endeavours to appoint an Independent Adviser for the determination (with the Issuer's agreement) of a Successor Rate or, alternatively, if the Independent Adviser and the Issuer agree that there is no Successor Rate, an alternative rate (the "**Alternative Benchmark Rate**") and, in either case, an alternative screen page or source (the "**Alternative Relevant Screen Page**") and the applicable Adjustment Spread and any Benchmark Amendments (in accordance with Condition 6.2.8(f)) all by no later than three Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the "**Interest Determination Cut-off Date**") for purposes of determining the Rate of Interest applicable to the Notes for all future Interest Periods (subject to the subsequent operation of this Condition 6.2.8).

In the absence of bad faith or fraud, neither the Issuer nor any Independent Adviser shall have any liability whatsoever to the Trustee, the Paying Agents, the Noteholders, the Receiptholders or the Couponholders for any determination made by it pursuant to this Condition 6.2.8.

- (b) The Alternative Benchmark Rate shall be such alternative benchmark or screen rate as the Independent Adviser and the Issuer acting in good faith agree has replaced the Reference Rate in customary market usage for the purposes of determining floating rates of interest in respect of eurobonds denominated in the Specified Currency, or, if the Independent Adviser and the Issuer agree that there is no such rate, such other rate as the Independent Adviser and the Issuer acting in good faith agree is most comparable to the Reference Rate, and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Benchmark Rate.
- (c) If the Issuer is unable to appoint an Independent Adviser, or if the Independent Adviser and the Issuer cannot agree upon, or cannot select a Successor Rate or an Alternative Benchmark Rate and an Alternative Relevant Screen Page on or prior to the Interest Determination Cut-off Date in accordance with sub-paragraph (a) and (b) above, then the Issuer (acting in good faith and in a commercially reasonable manner) may determine which (if any) alternative benchmark or screen rate has replaced the Reference Rate in customary market usage for purposes of determining floating rates of interest in respect of

eurobonds denominated in the Specified Currency, or, if it determines on or prior to the Interest Determination Cut-off Date that there is no such alternative benchmark or screen rate, which rate (if any) is most comparable to the Reference Rate, and the Alternative Benchmark Rate shall be the rate so determined by the Issuer and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Benchmark Rate; provided, however, that if this sub-paragraph (c) applies and the Issuer is unable or unwilling to determine an Alternative Benchmark Rate and Alternative Relevant Screen Page prior to the Interest Determination Cut-off Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be determined using the Reference Rate applicable to the first Interest Period. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Period and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 6.2.8.

- (d) If a Successor Rate or an Alternative Benchmark Rate and an Alternative Relevant Screen Page are determined in accordance with the preceding provisions, such Successor Rate or Alternative Benchmark Rate and Alternative Relevant Screen Page (in each case as adjusted by the applicable Adjustment Spread determined as provided in sub-paragraph (e) below) shall subsequently be used in place of the Reference Rate to determine the Rate of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the subsequent operation of this Condition 6.2.8).
- (e) If a Successor Rate or an Alternative Benchmark Rate and an Alternative Relevant Screen Page are determined in accordance with the preceding provisions, the Issuer, following consultation with the Independent Adviser (if appointed) and acting in good faith, shall determine (i) the Adjustment Spread to be applied to the Successor Rate or Alternative Benchmark Rate (as applicable) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, and such Adjustment Spread shall be applied to the Successor Rate or Alternative Benchmark Rate for each subsequent determination of the Rate of Interest and Interest Amount(s) (or a component part thereof) by reference to such Successor Rate or Alternative Benchmark Rate.
- (f) If a Successor Rate or an Alternative Benchmark Rate and (in either case) the applicable Adjustment Spread are determined in accordance with the above provisions, the Independent Adviser (with the Issuer's agreement) or, failing which, the Issuer, may also specify changes to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, as are necessary to ensure the proper operation (having regard to prevailing market practice, if any) of the Successor Rate, the Alternative Benchmark Rate and (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**"), which changes shall (subject to the subsequent operation of this Condition 6.2.8) apply to the Notes for all future Interest Periods, without any requirement for the consent or approval of Noteholders, the Trustee or the Agents, and vary these Conditions, the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by two authorised signatories of the Issuer pursuant to sub-paragraph (h) below, the Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of

the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, inter alia, by the execution of a deed supplemental to or amending the Trust Deed), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

The Trustee and the Principal Paying Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Trust Deed, the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 6.2.8. Noteholders' consent shall not be required in connection with the effecting of the Successor Rate or the Alternative Benchmark Rate (as applicable) or such other changes, including the execution of any documents or any steps by the Trustee or the Principal Paying Agent (if required). Further, none of the Trustee, the Calculation Agent, the Paying Agents, the Registrars or the Transfer Agents shall be responsible or liable for any determinations or certifications made by the Issuer or the Independent Adviser with respect to any Successor Rate or Alternative Benchmark Rate (as applicable) or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

In connection with any such variation in accordance with this Condition 6.2.8(f), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

- (g) The Issuer shall promptly following the determination of any Successor Rate or Alternative Benchmark Rate and Alternative Relevant Screen Page and Adjustment Spread give notice thereof and of any Benchmark Amendments pursuant to subparagraph (f) above to the Trustee, the Calculation Agent, the Principal Paying Agent and the Noteholders in accordance with Condition 15.
- (h) No later than notifying the Trustee (with a copy to the Principal Paying Agent) of the same, the Issuer shall deliver to the Trustee (with a copy to the Principal Paying Agent) a certificate signed by two authorised signatories of the Issuer:
 - (i) confirming (x) that a Benchmark Event has occurred, (y) the relevant Successor Rate, or, as the case may be, the relevant Alternative Benchmark Rate and, (z) the relevant Adjustment Spread and/or the specific terms of any relevant Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 6.2.8; and
 - (ii) certifying that the relevant Benchmark Amendments are necessary to ensure the proper operation (having regard to prevailing market practice, if any) of such relevant Successor Rate, Alternative Benchmark Rate and (in either case) the applicable Adjustment Spread.

The Principal Paying Agent shall display such certificate at its offices, for inspection by the Noteholders at all reasonable times during normal business hours.

The Trustee shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate, Alternative Benchmark Rate, the Adjustment Spread or the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate, Alternative Benchmark Rate, the Adjustment Spread or the Benchmark Amendments (if any) and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents, the Noteholders and Couponholders.

The Successor Rate or Alternative Benchmark Rate and (in either case) the applicable Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination thereof) be binding on the Issuer, the Principal Paying Agent, the Calculation Agent, the other Paying Agents, the Noteholders, the Receiptholders and the Couponholders.

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Adjustment Spread" means either a spread (which may be positive, negative or zero) or a formula or methodology for calculating a spread, which in each case is to be applied to the relevant Successor Rate or the relevant Alternative Benchmark Rate (as applicable), and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (ii) in the case of a Successor Rate for which no such recommendation has been made, or option provided, or in the case of an Alternative Benchmark Rate, is the spread, formula or methodology which the Issuer, following consultation with the Independent Adviser (if appointed) and acting in good faith, determines to be appropriate as a result of the replacement of the Reference Rate with the Successor Rate or Alternative Benchmark Rate (as the case may be).

"Benchmark Event" means:

- (i) the Reference Rate has ceased to be published for a period of at least five Business Days; or
- (ii) the making of a public statement by the administrator of the Reference Rate that it has ceased, or will cease, publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate); or
- (iii) the making of a public statement by the supervisor of the administrator of the Reference Rate that such Reference Rate has been or will be permanently or indefinitely discontinued; or
- (iv) the making of a public statement by the supervisor of the administrator of the Reference Rate that means that such Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in circumstances where the same shall be applicable to the Notes; or
- (v) the making of a public statement by the supervisor of the administrator of the Reference Rate that, in the view of such supervisor, such Reference Rate is no longer representative of its underlying market, in circumstances where the same shall be applicable to the Notes; or
- (vi) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent or the Issuer to calculate any payments due to be made to any Noteholder using the Reference Rate (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable),

provided that in the case of paragraphs (ii) to (v) above, the Benchmark Event shall occur on:

- (vii) in the case of (ii) above, the date of the cessation of the publication of the Reference Rate;

- (viii) in the case of (iii) above, the discontinuation of the Reference Rate;
- (ix) in the case of (iv) above, the date on which the Reference Rate is prohibited from use or becomes subject to restrictions or adverse consequences (as applicable); or
- (x) in the case of (v) above, the date on which the Reference Rate is deemed no longer to be representative,

and not (in any such case) the date of the relevant public statement (unless the date of the relevant public statement coincides with the relevant date in (vii), (viii), (ix) or (x) above, as applicable).

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Trustee, the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Trustee, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.

"Independent Adviser" means an independent financial institution of international repute or other independent financial adviser of recognised standing with relevant experience in the international capital markets, in each case appointed by the Issuer at its own expense.

"Relevant Nominating Body" means, in respect of a benchmark or screen rate (as applicable):

- (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"Successor Rate" means the reference rate that is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

6.3 **Interest on Dual Currency Interest Notes**

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

6.4 **Interest on Partly Paid Notes**

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

6.5 **Accrual of interest**

Each interest-bearing Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 15.

6.6 Deferral of interest on Undated Subordinated Notes

Where during the 12 calendar months preceding a date on which interest is due to be paid in respect of the Undated Subordinated Notes no dividend has been declared or paid on any class of share capital of the Issuer, such due date shall be referred to as an "**Optional Interest Payment Date**".

The Issuer may if it so elects, but shall not be obliged to, pay on any Optional Interest Payment Date the interest that is due to be paid on such date in respect of the Undated Subordinated Notes and any failure to pay shall not constitute a default by the Issuer for any purpose. Any interest not paid on an Optional Interest Payment Date shall (except to the extent such interest shall subsequently have been paid) constitute "**Arrears of Interest**".

In relation to the Undated Subordinated Notes, Arrears of Interest may, prior to the commencement of the Winding-Up of the Issuer, be paid in whole or in part upon the expiration of not less than seven days' notice given to the holders of the Notes in accordance with Condition 15, but payment in respect of Interest Periods during which Arrears of Interest have accrued shall be made taking the earliest Interest Period first. Arrears of Interest shall otherwise only become payable on (i) the due date for repayment of the Undated Subordinated Notes to which such Arrears of Interest relate, (ii) the date on which any declaration or payment of any dividend on any class of share capital of the Issuer is made or (iii) the commencement of the Winding-Up of the Issuer (except for the purposes of a reconstruction, amalgamation or otherwise the terms of which have previously been approved by the Trustee or by an Extraordinary Resolution of Noteholders or which is permitted under Condition 16.3 or Condition 17). If notice is given by the Issuer of its intention to pay any Arrears of Interest, the Issuer shall be obliged to do so upon the expiration of such notice. Arrears of Interest shall not themselves bear interest.

The Issuer shall give notice in accordance with Condition 15:

- (1) not more than 30 days nor less than seven days prior to any Optional Interest Payment Date in respect of which it will elect not to make any payment of interest in accordance with the above provisions, of such election; and
- (2) of any date on which Arrears of Interest shall have become payable.

7. Payments

7.1 Method of payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro and Renminbi will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively);
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee; and
- (c) payments in Renminbi will be made by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

7.2 Presentation of Definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of Definitive Bearer Notes not held in CMU will (subject as provided below) be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America and its possessions).

Payments of instalments of principal (if any) in respect of Definitive Bearer Notes not held in CMU, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Definitive Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form not held in CMU (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form not held in CMU becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A Long Maturity Note is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon **provided that** such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

In the case of Definitive Bearer Notes held in CMU, payment will be made to the person(s) for whose account(s) interests in the relevant Definitive Bearer Note are credited as being held with CMU in accordance with the CMU Rules at the relevant time as notified to the CMU Lodging Agent by the CMU in a relevant CMU Issue Position Report or any relevant notification by CMU, which notification shall be conclusive evidence of the records of CMU (save in the case of manifest error) and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

If the due date for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

In relation to any Undated Subordinated Note in definitive form, if any payment is to be made in respect of interest the Interest Payment Date for which falls on or after the date on which the Winding-Up of the Issuer is deemed to have commenced, such payment shall be made only against presentation of the relevant Note, Receipt and the Coupon for any such Interest Payment Date. In addition, any Undated Subordinated Note in definitive form presented for payment after an order is made or an effective resolution is passed for the Winding-Up of the Issuer must be presented together with all Coupons in respect of Arrears of Interest relating to Interest Payment Dates falling prior to such commencement of the Winding-Up of the Issuer, failing which there shall be withheld from any payment otherwise due to the holder of such Undated Subordinated Note such proportion thereof as the Arrears of Interest due in respect of any such missing Coupon bears to the total of the principal amount of the relevant Undated Subordinated Note, all Arrears of Interest in respect thereof and interest (other than Arrears of Interest) accrued on such Undated Subordinated Note in respect of the Interest Period current at the date of the commencement of the Winding-Up.

7.3 **Payments in respect of Bearer Global Notes**

Payments of principal and interest (if any) in respect of any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes and otherwise in the manner specified in the relevant Bearer Global Note (i) in the case of a Bearer Global Note lodged with CMU, to the person(s) for whose account(s) interests in the relevant Bearer Global Note are credited as being held by CMU in accordance with the CMU Rules, or (ii) in the case of a Bearer Global Note not lodged with CMU, against presentation or surrender, as the case may be, of such Bearer Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made (in the case of a Global Note not lodged with CMU) on such Bearer Global Note by the Paying Agent to which it was presented or (in the case of a Global Note lodged with CMU) on withdrawal of the Bearer Global Note by the CMU Lodging Agent, and in each such case such record shall be *prima facie* evidence that the payment in question has been made.

7.4 **Payments in respect of Definitive Registered Notes and Registered Global Notes**

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Definitive Registered Note and each Registered Global Note will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Definitive Registered Note or Registered Global Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Note appearing in the register of holders of the Notes in registered form maintained by the Registrar (the "**Register**") (i) where in global form, at the close of the business day (being for this purpose, in respect of Notes clearing through Euroclear and Clearstream, Luxembourg, a day on which Euroclear and Clearstream, Luxembourg are open for business, and in respect of Notes clearing through the CMU, the CMU is open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account and, in the case of a payment in Renminbi, means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment) maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro and Renminbi) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne or Wellington, respectively) and (in the case of a payment in euro) any bank which processes payments in euro and (in the case of a payment in Renminbi) a bank in Hong Kong.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Definitive Registered Note and each Registered Global Note will be made on the due date to the Designated Account of the holder (or the first named of joint holders) of the Note in registered form appearing in the Register (i) where in global form, at the close of the business day (being for this purpose, in respect of Notes clearing through Euroclear and Clearstream, Luxembourg, a day on which Euroclear

and Clearstream, Luxembourg are open for business, and in respect of Notes clearing through the CMU, the CMU is open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifth day (in the case of Renminbi) and on the fifteenth day (in the case of a currency other than Renminbi) (whether or not such fifth day or fifteenth day is a business day) before the relevant due date (the "**Record Date**") at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest or an instalment of principal (other than the final instalment) in respect of a Note in registered form, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Notes in registered form which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Note in registered form on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Note.

No commissions or expenses shall be charged to the holder by the Registrar in respect of any payments of principal or interest in respect of Notes in registered form.

None of the Issuer, the Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.5 **General provisions applicable to payments**

The holder of a Global Note (if the Global Note is not lodged with CMU) or (if the Global Note is lodged with CMU) the person(s) for whose account(s) interests in such Global Note are credited as being held in CMU in accordance with the CMU Rules as notified to the CMU Lodging Agent by CMU in a relevant CMU Issue Position Report or any other relevant notification by CMU (which notification, in either case, shall be conclusive evidence of the records of CMU save in the case of manifest error), shall be the only person(s) entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note or such person(s) for whose account(s) interests in such Global Note are credited as being held in CMU (as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or the CMU, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or the CMU Lodging Agent, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Definitive Bearer or Bearer Global Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

7.6 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 10) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) in the case of Notes in definitive form only the relevant place of presentation;
 - (ii) London;
 - (iii) each Additional Financial Centre (other than the TARGET2 System) specified in the applicable Pricing Supplement;
- (b) if the TARGET2 System is specified as an Additional Financial Centre in the applicable Pricing Supplement, a day on which the TARGET2 System is open; and
- (c) either (A) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne and Wellington, respectively), (B) in relation to any sum payable in euro, a day on which the TARGET 2 System is open or (C) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

7.7 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 9 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 8.6); and
- (g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed, and any Arrears of Interest (if applicable).

7.8 **Payments Subject to Fiscal and Other Laws**

Payments will be subject in all cases, to (i) any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 9, 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 (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 9) any law implementing an intergovernmental approach thereto.

8. **Redemption and Purchase**

8.1 **Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) which is not an Undated Subordinated Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date. If this Note is an Undated Subordinated Note, it has no final maturity and is only redeemable in accordance with the following provisions of this Condition 8 or Condition 11.

8.2 **Redemption for tax reasons**

Subject (in the case of Subordinated Notes) to Condition 8.12, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), 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 15, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 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 the date on which agreement is reached to issue the first Tranche of the Notes and (b) such obligation 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 Notes then due.

Prior to giving any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee (i) a certificate signed by two Directors of the Issuer stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it and (ii) in the case of Subordinated Notes, a copy of the written consent of the HKMA as referred to in Condition 8.12; and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 8.2 will be redeemed at their Early Redemption Amount referred to in Condition 8.6 below together (if appropriate) with interest accrued to (but excluding) the date of redemption and, in the case of Undated Subordinated Notes, all Arrears of Interest (if any) as provided in Condition 6.6.

8.3 **Redemption of the Undated and/or Dated Subordinated Notes for regulatory reasons**

Subject to Condition 8.12, the Undated Subordinated Notes and/or the Dated Subordinated Notes, as the case may be, may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note) 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 15, the Noteholders (which notice shall be irrevocable) following the occurrence of a Regulatory Redemption Event.

For the purposes of this Condition 8.3, a "**Regulatory Redemption Event**" occurs if the Issuer satisfies the Trustee immediately before the giving of the notice of redemption referred in this Condition 8.3 that the Undated and/or Dated Subordinated Notes, after having qualified as such, will no longer qualify (in whole but not in part) as Tier 2 Capital (or equivalent) of the Issuer as a result of amendments to the relevant provisions of the Banking Ordinance (Cap.155) of Hong Kong, Banking (Capital) Rules (Cap. 155L), Banking (Capital) (Amendment) Rules 2012, or any successor legislation, or any statutory guidelines issued by the Hong Kong Monetary Authority or any successor thereto (the "**HKMA**") in relation thereto, after the Issue Date (excluding for the avoidance of doubt, non-qualification (a) solely by virtue of the Issuer already having on issue securities with an aggregate principal amount up to or in excess of the limit of Tier 2 Capital (or equivalent) as permitted from time to time by the HKMA or (b) solely as a result of any discounting requirements as to the eligibility of the Undated and/or Dated Notes for such inclusion pursuant to the relevant legislation and statutory guidelines 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 Regulatory Redemption Event has occurred.

Prior to giving any notice of redemption pursuant to this Condition 8.3, the Issuer shall deliver to the Trustee (i) a certificate signed by two Directors 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 HKMA; and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 8.3 will be redeemed at the Early Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant date fixed for redemption and, in the case of Undated Subordinated Notes, all Arrears of Interest (if any) as provided in Condition 6.6.

8.4 **Redemption at the option of the Issuer (Issuer Call)**

If Issuer Call is specified as being applicable in the applicable Pricing Supplement, the Issuer may, having given:

- (a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 15; and
- (b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Trustee and the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date and, in the case of Undated Subordinated Notes, all Arrears of Interest (if any) as provided in Condition 6.6. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or the CMU (as appropriate), (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes or represented by a Global Note shall in each case bear the same

proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding and Notes outstanding represented by such Global Note, respectively, bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, **provided that**, if necessary, appropriate adjustments shall be made to such nominal amounts to ensure that each represents an integral multiple of the Calculation Amount. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 8.4 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 15 at least five days prior to the Selection Date.

8.5 **Redemption at the option of the Noteholders other than holders of Undated Subordinated Notes (Investor Put)**

If this Note is a Senior Note or a Dated Subordinated Note and Investor Put is specified as being applicable in the applicable Pricing Supplement, then, if and to the extent specified in the applicable Pricing Supplement, upon the holder of this Senior Note or this Dated Subordinated Note, as the case may be, giving to the Issuer, in accordance with Condition 15, not less than 15 nor more than 30 days' notice (or such other notice period as is specified in the applicable Pricing Supplement) (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem subject to, and in accordance with, the terms specified in the applicable Pricing Supplement in whole (but not in part) such Senior Note or such Dated Subordinated Note, as the case may be, on the Optional Redemption Date and at the relevant Optional Redemption Amount as specified in, or determined in the manner specified in, the applicable Pricing Supplement, together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Pricing Supplement.

If this Senior Note or this Dated Subordinated Note, as the case may be, is in definitive form, to exercise the right to require redemption of this Senior Note or this Dated Subordinated Note, as the case may be, the holder of this Senior Note or this Dated Subordinated Note, as the case may be, must deliver such Senior Note, or such Dated Subordinated Note, as the case may be, on any Business Day (as defined in Condition 6) falling within the notice period at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes), at any time during the normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a "**Put Notice**") and in which the holder must specify a bank account to which payment is to be made under this Condition accompanied by, if this Note is in definitive form, this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If this Senior Note or this Dated Subordinated Note, as the case may be, is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or the CMU, to exercise the right to require redemption of this Senior Note or this Dated Subordinated Note, as the case may be, the holder of this Senior Note or this Dated Subordinated Note, as the case may be, must, within the notice period, give notice to the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and the CMU (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or the CMU or any common depositary, as the case may be, for them to the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg and the CMU from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or the CMU given by a holder of any Senior Note or any Dated Subordinated Note pursuant to this Condition 8.5 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Senior Notes or Dated Subordinated

Notes to be due and payable pursuant to Condition 11 in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph.

8.6 Early Redemption Amounts

For the purpose of Condition 8.2 and Condition 8.3 (if this Note is a Subordinated Note) above and Condition 11.1 (if this Note is a Senior Note) or Condition 11.2 (if this Note is a Subordinated Note), each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note (other than a Zero Coupon Note, an Instalment Note and a Partly Paid Note) with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula: where:

"**RP**" means the Reference Price;

"**AY**" means the Accrual Yield expressed as a decimal; and

"**y**" is the Day Count Fraction specified in the applicable Pricing Supplement which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365),

or on such other calculation basis as may be specified in the applicable Pricing Supplement.

8.7 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 8.6.

8.8 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

8.9 Purchases

The Issuer or any of its Subsidiaries may at any time purchase Notes (**provided that**, in the case of Definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

8.10 **Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 8.9 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

8.11 **Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 8.1, 8.2, 8.3, 8.4 or 8.5 above or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 8.6(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent, the Registrar or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 15.

8.12 **Conditions for Redemption and Purchase in respect of Subordinated Notes**

Notwithstanding any other provision in these Conditions, the Issuer shall not redeem any of the Subordinated Notes (other than pursuant to Condition 8.1 or Condition 11.2) and the Issuer or any of its Subsidiaries shall not purchase any of the Subordinated Notes unless the prior written consent of the HKMA thereto shall have been obtained, **provided however, that** if from time to time the consent of the HKMA is not a requirement of any such Subordinated Notes to constitute Tier 2.

Capital (or equivalent) of the Issuer for the purposes of, and as defined in, the Banking Ordinance (Cap. 155) of Hong Kong, or any successor legislation, then the condition to the redemption or purchase and cancellation of the relevant Notes set out in this Condition 8.12 shall not apply for so long as such consent is not required.

For the avoidance of doubt, this provision shall not apply to the Issuer or any of its Subsidiaries holding the Subordinated Notes in a purely nominee capacity.

9. **Taxation**

All payments of principal, premium and interest in respect of the Notes, Receipts and Coupons by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of the withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment by or on behalf of, a holder who is liable to the Taxes in respect of such Note, Receipt or Coupon by reason of his having some connection with Hong Kong other than the mere holding of such Note, Receipt or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Payment Day (as defined in Condition 7.6).

As used in these Conditions, "**Relevant Date**" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent, the Trustee or the Registrar on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect is duly given to the Noteholders by the Issuer in accordance with Condition 15.

10. **Prescription**

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7.2 or any Talon which would be void pursuant to Condition 7.2.

11. **Events of Default and Enforcement**

11.1 **Events of Default relating to Senior Notes**

The Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. in principal amount of the Senior Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or put in funds to its satisfaction), give notice in writing to the Issuer that each Senior Note is, and each Senior Note shall, unless such Event of Default shall have been remedied prior to the giving of such notice, thereupon immediately become, due and repayable at its Early Redemption Amount, together with accrued interest (if any) as provided in the Trust Deed if any of the following events (each an "**Event of Default**") shall occur:

- (a) **Payment default:** a default is made for more than seven days in the payment of any principal or 14 days in the payment of any interest due in respect of the Senior Notes;
- (b) **Other defaults:** the Issuer does not perform or comply with one or more of its other obligations in the Senior Notes, which default, in the opinion of the Trustee, is incapable of remedy or, if in the opinion of the Trustee it is capable of remedy, is not, in the opinion of the Trustee, remedied within 30 days after written notice of such default shall have been given to the Issuer by the Trustee;
- (c) **Insolvency:** the Issuer or any Principal Subsidiary is (or is, or could be deemed by law or a court to be) insolvent or bankrupt or is unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due) (but excluding any deferral, rescheduling or other readjustment of any deposits in the ordinary course of business of the Issuer) or proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or a particular type of) the debts of the Issuer or any of its Principal Subsidiaries;
- (d) **Cross-acceleration:** (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, **provided that** the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (d) have occurred equals or exceeds US\$20,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the US dollar as

quoted by any lead bank on the day on which this paragraph operates) on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity;

- (e) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or turnover of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 60 days;
- (f) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any of its Principal Subsidiaries, or the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee or by an Extraordinary Resolution of the Noteholders, or (ii) which is permitted under Condition 16.3 or (iii) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or another of its Principal Subsidiaries;
- (g) **Security enforced:** an encumbrancer takes possession of an administrative or other receiver or an administrator is appointed of the whole or any substantial part of the property, assets or turnover of the Issuer or any of its Principal Subsidiaries (as the case may be) and is not discharged within 60 days;
- (h) **Nationalisation:** any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or any of its Principal Subsidiaries;
- (i) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Senior Notes;
- (j) **Consent and authorisations:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Senior Notes, (b) to ensure that those obligations are legally binding and enforceable and (c) to make the Senior Notes admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or
- (k) **Analogous events:** any event occurs which, under the laws of any relevant jurisdiction, has an analogous effect to any of the events referred to in any of the foregoing paragraphs,

PROVIDED that, in the case of the occurrence of any of the events specified in Conditions 11.1 (b), (c), (d), (e), (f) (other than the winding-up, dissolution or administration of the Issuer), (g), (h), (i), (j) or (k), the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders.

For this purpose, "**Principal Subsidiary**" means any Subsidiary of the Issuer:

- (a) whose profits from ordinary activities before taxation ("**pre-tax profit**") or (in the case of a Subsidiary which itself has subsidiaries) consolidated pre-tax profit, as shown by its latest audited income statement, are at least 15 per cent. of the consolidated pre-tax profit as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (b) whose gross assets or (in the case of a Subsidiary which itself has subsidiaries) gross consolidated assets, as shown by its latest audited balance sheet, are at least 15 per cent. of the amount of the consolidated gross assets of the Issuer and its Subsidiaries, as shown by the latest published

audited consolidated balance sheet of the Issuer and its Subsidiaries, plus any amount represented by the investment of the Issuer in each Subsidiary whose financial statements are not consolidated with the consolidated audited financial statements of the Issuer and after adjustment for minority interests; **provided that**, in relation to paragraphs (a) and (b) above:

- (i) in the case of its corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited financial statements of the Issuer relate, the reference to the then latest consolidated audited financial statements of the Issuer for the purposes of the calculation above shall, until the consolidated audited financial statements of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited financial statements of the Issuer adjusted to consolidate the latest audited financial statements (consolidated in the case of a Subsidiary which itself has subsidiaries) of such subsidiary in such financial statements;
 - (ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has subsidiaries no consolidated financial statements are prepared and audited, gross assets of the Issuer and/or any such Subsidiary shall be determined on the basis of *pro forma* consolidated financial statements prepared for this purpose by the Issuer, which are reviewed by the Issuer's auditors for the time being, for the purposes of preparing a certificate thereon to the Trustee;
 - (iii) if at any relevant time in relation to any Subsidiary, no financial statements are audited, its gross assets (consolidated, if appropriate) shall be determined on the basis of *pro forma* financial statements (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer, which are reviewed by the Issuer's auditors for the time being, for the purposes of preparing a certificate thereon to the Trustee; and
 - (iv) if the financial statements of any subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a *pro forma* consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements (determined on the basis of the foregoing) of the Issuer;
or
- (c) any Subsidiary of the Issuer to which is transferred the whole or substantially the whole of the assets of a Subsidiary which, immediately prior to such transfer, was a Principal Subsidiary, **provided that** the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall become a Principal Subsidiary at the date on which the first published audited financial statements (consolidated, if appropriate), of the Issuer prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such financial statements by virtue of the provisions of paragraphs (a) and (b) above.

11.2 Events of Default relating to Subordinated Notes

If default is made in the payment of any amount of principal in respect of the Subordinated Notes on the due date for payment thereof or of any amount of interest in respect of the Subordinated Notes within seven days after the date for payment thereof (which, in the case of the Undated Subordinated Notes, shall be the date upon which the payment of interest is compulsory pursuant to Condition 6.6) (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 principal amount of the outstanding Subordinated Notes or if so directed by an Extraordinary Resolution (as defined in the Trust Deed), shall (subject to the Trustee having been indemnified and/or provided with security and/or put in funds to its satisfaction) institute a Winding-Up Proceeding against the Issuer.

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 principal amount of the outstanding Subordinated

Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or put in funds to its satisfaction) give written notice to the Issuer declaring the Subordinated Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Redemption Amount together with accrued interest and all Arrears of Interest without further action or formality.

In these Conditions:

"**Winding-Up**" shall mean, with respect to the Issuer, a final and effective order or resolution for winding-up, liquidation or similar proceeding in respect of the Issuer; and "**Winding-Up Proceedings**" shall mean, with respect to the Issuer, proceedings in Hong Kong in respect of the Issuer for the liquidation, winding-up or other similar proceeding of the Issuer.

11.3 **Enforcement**

11.3.1 Without prejudice to Condition 11.1 or 11.2, the Trustee may at any time and if the Issuer fails to perform, observe or comply with any obligation, condition or provision relating to the Notes 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 Notes), subject as provided below, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce such obligation, condition or provision **provided that** the Issuer shall not as a consequence of such proceedings be obliged to pay any sum or sums representing or measured by reference to principal or interest in respect of the Notes sooner than the same would otherwise have been payable by it.

11.3.2 The Trustee shall not be bound to take action as referred to in Conditions 11.1, 11.2 and 11.3.1 or any other action under these Conditions or the Trust Deed unless (i) it shall have been so requested in writing by Noteholders holding at least 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders and (ii) it shall have been indemnified and/or secured and/or put in funds to its satisfaction. No Noteholder, Receiptholder or Couponholder 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.

11.3.3 In the case of Subordinated Notes and 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 11.2 and Conditions 11.3.1 and 11.3.2 above or submitting a claim in the Winding-Up of the Issuer will be available to the Trustee or the Noteholders, Receiptholders or Couponholders.

11.3.4 In the case of Subordinated Notes, no Noteholder, Receiptholder or Couponholder 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 Noteholder or Couponholder may, on giving an indemnity 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.

12. **Replacement of Notes, Receipts, Coupons and Talons**

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent or the Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar or the Transfer Agent (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. **Principal Paying Agent, Registrar, Paying and Transfer Agents**

The names of the initial Principal Paying Agent, the other initial Paying Agents, the initial Registrar and the other initial Transfer Agents and their initial specified offices are set out below.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent, Registrar or Transfer Agent and/or appoint additional or other Paying Agents, Registrars or Transfer Agents and/or approve any change in the specified office through any of the same acts, **provided that:**

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Notes in bearer form) and a Registrar and Transfer Agent (in the case of Notes in registered form) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (c) so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, if the Notes are issued in definitive form, there will at all times be a Paying Agent in Singapore.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.2. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15.

In acting under the Agency Agreement, the Principal Paying Agent, the Paying Agents, the Registrar or the Transfer Agent act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

14. **Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10.

15. **Notices**

All notices regarding Notes in bearer forms will be deemed to be validly given if published in a leading daily newspaper of general circulation in Hong Kong by the Issuer in consultation with the Trustee. It is expected that such publication will be made in the *South China Morning Post* in Hong Kong. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Bearer Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

All notices regarding Notes in registered form will be deemed to be validly given if (a) sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the third day after mailing and (b) if and for so long as the Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority

so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of (i) Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes or (ii) the CMU, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to the persons shown in a CMU Issue Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note and, in addition, in the case of both (i) and (ii) above, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the first day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or the persons shown in the relevant CMU Issue Position Report.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case if Notes in bearer form) or the Registrar (in the case of Notes in registered form). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, and/or, in the case of Notes lodged with the CMU, by delivery by such holder of such notice to the CMU Lodging Agent in Hong Kong, as the case may be, in such manner as the Principal Paying Agent, the Registrar, the CMU Lodging Agent and Euroclear and/or Clearstream, Luxembourg and/or the CMU, as the case may be, may approve for this purpose.

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this condition.

16. Meetings of Noteholders, Modifications and Consolidations

16.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons) the quorum shall be one or more persons holding or representing not less than two-thirds in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

16.2 Modifications and Waivers

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any

Event of Default or Notification Event (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven or to comply with mandatory provisions of law. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

The consent or approval of the Noteholders shall not be required in the case of amendments to these Conditions pursuant to Condition 6.2.8 to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes or for any other variation of these Conditions and/or the Agency Agreement required to be made in the circumstances described in Condition 6.2.8, where the requirements of Condition 6.2.8 have been satisfied (including the provision of a certificate to the Trustee, where applicable).

16.3 Consolidation, Merger and Sale of Assets

Except as provided in Condition 17, the Issuer shall not consolidate with or merge into any other company or entity, and the Issuer may not, directly or indirectly, sell, convey, transfer or lease all or substantially all of its properties and assets to any company or other entity unless:

- (a) the company or other entity formed by or surviving such consolidation or merger or the person, company or other entity which acquires by conveyance or transfer, or which leases, all or substantially all of the properties and assets of the Issuer shall expressly assume by way of supplemental trust deed the due and punctual payment of the principal of, and interest on, the Notes and the performance of the Notes, the Trust Deed and the Agency Agreement on the part of the Issuer to be performed or observed;
- (b) immediately after giving effect to such transaction, no Event of Default with respect to the Notes, and no event, which after notice or lapse of time, or both, would become an Event of Default with respect to the Notes, shall have happened and be continuing;
- (c) the Issuer has delivered to the Trustee (in form and substance satisfactory to the Trustee) (i) a certificate signed by two directors of the Issuer and (ii) an opinion of independent legal advisers of recognised standing (acceptable to the Trustee) stating that such consolidation, merger, conveyance, transfer or lease and any such supplemental trust deed comply with this Condition 16.3 and that all conditions precedent relating to such transaction have been complied with; and
- (d) immediately after giving effect to such consolidation, amalgamation or merger of the Issuer, no internationally recognised rating agency has in respect of the Notes, issued any notice downgrading its credit rating for such Notes or indicating that it intends to downgrade its credit rating for such Notes.

16.4 Exercise of Trustee's Powers etc.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 9 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

17. **Substitution**

The Trustee may, at any time, subject to the prior written approval of the HKMA (if and to the extent then required) but without the consent of the Noteholders or Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed (and in the case of Subordinated Notes, on a subordinated basis equivalent to that set out in Condition 3.2) of any other company being a subsidiary of the Issuer, subject to:

- (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer (**provided that** in the case of Subordinated Notes, the obligations of the Issuer under such guarantee shall be subordinated on the basis considered by the Trustee to be equivalent to that described in Condition 3.2);
- (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution; and
- (c) certain other conditions set out in the Trust Deed being complied with.

18. **Indemnification of the Trustee and its Contracting with the Issuer**

18.1 **Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or put in funds to its satisfaction.

18.2 **Trustee Contracting with the Issuer**

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

19. **Further Issues**

The Issuer is at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes of any series (including the Notes) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further notes which are to form a single series with the outstanding notes of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders, the Receiptholders, the Couponholders and the holders of notes of other series in certain circumstances where the Trustee so decides.

20. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

21. **Governing Law and Submission to Jurisdiction**

21.1 **Governing law**

The Trust Deed, the Notes, the Receipts, the Coupons, the Talons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law, except that the subordination provisions set out in Condition 3.2 and the first paragraph of Clause 7.1(a) of the Trust Deed shall be governed by and construed in accordance with the laws of Hong Kong.

21.2 **Submission to jurisdiction**

21.2.1 Subject to Condition 21.2.3 below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons (a "**Dispute**") and all Disputes will be submitted to the exclusive jurisdiction of the English courts.

21.2.2 For the purposes of this Condition 21.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

21.2.3 This Condition 21.2.3 is for the benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders only. To the extent allowed by law, the Trustee, the Noteholders, the Receiptholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

21.3 **Appointment of Process Agent**

The Issuer irrevocably appoints Hackwood Secretaries Limited at its specified office for the time being as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of Hackwood Secretaries Limited being unable or unwilling for any reason so to act, it will immediately appoint another person approved by the Trustee as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its funding and general corporate purposes.

INVESTMENT CONSIDERATIONS

Prospective investors should carefully take into account the considerations described below, in addition to the other information contained herein, before investing in the Notes issued under the Programme. Additional considerations and uncertainties not presently known to the Bank, or which the Bank currently deems immaterial, may also have an adverse effect on an investment in the Notes issued under the Programme. The occurrence of one or more events described below could have an adverse effect on the business, financial condition or results of operations of the Bank and its subsidiaries (the “Group”).

Considerations relating to the Group

The occurrence of a contagious disease in Hong Kong, Macau or the PRC could affect the Group’s business, financial condition or results of operations

During the first half of 2003, the outbreak of SARS caused an adverse effect on the economies of the affected regions in Asia, including Hong Kong and the PRC, which impinged on the Group’s operations in these affected regions. In the last few years, there have also been outbreaks of avian influenza in parts of Asia, including Hong Kong. In 2009, there were also outbreaks of the Human Swine Influenza A (“H1N1”) virus globally. On 11 June 2009, the World Health Organization (the “WHO”) raised its pandemic alert level to Phase 6, its highest level, after considering data confirming the H1N1 outbreak. As at the date of this Offering Circular, the COVID-19 pandemic continues to impact various parts of the world and, certain strains of COVID-19 that have since developed are considered highly contagious. The pandemic has resulted in a high number of fatalities and continues to be considered by public health authorities as a serious public health threat. Many governments across the world have imposed a number of measures in an effort to contain the spread of COVID-19, including mandatory business closures, travel restrictions, quarantines, lockdowns, limitations on public gatherings and the suspension of major events. These containment measures have caused disruptions across Hong Kong, China and a majority of countries globally. It remains uncertain as to when the COVID-19 pandemic will be contained. The COVID-19 pandemic has caused substantial disruption in international economies and markets. Although as at the date of this Offering Circular, vaccines are starting to become available, it remains uncertain as to if and when business activity and economies as a whole would return to pre-COVID-19 pandemic levels. The global economy fell into a recession in 2020, with global GDP decreased by 3.3 per cent.. The contraction was larger at 4.7 per cent. for developed countries and was approximately 2.5 per cent. for developing economies as a whole. Global trade was worse, with a decline of 8.5 per cent.. The COVID-19 pandemic has had a material impact on the performance of the Group. The Group’s net profit after tax for the year ended 31 December 2020 decreased 58.9% versus that of the year ended 31 December 2019. The Group has been implementing business continuity plans since early 2020 to ensure that normal business activities remain on track. Meanwhile, the Group also launched work-from-home arrangements and split office arrangements to ensure safety of its customers and staff. The Group has been encouraging its staff members to get vaccinated to better protect themselves and others. Other measures that the Group has launched to take care of its employees include providing pandemic prevention information and health talks on a regular basis and giving out pandemic prevention subsidies and supplies. In light of the challenging macro conditions, the Group also launched various relief measures for small and medium enterprises and individual customers since early 2020.

No assurance can be given that there will not be a recurrence of the outbreak of SARS or other epidemics, or that the incidence of avian influenza or H1N1 will not increase. Meanwhile, countries all over the world are still implementing various containment measures such as social distancing rules and pandemic control measures to fight against the COVID-19 pandemic. As such, there can be no assurance that the Group’s

business, financial condition or results of operations will not be adversely affected if another outbreak of SARS, H1N1 virus or other highly contagious disease such as COVID-19 occurs.

The Group is subject to significant competition

The Group is subject to significant competition from many other banks and financial institutions, including competitors which have significantly more financial and other capital resources, higher market share, and stronger brand recognition than the Group. In particular, the banking and financial services industry in Hong Kong is a mature market and, as at 30 April 2021, supported 31 Hong Kong incorporated licensed banks and 132 licensed banks incorporated outside Hong Kong competing for a customer population of over 7.4 million people. Therefore, many of the international and local banks and niche players operating in Hong Kong compete for substantially the same customers as the Group. There is a limited market, especially for retail banking products such as investment and insurance products, home mortgage loans, credit cards, personal loans and transport lending businesses. The strength of competition in the past few years has had an adverse impact on the pricing of certain products.

In recent years, competition among banks in Hong Kong for investment and insurance products, home mortgage loans, credit cards, personal loans and transport lending business 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.

Many banks in Hong Kong, including the Bank, continue to encounter keen competition on home mortgage loans market. New-home-mortgage loans pricing was driving down from 2.46 per cent. in 2019 to 2.18 per cent. in the first quarter of 2021. Such keen competition among banks in Hong Kong for home mortgage loans resulted in further reductions in mortgage interest rates which have an adverse effect on the Group's business, financial condition or results of operations.

As a result of the intensified competition among banks, the Bank has experienced downward pressure on its profit margins in recent years. To counter the effects of increased competition, the Bank has actively pursued a strategy of diversifying its income sources by focusing on increasing its fee-based income, introducing innovative products and, at the same time, improving the cost efficiency of its operations. However, there can be no assurance that the Bank will be able to compete successfully in the mature Hong Kong banking market and sustain its profitability in future.

Following the PRC's accession to the World Trade Organisation (the "**WTO**"), a number of foreign banks have received authorisation from the PRC government to provide RMB-denominated banking and financial services ("**RMB services**") to PRC domestic enterprises and to individuals from five years after its accession. The Closer Economic Partnership Agreement with the PRC (the "**CEPA**"), which allows Hong Kong banks to operate in the PRC, has also increased competition in the Mainland China 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. Accordingly, the Group is likely to face competition in the Mainland China market from both existing local Chinese banks and foreign banks entering the Mainland China market. There can be no assurance that the Group will maintain its current position or continue to develop its business successfully in Mainland China if, as expected, competition in the banking sector in Mainland China intensifies as a result of these latest changes in the regulatory environment in the PRC.

The introduction of CEPA has also enabled Mainland China 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, Mainland China banks are encouraged to expand their business through mergers and acquisitions ("**M&A**"). The entry of Mainland China banks into the Hong Kong market via M&A 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 the increased competition.

The Group's business is vulnerable to volatility in interest rates

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 level 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 its net interest income. Interest rates in Hong Kong are sensitive to factors over which the Group has no control, including, among others:

- interest rates in the US;
- liquidity of the domestic inter-bank 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 Bank's position, it may adversely affect the Group's business, financial condition or results of operations. The interest rate environment has remained low in recent years and, as a result, the Bank's net interest margin also remained at a low level. For the years ended 31 December 2019 and 2020, the Bank's net interest margin was 1.85 per cent. and 1.47 per cent., respectively. There can be no assurance that interest rates will rise or not fall or become volatile or that changes in interest rates will not be frequent.

In addition, the Group is subject to interest rate risk as a result of mismatches in the pricing and duration of its assets and liabilities. A significant part of the Group's funding requirements is met through short-term or floating rate funding sources, primarily in the form of deposits, including customer deposits, inter-bank deposits and certificates of deposit, which tend to be at floating rates and are regularly repriced. In contrast, some of the Group's assets either receive a fixed rate of interest or if they receive a floating rate of interest, they may not be repriced as frequently as the Group's deposits. The Group closely monitors the risks associated with changes in interest rates that may arise from maturity gaps, basis risks among different interest rate benchmarks, yield curve movements, interest rate repricing risks and risks from embedded options (if any), and mitigates such risks through the use of interest rate derivatives, mainly interest rate swaps, to hedge both assets and liabilities as available-for-sale securities and non-trading liabilities. Sensitivity analyses on the Bank's interest rate exposures are also conducted on a quarterly basis. However, in a volatile interest rate environment there can be no assurance that the Group's net interest margin will not be impacted and the Group's net interest income reduced.

The activities of Treasury and Markets Group ("TMG") also involve taking interest rate and credit spread risk. As the funding of treasury investments is generally of shorter duration than the assets that are held, which primarily consist of both fixed rate and floating rate investments, TMG may employ hedging strategies as appropriate to protect its portfolio. However, there can be no assurance that the investment income of TMG would not suffer from a rising interest rate environment or widening credit spread situation. Furthermore, there can be no assurance that the Bank will be able to generate positive net interest income in the future, and it is likely that in a continuing rising interest rate environment, the Bank's gains from disposals of securities may be lower, or that TMG may even incur losses.

The Group has significant exposure to the Hong Kong property market

The Group has significant exposure to the Hong Kong property market. As at 31 December 2020, home mortgage loans in Hong Kong (excluding loans under the Home Ownership Scheme and the Private Sector Participation Scheme and loans under a mortgage refinancing scheme launched by the Bank in 2002)

accounted for 9.6 per cent. of the Group's total loans to customers while loans for property investment accounted for 6.1 per cent. of the Group's total loans to customers. The Hong Kong property market is highly cyclical and property prices in general have been resilient in recent years. Property prices in Hong Kong have been on an extended upturn and have increased significantly since the second half of 2009. In light of the increasing risk of a property price bubble, the Hong Kong government (the "HKSAR Government") has introduced various measures to cool the Hong Kong property market since 2012. These measures, combined with slowing economic growth and expectations of USD/HKD interest rate hikes, began to work in September 2015 and brought down property prices by 13 per cent. during the six-month period ended March 2016. Since then, however, the effects of the HKSAR Government's cooling measures have increasingly diminished as economic growth rebounded, market liquidity increased further and housing supply remained insufficient. Consequently, the property prices have more than recovered and repeatedly reached new highs. The property market experienced a downturn and property prices decreased by nearly 10 per cent. in the second half of 2018, in large due to the China-US trade war and a hike in HKD Prime Rate. Yet again, the property market recovered quickly with the property prices reaching a new high in June 2019, before heading for another correction as a result of the local social unrest followed by the outbreak of the COVID-19 pandemic. The Centa-City Index dropped by nearly 9 per cent. from the record high at one point and was still about 5 per cent. away at end of March 2021. Going forward, property prices are expected to resume the upturn, albeit at a moderate pace, until the USD rate hikes force the HKD Prime Rate to follow suit. When that happens, the property market is likely to be under pressure, with property prices seeing an adjustment. The degree of adjustment will depend on a number of factors, including the pace of USD rate hike and the Federal Reserve balance sheet reduction, the magnitude of HKD Prime Rate hike, the strength of local economic recovery, the property supply situation as well as the HKSAR Government's plan for supply increases, and Renminbi and property market developments in Mainland China. A substantial fall in property values could adversely affect the Group's business and financial condition and/or results of operations.

The Group has significant PRC exposure

A significant proportion of the Group's loans are advanced to PRC entities, which are identified by those borrowers that are domiciled in the PRC, or guaranteed by entities domiciled in the PRC and thus have their risks transferred to PRC country risk. Such PRC-related loans accounted for 25.9 per cent. of the Group's total loans to customers as at 31 December 2020. For the year ended 31 December 2020, 16.9 per cent. of the ten largest non-performing loans were PRC-related loans. See "*Selected Statistical and Other Information Relating to the Group — Asset quality — Top ten non-performing loans*". There can be no assurance that the Group's continued exposure to the PRC or its continual development 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. See "*Business — Strategy*".

The Group has significant committed exposure to a relatively few number of borrowers

As at 31 December 2020, the Group's 20 largest borrowers (including groups of individuals and companies) accounted for approximately HK\$62,991.1 million (U.S.\$8,127.9 million). As at 31 December 2020, the Group's five largest borrowers (including groups of individuals and companies) accounted for approximately HK\$26,812.7 million (U.S.\$3,459.7 million) with the largest borrower accounting for HK\$7,781.9 million (U.S.\$1,004.1 million) or 17.4 per cent. of the Group's Tier 1 capital base. The non-performance of loans held by one or more of these customers could have a material adverse effect on the Group's business, financial condition or results of operations.

The Group's funding is primarily short-term, and if depositors do not roll over their deposits upon maturity, the Group's liquidity could be adversely affected

The Group's funding requirements are primarily met through short-term funding sources, primarily in the form of customer deposits, inter-bank deposits and shareholders' funds. As at 31 December 2020, 91.2 per

cent. of the Group's customer deposits had a remaining maturity of three months or less. Historically, a substantial portion of such customer deposits have been rolled over upon maturity. However, no assurance can be given that this pattern will continue. If a substantial number of depositors fail to roll over deposited funds upon maturity, the Group's liquidity position would be adversely affected and it may need to seek alternative sources of short-term or long-term funding to finance its operations, which may be more expensive than the current level of deposits.

The Deposit Protection Scheme (the “**Deposit Protection Scheme**”) established under the Deposit Protection Scheme Ordinance (Cap. 581) of Hong Kong (the “**Deposit Protection Scheme Ordinance**”) and subsequently, the Deposit Protection Scheme (Amendment) Ordinance 2010 (the “**Amendment Ordinance**”) enacted on 1 January 2011, protects eligible deposits held with licensed banks in Hong Kong up to a limit of HK\$500,000. However, there can be no assurance that the level of customer deposits of the Group will not be adversely affected by any future withdrawal of or any other changes to the Deposit Protection Scheme.

The HKMA acts as the provider of the Contingent Term Facility under the Liquidity Facilities Framework to all authorised institutions in Hong Kong to provide support for liquidity needs in the banking system generally as well as to specific institutions. In this regard, certain portions of the Bank's interest-earning assets are acceptable to the HKMA for such emergency funding support. However, there can be no assurance that the HKMA will take measures to assist banks in Hong Kong in the future or that it would elect to provide liquidity support assistance in the future to the Bank in the event of a liquidity crisis.

If the Bank is unable to control the level of impaired loans in its loan portfolio, its financial condition and results of operations will be materially and adversely affected

The Bank's results of operations may be negatively impacted by its impaired loans due to asset deterioration. Under the Hong Kong Financial Reporting Standards, the accounting principles that are applicable to the Bank, loans are impaired if there is objective evidence that the Bank will not be able to collect all amounts due according to the original contractual terms of the loans. As at 31 December 2020, the total amount of the Bank's impaired loans was HK\$3,631.2 million (U.S.\$468.5 million). The Bank's impairment allowances on loans and advances amounted to HK\$2,440.5 million (U.S.\$314.9 million) as at 31 December 2020, covering 67.21 per cent. of its total impaired loans as at the same date.

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 Bank and there can be no assurance that the Bank 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 Bank'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 Bank 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 Bank's control, such as a slowdown in economic growth and other adverse macroeconomic conditions in Hong Kong and Greater China, which may cause operational, financial and liquidity problems for its borrowers and hence materially and adversely affect their ability to service their outstanding debts. Furthermore, a portion of the Bank's impairment allowances are estimated based on expected credit losses (“**ECL**”) which have considered the historical patterns between credit quality and movement of macroeconomic factors of its loan portfolio. As historical patterns may behave differently in the future, its current impairment allowances on loans and advances may not be adequate to cover any unforeseeable change in the historical pattern or any future deterioration in the overall credit quality of the Bank's loan portfolio. As a result, the Bank may be required to increase its impairment allowances for impaired loans, which may in turn reduce its profit and adversely affect its financial condition and results of operations. Moreover, there is no precise method for predicting loan losses, and there can be no assurance that the Bank's impairment allowances on loans and advances are or will be sufficient to cover actual losses. If the Bank is unable to manage the above risks and control the

level of its impaired loans, its financial condition and results of operations will be materially and adversely affected.

The Group's classification of loans and its policy in relation to the adequacy of allowance for loan losses may be different from the standards of other countries

In accordance with guidelines set by the HKMA, the Bank classifies its problem loans into one of three categories corresponding to levels of risk: "sub-standard", "doubtful" and "loss". The classification of loans into one of these categories depends on various quantitative and qualitative factors, including the number of overdue days, the type of loan, the tenor of the loan, the likelihood of collection, the type and amount of collateral, whether the net realizable value of the security is sufficient to cover the principal and accrued interest, whether the principal or interest amount has been overdue for more than 90 days, and the expectations for recovery or performance. The laws, regulations and guidelines governing banking in Hong Kong differ from those applicable in certain other countries in certain respects and may result in particular loans being classified at a different time or being classified in a category reflecting a different degree of risk than would be required in certain other countries. In addition, the typical procedures for writing off loans in Hong Kong may result in loans being written off later than would be the case for banks in certain other countries. Banks in Hong Kong may have different sets of criteria for recognition of accrued interest on loans which may be treated differently in certain other countries. While the Bank believes that its loan policies are generally in line with those which are required under Hong Kong laws and regulations, the Bank is not required to maintain such policies at levels above those generally applicable to banks in Hong Kong. For a description of the banking regulations that apply to banks in Hong Kong, see "*Regulation and Supervision*".

The Bank may be adversely affected by allegations made against it by its customers and/or its regulators

The Bank offers a range of wealth management and investment products to its customers. The Bank's management of the selling process associated with the distribution of these products is important to the success of its business. The Bank is required, among other things, to assess the suitability of customers for particular investment products and ensure that risks associated with those products are adequately disclosed to its customers before the Bank sells such products to them. The Bank may become liable to customers for damages and may be subject to regulatory enforcement actions if the sale of these products by the Bank is subsequently found to be in breach of the relevant legal or regulatory requirements, or duties owed to customers.

Given the nature of the Bank's businesses, the Bank will face potential litigation and claims from disgruntled investors who have suffered losses with respect to their investments in the investment products subscribed through the Bank. Based on currently available information as at the date of this Offering Circular, the Bank does not expect such potential litigation and claims to have a material adverse impact on the Group's financial position.

The HKMA and the Securities and Futures Commission (the "SFC") regularly review and investigate complaints received from investors alleging mis-selling of investment products. The Hong Kong regulators can impose fines and/or suspend or withdraw a distributor's licence to engage in regulated activities in the event that a distributor has been found to have mis-sold investment products or be otherwise in breach of its legal or regulatory obligations. In response to issues arising from the distribution of structured products before the global financial crisis, the regulators in Hong Kong have since introduced new rules and regulations that impose stricter obligations on banks in Hong Kong in connection with the sale of investment products to their customers.

Litigation and claims will always be a possibility and such claims, in the aggregate, may become material to the Bank. Similarly, there can be no assurance that relevant government authorities or regulators will not seek

to impose fines and/or suspend the Bank's regulated activities as a result of regulatory proceedings. Regulatory pressure to settle claims could also result in material payments by the Bank 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 Bank's reputation with existing and potential customers, as well as the Bank's business, financial condition or results of operations. Lastly, future legislative or regulatory restrictions may also limit the practices and ability of the Bank to sell structured investment products, which may have an impact on the Bank's business.

Fluctuations in foreign exchange rates could have an adverse effect on the Group's business, financial condition or results of operations

The Group undertakes various foreign exchange transactions as part of its treasury business and in providing hedging solutions to its corporate and retail customers. Foreign exchange positions of the Bank are subject to exposure limits approved by the Market Risk Committee (the "MRC") and the Credit and Risk Management Committee (the "CRMC"). The Bank's Market Risk & Liquidity Modeling function conducts regular and independent assessment, stress testing, scenario analysis and monitors and controls the Bank's foreign currency risk exposure against corresponding limits including individual currency positions and overall foreign exchange positions and sensitivities. However, there can be no assurance that a significant change in the exchange rate between the relevant foreign currency and the Hong Kong dollar will not result in the Group incurring foreign exchange related losses, which in turn could have an adverse effect on the Group's business, financial condition or results of operations.

Security breaches to, and eliminating security problems of, the Group's internet banking services could have an adverse effect on its operations and reputation

To the extent that the Group's internet banking activities involve storage and transmission of confidential information, security breaches could expose the Group to possible liability and damage its reputation. The Group's network may be vulnerable to unauthorised access, computer viruses and other disruptive problems. Costs incurred in rectifying any of such disruptive problems may be high and may adversely affect the Group's business, financial condition or results of operations. Concerns regarding security risks may deter the Group's existing and potential customers from using its internet banking products and services. Eliminating computer viruses and alleviating other security problems may result in interruptions, delays or termination of user access to the Group's internet banking services. Undetected defects in software products that the Group uses in providing its internet banking services, and the Group's inability to sustain a high volume of traffic, may materially and adversely affect the Group's internet banking business.

CITIC is the ultimate controlling shareholder of the Bank

The Bank is 75 per cent. owned by CITIC International Financial Holdings Limited ("CIFH") which is 100 per cent. owned by China CITIC Bank Corporation Limited ("CNCB"). In turn, CNCB is over 60 per cent. indirectly owned by CITIC Limited. CITIC Limited is approximately 58 per cent. indirectly owned by CITIC Group Corporation ("CITIC" or the "CITIC Group"). CITIC Limited and CNCB are both listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

With their controlling shareholding, CITIC and CNCB ultimately determine the strategy, management and operations of the Bank. CITIC and CNCB are able to determine the Bank's corporate policies, appoint its Directors and officers, and vote to pursue corporate actions requiring shareholders' approval. As at the date of this Offering Circular, the Chairman of the Bank is nominated by CNCB. See "*Management*". Although to date the Bank has been managed independently, there can be no assurance that the Bank will maintain its independence in the event of a conflict of interests with CITIC and CNCB.

The Bank's future strategy is to focus on the development of cross-border capabilities and services to offer "one-stop" solutions in conjunction with CNCB to serve the China-related in-bound and/or out-bound business needs of its customers, both in the PRC and in Asia. See "*Description of the Issuer — Wholesale & Cross-border Banking Group*". There can be no assurance that conflicts of interests will not arise between the Bank and CNCB and/or other CITIC companies. Under these conditions, there can be no assurance that the Bank can continue to develop its business in the PRC successfully.

The Bank's future strategy is dependent on its success in maximising synergies with CNCB

CIFH's privatisation in November 2008 and the CIFH Acquisition (as defined in "*Description of the Issuer*") by CNCB are integral steps to CITIC's Restructuring Strategy (as defined in "*Description of the Issuer*") to develop into an international PRC banking franchise. The Bank's future strategy is developed based on its role as the international commercial banking platform for CITIC and CNCB. Its success will depend on the Bank's ability to maximise synergies with CNCB.

There can be no assurance that the strategic initiatives of the Bank and CNCB will be successful, or that the anticipated synergies expected to be generated from the strategic initiatives will be realised, as these may be affected by numerous factors including difficulties in integrating the existing operations of CNCB and the Bank, unforeseen contingent risks or latent liabilities that may only become apparent following completion of such integration, potential adverse tax consequences to the Bank and loss of key personnel.

Expansion of the Group's operations may disrupt its business and reduce its profitability if not managed effectively

Expansion into overseas markets may present the Group with new risks and challenges, such as new regulatory environments, different market practices and competition in these markets. Expansion into overseas markets may also require significant operational, administrative and management resources. The success of any such expansion will depend in part on the ability of the Group's management to integrate the operations of its new overseas businesses with its existing operations and, where applicable, to integrate various departments, systems and processes. Consequently, the Group's ability to implement its business strategy may be constrained and the timing of such implementation may be affected due to the demand placed on existing resources by the expansion process. There can be no assurance that any overseas expansion will achieve the level of performance that the Group anticipates or that the projected demand for, and margins of, the Group's products and services will be realised. The failure to manage expansion effectively could have an adverse effect on the Group's business, financial condition and results of operations.

There could be material changes in, or a breach of, the regulations that govern the Group and its business activities

Banks in Hong Kong are subject to the supervision of the HKMA, whose supervisory framework is in line with international standards. The Group's banking business in Hong Kong conducted through the Bank could be directly affected by any changes in the HKMA's policies, including in the areas of specific lending activities, loan provisioning, capital adequacy and liquidity requirements. In addition, any changes in regulatory or governmental policies, tax laws or rules and accounting principles, as well as international conventions and standards relating to commercial banking operations, including changes under Basel III, could affect the Group's operations and financial performance. Furthermore, US laws and regulations such as the Foreign Account Tax Compliance Act may have impacts on the financial institutions in Hong Kong generally as well as the Group's operations and reporting duty. There can be no assurance that any future changes in the regulatory environment for banks in Hong Kong will not adversely affect the Group's business, financial condition or results of operations in the future.

Apart from the above, certain products and services provided by the Group are regulated by other regulators, including the SFC and the Insurance Authority in Hong Kong. The Group carefully manages legal and

compliance risks, including in relation to the sale of financial and insurance products and anti-money laundering regulations. However, there can 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.

The Bank may issue further securities

To ensure that it remains in compliance with applicable capital requirements under Hong Kong law, rules and regulations (including guidelines issued by the HKMA), the Bank may from time to time raise additional capital through such means and in such manner as it may consider appropriate including, without limitation, the issue of further notes (whether on terms similar to the Notes issued under the Programme or otherwise) or other hybrid capital instruments, subject to any regulatory approval that may be required. There can be no assurance that such future capital raising activities will not adversely affect the market price of the Notes issued under the Programme in the secondary market.

The Group may be affected by a discontinuation of or amendment to the link of the Hong Kong dollar to the US dollar or revaluation of the Hong Kong dollar

Under the Linked Exchange Rate System established in 1983, HK dollar banknotes are fully backed by US dollars at a rate of HK\$7.80 to U.S.\$1 (the **Linked Rate**) and depending on the flow of funds into and out of the HK dollar market, the HKMA also operates convertibility undertakings on both the strong side and the weak side of the Linked Rate within the convertibility zone between HK\$7.75 and HK\$7.85 to U.S.\$1. In the event that this policy were to be changed or there were to be a revaluation of the Hong Kong dollar, it could adversely affect the Hong Kong economy and, as a result, the Group's business, financial condition or results of operations. There can be no assurance that the Hong Kong dollar will continue to be linked to the US dollar. As at 31 December 2020, the Group had US dollar denominated assets of approximately HK\$166,583.9 million (U.S.\$21,494.7 million) and US dollar denominated liabilities of approximately HK\$157,753.7 million (U.S.\$20,355.3 million), representing approximately 42.4 per cent. and approximately 45.7 per cent. of the Group's total assets and liabilities, respectively, at the same date. A significant change in the exchange rate between the US dollar and the Hong Kong dollar may have an adverse effect on the Group's business, liquidity, financial position and capital.

Considerations relating to Hong Kong and the PRC

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 or results of operations.

In 2003, the Hong Kong economy was seriously affected by the Severe Acute Respiratory System ("SARS") epidemic, which resulted in, among other things, increased provisions which undermined the Group's profitability. Although the Hong Kong economy has recovered from the impact of SARS in subsequent years, the global credit markets have experienced, and may continue to experience, significant dislocation and turbulence which originated from the liquidity disruptions in the US credit and sub-prime residential mortgage markets since the second half of 2007. Sub-prime mortgage loans in the United States experienced increased rates of delinquencies, foreclosures and losses. These and other related events, such as the collapse of a number of financial institutions resulted in an economic slowdown in the US and most economies around the world, substantial volatility in equity securities markets globally, fluctuations in foreign currency exchange rates and volatility and tightening of liquidity in global credit markets. Although global economic and financial conditions have improved since the second half of 2009, gradual withdrawal of monetary

stimulus by central banks, emergence of trade protectionism in the US (such as the sustained tension between the US and China over trade policies) and the potential withdrawal of countries from the European Union (including the United Kingdom's exit from the European Union which took effect on 1 January 2021) have led to renewed doubts regarding the sustainability of the global economic recovery. Social events in Hong Kong which started in mid-2019 have led to significant challenges to the operating conditions in Hong Kong. Such social events have somewhat subsided but continued to linger, while sanctions by the United States on individuals and business entities in Hong Kong and China continue to lead to fluctuations in the political and economic conditions of Hong Kong. Moreover, the COVID-19 pandemic which began in 2020 has significantly affected the business environment of Hong Kong. In particular, cross-border travelling has been restricted as the HKSAR Government has implemented social distancing measures since early 2020 in order to fight the pandemic. In 2020, Hong Kong's gross domestic product ("GDP") dropped 6.1 per cent., which is the largest contraction on record, while unemployment rate reached a 17-year high of 7.2 per cent. as of February 2021 and then retracted to 6.8 per cent. as of March 2021. If there is another economic downturn or any slowdown in global economic recovery, there can be no assurance that the Hong Kong economy or the Group's business, financial condition and results of operations will not be adversely affected.

The Group expects the recovery of, and the continued growth in, the Hong Kong economy to depend in part upon the economic performances of the US and the PRC, as well as certain other developed countries. In addition, it will also to a large extent depend on the duration of the ongoing COVID-19 pandemic and its impact on Hong Kong and globally. There can be no assurance that future global events will not have an adverse effect on the Hong Kong economy and the Group.

The Group may be affected by an economic downturn in the PRC

The Bank plans to continue to develop 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 value of the Group's loans in the PRC, as well as its loans 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, the rate of inflation, RMB interest rate and RMB 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. See "*— Considerations relating to the Group — The Group has significant PRC exposure*" and "*Business — Strategy*".

China's GDP growth was only 2.3 per cent. in 2020 as a result of the negative consequences of the COVID-19 pandemic, yet it was one of very few economies in the world that reported a positive GDP growth in 2020. The RMB appreciated 6.1 per cent. against the USD in 2020 due to the sharply weakened USD on one hand and a rapid recovery of China's economy from the COVID-19 pandemic on the other hand. The PRC government is expected to continue to cope with the problems of excess capacity and high corporate debt, and to contain financial risks. Sustained tension between the US and China may pose an additional risk to China's economic prospects. If the PRC's economy experiences a renewed slowdown in growth or a downturn in the future, or if the RMB 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 will have an impact on Hong Kong and Hong Kong companies conducting business in the PRC. The Bank and its customers may also be affected accordingly.

The Bank is subject to various regulatory requirements in the Hong Kong banking industry

Under the Banking Ordinance, the HKMA 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 adequacy standards which have been adopted in Hong Kong.

In December 2010 and January 2011, the Basel Committee issued further capital requirements designed to raise the quality, consistency and transparency of banks' capital base and new global liquidity standards. These requirements are collectively known as Basel III. Among other things, Basel III increases 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 Basel Committee's press release dated 13 January 2011 entitled "Minimum requirements to ensure loss absorbency at the point of non-viability" included the following statements:

"The terms and conditions of all non-common Tier 1 and Tier 2 instruments issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of the trigger event unless:

- (a) the governing jurisdiction of the bank has in place laws that (i) require such Tier 1 and Tier 2 instruments to be written off upon such event, or (ii) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss;
- (b) a peer group review confirms that the jurisdiction conforms with clause (a); and
- (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under clause (a) in this paragraph."

The release also states as follows: "The trigger event is the earlier of: (1) a decision that a write-off, without which the firm would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the firm would have become non-viable, as determined by the relevant authority" (for the purposes of this Offering Circular, each a "**Non-Viability Event**").

The initial stage of the Basel III reforms has been implemented by the Hong Kong government since the beginning of 2013, and the full implementation of the reforms will be completed by January 2023.

These standards require banks to disclose key pieces of information on capital, risk exposures, risk assessment processes and hence capital adequacy. The aim of the new standards is to encourage banks to demonstrate to the market participants that their risk management systems are robust and that all relevant risks have been identified and controlled.

The Bank 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 investor 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.

The Bank is subject to minimum regulatory capital and liquidity requirements

The Group is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements. Capital requirements are now more sensitive to market movements than under previous regimes and capital requirements will increase if economic conditions or negative trends in the financial markets worsen. Any failure of the Group to maintain its minimum regulatory capital ratios could result in administrative actions or sanctions, which in turn may have a material adverse impact on the Group's results of operations. A shortage of available capital might restrict the Group's opportunities for expansion.

Under Basel III, capital and liquidity requirements have been raised. On 17 December 2009, the Basel Committee of Banking Supervision (the "**Basel Committee**") proposed a number of fundamental reforms to the regulatory capital framework in its consultative document entitled 'Strengthening the resilience of the banking sector'. On 16 December 2010 and on 13 January 2011, the Basel Committee issued its final guidance on Basel III. The Basel Committee's package of reforms includes increasing the minimum common equity (or equivalent) requirement and the total Tier 1 capital requirement. In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer to withstand future periods of stress. If there is excess credit growth in any given country resulting in a system-wide build up of risk, a countercyclical buffer of common equity is to be applied as an extension of the conservation buffer.

Furthermore, systemically important banks should have loss absorbing capacity beyond these standards. The Basel III reforms also require Tier 1 and Tier 2 capital instruments to be more loss-absorbing.

The reforms therefore increase the minimum quantity and quality of capital which banks are obliged to maintain. There can be no assurance as to the availability or cost of such capital. The capital requirements has been supplemented by leverage ratio which has been adopted in Hong Kong.

Regarding liquidity perspective, Basel III also strengthened the requirements and introduced liquidity coverage ratio and net stable funding ratio which have been adopted in Hong Kong.

There can be no assurance that, prior to its full implementation by 2023, the Basel Committee will not amend the package of reforms described above. Further, the HKMA may implement the package of reforms in a manner that is different from that which is currently envisaged, or may impose additional capital requirements on authorised institutions. If the regulatory capital requirements, liquidity restrictions or ratios applied to the Group are increased in the future, any failure of the Group to maintain such increased regulatory capital and liquidity ratios could result in administrative actions or sanctions, which may have an adverse effect on the Group's results of operations.

The Bank may be affected by the Financial Institutions (Resolution) Ordinance of 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 in Hong Kong as may be designated by the relevant resolution authorities, which may in the future include members of the Group (a "**FIRO Group Entity**"). The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution for a failing authorised institution or within scope financial institution in Hong Kong in order to stabilise and secure their continuity. In particular, in the context of a resolution of any FIRO Group Entity, the relevant resolution authority may have the ability to resolve other entities within the Group as if they were themselves a within scope financial institution for the purposes of FIRO and take certain actions and make certain directions in relation to such entities. Any such actions

could potentially affect contractual and property rights relating to the relevant entity. The implementation of FIRO remains untested and certain details relating to FIRO have been or will be set out through secondary legislation and supporting rules. Therefore, the Bank is unable to assess the full impact of FIRO on the financial system generally, the Bank's counterparties, the Bank, any of its consolidated subsidiaries or other Group entities, the Bank's operations and/or its financial position.

Considerations relating to the Notes issued under the Programme

Notes may not be a suitable investment for all investors

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets;
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and
- (vi) have sufficient knowledge and expertise (either alone or with a financial adviser) to evaluate the effect or the likelihood of the occurrence of a Non-Viability Event for Subordinated Notes which feature loss absorption.

Some Notes may be complex and high risk financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as standalone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Modification and waivers

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the

provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or Notification Event shall not be treated as such.

Change of law

The Conditions of the Notes are based on English law and the law of Hong Kong (in respect of any subordination provisions) in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law, Hong Kong law or administrative practice after the date of this Offering Circular.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Notes subject to redemption by the Issuer upon the occurrence of a Regulatory Redemption Event

Subject to the prior consent of the HKMA, the Undated Subordinated Notes and/or the Dated Subordinated Notes, as the case may be, may be redeemed at the option of the Issuer in whole, but not in part, at any time or on any Interest Payment Date following the occurrence of a Regulatory Redemption Event (as defined in the “*Terms and Conditions of the Notes*”).

If the Undated Subordinated Notes and/or the Dated Subordinated Notes, in whole but not in part, do not qualify as Tier 2 Capital of the Issuer, this could lead to the Issuer redeeming the Notes (subject to the prior consent of the HKMA) prior to the Maturity Date pursuant to the Regulatory Redemption Event redemption right set out in Condition 8.3. It cannot be assured that the Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Notes.

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a “**Relevant Factor**”). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;

- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as London Interbank Offered Rate (“**LIBOR**”). The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer’s ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

The regulation and reform of “Certain benchmark” rates as standalone investments

LIBOR, the Euro Interbank Offered Rate (“**EURIBOR**”) and other interest rate or other types of rates and indices which are deemed to be benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented.

Regulation (EU) No. 2016/1011 (the “**EU Benchmarks Regulation**”) applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. Regulation (EU) No. 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the “**UK Benchmarks Regulation**”) applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the UK. The EU Benchmarks Regulation or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to LIBOR, EURIBOR or another benchmark

rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmark Regulation or UK Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain benchmarks, trigger changes in the rules or methodologies used in certain “benchmarks” or lead to the discontinuance or unavailability of quotes of certain “benchmarks”.

As an example of such benchmark reforms, the UK Financial Conduct Authority announced on 27 July 2017 that it would no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 and confirmed on 5 March 2021 that most LIBOR benchmark tenors would cease or cease to be representative benchmarks from 31 December 2021 or (in the case of certain tenors of USD LIBOR only) from 30 June 2023. On 5 March 2021, the administrator for LIBOR (the ICE Benchmark Administration or IBA) similarly announced that it would cease the publication of the relevant LIBOR settings on 31 December 2021 or 30 June 2023, unless the Financial Conduct Authority (the “FCA”) exercises its proposed new powers (which are included in the current UK Financial Services Bill as proposed amendments to the UK Benchmarks Regulation) to require the IBA to continue publishing such LIBOR settings using a changed methodology (also known as a “synthetic” basis). Such announcements indicate that LIBOR will not continue in its current form and the UK Financial Conduct Authority announcement of 5 March 2021 indicated that it is currently contemplating that any “synthetic” basis, if adopted, would be limited to a small number of currencies and settings. In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its working group on Sterling risk-free rates had been mandated with implementing a broad-based transition to the Sterling Overnight Index Average (“SONIA”) over the next four years across sterling bond, loan and derivative markets so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a “risk free overnight rate” which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate (“€STR”) as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October 2019. Although EURIBOR has been reformed in order to comply with the terms of the Benchmark Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

The elimination of LIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Terms and Conditions of the Notes, or result in adverse consequences to holders of any Notes linked to such benchmark (including Floating Rate Notes whose interest rates are linked to LIBOR, EURIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities (including the Notes) based on the same benchmark.

The Agency Agreement provide for certain fallback arrangements in the event that a published benchmark, such as LIBOR, (including any page on which such benchmark may be published (or any successor service)) becomes unavailable. Any such changes may result in the Notes performing differently (which may include

payment of a lower interest rate) than if the original benchmark continued to apply. In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Any such consequences could have a material adverse effect on the value of and return on any such Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmark Regulation reforms or possible cessation or reform of certain reference rates in making any investment decision with respect to any Notes linked to or referencing a benchmark.

The market continues to develop in relation to SOFR as a reference rate for Floating Rate Notes

Investors should be aware that the market continues to develop in relation to the Secured Overnight Financing Rate (“SOFR”) as a reference rate in the capital markets and its adoption as an alternative to US dollar LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on SOFR, including term SOFR reference rates (which seek to measure the market’s forward expectation of an average SOFR rate over a designated term). The continued development of Compounded Daily SOFR rate as an interest reference rate for the Eurobond markets, as well as continued development of SOFR based rates for such market and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of the Notes.

The use of Compounded Daily SOFR as a reference rate for Eurobonds continues to develop both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing Compounded Daily SOFR. In particular, investors should be aware that several different SOFR methodologies have been used in SOFR linked notes issued to date and no assurance can be given that any particular methodology, including the compounding formula in the Terms and Conditions of the Notes, will gain widespread market acceptance.

The market or a significant part thereof may adopt an application of SOFR that differs significantly from that set out in the Terms and Conditions of the Notes as applicable to the Notes. Furthermore, the Issuer may in future issue Notes referencing SOFR that differ materially in terms of interest determination when compared with the Notes. In addition, the manner of adoption or application of SOFR reference rates in the Eurobond markets may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives or SOFR and loan markets. Noteholders should carefully consider how any mismatch between the adoption of SOFR reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing Compounded Daily SOFR.

SOFR differs from LIBOR in a number of material respects and has a limited history

Compounded Daily SOFR differs from LIBOR in a number of material respects, including that Compounded Daily SOFR is a backward-looking, compounded, risk-free overnight rate, whereas LIBOR is expressed on the basis of a forward-looking term and includes a risk-element based on inter-bank lending. As such, investors should be aware that LIBOR and SOFR may behave materially differently as interest reference rates for the Notes. Furthermore, SOFR is a secured rate that represents overnight secured funding transactions, and therefore will perform differently over time to LIBOR which is an unsecured rate. For example, since publication of SOFR began on 3 April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

Publication of SOFR in their current form began in April 2018 and it therefore has a limited history. The future performance of SOFR may therefore be difficult to predict based on the limited historical performance. The level of SOFR during the term of the Notes may bear little or no relation to the historical level of SOFR.

Prior observed patterns, if any, in the behaviour of market variables and their relation to SOFR such as correlations, may change in the future.

Furthermore, the Interest Rate is only capable of being determined at the end of the relevant Reference Period and immediately prior to the relevant Interest Payment Date. It may be difficult for Noteholders to estimate reliably the amount of interest which will be payable on the Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which factors could adversely impact the liquidity of the Notes. Further, in contrast to LIBOR-based Notes, if the Notes become due and payable as a result of an Event of Default under Condition 11 (*Events of Default and Enforcement*) of the Terms and Conditions of the Notes, or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Interest Rate payable in respect of the Notes shall be determined by reference to a shortened period ending immediately prior to the date on which the Notes become due and payable.

The administrator of SOFR may make changes that could change the value of SOFR or discontinue SOFR

The New York Federal Reserve (or a successor), as administrator of SOFR, may make methodological or other changes that could change the value of SOFR, including changes related to the method by which SOFR is calculated, eligibility criteria applicable to the transactions used to calculate SOFR, or timing related to the publication of SOFR. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SOFR (in which case a fallback method of determining the interest rate on the Notes will apply). The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing SOFR.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

No limitation on issuing senior or pari passu securities in respect of Subordinated Notes

There is no restriction on the amount of securities which the Issuer may issue and which rank senior to, or *pari passu* with, the Subordinated Notes. The issue of any such securities may reduce the amount recoverable by holders of Subordinated Notes in case of a winding-up of the Issuer. The Subordinated Notes are subordinated obligations of the Issuer. Accordingly, in the winding-up of the Issuer, there may not be a sufficient amount to satisfy the amounts owing to the holders of Subordinated Notes.

If the Issuer does not satisfy the Issuer's obligations under the Notes, Noteholders' remedies will be limited

Payment of principal of the Notes may be accelerated only in the event of certain events involving the Issuer's bankruptcy, winding-up or dissolution or similar events or otherwise if certain conditions have been satisfied. See "*Terms and Conditions of the Notes — Events of Default and Enforcement*".

The terms of Subordinated Notes may contain non-viability loss absorption provisions

To the extent that a series of Subordinated Notes contains provisions relating to loss absorption upon the occurrence of a Non-Viability Event of the Bank as determined by the relevant home authority in Hong Kong, or (if applicable) that of CNCB as determined by the relevant home authority in the PRC, the Bank may be required, subject to the terms of the relevant series of Subordinated Notes, irrevocably (without the need for the consent of the holders of such Subordinated Notes) to effect either a full or partial write-off of the outstanding principal and accrued and unpaid interest in respect of such Subordinated Notes, or a conversion

of such Subordinated Notes in full or in part into the ordinary shares of the Bank. In the event of a partial write-off or conversion, the sequence and the amount of write-off or conversion between different subordinated obligations of the Bank that are capable of being written off or converted is at the discretion of the HKMA or (if applicable) the relevant home authority in the PRC and the write-off or the conversion would be effected in full in the event that the amount written off or converted is not sufficient for the Non-Viability Event to cease to continue. To the extent relevant in the event that Subordinated Notes are written off, any written-off amount shall be irrevocably lost and holders of such Subordinated Notes will cease to have any claims for any principal amount and accrued but unpaid interest which has been subject to write-off. In the event that Subordinated Notes feature a conversion to the ordinary shares of the Bank upon the occurrence of a Non-Viability Event, holders would not be entitled to any reconversion of ordinary shares to Subordinated Notes.

The occurrence of a Non-Viability Event may be inherently unpredictable and may depend on a number of factors which may be outside of the Bank's control

The occurrence of a Non-Viability Event is dependent on a determination by the relevant home authority in Hong Kong of the non-viability of the Bank and (if applicable) the determination by the relevant home authority in the PRC of the non-viability of CNCB. Such provisions will be further described in the relevant Pricing Supplement to the Subordinated Notes. As a result, the relevant home authority may require or may cause a write-off in circumstances that are beyond the control of the Bank and CNCB and with which neither the Bank nor CNCB agree. Because of the inherent uncertainty regarding the determination of whether a Non-Viability Event exists, it will be difficult to predict when, if at all, a write-off will occur. Accordingly, the trading behaviour in respect of Subordinated Notes which have the non-viability loss absorption feature is not necessarily expected to follow trading behaviour associated with other types of securities. Any indication that the Bank is trending towards a Non-Viability Event could have a material adverse effect on the market price of the relevant Subordinated Notes.

Potential investors should consider the risk that a holder of Subordinated Notes which have the non-viability loss absorption feature may lose all of their investment in such Subordinated Notes, including the principal amount plus any accrued but unpaid interest, in the event that a relevant Non-Viability Event occurs.

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 Relevant Authorities may implement in the future. There is a risk that any relevant home authority may deviate from the Basel III proposals by implementing reforms which differ from those envisaged by the Basel Committee.

Regulations on non-viability loss absorption are new, untested and subject to interpretation and application by regulations in Hong Kong and the PRC

The regulations on non-viability loss absorption are new and untested, and will be subject to the interpretation and application by the relevant home authorities in Hong Kong and, if applicable, the PRC. It is uncertain how the relevant home authority would determine the occurrence of a Non-Viability Event, and it is possible that the grounds that constitute Non-Viability Events may change (including that additional grounds are introduced). Accordingly, the operation of any such future legislation may have an adverse effect on the position of holders of the Notes.

A potential investor should not invest in the Notes unless it has the knowledge and expertise to evaluate how the Notes will perform under changing conditions, the resulting effects on the likelihood of a write-down and the value of the Notes, and the impact this investment will have on the potential investor's overall investment portfolio. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in the Offering Circular.

The Issuer's obligations under Subordinated Notes are subordinated

The payment obligations of the Issuer under Dated Subordinated Notes and Undated Subordinated Notes will rank behind Senior Notes. Dated Subordinated Notes constitute unsecured and, in accordance with the paragraphs below, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves. Undated Subordinated Notes constitute unsecured and, in accordance with the paragraphs below, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves.

Payments of principal and interest in respect of the Undated Subordinated Notes are conditional upon the Issuer being solvent. No such principal or interest will be payable in respect of Undated Subordinated Notes except to the extent that the Issuer could make such payment in whole or in part and still be solvent immediately thereafter. See Conditions 3.2.1 and 3.2.2 of the Terms and Conditions of the Notes for a full description of subordination and the payment obligations of the Issuer under the Subordinated Notes.

Any suspension of payments under the Undated Subordinated Notes will likely have an adverse effect on the market price of the Undated Subordinated Notes. In addition, as a result of the conditional payment provisions of the Undated Subordinated Notes, the market price of the Undated Subordinated Notes may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition.

Risks related to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest (where applicable) on the Notes in the Specified Currency. 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 the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency 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 the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

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.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Investors should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Risks relating to Renminbi-denominated Notes

Notes denominated in RMB (“**RMB Notes**”) may be issued under the Programme. RMB Notes contain particular risks for potential investors.

Renminbi is not freely convertible. There are significant restrictions on remittance of Renminbi into and outside the PRC which may adversely affect the liquidity of RMB Notes

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in control by the PRC government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand,, remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being adjusted from time to time to match the policies of the PRC government..

Although the People's Bank of China (“**PBOC**”) has implemented policies improving accessibility to Renminbi to settle cross-border transactions in the past, there is no assurance that the PRC government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. Despite Renminbi internationalisation pilot programme and efforts in recent years to internationalise the currency, there can be no assurance that the PRC government will not impose interim or long-term restrictions on the crossborder remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the RMB Notes and the Bank’s ability to source Renminbi outside the PRC to service the RMB Notes

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBOC has entered into agreements (the “**Settlement Arrangements**”) on the clearing of Renminbi business with financial institutions (the “**Renminbi Clearing Banks**”) in a number of financial centres and cities, including but not limited to Hong Kong, has established the Cross-Border Inter-Bank Payments System (CIPS) to facilitate cross-border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC, although the PBOC has gradually allowed participating banks to access the PRC’s onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the RMB Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service its RMB Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in the RMB Notes is subject to exchange rate risks

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and by international political and economic conditions as well as many other factors. The PBOC has in recent years implemented changes to the way it calculates the Renminbi’s daily mid-point against the US dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to RMB Notes unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the RMB Notes in that foreign currency will decline.

Payments in respect of the RMB Notes will only be made to investors in the manner specified in such RMB Notes

All payments to investors in respect of the RMB Notes will be made solely by (i) when the RMB Notes are represented by a global certificate, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, or (ii) when the RMB Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and

regulations. The Bank cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

CAPITALISATION

The following table sets forth the consolidated capitalisation of the Group as at 31 December 2020. The information as at 31 December 2020 has been derived from the audited financial statements of the Group as at 31 December 2020. This table should be read in conjunction with the audited financial statements of the Group as at 31 December 2020, including the notes thereto, included elsewhere in this Offering Circular.

Short-term funding and long-term funding

	As at 31 December 2020	
	<i>HK\$</i>	<i>U.S.\$</i>
	<i>(in millions)</i>	
Short-term borrowings		
Deposits and balances of banks and financial institutions, short-term portion	5,088.1	656.5
Deposits of customers, short-term portion	309,073.1	39,880.4
Certificates of deposits, short-term portion	-	-
Total short-term liabilities	314,161.2	40,536.9
Capitalisations		
Long-term borrowings		
Deposits and balances of banks and financial institutions, long-term portion	238.3	30.7
Deposits of customers, long-term portion ³	803.9	103.7
Loan capital	3,855.4	497.5
Total long-term liabilities	4,897.6	631.9
Share capital	18,404.0	2,374.7
Reserves	21,393.4	2,760.4
Shareholders' equity	39,797.4	5,135.1
Other equity instruments	7,770.4	1,002.6
Total capitalisation	52,465.4	6,769.7

Notes:

- (1) Translated at the rate of HK\$7.75 = U.S.\$1.00.
- (2) Short-term borrowings represent borrowings with a remaining maturity of one year or less or borrowings that are repayable on demand.
- (3) As at 31 December 2020, deposits of customers (short-term and long-term) amounted to HK\$309,877.0 million (U.S.\$39,984.1 million).
- (4) Long-term borrowings represent borrowings with a remaining maturity of more than one year.
- (5) As at the date of this Offering Circular, the issued and fully paid share capital is HK\$18,404.0 million (U.S.\$2,374.7 million).
- (6) Total capitalisation represents the sum of total long-term liabilities, shareholders' equity and other equity instruments.

(7) Save as disclosed above, there has been no material change in the consolidated capitalisation of the Bank since 31 December 2020.

DESCRIPTION OF THE ISSUER

The Bank is incorporated and licensed in Hong Kong with business operations and presence spanning across Hong Kong, Macau, the PRC, the United States and Singapore. It is 75 per cent. owned by CITIC International Financial Holdings Limited (“**CIFH**”), which in turn is 100 per cent. owned by China CITIC Bank Corporation Limited (“**CNCB**”). CNCB is over 60 per cent. indirectly owned by CITIC Limited while CITIC Limited is approximately 58 per cent. indirectly owned by CITIC Group Corporation. On 29 September 2017, the Bank implemented a plan to introduce five financial investors who injected approximately HK\$9.05 billion in total into the Bank for a combined 25 per cent. holding of its enlarged issued share capital. The five financial investors are Tian Yuan Trading Ltd. (a subsidiary of Ningxia Tianyuan Manganese Co., Ltd.), Hong Kong Guansheng Investment Co., Ltd. (a subsidiary of Xinhua Zhongbao Co., Ltd.), Anxin Trust Co., Ltd., Clear Option Ltd. and Elegant Prime Ltd. (the two latter companies are wholly owned by Mr. Hui Wing Mau, the controlling shareholder of Shimao Property Holdings Ltd.). The transaction was completed on 15 December 2017. CIFH continues to retain 75 per cent. shareholding in the Bank after the transaction.

By providing value-creating financial solutions in order to define and exceed the wealth management and international business objectives of its Greater China and overseas customers, the Bank aspires to be “the best overseas integrated financial services provider” with the best international standards and capabilities. As at the date of this Offering Circular, the Bank had a network of 27 retail branches and two business banking centers in Hong Kong, and a branch in each of Macau, New York, Los Angeles and Singapore. The Bank’s wholly owned subsidiary, HKCB Finance Limited (“**HKCBF**”), specialises in mortgage services in Hong Kong while its PRC-incorporated wholly owned subsidiary, CITIC Bank International (China) Limited (“**CBI China**”), is headquartered in Shenzhen with branches in Beijing and Shanghai.

The Bank is an integral part of CITIC Group’s international commercial banking strategy. It is CITIC’s vehicle for developing commercial banking businesses in Hong Kong, and the commercial banking platform for overseas business expansion for CITIC. In an effort to drive CITIC’s strategy to restructure and align its Hong Kong and mainland Chinese commercial banking businesses operated through the Bank and CNCB, respectively, CITIC privatised CIFH in November 2008 to facilitate and maximise the synergy from the tripartite cooperation between the Bank, CNCB and Banco Bilbao Vizcaya Argentaria, S.A. (“**BBVA**”) (the “**Restructuring Strategy**”). (See “*Principal Shareholders — CITIC International Financial Holdings Limited*”). Aside from this, CITIC also transferred all its holdings in CIFH to CNCB for a cash consideration of approximately HK\$13.6 billion (U.S.\$1.7 billion) (the “**CIFH Acquisition**”). The CIFH Acquisition was completed on 23 October 2009.

On 23 December 2014, BBVA agreed to dispose of its 29.68 per cent. stake in CIFH to CNCB for HK\$8,162 million and the transaction was completed on 27 August 2015. Following completion of the transaction, CNCB assumed full ownership of CIFH.

The Bank believes it has the following competitive advantages:

- International management standards — the Bank is independently managed by a team of qualified international banking professionals who are committed to international standards, business excellence and corporate governance;
- Mainland Chinese parentage — the Bank offers depth of knowledge and market connectivity in the PRC through its strong ties with and support from CNCB and its ultimate parent, CITIC;
- One-stop cross-border financial solutions — the Bank has a business model structured strategically for offering effective and timely one-stop financial solutions to customers with cross-border banking and

financial needs, and for capturing cross-border opportunities entailed by Hong Kong's role as an offshore RMB centre as well as business opportunities arising from the implementation of the Greater Bay Area initiatives announced by the PRC government;

- Customer-centric culture — the Bank has a customer-centric culture with a focus on upholding integrity, transparency, professionalism, discipline, innovation and progressiveness; and
- Strategic business position — the Bank is designated as the international commercial banking platform for CITIC and CNCB.

For the year ended 31 December 2020, the Group reported consolidated net profits of HK\$1,155.8 million (U.S.\$149.1 million), down 143.1 per cent. as compared to the corresponding period of the previous year. As at 31 December 2020, the Group had consolidated total assets, total loans to customers and total customer deposits and certificates of deposit issued of HK\$392.9 billion (U.S.\$50.7 billion), HK\$220.1 billion (U.S.\$28.4 billion) and HK\$309.9 billion (U.S.\$40.0 billion), respectively, and its capital adequacy ratio, loans to deposits ratio, loans to total assets ratio and average liquidity coverage ratio were 17.3 per cent., 71.0 per cent., 56.0 per cent. and 217 per cent., respectively.

The Bank's operations currently comprise three main lines of business: Personal & Business Banking Group ("PBG"), Wholesale and Cross-border Banking Group ("WBG") and Treasury and Markets Group ("TMG").

The principal operations of the Bank's three main lines of business are as follows:

Personal & Business Banking Group

The objective of PBG is to be the preferred and trusted wealth management partner for affluent customers in Greater China, optimising wealth creation and protection through value-enhancing solutions and services in tune with the goals and aspirations of its customers. Its products and services primarily comprise general banking and wealth management services for individuals, mortgage lending, consumer lending and credit cards, insurance services, as well as banking solutions for small- and medium-sized enterprises ("SMEs"). These are offered through a multi-channel distribution system which comprises retail branches, direct sales, automated teller machines, a 24-hour call centre, i-banking, phone banking and mobile banking.

Wholesale Banking Group

WBG is strategically positioned to be a full-service banking partner for Greater China and international corporates seeking, or active in, cross-border businesses and investments in the PRC. Its target customers include local Hong Kong and PRC companies, multinational companies, State-owned Enterprises ("SOE"), Privately-owned Enterprises ("POE"), banks and non-bank financial institutions and public sector. It strives to offer these customers tailored and value-enhancing solutions including products and services such as cash management services, bilateral loan, trade finance, structured finance, real estate finance, syndicated loan, as well as treasury sales business and debt capital market products. WBG's key business units include Corporate Banking, Financial Institutions and Public Sector, Group Co-operation Office, Transaction Banking and Structured Finance, and the Bank's overseas branches in Singapore, New York, Los Angeles and Macau.

Treasury and Markets Group

TMG performs the dual function of managing the Bank's liquidity and risk exposures, and developing customer-driven trading and distribution capabilities for the Bank. One of TMG's principal roles lies in asset and liability management for the Bank. Under the oversight of the Asset and Liability Committee (the "ALCO"), TMG's functions include liquidity management, funding and financing in the money markets and capital markets, and the management of the Bank's trading and investment portfolios. TMG is also responsible for developing the Bank's customer-related treasury business. Apart from offering traditional liabilities hedging solutions, TMG also offers wealth management solutions to customers and works closely

with PBG and WBG to cross-sell packaged and tailored structured solutions to the Bank's retail and corporate customers. In June 2016, TMG commenced its Debt Capital Markets ("DCM") business, enriching the range of products available to clients and enhancing service capability.

History

The history of the Bank dates back to February 1922 with the inception of Ka Wah Ngan Ho in Guangzhou, China. In 1924, Ka Wah Ngan Ho was incorporated as a limited company in Hong Kong under the Hong Kong Companies Ordinance under the name of The Ka Wah Savings Bank Limited, which subsequently became The Ka Wah Bank Limited in January 1949. In July 1980, The Ka Wah Bank Limited made an initial public offer of 35,000,000 ordinary shares of HK\$1.00 par value per share. The Bank experienced financial difficulties in 1985 as a result of adverse economic conditions in Hong Kong and incurred substantial losses. This led to the restructuring of the Bank in 1986 with an investment injection of HK\$350 million by CITIC, which is now the ultimate controlling shareholder of the Bank. CITIC was approved by the State Council of the People Republic of China and established in 1979. It is a large state-owned multinational conglomerate with a wide range of businesses covering finance, energy and resources, manufacturing, engineering contracting and real estate.

In 1998, The Ka Wah Bank Limited underwent a management restructuring and transformed from a small-sized bank managed predominantly by bankers from the PRC into a medium-sized bank managed predominantly by professionals recruited from international commercial banks in Hong Kong. In July 1998, The Ka Wah Bank Limited changed its name to CITIC Ka Wah Bank Limited to underscore its relationship with CITIC and expanded its operations substantially in a move to reposition itself as a progressive, customer-centric bank while serving as a platform for the acquisition of The Hongkong Chinese Bank, Limited ("HKCB"). Reforms were implemented across most areas of the bank, including core business areas of retail banking, wholesale and cross-border banking, international banking and treasury, to improve the management and operating efficiency of its businesses while investment was also made in information technology infrastructure, and product enhancement and development.

On 17 January 2002, CITIC Ka Wah Bank Limited completed the acquisition of the entire issued share capital of HKCB for an aggregate consideration of HK\$4.2 billion. On 25 November 2002, the merger of CITIC Ka Wah Bank Limited and HKCB was completed after CITIC Ka Wah Bank Limited transferred most of its commercial banking assets and liabilities to HKCB and changed its name into "CITIC International Financial Holdings Limited". CIFH maintained its listing status and became the holding company of a group of reorganised banking and financial services companies. At the same time, HKCB adopted the name of CITIC Ka Wah Bank Limited and continued to operate the integrated commercial banking business of the merged entities.

On 1 March 2007, CIFH and BBVA completed a strategic alliance agreement which involved BBVA taking a 14.58 per cent. stake in CIFH. On 3 June 2008, CITIC, through Gloryshare Investments Limited, proposed to privatise CIFH by way of Scheme of Arrangement (the "**Proposed Privatisation**") as part of its Restructuring Strategy to align its commercial banking businesses in Hong Kong and Mainland China (See "*Principal Shareholders — CITIC International Financial Holdings Limited*"). On 16 October 2008, CIFH's independent shareholders approved the Proposed Privatisation. On 5 November 2008, CIFH was delisted from the Hong Kong Stock Exchange and on the same day, BBVA's stake in CIFH increased from 14.58 per cent. to 29.68 per cent. As part of the Restructuring Strategy, CITIC reaffirmed the role of the Bank as its exclusive vehicle for developing commercial banking business in Hong Kong and as the international commercial banking platform for business expansion in Asia for CITIC and BBVA. On 8 May 2009, CNCB announced the CIFH Acquisition which was approved at CNCB's annual general meeting held on 29 June 2009 and was completed on 23 October 2009.

On 7 May 2010, the Bank changed its name from CITIC Ka Wah Bank Limited to CITIC Bank International Limited and again on 16 November 2012 to China CITIC Bank International Limited with an aim to put further emphasis on its role as CNCB’s offshore platform for pursuing business expansion in Hong Kong and internationally.

On 27 August 2015, CNCB successfully acquired the remaining 29.68 per cent. stake in CIFH from BBVA and assumed full indirect ownership of the Bank, strengthening the ties between the Bank and the parent bank for synergetic development on the full advantage of the CITIC brand.

On 15 December 2017, the Bank successfully introduced five financial investors with aggregate shareholding of 25 per cent. of the total issued share capital of the Bank. Since then, the Bank became a 75 per cent. owned subsidiary of CIFH. The following chart offers a simplified overview of the corporate structure of the Bank as at the date of this Offering Circular:



Strategy

Hong Kong is known across the world for its mature and highly sophisticated banking and financial services industry which has over the last two decades been characterised by intense competition posed by local and multinational financial institutions vying for opportunities from mainland China’s growing prominence and the liberalisation of the country’s banking industry since 2005. Major Chinese financial institutions, especially those with H-share listings in Hong Kong, have started to embrace internationalisation strategies and leverage Hong Kong as a strategic springboard for overseas expansion. Since 2006, Chinese banks have been active in acquiring Hong Kong commercial banks as a means to gain immediate access to branch networks as well as

operational presence in Hong Kong and abroad. As a result, smaller local and family-owned commercial banks in Hong Kong were increasingly prone to acquisition or marginalisation.

As an integral part of CITIC's international commercial banking franchise and its Hong Kong and offshore business development platform, the Bank is positioned to compete through its business model, which underpins its close collaboration with CNCB, to offer effective and timely one-stop financial solutions to customers with cross-border banking and financial needs, and capture cross-border opportunities entailed by Hong Kong's role as an offshore RMB centre as well as business opportunities arising from the implementation of the Greater Bay Area initiatives announced by the PRC government.

In pursuit of its objective of becoming the "best integrated financial services provider" with international standards and capabilities, the Bank leverages its strategic role as the offshore commercial banking platform of CITIC in Hong Kong and overseas. The Bank's vision is to support the establishment and expansion of the CITIC international banking franchise. In order to achieve this, the Bank adopts a three-pronged approach of (i) strengthening its core business fundamentals; (ii) identifying and building new competencies that will enhance its capacity for serving customers with cross-border business and trade flows between Greater China and the rest of the world; and (iii) developing and providing cross-border RMB business and financial solutions.

The implementation of the three-pronged approach is summarised as follows:

Personal & Business Banking: Upscale to target affluent segment

PBG aims to be a leading provider of wealth management services to affluent customers in Greater China. The Bank continues to focus on building its wealth management franchise in the Hong Kong market. In order to differentiate its services and establish its unique competitive niche, the Bank has three unique customer segments including Private Banking, CITIC*diamond* and CITIC*first*. As at 31 December 2020, these three segments covered a total of over 53,000 client base with total client assets under management exceeding HK\$165 billion. The Bank aims to continue to focus on this market segment and will strive to offer a greater diversity of innovative wealth management products and services in order to expand its market share in this segment. Efforts will also be made to identify and serve the cross-border wealth management needs of the growing PRC affluent customer segment, as Hong Kong establishes itself as an offshore RMB centre with the support of the PRC government.

Wholesale Banking: Position itself as "the best integrated financial services provider" for customers

WBG aims to position itself as the "the best integrated financial services provider" for Greater China and overseas corporates seeking or active in cross-border businesses and investments in the region. Since June 2014, WBG's overseas footprint has covered New York, Los Angeles, Singapore and Macau as well. Moreover, WBG has continued to deepen cooperation with CITIC Group and CNCB and has further optimised the coverage efforts for all onshore branches of CNCB. WBG has also enhanced collaboration with upstream and downstream customers of the CITIC Group to expand customer acquisitions channels.

WBG will continue to solidify its customer base by expanding the number of customers and effective customers in order to build up momentum for development. WBG's goal is to transform from a lending provider to a provider of integrated services by offering signature products, enriching its product portfolio, further building out the syndicated loans business, spearheading development of the transaction banking business, and strengthening cross-selling with TMG. Meanwhile, WBG will further optimise collaboration mechanism and continue to provide global and seamless services to its customers in order to satisfy customer demands for onshore and offshore cross-border financial services.

Treasury and Markets: Establish global markets capabilities to drive customer-related income

TMG aims to improve on its traditional role of managing the Bank's liquidity and risk exposures. It plans to develop and establish the Bank's global markets capabilities to expand its revenue sources and to meet the increasingly sophisticated demands of its customers. In particular, it aims to leverage on CNCB's foreign exchange market-making leadership in Mainland China to develop an offshore capital markets platform in Hong Kong to provide timely financial solutions to customers. It will work closely with CNCB to expand its client base and to generate more business flows by offering hedging tools such as non-deliverable currencies products and interest rate swaps, as well as structured products for yield enhancement. It will also focus on expanding its China-related businesses such as RMB-denominated trade settlement, RMB bond issuance and RMB initial public offering businesses in due course.

Awards

The Bank has received various awards and accolades for its business, management and operational excellence in addition to its contribution to the Hong Kong community.

In 2009 and 2011, CITIC*first* received a Wealth Management Service Award from local finance magazine — *Capital Weekly*. The magazine also presented the Bank another award in the RMB Banking category in 2011. The Bank's commitment to employee development was recognised by a Best Practice Financial Services — Effective Training Award from Benchmark and Best Practice Management in 2009, a Manpower Developer 1st Award from the Employees Retraining Board and Certificate of Merit in the Award for Excellence in Training and Development by the Hong Kong Management Association in 2010. Meanwhile, the Bank was presented an mtn-i Asia Pacific Landmark Deal Award from mtn-i in 2010 and 2012. In April 2012, the Bank retained the Manpower Developer 1st accreditation by the Employees Re-training Board for another two years until March 2014. In 2013, the Bank received an additional award from *Capital Weekly* in recognition of its wealth management service. In 2014, the Bank won an Outstanding e-Banking Award in the Quamnet Outstanding Enterprise Awards. In the area of corporate social responsibility, the Bank was awarded a Gold Certificate by the Social Welfare Department's Volunteer Movement for the fifth consecutive year in 2012, was named Caring Company for the 10th consecutive year in the same year by the Hong Kong Council of Social Service (the "HKCSS"), and was awarded a 10 Years Plus Caring Company Logo by HKCSS in 2014. The Bank continued to receive media plaudits and garnered several industry awards in 2015. These included a Metro Awards for Banking & Finance Corporations 2015 – Best Renminbi Investment Services Award from *Metro Daily* and *Metro Prosperity*, an Outstanding Private Banking - Diversified Business Award in the 2015 RMB Business Outstanding Awards by *Metro Finance*, *Metro Finance Digital* and *Wen Wei Po*, and a Quamnet Outstanding Enterprise Awards 2014 – Outstanding e-Banking award. The Bank was also named Company for Financial Planning Excellence of the Year 2015 at the SCMP/IFPHK Financial Planner Awards. In 2016, the Bank was presented a Hong Kong ICT Awards 2016: Best FinTech (Emerging Solutions) Certificate of Merit. The Bank was also named Metro Finance Hong Kong Leaders' Choice Awards 2016 – Excellent Brand of Private Banking and Quamnet Outstanding Enterprise Awards 2015 – Outstanding Wealth Management Bank. Moreover, the Bank received a Sky Post Banking and Finance Awards 2016 - Most Favourite Mobile Banking Service Award, and was again named Company for Financial Planning Excellence of the Year 2016 at the SCMP/IFPHK Financial Planner Awards.

In 2017, the Bank was awarded several accolades, including The Asian Banker Financial Markets Awards 2017 – Financial Markets Technology Implementation of the Year – Best Integrated Treasury and Capital Markets Platform Implementation; Metro Finance Hong Kong Leaders' Choice 2017 – Excellent Brand of Mobile Banking and Excellent Brand of Private Banking Service; Quamnet Outstanding Enterprise Awards 2016 – Outstanding Mobile Banking Services; and IFPHKA – Accredited Professional Financial Planning Firm 2017.

In 2018, the Bank received the following awards: Quamnet Outstanding Enterprise Awards 2017 – Outstanding Private Banking Service and Outstanding Wealth Management Bank; etnet FinTech Awards 2017 – Outstanding Mobile Payment Integration with Social Media Platform; Metro Finance Hong Kong Leaders' Choice Awards 2018 – Excellent Brand of Mobile Banking, Excellent Brand of Private Banking Service and Excellent Brand of Wealth Management Banking; Thomson Reuters Hong Kong FX Awards 2018 – E-FX Execution – Chinese Bank and FX Data Contribution; LinkedIn Transformation Awards 2018 Hong Kong (Bronze); the 18th Capital Outstanding Enterprise Awards – Private Bank; Shenzhen-Hong Kong Fintech Award – Shenzhen-Hong Kong Financial Collaborative Innovation Award – Second Prize; and the Caring Company Logo by the Hong Kong Council of Social Service for the 15th Consecutive Year.

In 2019, the Bank received the following awards: Metro Finance Hong Kong Leaders' Choice 2019 – Excellent Brand of Business Financial Planning Services, Excellent Brand of Mobile Banking and Excellent Brand of Private Banking Services; HKEX – OTC Derivatives Clearing Member of the Year (Cross Currency Swaps), Interest Rate Derivatives Clearing Member of the Year, FX Clearing Member of the Year; The Asset Benchmark Research's Asian G3 Bond Benchmark Review 2019 – Most Astute Investor Hong Kong (Rank 7) and Top Investment House, Commercial and Investment Bank China/Hong Kong (Rank 4); Mastercard – Most Innovative Consumer Virtual Card Program 2018/2019; Refinitiv 2019 awards – Top CNH Spot Trader and Top 5 Trading Volume in FX Spot; IDC Digital Transformation Awards – 2019 Information Visionary (Hong Kong); International Banker Awards 2019 – Best Innovation in Retail Banking China and Best Customer Service Provider of the Year (Asia); The Digital Banker's Global Retail Banking Innovation Awards 2019 – Marketing and Customer Awards: Best New Product Launch, Digital Innovation Awards: Best Digital Market Entry Strategy; Shenzhen-Hong Kong Fintech Award 2018 – Fintech Initiatives Awards (3rd Grade); The Hong Kong Institute of Bankers – Talent Development Award (Category 1); The 19th Capital Outstanding Enterprise Awards – Outstanding Deposit Service, Outstanding New Generation Banking Service, Outstanding Private Banking Service; Quamnet Outstanding Enterprise Awards 2018 – Outstanding Private Banking Service, Outstanding E Business Service 2018; etnet Fintech Awards 2018 – Outstanding Innovative Mobile Banking Service; and the Caring Company Logo by the Hong Kong Council of Social Service for the 16th Consecutive Year.

In 2020, the Bank received the following awards: Skypost Banking and Finance Awards 2020 – Excellence Award for Mobile Banking Service; Refinitiv 2020 awards – Top 5 Trading Volume in FX Spot and FX Swaps in Hong Kong, Top RMB FX Spot Trader and Entity in Hong Kong, Top G10 FX Trader in Hong Kong; Bond Connect Company – Outstanding Commercial Bank for 2019-2020; China Foreign Exchange Trade System – Best Overseas Participant Member; HKEx – Top HKD OTC Derivatives Clearing Bank and Top OTC Derivatives Clearing Member of the Year; Labour and Welfare Bureau Community Investment and Inclusion Fund's Social Capital Builder Awards 2020 – Social Capital Builder Logo Award; Hong Kong Fintech Impetus Awards 2020 organized by Metro Finance and KPMG – Innovative Banking Service (E-Banking); the 13th Hong Kong Institute of Bankers' Outstanding Financial Management Planner Awards – Top Nomination Award; the 20th Capital Outstanding Enterprise Awards – Outstanding Robo Advisory Service; Quamnet Outstanding Enterprise Awards 2019 – Outstanding Private Banking Service 2019, Outstanding E-Business Service 2019; etnet Fintech Awards 2019 – Outstanding Intelligent Personal Investment Service; 2019 HKCAMA-Bloomberg Offshore China Fund Awards – Best Digital Financial Service; Employees Retraining Board's ERB manpower Developer Award Scheme – acknowledged as Super MD; and the Caring Company Logo by the Hong Kong Council of Social Service for the 17th Consecutive Year.

Principal Business Activities

The Bank's operations currently comprise three main lines of business: PBG, WBG and TMG. China Banking, which was formed in early 2002 to establish and oversee the Bank's onshore network and business

developments in the PRC as well as driving business and strategic collaborative efforts with CNCB, was combined with Wholesale Banking to form the Wholesale and Cross-border Banking Group in 2012.

The following table sets out the contribution to the operating income of the Group on a consolidated basis by each of the business groups of the Group for the periods indicated.

	For the years ended 31 December		
	2019	2020	2020
	<i>HK\$</i>	<i>HK\$</i>	<i>U.S.\$</i>
		<i>(in millions)</i>	
Personal and Business Banking.....	2,693.9	2,431.9	313.8
Wholesale and Cross-border Banking.....	4,502.1	3,871.5	499.5
Treasury & Markets	1,190.5	1,199.4	154.8
Others ⁽¹⁾	(35.2)	(147.2)	(19.0)
Operating Income	8,351.3	7,355.6	949.1

Note:

- (1) Others mainly comprised unallocated revenue, inter-segment revenue elimination and China banking which mainly included a subsidiary bank in China.

The following table sets out the profit before taxation from each of the business groups of the Group for the period indicated.

	For the years ended 31 December		
	2019	2020	2020
	<i>HK\$</i>	<i>HK\$</i>	<i>U.S.\$</i>
		<i>(in millions)</i>	
Personal and Business Banking.....	1,597.3	1,273.7	164.3
Wholesale and Cross-border Banking.....	2,887.1	1,190.0	153.6
Treasury & Markets	1,066.4	957.4	123.5
Others ⁽¹⁾	(2,216.8)	(2,115.0)	(272.9)
Total profit before taxation	3,334.0	1,306.1	168.5

Note:

- (1) Others mainly comprised unallocated revenue and expenses, corporate expenses, inter-segment elimination and China banking which mainly included a subsidiary bank in China.

Personal & Business Banking Group

Overview

The Bank's strategy is to focus on serving affluent individuals and small business customers in Hong Kong and the PRC. Its objective is to be the preferred and trusted wealth management partner for affluent customers in Greater China, optimising wealth creation and protection through value enhancing solutions and services in tune with the goals and aspirations of its customers. PBG is a full retail service provider and its products and services primarily comprise general banking and wealth management services for individuals, mortgage lending, consumer lending and credit cards, insurance services, as well as banking solutions for small- and medium-sized enterprises ("SMEs"). These are offered through a multi-channel distribution system which comprises retail branches, direct sales, automated teller machines, a 24-hour call centre, i-banking, phone banking and mobile banking.

Customer deposit gathering is one of the key focuses for PBG. From 2016 to 2020, PBG grew its retail deposits at 8 per cent. Compound Annual Growth Rate ("CAGR"). Total retail deposits amounted to HK\$157.5 billion (U.S.\$20.3 billion) as at 31 December 2020. In addition, PBG continued to make steady growth in mortgages, consumer finance and lending to SMEs. From 2016 to 2020, PBG grew its customer loans at 13 per cent. CAGR. Total customer loans reached record high at HK\$69.2 billion (U.S.\$8.9 billion) as at 31 December 2020.

PBG has also focused on growing its non-interest income through the distribution of a wide range of wealth management products including stock trading, unit trusts, insurance products and structured products. For the year ended 31 December 2020, non-interest income amounted to HK\$883.5 million (U.S.\$114.0 million), of which, investment income was HK\$394.4 million representing 41.8 per cent. growth over 2019.

In order to enhance customer experience, PBG continued to invest in Fintech to spearhead transformation and optimise digital banking services via its mobile banking named inMotion to provide support to customers in their transition from conducting banking transactions offline to online.

In 2018, inMotion was Hong Kong's first virtual banking service app to provide truly remote account opening. Upon this success, inMotion continued to act as the pioneer in the market and launched Hong Kong's first truly virtual credit card "Motion Virtual Credit Card" in 2019. In November 2019, it was then again the first bank in Hong Kong to introduce "Robo 360", which is an online financial advisory service with minimum investment of U.S.\$100. inMotion also introduced brand new experiences on foreign exchange services, fast payment services, 24X7 time deposit placements/renewals and 24X7 live chat services.

In March 2020, CNCBI was the first bank in Hong Kong to enable its customers to open a 3-in-1 account via remote channels encompassing deposit, investment and credit card accounts. In June 2020, CNCBI introduced a new money market fund investment service, providing a new investment experience with increased flexibility and convenience for customers. As at 31 December 2020, the number of inMotion users increased significantly by 67 per cent. compared to 2019, while transactions conducted via digital channels increased by 57 per cent. year on year.

In view of CNCBI's innovative spirit to achieve breakthroughs in inMotion and the focus on achieving business excellence, PBG was awarded 8 accolades in 2020:

- 2019 HKCAMA-Bloomberg Offshore China Fund Awards "Best Digital Financial Service"
- etnet FinTech Awards 2019 "Outstanding Intelligent Personal Investment Service"
- The 20th Capital Outstanding Enterprise Awards "Outstanding Robo Advisory Service"

- The 13th Hong Kong Institute of Bankers' Outstanding Financial Management Planner Awards "Top Nomination Award"
- "Innovative Banking Service (E-Banking)" award in the Hong Kong FinTech Impetus Awards 2020 organised by Metro Finance and KPMG
- Skypost Banking and Finance Awards 2020 "Excellence Award for Mobile Banking Service"
- etnet FinTech Awards 2020 "Outstanding Personal Banking Mobile App"
- etnet FinTech Awards 2020 "Outstanding Intelligent Personal Investment Service"

PBG continues to strengthen collaboration with CNCB and CITIC group companies on customer referrals and strengthen product range in order to better serve the cross-border wealth management needs of the growing mainland and Hong Kong affluent customers.

Business Portfolio

PBG is committed to remain customer-centric and digital savvy. The Bank has a strong innovative spirit and will continue to enhance and develop new customer solutions to make banking easy and convenient for both local and cross-border customers. There are three key customer segments in PBG comprising High-net-worth, Business Banking and Mass segment.

High-Net-Worth

High-net-worth segment is composed of Private Banking, CITICdiamond and CITICfirst customers. PBG helps customers define and develop optimised solutions to meet their financial goals, risk-return profiles, risk tolerances level and investment preferences through comprehensive wealth management products to meet the risk diversification and yield enhancement needs of its customers.

PBG focused on growing its high-net-worth customer base and generating more income from wealth management products. For 2020, investment income increased 41.8 per cent. year on year while the number of high-net-worth customers increased 36 per cent. year on year, of which private banking customers grew significantly by 1.8 times. To cope with the business growth, PBG continued to invest in the increase of Private Banking relationship managers. In addition, two new CITICdiamond Banking Centre were opened at Admiralty and Mongkok in August 2020 and January 2021 respectively.

Business Banking

Business Banking segment focuses on servicing SMEs to provide comprehensive financial and wealth management solutions including trade finance, cash management, foreign exchange, insurance and corporate loans. Small business customers offer an excellent opportunity for cross-selling fee-based products and are important sources of interest income for the Bank. To cope with the business growth, two business banking centres were opened at Central and Tsimshatsui in November 2016 and February 2018, respectively.

Business Banking strengthened business scale via expanding the Bank's relationship manager team, so that it can acquire more quality customers and deepen existing customer relationships. For the year ended 31 December 2020, operating income increased 11.0 per cent. year on year and reached a new high. Customer loan and deposit balances also registered all-time highs, up 19.1 per cent. and 7.2 per cent. respectively versus end-2019.

Mass Segment

Mass segment has the largest customer base in PBG among the three segments. PBG offers a comprehensive product suite and services including general banking and wealth management service, mortgage lending, consumer finance, deposits, credit cards and insurance to this segment. Customers can be reached through a

multi-channel distribution system comprising retail branches, direct sales, automated teller machines, a 24-hour call centre, i-banking, phone banking and mobile banking. To develop this segment, PBG continues to improve the digital banking capability and enhance customer experience in order to provide support to customers for conducting banking transactions from offline to online.

Wholesale Banking Group

Overview

WBG is strategically positioned to be a full-service banking partner for Greater China and international corporates seeking, or, which is active in, cross-border businesses and investments in the PRC. It strives to offer these customers tailored and value-enhancing solutions including products and services such as cash management services, bilateral loan, trade finance, structured finance, real estate finance, syndicated loan, as well as treasury sales business and debt capital market products.

Key Business and Product Areas of WBG

Corporate Banking I, II, III, IV, V. The five Corporate Banking teams were formed with the aim to better serve the banking needs of SOEs in Mainland China, privately owned PRC enterprises who are leaders in their industries, existing core and strategic customers of CNCB with cross-border needs and non-PRC companies which are predominantly doing business in Mainland China and Hong Kong. Moreover, the five teams also provide tailor-made banking solutions to major multinationals and regional corporates who are active in overseas expansion and international trade.

Group Co-operation Office (“GCO”). The GCO team is responsible for deepening cooperation with CITIC Group and CNCB and further optimise the coverage efforts for all onshore branches of CNCB. GCO also strives to enhance collaboration with upstream and downstream customers of the CITIC Group to expand customer acquisitions channels.

Financial Institutions and Public Sector (“FI&PS”). The FI&PS team is responsible for expanding the Bank’s marketing reach to banks and non-bank financial institutions in the region and offering banking solutions to government and quasi-government departments or bodies and non-profit making organisations.

Structured Finance (“SF”). The SF team is responsible for the origination, underwriting and distribution of syndicated and structured finance deals of the Bank. In addition, the team also specialises in commercial real estate debt financing, covering a broad range of property types.

Transaction Banking (“TB”). The TB team was set up with enhanced product management and business development capabilities in order to strengthen service professionalism for providing tailored and value-enhancing transaction banking services.

Strategic Collaboration with CNCB

As the Bank’s main interface for collaboration with CNCB and other CITIC Group entities in the Mainland China market, WBG continues to promote and co-ordinate business collaboration across all business lines between the Bank and CNCB as well as other CITIC subsidiaries. A series of business cooperation initiatives have been successfully introduced, including Overseas Lending Against Mainland Guarantee, Credit Facilities Against 3-Party/ 4-Party Agreement and Back to Back FX Solution.

Other specific areas for collaboration include organising client events jointly with CNCB in promoting cross-border syndications and structured financial solutions as well as introducing a revolutionary account aggregation service to cater for the group financial management needs of CNCB’s and CNCBI’s mutual customers through bank to bank connectivity. The two banks will also focus on training and development, particularly in areas such as credit and risk management.

Strengthen and Expand Overseas Branches as the Offshore Business Platform for CNCB

US branches. The Bank's businesses in the United States are conducted through its two branches located in Los Angeles and New York. The US branches work closely with local enterprises and US-based corporations engaged in PRC-related businesses and aim to meet the financial needs of Chinese corporations in the United States.

Macau branch. The Bank's branch in Macau, opened in 2005, strengthens the Bank's geographic reach and serves customers in the Western Pearl River Delta region. The branch's business focuses on Hong Kong businesses which have set up offshore companies in Macau, property funds and developers, and Macau corporates. The branch provides tailor-made services in the areas of trade finance, foreign exchange, remittances, loans and deposits, and selected mortgage finance to individual borrowers.

Singapore branch. The Bank opened its Singapore branch in 2011. The Bank's Singapore branch provides wholesale banking and global markets products and services to corporate and institutional clients. The branch will increasingly capitalise on opportunities arising from the growth opportunities in the economies of countries in the region. The branch's business is focused on corporations engaged in PRC-related trade.

Treasury and Markets Group

Overview

TMG has two principal functions: one function is to undertake the role of corporate treasury under the oversight of ALCO, and the other function is to undertake the role of Global Markets in managing and developing the trading and distribution business.

Under the oversight of ALCO, TMG's corporate treasury functions include liquidity management, funding and financing in the money markets and capital markets, and the management of the Bank's trading and investment portfolios. Its objectives are to ensure the adequate supply of funds to finance the Bank's local and foreign currency business, to ensure ready access to financing through the money and capital markets, to lower the cost of funding through the use of various financial instruments and different sources of funding, and to invest the Bank's surplus liquidity in debt securities and funds according to the investment criteria set by ALCO.

The Global Markets function of TMG includes managing foreign exchange and interest rate trading risks, market-making of treasury products, and distribution of treasury solutions to the Bank's retail and wholesale customers. In order to enhance the Bank's wealth management business, TMG established its in-house product capability in structured products, and is focused on further building its distribution of wealth management products by working closely with PBG and WBG to cross-sell packaged and tailored structured solutions to the Bank's retail and corporate customers.

Liquidity, Funding and Interest Rates Risk Management

Under the supervision of ALCO, TMG is responsible for managing the funding and liquidity of the Bank. It engages in inter-bank placing and borrowing, and fulfills the Bank's long-term funding requirements by issuing debt securities in both the local and international capital markets. Derivatives are used to swap assets or liabilities to fixed rate or floating rate exposure according to strategies set by ALCO. In addition to being able to issue Notes under the Programme as described in this Offering Circular, the Bank also has a HK\$25.0 billion (US\$3.2 billion) and a HK\$2.0 billion (US\$0.26 billion) certificates of deposit issuance facility that it utilises to secure longer term funding so as to reduce the mismatch between the Group's loan and deposit maturities. The Bank aims to structure its liability mix and strengthen its long-term sources of funds by issuing certificates of deposit at regular intervals. Through public syndication and placement, as at 31 December 2020, the Bank had no outstanding certificates of deposit.

Another major function of TMG is to invest the surplus liquidity of the Bank under the supervision of ALCO. The interest rate sensitivity of the portfolio is set by ALCO. Surplus liquidity of the Bank is traditionally invested in high grade and liquid fixed income securities and primarily through the Bank's fair value through other comprehensive income securities portfolio. As at 31 December 2020, this portfolio amounted to HK\$84.95 billion (U.S.\$10.96 billion), and was primarily invested in senior debt of, and exchange fund bills and notes issued by investment grade international financial institutions and governments. The average credit rating of the securities within the portfolio is A-rated or above. Apart from generating extra income for the Bank, this portfolio is also a source of liquidity when necessary.

Customer-driven Trading and Distribution

TMG, which serves as an offshore platform for banking businesses of CNCB, has been focusing on its Non-Deliverable Forward business for clients of CNCB who wish to hedge their onshore exposures. In July 2010, Renminbi as an offshore currency was introduced in the Hong Kong market, and deliverable products denominated in Renminbi have gradually grown popular. TMG expects customer demand for these treasury tools and solutions to continue to increase, and is focused on strengthening its structuring capabilities and service quality. TMG is also active in delivering structured products to individual investor customers through the Bank's retail banking channel.

TMG aims to develop and establish the Bank's global markets capabilities and to further develop its customer-driven trading and distribution capabilities in order to expand its revenue sources and to meet the increasingly sophisticated demands of its customers. In particular, it aims to leverage on CNCB's foreign exchange market-making leadership in Mainland China to develop timely and relevant customer solutions to capitalise on the liberalisation of RMB trade settlement between Mainland China, Hong Kong and the rest of the world.

Other Investments

The Group also invests in fixed income securities from time to time as a means to diversify its income source. The Group mainly invests in investment grade fixed income securities, with approximately 89.1 per cent. of the fixed income securities held by the Group as at 31 December 2020 being rated A-/A3 or above by Standard & Poor's Financial Service LLC or Moody's Investors Services Inc. Other than these fixed income securities, as of the date of this Offering Circular the Group did not have any material exposure to other types of investment, such as funds, structured investment vehicles, collateralised debt obligations and credit default swaps.

Properties

As at 31 December 2020, the Group owned properties with aggregate floor areas of approximately 37,670 square feet, 7,471 square feet and 10,003 square feet on Hong Kong Island, in Kowloon and in the New Territories, respectively. In addition, as at 31 December 2020, the Group also leased properties with aggregate floor areas of approximately 192,453 square feet, 111,280 square feet and 16,234 square feet on Hong Kong Island, in Kowloon and in the New Territories, respectively. These leased properties are used as offices, branches, staff quarters, business continuity sites and warehouses.

Outside of Hong Kong, as at 31 December 2020, the Group owned and leased approximately 10,268 square feet, 10,448 square feet, 7,600 square feet, 12,850 square feet and 14,161 square feet in Shanghai, Macau, Los Angeles, New York and Singapore, respectively. As at 31 December 2020, CBI (China) leased approximately 14,243 square feet and 27,749 square feet in Beijing and Shanghai, respectively as branches and 24,965 square feet in Shenzhen as the headquarters.

Insurance

The Group procured Banker's Blanket Bond, Computer Crime and Professional Indemnity Insurance to cover potential liabilities against acts including dishonesty, fraud, forgery or alteration, computer crime, internet banking exposure, breach of fiduciary duty, breach of professional duty, breach of statutory duty and misrepresentation and libel. The Bank maintains an "all risk" insurance coverage for its cash, owned properties and computers, public liability insurance and motor insurance. The Bank generally requires borrowers to obtain appropriate insurance coverage for certain types of security, such as residential premises.

The Bank has also acquired employee compensation, medical and earthquake insurance cover for the Bank's branches in Hong Kong, Macau, Singapore, New York and Los Angeles.

In addition, following the implementation of the Hong Kong Deposit Protection Scheme since September 2006, the Bank is required to pay contributions to the Hong Kong Deposit Protection Board to provide customer deposit protection for its customers.

Systems and Controls

The Bank operates in a highly regulated environment and continually enhances its operational risk management systems and controls to understand its risk profile. The Bank's operational risk management encompasses identifying risks; measuring and assessing exposures to those risks (where possible); monitoring exposures and corresponding capital needs on an ongoing basis; taking steps to control or mitigate exposures; and reporting to senior management and the board of directors on the Bank's risk exposures.

From a governance perspective, the Bank relies on the three lines of defence model as the foundation of an effective operational risk management framework to ensure clear responsibility and accountability and to promote a sound culture across the Bank. The Bank's Operational Risk Management Committee (the "ORMC"), which is chaired by the Chief Risk Officer convenes on a regular basis. Among other duties, the ORMC monitors, reviews and evaluates the effectiveness of the Bank's operational risk framework and operational risk profile.

Internal controls are typically embedded in the Bank's day-to-day business and are designed to ensure, to the extent possible, that the Bank's activities are efficient and effective; that information is reliable, timely and complete; and that the Bank is compliant with applicable laws and regulations.

Litigation

The Group is not currently involved in any material litigation or other adversarial proceedings which is expected to have a significant impact on the Group and the Group is not aware of any circumstances under which any of the same is pending or threatened. See *"The Bank may be adversely affected by allegations made against it by its customers and/or its regulators"*.

Intellectual Property

The Group relies on domain name registrations to establish and protect its internet domain names. The Group has registered more than 400 internet domain names in various jurisdictions for its current operations.

Employees

As at 31 December 2020, the Group, on a consolidated basis had a total of 2,437 employees as set forth in the following table.

	No. of Employees
PBG, WBG and TMG	1,248
Head office and operational support	861
Overseas (Mainland China, Macau, Singapore and the United States)	328
Total:	2,437

As at 31 December 2020, approximately 30 per cent. of the Group's employees, on a consolidated basis, performed supervisory and management functions, while the remaining 70 per cent. performed business and operational support functions.

The Group places high priority on its ongoing efforts to attract, motivate and retain talent through a combination of prudent people management practices, professional development opportunities, employee recognition programmes, employee wellbeing, sports and recreation programmes, and market-aligned compensation schemes. Emphasis is also placed on performance management, with variable rewards linked to results through differentiation and levelling.

At the same time, training and development remain at the core of the Group's talent development and retention strategy. The Group's staff force received an average of 6.2 training days during the year of 2020, covering business, technical, leadership, managerial, and personal effectiveness training as well as attainment of professional qualifications.

The Group strives to provide a caring and pleasant work environment to its employees. None of the Group's employees are members of a trade union. The Group provides staff housing loans and contingency loans, as well as life, personal accident and medical insurance benefits for its employees. The Group maintains a Mandatory Provident Fund Scheme as well as an ORSO Provident Fund Scheme (The China CITIC Bank International Provident Fund) for its employees.

Competition

The Hong Kong banking industry is well developed and the Group faces intense competition from many other Hong Kong banks as well as PRC and international banks. In particular, the banking and financial services industry in Hong Kong is a mature market, and as at 30 April 2021, supported 31 Hong Kong incorporated licensed banks and 132 licensed banks incorporated outside Hong Kong competing for a customer population of over 7.4 million people. Therefore, many of the international and local banks and niche players operating in Hong Kong compete for substantially the same customers as the Group. In 2019, the HKMA granted eight new virtual banking licences in order to facilitate financial innovation, which enhanced customer experience and financial inclusion. Since then, the virtual banks have initiated business operations and have brought about heightened competition within the banking industry in Hong Kong.

With the PRC's growing economic strength and the liberalisation of the PRC banking industry since 2005, major PRC financial institutions, especially those with H-share listings in Hong Kong, have started to embrace internationalisation strategies that leverage Hong Kong as a strategic platform for overseas expansion. Since 2006, PRC banks have been active in acquiring Hong Kong commercial banks to gain immediate access to branch networks as well as operational presence in Hong Kong and overseas. As a result,

smaller local and family-owned commercial banks in Hong Kong are increasingly vulnerable to becoming acquisition targets or face the risk of being marginalised.

The intensity of competition in the past few years has had an adverse impact on the pricing of certain products.

In recent years, competition among banks in Hong Kong for investment and insurance products, home mortgage loans, credit cards, personal loans and lending businesses has become intense.

Since 2000, many banks in Hong Kong, including the Bank, have lowered interest rates charged on new-home mortgage loans not guaranteed by the HKSAR Government. Despite a slight increase in such interest rates in 2008, competition in the mortgage loans market remains intense. In 2011, with interest rates at an extremely low level, a significant portion of new-home mortgage loans charged by banks in Hong Kong was HIBOR based. As at 31 December 2020, the standard rate the Bank charged on its new-home mortgage loans was 2.75 per cent. below the prime lending rate or 150 basis points above HIBOR.

As a result of the intensified competition among banks, the Bank has experienced downward pressure on its profit margins in recent years. To counter the effects of increased competition, the Bank has actively pursued a strategy of diversifying its income sources by focusing on increasing its fee-based income, introducing innovative products and, at the same time, improving the cost efficiency of its operations. See “*Investment Considerations — Considerations relating to the Group — The Group is subject to significant competition*”.

Principal Subsidiaries

The Bank’s subsidiaries are involved in the provision of general banking and other financial services. Details of the Bank’s principal subsidiaries and its effective equity interest in each, as at 31 December 2020, are set out below.

Name of Company	Place of incorporation/operation	Per cent. of shares held	Principal activities	Issued ordinary share capital
Subsidiary				
Carford International Limited	Hong Kong	100	Property holding	HK\$2
CITIC Bank International (China) Limited..	People’s Republic of China	100	Banking	RMB1,000,000,000
CITIC Insurance Brokers Limited.	Hong Kong	100	Insurance broker	HK\$5,000,000
CNCBI Investment Holdings Limited	Hong Kong	100	Investment holding	HK\$511,000,000
HKCB Finance Limited	Hong Kong	100	Consumer financing	HK\$200,000,000
The Hongkong Chinese Bank (Nominees) Limited	Hong Kong	100	Nominee services	HK\$5,000
The Ka Wah Bank (Trustee) Limited	Hong Kong	100	Trustee services	HK\$3,000,000
CNCBI Asset Management Limited	Hong Kong	100	Asset management	HK\$60,000,000

SELECTED STATISTICAL AND OTHER INFORMATION RELATING TO THE GROUP

Loan Portfolio

Overview

As at 31 December 2020, the Group's total loans to customers were HK\$220,096.4 million (U.S.\$28,399.5 million) which represented 56.0 per cent. of its total assets. Home mortgage loans and loans for property investment represented 15.7 per cent. of the Group's total loans to customers as at 31 December 2020.

The table below sets forth a summary of the Group's loans by sector as at the dates indicated.

Loans and advances to customers analysed by industry sectors

The following economic sector analysis as at the dates indicated are based on categories and definitions used by the HKMA.

	As at 31 December 2019			As at 31 December 2020		
	Gross loans and advances to customers		Percentage of total	Gross loans and advances to customers		Percentage of total
	HK\$ (in millions)	U.S.\$ (in millions)		HK\$ (in millions)	U.S.\$ (in millions)	
Industrial, commercial and financial.....						
—Property development.....	2,892.6	373.2	1.5	11,268.4	1,454.0	5.1
—Property investment.....	17,394.8	2,244.5	9.2	13,460.6	1,736.9	6.1
—Financial concerns.....	16,997.7	2,193.3	9.0	12,699.0	1,638.6	5.8
—Stockbrokers.....	1,929.3	248.9	1.0	4,044.3	521.8	1.8
—Wholesale and retail trade.....	9,427.7	1,216.5	5.0	9,618.8	1,241.1	4.4
—Manufacturing.....	9,940.1	1,282.6	5.2	9,762.1	1,259.6	4.4
—Transport and transport equipment ...	1,379.3	178.0	0.7	3,326.4	429.2	1.5
—Recreational activities.....	2,858.4	368.8	1.5	1,891.5	244.1	0.9
—Information technology.....	6,678.8	861.8	3.5	6,759.4	872.2	3.1
—Others.....	7,154.6	923.2	3.8	12,454.4	1,607.0	5.7
Individuals.....						
—Loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme.....	27.4	3.5	0.0	25.4	3.3	0.0
—Loans for the purchase of other residential properties.....	17,848.8	2,303.1	9.4	21,168.7	2,731.4	9.6
—Credit card advances.....	452.7	58.4	0.2	434.6	56.1	0.2
—Others.....	14,725.8	1,900.1	7.8	16,152.9	2,084.2	7.3
Gross loans and advances for use in Hong Kong.....	109,708.0	14,155.9	57.9	123,066.5	15,879.5	55.9
Trade finance.....	5,442.3	702.2	2.9	5,441.5	702.1	2.5
Gross loans and advances for use outside Hong Kong.....	74,227.0	9,577.7	39.2	91,588.4	11,817.9	41.6

	As at 31 December 2019			As at 31 December 2020		
	Gross loans and advances to customers		Percentage of total	Gross loans and advances to customers		Percentage of total
	HK\$	U.S.\$		HK\$	U.S.\$	
Gross loans and advances to customers	189,377.3	24,435.8	100.0	220,096.4	28,399.5	100.0

Notes:

- (1) “Others” includes loans which are used to finance the general working capital of conglomerates including conglomerates in the hotel, retail, import and export, civil engineering, gas and electricity industries.
- (2) “Others” includes personal loans, tax loans and loans for the purchase of commercial and industrial properties.
- (3) This refers to loans to customers with a principal place of business outside Hong Kong.

Geographical concentration

A significant proportion of the Group’s loans to customers are advanced to PRC entities, which are identified by those borrowers that are domiciled in the PRC, or are guaranteed by entities domiciled in the PRC and thus have risk transferred to PRC country risk. As at 31 December 2020, Mainland China-related loans accounted for 25.9 per cent. of the Group’s total loans to customers. See “— *Asset quality*”.

The table below sets forth a summary of the Group’s loans to customers by geographical location as at the dates indicated.

	As at 31 December 2019			As at 31 December 2020		
	Gross loans and advances to customers		Percentage of total	Gross loans and advances to customers		Percentage of total
	HK\$	U.S.\$		HK\$	U.S.\$	
	<i>(in millions)</i>			<i>(in millions)</i>		
Hong Kong	112,057.7	14,459.1	59.2	134,762.4	17,388.7	61.2
Mainland China	54,737.6	7,062.9	28.9	56,988.6	7,353.4	25.9
United States	7,812.5	1,008.1	4.1	9,265.9	1,195.6	4.2
Singapore	2,305.3	297.5	1.2	5,333.1	688.1	2.4
Others	12,464.2	1,608.2	6.6	13,746.4	1,773.7	6.3
Total	189,377.3	24,435.8	100.0	220,096.4	28,399.5	100.0

Notes:

- (1) The geographical breakdown is classified by the location of the counterparties after taking into account the transfer of risk and therefore, where a claim guaranteed by a party is situated in a country different from the counterparty, risk will be transferred to the country of the guarantor.
- (2) “Others” includes Bermuda, British Virgin Islands, the United Kingdom, the Cayman Islands, Macau, Taiwan and the United Arab Emirates.

Customer loan concentration

The Banking (Exposure Limits) Rules 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 25.0 per cent. of its Tier 1 capital base. For a discussion of financial exposure, see “*Regulation and Supervision — Principal Obligations of Authorised Institutions — Financial exposure to any one customer*”. As at 31

December 2020, the Group's 20 largest borrowers (including groups of individuals and companies) accounted for HK\$62,991.1 million (US\$8,127.9 million). As at 31 December 2020, the Group's five largest borrowers (including groups of individuals and companies) accounted for HK\$26,812.7 million (U.S.\$3,459.7 million) with the largest borrower accounting for HK\$7,781.9 million (U.S.\$1,004.1 million) or 17.4 per cent. of the Group's Tier 1 capital base. As at 31 December 2020, 17.2 per cent. of the total loans to customers was represented by outstanding loans to individual borrowers of HK\$37,781.6 million (U.S.\$4,875.0 million).

Loan analysis

A significant proportion of the Group's loans are advanced for the purchase of residential property. 13.1 per cent. and 11.7 per cent. of total loans to customers had a remaining maturity of more than five years as at 31 December 2019 and 31 December 2020, respectively. The following table sets forth a summary of the Group's total loans to customers by remaining maturity as at the dates indicated.

	As at 31 December 2019			As at 31 December 2020		
	Gross loans and advances to customers		Percentage of total	Gross loans and advances to customers		Percentage of total
	HK\$	U.S.\$		HK\$	U.S.\$	
	<i>(in millions)</i>			<i>(in millions)</i>		
Repayable on demand.....	2,541.5	327.9	1.3	1,171.8	151.2	0.5
Three months or less but not repayable on demand.	35,702.9	4,606.8	18.9	41,275.3	5,325.8	18.8
One year or less but over three months..	65,920.4	8,505.9	34.8	69,907.2	9,020.3	31.8
Five years or less but over one year.....	52,197.7	6,735.2	27.6	77,563.2	10,008.1	35.2
After five years.....	24,876.7	3,209.9	13.1	25,809.6	3,330.3	11.7
Undated ⁽¹⁾	8,138.1	1,050.1	4.3	4,369.3	563.8	2.0
Total:	<u>189,377.3</u>	<u>24,435.8</u>	<u>100.0</u>	<u>220,096.4</u>	<u>28,399.5</u>	<u>100.0</u>

Note:

(1) This refers to loans whose repayments are overdue for more than one month and impaired loans.

The Group's interest rate for home mortgage loans and commercial mortgage loans in Hong Kong typically ranges from 3.1 per cent. below the prime lending rate to 1.20 per cent. above the prime lending rate. The Group's interest rate for Hong Kong dollar consumer finance or personal loan products (other than overdrafts) is generally calculated on the initial principal amounts of such loans and typically ranges from 0.045 per cent. to 1.7 per cent. per month and for overdrafts may be as high as 3.250 per cent. above the prime lending rate. The Group's interest rates for Hong Kong dollar hire purchase and equipment leasing loans are with floating rates or at prime lending rates. Trade finance loans made by the Group are typically with floating rates. The interest rate for project finance loans and syndicated loans made by the Group is typically a margin over the HIBOR or, in the case of US dollar facilities, a margin over the London inter-bank offering rate. The Group may, in appropriate circumstances, offer rates which are lower than the above rates. As at 31 December 2020, 51.3 per cent. of total loans to customers made by the Group was denominated in Hong Kong dollars while the remainder was denominated primarily in US dollars.

An important component of the Group's asset and liability policy is its management of interest rate risk, which is the relationship between market interest rates and the Group's interest rates on its interest-earning assets and interest-bearing liabilities. See "*— Asset and Liability Management*".

Home mortgage loans are generally secured by a first legal charge over the underlying property. Working capital loans for businesses are typically secured by fixed and floating charges over land, buildings, machinery, inventory and receivables. Term loans for specific projects or developments are typically secured against the underlying project's assets and its receivables, while the sponsors or shareholders typically provide additional guarantees. The Group also receives guarantees in relation to certain of its other loans to cover, in the case of trade finance, any shortfall in security or, in the case of consumer loans to younger or less financially secure customers, to provide security on what are normally unsecured loans.

All forms of security taken as collateral against credit facilities are monitored by the respective departments which extended the loans. Collateral in the form of property is typically valued by an independent valuer at the origination of the loan. With the exception of home mortgage loans, which are not subject to regular reviews, collateral is generally reviewed on an annual basis by the department which extended the loan.

Credit Policies and Approval Procedures

Internal policies and procedures

The Bank's lending policies have been formulated in line with international standards and industry best practice as well as with close reference to the Banking Ordinance, Banking (Exposure Limits) Rules, HKMA guidelines and policies of the Hong Kong Association of Banks and other statutory requirements (and in the case of overseas branches and subsidiaries, the relevant local laws and regulations).

The Group has set limits on the Group's banking operations, reinforced the management of operational risks, including risk analysis for new products, and adopted a system for measuring foreign currency derivatives. The Bank has also enhanced its credit review process with the implementation of a total exposure limit system that enforces maximum exposure limits by business groups. With an independent credit management unit in each of the Group's main lines of business, credit origination and approval functions are separated, enabling independent credit evaluation. Loan application and credit reports are standardised. The Bank has control procedures in credit approval and exposure monitoring for new business areas, such as setting up of approval criteria, authorisation procedures, provisioning policy and portfolio quality tracking were also put in place. The Group has also developed a risk based pricing tool based on facility rating and capital consumption. The tool is being used at the point of credit application to assess the profitability of the deals from a risk perspective for the WBG portfolio.

Within the Group, the credit risk management function is centralised and is governed by the Credit and Risk Management Committee ("**CRMC**") at Board level of the Bank, see "*Credit and Risk Management Committee*". The CRMC defines and delegates the approval authority to three credit related functional committees: the Credit Committee, the Non-Performing Loans Committee (the "**NPL Committee**") and the Investment Review Committee, which focus on different aspects of the credit risk management function of the Group. These three committees comprise the Chief Risk Officer of the Bank and other members of senior management. The Credit Committee has overall responsibility for the Group's credit policies and oversees the credit quality of the Group's loan portfolio. The NPL Committee controls and manages all critical credits and approves loan impairments. The Investment Review Committee manages and monitors the risks (including credit risk) of the investment portfolio of the Group.

Under the oversight of the Credit Committee, officers of the Bank are authorised to approve credit based on the size of the loan, the collateral provided and the credit standing of the applicant. In order to improve efficiency and allow the Credit Committee to be more focused on appraising and approving larger and more complicated credits, the lending authority matrix empowers experienced and skilled managers with the responsibility for appraising and approving transactions that are of a lower risk profile and with a lower expected loss.

For its corporate commercial loans and trade finance loans, the Bank has instituted an internal credit scoring system which grades the creditworthiness of a potential borrower based upon a set of expert judgment risk factors together with comprehensive financial analysis and scoring criteria. The credit scoring system comprise a 24-grade internal risk rating system. The credit score given to a potential borrower and related obligors will help determine whether the Bank will extend credit to such borrower, the size of the loan facility, the pricing on the loan and whether collateral will be required. See “— *Asset Quality — Loan Classification*”.

For the Group’s retail banking loans, such as credit cards and personal loans, the Bank has established well-defined credit granting criteria within a clear indication of the target market and a thorough understanding of the borrower’s source of repayment. Borrowers’ creditworthiness is assessed through prescribed acceptance criteria and underwriting formula against different customer segments, based on their risk profile, credit history and repayment ability. Borrower’s external credit rating, financial obligation and credit history would be assessed through Credit Reference Agencies for subsequent lending decisions.

The Group has established loan-to-value ratio requirements for its secured lending based on the appraised market value of the relevant collateral. Loan-to-value ratios on home mortgage loans (excluding loans under the Home Ownership Scheme and Private Sector Participation Scheme and loans under the new mortgage refinancing scheme) directly follow the limits stipulated in the HKMA guidelines depending on the property type and the property price. Underlying property values are based on the lower of the purchase price or the independently appraised value of the property. The Group’s lending policies also limit the maximum monthly repayment amount as a percentage of the gross household income of a borrower in accordance with the HKMA guidelines.

Risk Management Group

The Risk Management Group is responsible for: (i) credit policy formulation; (ii) credit evaluation; (iii) authorisation and approval; (iv) compliance with credit policies and approval conditions; and (v) exposure control. The Risk Management Group’s key objectives are to evaluate new credit applications and review existing accounts to ensure sound credit and robust asset quality monitoring. When loans are graded sub-standard or below by the Group, such loans will generally be transferred to the Risk Assets Management of Risk Management Group (the “**RAM**”) which will institute the appropriate debt recovery actions.

In addition to credit risk management, the Risk Management Group is also responsible for the management of market risk, interest rate risk in banking book, liquidity risk, operational risks and fair value.

Asset Quality

Overview

The Group’s classified loans accounted for HK\$3,631.2 million (U.S.\$468.5 million) as at 31 December 2020, representing 1.65 per cent. of the Group’s total loans to customers.

The Bank’s residential mortgage delinquency ratio was 0.01 per cent. as at 31 December 2020, which was below the industry average of 0.04 per cent. as announced by the HKMA. As at the date of this Offering Circular, the Bank has a credit rating of “BBB+” from Fitch Ratings and a credit rating “A3” from Moody’s.

The Group’s PRC exposure accounted for 25.9 per cent. of the Group’s total loans to customers as at 31 December 2020. PRC-related non-performing loans as a percentage of the Group’s total non-performing loans have been decreased from 39.2 per cent. as at 31 December 2017 to 16.4 per cent. as at 31 December 2020. The Group plans to expand its PRC lending business selectively and prudently by leveraging off the established network and relationships in the PRC of the CITIC Group. See “— *Credit Policies and Approval Procedures — Internal policies and procedures*”.

The performance of the Hong Kong economy is heavily dependent on the property sector. The Group's property lending accounted for 20.9 per cent. of the Group's total loans to customers as at 31 December 2020. As a result, the Group's asset quality is closely correlated to the industry performance of the property markets. As at 31 December 2020, home mortgage loans accounted for HK\$21,197.1 million (U.S.\$2,735.1 million) or 9.6 per cent. of the Group's total loans to customers. Home mortgage loans accounted for one of the largest segments of the Group's total loans to customers. See "*Risk Factors — Considerations relating to the Group — The Group has significant exposure to the Hong Kong property market*".

RAM is responsible for resolving the Group's exposure to non-performing loans and improving the Group's recovery on such non-performing loans. In general, loans are transferred to RAM once they have been classified as sub-standard or below.

Loan classification

In 2005, the Group developed a judgment-based risk rating system which is used to rank borrowers of the Bank's wholesale banking portfolio based on their default risk. In 2011, these ratings were deployed into a new credit rating platform. In 2017, the Group adopted a new and more granular 24-grade internal risk rating system that maps to external agencies' Master Scales, providing calibrated internal rating. This model was developed to assess the creditworthiness of borrowers of the performing customers; the output from the model will then be taken into consideration in the HKMA loan classification.

The rating system can provide information on the borrower's credit quality and allow credit grade migration, monitoring and analysis. It provides significant value-added benefits to the Bank's strategic and business decision-making process in terms of asset allocation and portfolio management of credit grades distribution.

The Group's credit grading classifies loans into the following 24 categories:

- Grades 01 to 18 — pass;
- Grade 19 to 21 — special mention; and
- Grades 22 to 24 — classified loans.

A borrower risk rating estimates the borrower's default risk. It is used to classify borrowers into different risk categories according to their level of default risk mapped against default experience. Borrower risk ratings should provide a meaningful risk differentiation and should be calibrated to the borrower's Probability of Default ("PD"). The structure of the master rating scale is specified with a PD range for each grade. Each internal grade reflects the likelihood that a borrower will default.

Recognition of classified loans

The Group's classified loans are sub-divided into three categories: sub-standard (Grade 22), doubtful (Grade 23) and loss (Grade 24). A key driver for determining a loan classification is the number of overdue days. For the WBG and PBG Business Banking portfolio, sub-standard loans are loans overdue for 91 to 180 days, doubtful loans are loans overdue for over 180 days and loss loans are loans with remote collectability. For the PBG personal loan portfolio, a more stringent classification is adopted; sub-standard loans are loans overdue for 91 to 120 days, doubtful loans are loans overdue for 121 to 180 days and loss loans are loans overdue for over 180 days or with remote collectability. The Group would only consider not downgrading a loan in accordance with the overdue days when there is good justification that is in line with the guidance of the HKMA. Even when there is no overdue day, the Group may still consider downgrading a loan as sub-standard, doubtful or loss loans if there are severe trigger events such as liquidation, bankruptcy, winding-up, receivership and proven management fraud. The terms "classified loans", "impaired loans" and "non-performing loans" are used synonymously in this Offering Circular and refer to loans that are classified as sub-standard, doubtful and loss.

Impairment of loans and receivables

Before 2018, the Group adopted the collective assessment approach and the individual assessment approach in accordance with the HKAS 39 to ascertain the impairment amounts of its non-impaired and impaired credit exposures. The accounting policy for the impairment of loans and receivables is set out in the F-pages of this Offering Circular.

Commencing 1 January 2018, the HKFRS 9 was adopted for impairment assessment. The stage 1 and 2 impairment assessment to performing loans whereas the stage 3 impairment assessment is applied to non-performing loans. ECL allowances are measured at amounts equal to either: (i) 12-month ECL; or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (“SICR”) since initial recognition. The calculation of ECL allowances is based on the expected value of probability-weighted scenarios with a combination of upside, base and downside scenario(s) to measure the expected cash shortfalls, discounted at the effective interest rate. A cash shortfall is the difference between the contractual cash flows that are due and the cash flows that the Group expects to receive. The calculation of ECL allowances for Stage 3 is based on probability-weighted recovery amount from an impaired financial asset and is determined by evaluating a range of possible outcomes and time value of money.

Top ten non-performing loans

As at 31 December 2020, the Group’s ten largest non-performing loans accounted for 1.7 per cent. of its total loans to customers and 97.0 per cent. of its gross non-performing loans to customers. As at 31 December 2020, the Group’s exposure from its ten largest non-performing loans amounted to approximately HK\$3,522.1 million (US\$454.5 million) in the aggregate out of HK\$3,631.2 million (U.S.\$468.5 million) of non-performing loans in total, of which the Hong Kong exposure accounted for approximately 80.1 per cent., the PRC exposure accounted for approximately 16.4 per cent., and exposure to others accounted for approximately 3.5 per cent.

Recovery of non-performing and classified loans

RAM is responsible for managing non-performing loans that are transferred from WBG and other business units in the Bank. Accounts that are transferred to RAM are reviewed and monitored on an ongoing basis and, depending on the performance of the account, RAM may recommend the restoring of the loan to normal status, the restructuring of the loan or the commencement of debt collection or asset recovery procedures.

RAM adopts a systematic and flexible approach towards the recovery of non-performing and classified loans through means such as enforcement of security, debt restructuring, asset swaps and settlement. In certain circumstances, particularly in relation to PRC-related loans, RAM may conduct asset-for-debt swaps and accept assets such as equity interests in PRC businesses and land for residential or commercial development in the PRC. Where appropriate, risks and problems associated with transfer of legal title are managed with the advice of PRC legal advisers.

Even after a non-performing loan has been written off, RAM will continue its recovery efforts until it is satisfied that all recovery efforts have been exhausted, in which case it will recommend the closing of the account.

The Group’s classified loans are resolved on a case-by-case basis, subject to the approval of the NPL Committee on the restructured limits and recovery measures. Loans are generally considered for restructuring where there has been a deterioration in the financial position or repayment capability of a customer. For the year ended 31 December 2020, the Group resolved a total of HK\$4,694.0 million (U.S.\$605.7 million) of classified loans, as a result the total impaired loan was HK\$3,631.2 million (U.S.\$468.5 million) as at 31 December 2020, equating to 1.7 per cent. of all loans. For the year ended 31 December 2019, the Group resolved a total of HK\$1,622.1 million (U.S.\$209.3 million) of classified loans, as a result the total impaired

loan was HK\$2,270.8 million (U.S.\$293.0 million) as at 31 December 2019, equating to 1.2 per cent. of all loans.

Asset and Liability Committee

ALCO comprises senior management of the Bank, including the President & Chief Executive Officer, Chief Financial Officer, Treasurer, Head of Central Treasury Unit, Head of Trading, Deputy Head of Wholesale Banking Group, Head of Personal and Business Banking Group, Chief Risk Officer, Head of Market Risk and Liquidity Modeling, and Head of Asset and Liability Management and Capital Management.

ALCO is established by the Chief Executive Officer and ratified by the CRMC as the governing body responsible for formulating and implementing policies, strategies, guidelines and limit structures. It also identifies, measures and monitors the Group's liquidity risk profile to ensure current and future funding requirements are met. In addition, the ALCO monitors a set of risk indicators for liquidity risk. ALCO meets on a bi-weekly basis or less frequently, if appropriate, but at least once a month under any circumstances. TMG is responsible for the daily management of the discretionary portion of the Bank's assets and liabilities within the approved internal limits, including repricing gap limits.

The Bank measures the interest rate risk of the banking book by conducting a sensitivity analysis of the interest rate exposure on a quarterly basis. The sensitivity analysis on the potential impacts of movements in interest rates on the Bank's earnings and economic value are assessed based on the HKMA SPM IR-1 defined multi-sets of new interest rate scenario and interest rate volatility scenario requirements.

The Bank's liquidity structure, derived from its assets, liabilities and contingent commitments, is managed so as to ensure that all of the Bank's operations can meet their funding requirements and comply with the statutory liquidity requirements. The liquidity risk is well managed by holding sufficient cash and liquid positions as well as a pool of high quality liquid assets. Access to inter-bank borrowing is maintained through sufficient counterparty money market as well as repurchase facilities. Moreover, the Bank also solicits longer term funding through regular issuance of medium-term certificates of deposit.

Daily liquidity management is managed by the Central Treasury Unit to monitor funding requirements. This unit is supported by other functional departments including the Financial Management Group and the Risk Management Group, which monitor the liquidity risk and provide regular reports to the management, committees and local regulatory bodies. The average liquidity coverage ratio was 238.4% for the year ended 31 December 2020, which was well above the statutory minimum ratios of 100 per cent. respectively.

The majority of the Bank's loans is made at floating rates that are benchmarked against the inter-bank rates and prime lending rate. These assets are primarily funded by floating rate liabilities, including customer deposits and certificates of deposit. The interest rate risk, basis risk and liquidity risk of the Bank's assets and liabilities are continuously monitored by ALCO and if necessary, ALCO may direct the Bank's management to take necessary action to mitigate these risks, such as using interest rate swaps to hedge against rises in interest rates.

Credit and Risk Management Committee

The CRMC was established in 2002 at the Board level of the Bank to oversee and manage the Bank's risk related matters including but not limited to, the risk strategy, appetite/tolerance, profile, policies (including key risk procedures), fair value practices, capital adequacy and risk culture, systems and various risk-related initiatives and projects. The risks concerned primarily include credit, market, interest rate, liquidity, operational (including fraud), reputation, legal, compliance, strategic and any risks associated with entering new markets, new areas of business, or dealing in new products or services. The CRMC is also responsible for approving matters relating to Internal Capital Adequacy Assessment Process, and the Reverse Stress Testing

methodology and results, and endorsing the recovery planning document before reporting to the Board for approval on an annual basis. The CRMC carries out its oversight function on the Bank's risk management through various committees at the Bank's management level, including: Credit Committee, Investment Review Committee, NPL Committee, ALCO, Operational Risk Management Committee, Market Risk Committee, and Compliance and AML Committee. The CRMC comprises five Directors of the Bank, including three Independent Non-executive Directors.

Market Risk Committee

Market Risk Committee ("MRC") was established by the Credit & Risk Management Committee (the "CRMC") of the Bank's Board to manage and monitor the market risk and fair value related matters of the Bank including its branches and subsidiaries.

MRC is chaired by the Chief Risk Officer ("CRO") from Risk Management Group, with the participation of senior management of the Bank, including President & Chief Executive Officer ("CEO"), senior representatives from Treasury and Global Markets, Chief Financial Officer, senior representatives from Finance Management Group and senior representatives from Risk Management Group.

MRC provides oversight on the Bank's operations related to market risk. It has the authority to direct the Bank's management in the setting of strategies related to market risk. It manages market risks of the Bank within acceptable level in a manner consistent with the overall goals of the Bank. It sets and reviews commensurate limits to monitor the Bank's market risk. It has the authority to disapprove or suspend any product or activity proposed or conducted by the Bank if it deems they are not in sync with the Bank's approved objective, strategy and business plans, or if the risk level present is unacceptable, or if management fails to institute an effective risk management mechanism for such product or activity.

MRC also provides oversight in relation to financial instruments fair value governance and operations, and escalates significant valuation issues to CRMC to ensure awareness of major matters related to fair value governance and regulations.

Internal Auditing

The Internal Audit Group of the Bank has responsibility for the internal audit of its operations. Through regular audits of the Bank and its subsidiaries, the Internal Audit Group seeks to review and evaluate the adequacy and effectiveness of internal controls, safeguard its assets, improve efficiency of operations and assess compliance with established policies, procedures and relevant statutory requirements. The Internal Audit Group reports its findings to the Chairman of the Board and the Chief Executive Officer of the Bank as well as the relevant subsidiaries and departments of the Bank. All major findings are reported to the Audit Committee designed by the Board on a monthly basis. Such findings are also shared with the Bank's external auditors and can also be made available to the HKMA on request.

Legal and Compliance

The Legal and Compliance Department within the Controls and Compliance Group is responsible for administering legal issues and regulatory compliance issues concerning the Bank's business. The Legal and Compliance Department also reviews new products and business proposals from the legal perspective and compliance perspective. Another key function of the Bank's Controls and Compliance Group is to conduct periodic reviews of certain of the Bank's activities, advise senior management in accordance with applicable laws, rules and regulations and raise compliance awareness among staff members. The General Compliance Manual, which is updated regularly, was first issued to all staff members of the Bank in November 2001 and

regular training sessions are conducted to update them on any significant legal and regulatory changes relevant to the operations of the Bank.

MANAGEMENT

The Bank is managed by the Board, which is responsible for the direction and management of the Bank. The articles of association of the Bank does not contain any provision about the minimum or maximum number of directors of the Bank. Directors can be appointed at any time either by the shareholders or by the Board. At each annual general meeting, all Directors are required to retire from office by rotation and are eligible at the same meeting for re-election.

The aggregate emoluments, consisting of fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions, of the Directors for the year ended 31 December 2020 was HK\$42 million (U.S.\$5.42 million).

Board of Directors

The current Board comprises the following individuals:

Name	Age	Title
YANG Yu	59	Chairman
BI Mingqiang	51	President & Chief Executive Officer
KAN NG Chau Yuk Helen	60	Alternate Chief Executive Officer
BAI Lijun	41	Alternate Chief Executive Officer
TANG Nai Pan	60	Alternate Chief Executive Officer
FANG Heying.....	55	Non-executive Director
GUO Danghuai.....	57	Non-executive Director
HU Gang	54	Non-executive Director
LI Shuk Yin Edwina	59	Independent Non-executive Director
TANG Shisheng.....	65	Independent Non-executive Director
TSANG King Suen Katherine.....	64	Independent Non-executive Director
WANG Guoliang	69	Independent Non-executive Director
WU Jiesi	70	Independent Non-executive Director

Mr. Yang Yu

(Chairman)

Appointed Director of the Bank on 26 August 2020 and further elected Chairman on 22 September 2020. Mr. Yang is currently a Director and the Chief Executive Officer of CIFH. He is also the chairman of CITIC Financial Leasing Co., Ltd. and CITIC International Assets Management Limited, and a Director of KWB International Limited. Mr. Yang has been a Party committee member of CNCB since July 2015 and further its Vice President since December 2015 till he became the Chairman of the Bank. Prior to joining CNCB, Mr. Yang had been the Party secretary and president of China Construction Bank Limited (“CCB”) Jiangsu Branch from March 2011 to June 2015 and the Party secretary and president of CCB Hebei Branch from July 2006 to February 2011. Between August 1982 to June 2006, Mr. Yang worked at CCB Henan Branch, holding various positions including deputy head of the branch’s budget and finance division, head of the budget and finance division as well as vice president and Party committee member of Xinyang Branch, Party secretary

and general manager of Zhengzhou municipal railway branch, Party secretary and president of Zhengzhou Branch, and deputy Party secretary and vice president (presiding) of Henan Provincial Branch. Mr. Yang is a senior economist with a postgraduate degree and PhD in Management. He has over 30 years of experience in the Chinese banking industry.

Mr. Bi Mingqiang

(Executive Director, President & Chief Executive Officer)

Appointed Director and Chief Executive Officer of the Bank on 28 September 2018. Mr. Bi is also Chairman of CITIC Bank International (China) Limited and CNCBI Investment Holdings Limited, and Director of Ka Wah International Merchant Finance Limited. He has more than 23 years of multifaceted expertise in the finance industry, and has held various management positions in China, Canada, the US, and the UK, covering a wide range of banking businesses. He started his banking career with The Industrial and Commercial Bank of China (“ICBC”) and progressed through different assignments in project financing, corporate lending, credit risk management, sales management, global markets, mergers and acquisitions, and strategic planning. Mr. Bi has extensive experience in overseas operations setup and management, new business development, commercial banking management, cross-cultural people engagement, team effectiveness building, and corporate governance. Over the years, he has held various important positions including business heads, CEO, and chairmanship of several Mainland and overseas organisations including Head of Credit Management of ICBC group, Country Head of ICBC’s US operations, CEO and President of ICBC Canada and Chairman of ICBC Standard Bank Plc headquartered in London. Prior to coming to Hong Kong, he was Managing Director of CICC Capital Management Co Ltd, a subsidiary of China International Capital Corporation Limited. Mr. Bi obtained his undergraduate and postgraduate degrees from Tsinghua University and subsequently a PhD in Finance from Renmin University of China.

Mrs. Kan Ng Chau Yuk Helen

(Executive Director, Deputy Chief Executive Officer and Head of Personal & Business Banking Group)

Appointed Director of the Bank on 15 March 2013. Mrs. Kan is currently the Bank’s Executive Director, Deputy Chief Executive Officer, Head of Personal & Business Banking Group, and Director of various subsidiaries of the Bank, including CITIC Bank International (China) Limited, Security Nominees Limited, Sino-Allied Development Limited, The Hongkong Chinese Bank (Nominees) Limited and The Ka Wah Bank (Nominees) Limited. She is also a Director of Nova Credit Limited, and a Director and President of Hong Kong Women Professionals and Entrepreneurs Association Limited. Mrs. Kan has more than 30 years of experience in the banking and finance industry. Over the years, Mrs. Kan had held various senior positions across a broad spectrum of banking and finance exposures in Hong Kong, Mainland China, the UK and other global markets. Mrs. Kan’s rich experience covers strategic transformation, new business set up and expansion, diversified consumer banking businesses, global and multi-cultural management, people development, quality management and internal audit. Prior to joining the Bank, she was Standard Chartered Bank’s Global Head of Distribution in charge of the strategic development and performance of distribution channels. Mrs. Kan holds an Honours Degree in Management and Economics, and a Master’s Degree in Laws from The University of Hong Kong. She was appointed Council Member of The Hong Kong University of Science and Technology in August 2017.

Mr. Bai Lijun

(Executive Director, Deputy Chief Executive Officer and Head of Wholesale Banking and Treasury & Global Markets Group)

Appointed Director of the Bank on 20 August 2018. Mr. Bai is currently the Bank's Executive Director, Deputy Chief Executive Officer, and Head of Wholesale Banking and Treasury & Global Markets Group. Mr. Bai's scope of responsibilities encompasses the overall management of the Bank's Treasury & Markets Group with a view to strengthen funding and liquidity management, in addition to a fortifying wholesale banking products and business controls while driving CNCB- and CITIC Group-related collaboration for enhanced business development for the Bank. He is also Director of various subsidiaries of the Bank, including Carford International Limited, CITIC Bank International (China) Limited, CNCBI Investment Holdings Limited, CNCBI Financial Consultant Limited and The Ka Wah Bank (Nominees) Limited. Mr. Bai joined CNCB's Financial Markets Department from Bank of Beijing in 2006. In 2009, he took up an additional role at the Chairman Office of CITIC Group, assisting the Group's Chairman with corporate governance, group projects and business affairs. Prior to joining the Bank, Mr. Bai was CNCB's Deputy General Manager of the Office of the Board of Directors and Supervisors. Mr. Bai holds a Bachelor of Economics Degree from the School of Economics at Nankai University in Tianjin, and a Master of Finance Degree from the School of Finance at Renmin University of China in Beijing.

Mr. Tang Nai Pan

(Executive Director, Deputy Chief Executive Officer and Chief Risk Officer)

Appointed Director of the Bank on 20 March 2020. Mr. Tang is currently the Bank's Executive Director, Deputy Chief Executive Officer, Chief Risk Officer, and Director of various of the Bank's subsidiaries including CITIC Bank International (China) Limited, CNCBI Investment Holdings Limited and CNCBI Asset Management Limited. He is also a Director and member of Executive Committee of The Hong Kong Institute of Bankers. Mr. Tang has over 30 years of experience in the banking industry. Prior to joining the Bank, Mr. Tang was Deputy Chief Executive, Alternate Chief Executive and Chief Risk Officer of Shanghai Commercial Bank Limited. Over the years, he has accumulated a wealth of experience in treasury, compliance and risk management from banking institutions including Chong Hing Bank, Hang Seng Bank, Shanghai Pudong Development Bank, DBS Bank Singapore and Citibank (Hong Kong). Mr. Tang received his education in the US. He holds a Bachelor of Arts Degree in Mathematics and Statistics from University of Minnesota, Minneapolis, and a Master of Science Degree in Statistics from University of Chicago. Mr. Tang is also a Doctor of Philosophy candidate in Finance at Kellogg School of Management, Northwestern University.

Mr. Fang Heying

(Non-executive Director)

Appointed Director of the Bank on 24 March 2016. Mr. Fang is currently an Executive Director and President of CNCB. He is also a Director of CIFH. Mr. Fang joined CNCB in 1996 and was formerly the President of Suzhou Branch, President of Hangzhou Branch and Business Director of Financial Markets. He served as a Vice President of CNCB since November 2014 and was further appointed as its President in March 2019. Mr. Fang was a "Senior Economist". He graduated from Hunan College of Finance and Economics with a Bachelor's Degree in Finance and obtained an Executive Master's Degree in Business Administration from Peking University.

Mr. Guo Danghuai***(Non-executive Director)***

Appointed Non-executive Director of the Bank on 9 April 2020. Mr. Guo is currently an Executive Director and Vice President of CNCB. He is also Chairman of CITIC Wealth Management Corporation Limited, Director of CIFH, CNCB (Hong Kong) Investment Limited and CITIC aiBank Corporation Limited. Mr. Guo joined CNCB in 1986 and was formerly its Chief Auditor, General Manager of its Business Department at Head Office, President of its Tianjin Branch and Shenyang Branch. Mr. Guo is a Senior Economist and graduated from Peking University with a Master's Degree in Business Management. He has over 30 years of working experience in the Chinese banking industry.

Mr. Hu Gang***(Non-executive Director)***

Appointed Non-executive Director of the Bank on 4 March 2021. Mr. Hu is currently Vice President and Chief Risk Officer of CNCB. Mr. Hu joined CNCB in 2000 and was formerly head of the wholesale business and head of risk management of the Head Office, president of Shanghai Branch, president of Chongqing Branch and vice president of Changsha Branch. Mr. Hu graduated from Hunan University with a doctoral degree in Economics. He is a senior economist with over 20 years of experience in the Chinese banking industry.

Ms. Li Shuk Yin Edwina***(Independent Non-executive Director)***

Appointed Independent Non-executive Director of the Bank on 28 September 2018. Ms. Li is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. She was formerly with KPMG from 1994 with her last role as the partner in charge of KPMG China's Financial Services Assurance team until her retirement in March 2018. Ms. Li has significant experience in accounting, capital market, market entrance, regulatory compliance related internal control and risk management in Hong Kong and China. Prior to joining KPMG, Ms. Li qualified as a Chartered Accountant with one of the Big Four firms and as controller with a real estate company and a financial services group in London. She graduated from University of Exeter, England with an Honours degree in Accountancy. She is also a Director of Elite Beam Limited.

Mr. Tang Shisheng***(Independent Non-executive Director)***

Appointed Independent Non-executive Director of the Bank on 13 November 2013. Mr. Tang is also an Independent Director of Wison Engineering Services Co. Ltd. and Chongqing Three Gorges Bank Co., Ltd. He has extensive experience in finance and securities industries. Mr. Tang graduated from Hunan College of Finance and Economics with a Bachelor's Degree in Finance. He received his Master's Degree in Economics and Doctor's Degree in Economics respectively from the Graduate School of The People's Bank of China and the Graduate School of Chinese Academy of Social Sciences. Mr. Tang was granted the title of "Senior Economist" by The People's Construction Bank of China in 1993.

Ms. Tsang King Suen Katherine***(Independent Non-executive Director)***

Appointed Independent Non-executive Director and Chairman of the Credit & Risk Management Committee of the Bank on 1 December 2016. Ms. Tsang is a well-recognised member of the Asian financial and business

community. Fortune Magazine (China) named her as No.6 China's Most Influential Businesswomen in 2012 and she was on the top 25 list from 2010 to 2013. Ms. Tsang is the founder of Max Giant, a group of asset management companies with a focus on China. She is also an Independent Non-executive Director of Fosun International Limited and Budweiser Brewing Company APAC Limited, Non-executive Director of Genesis Emerging Markets Fund Limited, Director of Ever Ascent Corporation Limited and Try Door Limited, member of the Advisory Council for China of the City of London, and an honorary board member of Shanghai Jiao Tong University. Ms. Tsang was formerly with Standard Chartered Bank for over 20 years, with her last role as Chairperson of Greater China before she retired in August 2014. She attained her Bachelor of Commerce Degree from University of Alberta, Canada.

Mr. Wang Guoliang

(Independent Non-executive Director)

Appointed Independent Non-executive Director of the Bank on 12 August 2016 and elected Chairman of Audit Committee on 2 November 2016. Mr. Wang is a professor-level senior accountant and is currently Independent Director of China Taiping Insurance Group Limited and COSCO Shipping Lines Co., Limited. Mr. Wang worked as Chief Accountant of China National Petroleum Corporation and was Chairman of Bank of Kunlun. He has extensive experience in finance and accounting. Mr. Wang graduated from Harbin University of Commerce with a Bachelor's Degree in Economics. He received his Master's Degree in International Economics from Hebei University.

Mr. Wu Jiesi

(Independent Non-executive Director)

Appointed Independent Non-executive Director of the Bank on 5 August 2013 and elected Chairman of the Remuneration Committee and the Nomination Committee on 20 July 2016 and 25 May 2017 respectively. Mr. Wu is Chairman of Shenzhen Fuhaiyintao Asset Management Co., Ltd. He is also an Independent Non-executive Director of Beijing Enterprises Holdings Limited, The Industrial and Commercial Bank of China (Asia) Limited and WeBank, and Non-executive Director of Silver Base Group Holdings Limited. Mr. Wu has extensive experience in corporate management, investment and finance. He holds a Doctor's Degree in Economics from The Research Institution of The People's Bank of China. Mr Wu conducted post-doctorate research work in theoretical economics at Nankai University and was conferred a professorship qualification by Nankai University in 2001.

RELATED PARTY TRANSACTIONS

The Group is majority-owned by CIFH and is controlled by its ultimate holding company, CITIC. See “Principal Shareholders — CITIC International Financial Holdings Limited” and “Principal Shareholders — CITIC Group” respectively.

The Group entered into a number of transactions with related parties in the normal course of its banking business including, *inter alia*, lending, acceptance and placement of inter bank deposits, participation in loan syndicates, correspondent banking transactions and foreign exchange transactions. The transactions were priced based on relevant market rates at the time of each transaction, and were under the same terms as those available to other counterparties and customers of the Group. In the opinion of the directors of the Bank, these transactions were conducted on normal commercial terms.

Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

Transactions with group companies

During the years indicated in the table below, the Group entered into a number of transactions with related parties in the normal course of its banking business including, *inter alia*, lending, acceptance and placement of inter-bank deposits; and participation in loan syndicates, correspondent banking transactions and foreign exchange transactions. The transactions were priced based on relevant market rates at the time of each transaction, and were under the same terms as those available to other counterparties and customers of the Group. In the opinion of Directors, these transactions were conducted on normal commercial terms.

The amount of related party transactions during the years and outstanding balances at the end of the year are set out below:

	Ultimate holding and intermediate parent		Immediate parent		Fellow subsidiaries		Associates (Note 1)		Related companies (Note 2)	
					Years ended 31 December					
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	<i>HK\$'000</i>									
Interest income.....	66,095	69,534	—	—	25,206	27,199	41,743	24,978	—	96,364
Interest expense.....	(12,433)	(47,883)	(16,958)	(20,394)	(33,251)	(91,762)	(68,551)	(65,326)	(41)	(5,922)
Fee and commission income/(expenses).....	271	(41)	—	—	—	—	—	—	—	—
Trading gain/(loss) on derivatives.....	610,433	60,058	—	—	(9,714)	(10,946)	(3,813)	(7,488)	450	749
Other operating income.	—	—	4,200	—	—	—	—	—	—	—
Operating expenses	(2,454)	(1)	(4,200)	—	(24,351)	(19,391)	(760)	(40)	(1,488)	—

	Ultimate holding and intermediate parent		Immediate parent		Fellow subsidiaries		Associates (Note 1)		Related companies (Note 2)	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Assets										
Financial assets at fair value through other comprehensive income	—	—	—	—	117,038	119,037	956,092	—	—	—
Financial assets at fair value through profit or loss.....	—	—	—	—	—	—	3,522	—	—	—
Derivative financial instruments.....	775,480	157,696	—	—	6,621	3,416	13,822	11,197	—	—
Other receivables.....	262,443	86,401	—	—	4,609	3,897	11,175	2,265	1,137	311
Liabilities										
Derivative financial instruments.....	363,927	163,006	—	—	27,922	44,965	3,202	—	—	—
Other payables	64,996	56,086	—	—	10,355	12,515	4,945	6,895	—	140
Lending activities:										
At 31 December	1,111,479	6,631,306	—	—	1,387,936	869,691	78,523	359,981	1,216	2,200,000
Average for the year...	4,467,183	3,866,934	—	—	963,090	592,714	1,029,184	590,446	880,243	2,200,000
Acceptance of deposits:										
At 31 December	5,165,421	417,758	2,271,114	1,404,767	3,726,340	6,579,461	6,812,972	3,277,237	133,863	578,447
Average for the year...	1,500,471	2,810,036	1,933,359	1,097,447	5,134,930	5,326,533	3,952,402	3,553,411	384,047	738,046
Off-statement of financial position items										
Acceptances, guarantees and letters of credit — contract amounts in payable.....	—	—	—	—	(3,000)	(3,000)	—	—	—	—
Other commitments....	—	—	—	—	—	311,465	759,000	1,167,021	—	—
Derivative financial instruments— notional amounts.....	83,480,959	65,959,440	—	—	2,029,090	1,892,832	5,789,552	192,964	—	—

No impairment allowances were made in respect of the above loans to and placements with related parties.

Notes:

- (1) Associates of the Group include the associates of the ultimate controlling party and immediate parent respectively.
- (2) Related companies refer to companies which are common shareholders and subsidiaries of the immediate parent.

PRINCIPAL SHAREHOLDERS

CITIC GROUP CORPORATION

CITIC is the ultimate controlling shareholder of the Bank. As at the date of this Offering Circular, the Bank is 75 per cent. owned by CIFH, which is 100 per cent. owned by CNCB. CNCB is over 60 per cent. indirectly owned by CITIC Limited. CITIC Limited is approximately 58 per cent. indirectly owned by CITIC.

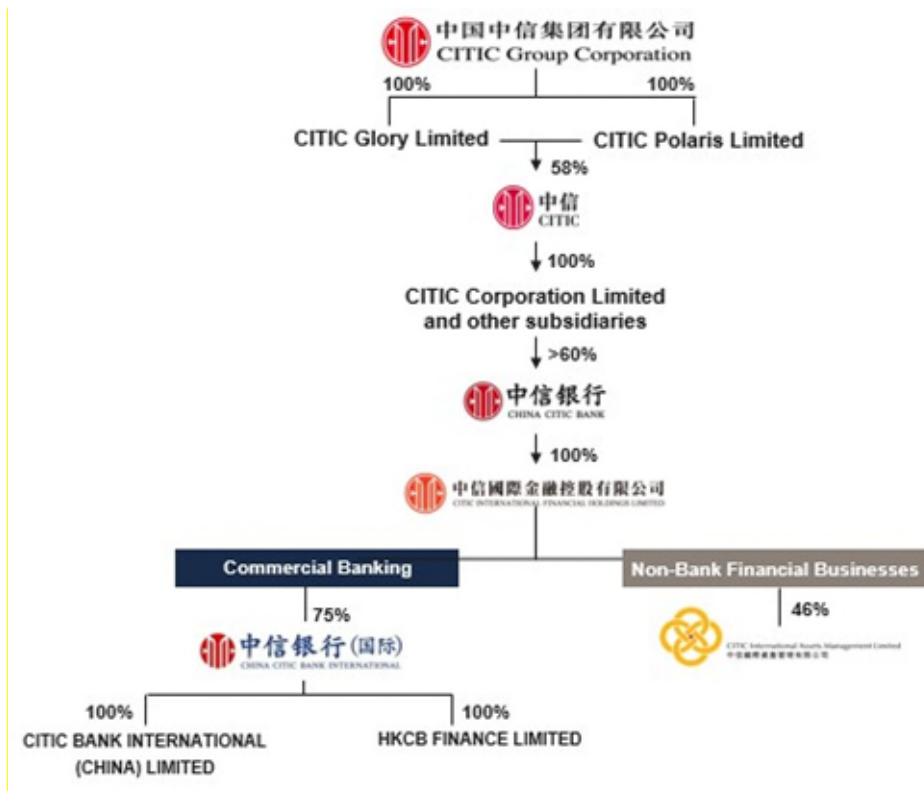
CITIC was approved by the PRC’s State Council and established in 1979. Since its founding, CITIC has received the support of the PRC government. The late Mr. Rong Yiren, former Vice President of the PRC, was the first Chairman of CITIC. Since then, CITIC has grown into a large state-owned multinational conglomerate with a wide range of businesses covering finance, energy and resources, manufacturing, engineering contracting, real estate and others.

CITIC as the ultimate controlling shareholder of the Bank ultimately determines the strategy, management and operations of the Bank. Subject to compliance with the regulations of the HKMA, CITIC, through CNCB, is able to determine the Bank’s corporate policies, appoint the Bank’s Directors and officers, and vote to pursue corporate actions requiring shareholders’ approval. The Chairman of the Bank is nominated by CNCB.

CITIC owns or controls a number of companies which may compete directly or indirectly with the businesses of the Bank and CIFH and its subsidiaries and associated company (the “**CIFH Group**”), and have more experience, superior resources and a larger scale of operations in the PRC.

Currently, the Bank also engages in, and expects from time to time in the future to engage in, financial and commercial transactions with members of the CITIC Group. See “*Related Party Transactions*”.

The following chart sets out the shareholding chain of CITIC Group in CIFH and the Bank as at the date of this Offering Circular:



CITIC Limited (formerly known as CITIC Pacific Limited)

CITIC Limited is approximately 58 per cent. indirectly owned by CITIC and was incorporated in Hong Kong in January 1985. As at the date of this Offering Circular, CITIC Limited held 100 per cent. of the share capital of CITIC Corporation Limited.

CITIC Corporation Limited (formerly known as CITIC Limited)

CITIC Corporation Limited is a wholly owned subsidiary of CITIC Limited and was incorporated in China in December 2011. As at the date of this Offering Circular, CITIC Corporation Limited, together with other subsidiaries of CITIC Limited, held over 60 per cent. of the share capital of CNCB.

China CITIC Bank Corporation Limited

As at the date of this Offering Circular, CNCB, held 100 per cent. of the issued share capital of CIFH, the holding company of the Bank.

As part of the Restructuring Strategy, on 8 May 2009, CNCB entered into a Share Purchase Agreement with CITIC and Gloryshare Investments Limited (“GIL”) to acquire a 70.32 per cent. interest in CIFH for a cash consideration of approximately HK\$13.6 billion (U.S.\$1.7 billion). This CIFH Acquisition is an integral part of CITIC’s Restructuring Strategy, the intention of which was explicitly stated at the time of CIFH’s privatisation in November 2008. The CIFH Acquisition was completed on 23 October 2009. Three senior executives of CNCB are currently Non-Executive Directors of the Bank.

The CIFH Acquisition is expected to enable CNCB to:

- expand its branch network to international financial centres, develop its commercial banking network both domestically and internationally, and to provide “one-stop-shop” financial solutions and a wider variety of and more applicable service products and service channels for its customers with international banking needs;
- realise its strategic objective to become a “leading international bank”;
- maximise synergies by promoting the effective integration of financing resources, optimise the allocation of resources, constantly increasing the business synergies between CIFH and CNCB, and enhance its overall competitiveness in the banking market; and
- use excess capital to enhance shareholder value.

The CIFH Acquisition also created opportunities for CNCB and the Bank to expand the width and depth of their collaboration. The Bank extended cooperation to more CNCB branches, spanning across most of CNCB’s major geographical coverage in Mainland China. A series of new business cooperation initiatives were successfully introduced during the year, including RMB trade settlement programme, structured financing, pre-Initial Public Offering financing, offshore account opening, i-banking services and offshore bill operation and services.

CITIC International Financial Holdings Limited

The Bank is a majority-owned subsidiary of CIFH which is the financial flagship of CITIC outside Mainland China. The CIFH Group is a financial services group whose core businesses include the provision of commercial banking, asset management and other related financial services. CIFH became the holding company of the CIFH Group following the group reorganisation on 25 November 2002, the appointed day designated by the board of directors of CIFH for the legal merger of the relevant undertakings of CIFH and

HKCB pursuant to the CITIC Ka Wah Bank Limited (Merger) Ordinance (Cap. 1171) of the laws of Hong Kong. As part of the group reorganisation, CIFH (which prior to the reorganisation was named CITIC Ka Wah Bank Limited) transferred most of its commercial banking assets and liabilities to HKCB, a then wholly-owned subsidiary of CIFH. At the same time, HKCB changed its name to CITIC Ka Wah Bank Limited and continued to operate the integrated commercial banking business of the CIFH Group. See “*Business — History*”.

CIFH is supported by CITIC in its vision to drive the offshore expansion and establishment of the CITIC brand in international banking and financial services. One of its strategic priorities is to develop effective partnership models with companies in the CITIC Group in the Mainland China to maximise strategic opportunities to promote the CITIC brand in international banking and financial services.

On 29 December 2006, CIFH completed the acquisition of a 15.17 per cent. strategic stake in CNCB to enhance its ability to capture opportunities from the increasing cross-border business flows into and out of the PRC market. Upon the listing of CNCB on the Hong Kong Stock Exchange on 27 April 2007, CIFH topped up its investment in CNCB to maintain a 15 per cent. equity interest in CNCB’s enlarged share capital.

On 9 February 2007, CIFH’s shareholders gave approval for BBVA to become a 14.58 per cent. strategic investor in CIFH, and the transaction was duly completed on 1 March 2007.

On 16 October 2008, CIFH’s independent shareholders gave approval for CITIC, through GIL, to take CIFH private by way of Scheme of Arrangement. On 5 November 2008, CIFH was delisted from the Hong Kong Stock Exchange, and on the same day, BBVA’s stake in CIFH was increased to 29.68 per cent. The strategic investment in CNCB held by CIFH was proportionately transferred to CITIC and BBVA in December 2008.

The privatisation of CIFH was part of CITIC’s Restructuring Strategy to create a single banking business platform within the CITIC Group. The intention of the privatisation was for the Bank to become CITIC’s exclusive vehicle to develop commercial banking business in Hong Kong and a commercial banking platform for new business expansion for CITIC in Asia.

As at 31 December 2020, the CIFH Group’s total assets, shareholders’ funds, total loans and total deposits were HK\$395.6 billion (U.S.\$51.0 billion), HK\$34.8 billion (U.S.\$4.5 billion), HK\$220.1 billion (U.S.\$28.4 billion) and HK\$309.9 billion (U.S.\$40.0 billion), respectively.

As at the date of this Offering Circular, CIFH has 7,459,172,916 ordinary shares in issue, which are all fully paid.

Principal Activities of the CIFH Group

The CIFH Group currently engages in a wide range of banking and non-bank financial businesses through the following entities:

The Bank and its subsidiaries

retail banking (including home mortgage loans, consumer finance, credit cards, deposits, personal wealth management, distribution of insurance and investment products, hire purchase and leasing and small business loans), wholesale banking (including commercial mortgages, trade finance, corporate loans, syndicated loans, term loans and overdrafts, and structured finance) and treasury activities

CITIC International Assets Management Limited and its subsidiaries

private equity investments, asset management and investment holding

REGULATION AND SUPERVISION

The banking sector in Hong Kong is regulated by and subject to the provisions of the Banking Ordinance and the powers and functions ascribed by the Banking Ordinance to the HKMA. The Banking Ordinance provides that only authorised institutions (that is, banks which have been granted a banking licence (“**licence**”) by the HKMA) 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 HKMA, 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 HKMA 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 HKMA 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 HKMA has the right to allow returns to be made at less frequent intervals;
- (2) the HKMA 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 HKMA may require. The HKMA 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 HKMA for the purpose of preparing the report) confirming compliance with certain matters;
- (3) authorised institutions may be required to provide information to the HKMA 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 HKMA 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 HKMA may direct an authorised institution to appoint an auditor to report to the HKMA 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 HKMA may reasonably require;
- (6) the HKMA 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 HKMA on a regular basis; and

- (7) authorised institutions are required to give written notice to the HKMA 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 Institutions

The HKMA 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 HKMA 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 HKMA is of the opinion that an authorised institution:
 - (a) 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;
 - (b) is insolvent or is likely to become unable to meet its obligations or is about to suspend payment;
 - (c) has contravened or failed to comply with any of the provisions of the Banking Ordinance; or
 - (d) has contravened or failed to comply with any condition attached to its licence or certain conditions in the Banking Ordinance; and
- (4) where the Financial Secretary advises the HKMA that he considers it in the public interest to do so.

In any of the circumstances described above, the HKMA, 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 HKMA 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 HKMA;
- (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 HKMA 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 fulfills the criteria for authorisation and the requirements for registration;

- (2) the authorised institution is likely to be unable to meet its obligations 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 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 HKMA 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 HKMA guidelines) that it 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 Banking Ordinance, which are enforced by the HKMA 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 per cent., calculated as the ratio (expressed as a percentage) of its capital base to its risk-weighted amount as more fully described below. In relation to an authorised institution with subsidiaries, the HKMA may require the ratio to be calculated on a consolidated basis, or on both a consolidated and a solo-consolidated basis, or on a consolidated basis only in respect of such subsidiaries of the authorised institution as may be specified by the HKMA. The HKMA 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 HKMA immediately of a failure to maintain the required capital adequacy ratio and to provide the HKMA with such particulars as it may require. It is an indictable offence not to do so, and the HKMA 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, transaction-related contingencies, repurchase contracts, note issuance facilities and exchange rate contracts) 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.

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 ratings based approach requiring approval from the HKMA.

In December 2010 and January 2011, the Basel Committee issued further capital requirements designed to raise the quality, consistency and transparency of banks' capital base and new global liquidity standards. These requirements are collectively known as Basel III. 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 Basel Committee expects its member jurisdictions to begin the implementation of Basel III from 1 January 2013, with full implementation by 1 January 2023. The HKMA has taken steps to implement Basel III in Hong Kong in accordance with the timetable of the Basel Committee and has effected the Basel III implementation from January 2013.

The Banking Ordinance (Chapter 155 of the laws of Hong Kong) 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 HKMA to:

- (a) prescribe capital requirements 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) (Amendment) Rules 2012 came into effect on 1 January 2013, with the requirements being phased in over six years to achieve full implementation by 1 January 2019. These include:

- the imposition of three minimum risk-weighted capital ratios, namely CET1 capital ratio, Tier 1 capital ratio and total capital ratio, with gradual phasing in of the minimum capital requirements over three years commencing 1 January 2013;
- the introduction of two capital buffers, namely the capital conservation buffers and countercyclical capital buffer, to be phased in sequentially from 1 January 2016 to 1 January 2019;
- the introduction of capital requirement for counterparty risk effect from 1 January 2013; and
- capital instruments issued on or after 1 January 2013 must meet all of the Basel III criteria to qualify as regulatory capital. Capital instruments prior to this date that no longer qualify for inclusion in capital base will be phased out during the 10-year period commencing 1 January 2013.

With effect from 30 June 2013, the Banking (Disclosure) Rules have been amended to implement Basel III capital and disclosure standards. The HKMA has also implemented the Basel III liquidity standards.

The Hong Kong “Resolution Regime”

In early 2014, the Hong Kong government launched the initial stage of a public consultation on establishing a “resolution regime” for authorised institutions and other financial institutions in Hong Kong. A second consultation was launched in early 2015. The Response Paper published concluded the two consultations and

summarised the key comments received and the authorities' responses and proposals in relation to those comments. The Response Paper also discusses certain further issues which remain under development internationally. The Financial Institutions (Resolution) Ordinance (No. 23 of 2016) came into effect on 7 July 2017.

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 financial institution in Hong Kong. In particular, it has been envisaged that subject to certain safeguards, the relevant resolution authority would be provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may 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 Notes, which may *inter alia* be in addition to any write off pursuant to the contractual provisions relating to loss absorption of the Notes, and powers to amend or alter the contractual provisions of the Notes. Noteholders are subject to and bound by the Financial Institutions (Resolution) Ordinance.

Liquidity

Liquidity of an authorised institution is its ability to meet payment obligations as they fall due. Banks must maintain sufficient liquidity to handle daily operational activities such as cash withdrawal from depositors, interbank clearing, repayment of debts, etc. The liquidity requirements applicable to authorised institutions are provided mainly in the Banking (Liquidity) Rules (“**BLR**”) issued by the HKMA under section 97H(1) of the Banking Ordinance.

Under the BLR, authorised institutions designated by the HKMA as “category 1 institutions” are required to comply with the requirements relating to the LCR and the NSFR. Usually category 1 institutions are either having significant international exposures or being significant to the general stability of the local banking sector having regard to their size or complexity of business operations. Category 1 institutions are required to maintain a LCR not less than 100 per cent. and NSFR not less than 100 per cent.

Other authorised institutions are regarded as “category 2 institutions”, which must comply with the requirements relating to the local liquidity maintenance ratio (“**LMR**”). Category 2A institutions in category 2 institutions must also comply with the requirements relating to the local core funding ratio (“**CFR**”). The designation of category 2A institutions are based on the business size and the liquidity risk associated with the institution. Category 2 institutions are required to maintain a LMR not less than 25 per cent., whereas category 2A institutions are required to maintain a LMR not less than 25 per cent. and CFR of not less than 75 per cent.

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 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 HKMA, 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 HKMA.

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

Other Restrictions on Lending

(4)

The Banking Ordinance also provides that 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.

The Banking (Exposure Limits) Rules also provides that:

- (1) authorised institutions may not provide a financial facility against the security of their own shares, capital-in-nature instrument or non-capital LAC debt instruments (or, except with the approval of the HKMA, that of their respective holding companies, subsidiaries or fellow subsidiaries of such holding companies); and
- (2) authorised institutions may not, except with the written consent of the HKMA, 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 Hong Kong, of a value or to an aggregate value in excess of 25 per cent. of its capital base. There are exceptions for land held that in the opinion of the HKMA is necessary for the operation of the business or for providing housing or amenities for staff.

Equity Exposures in Other Companies

An authorised institution incorporated in Hong Kong may not acquire or hold an aggregate equity exposures which exceed 25 per cent. of the authorised institution's Tier 1 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 HKMA 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 7 working days or such longer period as the HKMA may agree.

There are other exemptions for any holding of equity exposures approved by the HKMA 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.

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 five 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 five 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 HKMA. The HKMA 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 HKMA own a company incorporated outside Hong Kong which may (whether or not in or outside Hong Kong) lawfully take deposits from the public. The HKMA may at any time attach in respect of any such approved overseas companies any conditions as the HKMA may think proper.

Shareholders, Chief Executives and Directors

Limitations on Shareholders

The HKMA 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 per cent. or more, but not more than 50 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 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 advisers or managers appointed by the HKMA 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 HKMA of his proposal to that effect and the HKMA consents to his becoming such a controller or does not object within three months.

Within the three-month period, the HKMA 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 HKMA 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 HKMA 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 HKMA 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 HKMA, 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 consent of the HKMA before becoming a chief executive and alternate chief executive.

The consent of the HKMA 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 HKMA to enhance their regulatory functions in relation to securities businesses of banks and other Authorised Institutions that are registered under the SFO.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxembourg or CMU (together, the “**Clearing Systems**”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believe to be reliable, but neither the Issuer nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.

Book-entry Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

CMU

The CMU Service is a central depository service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service (“**CMU Members**”) of Exchange Fund Bills and Notes Clearing and Settlement Service securities and capital markets instruments (together “**CMU Notes**”) which are specified in the CMU Reference Manual as capable of being held within the CMU Service.

The CMU Service is only available to CMU Notes issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the services is open to all financial institutions regulated by the HKMA, Securities and Futures Commission, Insurance Authority or Mandatory Provident Fund Schemes Authority. For further details on the full range of the CMU’s custodial services, please refer to the CMU Reference Manual.

The CMU has an income distribution service which is a service offered by the CMU to facilitate the distribution of interest, coupon or redemption proceeds (collectively, the “**income proceeds**”) by CMU Members who are paying agents to the legal title holders of CMU Notes via the CMU system. Furthermore, the CMU has a corporate action platform which allows an issuer (or its agent) to make an announcement/notification of a corporate action and noteholders to submit the relevant certification. For further details, please refer to the CMU Reference Manual.

An investor holding an interest in the Notes through an account with either Euroclear or Clearstream, Luxembourg will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU Service.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within Euroclear, Clearstream, Luxembourg and the CMU Service will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System. Euroclear, Clearstream, Luxembourg and the CMU Service have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among accountholders of Euroclear, Clearstream, Luxembourg and the CMU Service. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Paying Agents, the Registrar and the Dealers will be responsible for any performance by Euroclear, Clearstream, Luxembourg or the CMU Service or their respective accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this document and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers or certain professional investors) may be subject to special rules. Investors should consult their own tax advisers regarding the tax consequences of an investment in the Notes.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

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 Notes 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 Notes 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 Notes 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 Notes 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 Notes 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 authorised 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 Notes is registered under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, the issue of Notes by the Bank 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

Notes 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 Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes 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 Notes 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

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

- (i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the “SDO”)).

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

- (i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Registered Notes constitute loan capital (as defined in the SDO).

Notwithstanding the above, no stamp duty is payable on the transfer of a regulatory capital security (as defined in Section 17A of the IRO).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. The Hong Kong government has passed the Revenue (Stamp Duty) Bill 2021 to increase the relevant rate of stamp duty from 0.1 per cent. to 0.13 per cent., with such increase due to take effect on 1 August 2021. In addition, stamp duty is payable at the fixed rate of HK\$5.00 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

Foreign Account Tax Compliance Act

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 (the “**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 have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (the “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 Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, 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 Notes, 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 Notes 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 (including by reason of a substitution of the issuer). However, if additional notes (as described under “*Terms and Conditions—Further Issues*”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

PRC CURRENCY CONTROLS

Remittance of Renminbi into and outside the PRC

The Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.

Current Account Items

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. Following progressive reforms, Renminbi settlement of imports and exports of goods and of services and other current account items became permissible nationwide in 2012.

Since July 2013, the procedures for cross-border Renminbi trade settlement under current account items have been simplified and trades through e-commerce can also be settled in Renminbi under the current regulatory regime. A cash pooling arrangement for qualified multinational enterprise group companies was introduced in late 2014, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. In addition, the eligibility requirements for multinational enterprise groups have been lowered and the cap for net cash inflow has been increased in September 2015.

The PBOC also permits enterprises in the China (Shanghai) Free Trade Pilot Zone (the “**Shanghai FTZ**”) to establish an additional cash pool in the local scheme in the Shanghai FTZ, but each onshore company within the group may only elect to participate in one cash pooling programme. In November 2016, PBOC Shanghai Headquarters further allowed banks in Shanghai to provide multinational enterprise groups with services of full-function onshore cash pooling, which will enable broader scope for utilising pooled cash.

The regulations referred to above are subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these regulations and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration or filing with, the relevant PRC authorities.

Until recently, settlement of capital account items, for example, the capital contribution of foreign investors to foreign invested enterprises in the PRC, were generally required to be made in foreign currencies. Under progressive reforms, foreign invested enterprises are now permitted use Renminbi to settle all capital account items that can be settled in foreign currencies. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements specifically for capital account payments in Renminbi are being removed gradually.

PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as “**foreign debt**”) and lend Renminbi-denominated loans to foreign borrowers (which are referred to as “**outbound loans**”), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in Renminbi and make Renminbi

payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as “**cross-border security**”). Under current rules promulgated by the State Administration of Foreign Exchange of the PRC (“**SAFE**”) and PBOC, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. After piloting in the free trade zones, PBOC and SAFE launched a nationwide system of macro-prudential management on cross-border financing in 2016, which provides for a unified regime for financings denominated in both foreign currencies and Renminbi.

Since September 2015, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group. Enterprises within the Shanghai FTZ may establish another cash pool under the Shanghai FTZ rules to extend inter-company loans, although Renminbi funds obtained from financing activities may not be pooled under this arrangement.

The securities markets, specifically the Renminbi Qualified Foreign Institutional Investor (“**RQFII**”) regime and the China Interbank Bond Market (“**CIBM**”), have been further liberalised for foreign investors. PBOC has relaxed the quota control for RQFII, initiated a bond market mutual access scheme between Mainland China and Hong Kong to allow eligible investors to invest in CIBM and has also expanded the list of foreign investors eligible to directly invest in CIBM, removed quota restriction, and granted more flexibility for the settlement agents to provide the relevant institutions with more trading facilities (for example, in relation to derivatives for hedging foreign exchange risk).

Interbank foreign exchange market is also opening-up. In 2018, CFETS further relaxed qualifications, application materials and the procedures for foreign participating banks (which needs to have a relatively large scale of Renminbi purchase and sale business and international influence) to access the inter-bank foreign exchange market.

Recent reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There is no assurance that the PRC government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future. The relevant regulations are relatively new and will be subject to interpretation and application by the relevant PRC authorities.

Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the “**Programme Agreement**”) dated 30 November 2007, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) The Notes have not been and will not be registered under the Securities Act and may not be offered, sold or, in the case of Bearer Notes, delivered within the United States (or in connection with any Notes which are offered or sold outside the United States in reliance on exemption from the registration requirements of the Securities Act provided under Category 1 of Regulation S to, or for the account or benefit of, U.S. persons) except in certain transactions exempt from the registration requirements of the Securities Act.
- (b) Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. treasury regulations. Bearer Notes will be issued in accordance with the provisions of U.S. Treasury Regulation section 1.163 — 5(c)(2)(i)(D) (or any successor United States Treasury regulation section, including without limitation, successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010), unless the relevant Pricing Supplement specifies that Notes will be issued in accordance with the provision of U.S. Treasury Regulation section 1.163 — 5(c)(2)(i)(C) (or any successor United States Treasury regulation section, including without limitation, successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010).
- (c) In connection with any Notes which are offered or sold outside the United States in reliance on exemption from the registration requirements of the Securities Act provided under Category 1 of Regulation S (Category 1 of Regulation S Notes), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Category 1 of Regulation S Notes within the United States. In addition, until 40 days after the commencement of the offering of any identifiable tranche of such Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.
- (d) In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Category 2 of Regulation S (“**Category 2 of Regulation S Notes**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, it will not offer, sell or deliver such Category 2 of Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the

completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Category 2 of Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Category 2 of Regulation S Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Category 2 of Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons. In addition, until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States or to or for the account or benefit of any U.S. persons by any dealer (not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Subscription Agreement:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Acts 2000 (the “**FSMA**”) by the Issuer;
- (b) 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 Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Prohibition of Sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) 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; or
 - (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the UK Prospectus Regulation; and
- (b) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Pricing Supplement in respect of any Notes specifies the “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

- (a) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a “**Public Offer**”), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by Pricing Supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in Article 2 of UK Prospectus Regulation;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within section 86 of the FSMA.

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of UK Prospectus Regulation.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression “**UK Prospectus Regulation**” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

European Economic Area

If the Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the European Economic Area (each, a “**Relevant Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the

Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may make an offer of such Notes to the public in that Relevant Member State:

- (a) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant Member State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 16 of the Prospectus Regulation.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129.

Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) 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 Directive 2014/65/EU (as amended, “**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; or

- (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”); and
- (b) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

The Netherlands

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that any Notes will only be offered in The Netherlands to Qualified Investors (as defined in the Prospectus Regulation), unless such offer is made in accordance with the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes 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 Notes, 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 (Chapter 289) 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 Notes 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 Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) 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)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or

- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and CMP Regulations 2018, unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are ‘prescribed capital markets 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).

Japan

The Notes 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 “**FIEA**”) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold, and will not offer or sell, in Hong Kong, by means of any document, any Notes (except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”)) other than (i) to “professional investors” as defined in the SFO; or (ii) 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
- (b) 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 Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws in Hong Kong) other than with respect to Notes 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.

The People’s Republic of China

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell any of the Notes in the People’s Republic of China (for such purposes, not including Hong Kong, Macau Special Administrative Region or Taiwan) or to residents of the People’s Republic of China unless such offer or sale is made in compliance with all applicable laws and regulations of the People’s Republic of China.

Taiwan

Each Dealer has represented, warranted and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, at any time, directly or indirectly, any Notes acquired by it as part of the offering in the ROC (the “**Republic of China**”) or to, or for the account or benefit of, any resident of the ROC, unless otherwise permitted by the laws and regulations of the ROC.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Trustee and any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Trustee and any of the Dealers has represented that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction that would permit a public offering of any of the Notes or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer and/or its affiliates from time to time for which they have received customary fees and commissions and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of their business. The Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Dealers or their respective affiliates may purchase the Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of Notes).

If a jurisdiction requires that the offering be made by a licenced broker or dealer and the relevant Dealer or any affiliate of the relevant Dealer is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the relevant Dealer or such affiliate on behalf of the Bank in such jurisdiction.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and any updates under the Programme have been duly authorised by a resolution of the Board of Directors of the Issuer dated 26 November 2007. Each issue of Notes will be separately approved by the Board of Directors of the Issuer.

Listing

Application has been made to the Singapore Exchange Securities Trading Limited for permission to deal in and quotation for any Notes that may be issued pursuant to the Programme and which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed, or reports contained herein. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, its subsidiaries, its associated companies, the Programme or such Notes.

As long as a series of Notes is listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies).

For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that any of the Global Notes representing such Notes is exchanged for definitive Notes. In addition, in the event that any of the Global Notes is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

NDRC approval

The Notes will be issued in accordance with either (i) the requirements under the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (关于推进企业发行外债备案登记制管理改革的通知(发改外资 [2015] 2044 号)) (the “**NDRC Circular**”) issued by the National Development and Reform Commission of the People’s Republic of China (the “**NDRC**”) or (ii) the requirements under the NDRC Circular and the annual applicable foreign debt quota granted by the NDRC to CITIC Group Corporation and its subsidiaries.

In the case of (i), the Bank will make a pre-issuance registration with the NDRC, followed by a post-issuance filing with the NDRC within the prescribed time following issuance of the Notes. In the case of (ii), the Bank is able to rely on such annual foreign debt quota granted by the NDRC and is not required to make any pre-issuance registration of the Notes with the NDRC, however, the Bank will be required to make a post-issuance filing with the NDRC within the prescribed time following issuance of the Notes.

Clearing systems

The Notes to be issued under the Programme have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU Service. The relevant CMU

instrument number will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

No significant change

Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Bank since 31 December 2020 and there has been no material adverse change in the financial position or prospects of the Bank since 31 December 2020.

Litigation

Save as disclosed in this Offering Circular, the Issuer is not involved in any legal proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of the Issuer.

Auditor

The auditor of the Issuer is, for the year ended 31 December 2019 and for the year ended 31 December 2020, PricewaterhouseCoopers (Certified Public Accountants).

The Trust Deed provides that the Trustee may rely on certificates or reports from the Auditors (as defined in the Trust Deed) or any other person in accordance with the provisions of the Trust Deed as sufficient evidence of the facts stated therein whether or not called for by or addressed to the Trustee and whether or not any such certificate or report or engagement letter or other document entered into by the Trustee and the Auditors or such other person in connection therewith contains a monetary or other limit on the liability of the Auditors or such other person. However, the Trustee will have no recourse to the Auditors or such other person in respect of such certificates or reports unless the Auditors or such other person have agreed to address such certificates or reports to the Trustee.

Documents

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the registered office of the Issuer and from the specified office of the Principal Paying Agent for the time being in 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom:

- (a) the constitutional documents of the Issuer;
- (b) the audited consolidated financial statements of the Issuer in respect of the financial year ended 31 December 2020;
- (c) the most recent annual audited consolidated financial statements of the Issuer and the most recently published unaudited interim consolidated financial statements of the Issuer (if any);
- (d) the Programme Agreement, the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (e) a copy of this Offering Circular; and
- (f) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for

inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference.

Legal Entity Identifier

The legal entity identifier of the Issuer is 54930034UPFJV0NHXV95.

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The independent auditor's report and audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2020 included in this Offering Circular are reproduced from the 2020 annual report of the Issuer. Page references referred to in the independent auditor's report and audited consolidated financial statements refer to pages set out in such annual report. The consolidated financial statements have not been specifically prepared for inclusion in this Offering Circular.

Independent Auditor's Report

To the Members of China CITIC Bank International Limited

(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of China CITIC Bank International Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 59 to 207, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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

Independence

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

The key audit matter identified in our audit related to expected credit losses on loans and advances to customers.

獨立核數師報告

致中信銀行(國際)有限公司成員

(於香港註冊成立的有限公司)

審計意見

我們已審計的內容

中信銀行(國際)有限公司(以下簡稱「貴行」)及其附屬公司(以下統稱「貴集團」)列載於第59至207頁的綜合財務報表，包括：

- 於2020年12月31日的綜合財務狀況表、
- 截至該日止年度的綜合收益表、
- 截至該日止年度的綜合全面收益表、
- 截至該日止年度的綜合權益變動表、
- 截至該日止年度的綜合現金流量表及
- 綜合財務報表附註，包括主要會計政策概要。

我們的意見

我們認為，該等綜合財務報表已根據香港會計師公會頒布的《香港財務報告準則》真實而中肯地反映了 貴集團於2020年12月31日的綜合財務狀況及其截至該日止年度的綜合財務表現及綜合現金流量，並已遵照香港《公司條例》妥為擬備。

審計意見的基礎

我們已根據香港會計師公會頒布的《香港審計準則》進行審計。我們在該等準則下承擔的責任已在本報告「核數師就審計綜合財務報表承擔的責任」部分中作進一步闡述。

我們相信，我們所獲得的審計憑證能充足及適當地為我們的審計意見提供基礎。

獨立性

根據香港會計師公會頒布的《專業會計師道德守則》(以下簡稱「守則」)，我們獨立於 貴集團，並已履行守則中的其他專業道德責任。

關鍵審計事項

關鍵審計事項是根據我們的專業判斷，認為對本期綜合財務報表的審計最為重要的事項。這些事項是在我們審計整體綜合財務報表及出具意見時進行處理的。我們不會對這些事項提供單獨的意見。

我們在審計中識別的關鍵審計事項是關於客戶貸款及墊款的預期信用損失。

Key Audit Matters *(continued)*

As at 31 December 2020, the Group recorded total gross loans and advances to customers of HK\$220,096 million and expected credit losses ("ECL") on loans and advances to customers of HK\$2,440 million, of which HK\$589 million, HK\$578 million and HK\$1,274 million as Stages 1, 2 and 3 allowances respectively. Refer to notes 20(a) and (c), and 39(a) to the consolidated financial statements for details.

The estimation of ECL on the Group's loans and advances to customers is considered a key audit matter as it is inherently complex and is subject to a high degree of estimation uncertainty.

For loans and advances in Stages 1 and 2, the Group assesses ECL by using risk parameter modelling methodologies based on internal and external data and application of significant judgements and assumptions. These include the Group's actual historic experience of correlations between defaults and macroeconomic variables, customer's creditworthiness and forecasts of macroeconomic scenarios and weightings applied to such scenarios.

The COVID-19 pandemic and global geopolitical tensions have posted additional challenges to management in estimating the current year's ECL, in particular in relation to the judgements and assumptions regarding the impact of the pandemic and geopolitical dynamics on customers' creditworthiness, as well as the mitigating effects of various economic support and relief measures put in place by public authorities and the banking sector in deriving forward looking information. Such information impact the assessment of whether loans and advances have experienced a significant increase in credit risk ("SICR") which impacts the calculation of ECL.

Management make judgements in updating the various ECL model inputs such as the credit rating of customers and variables used in macroeconomic forecast scenarios. Correlations between defaults and macroeconomic variables have also been reassessed by management to ensure their continued appropriateness and applicability for estimating ECL as part of the ECL model governance process.

In assessing the ECL for loans and advances in Stage 3, which are regarded as impaired, the significant judgements and assumptions applied relate to estimating the timing and amount of recoverable cash flows under a range of probable scenarios determined based on available information.

The inherent limitations in estimation and modelling methodologies, together with the application of the abovementioned judgements and assumptions, result in a high degree of estimation uncertainty and can lead to a wide range of possible ECL outcomes.

How our audit addressed the Key Audit Matter

We obtained an understanding of management's processes and internal controls over determination of ECL on loans and advances to customers in order to assess the risk of estimation uncertainty and identify the likely sources of material misstatement for ECL. In assessing risk of estimation uncertainty, we have taken into account inherent risk factors such as complexity of ECL methodologies adopted, judgements and assumptions applied, and susceptibility of the ECL outcome to management bias or fraud.

In response to risks assessed and likely sources of material misstatements identified, we have performed a combination of test of controls and substantive procedures as part of our audit. These include:

- Assessing the operating effectiveness of credit risk monitoring controls exercised by management, such as periodic and ad hoc credit reviews, thematic portfolio reviews and early alert mechanisms.
- Testing the control procedures on assigning the internal credit ratings and assessing whether and how management has taken into account the impact of COVID-19 and other macroeconomic events in evaluating a customer's creditworthiness.

關鍵審計事項 (續)

截至2020年12月31日，貴集團之客戶貸款及墊款共計港幣2,200.96億元，並已就此計提預期信用損失準備港幣24.40億元，其中第一階段、第二階段及第三階段的預期信用損失準備分別為港幣5.89億元、港幣5.78億元及港幣12.74億元。詳情請參閱綜合財務報表附註20(a)、(c)及39(a)。

由於貴集團對客戶貸款及墊款作出預期信用損失的估計存在固有複雜性，且其估計存在高度不確定性，故將其視為關鍵審計事項。

貴集團對第一階段和第二階段的貸款及墊款採用風險參數模型方法評估其預期信用損失，該等方法建基於內外部數據及應用重要的判斷和假設，其中包括貴集團對違約與宏觀經濟變量之間相關性的實際歷史經驗、客戶信譽以及就宏觀經濟場景和應用在該等場景的權重作出的預測。

新冠肺炎疫情和全球地緣政治緊張局勢對管理層就本年度的預期信用損失估計帶來了額外挑戰，特別是有關疫情和地緣政治變動對客戶信譽度的影響，以及於制定前瞻性信息時，由政府機關和銀行業界提供的各種經濟支援和紓困措施所帶來的緩和作用。該等信息會影響對客戶貸款及墊款的信貸風險是否顯著增加的評估，從而影響預期信用損失的計算。

在更新各項預期信用損失模型的輸入參數時均牽涉到管理層判斷，例如對客戶的內部信用評級、宏觀經濟預測場景中使用的變量及其在本年度預期信用損失估計中的相關權重。作為預期信用損失模型管控流程的一部分，管理層亦已重新評估了對違約與宏觀經濟變量之間的相关性，以確保其繼續適用於估計預期信用損失。

在評估被視為已減值的第三階段貸款及墊款的預期信用損失時，所運用的重要判斷和假設涉及與在一系列不同可能性的場景下，根據可用信息對貸款及墊款的可收回現金流量的時間和金額的估計。

由於所有估計和模型方法以及上述判斷和假設在運用時均存在固有局限性，因此預期信用損失的估計存在高度不確定性，並會引致預期信用損失出現大範圍的可能結果。

我們的審計如何處理關鍵審計事項

我們獲得了對管理層就確定客戶貸款及墊款的預期信用損失所採取的程序和內部控制的了解，以評估估計不確定性的風險，並識別可能導致預期信用損失出現重大錯誤陳述的來源。在評估估計不確定性的風險時，我們考慮了所用預期信用損失方法的複雜性、判斷和假設的應用以及預期信用損失的結果可能受管理層偏見或欺詐影響等固有風險因素。

為應對已評估的風險和已識別重大錯誤陳述的可能來源，我們在審計過程中執行了一系列控制測試和實質性程序，包括：

- 評估管理層採取的信用風險監控控制的運行有效性，例如定期和不定期信用審查、主題貸款組合審查和早期預警機制等。
- 測試內部信用評級分配管控程序，以及評估管理層在評價客戶信譽時是否已考慮和如何考慮新冠肺炎疫情和其他宏觀經濟活動的影響。

Key Audit Matters *(continued)*

How our audit addressed the Key Audit Matter (continued)

- Independently reviewing and challenging the internal credit ratings for a sample of loan exposures as at 31 December 2020.
- Reviewing the results of management's ECL model validation and back-testing, with a particular focus on assessing the appropriateness of ECL model methodologies and key assumptions applied to default definition, SICR determination and forward looking elements in light of current economic conditions.
- Assessing the changes to ECL model methodologies made during the year for compliance with requirements of HKFRS 9.
- For forward-looking elements, we evaluated the reasonableness and supportability of macroeconomic forecast scenarios and their weightings taking into account the risk profile of the loan portfolio and publicly available information.
- For a sample of significant Stage 3 exposures, we assessed the supportability of management's future cash flow estimates based on financial information of borrowers, collateral valuations and information on other available sources of recovery.
- Testing management's controls over input of critical data elements of the ECL model, user access and interface of critical data from source systems to the ECL models, and independently tracing data relating to key ECL model judgements and assumptions to relevant source systems and documentation.

We have assessed management's governance and controls over determination and approval of key ECL model judgements (e.g. macroeconomic forecasts and scenario weightings, recoverable cash-flows and recovery scenarios on impaired loans, etc.) and the ECL outcome. We also assessed the governance process over ECL related disclosures and evaluated the adequacy of the disclosures made in the consolidated financial statements in the context of the applicable financial reporting framework.

Other Information

The directors of the Bank are responsible for the other information. The other information comprises all of 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.

關鍵審計事項 (續)

我們的審計如何處理關鍵審計事項 (續)

- 獨立審查和質疑截至2020年12月31日的貸款敞口樣本的內部信用評級。
- 審查管理層對預期信用損失模型的驗證和回溯測試的結果，重點評估預期信用損失模型方法和關鍵假設的持續適當性，包括違約定義、信貸風險顯著增加的確定，以及納入在考慮當前的經濟狀況下的前瞻性元素。
- 評估年內預期信用損失模型方法的變更是否符合《香港財務報告準則第9號》的規定。
- 就前瞻性元素而言，我們在考慮貸款組合的風險狀況和公開市場信息的情況下評估了宏觀經濟預測情景和情景權重的合理性和可支持性。
- 針對第三階段重大風險的樣本，我們基於借款人的財務信息、抵押品的估值以及其他可用於收回貸款來源的有關信息，對管理層估算的未來現金流量進行了評估。
- 測試管理層對預期信用損失模型關鍵數據元素輸入、用戶訪問和從源系統到預期信用損失模型的接口的控制並抽樣獨立追蹤與預期信用損失模型判斷和假設相關的關鍵數據至相關源系統中，並與其源文件核對。

我們評估了管理層就預期信用損失模型關鍵判斷(包括宏觀經濟預測和場景權重、減值貸款的可收回現金流量和收回情景等)的確定和審批及預期信用損失結果所實行的管治和控制。我們還評估了針對預期信用損失有關披露的管治流程，並根據適用的財務報告框架評估了此等披露在綜合財務報表中是否充分。

其他信息

貴行董事須對其他信息負責。其他信息包括年報內的所有信息，但不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表的意見並不涵蓋其他信息，我們亦不對該等其他信息發表任何形式的鑒證結論。

結合我們對綜合財務報表的審計，我們的責任是閱讀其他信息，在此過程中，考慮其他信息是否與綜合財務報表或我們在審計過程中所了解的情況存在重大抵觸或者似乎存在重大錯誤陳述的情況。

基於我們已執行的工作，如果我們認為其他信息存在重大錯誤陳述，我們需要報告該事實。在這方面，我們沒有任何報告。

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Bank 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 Audit Committee of the Group assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

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. We report our opinion 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 HKSAAs 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 HKSAAs, we exercise professional judgment 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.

董事及審計委員會就綜合財務報表須承擔的責任

貴行董事須負責根據香港會計師公會頒布的《香港財務報告準則》及香港《公司條例》擬備真實而中肯的綜合財務報表，並對其認為為使綜合財務報表的擬備不存在由於欺詐或錯誤而導致的重大錯誤陳述所需的內部控制負責。

在擬備綜合財務報表時，董事負責評估 貴集團持續經營的能力，並在適用情況下披露與持續經營有關的事項，以及使用持續經營為會計基礎，除非董事有意將 貴集團清盤或停止經營，或別無其他實際的替代方案。

貴集團的審計委員會協助董事履行監督 貴集團財務報告過程的職責。

核數師就審計綜合財務報表承擔的責任

我們的目標，是對綜合財務報表整體是否不存在由於欺詐或錯誤而導致的重大錯誤陳述取得合理保證，並出具包括我們意見的核數師報告。我們僅按照香港《公司條例》第405條向 閣下（作為整體）報告我們的意見，除此之外本報告別無其他目的。我們不會就本報告的內容向任何其他人士負上或承擔任何責任。合理保證是高水平的保證，但不能保證按照《香港審計準則》進行的審計，在某一重大錯誤陳述存在時總能發現。錯誤陳述可以由欺詐或錯誤引起，如果合理預期它們單獨或滙總起來可能影響綜合財務報表使用者依賴綜合財務報表所作出的經濟決定，則有關的錯誤陳述可被視作重大。

在根據《香港審計準則》進行審計的過程中，我們運用了專業判斷，保持了專業懷疑態度。我們亦：

- 識別和評估由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險，設計及執行審計程序以應對這些風險，以及獲取充足和適當的審計憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述，或凌駕於內部控制之上，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。
- 了解與審計相關的內部控制，以設計適當的審計程序，但目的並非對 貴集團內部控制的有效性發表意見。
- 評價董事所採用會計政策的恰當性及作出會計估計和相關披露的合理性。
- 對董事採用持續經營會計基礎的恰當性作出結論。根據所獲取的審計憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能導致對 貴集團的持續經營能力產生重大疑慮。如果我們認為存在重大不確定性，則有必要在核數師報告中提請使用者注意綜合財務報表中的相關披露。假若有關的披露不足，則我們應當發表非無保留意見。我們的結論是基於核數師報告日止所取得的審計憑證。然而，未來事項或情況可能導致 貴集團不能持續經營。

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

- 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 to 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 of the audit resulting in this independent auditor's report is Ms. Lam Hung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2021

核數師就審計綜合財務報表承擔的責任 (續)

- 評價綜合財務報表的整體列報方式、結構和內容，包括披露，以及綜合財務報表是否中肯反映交易和事項。
- 就 貴集團內實體或業務活動的財務信息獲取充足、適當的審計憑證，以便對綜合財務報表發表意見。我們負責 貴集團審計的方向、監督和執行。我們為審計意見承擔全部責任。

除其他事項外，我們與審計委員會溝通了計劃的審計範圍、時間安排、重大審計發現等，包括我們在審計中識別出內部控制的任何重大缺陷。

我們還向審計委員會提交聲明，說明我們已符合有關獨立性的相關專業道德要求，並與他們溝通有可能合理地被認為會影響我們獨立性的所有關係和其他事項，以及在適用的情況下，用以消除對獨立性產生威脅的行動或採取的防範措施。

從與審計委員會溝通的事項中，我們確定哪些事項對本期綜合財務報表的審計最為重要，因而構成關鍵審計事項。我們在核數師報告中描述這些事項，除非法律法規不允許公開披露這些事項，或在極端罕見的情況下，如果合理預期在我們報告中溝通某事項造成的負面後果超過產生的公眾利益，我們決定不應在報告中溝通該事項。

出具本獨立核數師報告的審計項目合夥人是林虹女士。

羅兵咸永道會計師事務所

執業會計師

香港，2021年3月24日

綜合收益表

截至2020年12月31日止年度
(以港幣為單位)

Consolidated Income Statement

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

		附註 Note	2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
利息收入	Interest income	4(a)	9,038,772	12,164,025
利息支出	Interest expense	4(b)	(3,852,587)	(5,821,254)
淨利息收入	Net interest income		5,186,185	6,342,771
費用及佣金收入	Fee and commission income		1,401,025	1,515,893
費用及佣金支出	Fee and commission expense		(139,207)	(115,025)
淨費用及佣金收入	Net fee and commission income	5	1,261,818	1,400,868
淨交易收入	Net trading income	6	905,560	600,953
淨對沖損失	Net hedging loss	7	(1,313)	(2,492)
出售以公允價值計入其他全面收益 的金融資產淨損失	Net loss on disposal of financial assets at fair value through other comprehensive income		(33,428)	(21,940)
其他經營收入	Other operating income	9	36,805	31,094
經營收入	Operating income		7,355,627	8,351,254
經營支出	Operating expenses	10	(3,661,798)	(3,696,362)
扣除減值準備前的經營溢利	Operating profit before impairment		3,693,829	4,654,892
金融資產預期信貸損失	Expected credit losses on financial assets	12	(2,356,656)	(1,216,032)
其他資產減值損失轉回/(提撥)	Impairment losses reversed/(charged) on other assets		4,176	(51,711)
減值損失	Impairment losses		(2,352,480)	(1,267,743)
經營溢利	Operating profit		1,341,349	3,387,149
出售物業及設備 及無形資產淨損失	Net loss on disposal of property and equipment and intangible assets		(961)	(2,787)
投資物業重估損失	Revaluation loss on investment properties	24	(34,300)	(1,459)
應佔聯營企業收益	Share of profit of associates	8	-	841
出售聯營企業收益	Gain on disposal of interest in associates	8	-	9,226
贖回部分債務資本損失	Loss on partial redemption of loan capital	32	-	(58,995)
稅前溢利	Profit before taxation		1,306,088	3,333,975
所得稅	Income tax	13	(150,271)	(523,674)
本年度溢利	Profit for the year		1,155,817	2,810,301
歸屬於股東的溢利	Profit attributable to shareholders		1,155,817	2,810,301

第64頁到第207頁的附註屬本財務報表一部份。

The notes on pages 64 to 207 form part of these financial statements.

綜合全面收益表

截至2020年12月31日止年度
(以港幣為單位)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

		2020	2019
	附註	港幣千元	港幣千元
	Note	HK\$' 000	HK\$' 000
本年度溢利	Profit for the year	1,155,817	2,810,301
本年度其他全面收益／(損失)	Other comprehensive income/(loss) for the year		
	14		
當滿足特定條件時，其後可能重新分類至綜合收益表的項目：	Items that will be reclassified subsequently to consolidated income statement when specific conditions are met		
換算海外企業的財務報表的匯兌差額	Exchange differences on translation of financial statements of foreign operations	98,906	(32,073)
以公允價值計入其他全面收益的金融資產	Financial assets at fair value through other comprehensive income		
– 債務工具的公允價值變動	– change in the fair value of debt instruments	228,445	743,630
– 出售時轉至收益表	– transfer to income statement on disposal	33,428	21,940
– 與上述有關的遞延稅項	– deferred tax related to the above	(42,036)	(126,372)
– 減值準備時轉至收益表	– transfer to income statement on impairment	22,853	(75,490)
		242,690	563,708
其後不會重新分類至綜合收益表的項目：	Items that will not be reclassified subsequently to consolidated income statement		
物業重估儲備	Property revaluation reserve		
– 其他物業重新分類至投資物業時產生的重估盈餘	– surplus on revaluation of other premises upon reclassification to investment properties	58,686	–
– 出售時轉至遞延稅項	– transfer to deferred tax on disposal	–	10
		58,686	10
以公允價值計入其他全面收益的金融資產	Financial assets at fair value through other comprehensive income		
– 股權工具的公允價值變動	– change in the fair value of equity instruments	1,686	12,551
– 與上述有關的遞延稅項	– deferred tax related to the above	(278)	(2,071)
		1,408	10,480
本年度其他全面收益	Other comprehensive income for the year	401,690	542,125
本年度全面收益總額	Total comprehensive income for the year	1,557,507	3,352,426
歸屬於股東的全面收益總額	Total comprehensive income attributable to shareholders	1,557,507	3,352,426

第64頁到第207頁的附註屬本財務報表一部份。

The notes on pages 64 to 207 form part of these financial statements.

綜合財務狀況表

Consolidated Statement of Financial Position

於2020年12月31日
(以港幣為單位)

At 31 December 2020
(Expressed in Hong Kong dollars)

	附註 Note	2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
資產			
現金及在銀行、中央銀行及其他 金融機構的結存	16	32,783,916	26,005,564
在銀行、中央銀行及其他金融 機構的存款及墊款	17	28,969,830	54,468,897
以公允價值計入損益的金融資產	18(a)	2,649,076	1,908,370
衍生金融工具	19	14,378,601	6,283,608
客戶貸款及墊款及其他賬項	20	226,789,958	193,572,226
以公允價值計入其他全面收益的 金融資產	21	84,950,868	76,668,300
攤餘成本投資	22	48,493	–
物業及設備	24		
– 投資物業		254,830	229,130
– 其他物業和設備		511,806	499,033
使用權資產	25	696,653	679,507
無形資產	26	635,101	584,809
可收回稅項	30(a)	55,449	6,842
遞延稅項資產	30(b)	174,107	315,216
資產總額		392,898,688	361,221,502
負債及權益			
負債			
銀行及其他金融機構的存款及 結存		5,326,408	7,121,633
客戶存款	27	309,877,016	276,872,680
以公允價值計入損益的金融負債	18(b)	290,185	146,500
衍生金融工具	19	15,160,283	6,363,156
已發行存款證	28	–	3,112,919
已發行債務證券	29	–	3,346,067
本期稅項負債	30(a)	19,656	705,837
遞延稅項負債	30(b)	904	2,191
其他負債	31	10,078,174	10,155,293
租賃負債		722,894	695,870
債務資本	32	3,855,374	6,249,182
負債總額		345,330,894	314,771,328
權益			
股本	33(a)	18,404,013	18,404,013
儲備		21,393,369	20,275,749
股東權益總額		39,797,382	38,679,762
其他權益工具	34	7,770,412	7,770,412
權益總額		47,567,794	46,450,174
權益及負債總額		392,898,688	361,221,502

董事會於2021年3月24日核准並授權發佈。

Approved and authorised for issue by the Board of Directors on 24 March 2021.

畢明強

BI Mingqiang

執行董事、行長兼行政總裁

Executive Director, President and
Chief Executive Officer

簡吳秋玉

KAN NG Chau Yuk Helen

執行董事兼替任行政總裁

Executive Director and
Alternate Chief Executive Officer

第64頁到第207頁的附註屬本財務報表一部份。

The notes on pages 64 to 207 form part of these financial statements.

綜合權益變動表

Consolidated Statement of Changes in Equity

截至2020年12月31日止年度
(以港幣為單位)

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

		股本	資本儲備	一般儲備	匯兌差額儲備	物業重估儲備	投資重估儲備	法定盈餘公積	法定一般儲備	保留溢利	儲備總額	其他權益工具(附註34)	權益總額
		Share capital	Capital reserve	General reserve	Exchange differences reserve	Property revaluation reserve	Investment revaluation reserve	Statutory reserve	Regulatory reserve	Retained profits	Total reserves	Other equity instruments (note 34)	Total equity
		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	港幣千元	港幣千元	港幣千元	港幣千元
		HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
於2020年1月1日	At 1 January 2020	18,404,013	6,589	100,000	(95,558)	76,245	348,922	59,162	149,500	19,630,889	20,275,749	7,770,412	46,450,174
截至2020年的權益變動：	Changes in equity for 2020:												
本年度溢利	Profit for the year	-	-	-	-	-	-	-	-	1,155,817	1,155,817	-	1,155,817
本年度其他全面收益	Other comprehensive income for the year	-	-	-	98,906	58,686	244,098	-	-	-	401,690	-	401,690
本年度全面收益總額	Total comprehensive income for the year	-	-	-	98,906	58,686	244,098	-	-	1,155,817	1,557,507	-	1,557,507
轉自保留溢利	Transfer from retained profits	-	-	-	-	-	-	946	-	(440,833)	(439,887)	439,887	-
支付額外一級資本證券票息	Distribution payment for Additional Tier 1 Capital Securities (AT1 Capital Securities)	-	-	-	-	-	-	-	-	-	-	(439,887)	(439,887)
於2020年12月31日	At 31 December 2020	18,404,013	6,589	100,000	3,348	134,931	593,020	60,108	149,500	20,345,873	21,393,369	7,770,412	47,567,794
於2019年1月1日	At 1 January 2019	18,404,013	6,589	100,000	(63,485)	76,300	(225,266)	58,073	149,500	17,394,773	17,496,484	10,080,580	45,981,077
截至2019年的權益變動：	Changes in equity for 2019:												
本年度溢利	Profit for the year	-	-	-	-	-	-	-	-	2,810,301	2,810,301	-	2,810,301
本年度其他全面收益/(損失)	Other comprehensive income/(loss) for the year	-	-	-	(32,073)	10	574,188	-	-	-	542,125	-	542,125
本年度全面收益總額	Total comprehensive income for the year	-	-	-	(32,073)	10	574,188	-	-	2,810,301	3,352,426	-	3,352,426
出售物業時轉自重估儲備	Release of reserve upon disposal of property	-	-	-	-	(65)	-	-	-	65	-	-	-
轉自保留溢利	Transfer from retained profits	-	-	-	-	-	-	1,089	-	(531,589)	(530,500)	530,500	-
支付額外一級資本證券票息	Distribution payment for AT 1 Capital Securities	-	-	-	-	-	-	-	-	-	-	(530,500)	(530,500)
贖回額外一級資本證券	Redemption of AT1 Capital Securities	-	-	-	-	-	-	-	-	(42,661)	(42,661)	(2,310,168)	(2,352,829)
於2019年12月31日	At 31 December 2019	18,404,013	6,589	100,000	(95,558)	76,245	348,922	59,162	149,500	19,630,889	20,275,749	7,770,412	46,450,174

第64頁到第207頁的附註屬本財務報表一部份。

The notes on pages 64 to 207 form part of these financial statements.

綜合現金流量表

截至2020年12月31日止年度
(以港幣為單位)

Consolidated Cash Flow Statement

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

		2020	2019
	附註	港幣千元	港幣千元
	Note	HK\$' 000	HK\$' 000
(用於)／來自經營業務的現金淨額	Net cash flow (used in)/generated from operating activities		
	35(a)	(6,127,485)	2,638,526
來自／(用於) 投資業務的現金額	Cash flow generated from/(used in) investing activities		
已收權益證券股息	Dividends received from equity securities	4,330	4,630
購入物業及設備及無形資產	Purchase of property and equipment and intangible assets	(385,507)	(222,684)
出售物業及設備所得款項	Proceeds from disposal of property and equipment	26	9,192
出售聯營企業所得款項	Proceeds from disposal of interest in associates	-	362,218
(用於)／來自投資業務的現金淨額	Net cash (used in)/generated from investing activities	(381,151)	153,356
來自／(用於) 融資業務的現金額	Cash flow generated from/(used in) financing activities		
發行債務資本所得款項	Proceeds from loan capital issued	-	3,908,552
支付贖回已發行債務證券款項	Payment for redemption of debt securities issued	(3,252,833)	-
支付贖回債務資本款項	Payment for redemption of loan capital	(2,359,017)	(3,960,618)
支付贖回額外一級資本證券款項	Payment for redemption of AT1 Capital Securities	-	(2,358,567)
支付額外一級資本證券票息	Distribution paid on AT1 Capital Securities	(439,887)	(530,500)
支付租賃負債款項	Payment of lease liabilities	(313,626)	(312,213)
支付已發行債務證券利息	Interest paid on debt securities issued	(59,195)	(149,655)
支付債務資本利息	Interest paid on loan capital	(256,137)	(324,550)
用於融資業務的現金淨額	Net cash used in financing activities	(6,680,695)	(3,727,551)
現金及現金等值淨額減少	Net decrease in cash and cash equivalents	(13,189,331)	(935,669)
於1月1日的現金及現金等值項目	Cash and cash equivalents at 1 January	90,903,199	92,228,603
現金及現金等值項目的匯率變動	Exchange differences in respect of cash and cash equivalents	591,181	(389,735)
於12月31日的現金及現金等值項目	Cash and cash equivalents at 31 December	35(b) 78,305,049	90,903,199

第64頁到第207頁的附註屬本財務報表一部份。

The notes on pages 64 to 207 form part of these financial statements.

財務報表附註

(除特別列明外，均以港幣為單位)

1 編製基礎

中信銀行(國際)有限公司(「本行」)及其附屬公司(以下統稱「本集團」)的主要業務是提供銀行及相關金融服務。這些業務對本集團的業績或資產及負債具有重大影響。

中信銀行(國際)有限公司為於香港註冊成立的持牌銀行，並以香港為辦事處所在地，其註冊辦事處位於香港德輔道中61-65號。

(a) 合規聲明

本綜合財務報表是根據香港會計師公會頒佈，所有適用的《香港財務報告準則》(包括所有適用的個別香港財務報告準則、《香港會計準則》及詮釋)、香港一般採用的會計原則編製而成。本集團採納的主要會計政策簡列於附註2。

香港會計師公會頒佈數項新增及經修訂的香港財務報告準則，並可於本年度本集團及本行的會計期首次生效或被提早採納。在與本集團有關的範圍內初次應用這些新訂的準則所引致當前和以往會計期間的會計政策變更，已於本財務報表內反映，有關資料載列於附註2.1。

(b) 財務報表編製基礎

除了以下資產與負債項目以公允價值列賬外，編製財務報表時是以歷史成本作為計量基礎。有關詳情已載列於下列會計政策：

- 劃歸為以公允價值計入損益的金融資產、以公允價值計入其他全面收益的金融資產(參閱附註2.2(d)(iv), (v)及(vi))或衍生金融工具(參閱附註2.2(i))
- 投資物業(參閱附註2.2(j))。

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Basis of preparation

The principal activities of China CITIC Bank International Limited (“the Bank”) and its subsidiaries (together referred to as “the Group”), which materially affect the results or comprise the assets and liabilities of the Group, are the provision of banking and related financial services.

China CITIC Bank International Limited is a licensed bank incorporated and domiciled in Hong Kong, and has its registered office at 61-65 Des Voeux Road Central, Hong Kong.

(a) Statement of compliance

These consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”), Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. A summary of the significant accounting policies adopted by the Group is set out in Note 2.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Bank. Note 2.1 provides information on any changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

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

- financial instruments classified as at fair value through profit or loss, at fair value through other comprehensive income (see note 2.2(d)(iv), (v) and (vi)) or derivatives (see note 2.2(i))
- investment properties (see note 2.2(j)).

1 編製基礎 (續)

(b) 財務報表編製基礎 (續)

管理層在按照香港財務報告準則編製綜合財務報表時，需要對會計政策的應用和資產及負債、收入及支出的匯報數額等作判斷、估計及假設從而影響政策實施及資產和負債、及收入與支出之呈報金額。有關估計及假設乃按在既定情況下可合理地相信，根據過往之經驗及其他因素，作出判斷那些未能從其他來源確定的資產及負債的賬面值。實際結果可能與此等估計不盡相同。

估計及相關假設會持續作出檢討。如果修訂僅影響該期間，或在修訂期間和未來期間（如果修訂影響當前和未來期間），則會計估計的修訂在修訂估計的期間確認。

管理層在應用香港財務報告準則時作出的判斷對財務報表有重大影響，關於估計的主要來源的不確定性之討論請參閱附註3。

(c) 本集團已採納的新訂及修訂準則

於2020年12月31日止年度，本集團因採用了《香港財務報告準則》第16號「租賃」，而改變其相關會計政策。採納《香港財務報告準則》第16號及有關新訂會計政策之影響於以下附註2.1披露。

(d) 已頒佈但本集團未採納的準則的影響

香港會計師公會已頒佈若干非於2020年12月31日報告期間強制執行且本集團尚未在本綜合財務報表內提早採納的新準則和詮釋。本集團正在評估這些修訂，新標準及詮釋在初次應用期間的影響。在本年終報告時期，並沒有其他未生效的準則預計會在當前或未來報告期間以及可預見的未來交易中對本集團產生重大影響。

1 Basis of preparation (continued)

(b) Basis of preparation of the financial statements (continued)

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

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

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) New and amended standards adopted by the Group

During the year ended 31 December 2020, the Group had to change its accounting policies as a result of adopting the amendment to HKFRS 16, Leases, which impact of the adoption is disclosed in note 2.1 below.

(d) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far there are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 主要會計政策

這些綜合財務報表編製採用的主要會計政策載列如下。除非另有說明，這些政策適用於所有的年份。

2.1 採納《香港財務報告準則》第16號引致會計政策的修訂

香港會計師公會於2020年6月頒佈了《與香港財務報告準則第16號租賃有關新型冠狀病毒的租金減免修正案》(《香港財務報告準則第16號的修訂本》)，承租人可於2020年6月1日或之後開始的年度報告期間採用並允許提前應用。《香港財務報告準則》第16號的修訂本為租賃人提供一項與新型冠狀病毒相關的租金優惠的實用權宜，並需評估新型冠狀病毒是否直接導致這種減免並且必須滿足某些特定條件的情況下才適用的可行權宜方法。本集團已評估有關《香港財務報告準則》第16號之修訂的影響，到目前為止，得出的結論是預期本集團在當前或未來報告期內不會對本集團的財務業績產生重大影響。

2.2 主要會計政策概要

(a) 收入確認

收入按已收或應收價款的公允價值釐定。收入是在經濟效益很可能會流入本集團，以及能夠可靠地計量收入和成本(如適用)時，根據下列方法在收益表內確認：

(i) 利息收入

所有計息金融工具的利息收入均使用實際利率法以應計基礎在收益表內確認。實際利率法用於確認那些未分類為以公允價值計量且其變動計入當期損益的金融工具的利息收入。

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 continuously applied to all the years presented, unless otherwise stated.

2.1 Changes in accounting policies on the adoption of an amendment to HKFRS 16 Leases

The HKICPA issued "COVID-19-Related Rent Concessions Amendment to HKFRS 16 Leases" (the "Amendment to HKFRS 16") in June 2020 and a lessee shall apply that amendment for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. The Amendment to HKFRS 16 provides leases with a practical expedient for COVID-19-related rent concessions which can only be applied if such concessions occurring as a direct consequence of the COVID-19 pandemic and also certain conditions must be met. The Group has made an assessment on the impact of the Amendment to HKFRS 16, and so far concluded that it is not expected to have any material impact on the Group's financial performance in the current or future reporting periods.

2.2 Summary of significant accounting policies

(a) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Interest income

Interest income for all interest-bearing financial instruments is recognised in the income statement on an accruals basis. Effective interest method is used for recognising interest income on those financial instruments that are not classified as fair value through profit or loss.

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(a) 收入確認 (續)

(i) 利息收入 (續)

實際利率法是計算金融資產的攤銷成本及分配有關期間的利息收入的方法。按照金融資產的賬面淨值折讓未來於金融工具預計有效年期或(如適用)較短期間內估計付出或取得的現金值時，所用比率即為實際利率。本集團在計算實際利率時對現金流量作出估計，並且已考慮金融工具的所有合約條款(如提前還款、認購及類似期權)，惟並無考慮未來信貸損失。合約訂約方付出或收取的所有費用(為實際利率的一部份)、交易成本及所有其他溢價或折讓，均在計算之列。因住宅物業按揭貸款所支出的現金回贈會被資本化及按其估計期限於損益表內攤銷。

減值貸款的利息是用以折算未來現金流之利率來確認，以達致計量減值損失。

(ii) 費用及佣金收入

費用及佣金收入在提供相應服務時確認，但如費用是為彌補持續為客戶提供服務或承受風險的成本而收取，或費用屬於利息性質則除外。在這些情況下，費用在產生成本或承受風險的會計期間確認為收入，或視作利息收入。

因本集團創造或購入金融資產而產生之始創或承擔服務費的收入／支出須根據有效利率遞延及確認。如預計承擔不會引致提取貸款，該服務費需按承擔期限以直線法確認為收入。

2 Significant Accounting Policies (continued)

2.2 Summary of significant accounting policies (continued)

(a) Revenue recognition (continued)

(i) Interest income (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Cash rebates granted in relation to residential mortgage loans are capitalised and amortised to the income statement over their expected life.

Interest on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fee and commission income

Fee and commission income is recognised when the corresponding service is provided, except where the fee is charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, the fee is recognised as income in the accounting period in which the cost or risk is incurred and is accounted for as interest income.

Origination or commitment fees received/paid by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(a) 收入確認 (續)

(iii) 融資租賃及分期付款合約的財務收入

融資租賃及分期付款的隱含財務收入按租賃年期確認為利息收入，以令每個會計期間剩餘的淨投資回報率大致上相同。因購併融資租賃及分期付款合約而付交易商之佣金，已包含於資產的賬面值及於租賃期內攤銷併入收益表，作為對利息收入的調整。

(iv) 經營租賃的租金收入

經營租賃的租金收入會按租賃年期，以等額分期確認於收益表內。經營租賃協議所涉及的激勵措施均在收益表內確認為租賃淨收款總額的組成部分。

(v) 股息收入

非上市投資股息收入在股東收取權被確立時才予以確認。上市投資股息收入則在該投資的股價除息時才被確認。

(b) 附屬公司

附屬公司是指受本集團控制的實體。當本集團控制實體時，本集團因參與實體、披露及有權利取得實體的浮動回報，並且有能力行使權力以影響實體的回報。在評估本集團是否具有權力時，只有基本權利(由本集團及其他人士持有)會被考慮。

於附屬公司的投資由控制權開始生效當日起在綜合財務報表中綜合計算，直至控制權終止期間為止。集團內部的結餘、交易及現金流量，及任何集團內部交易所產生的未實現溢利均於編製綜合財務報表時悉數抵銷。除有證據顯示已出現減值的部份外，集團內部交易產生的未實現損失的攤銷方法與未實現收益相同。

2 Significant Accounting Policies (continued)

2.2 Summary of significant accounting policies (continued)

(a) Revenue recognition (continued)

(iii) Finance income from finance lease and hire purchase contract

Finance income implicit in the finance lease and hire purchase payments is recognised as interest income over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period. Commission paid to dealers for the acquisition of finance lease loans or hire purchase contracts is included in the carrying value of the assets and amortised to the income statement over the expected life of the lease as an adjustment to interest income.

(iv) Rental income from operating lease

Rental income received under operating leases is recognised in the income statement in equal instalments over the periods covered by the lease term. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable.

(v) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment is quoted ex-dividend.

(b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(b) 附屬公司 (續)

集團的權益變化均列作股權交易，不會導致失去附屬公司的控制權，據此在合併資產控制和非控制權益的金額作出調整，以反映變化的相對利益，但不調整商譽及確認收益或損失。

倘本集團失去附屬公司之控制權，有關交易將會當作出售有關附屬公司之全部權益入賬，而所得盈虧將於損益表中確認入賬。於失去控制權當日該前附屬公司仍然保留之任何權益將以公允值確認入賬，而此金額將被視為聯營，合資，金融資產首次確認之公允值。此外，在其他綜合收益就實體以前確認的金額將重新分配當作本集團出售有關的資產或負債。這種方式意味著，以前在其他綜合收益確認金額重新分配至當期損益。

在本行的財務狀況表中，其於附屬公司的投資是按成本減去減值損失（如有）（參閱附註2.2(e)(ii)）後入賬，除非該投資已分類為持有待出售（或已包含在分類為待出售的處置單位內）（參閱附註2.2(u)）。

(c) 聯營公司

聯營公司是指本集團或本公司具有重大影響力但無法控制或共同控制其管理包括參與財務和經營政策決策的實體。

2 Significant Accounting Policies (continued)

2.2 Summary of significant accounting policies (continued)

(b) Subsidiaries (continued)

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 the income statement. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of the entity are allocated for as if the group had directly disposed of related assets or liabilities. This way means that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

In the Bank's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, if any (see note 2.2(e)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2.2(u)).

(c) Associates

An associate is an entity in which the Group or the Company has significant influence, but neither control nor joint control over its management, including participation in the financial and operating policy decisions.

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(c) 聯營公司 (續)

對聯營公司的投資按權益法在綜合財務報表中入賬，根據權益法，投資初步按成本入賬，並就本集團於被收購方可識別淨資產公允價值的任何超出部份超出投資成本(如有)進行調整。其後，投資將根據本集團於聯營公司淨資產中所佔份額的收購後變動及與投資有關的任何減值損失作出調整(見附註2.2(e)(ii))。任何超過成本的收購日期，本集團收購後的股份，聯營公司的稅後業績以及年度的任何減值損失均於綜合收益表確認，而本集團於收購後分享聯營公司的稅後其他全面收益項目於綜合全面收益表內確認。

當本集團承擔聯營公司的損失份額超過其於聯營公司的權益時，本集團的權益減少至零，並終止確認進一步損失，惟本集團已產生法律或推定責任或代表聯營公司支付款項則除外。就此而言，本集團於聯營公司的權益為根據權益法計算的投資賬面值連同本集團的長期權益，實質上構成本集團於聯營公司的淨投資的一部份。

本集團與其聯營公司之間交易產生的未實現溢利和損失按本集團於聯營公司的權益予以抵銷，除非未實現的損失提供了轉移資產減值的證據，在這種情況下，它們立即在收益表中確認。

當本集團不再對聯營公司具有重大影響力時，將被視為出售該被投資方的全部權益，並在損益表中確認所產生的利益或損失。在重大影響力或共同控制權喪失之日前已保留被投資公司的任何權益按公允價值確認，該金額被視為初始確認金融資產時的公允價值(參見附註2.2(d))，或當適當時，初始確認對聯營公司投資的成本。

在本公司的財務狀況表中，其對聯營公司的投資除非歸類為持作出售(或包括在處置組中被歸類為持有待售)(見註2.2(e)(ii))否則按成本減去減值損失列示(見附註2.2(u))。

2 Significant Accounting Policies (continued)

2.2 Summary of significant accounting policies (continued)

(c) Associates (continued)

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, and adjusted for any excess of the Group's share of the acquisition date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the associate's net assets and any impairment losses relating to the investment (see note 2.2(e)(ii)). Any acquisition date excess over cost, the Group's share of the post-acquisition, post-tax results of the associates, and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of post-acquisition post-tax items of the associate's other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued, except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For these purposes, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that, in substance, form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the income statement. Any interest retained in that former investee at the date when significant influence or joint control ceases to exist is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2.2(d)), or when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, its investments in associates are stated at cost less impairment losses, if any (see note 2.2(e)(ii)), unless classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2.2(u)).

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(d) 金融工具

(i) 分類

本集團將金融資產分類為以下計量類別：

- 按攤餘成本
- 以公允價值計入其他全面收益；或
- 以公允價值計入損益

分類取決於本集團管理金融資產的業務模式及現金流量的合約條款。

(ii) 確認和終止確認

常規方式購買及出售金融資產於交易日即本集團承諾購買或出售資產的日期進行確認。當從金融資產收取現金流量的合同權利到期，或者金融資產連同所有權的絕大部分風險和報酬已經轉移時，金融資產終止確認。當合同中規定的義務解除，取消或到期時，金融負債將被終止確認。

(iii) 計量

於初步確認時，本集團按公允價值計量金融資產，如果金融資產不以公允價值計量且其變動計入損益，則直接歸屬於收購金融資產的交易費用，如費用和佣金。以公允價值計量且其變動計入當期損益的金融資產的交易費用計入當期損益。內含衍生工具的金融資產在介定現金流是否僅為本金及利息款項時以整體考慮。

2 Significant Accounting Policies (continued)

2.2 Summary of significant accounting policies (continued)

(d) Financial instruments

(i) Classification

The Group has classified its financial assets in the following measurement categories:

- Amortised cost
- Fair value through other comprehensive income (“FVOCI”); or
- Fair value through profit or loss (“FVPL”)

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

(ii) Recognition and derecognition

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 asset. Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire, or when the financial asset together with substantially all the risks and rewards of ownership, have been transferred. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(iii) Measurement

At initial recognition, the Group measures financial assets at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets, such as fees and commissions. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(d) 金融工具 (續)

(iv) 債務工具

債務工具的後續計量取決於本集團管理金融資產的業務模式及該金融資產的現金流量特徵。本集團對其債務工具進行分類有三種計量類別：

按攤餘成本

為收取合同現金流而持有的資產，如果這些現金流純粹代表支付本金及利息，並且不是指定為以公允價值計入損益，則按攤餘成本計量。該等資產的賬面值乃按本年度財務報告的信貸風險管理部分所述已確認及計量的任何預期信貸損失撥備進行調整。這些金融資產的利息收入採用實際利率法計入「利息收入」。貸款發放費用和成本被視為對貸款收益率的調整，並在承諾期內在信貸費用中確認，因此不大可能要求承諾，否則，它們在貸款期限內確認為利息收入。

以公允價值計入其他全面收益

為收取合同現金流和出售資產而持有的金融資產，如果資產的現金流量僅代表本金和利息的支付，並且不是指定為以公允價值計入損益，則以公允價值計量其他綜合收益。賬面值變動計入其他綜合收益，惟確認減值，利息收入及匯兌損益除外，該等損益，利息收入及匯兌損益以與按攤銷成本計量的金融資產相同的方式確認於損益。於終止確認時，先前於其他全面收益確認的累計收益及損失將從其他全面收益重新分類至損益。以公允價值計入其他全面收益的債務工具之利息收入採用實際利率法計入「利息收入」。

2 Significant Accounting Policies (continued)

2.2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(iv) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the financial asset and the cash flow characteristics of the financial asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in the credit risk management section of this annual financial report. Interest income from these financial assets is included in 'interest income' using the effective interest rate method. Loan origination fees and costs are considered to be adjustments to the loan yield and are recognised in credit fees over the commitment period which it is unlikely that the commitment will be called upon, otherwise, they are recognised in interest income over the term of the resulting loan.

Fair value through other comprehensive income ("FVOCI")

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment, interest revenue and foreign exchange gains and losses which are recognised in profit or loss in the same manner as financial assets measured at amortised cost. On derecognition, cumulative gains and losses previously recognised in other comprehensive income are reclassified from other comprehensive income to profit or loss. Interest income from debt instruments at FVOCI is included in 'interest income' using the effective interest rate method.

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(d) 金融工具 (續)

(iv) 債務工具 (續)

以公允價值計入損益

不符合攤銷成本或以公允價值計入其他全面收益標準的金融資產以公允價值計量且其變動計入當期損益。以公允價值計入損益計量的債務工具的收益或損失在損益中確認，併計入其產生期間的「淨交易收入」。

(v) 金融負債

如果金融負債主要是為了近期回購而發生，或者是一起管理的已識別金融工具組合的一部分，並且有證據證明最近的實際交易模式為短期獲利模式則該金融負債是在交易組合中持有。交易組合負債按交易日確認，並按公允價值入賬，公允價值變動以及任何收益或損失在交易收入或損失中確認。交易成本於產生時支銷。利息按權責發生製確認並計入利息支出。其他金融負債最初按其公允價值確認，其後使用實際利率法按攤餘成本計量。

(vi) 權益工具

權益工具是從發行人的角度滿足股權定義的工具。即不包含合同支付義務且具證明發行人淨資產剩餘權益的工具。

除非本集團管理層在初始確認時選擇不可撤銷指定以公允價值計入其他全面收益的股權投資，否則本集團隨後計量所有股權投資按公允價值計量且其變動計入損益。本集團的政策是將股權投資指定為以公允價值計入其他全面收益，而這些投資的目的不是為了產生投資回報。使用該選擇時，公允價值損益在其他綜合收益中確認，隨後包括出售時也不會重新分類至損益。

2 Significant Accounting Policies (continued)

2.2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(iv) Debt instruments (continued)

Fair value through profit or loss ("FVPL")

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss and included in 'net trading income' in the period in which it arises.

(v) Financial liabilities

Financial liabilities are held within a trading portfolio if they have been incurred principally for the purpose of repurchasing in the near term, or form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Trading portfolio liabilities are recognised on a trade date basis and are accounted for at fair value, with changes in fair value and any gains or losses recognised in trading income or expense. Transaction costs are expensed as incurred. Interest expense is recognised on an accrual basis and included in interest payable. Other financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

(vi) 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 fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal.

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(e) 資產減值

- (i) 按攤餘成本及以公允價值計入其他全面收益的金融資產的減值

本集團以前瞻性方式評估按攤餘成本及以公允價值計入其他全面收益的債務工具資產相關的預期信貸損失，以及貸款承擔及財務擔保合約產生的風險。本集團於每個報告結算日為該損失確認損失準備。預期信貸損失的計量反映：

- (i) 透過評估一系列合理可能結果而釐定的公正及概率加權金額；
- (ii) 貨幣的時間價值；及
- (iii) 於報告日期有關過往事件、現時情況及未來經濟狀況預測的合理及可證明的資料。

違約風險承擔代表違約的預期餘額，經計及償還結算日至違約事件期間的本金及利息，以及信貸承諾的任何預期提取金額。違約損失率指在發生違約時的違約風險承擔，經考慮(包括其他特性)預期變現抵押品價值時的緩和影響及金錢的時間價值，違約風險承擔的預期損失。

對於源生或在購買日期執行的金融資產的3階段減值方法總結如下：

- 第1階段：本集團確認相等於12個月預期信貸損失的信貸損失準備。這代表在假設自初始確認後信貸風險未有重大上升下，預期在報告結算日12個月內的違約事件的預期年限信貸損失部份。

2 Significant Accounting Policies (continued)

2.2 Summary of significant accounting policies (continued)

(e) Impairment of assets

- (i) *Impairment of amortised cost and financial assets through other comprehensive income*

The Group assesses on a forward-looking basis the expected credit losses (“ECL”) associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposures arising from loan commitment and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (ii) the time value of money; and
- (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The exposure of default (“EAD”) represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The loss given default (“LGD”) represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

A 3-Stage approach to impairment for financial assets that are performing at the date of origination or purchase. This approach is summarised as follows:

- Stage 1: The Group recognises a credit loss allowance at an amount equal to 12-month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after initial recognition.

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(e) 資產減值 (續)

(i) 按攤餘成本及以公允價值計入其他全面收益的金融資產的減值 (續)

- 第2階段：本集團對自初始確認後信貸風險已有重大上升的金融資產確認相等於預期年限信貸損失的信貸損失準備。在此階段的信貸損失準備會較高是因為信貸風險增加及與第1階段中12個月比較較長時段的影響。
- 第3階段：本集團確認相等於預期年限信貸損失的信貸損失準備，反映該金融資產已信貸減值且違約或然率為100%。本集團的違約定義與監管定義一致。

(ii) 非金融資產的減值

在每個結算日審查內部和外部信息來源，以確定以下資產可能發生減值或以前確認的減值損失不再存在或可能減少的跡象：

- 物業及設備（除了按重估價值列賬的物業）
- 無形資產
- 對子公司和聯營公司的投資
- 使用權資產

2 Significant Accounting Policies (continued)

2.2 Summary of significant accounting policies (continued)

(e) Impairment of assets (continued)

(i) Impairment of amortised cost and financial assets through other comprehensive income (continued)

- Stage 2: The Group recognises a credit loss allowance at an amount equal to lifetime expected credit losses for those financial assets which are considered to have experienced a significant increase in credit risk since initial recognition. Allowances for credit losses are higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.
- Stage 3: The Group recognises a credit loss allowance at an amount equal to lifetime expected credit losses, reflecting that financial assets are credit impaired with 100% probability of default. The Group's definition of default is aligned with the regulatory definition.

(ii) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property and equipment (other than properties carried at revalued amounts)
- intangible assets
- investments in subsidiaries and associates
- right-of-use assets

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(e) 資產減值 (續)

(ii) 非金融資產的減值 (續)

如果存在任何此類跡象，則估計資產的可收回金額。

— 可收回金額的計算

資產的可收回金額是其公允價值減去處置費用和使用價值兩者中的較高者。在評估使用價值時，估計未來現金流量使用稅前貼現率貼現至其現值，該貼現率反映當前市場對貨幣時間價值的評估以及資產特有的風險。如果資產不產生大量獨立於其他資產的現金流入，則可收回金額根據獨立產生現金流入的最小資產組合（即現金產生單位）確定。

— 確認減值損失

每當資產（或其所屬的現金生產單位）的賬面值高於其可收回數額時，便會在收益表內確認減值損失。就現金生產單位確認的減值損失先分配以減少任何分配至現金生產單位（或單位組別）的商譽的賬面值，然後按比例減少單位（或單位組別）內其他資產的賬面值，惟資產賬面值不會減少至低於其個別公允價值減出售成本（如可計量）或使用值（如可釐定）所得數額。

— 減值損失回撥

就資產而言，倘用以釐定可收回金額的估計出現有利變動，則會回撥減值損失（商譽減值除外）。

減值損失的回撥僅限於在以前年度未確認減值損失時已確定的資產賬面金額。減值損失的回撥在確認回撥的年度計入收益表。

2 Significant Accounting Policies (continued)

2.2 Summary of significant accounting policies (continued)

(e) Impairment of assets (continued)

(ii) Impairment of non-financial assets (continued)

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units), and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset is not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

— Reversal of impairment losses

In respect of assets, an impairment loss (except for impairment on goodwill) is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(f) 抵銷

倘若存在可依法強制執行的權利可抵銷已確認數額，且有計劃按淨額基準結算或同時變現資產及償付負債，則金融資產及金融負債可予抵銷，淨額在財務狀況表內匯報。依法強制執行的權利必須不能是或有的未來事件，必須是在正常業務過程中，而且發生銀行或對手違約或破產等事件。

(g) 公允價值計量原則

金融工具的公允價值是於結算日根據其市場報價但未扣除將來估計出售的成本計算。金融資產以當時買入價作價，而金融負債則以當時賣出價作價。

如並無最新公開成交價，或未能從認可證券交易所獲得市場報價或從經紀／交易商獲得屬於非通過交易所買賣的金融工具價格，或如市場交投不活躍，則此工具的公允價值以估值模式估值，而該估值模式可根據市場實際交易提供可靠的估計價格。

當採用現金流量折讓價格模式，估計將來現金流量按管理層的最佳估計及採用的折現率是在結算日適用於相近工具條款及條件的市場利率計算。當採用其他定價模式，輸入項目是依據結算日的市場價格資料。

(h) 購回及反向購回交易

出售的證券如同時附有在某一較後日期以固定價格購回這些證券的協議(購回協議)，會在財務報表內保留，並根據其原有計量原則計量。出售所得款項匯報為負債，並以攤銷成本列賬。

2 Significant Accounting Policies (continued)

2 Summary of significant accounting policies (continued)

(f) Offsetting

Financial assets and financial liabilities are offset and the net amount is 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Bank or the counterpart.

(g) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for them is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, input is based on market data at the end of the reporting period.

(h) Repurchase and reverse repurchase transactions

Securities sold subject to a simultaneous agreement to repurchase these securities at a certain later date at a fixed price (repurchase agreements) are retained in the financial statements and measured in accordance with their original measurement principles. The proceeds from the sale received are reported as liabilities and are carried at amortised cost.

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(h) 購回及反向購回交易 (續)

根據轉售協議(反向購回協議)購買的證券不列作購買證券，且不會在財務報表中確認，但該支付的價款則被列作應收賬項，並以攤銷成本在財務狀況表內列賬。

反向購回協議賺取的利息及購回協議產生的利息採用實際利率法，在各協議的有效期內分別確認為利息收入及利息支出。

(i) 衍生及對沖活動

內含衍生工具是一個包括衍生工具及主合約的混合(合併)工具的一部分，這一部分以獨立衍生工具類似的方式改變該合併工具的部分現金流量。當(a)內含衍生工具的經濟特質及風險與主合約並無密切關係；及(b)混合(合併)工具並非以公允價值計量而公允價值變動在收益表內確認，則內含衍生工具從主合約分開，併入賬列作衍生工具。

當內含衍生工具分開，則主合約根據金融工具的會計政策入賬(參閱附註2.2(d)(ii))。

對沖會計法確認對沖工具與被對沖項目的公允價值變動對損益構成的抵銷影響。本集團於開始進行對沖及持續進行對沖時，評估用於對沖交易的金融工具在抵銷與被對沖風險相關的被對沖項目的公允價值或現金流量變動上是否極具效用，並就此制定文件記錄。當(a)對沖工具到期或售出、終止或行使；或(b)對沖不再符合對沖會計法的使用條件；或(c)本集團撤銷對沖關係的指定，本集團將終止在往後採用對沖會計法。

2 Significant Accounting Policies (continued)

2 Summary of significant accounting policies (continued)

(h) Repurchase and reverse repurchase transactions (continued)

Securities purchased under agreements to resell (reverse repurchase agreements) are reported not as purchases of the securities and not recognised on the statement of financial position, but the consideration paid is recorded as receivables, and are carried in the statement of financial position at amortised cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognised as interest income or interest expense, respectively, over the life of each agreement, using the effective interest rate method.

(i) Derivatives and hedging activities

An embedded derivative is a component of a hybrid (combined) instrument that includes both the derivative and a host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. The embedded derivatives are separated from the host contract and accounted for as a derivative when (a) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; and (b) the hybrid (combined) instrument is not measured at fair value, with changes in fair value recognised in the income statement.

When the embedded derivative is separated, the host contract is accounted for in accordance with the accounting policies of financial instruments (see note 2.2(d)(ii)).

Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item. The Group assesses and documents whether the financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risks both at hedge inception and on an ongoing basis. The Group discontinues hedge accounting prospectively when (a) the hedging instrument expires or is sold, terminated or exercised; (b) the hedge no longer meets the criteria for hedge accounting; or (c) the Group revokes the designation.

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(i) 衍生及對沖活動 (續)

(i) 公允價值對沖

公允價值對沖尋求抵銷已確認資產或負債的公允價值變動的風險，該等風險將導致損益在收益表內確認。

對沖工具以公允價值計量，公允價值變動在收益表內確認。被對沖項目的賬面值按與被對沖風險相關的對沖工具公允價值變動的數額作出調整。此調整在收益表內確認，以抵銷損益對對沖工具構成的影響。

當對沖工具到期或被出售、終止或行使、對沖不再符合對沖會計法的使用條件或本集團撤銷指定的對沖關係時，截至當時為止對採用實際利率法計量的被對沖項目作出的任何調整，均在收益表中攤銷（作為該項目在尚餘期限內重新計算的實際利率一部分）。

(ii) 對沖效用測試

為符合資格實施對沖會計法，在開始對沖時及預計對沖期內，本集團須進行效用測試以顯示預期對沖成效極具效用（預計效用）。在對沖期內，並必須持續顯示有實際效用（追溯效用）。

有關各種對沖關係的文件載有如何評估對沖的效用。本集團採納的對沖效用評估方法將視乎其風險管理策略而定。

就公允價值對沖關係而言，本集團採用累計價值抵銷法或進取式分析作為測試效用的方法。

就預計效用而言，對沖工具必須被預期為在指定對沖期間內，能高度有效地抵銷被對沖風險的公允價值或現金流量變動。就實際效用而言，公允價值或現金流量變動抵銷額須介乎80%至125%之間才被視為有效。

2 Significant Accounting Policies (continued)

2 Summary of significant accounting policies (continued)

(i) Derivatives and hedging activities (continued)

(i) Fair value hedge

A fair value hedge seeks to offset the risks of changes in the fair value of a recognised asset or liability that will give rise to a gain or loss being recognised in the income statement.

The hedging instrument is measured at fair value, with fair value changes recognised in the income statement. The carrying amount of the hedged item is adjusted by the amount of the changes in fair value of the hedging instrument attributable to the risk being hedged. This adjustment is recognised in the income statement to offset the effect of the gain or loss on the hedging instrument.

When a hedging instrument expires or is sold, terminated or exercised; the hedge no longer meets the criteria for hedge accounting; or the Group revokes designation of the hedge relationship, any adjustment up to that point, to a hedged item for which the effective interest rate method is used is amortised to the income statement as part of the recalculated effective interest rate of the item over its remaining life.

(ii) Hedge effectiveness testing

In order to qualify for hedge accounting, the Group carries out prospective effectiveness testing to demonstrate that it expects the hedge to be highly effective (prospective effectiveness) at the inception of the hedge and throughout its life. Actual effectiveness (retrospective effectiveness) also needs to be demonstrated on an ongoing basis.

The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. The method which the Group adopts for assessing hedge effectiveness will depend on its risk management strategy.

For fair value hedge relationships, the Group utilises the cumulative dollar offset method or regressive analysis as effectiveness testing methodologies.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness, the changes in fair value or cash flows must offset each other in the range of 80% to 125% for the hedge to be deemed effective.

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(j) 投資物業

集團若擁有或以租約業權 (參閱附註 2.2(m)) 持有的土地及／或樓宇，以賺取租金收入及／或作資本增值的目的，列為投資物業。投資物業包括目前未確定將來用途的土地和樓宇。

投資物業按公允價值記入財務狀況表中。投資物業公允價值的變動，或報廢或出售投資物業所產生的任何收益或損失均在收益表中確認。投資物業的租金收入是按照會計政策第 2.2(a)(iv) 項所述方式入賬。

如果本集團以經營租賃持有物業權益以賺取租金收入及／或為資本增值，有關的權益會按每項物業的基準劃歸為投資物業。劃歸為投資物業的任何物業權益的入賬方式與以融資租賃 (參閱附註 2.2(m)(ii)) 持有的權益一樣，而其適用的會計政策也跟以融資租賃出租的其他投資物業相同。租賃付款的入賬方式載列於附註 2.2(a)(iii)。

(k) 其他物業及設備

這些財務報表是按照香港會計師公會頒佈的《香港會計準則》第 16 號「物業、廠房及設備」第 80A 段所載的過渡性條文編製，故並無在結算日重估在截至 1995 年 9 月 30 日期間的財務報表內以重估數額列賬的其他物業的公允價值。

下列物業及設備項目以成本減累計折舊及減值損失 (如有) (參閱附註 2.2(e)(ii)) 列賬：

- 於租賃土地中持作自用的樓宇被列作持有經營租賃 (參閱附註 2.2(m)(iii))；
- 其他設備項目。

2 Significant Accounting Policies (continued)

2.2 Summary of significant accounting policies (continued)

(j) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2.2(m)) to earn rental income and/or for capital appreciation. These include land and buildings held for a currently undetermined future use.

Investment properties are stated in the statement of financial position at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the income statement. Rental income from investment properties is accounted for as described in note 2.2(a)(iv).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2.2(m)(ii)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2.2(a)(iii).

(k) Other premises and equipment

In preparing these financial statements, advantage has been taken of the transitional provisions set out in paragraph 80A of HKAS 16, Property, plant and equipment, issued by the HKICPA, with the effect that other premises which are carried at revalued amounts in financial statements relating to periods ended before 30 September 1995 have not been revalued to fair value at the end of the reporting period.

The following items of property and equipment are stated at cost less accumulated depreciation and impairment losses, if any (see note 2.2(e)(ii)):

- buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 2.2(m)(iii));
- other items of equipment.

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(k) 其他物業及設備 (續)

持有自用物業的重估變動一般計入其他全面收益內，並在權益中的物業重估儲備內分開累計。

報廢或出售物業及設備項目所產生的損益以出售所得淨額與項目的賬面值之間的差額釐定，並於報廢或出售當日在收益表內確認。任何相關的重估盈餘將由重估儲備轉入保留溢利，而非重新分類至收益表內。

物業及設備項目按以下方式在估計可用年期內以直線法計算折舊以沖銷其成本或估值（已扣除估計殘值（如有））：

- 永久業權土地不予折舊。
- 租賃物業列作融資租賃持有按照租約剩餘年折舊攤銷。
- 樓宇 — 以30年以上或土地租賃剩餘年期兩者中的較短者計算折舊。
- 傢俬、固定裝置及設備 — 3至10年。

倘若物業及設備項目部分的可用年期不同，則項目成本或估值在各部份作出合理分配，而各部分分開計算折舊。資產的可用年期及其餘值（如有）每年作出檢討。

2 Significant Accounting Policies (continued)

2.2 Summary of significant accounting policies (continued)

(k) Other premises and equipment (continued)

Changes arising in the revaluation of properties held for own use are generally dealt with in other comprehensive income and are accumulated separately in equity in the property revaluation reserve.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in the income statement on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to the income statement.

Depreciation is calculated to write off the cost or valuation of items of property and equipment, less their estimated residual value, if any, using the straight line method over the estimated useful lives as follows:

- Freehold land is not depreciated.
- Leasehold land classified as held under finance leases is depreciated over the unexpired term of lease.
- Buildings are depreciated over 30 years or the unexpired terms of the land leases, whichever is shorter.
- Furniture, fixtures and equipment are depreciated over a term of 3 to 10 years.

Where parts of an item of property and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts, and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(l) 無形資產

無形資產包括所購買的軟件許可證和計算機軟件程序的資本化開發成本。與維護軟件程序相關的成本在發生時確認為費用。開發成本直接歸因於內部使用的可識別和軟件產品的設計和測試，作為軟件的一部份進行資本化，包括員工成本和相關部份的相關管理費用。

具有有限估計可使用年期的軟件的無形資產按成本減攤銷及累計減值損失列賬，並按其估計可使用年期（5年）按直線法攤銷。倘有任何減值跡象顯示賬面值可能無法收回，則無形資產須每年進行減值檢討。

(m) 租賃及分期付款合約

如果本集團把一項安排（包括一項交易或一系列交易）確定為在一段商定期間轉讓一項或一些特定資產的使用權，以換取一筆或多筆付款，則這項安排便包含租賃。確定時是以對有關安排的實質所作評估為準，而不管這項安排是否涉及租賃的法律形式。

(i) 租賃資產分類

本集團承受擁有權帶來的絕大部分風險及回報的資產租賃列為融資租賃。出租人沒有轉移擁有權帶來的絕大部分風險及報酬的租賃列為經營租賃。

(ii) 融資租賃

在本集團是融資租賃的出租人情況下，對在租賃中租出的資產的投資淨額視作客戶貸款及墊款，在財務狀況表列賬。有融資租賃特徵的分期付款合約以同樣方式列作融資租賃。減值損失根據附註2.2(e)(i)所載的會計政策入賬。

2 Significant Accounting Policies (continued)

2.2 Summary of significant accounting policies (continued)

(l) Intangible assets

Intangible assets include the acquired software licenses and capitalised development costs of computer software programmes. Cost associated with maintaining software programme are recognised as an expense as incurred. Development costs, which directly attributable to the design and testing of identifiable and software products for internal use, are capitalised as part of the software and included employee costs and an appropriate portion of relevant overheads.

Intangible assets for software that have a finite estimated useful life are stated at cost less amortisation and accumulated impairment losses, and are amortised over their estimated useful lives (5 years) on a straight-line basis. Intangible assets are subject to impairment review on an annual basis if there are any impairment indicators present that the carrying amount may not be recoverable.

(m) Leases and hire purchase contracts

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and applies regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of leased assets

Assets that are held by the Group under leases and which transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the lessee are classified as operating leases.

(ii) Finance leases

Where the Group is a lessor under finance leases, an amount representing the net investment in the lease is included in the statement of financial position as loans and advances to customers. Hire purchase contracts which have the characteristics of finance leases are accounted for in the same manner as finance leases. Impairment losses are accounted for in accordance with the accounting policy as set out in note 2.2(e)(i).

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(m) 租賃及分期付款合約 (續)

(iii) 經營租賃

倘若本集團根據經營租賃租出資產，則資產根據其性質計入財務狀況表，而在適用的情況下，折舊會根據附註2.2(k)所載的本集團折舊政策計算。減值損失根據附註2.2(e)(ii)所載的會計政策入賬。經營租賃的收入會根據附註2.2(a)(iv)所載的本集團收入確認政策確認。

如本集團使用根據經營租賃持有的資產，該租賃資產可供本集團使用當日確認為使用權資產及相應負債。租賃產生的資產和負債初步按現值計量。租賃負債可能包括各種租賃付款的淨現值，例如固定或可變付款，在剩餘價值擔保下預計本集團應支付的金額，如果本集團可以在租賃期內行使該選擇權而終止租賃的罰款。

租賃付款使用租賃中隱含的利率折現。如果無法輕易確定利率，則使用本集團的增量借款利率，即本集團在類似經濟環境中以具有類似條款，安全性和條件獲得與使用權資產具有類似價值的資產所必需借的資金而支付的利率。

(n) 取回抵押資產

在收回減值貸款及墊款時，本集團可透過法律程序或借款人自願交付而取回持作抵押品的資產。當本集團再不向借款人追索還款，並欲轉為透過有秩序的減值資產變現時，則取回抵押資產會在「其他資產」下匯報。本集團沒有持有取回抵押資產作自用用途。

2 Significant Accounting Policies (continued)

2.2 Summary of significant accounting policies (continued)

(m) Leases and hire purchase contracts (continued)

(iii) Operating leases

Where the Group leases out assets under operating leases, the assets are included in the statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 2.2(k). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2.2(e)(ii). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2.2(a)(iv).

Where the Group has the use of assets held under operating leases, leases are recognised as a right-of-use asset and a corresponding liability at the date which the lease asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities may include the net present value of various lease payments such as fixed or variable payments, amounts expected to be payable by the Group under residual value guarantees, payments of penalties for terminating the lease if the Group can exercise that option under the lease term.

The lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be readily determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

(n) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Where it is intended to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower, repossessed assets are reported in "Other assets". The Group does not hold the repossessed assets for its own use.

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(n) 取回抵押資產 (續)

取回資產在交易日以有關貸款及墊款的賬面值及公允價值減出售成本確認(以較低者為準)，不予折舊或攤銷。

初次分類及其後重新計量引致的減值損失在收益表內確認。

(o) 現金等值項目

現金等值項目包括短期以及流動性極高的投資，可隨時兌換為已知的現金數額，而價值變動風險並不重大，並在購入後3個月內到期。

(p) 僱員福利

(i) 僱員福利及界定供款退休計劃供款

薪金、年度花紅、有薪年假、界定供款計劃供款及非貨幣性福利成本均列入僱員提供相關服務的年度。如果有關付款或結算受到遞延，而其影響將十分重大，則這些金額將以現值列賬。

(ii) 員工退休計劃

本集團設有一項界定供款公積金計劃及一項強制性公積金計劃。有關供款在供款到期時計入收益表內。

(q) 所得稅

本年度所得稅包括本期稅項及遞延稅項資產和負債的變動。本期稅項及遞延稅項資產和負債的變動在收益表內確認，除非與其他全面收益或權益項目有關之遞延稅項變動，則分別在其他全面收益或權益項內確認。

本期稅項為本年度應課稅收入按結算日已頒佈或基本上已頒佈的稅率計算的預計應付稅項，並已包括往年應付稅項的任何調整。

2 Significant Accounting Policies (continued)

2.2 Summary of significant accounting policies (continued)

(n) Repossessed assets (continued)

Reposessed assets are recognised at the lower of the carrying amount of the related loans and advances and fair value less costs to sell at the date of exchange. They are not depreciated or amortised.

Impairment losses on initial classification and on subsequent remeasurement are recognised in the income statement.

(o) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

(i) Employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Staff retirement scheme

The Group operates a defined contribution provident fund and a Mandatory Provident Fund scheme. Contributions are charged to the income statement as and when the contributions fall due.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(q) 所得稅 (續)

遞延稅項資產及負債是因納稅基礎計算的資產及負債與其賬面值之間的差異而分別產生的可扣稅及應課稅的暫時性差異。遞延稅項資產也包括尚未使用的稅項損失及尚未使用的稅項抵免。

除了某些有限的例外情況外，所有遞延稅項負債和所有遞延稅項資產（只限於可用來抵銷日後應課稅溢利的部分）均予確認。可支持確認可扣稅暫時性差異所產生的遞延稅項資產的日後應課稅溢利包括因回撥現有應課稅暫時性差異所產生者，惟該等差異必須與同一稅務機關及同一應課稅實體有關，並預期會在預期回撥可扣稅暫時性差異的同一期間或遞延稅項資產所產生的稅務損失可向後期或前期結轉的期間內回撥。在釐定現有應課稅暫時性差異是否支持確認未使用稅務損失及抵免所產生的遞延稅項資產時，會採用同一準則，即如果差異與同一稅務機關及同一應課稅實體有關，便會計算在內，並預期會在可動用稅務損失或抵免的期間內回撥。

根據會計政策附註2.2(j)，按公允價值列賬的投資物業於報告期內出售，遞延稅項會被確認及按照稅率計算該等投資物業的賬面值，除非該投資物業是可供折舊和其商業模式目的是消耗幾乎所有投資物業的經濟利益，而不是出售財產。在所有其他情況下，另遞延稅項是以有關資產及負債賬面值的預期實現或結算金額，按結算日已頒佈或基本上已頒佈的稅率確認。遞延稅項資產及負債不予折現。

2 Significant Accounting Policies (continued)

2.2 Summary of significant accounting policies (continued)

(q) Income tax (continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits; that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2.2(j), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(q) 所得稅 (續)

於每一結算日，本行將檢討有關的遞延稅項資產的賬面值，對不再有足夠的應課稅溢利以實現相關稅務利益的部分予以扣減。被扣減的遞延稅項資產若於將來出現足夠的應課稅溢利時，應予回撥。

除非集團有權力回撥遞延稅項負債之臨時差額及有很大可能有關臨時差額會於可預期之未來回撥，否則源於投資附屬公司的應課稅臨時差額需確認為遞延稅項負債。因源於投資於附屬公司所產生的可扣稅之臨時差額則只有很大可能在未來回撥有關臨時差額及有足夠應課稅溢利可用作抵銷臨時差額的情況下確認遞延稅項資產。

因派發股息而產生的額外所得稅在確認支付有關股息的責任時確認。

本期稅項及遞延稅項結餘和其變動會分開列示，而且不予抵銷。當本集團有合法權利並符合以下附帶條件的情況下，本期和遞延稅項資產才可分別抵銷本期和遞延稅項負債：

- 本期稅項資產和負債：本集團計劃按淨額基準結算，或在實現資產的同時清償負債；或
- 遞延稅項資產和負債：這些資產和負債必須與同一稅務機關就以下其中一項徵收的所得稅有關：
 - 同一應課稅實體；或
 - 不同的應課稅實體。這些實體計劃在預期有大額遞延稅項負債需要清償或遞延稅項資產可以收回的每一未來期間，按淨額基準實現本期稅項資產和清償本期稅項負債，或在實現資產的同時清償負債。

2 Significant Accounting Policies (continued)

2.2 Summary of significant accounting policies (continued)

(q) Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred income tax liabilities are provided on taxable temporary differences arising from investment in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognised on the deductible temporary differences arising from investments in subsidiaries, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Additional income tax that arises from the distribution of dividends is recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(r) 外幣換算

(i) 運作貨幣及呈列貨幣

包括在每一個集團個體的財務報表的項目，都以該個營運地區主要經濟體系所採用之貨幣來計量（「運作貨幣」）。本綜合財務報表乃以港幣千元呈列，而港幣乃本銀行之運作貨幣及本集團之呈列貨幣。

(ii) 交易及結餘

本年度內的外幣交易按交易日的匯率換算為港幣。以外幣計算的貨幣資產與負債則按結算日的匯率換算為港幣。匯兌盈虧均在收益表確認。

以歷史成本計量的外幣非貨幣資產與負債是按交易日的匯率換算為港幣。以外幣為單位並以公允價值列賬的非貨幣資產與負債按計量公允價值當日的匯率換算。

有關通過損益以反映公允價值的投資及衍生金融工具的匯兌差額，計入指定為通過損益以反映公允價值的交易用途證券或金融工具的收益減損失中。所有其他有關貨幣項目的匯兌差額在收益表外幣買賣淨盈虧項下列示。因折算以公允價值計入其他全面收益而產生的差額則於其他全面收益內確認，並分別累計在權益之投資重估儲備內。

2 Significant Accounting Policies (continued)

2.2 Summary of significant accounting policies (continued)

(r) Translation of foreign currencies

(i) Functional and presentation currency

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 thousands of units of Hong Kong Dollars (HK\$'000), which is the Bank's functional currency and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions during the year are translated into functional currency at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Hong Kong dollars using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

Exchange differences relating to investments at fair value through profit or loss and derivative financial instruments are included in gains less losses from trading securities or financial instruments designated at fair value through profit or loss. All other exchange differences relating to monetary items are presented as gains less losses from dealing in foreign currencies in the income statement. Differences arising on the translation of fair value through other comprehensive income are recognised in other comprehensive income and accumulated separately in equity in the investment revaluation reserve.

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(r) 外幣換算 (續)

(ii) 交易及結餘 (續)

海外企業的業績按交易日的匯率換算為港幣。財務狀況表項目則按結算日的匯率換算。所產生的匯兌差額在其他全面收益內確認，並分別累計在權益之匯兌儲備內。

當出售海外企業的出售收益或損失確認時，與該海外業務相關的累計匯兌差額由權益重新分類而轉入收益表。

(s) 財務擔保簽發、準備及或有負債

(i) 財務擔保簽發

財務擔保合約是指當某一指定債務人不能根據債務工具的條款支付到期債務，發行人(即擔保人)須向擔保受益人(持保人)償付有關款項。

本集團簽發給客戶之財務擔保，初始時按擔保之公允價值確認為遞延收入，列入「其他負債」項下。已簽發的財務擔保在簽發時之公允價值，如可獲取有關資料，則參照類同服務在正常交易中所收取的服務費以釐定；否則，則參照貸方提供擔保時的實際利率與未提供擔保時貸方估計的利率相比較所得的利率差以作出估計，而在該情況下對此資料作出合理估計。本行簽發給子公司之財務擔保，則估計其擔保之公允價值，分別資本化於附屬公司投資成本，及「其他負債」項下之遞延收入內。

2 Significant Accounting Policies (continued)

2.2 Summary of significant accounting policies (continued)

(r) Translation of foreign currencies (continued)

(ii) Transactions and balances (continued)

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statements of financial position items are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to the income statement when the profit or loss on disposal is recognised.

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee to customers, the fair value of the guarantee is initially recognised as deferred income within other liabilities. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services when such information is obtainable, or is otherwise estimated by reference to interest rate differentials by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged had the guarantees not been available, where reliable estimates of such information can be made. Where the Bank issues a financial guarantee to its subsidiaries, the fair value of the guarantee is estimated and capitalised as the cost of investment in subsidiaries and deferred income within other liabilities.

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(s) 財務擔保簽發、準備及或有負債 (續)

(i) 財務擔保簽發 (續)

遞延收入按擔保期限於收益表內攤銷，確認為財務擔保簽發收入。此外，如當(a)擔保持保人很可能就擔保合約向本集團追索；及(b)向本集團追索的金額預計超過現行就該擔保列入「其他負債」的金額，即初始確認金額減累計攤銷，會根據附註2.2(s)(ii)確認準備。

(ii) 其他準備及或有負債

倘若本集團或本行須就已發生的事件承擔法律或推定義務，而履行該義務預期很可能會導致經濟效益外流，並可作出可靠的估計，便會就該時間或數額不定的負債計提準備。如果貨幣時間價值重大，則按預計履行義務支出的現值計列準備。

倘若經濟效益外流的可能性不大，或是無法對有關數額作出可靠的估計，便會將該義務披露為或有負債；但倘若經濟效益外流的可能性極低則除外。須視乎某宗或多宗未來事件是否發生而確定存在與否的潛在義務，亦會披露為或有負債；但倘若經濟效益外流的可能性極低則除外。

(t) 關聯方

(a) 個人，或與該個人關係密切的家庭成員與本集團相關聯，如果該個人：

- (i) 控制或共同控制本集團；
- (ii) 對本集團具有重大影響；或
- (iii) 是本集團或本集團母公司管理人員的成員。

2 Significant Accounting Policies (continued)

2.2 Summary of significant accounting policies (continued)

(s) Financial guarantees issued, provisions and contingent liabilities (continued)

(i) Financial guarantees issued (continued)

The deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2.2(s)(ii) if and when (a) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (b) the amount of that claim on the Group is expected to exceed the amount currently carried in other liabilities in respect of that guarantee, i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Bank has a legal or constructive obligation arising as a result of a past event. It is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Related parties

(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.

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(t) 關聯方 (續)

(b) 如果符合以下條件，則某實體與本集團相關聯：

- (i) 該實體與本集團受同一母公司控制(這意味著任何一方的母公司、附屬公司以及同級附屬公司都與另一方相關聯)；
- (ii) 某一實體是另一實體的聯營公司或共同控制公司(或是另一實體所屬集團的一個成員的聯營公司或共同控制公司)；
- (iii) 兩家實體都是相同第三方的共同控制公司；
- (iv) 某一實體是第三方的共同控制公司並且另一實體是該第三方的聯營公司；
- (v) 該實體是為本集團或與本集團關聯的實體的僱員福利而設的離職後福利計劃；
- (vi) 該實體受(a)項所述個人的控制或共同控制；
- (vii) (a)(i)項所述的個人對該實體實施重大影響或是該實體(或其母公司)的關鍵管理人員的成員；
- (viii) 該實體或是其集團中一部分之任何成員而提供主要管理人員服務予本集團或本集團之母公司。

與個人關係密切的家庭成員是指在他們與實體交易中可影響，或受該個人影響的家庭成員。

2 Significant Accounting Policies (continued)

2.2 Summary of significant accounting policies (continued)

(t) Related parties (continued)

(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 ventures 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.

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(u) 持有作出售的非流動資產

如一項非流動資產(或出售組合)的賬面值很有可能透過出售交易而非透過持續使用收回，並且該非流動資產(或出售組合)能按現況出售，則可被分類為持有作出售。出售組合是指一組資產於單一交易中一併售出，而直接與該等資產相關的負債將於交易中轉移。

當本集團進行一項出售計劃而該計劃牽涉失去一間附屬公司之控制權時，當附合上述可被分類為持有作出售條件，該附屬公司之所有資產與負債應分類為持有作出售，而不論本集團於出售後是否保留附屬公司之非控股權益。

在分類為持有作出售類別前，非流動資產(及在出售組合中所有個別的資產及負債)的計量按重新分類前適用的會計政策作出更新。非流動資產(以下所述之若干資產除外)或出售組合在初始分類為持有作出售類別至售出期間，會以其賬面值及公允價值減銷售成本的較低者列賬。在本集團及本行財務報表中沒有使用此計量政策的主要項目包括遞延稅項資產、因僱員福利所產生的金融資產(於附屬公司、聯營公司及共同控制公司的投資除外)及投資物業。這些資產即使持有作出售，亦會繼續按附註2.2其他部分所載的政策計量。

持有作出售資產因初始分類或以後的重新計量而產生的減值損失於收益表內確認。只要分類為持有作出售或包括於出售組合的非流動資產則不會計算折舊或攤銷。

2 Significant Accounting Policies (continued)

2.2 Summary of significant accounting policies (continued)

(u) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use, and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sales plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up to date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale, and until disposal, the non-current assets (except for certain assets as explained below) or disposal groups are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Bank are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.2.

Impairment losses on initial classification as held for sale and on subsequent remeasurement while held for sale, are recognised in the income statement. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

2 主要會計政策 (續)

2.2 主要會計政策概要 (續)

(v) 分部報告

於財務報表中呈列的經營分部及各分部項目金額，是根據定期提供予本集團管理委員會用於資源分配，以及評核本集團各業務部分及區域所在地表現的財務資料辨識出來。

除非分部的經濟特性、在產品和服務性質、生產程序性質、客戶類別和等級、銷售產品和提供服務的方法、及監管環境的性質相近，個別重大的經營分部不會在財務報表內合計。如它們擁有以上大部分的標準，並且個別上不重大，則可能會被合計。

(w) 政府補助

政府補助是指本集團在過去或未來滿足某些與經營活動相關的條件而獲得政府向本集團轉移資源的協助，這種補助不包括那些無法合理作價的政府協助以及不能與正常交易分清本集團的與政府之間的交易。

與資產相關的政府補助，應在財務狀況表中列示，方法是將補助設置為遞延收益，或者在確定資產賬面價值時扣除補助。與損益表相關的補助金在損益中列示，並在上報相關費用時扣除。

3 關鍵性評估，判斷和錯誤

編製財務報表要求管理層對影響報告的資產和負債金額；披露截至本財務報表日的或有資產和負債；以及所報告的收入和支出金額作出估計和假設。管理層還需要在應用集團的會計政策時作出判斷。本集團已制定程式以確保應用會計政策的一致性，並以適當及合理的方式持續評估變更方法，釐定估計及採用新會計準則的程式。

2 Significant Accounting Policies (continued)

2.2 Summary of significant accounting policies (continued)

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's management committee members for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(w) Government Grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the Group. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal business activities of the Group.

Government grants related to assets shall be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. Grants related to income statement are presented as part of profit or loss and they are deducted in reporting the related expense.

3 Critical estimates, judgements and errors

The preparation of financial statements requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities; the disclosures of contingent assets and liabilities at the date of these financial statements; and the reported amounts of revenues and expenses for the years presented. Management also needs to exercise judgement in applying the Group's accounting policies. The Group has established procedures to ensure that accounting policies are applied consistently and that the processes for changing methodologies, determining estimates, and adopting new accounting standards are continually evaluated and in proper and reasonable manner.

3 關鍵性評估，判斷和錯誤 (續)

金融資產的關鍵性評估，判斷和錯誤

(i) 金融資產的分類和計量

業務模式評估

業務模式反映了集團如何管理資產以產生現金流量；也就是說，本集團的目標是否僅僅是從資產中收取合同現金流量，還是收取合同現金流量同時收集出售資產所產生的現金流。如果這些都不適用且為交易目的而持有，則金融資產按以公允價值計入損益進行分類和計量。

本集團在確定一組資產業務模式時考慮的因素包括過去收集這些資產的現金流量的經驗，如何評估資產的績效並向主要管理人員報告，如何評估和管理風險以及如何獲得補償。

僅為本金及利息款項測試

如果業務模式是持有資產以收取合約現金流量或同時收取合約現金流量及出售，則本集團會評估金融工具的現金流量是否純粹為本金及利息的支付（「純粹支付本金及利息規定測試」）。在進行評估時，本集團考慮合約現金流量是否與基本貸款安排一致，即利息僅包括考慮對金錢的時間值，信貸風險，其他基本貸款風險及與基本貸款安排一致的利潤率的考慮。

(ii) 金融資產預期信用損失

金融資產的損失準備基於對違約風險和預期損失率的假設。本集團根據本集團過往的歷史，現有市場狀況以及各報告期末的前瞻性估計，使用判斷作出該等假設及選擇減值計算的輸入數據。有關主要假設及輸入的詳情，例如信貸風險大幅增加，預期信貸損失計量，前瞻性資料，已於附註39的信貸風險管理部分披露。

3 Critical estimates, judgements and errors (continued)

Critical estimates, judgements and errors for financial assets

(i) Classification and measurement of financial assets

Business model assessment

The business model reflects how the Group manages the assets in order to generate cash flows; that is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable and they are held for trading purposes, the financial assets are classified and measured at FVPL.

Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets are collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Solely payments of principal and interest test

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

(ii) Expected credit losses on financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of key assumptions and inputs such as significant increase in credit risk, measurement of expected credit loss, forward-looking information are disclosed in the credit risk management section of note 39.

3 關鍵性評估，判斷和錯誤 (續)

金融資產的關鍵性評估，判斷和錯誤 (續)

(iii) 金融工具的公允價值

公允價值估計通常是主觀的，並且是根據金融工具和相關市場信息的特徵在特定時間點進行的。本集團的金融工具的公允價值主要基於報價和可觀察的市場報價，或者基於獨立來源或來自認可的市場參數的內部開發模型。流動市場中沒有可觀察的市場價格的金融工具的公允價值可以使用估值模型確定。選擇模型需要對複雜產品做出重大判斷。

所有估值模型在用作財務報告的基礎之前都需要經過驗證。在可能的情況下，本集團將模型得出的估值與類似金融工具的報價進行比較，並與實現時的實際值進行比較，以進一步驗證和校準模型。

這些技術涉及不確定性，並受到所使用的假設以及對各種金融工具的風險特徵、貼現率、未來現金流量估計、未來預期損失經驗和其他因素的判斷的重大影響。而且當假設出現變動亦可能會對這些估計以及由此產生的公允價值產生重大影響。與獨立市場相比，衍生的公允價值估計不一定能夠得到證實，並且在許多情況下，可以通過立即出售這些工具來實現。

(iv) 確定具有續期選擇權的合約的租賃期限的判斷

本集團將租賃期限確定為不可撤銷的租賃期限，以及在合理確定行使時在選擇權所涵蓋的任何期間延長租賃，或如果有必要肯定不行使時在選擇權所涵蓋的任何期間終止租賃。

於生效日期後，本集團將作出判斷以評估是否合理行使續約選擇權。也就是說，它考慮所有相關因素，為其進行更新以創造經濟優惠。此外，倘有任何重大事件或變動影響其行使續約選擇權的能力，本集團將重新評估租賃期。

3 Critical estimates, judgements and errors (continued)

Critical estimates, judgements and errors for financial assets (continued)

(iii) Fair value of financial instruments

Fair value estimates are generally subjective in nature, and are made at a specific point in time based on the characteristics of the financial instruments and relevant market information. The majority of the Group's financial instruments reported at fair value are based on quoted and observable market prices or on internally developed models that are based on independently sourced or verified market parameters. The fair value of financial instruments without an observable market price in a liquid market may be determined using valuation models. The choice of model requires significant judgement for complex products.

All valuation models are validated before they are used as a basis for financial reporting. Wherever possible, the Group compares valuations derived from models with quoted prices of similar financial instruments, and with actual values when realised, in order to further validate and calibrate the models.

These techniques involve uncertainties and are materially affected by the assumptions used and judgements made regarding the risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could materially affect these estimates and the resulting fair values. Derived fair value estimates cannot necessarily be substantiated by comparison to independent markets and, in many cases, could be realised in an immediate sale of the instruments.

(iv) Judgement in determining the lease term of contracts with renewal options

The Group determines the lease terms as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is necessary certain not to be exercised.

Subsequent to the commencement date, the Group will need to apply judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. Moreover, the Group will reassess the lease term if there is any significant event or changes that affects its ability to exercise the option to renew.

4 利息收入及利息支出**4 Interest income and interest expense****(a) 利息收入****(a) Interest income**

		2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
上市證券	Listed securities	1,334,070	1,276,535
非上市證券	Unlisted securities	402,904	634,645
在銀行及其他金融機構的 結存及存款	Balances and placements with banks and other financial institutions	501,356	1,309,440
墊款及其他賬項	Advances and other accounts	6,800,442	8,943,405
非按公允價值計入損益的 金融資產的利息收入	Interest income on financial assets that are not at fair value through profit or loss	9,038,772	12,164,025

(b) 利息支出**(b) Interest expense**

		2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
客戶、銀行及其他金融機構的 存款及其他	Deposits from customers, banks and other financial institutions and others	3,495,667	5,150,543
已發行存款證	Certificates of deposit issued	13,323	96,764
已發行債務證券	Debt securities issued	59,195	153,701
已發行債務資本	Loan capital issued	256,137	389,527
租賃負債	Lease liabilities	28,265	30,719
非按公允價值計入損益的 金融負債的利息支出	Interest expense on financial liabilities that are not at fair value through profit or loss	3,852,587	5,821,254

5 淨費用及佣金收入

5 Net fee and commission income

		2020	2019
		港幣千元	港幣千元
		HK\$'000	HK\$'000
費用及佣金收入：	Fee and commission income:		
票據業務佣金	Bills commission	69,097	72,972
銀行服務	Banking services	135,425	128,354
信用卡相關收入	Card-related income	28,872	36,898
債務資本市場	Debt capital markets	265,267	295,792
保險	Insurance	409,820	585,153
投資及結構性投資產品	Investment and structured investment products	256,746	161,192
貸款、透支及融資費用	Loans, overdrafts and facilities fees	228,523	235,047
其他	Others	7,275	485
		1,401,025	1,515,893
費用及佣金支出	Fee and commission expense	(139,207)	(115,025)
		1,261,818	1,400,868
其中：	Of which:		
淨費用及佣金收入(不包括用作 計算實際利率的金額)，關於 並非按公允價值計入損益賬的 金融資產及負債：	Net fee and commission income (other than the amounts included in determining the effective interest rate) relating to financial assets and liabilities not at fair value through profit or loss:		
— 費用及佣金收入	– Fee and commission income	326,492	344,917
— 費用及佣金支出	– Fee and commission expense	(22,122)	(35,971)
		304,370	308,946

6 淨交易收入

6 Net trading income

		2020	2019
		港幣千元	港幣千元
		HK\$'000	HK\$'000
買賣外幣淨收益	Net gains from dealing in foreign currencies	118,078	552,969
買賣以公允價值計入損益的金融資產淨(損失)/收益	Net (losses)/gains from financial assets at fair value through profit or loss	(80,722)	10,655
其他買賣活動淨收益/(損失)	Net gains/(losses) from other dealing activities	247,113	(47,625)
交易用途資產淨利息收入	Net interest income on trading activities		
– 上市	– Listed	122,842	77,977
– 非上市	– Unlisted	498,249	6,977
		905,560	600,953

7 淨對沖損失

7 Net hedging loss

		2020	2019
		港幣千元	港幣千元
		HK\$'000	HK\$'000
公允價值對沖淨(損失)/收益	Net hedging (loss)/gain on fair value hedges		
– 對沖工具淨損失	– Net loss on hedging instruments	(57,210)	(137,321)
– 歸屬對沖風險的對沖項目淨收益	– Net gain on hedged items attributable to the hedged risk	55,897	134,829
		(1,313)	(2,492)

8 出售聯營企業的淨收益

8 Gain on disposal of interest in associates

截至2020年12月31日止年度，本集團並沒有出售聯營企業的收益。截至2019年12月31日止年度，本集團以港幣362,218,000元出售其於聯營企業的權益，出售收益為港幣9,226,000元。

There has been no disposal of interest in associates for the year ended 31 December 2020. During the year ended 31 December 2019, the Group disposed of its interest in an associate at a consideration of HK\$362,218,000, a gain on disposal of HK\$9,226,000 was recognised.

9 其他經營收入

9 Other operating income

		2020 港幣千元 HK\$' 000	2019 港幣千元 HK\$' 000
股息收入	Dividend income		
— 非上市投資	– Unlisted investments	4,330	4,630
投資物業租金收入減直接 支出：港幣277,000元 (2019年：港幣295,000元)	Rental income from investment properties less direct outgoings of HK\$227,000 (2019: HK\$295,000)	3,069	4,432
其他銀行服務收入	Other banking service income	15,405	18,553
其他	Others	14,001	3,479
		36,805	31,094

10 經營支出

10 Operating expenses

		2020 港幣千元 HK\$' 000	2019 港幣千元 HK\$' 000
(a) 員工成本	(a) Staff costs		
薪金及其他員工成本(附註)	Salaries and other staff costs (Note)	1,948,422	2,150,006
退休金成本(附註36)	Retirement costs (note 36)	124,372	116,876
		2,072,794	2,266,882
(b) 折舊及攤銷	(b) Depreciation and amortisation		
物業及設備折舊(附註24)	Depreciation – property and equipment (note 24)	113,458	101,493
使用權資產折舊(附註25)	Depreciation – right-of-use assets (note 25)	291,776	297,875
無形資產攤銷(附註26)	Amortisation – intangible assets (note 26)	207,597	181,354
		612,831	580,722
(c) 其他經營支出	(c) Other operating expenses		
物業及設備支出 (不包括折舊)	Property and equipment expenses (excluding depreciation)	415,801	342,471
核數師酬金	Auditor's remuneration	8,804	8,971
廣告費	Advertising	82,727	90,247
通訊費、印刷及文儀用品	Communication, printing and stationery	146,809	125,544
電子數據處理	Electronic data processing	154,235	115,372
法律及專業費用	Legal and professional fees	65,822	83,352
其他	Others	101,975	82,801
		976,173	848,758
經營支出總額	Total operating expenses	3,661,798	3,696,362

附註：

截至2020年12月31日止年度，本集團根據「保就業」計劃收到香港特別行政區政府的款項為港幣58,137,000元(2019年：無)，該政府補助已從員工成本中扣除。

Note:

During the year ended 31 December 2020, the Group received an amount of HK\$58,137,000 (2019: Nil) from the Government of the Hong Kong Special Administrative Region under the Employment Support Scheme and such government subsidy was deducted from the staff cost.

11 董事酬金

根據香港《公司條例》(第622章)第383條及公司「披露董事利益資料」法規而披露的董事酬金如下：

11 Directors' remuneration

The Directors' remuneration disclosed pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation is set out as below:

		2020	2019
		港幣千元	港幣千元
		HK\$'000	HK\$'000
董事袍金	Directors' fees	4,813	4,355
薪金、津貼及實物利益(附註)	Salaries, allowances and benefits in kind (Note)	20,936	25,541
酌情花紅	Discretionary bonuses	14,688	18,737
退休計劃供款	Retirement scheme contributions	1,861	1,895
		42,298	50,528

附註：

實物利益包括房屋津貼及保險。

Note:

Benefits in kind mainly include housing allowance and insurance premium.

12 金融資產預期信貸損失

12 Expected credit losses on financial assets

金融資產預期信貸損失提撥／(轉回)

Expected credit losses ("ECL") charged/(reversed) on financial assets

		2020			
		第1階段	第2階段	第3階段	總額
		Stage 1	Stage 2	Stage 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
在銀行、中央銀行及其他 金融機構的結存	Balances with banks, central banks and other financial institutions	(925)	–	–	(925)
在銀行、中央銀行及 其他金融機構的存款 及墊款	Placements with and advances to banks, central banks and other financial institutions	(303)	–	–	(303)
客戶貸款及墊款	Loans and advances to customers	(172,720)	(1,172,053)	3,825,043	2,480,270
其他賬項	Other accounts	(697)	–	(35,373)	(36,070)
以公允價值計入其他 全面收益的金融資產	Financial assets at fair value through other comprehensive income	(19,249)	–	42,102	22,853
貸款承擔及擔保 (包括或有負債 及承擔)	Loan commitments and guarantees (included in contingent liabilities and commitments)	55,098	892	–	55,990
		(138,796)	(1,171,161)	3,831,772	2,521,815
收回金額	Recoveries				(165,159)
					2,356,656
		2019			
		第1階段	第2階段	第3階段	總額
		Stage 1	Stage 2	Stage 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
在銀行、中央銀行及其他 金融機構的結存	Balances with banks, central banks and other financial institutions	(19,037)	–	–	(19,037)
在銀行、中央銀行及 其他金融機構的存款 及墊款	Placements with and advances to banks, central banks and other financial institutions	4,446	–	–	4,446
客戶貸款及墊款	Loans and advances to customers	130,322	121,567	1,061,904	1,313,793
其他賬項	Other accounts	325	–	–	325
以公允價值計入其他 全面收益的金融資產	Financial assets at fair value through other comprehensive income	33,410	–	(76,907)	(43,497)
貸款承擔及擔保 (包括或有負債 及承擔)	Loan commitments and guarantees (included in contingent liabilities and commitments)	30,512	–	–	30,512
		179,978	121,567	984,997	1,286,542
收回金額	Recoveries				(70,510)
					1,216,032

13 綜合收益表所示的所得稅

13 Income tax in the consolidated income statement

(a) 綜合收益表所示的所得稅

(a) Income tax in the consolidated income statement

		2020 港幣千元 HK\$' 000	2019 港幣千元 HK\$' 000
本期稅項 – 香港利得稅	Current tax – Hong Kong Profits Tax		
年內準備	Provision for the year	30,129	505,227
過往年度稅項準備(回撥)/補提	(Over)/under-provision in respect of prior years	(23,644)	6,833
		6,485	512,060
本期稅項 – 海外稅項	Current tax – Overseas		
年內準備	Provision for the year	67,921	50,013
過往年度稅項準備回撥	Over-provision in respect of prior years	(23,877)	(1,940)
		44,044	48,073
遞延稅項	Deferred tax		
暫時性差額源生/(轉回)(附註30)	Origination/(reversal) of temporary differences (note 30)	99,742	(36,459)
		150,271	523,674

2020年度香港利得稅稅項是以年度估計應課稅溢利按稅率16.5%(2019年:16.5%)計算。海外分行及附屬公司的稅項則按照相關國家的適當現行稅率提撥準備。

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year. Taxation for overseas branches and subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) 稅項支出與會計溢利按適用稅率計算稅款的對賬表

(b) Reconciliation between tax expense and accounting profit at applicable tax rates

		2020 港幣千元 HK\$' 000	2019 港幣千元 HK\$' 000
稅前溢利	Profit before tax	1,306,088	3,333,975
按以有關國家適用利得稅稅率 計算稅前溢利的名義稅項	Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	270,026	580,332
不可扣減支出的稅項影響	Tax effect of non-deductible expenses	51,355	73,258
非應課稅收入的稅項影響	Tax effect of non-taxable revenue	(51,000)	(46,483)
支付額外一級資本證券 票息的稅項影響	Tax effect of distribution payment of AT1 Capital Securities	(72,581)	(87,533)
過往年度稅項準備(回撥)/補提	(Over)/under-provision in prior years	(47,521)	4,893
其他	Others	(8)	(793)
實際稅項支出	Actual tax expense	150,271	523,674

14 其他全面收益

14 Other comprehensive income

關於其他全面收益各組成部分的稅項影響

Tax effects relating to each component of other comprehensive income

	2020			2019			
	稅前數額 Before tax amount 港幣千元 HK\$'000	稅項支出 Tax expense 港幣千元 HK\$'000	除稅後淨額 Net-of-tax amount 港幣千元 HK\$'000	稅前數額 Before tax amount 港幣千元 HK\$'000	稅項支出 Tax expense 港幣千元 HK\$'000	除稅後淨額 Net-of-tax amount 港幣千元 HK\$'000	
換算海外附屬公司的 財務報表的匯兌差額	Exchange differences on translation of financial statements of foreign operations	98,906	-	98,906	(32,073)	-	(32,073)
以公允價值計入其他 全面收益的金融資產 - 債務證券	Financial assets at fair value through other comprehensive income - debt securities						
- 以公允價值計入其他 全面收益的金融資產 公允價值儲備淨變動	- net movements in fair value reserve of financial assets at fair value through other comprehensive income	261,873	(42,036)	219,837	765,570	(126,372)	639,198
- 減值準備	- impairment loss	22,853	-	22,853	(75,490)	-	(75,490)
物業重估儲備	Property revaluation reserve						
- 物業重估儲備淨變動	- net movement in property revaluation reserve	58,686	-	58,686	-	10	10
以公允價值計入其他 全面收益的金融資產 - 權益工具	Financial assets at fair value through other comprehensive income - equity instruments						
- 以公允價值計入其他 全面收益的金融資產 公允價值儲備淨變動	- net movements in fair value reserve of financial assets at fair value through other comprehensive income	1,686	(278)	1,408	12,551	(2,071)	10,480
其他全面收益	Other comprehensive income	444,004	(42,314)	401,690	670,558	(128,433)	542,125

15 分部資料

分部資料的呈報形式與可報告分部一致，分部資料定期向包括管理委員會成員在內的主要營運決策人報告，以便為各分部分配資源和評估其績效。本集團確認了以下四大主要呈報分部：

本集團於香港及海外分行營運企業銀行業務。企業銀行業務主要包括公司借貸及銀團貸款、貿易融資及現金管理。海外分行包括於海外營運的分行及其於香港管理的辦公室。

個人及商務銀行業務主要包括存款戶口服務、住宅物業按揭、其他消費借貸、信用卡服務及中小企業貸款、財富管理服務及私人銀行。

財資及環球市場業務包括提供外匯交易服務、資金市場活動、管理投資證券及中央現金管理。

其他業務主要包括未能直接歸類任何現有呈報分部的收入及支出，企業支出及於中國的銀行業務主要包括一間於中國的附屬子銀行。

就分部報告而言，經營收入的分配是根據內部轉讓價格機制反映資金的利益分配到業務分部上。成本的分配是根據各業務分部的直接成本及合理基準分配經常費用予各業務分部。使用銀行物業產生的市值租金會反映於「其他」業務下的分部間經營收入及各業務分部的分部間經營支出中。

截至2020年12月31日止年度，本集團已修改其不同業務分部和未分配分部之間的分部分配和某些成本分配方法，以編製向集團高級管理層報告的資訊時達至實現業務績效評估。相應分部資料數額已重述以達致呈述的一致性。

15 Segment reporting

Segment information is prepared consistently with reportable segments. Information is regularly reported to the chief operating decision-maker, including management committee members, to allocate resources to the segments and to assess their performance. The Group has identified the following four main reportable segments:

The Group operates a wholesale banking business in Hong Kong and at overseas branches. Wholesale banking mainly comprises corporate lending and syndicated loans, trade financing deposit account services and cash management. Overseas branches include the branches operated overseas and their management office unit in Hong Kong.

Personal and business banking mainly comprises deposit account services, residential mortgages, other consumer lending, credit card services, and Small and Medium Enterprises (“SMEs”) banking business, wealth management services and private banking.

Treasury and markets covers the provision of foreign exchange services, money market activities, the management of investment securities and central cash management.

Others mainly comprises unallocated revenue and expenses, corporate expenses and China banking which mainly includes a subsidiary bank in China.

For the purpose of segment reporting, the allocation of operating income reflects the benefits of funding resources allocated to the business segments based on the internal funds transfer pricing mechanism. Cost allocation is based on the direct costs incurred by the respective business segments and the apportionment of overheads on a reasonable basis to the business segments. Rental charges at the market rate for the use of bank premises are reflected as inter-segment income for the ‘Others’ segment and inter-segment expenses for the respective business segments.

During the year ended 31 December 2020, the Group has revised its segment allocation and certain cost allocation methods among different operating units and unallocated unit in preparing the information reported to the Group’s senior executive management for the purposes of performance assessment. Corresponding amounts have been provided on a basis consistent with the revised segment information.

15 分部資料 (續)

15 Segment reporting (continued)

(a) 可呈報分部

(a) Reportable segments

		2020				
		公司業務	個人及 商務銀行	財資及 環球市場	其他	綜合
		Wholesale banking	Personal and business banking	Treasury and markets	Others	Consolidated
		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
淨利息收入	Net interest income	2,963,302	1,548,415	348,445	326,023	5,186,185
其他經營收入/(損失)	Other operating income/(expenses)	886,646	883,480	917,038	(484,294)	2,202,870
出售以公允價值計入其他 全面收益的金融資產淨 (損失)/收益	Net (loss)/gain on disposal of financial assets at fair value through other comprehensive income	21,569	-	(66,103)	11,106	(33,428)
經營收入	Operating income	3,871,517	2,431,895	1,199,380	(147,165)	7,355,627
經營支出	Operating expenses	(421,591)	(964,099)	(198,349)	(2,077,759)	(3,661,798)
分部間之經營(支出)/收入	Inter-segment (expenses)/income	(11,053)	(119,553)	(16,659)	147,265	-
扣除減值準備前之經營 溢利/(損失)	Operating profit/(loss) before impairment	3,438,873	1,348,243	984,372	(2,077,659)	3,693,829
金融資產預期信貸損失	Expected credit losses on financial assets	(2,248,838)	(73,874)	(26,962)	(6,982)	(2,356,656)
其他資產減值損失轉回	Impairment losses reversed on other assets	-	-	-	4,176	4,176
經營溢利/(損失)	Operating profit/(loss)	1,190,035	1,274,369	957,410	(2,080,465)	1,341,349
出售物業及設備 及無形資產淨損失	Net loss on disposal of property and equipment and intangible assets	-	(711)	(16)	(234)	(961)
投資物業重估損失	Revaluation loss on investment properties	-	-	-	(34,300)	(34,300)
稅前溢利/(損失)	Profit/(loss) before taxation	1,190,035	1,273,658	957,394	(2,114,999)	1,306,088
所得稅	Income tax	-	-	-	-	(150,271)
本年度溢利	Profit for the year					1,155,817
其他分部項目：	Other segment items:					
折舊及攤銷	Depreciation and amortisation	31,376	22,153	2,609	556,693	612,831
分部資產	Segment assets	149,287,611	70,215,429	188,380,101	(14,984,453)	392,898,688
分部負債	Segment liabilities	174,208,724	163,365,046	24,777,321	(17,020,197)	345,330,894
本年度產生的資本開支	Capital expenditure incurred during the year	12,603	150,067	15,855	206,982	385,507

15 分部資料 (續)

15 Segment reporting (continued)

(a) 可呈報分部 (續)

(a) Reportable segments (continued)

		2019年(重述) 2019 (Restated)				
		公司業務 Wholesale banking 港幣千元 HK\$'000	個人及 商務銀行 Personal and business banking 港幣千元 HK\$'000	財資及 環球市場 Treasury and markets 港幣千元 HK\$'000	其他 Others 港幣千元 HK\$'000	綜合 Consolidated 港幣千元 HK\$'000
淨利息收入	Net interest income	3,604,863	1,714,081	555,168	468,659	6,342,771
其他經營收入/(損失)	Other operating income/(expenses)	897,242	979,780	670,163	(516,762)	2,030,423
出售以公允價值計入其他全面 收益的金融資產淨(損失)/ 收益	Net (loss)/gain on disposal of financial assets at fair value through other comprehensive income	(4)	-	(34,794)	12,858	(21,940)
經營收入	Operating income	4,502,101	2,693,861	1,190,537	(35,245)	8,351,254
經營支出	Operating expenses	(399,227)	(895,003)	(169,586)	(2,232,546)	(3,696,362)
分部間之經營(支出)/收入	Inter-segment (expenses)/income	(20,188)	(144,639)	(21,994)	186,821	-
扣除減值準備前之經營 溢利/(損失)	Operating profit/(loss) before impairment	4,082,686	1,654,219	998,957	(2,080,970)	4,654,892
金融資產預期信貸損失	Expected credit losses on financial assets	(1,195,548)	(56,454)	67,411	(31,441)	(1,216,032)
其他資產減值損失	Impairment losses on other assets	-	-	-	(51,711)	(51,711)
經營溢利/(損失)	Operating profit/(loss)	2,887,138	1,597,765	1,066,368	(2,164,122)	3,387,149
出售物業及設備 及無形資產淨損失	Net loss on disposal of property and equipment and intangible assets	(19)	(458)	-	(2,310)	(2,787)
投資物業重估損失	Revaluation loss on investment properties	-	-	-	(1,459)	(1,459)
應佔聯營企業收益	Share of profit of associates	-	-	-	841	841
出售聯營企業收益	Gain on disposal of interest in associates	-	-	-	9,226	9,226
贖回部分債務資本損失	Loss on partial redemption of loan capital	-	-	-	(58,995)	(58,995)
稅前溢利/(損失)	Profit/(loss) before taxation	2,887,119	1,597,307	1,066,368	(2,216,819)	3,333,975
所得稅	Income tax	-	-	-	-	(523,674)
本年度溢利	Profit for the year	-	-	-	-	2,810,301
其他分部項目：	Other segment items:					
折舊及攤銷	Depreciation and amortisation	30,460	20,510	1,478	528,274	580,722
分部資產	Segment assets	135,990,322	62,150,272	176,976,416	(13,895,508)	361,221,502
分部負債	Segment liabilities	141,279,263	167,174,705	16,103,728	(9,786,368)	314,771,328
本年度產生的資本開支	Capital expenditure incurred during the year	21,769	52,459	5,817	142,639	222,684

15 分部資料 (續)

(b) 區域資料

區域資料的分析是根據附屬公司的主要業務所在地點，或按負責報告業績或將資產及負債入賬的本行及其分行位置予以披露。

15 Segment reporting (continued)

(b) Geographical information

The geographical information analysis is based on the location of the principal operations of the subsidiaries, or in the case of the Bank itself, of the location of the branches responsible for reporting the results or booking the assets and liabilities.

		2020				
		稅前溢利／ (損失)		總負債	經營收入／ (支出)	或有負債 及承擔
		Profit/(Loss)	總資產	Total	Operating	Contingent
		before	Total assets	liabilities	income/ (expenses)	liabilities and
		taxation	Total assets	liabilities	(expenses)	commitments
		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
香港	Hong Kong	1,746,615	378,296,661	331,157,516	6,755,712	92,198,530
中國內地	Mainland China	(3,513)	11,342,549	9,860,818	167,346	1,264,343
美國	United States	102,053	13,972,966	13,874,622	236,321	2,022,635
新加坡	Singapore	(595,312)	14,155,015	14,697,014	132,492	22,341,620
其他	Others	56,244	4,755,024	4,701,906	74,446	317,071
分部間項目	Inter-segment items	1	(29,623,527)	(28,960,982)	(10,690)	-
		1,306,088	392,898,688	345,330,894	7,355,627	118,144,199
		2019				
		稅前溢利／ (損失)		總負債	經營收入／ (支出)	或有負債 及承擔
		Profit/(Loss)	總資產	Total	Operating	Contingent
		before	Total assets	liabilities	income/ (expenses)	liabilities and
		taxation	Total assets	liabilities	(expenses)	commitments
		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
香港	Hong Kong	3,213,613	343,007,576	296,942,701	7,645,619	80,208,797
中國內地	Mainland China	(63,271)	10,947,855	9,558,607	171,999	971,421
美國	United States	164,017	15,820,276	15,609,316	230,402	1,795,241
新加坡	Singapore	(16,516)	14,365,643	14,384,483	236,822	21,846,811
其他	Others	36,155	2,407,534	2,371,791	67,035	211,249
分部間項目	Inter-segment items	(23)	(25,327,382)	(24,095,570)	(623)	-
		3,333,975	361,221,502	314,771,328	8,351,254	105,033,519

16 現金及在銀行、中央銀行及其他金融機構的結存
16 Cash and balances with banks, central banks and other financial institutions

		2020	2019
		港幣千元	港幣千元
		HK\$'000	HK\$'000
現金	Cash in hand	212,198	472,127
在中央銀行的結存	Balances with central banks	1,460,897	8,090,649
在銀行的結存	Balances with banks	30,370,387	15,827,346
在其他金融機構的結存	Balances with other financial institutions	743,085	1,619,018
		32,786,567	26,009,140
預期信貸損失準備 – 第1階段	Expected credit losses allowances – Stage 1	(2,651)	(3,576)
		32,783,916	26,005,564

截至2020年12月31日包括在中央銀行受到監管限制的餘額是港幣604,998,000元(2019年：港幣436,310,000元)。

Included in the balances with central banks are balances subject to regulatory restrictions, amounting to HK\$604,998,000 at 31 December 2020 (2019: HK\$436,310,000).

17 在銀行、中央銀行及其他金融機構的存款及墊款
17 Placements with and advances to banks, central banks and other financial institutions

		2020	2019
		港幣千元	港幣千元
		HK\$'000	HK\$'000
在銀行的存款	Placements with banks	28,434,834	54,322,011
在銀行的墊款	Advances to banks	545,965	158,158
		28,980,799	54,480,169
預期信貸損失準備 – 第1階段	Expected credit losses allowances – Stage 1	(10,969)	(11,272)
		28,969,830	54,468,897
到期日：	Maturing:		
– 1個月內	– within 1 month	28,466,136	48,321,816
– 1個月至1年內	– between 1 month and 1 year	503,694	6,147,081
		28,969,830	54,468,897

18 以公允價值計入損益的金融資產／(負債)**18 Financial assets/(liabilities) at fair value through profit or loss****(a) 以公允價值計入損益的金融資產****(a) Financial assets at fair value through profit or loss**

		2020	2019
		港幣千元	港幣千元
		HK\$'000	HK\$'000
債務證券	Debt securities	2,351,288	1,908,370
國庫券	Treasury bills	297,788	–
		2,649,076	1,908,370
發行機構如下：			
	Issued by:		
政府機關	Sovereigns	1,314,180	341,717
銀行及其他金融機構	Banks and other financial institutions	754,442	690,114
企業	Corporate entities	538,656	824,619
公共機構	Public entities	41,798	51,920
		2,649,076	1,908,370
上市	Listed	2,341,585	1,907,604
非上市	Unlisted	307,491	766
		2,649,076	1,908,370

(b) 以公允價值計入損益的金融負債**(b) Financial liabilities at fair value through profit or loss**

		2020	2019
		港幣千元	港幣千元
		HK\$'000	HK\$'000
債務證券短倉	Short sales of debt securities	290,185	146,500

19 衍生金融工具**19 Derivative financial instruments**

使用衍生工具作自營買賣和出售予客戶作為風險管理產品是本集團經營業務的一個重要部份。作為資產與負債管理流程的一環，這些工具也會用作管理本集團本身所承擔的市場風險。本集團所用的主要衍生工具為與利率和匯率相關的合約，主要為場外交易的衍生工具。本集團也會簽訂場內買賣的衍生工具合約。本集團大多為符合客戶的要求和作對沖及買賣用途而持有衍生工具倉盤。就會計目的而言，衍生工具均劃歸為持作買賣或持作對沖。

The use of derivatives for proprietary trading and sales to customers as risk management products is an integral part of the Group's business activities. These instruments are also used to manage the Group's own exposure to market risk as part of its asset and liability management process. The principal derivative instruments used by the Group are interest and foreign exchange rate-related contracts, which are primarily OTC derivatives. The Group also participates in exchange-traded derivatives. Most of the Group's derivative positions have been entered into to meet customer demand and to hedge these and other trading positions. For accounting purposes, derivatives are classified as either held for trading or held for hedging.

19 衍生金融工具 (續)

(a) 衍生工具的名義金額

衍生工具是指根據一項或多項相關資產或指數的價值來釐定其價值的財務合約。這些工具的名義數額代表未完成的交易額，並不代表風險數額。

以下是本集團各種主要衍生工具的名義金額概要：

19 Derivative financial instruments (continued)

(a) Notional amounts of derivatives

Derivatives refer to financial contracts whose value depends on the value of one or more underlying assets or indices. The notional amounts of these investments indicate the volume of outstanding transactions and do not represent amounts at risk.

The following is a summary of the notional amounts of each significant type of derivative entered into by the Group:

		2020			2019		
		為對沖持有	其他(包括 持作買賣)	總額	為對沖持有	其他(包括 持作買賣)	總額
		Held for hedging	Others (including held for trading)	Total	Held for hedging	(including held for trading)	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
匯率衍生工具	Currency derivatives						
遠期交易	Forwards	-	60,610,924	60,610,924	-	84,167,658	84,167,658
掉期交易	Swaps	-	728,792,077	728,792,077	-	696,539,371	696,539,371
買入期權	Options purchased	-	26,329,946	26,329,946	-	34,547,603	34,547,603
賣出期權	Options written	-	29,158,079	29,158,079	-	34,563,815	34,563,815
利率衍生工具	Interest rate derivatives						
遠期及期貨交易	Forwards/Futures	-	5,488,630	5,488,630	-	3,858,214	3,858,214
掉期交易	Swaps	-	819,149,400	819,149,400	3,230,287	687,402,549	690,632,836
買入期權	Options purchased	-	3,019,001	3,019,001	-	-	-
賣出期權	Options written	-	3,019,001	3,019,001	-	-	-
		-	1,675,567,058	1,675,567,058	3,230,287	1,541,079,210	1,544,309,497

交易包括本集團的金融工具自營買賣倉盤、由執行客戶的交易指令或從事莊家活動而產生的倉盤，以及為對沖其他交易元素而持有的倉盤。

Trading includes the Group's proprietary positions in financial instruments, positions which arise from the execution of trade orders from customers and market making, and positions taken in order to hedge other elements of the trading book.

19 衍生金融工具(續)

19 Derivative financial instruments (continued)

(b) 衍生工具的公允價值及信貸風險加權數額

(b) Fair value and credit risk-weighted amounts of derivatives

		2020			2019		
		公允價值 資產 Fair value assets 港幣千元 HK\$'000	公允價值 負債 Fair value liabilities 港幣千元 HK\$'000	信貸風險 加權數額 Credit risk- weighted amount 港幣千元 HK\$'000	公允價值 資產 Fair value assets 港幣千元 HK\$'000	公允價值 負債 Fair value liabilities 港幣千元 HK\$'000	信貸風險 加權數額 Credit risk- weighted amount 港幣千元 HK\$'000
匯率衍生工具	Currency derivatives	10,520,010	11,463,378	9,873,251	5,271,339	5,365,547	6,333,303
利率衍生工具	Interest rate derivatives	3,858,591	3,696,905	733,781	1,012,269	997,609	200,143
		14,378,601	15,160,283	10,607,032	6,283,608	6,363,156	6,533,446

信貸風險加權數額是指按照《銀行業(資本)規則》有關資本充足的要求，並取決於交易對手的財政狀況及到期的情況下計算。用於計算匯率、利率和其他衍生工具合約的信貸風險加權數額的風險加權由0%至150%不等(2019年12月31日：0%至150%)。衍生金融工具的公允價值和信用風險加權金額均為總額，未考慮任何雙邊淨額結算安排的影響。

The credit risk-weighted amount is the amount which has been calculated in accordance with the Banking (Capital) Rules on capital adequacy, and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 150% as at 31 December 2020 (31 December 2019: 0% to 150%) for exchange rate, interest rate and other derivatives contracts. Both of the fair values and credit risk-weighted amounts of derivative financial instruments are shown on a gross basis and do not take into account the effect of any bilateral netting arrangements.

(c) 指定為對沖工具的衍生工具的公允價值

(c) Fair value of derivatives designated as hedging instruments

以下是本集團持作對沖用途的衍生工具按產品類別劃分的公允價值概要：

The following is a summary of the fair value of derivatives held for hedging purposes by product type entered into by the Group:

		2020		2019	
		公允價值資產 Fair value assets 港幣千元 HK\$'000	公允價值負債 Fair value liabilities 港幣千元 HK\$'000	公允價值資產 Fair value assets 港幣千元 HK\$'000	公允價值負債 Fair value liabilities 港幣千元 HK\$'000
利率合約	Interest rate contracts				
— 公允價值對沖	— Fair value hedge	—	—	16,280	18,475

公允價值對沖主要包括用作保障若干固定利率資產或負債的公允價值因市場利率變動而出現變化的利率掉期。

Fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of certain fixed rate assets or liabilities due to movements in the market interest rates.

19 衍生金融工具 (續)

(d) 衍生工具的餘下年期

下表提供本集團根據有關到期類別 (按於結算日的餘下結算期間計算) 劃分的衍生工具名義金額分析。

19 Derivative financial instruments (continued)

(d) Remaining life of derivatives

The following tables provide an analysis of the notional amounts of derivatives of the Group by relevant maturity grouping, based on the remaining periods to settlement at the end of the reporting period:

		2020 餘下年期的名義金額 Notional amounts with remaining life of			
		總額 Total 港幣千元 HK\$' 000	1年或以下 1 year or less 港幣千元 HK\$' 000	1年以上至5年 Over 1 year to 5 years 港幣千元 HK\$' 000	5年以上 Over 5 years 港幣千元 HK\$' 000
匯率衍生工具	Currency derivatives	844,891,026	793,757,737	49,789,135	1,344,154
利率衍生工具	Interest rate derivatives	830,676,032	493,134,131	308,706,986	28,834,915
		1,675,567,058	1,286,891,868	358,496,121	30,179,069

		2019 餘下年期的名義金額 Notional amounts with remaining life of			
		總額 Total 港幣千元 HK\$' 000	1年或以下 1 year or less 港幣千元 HK\$' 000	1年以上至5年 Over 1 year to 5 years 港幣千元 HK\$' 000	5年以上 Over 5 years 港幣千元 HK\$' 000
匯率衍生工具	Currency derivatives	849,818,447	814,521,315	35,218,927	78,205
利率衍生工具	Interest rate derivatives	694,491,050	477,501,287	202,708,717	14,281,046
		1,544,309,497	1,292,022,602	237,927,644	14,359,251

20 客戶貸款及墊款及其他賬項

(a) 客戶貸款及墊款及其他賬項減預期信貸損失

20 Loans and advances to customers and other accounts

(a) Loans and advances to customers and other accounts less expected credit losses

		2020 港幣千元 HK\$' 000	2019 港幣千元 HK\$' 000
客戶貸款及墊款總額	Gross loans and advances to customers	220,096,434	189,377,329
— 預期信貸損失準備	– Expected credit losses allowances	(2,440,456)	(3,596,987)
		217,655,978	185,780,342
其他賬項	Other accounts	9,385,838	7,831,244
— 預期信貸損失準備	– Expected credit losses allowances		
— 第1階段	– Stage 1	(783)	(1,480)
— 第3階段	– Stage 3	(251,075)	(37,880)
		(251,858)	(39,360)
		9,133,980	7,791,884
		226,789,958	193,572,226

20 客戶貸款及墊款及其他賬項 (續)**(b) 按行業分析的客戶貸款及墊款**

以下按經濟行業進行的分析是根據香港金融管理局(「金管局」)所採用的分類及定義作出。

20 Loans and advances to customers and other accounts (continued)**(b) Loans and advances to customers analysed by industry sectors**

The following economic sector analysis is based on categories and definitions used by the Hong Kong Monetary Authority ("HKMA").

		2020		2019	
		客戶貸款及 墊款總額	減值客戶 貸款及墊款	客戶貸款及 墊款總額	減值客戶 貸款及墊款
		Gross loans and advances to customers	Impaired loans and advances to customers	Gross loans and advances to customers	Impaired loans and advances to customers
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
工商金融	Industrial, commercial and financial				
– 物業發展	– Property development	11,268,407	–	2,892,578	–
– 物業投資	– Property investment	13,460,635	272,556	17,394,845	1,014,756
– 金融企業	– Financial concerns	12,698,994	–	16,997,699	–
– 股票經紀	– Stockbrokers	4,044,282	–	1,929,344	–
– 批發及零售業	– Wholesale and retail trade	9,618,761	197,481	9,427,728	181,098
– 製造業	– Manufacturing	9,762,067	35,794	9,940,067	31,137
– 運輸及運輸設備	– Transport and transport equipment	3,326,439	–	1,379,288	–
– 娛樂活動	– Recreational activities	1,891,488	–	2,858,389	–
– 資訊科技	– Information technology	6,759,381	–	6,678,785	–
– 其他	– Others	12,454,426	373,936	7,154,646	578,791
個人	Individuals				
– 購買「居者有其屋計劃」、 「私人發展商參建居屋 計劃」及「租者置其屋 計劃」的樓宇貸款	– Loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	25,360	175	27,410	304
– 購買其他住宅物業的貸款	– Loans for the purchase of other residential properties	21,168,747	24,858	17,848,823	7,729
– 信用卡墊款	– Credit card advances	434,591	3,207	452,680	2,837
– 其他	– Others	16,152,868	10,903	14,725,757	11,093
在香港使用的貸款及 墊款總額	Gross loans and advances for use in Hong Kong	123,066,446	918,910	109,708,039	1,827,745
貿易融資	Trade finance	5,441,544	32,771	5,442,284	37,343
在香港以外使用的 貸款及墊款總額	Gross loans and advances for use outside Hong Kong	91,588,444	2,679,495	74,227,006	405,677
客戶貸款及墊款總額	Gross loans and advances to customers	220,096,434	3,631,176	189,377,329	2,270,765

20 客戶貸款及墊款及其他賬項 (續)

20 Loans and advances to customers and other accounts
(continued)(c) 貸款和墊款的賬面總值和預期信貸損失準備
的對賬(c) Reconciliation of gross carrying amount and ECL allowances for
loans and advances to customers

		2020							
		第1階段		第2階段		第3階段		總額	
		Stage 1		Stage 2		Stage 3		Total	
		賬面總值	預期信貸	賬面總值	預期信貸	賬面總值	預期信貸	賬面總值	預期信貸
		Gross	損失準備	Gross	損失準備	Gross	損失準備	Gross	損失準備
		carrying	ECL	carrying	ECL	carrying	ECL	carrying	ECL
		amount	allowances	amount	allowances	amount	allowances	amount	allowances
		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
2020年1月1日	At 1 January 2020	175,081,473	761,692	12,025,091	1,749,793	2,270,765	1,085,502	189,377,329	3,596,987
收益表變動的影響	Movements with income statement impact								
轉移：	Transfer:								
— 轉入第1階段	— Transfer to Stage 1	7,861,124	32,347	(7,859,868)	(31,091)	(1,256)	(1,256)	-	-
— 轉入第2階段	— Transfer to Stage 2	(13,556,823)	(155,896)	14,129,235	237,231	(572,412)	(81,335)	-	-
— 轉入第3階段	— Transfer to Stage 3	(130,433)	(269)	(5,888,687)	(1,528,712)	6,019,120	1,528,981	-	-
階段轉撥產生之預期信貸損失準備重新計量淨額	Net remeasurement of ECL allowances arising from transfer between stage	-	(21,871)	-	371,116	-	448,163	-	797,408
金融資產源生／(終止確認或還款)淨額	Net financial assets originated/ (derecognised or repaid)	36,714,293	392,261	(1,910,147)	(196,633)	(636,242)	(328,544)	34,167,904	(132,916)
風險參數和模型數據變動	Changes in risk parameters and model inputs	-	(419,292)	-	(23,964)	-	2,259,034	-	1,815,778
貸款減值損失折現回撥	Unwinding of discount on loan impairment losses	-	-	-	-	-	(188,002)	-	(188,002)
沖銷數額	Amounts written-off	-	-	-	-	(3,448,799)	(3,448,799)	(3,448,799)	(3,448,799)
2020年12月31日	At 31 December 2020	205,969,634	588,972	10,495,624	577,740	3,631,176	1,273,744	220,096,434	2,440,456

20 客戶貸款及墊款及其他賬項 (續)

20 Loans and advances to customers and other accounts
(continued)(c) 貸款和墊款的賬面總值和預期信貸損失準備
的對賬 (續)(c) Reconciliation of gross carrying amount and ECL allowances for
loans and advances to customers (continued)

		2019							
		第1階段		第2階段		第3階段		總額	
		Stage 1		Stage 2		Stage 3		Total	
		賬面總值	預期信貸	賬面總值	預期信貸	賬面總值	預期信貸	賬面總值	預期信貸
		Gross	損失準備	Gross	損失準備	Gross	損失準備	Gross	損失準備
		carrying	ECL	carrying	ECL	carrying	ECL	carrying	ECL
		amount	allowances	amount	allowances	amount	allowances	amount	allowances
		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
2019年1月1日	At 1 January 2019	184,853,695	631,370	15,250,049	1,628,226	1,716,138	399,302	201,819,882	2,658,898
收益表變動的影響	Movements with income statement impact								
轉移：	Transfer:								
— 轉入第1階段	— Transfer to Stage 1	4,271,544	18,996	(4,271,517)	(18,969)	(27)	(27)	—	—
— 轉入第2階段	— Transfer to Stage 2	(12,958,957)	(90,799)	12,959,477	90,980	(520)	(181)	—	—
— 轉入第3階段	— Transfer to Stage 3	(265,526)	(936)	(1,977,967)	(756,476)	2,243,493	757,412	—	—
階段轉撥產生之預期信貸損失準備重新計量淨額	Net remeasurement of ECL allowances arising from transfer between stage	—	(14,989)	—	258,139	—	142,250	—	385,400
金融資產產生／(終止確認或還款)淨額	Net financial assets originated/ (derecognised or repaid)	(819,283)	200,086	(9,934,951)	3,370	(1,359,013)	(124,206)	(12,113,247)	79,250
風險參數和模型數據變動	Changes in risk parameters and model inputs	—	17,964	—	544,523	—	286,656	—	849,143
貸款減值損失折現回撥	Unwinding of discount on loan impairment losses	—	—	—	—	—	(46,398)	—	(46,398)
沖銷數額	Amounts written-off	—	—	—	—	(329,306)	(329,306)	(329,306)	(329,306)
2019年12月31日	At 31 December 2019	175,081,473	761,692	12,025,091	1,749,793	2,270,765	1,085,502	189,377,329	3,596,987

20 客戶貸款及墊款及其他賬項 (續)

20 Loans and advances to customers and other accounts
(continued)

(d) 減值客戶貸款及墊款

(d) Impaired loans and advances to customers

		2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
減值客戶貸款及墊款總額	Gross impaired loans and advances to customers	3,631,176	2,270,765
預期信貸損失準備 – 第3階段	Expected credit losses allowances – Stage 3	(1,273,744)	(1,085,502)
		2,357,432	1,185,263
減值貸款及墊款總額佔客戶貸款及墊款總額的百分率	Gross impaired loans and advances as a % of total loans and advances to customers	1.65%	1.20%

經減值客戶貸款及墊款的預期信貸損失準備評估已計算所持抵押品的可變現價值為港幣2,799,388,000元(2019年:港幣1,296,240,000元)。所持抵押品主要包括住宅及商業物業按揭權益及存放於本集團的現金。

Collateral amounts of HK\$2,799,388,000 (2019: HK\$1,296,240,000) have been taken into account in respect of the assessment of the expected credit losses allowances. Collateral mainly comprises mortgages on residential or commercial properties and cash placed with the Group.

(e) 融資租賃和租購合同的淨投資

(e) Net investment in finance leases and hire purchase contracts

客戶貸款和墊款包括汽車淨投資，根據融資租賃租賃給客戶的設備和租賃具有融資租賃特徵的購買合同。這些合同通常具20年或以上的初始期，並可選擇以名義價值收購租賃資產。融資租賃及租購合約應收的最低租賃付款總額及年末現值如下：

Loans and advances to customers include net investment in motor vehicles, and equipment leased to customers under finance leases and hire purchase contracts which have the characteristics of finance leases. These contracts usually run for an initial period of 20 years or above, with an option of acquiring the leased asset at nominal value. The total minimum lease payments receivable under finance leases and hire purchase contracts and their present values at the year end are as follows:

		2020		2019	
		最低租賃 付款的現值 Present value of the minimum lease payments 港幣千元 HK\$'000	最低租賃 付款總額 Total minimum lease payments 港幣千元 HK\$'000	最低租賃 付款的現值 Present value of the minimum lease payments 港幣千元 HK\$'000	最低租賃 付款總額 Total minimum lease payments 港幣千元 HK\$'000
1年內	Within 1 year	9,153	10,950	9,471	12,050
1年以上至5年	After 1 year but within 5 years	33,635	39,283	35,575	44,729
5年以上	After 5 years	67,228	71,968	80,960	90,263
		110,016	122,201	126,006	147,042
– 預期信貸損失準備 – 第1階段	– Expected credit losses allowances – Stage 1	(31)		(846)	
融資租賃和租購 合同的淨投資	Net investment in finance leases and hire purchase contracts	109,985		125,160	

21 以公允價值計入其他全面收益的金融資產

21 Financial assets at fair value through other comprehensive income

		2020	2019
		港幣千元	港幣千元
		HK\$'000	HK\$'000
債務證券	Debt securities		
持有的存款證	– Certificates of deposit held	5,179,894	5,438,918
國庫券	– Treasury bills	23,503,712	21,767,173
其他債務證券	– Other debt securities	56,157,194	49,353,873
		84,840,800	76,559,964
權益證券	Equity securities	110,068	108,336
		84,950,868	76,668,300
發行機構如下：	Issued by:		
政府機關	Sovereigns	25,390,319	23,516,040
銀行及其他金融機構	Banks and other financial institutions	42,392,498	41,724,151
企業	Corporate entities	14,846,212	11,048,234
公共機構	Public entities	2,321,839	379,875
		84,950,868	76,668,300
上市	Listed	49,755,786	43,990,382
非上市	Unlisted	35,195,082	32,677,918
		84,950,868	76,668,300

21 以公允價值計入其他全面收益的金融資產 (續)

通過其他全面收益以公允價值計量金融資產的賬面金額和預期信貸損失準備金的對賬

就本披露而言，總賬面值是指以公允價值計量的債務證券。賬面值的變動計入其他全面收益，但確認預期信貸損失準備，利息收入以及在損益中確認的匯兌損益除外。

21 Financial assets at fair value through other comprehensive income (continued)

Reconciliation of gross carrying amount and ECL allowances for financial assets at fair value through other comprehensive income

For the purposes of this disclosure, the gross carrying amounts refer to the fair values of the debt securities measured at FVOCI. Movements in the gross carrying amount are taken through other comprehensive income, except for the recognition of ECL allowances, interest revenue and foreign exchange gains and losses which are recognised in profit and loss.

		2020							
		第1階段		第2階段		第3階段		總額	
		Stage 1		Stage 2		Stage 3		Total	
		賬面總值	預期信貸	賬面總值	預期信貸	賬面總值	預期信貸	賬面總值	預期信貸
		Gross	損失準備	Gross	損失準備	Gross	損失準備	Gross	損失準備
		carrying	ECL	carrying	ECL	carrying	ECL	carrying	ECL
		amount	allowances	amount	allowances	amount	allowances	amount	allowances
		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
2020年1月1日	At 1 January 2020	76,503,924	61,963	-	-	56,040	75,408	76,559,964	137,371
收益表變動的影響	Movements with income statement impact								
階段間轉移	Transfer between Stages	-	-	-	-	-	-	-	-
金融資產源生/ (終止確認或 還款)淨額	Net financial assets originated/ (derecognised or repaid)/ changes in fair value	8,336,876	27,599	-	-	(56,040)	(33,944)	8,280,836	(6,345)
風險參數和模型數據變動	Changes in risk parameters and model inputs	-	(46,848)	-	-	-	76,046	-	29,198
外幣轉換及其他數據 之變動	Changes in foreign translation and others	-	-	-	-	-	(1,251)	-	(1,251)
2020年12月31日	At 31 December 2020	84,840,800	42,714	-	-	-	116,259	84,840,800	158,973

21 以公允價值計入其他全面收益的金融資產 (續)

通過其他全面收益以公允價值計量金融資產的賬面金額和預期信貸損失準備金的對賬 (續)

21 Financial assets at fair value through other comprehensive income (continued)

Reconciliation of gross carrying amount and ECL allowances for financial assets at fair value through other comprehensive income (continued)

		2019							
		第1階段 Stage 1		第2階段 Stage 2		第3階段 Stage 3		總額 Total	
		賬面總值 Gross carrying amount 港幣千元 HK\$'000	預期信貸 損失準備 ECL allowances 港幣千元 HK\$'000	賬面總值 Gross carrying amount 港幣千元 HK\$'000	預期信貸 損失準備 ECL allowances 港幣千元 HK\$'000	賬面總值 Gross carrying amount 港幣千元 HK\$'000	預期信貸 損失準備 ECL allowances 港幣千元 HK\$'000	賬面總值 Gross carrying amount 港幣千元 HK\$'000	預期信貸 損失準備 ECL allowances 港幣千元 HK\$'000
2019年1月1日	At 1 January 2019	66,758,117	28,552	-	-	123,489	184,309	66,881,606	212,861
收益表變動的影響	Movements with income statement impact								
階段間轉移	Transfer between Stages	-	-	-	-	-	-	-	-
金融資產源生/ (終止確認或 還款)淨額	Net financial assets originated/ (derecognised or repaid)/ changes in fair value	9,745,807	21,629	-	-	(67,449)	(96,333)	9,678,358	(74,704)
風險參數和模型數據變動	Changes in risk parameters and model inputs	-	11,782	-	-	-	(11,151)	-	631
外幣轉換及其他數據 之變動	Changes in foreign translation and others	-	-	-	-	-	(1,417)	-	(1,417)
2019年12月31日	At 31 December 2019	76,503,924	61,963	-	-	56,040	75,408	76,559,964	137,371

22 攤銷成本投資

22 Amortised cost investments

		2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
債務證券	Debt securities		
國庫券	Treasury bills	48,494	-
— 預期信貸損失準備	— Expected credit losses allowances		
— 第1階段	— Stage 1	(1)	-
		48,493	-
發行機構如下：	Issued by:		
政府機關	Sovereigns	48,493	-
非上市	Unlisted	48,493	-

23 附屬公司

下文列出於2020年12月31日對本集團的業績、資產或負債有重大影響的主要附屬公司詳情。除非另有註明，否則所持股份類別均為普通股。

23 Subsidiaries

The following list contains the particulars of the principal subsidiaries at 31 December 2020 which materially affect the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

公司名稱 Name of company	註冊成立／經營地區 Place of incorporation/ operation	法律實體種類 Kind of legal entity	主要業務 Principal activities	已發行及繳足股本 Particulars of issued share capital	本行直接持有 股份百分率 Proportion of shares directly held by the Bank	本行間接持有 股份百分率 Proportion of shares indirectly held by the Bank
啓福國際有限公司 Carford International Limited	香港 Hong Kong	有限責任公司 Limited Liability Company	物業持有 Property holding	港幣2元 HK\$2	100%	-
中信銀行國際(中國)有限公司 (「中信銀行國際(中國)」) CITIC Bank International (China) Limited ("CBI (China)")	中華人民共和國 (「中國」) People's Republic of China ("Mainland China")	有限責任公司 Limited Liability Company	銀行 Banking	人民幣1,000,000,000元 RMB1,000,000,000	100%	-
中信保險服務有限公司 CITIC Insurance Brokers Limited	香港 Hong Kong	有限責任公司 Limited Liability Company	保險經紀 Insurance broker	港幣5,000,000元 HK\$5,000,000	100%	-
信銀國際投資控股有限公司 CNCBI Investment Holdings Limited	香港 Hong Kong	有限責任公司 Limited Liability Company	投資控股 Investment holding	港幣511,000,000元 HK\$511,000,000	100%	-
香港華人財務有限公司 HKCB Finance Limited	香港 Hong Kong	有限責任公司 Limited Liability Company	消費借貸 Consumer financing	港幣200,000,000元 HK\$200,000,000	100%	-
香港華人銀行(代理人)有限公司 The Hongkong Chinese Bank (Nominees) Limited	香港 Hong Kong	有限責任公司 Limited Liability Company	代理人服務 Nominee services	港幣5,000元 HK\$5,000	100%	-
嘉華銀行(信託)有限公司 The Ka Wah Bank (Trustee) Limited	香港 Hong Kong	有限責任公司 Limited Liability Company	信託服務 Trustee services	港幣3,000,000元 HK\$3,000,000	100%	-
信銀國際資產管理有限公司 CNCBI Asset Management Limited	香港 Hong Kong	有限責任公司 Limited Liability Company	資產管理 Asset management	港幣60,000,000元 HK\$60,000,000	-	100%

24 物業及設備

24 Property and equipment

		投資物業 Investment properties 港幣千元 HK\$' 000	其他物業 Other premises 港幣千元 HK\$' 000	傢俬、 固定裝置 及設備 Furniture, fixtures and equipment 港幣千元 HK\$' 000	總額 Total 港幣千元 HK\$' 000
成本或估值：	Cost or valuation:				
於2020年1月1日	At 1 January 2020	229,130	666,008	1,038,240	1,933,378
增加	Additions	–	–	127,466	127,466
重新分類	Reclassification	60,000	(60,000)	–	–
出售	Disposals	–	–	(69,243)	(69,243)
重估(損失)/盈餘	(Deficit)/surplus on revaluation	(34,300)	58,686	–	24,386
沖銷重估累計折舊	Elimination of accumulated depreciation on revaluation	–	(3,023)	–	(3,023)
匯兌調整	Exchange adjustments	–	–	4,350	4,350
於2020年12月31日	At 31 December 2020	254,830	661,671	1,100,813	2,017,314
成本或估值：	Cost or valuation:				
於2019年1月1日	At 1 January 2019	241,970	666,008	946,708	1,854,686
增加	Additions	–	–	107,376	107,376
出售	Disposals	(11,381)	–	(19,106)	(30,487)
重估損失	Deficit on revaluation	(1,459)	–	–	(1,459)
匯兌調整	Exchange adjustments	–	–	3,262	3,262
於2019年12月31日	At 31 December 2019	229,130	666,008	1,038,240	1,933,378
累計折舊：	Accumulated depreciation:				
於2020年1月1日	At 1 January 2020	–	358,085	847,130	1,205,215
本年度折舊(附註10)	Charge for the year (note 10)	–	15,745	97,713	113,458
沖銷重估累計折舊	Elimination of accumulated depreciation on revaluation	–	(3,023)	–	(3,023)
因出售而回撥	Written back on disposals	–	–	(68,608)	(68,608)
匯兌調整	Exchange adjustments	–	–	3,636	3,636
於2020年12月31日	At 31 December 2020	–	370,807	879,871	1,250,678
累計折舊：	Accumulated depreciation:				
於2019年1月1日	At 1 January 2019	–	342,298	777,564	1,119,862
本年度折舊(附註10)	Charge for the year (note 10)	–	15,787	85,706	101,493
因出售而回撥	Written back on disposals	–	–	(18,508)	(18,508)
匯兌調整	Exchange adjustments	–	–	2,368	2,368
於2019年12月31日	At 31 December 2019	–	358,085	847,130	1,205,215
賬面淨值：	Net book value:				
於2020年12月31日	At 31 December 2020	254,830	290,864	220,942	766,636
於2019年12月31日	At 31 December 2019	229,130	307,923	191,110	728,163

24 物業及設備(續)

(a) 投資物業公允價值計量

(i) 公允價值層級

下表顯示於結算日，本集團按經常性基準以公允價值計量的投資物業，根據《香港財務報告準則》第13號「公允價值計量」分類為三級公允價值層級。公允價值計量的層級分類是根據用於估值模式的輸入數據的可觀察性和重要性來決定：

第1級 — 參考同一資產於計量日在活躍市場取得的市場報價(未經調整)。

第2級 — 根據可觀察的輸入數據之估值模式(未能符合第1級)，及不採用主要而非可觀察的數據。若沒有市場數據提供，便利用非可觀察的數據。

第3級 — 公允價值以主要而非可觀察的數據來計量。

24 Property and equipment (continued)

(a) Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, 'Fair Value Measurement'. The level into which a fair value measurement classified is determined with reference to the observability and significance of the input used in the valuation technique as follows:

Level 1 – Quoted (unadjusted) market price in active markets for identical assets at the measurement date.

Level 2 – Valuation techniques based on observable inputs, which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 – Fair value measured using significant unobservable inputs.

		2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
第3級	Level 3		
經常性公允價值以主要而非可觀察計量	Recurring fair value measurement using significant unobservable input		
投資物業	Investment properties		
— 香港	— Held in Hong Kong	231,000	199,000
— 香港以外地區	— Held outside Hong Kong	23,830	30,130
		254,830	229,130

24 物業及設備 (續)**(a) 投資物業公允價值計量 (續)****(i) 公允價值層級 (續)**

截至2020年和2019年12月31日，在第1級和第2級之間並無轉移及沒有從第3級轉入或轉出。本集團政策是要於報告期末確認公允價值層級間轉移的發生。

於2020年12月31日，參照獨立測量師行重估本集團的投資物業重估報告。物業估值是以公開市場價值為基準及符合《香港財務報告準則》第13號「公允價值計量」對公允價值的定義。有關本集團的重估損失為港幣34,300,000元(2019年：重估損失為港幣1,459,000元)並已計入本集團的收益表中。

(ii) 公允價值層級第3層級的公允價值對賬

第3層級的公允價值計量餘額於年度內的變動如下：

		2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
於1月1日	At 1 January	229,130	241,970
重新分類自其他物業及設備	Reclassification from other property and equipment	60,000	-
出售	Disposal	-	(11,381)
公允價值調整	Fair value adjustment	(34,300)	(1,459)
於12月31日	At 31 December	254,830	229,130

(iii) 第3層級的公允價值計量資料

	估值模式 Valuation technique	非可觀察的數據 Unobservable input	範圍 Range
投資物業 Investment properties	市場比較法 Market comparison approach	物業質量的溢價(折讓) Premium (discount) on quality of properties	-15% to 15%

在香港或香港以外地區的投資物業的公允價值是採用市場比較法釐定，以參考最近相關物業的每平方呎銷售價格為基準，比較近期的銷售價格，從而調整本集團物業質量的溢價或折讓。投資性房地產的賬面價值將按每平方呎的價格而轉變。

24 Property and equipment (continued)**(a) Fair value measurement of investment properties (continued)****(i) Fair value hierarchy (continued)**

During the years ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All investment properties of the Group were revalued and assessed by the management of the Group at 31 December 2020 with reference to the property valuation report conducted by an independent firm of surveyors. The basis of the property valuation was market value, which is consistent with the definition of fair value under HKFRS 13, 'Fair Value Measurement'. The revaluation deficit of HK\$34,300,000 (2019: a revaluation deficit of HK\$1,459,000) was recognised by the Group and has been charged to the income statement.

(ii) Reconciliation of fair value measurements in Level 3 of the fair value hierarchy

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
於1月1日	229,130	241,970
重新分類自其他物業及設備	60,000	-
出售	-	(11,381)
公允價值調整	(34,300)	(1,459)
於12月31日	254,830	229,130

(iii) Information about Level 3 fair value measurements

	估值模式 Valuation technique	非可觀察的數據 Unobservable input	範圍 Range
投資物業 Investment properties	市場比較法 Market comparison approach	物業質量的溢價(折讓) Premium (discount) on quality of properties	-15% to 15%

The fair value of investment properties located in or outside Hong Kong is determined by using the market comparison approach by reference to the recent sales price of comparable properties on a price per-square-foot basis, adjusted for a premium or a discount specific to the quality of the Group's or the Bank's properties compared to the recent sales. The carrying amount of the investment properties would be changed according to the price per-square-foot.

24 物業及設備 (續)**(b) 投資物業及其他物業的賬面淨值分析如下：**

		2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
租賃	Leasehold		
香港	Held in Hong Kong		
– 長期租賃 (超過50年未屆滿)	– Long-term leases (over 50 years unexpired)	116,862	127,479
– 中期租賃 (10年至50年未屆滿)	– Medium-term leases (10 to 50 years unexpired)	405,002	379,444
香港以外地區	Held outside Hong Kong		
– 中期租賃 (10年至50年未屆滿)	– Medium-term leases (10 to 50 years unexpired)	23,830	30,130
		545,694	537,053

投資物業產生的租金收入總額為港幣3,296,000元 (2019年：港幣4,727,000元)。

截至2020年12月31日止年度，沒有出售投資物業損益 (2019年：出售損失為港幣2,600,000元)。

本集團若干其他物業曾於過往年度進行重估。如果這些物業是以成本減累計折舊入賬，本集團於2020年12月31日的其他物業賬面淨值應為港幣4,014,000元 (2019年：港幣4,722,000元)。

(c) 通過經營租賃租出的物業及設備

本集團通過經營租賃的方式租出投資物業。有關物業的最初租賃期一般為2至3年，其後可選擇在該日期之後續約，屆時將重新協商所有條款。

本集團按不可解除的投資及分租物業的經營租賃應收的未來最低租金總額如下：

		2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
1年內	Within 1 year	3,363	3,260
1年以上至5年	After 1 year but within 5 years	322	3,541
		3,685	6,801

24 Property and equipment (continued)**(b) The analysis of net book value of investment properties and other premises is as follows:**

The gross rental income arising from investment properties is HK\$3,296,000 (2019: HK\$4,727,000).

During the year ended 31 December 2020, no disposal gain or loss (2019: a disposal loss of HK\$2,600,000) on investment properties was recognised to the income statement.

Some of the other premises of the Group were revalued in previous years. The net book value of such other premises of the Group at 31 December 2020 would have been HK\$4,014,000 (2019: HK\$4,722,000) had they been carried at cost less accumulated depreciation.

(c) Property and equipment leased out under operating leases

The Group leases out investment properties under operating leases. The leases typically run for an initial period of two to three years, with an option to renew the leases after that date, at which time all terms are renegotiated.

The Group's total future minimum lease receivable under non-cancellable operating leases for investment and subletting properties are as follows:

25 使用權資產

25 Right-of-use assets

		租賃樓宇 Leased premises 港幣千元 HK\$' 000	設備及其他 Equipment and others 港幣千元 HK\$' 000	總額 Total 港幣千元 HK\$' 000
成本：	Cost:			
於2020年1月1日	At 1 January 2020	975,837	1,152	976,989
增加	Additions	304,936	–	304,936
本期減少	Reductions	(105,908)	–	(105,908)
匯兌調整	Exchange adjustments	7,432	18	7,450
於2020年12月31日	At 31 December 2020	1,182,297	1,170	1,183,467
成本：	Cost:			
於2019年1月1日	At 1 January 2019	937,093	37	937,130
增加	Additions	40,029	1,093	41,122
匯兌調整	Exchange adjustments	(1,285)	22	(1,263)
於2019年12月31日	At 31 December 2019	975,837	1,152	976,989
累計折舊：	Accumulated depreciation:			
於2020年1月1日	At 1 January 2020	297,168	314	297,482
本年度折舊(附註10)	Charge for the year (note 10)	291,148	628	291,776
本期減少	Reductions	(105,908)	–	(105,908)
匯兌調整	Exchange adjustments	3,451	13	3,464
於2020年12月31日	At 31 December 2020	485,859	955	486,814
累計折舊：	Accumulated depreciation:			
於2019年1月1日	At 1 January 2019	–	–	–
本年度折舊(附註10)	Charge for the year (note 10)	297,563	312	297,875
匯兌調整	Exchange adjustments	(395)	2	(393)
於2019年12月31日	At 31 December 2019	297,168	314	297,482
賬面淨值：	Net book value:			
於2020年12月31日	At 31 December 2020	696,438	215	696,653
於2019年12月31日	At 31 December 2019	678,669	838	679,507

26 無形資產

26 Intangible assets

電腦軟件
Software
港幣千元
HK\$' 000

成本：	Cost:	
於2020年1月1日	At 1 January 2020	1,380,991
增加	Additions	258,041
出售	Disposals	(5,215)
匯兌調整	Exchange adjustments	2,403
於2020年12月31日	At 31 December 2020	1,636,220
成本：	Cost:	
於2019年1月1日	At 1 January 2019	1,270,593
增加	Additions	115,308
出售	Disposals	(100)
匯兌調整	Exchange adjustments	(4,810)
於2019年12月31日	At 31 December 2019	1,380,991
累計攤銷：	Accumulated amortisation:	
於2020年1月1日	At 1 January 2020	796,182
本年度攤銷(附註10)	Charge for the year (note 10)	207,597
出售	Disposals	(4,863)
匯兌調整	Exchange adjustments	2,203
於2020年12月31日	At 31 December 2020	1,001,119
累計攤銷：	Accumulated amortisation:	
於2019年1月1日	At 1 January 2019	618,383
本年度攤銷(附註10)	Charge for the year (note 10)	181,354
出售	Disposals	(100)
匯兌調整	Exchange adjustments	(3,455)
於2019年12月31日	At 31 December 2019	796,182
賬面淨值：	Net book value:	
於2020年12月31日	At 31 December 2020	635,101
於2019年12月31日	At 31 December 2019	584,809

27 客戶存款

27 Deposits from customers

		2020	2019
		港幣千元	港幣千元
		HK\$'000	HK\$'000
活期及往來賬戶存款	Demand deposits and current deposits	39,341,433	24,280,861
儲蓄存款	Savings deposits	61,272,117	52,480,417
定期、即期及短期通知存款	Time, call and notice deposits	209,263,466	200,111,402
		309,877,016	276,872,680

28 已發行存款證

28 Certificates of deposit issued

		2020	2019
		港幣千元	港幣千元
		HK\$'000	HK\$'000
按攤銷成本計算	At amortised cost	-	3,112,919

29 已發行債務證券

29 Debt securities issued

		2020	2019
		港幣千元	港幣千元
		HK\$'000	HK\$'000
按攤銷成本計算	At amortised cost	-	3,346,067

債務證券於2017年由本行發行，票息利率為年息率4.4%，並已於2020年年內到期。

The debt securities was issued by the Bank in 2017 and bore a coupon interest rate at 4.4% per annum. The debt securities matured during the year ended 31 December 2020.

30 綜合財務狀況表所示的所得稅

30 Income tax in the consolidated statement of financial position

(a) 財務狀況表所示的本期稅項為：

(a) Current taxation in the statement of financial position represents:

		2020	2019
		港幣千元	港幣千元
		HK\$'000	HK\$'000
香港利得稅	Hong Kong Profits Tax	(42,982)	698,549
海外稅項	Overseas Taxation	7,189	446
		(35,793)	698,995
其中：	Of which:		
可收回稅項	Tax recoverable	(55,449)	(6,842)
本期稅項	Current taxation	19,656	705,837
		(35,793)	698,995

30 綜合財務狀況表所示的所得稅(續)

(b) 已確認的遞延稅項資產及負債

已於財務狀況表確認的遞延稅項(資產)/
負債的組合及本年度內的變動如下：

30 Income tax in the consolidated statement of financial position (continued)

(b) Deferred tax assets and liabilities recognised

The components of deferred tax (assets)/liabilities recognised in the statement of financial position and the movements during the year are as follows:

		折舊免稅額 超過有關折舊 Depreciation allowances in excess of related depreciation 港幣千元 HK\$'000	貸款及墊款 減值準備 Impairment allowances for loans and advances 港幣千元 HK\$'000	物業重估調整 Revaluation adjustments for properties 港幣千元 HK\$'000	以公允價值計入 其他全面收益的 金融資產的 減值準備和 重估調整 Impairment allowances and revaluation adjustments for FVOCI 港幣千元 HK\$'000	稅項損失 Tax losses 港幣千元 HK\$'000	其他 Others 港幣千元 HK\$'000	總額 Total 港幣千元 HK\$'000
遞延稅項源自：	Deferred tax arising from:							
於2020年1月1日	At 1 January 2020	107,026	(454,177)	1,965	43,755	-	(11,594)	(313,025)
綜合收益表內撇銷/ (回撥)(附註13)	Charged/(credited) to income statement (note 13)	10,350	224,631	(1,061)	-	(136,306)	2,128	99,742
儲備內撇銷	Charged to reserves	-	-	-	42,314	-	-	42,314
匯兌及其他調整	Exchange and other adjustments	(54)	144	-	-	(2,110)	(214)	(2,234)
於2020年12月31日	At 31 December 2020	117,322	(229,402)	904	86,069	(138,416)	(9,680)	(173,203)
於2019年1月1日	At 1 January 2019	118,357	(438,235)	7,951	(84,688)	-	(8,804)	(405,419)
綜合收益表內回撥 (附註13)	Credited to income statement (note 13)	(11,525)	(16,168)	(5,976)	-	-	(2,790)	(36,459)
儲備內撇銷/(回撥)	Charged/(credited) to reserves	-	-	(10)	128,443	-	-	128,433
匯兌及其他調整	Exchange and other adjustments	194	226	-	-	-	-	420
於2019年12月31日	At 31 December 2019	107,026	(454,177)	1,965	43,755	-	(11,594)	(313,025)

30 綜合財務狀況表所示的所得稅 (續)**30 Income tax in the consolidated statement of financial position (continued)****(b) 已確認的遞延稅項資產及負債 (續)****(b) Deferred tax assets and liabilities recognised (continued)**

		2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
在綜合財務狀況表確認的 淨遞延稅項資產	Net deferred tax assets recognised on the consolidated statement of financial position	(174,107)	(315,216)
在綜合財務狀況表確認的 淨遞延稅項負債	Net deferred tax liabilities recognised on the consolidated statement of financial position	904	2,191
		(173,203)	(313,025)

(c) 未確認的遞延稅項資產

由於未來可能沒有適用於有關稅務機關的應課稅溢利以彌補有關損失，本集團並未確認累計稅項損失的遞延稅項資產為港幣636,000元（2019年：港幣761,000元）。根據現時稅務條例，這些稅項損失沒有到期日。

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$636,000 (2019: HK\$761,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

31 其他負債**31 Other liabilities**

		2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
應計及其他應付賬項及準備	Accruals and other payables and provisions	7,796,058	8,739,592
直接控股公司存款	Deposit from an immediate holding company	2,282,116	1,415,701
		10,078,174	10,155,293

於2020年12月31日，以上賬項包含對貸款承擔及擔保的第1階段及第2階段預期信貸損失準備合計分別為港幣125,762,000元及892,000元（2019年第1階段：港幣70,663,000元）。

At 31 December 2020, included above is the expected credit losses allowances on loan commitments and guarantees for Stages 1 and 2 amounted to HK\$125,762,000 and HK\$892,000, respectively (2019: Stage 1: HK\$70,663,000).

32 債務資本

32 Loan capital

		2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
後償票據，按攤銷成本包括	Subordinated notes, at amortised cost		
公允價值套期調整：	with fair value hedge adjustments:		
於2020年到期年息率為6.875%， 面值500,000,000美元的後償票據*	US\$500 million Subordinated Fixed Rate Notes at 6.875%, due 2020*	-	2,384,710
於2029年到期年息率為4.625%， 面值500,000,000美元的後償票據**	US\$500 million Subordinated Fixed Rate Notes at 4.625%, due 2029**	3,855,374	3,864,472
		3,855,374	6,249,182

* 根據於2007年12月發行的2,000,000,000美元中期票據計劃(「中期票據計劃」)及於2010年6月頒佈的發售通函，本行於2010年6月24日發行每半年派息年息率為6.875%及面值500,000,000美元(等值港幣3,888,900,000元)的後償票據。這些票據在新加坡交易所有限公司上市。這些票據部分由本行贖回，面值為195,616,000美元，代價為204,548,000美元(相當於港幣1,605,959,000元)，截至2019年12月31日止於收益表確認的贖回部分債務資本的損失為港幣58,995,000元。這些票據已於2020年6月24日到期。

** 本行根據以上的中期票據計劃及於2019年2月發出的補充發售通函，於2019年2月28日發行面值500,000,000美元(等值港幣3,925,600,000元)的後償票據，該後償票據符合《巴塞爾協定三》的二級資本要求。後償票據的票面年利率定於4.625%，每半年派息至2024年2月28日止，若屆時未有行使贖回權，票據的票面利率將根據當時5年期美國國庫債券孳息率加2.25%年利率重新釐定。這些票據在香港聯合交易所有限公司上市，並將於2029年2月28日到期，及於2024年2月28日可選擇提前贖回。

* Under a US\$2 billion Medium Term Note Programme ("the Programme") issued in December 2007 and the Offering Circular issued in June 2010, the Bank issued subordinated fixed rate notes on 24 June 2010 with a face value of US\$500 million (equivalent to HK\$3,888.9 million). The notes carried an interest rate of 6.875% per annum, payable semi-annually. The notes were listed on the Singapore Exchange Securities Trading Limited. The notes were redeemed partially by the Bank with a face value of US\$195,616,000 at a consideration of US\$204,548,000 (equivalent to HK\$1,605,959,000). A loss from partial redemption of HK\$58,995,000 was recognised in the income statement accordingly for the year ended 31 December 2019. The remainder of the notes matured on 24 June 2020.

** Under the Programme and supplemental offering circulars released in February 2019, the Bank issued subordinated notes on 28 February 2019 with a face value of US\$500 million (equivalent to HK\$3,925.6 million) and which qualified as Basel III-compliant Tier-2 capital. The notes carry interest at a fixed rate of 4.625% per annum, payable semi-annually until 28 February 2024, and thereafter fixed at the interest rate of the prevailing five-year US Treasury bonds yield plus 2.25% per annum if the notes are not redeemed on the call date. The notes are listed on The Stock Exchange of Hong Kong Limited and mature on 28 February 2029 with an optional redemption date falling on 28 February 2024.

33 資本及儲備**(a) 股本**

(i) 已發行及繳足普通股：

		2020		2019	
		股本 股本數目 Number of shares	Share capital 港幣千元 HK\$'000	股本 股本數目 Number of shares	Share capital 港幣千元 HK\$'000
於1月1日／12月31日	At 1 January/31 December	12,111,121,568	18,404,013	12,111,121,568	18,404,013

(ii) 年內發行的股份

截至2020年12月31日止年度，本行並無發行任何股份(2019年：無)。

(b) 股息

普通股持有人有權收取不時宣派的股息，亦有權於本行的股東大會上按每股一票的方式投票。所有普通股均有同等地位享有本行的剩餘資產。

(c) 儲備性質及目的

(i) 資本儲備

資本儲備乃不可分派予股東。

(ii) 一般儲備

一般儲備是從保留溢利轉出一部份來設立，並且可分派予股東。

(iii) 匯兌差額儲備

匯兌差額儲備包括所有因換算海外業務的財務報表而產生的匯兌差額，並根據附註2.2(r)所載的會計政策處理。

(iv) 物業重估儲備

物業重估儲備是根據附註2.2(k)所載的會計政策處理，並且不可分派予股東，因為根據新的香港《公司條例》(第622章)第6部的定義，這些儲備不屬於已實現溢利。

33 Capital and reserves**(a) Share capital**

(i) Ordinary shares, issued and fully paid:

		2020		2019	
		股本 股本數目 Number of shares	Share capital 港幣千元 HK\$'000	股本 股本數目 Number of shares	Share capital 港幣千元 HK\$'000
於1月1日／12月31日	At 1 January/31 December	12,111,121,568	18,404,013	12,111,121,568	18,404,013

(ii) Shares issued during the year

The Bank did not issue any shares during the year ended 31 December 2020 (2019: Nil).

(b) Dividend

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 shareholders' meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

(c) Nature and purpose of components of reserves

(i) Capital reserve

The capital reserve is not available for distribution to shareholders.

(ii) General reserve

The general reserve was set up from the transfer of retained earnings, and is available for distribution to shareholders.

(iii) Exchange differences reserve

The exchange differences reserve comprises all foreign exchange differences arising from the translation of the financial statement of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2.2(r).

(iv) Property revaluation reserve

The property revaluation reserve is dealt with in accordance with the accounting policies set out in note 2.2(k) and is not available for distribution to shareholders because it does not constitute realised profits within the meaning of Part 6 of the new Hong Kong Companies Ordinance (Cap. 622).

33 資本及儲備 (續)**(c) 儲備性質及目的 (續)****(v) 投資重估儲備**

投資重估儲備包括於結算日持有的以公允價值計入其他全面收益的金融資產／可供出售證券的累計淨公允價值變動，並根據附註2.2(d)(iv)所載的會計政策處理。

(vi) 法定盈餘公積

根據中國相關法例規定，中信銀行國際(中國)需要從其每年的稅後溢利中轉撥10%作為不能分派予股東的法定盈餘公積，直至法定盈餘公積達至法定股本之50%的水平。

(vii) 法定一般儲備

根據中國銀行法規，中信銀行國際(中國)需設法定一般儲備，透過從當年度的利潤分配，直接轉撥提取一般準備以彌補未被認定的潛在損失風險，提取的考慮是基於風險資產在結算日的總賬面值的1%計算。法定一般準備是組成本集團權益的其中一部分。

(viii) 保留溢利

為符合香港《銀行業條例》有關審慎監管的規定，本行需在規管儲備中維持超過已經確認減值損失的將會或可能產生的貸款及墊款的減值損失金額。經諮詢金管局後，儲備的變動已直接在保留溢利內劃定。於2020年12月31日，保留溢利中包括與此有關並屬可派發予本行股東的金額為港幣1,926,768,000元(2019年：港幣243,313,000元)。但於派發前本行須諮詢金管局。

33 Capital and reserves (continued)**(c) Nature and purpose of components of reserves (continued)****(v) Investment revaluation reserve**

The investment revaluation reserve comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income held at the end of the reporting period and is dealt with in accordance with the accounting policies in note 2.2(d)(iv).

(vi) Statutory reserve

Under the relevant legislation of Mainland China, the Bank's wholly-owned PRC subsidiary, CBI (China) is required to transfer 10% of its profit after taxation to a non-distributable statutory reserve until such reserve has reached 50% of its registered share capital.

(vii) Regulatory general reserve

Pursuant to the banking regulations of Mainland China, CBI (China) is required to set up a regulatory general reserve through a direct appropriation from the current year profit, as determined based on the 1% of the total risk assets at the end of the reporting period to cover its unidentified potential loss exposures. The regulatory general reserve forms part of the equity of the Group.

(viii) Retained profits

A regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes by earmarking amounts in respect of impairment losses recognised which the Bank will or may incur on loans and advances. Movements in the reserve are earmarked directly through retained profits and in consultation with the HKMA. At 31 December 2020, HK\$1,926,768,000 (2019: HK\$243,313,000) was included in the retained profits in this respect, which is distributable to equity holders of the Bank subject to consultation with the HKMA.

33 資本及儲備 (續)**(d) 儲備的可分派性**

於2020年12月31日，根據新的香港《公司條例》(第622章)第6部的規定作為計算，可供分派予本行股東的儲備總額為港幣17,405,628,000元(2019年：港幣18,467,461,000元)。以上可供分派的儲備港幣17,405,628,000元(2019年：港幣18,467,461,000元)與根據附註45(b)所報告本行的保留溢利港幣19,390,645,000元(2019年：港幣18,797,023,000元)之間的差額主要是包含一般儲備及剔除投資物業的未實現重估收益及上述的本行監管儲備。可分配儲備總額包括監管儲備港幣1,926,768,000元(2019年：港幣243,313,000元)，該金額於派發前本行須諮詢金管局。

34 其他權益工具**33 Capital and reserves (continued)****(d) Distributability of reserve**

At 31 December 2020, the aggregate amount of reserves available for distribution to equity shareholders of the Bank, as calculated under the provision of Part 6 of the new Hong Kong Companies Ordinance (Cap. 622), was HK\$17,405,628,000 (2019: HK\$18,467,461,000). The difference between the aggregate distributable reserves of HK\$17,405,628,000 (2019: HK\$18,467,461,000) and the Bank's retained profits of HK\$19,390,645,000 (2019: HK\$18,797,023,000) as reported in note 45(b) mainly represents the inclusion of general reserves and the exclusion of unrealised revaluation gains on investment properties and the above regulatory reserve of the Bank. Included in the Bank's retained profits was an amount of HK\$1,926,768,000 (2019: HK\$243,313,000), which was regulatory reserve and the distribution is subject to consultation with the HKMA.

34 Other equity instruments

		2020	2019
		港幣千元	港幣千元
		HK\$'000	HK\$'000
面值500,000,000美元的永續型 非累積後償資本證券*	Undated non-cumulative subordinated capital securities with US\$500 million*	3,863,084	3,863,084
面值500,000,000美元的永續型 非累積後償資本證券**	Undated non-cumulative subordinated capital securities with US\$500 million**	3,907,328	3,907,328
		7,770,412	7,770,412

* 根據中期票據計劃和於2016年8月及9月各自頒佈的發售通函和補充通函，本行於2016年9月29日為符合《巴塞爾協定三》價值500,000,000美元的永續型非累積後償額外一級資本證券進行定價，並簽署具有法律約束力的認購協議。此面值及本金500,000,000美元(等值港幣3,877,860,000元)額外一級資本證券於香港聯合交易所有限公司上市及無固定到期日，由發行日至2021年10月11日首個提前贖回日期前的分派息率為年利率4.25%。若屆時未有行使贖回權，此分派息率的年利率將按當時5年期美國國庫債券息率加年利率3.107%每五年一次重新釐訂。

* Under the Programme and the new and supplemental offering circulars release in August and September 2016, respectively, the Bank priced its US\$500 million Basel III compliant Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities with the legal binding subscription agreements signed on 29 September 2016. The AT1 Capital Securities with a face value and principal amount of US\$500 million (equivalent to HK\$3,877.86 million) are perpetual and listed on The Stock Exchange of Hong Kong Limited, and bear a coupon of 4.25% per annum for the first 5 years from the date of issue to the optional redemption date falling on 11 October 2021. The distribution rate will be reset every five years if the AT1 Capital Securities are not called by the Bank at a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus 3.107% per annum.

34 其他權益工具(續)

根據條款及條件，額外一級資本賦予持有人按本金收取非累計分派(每次分派)的權利，包括自發行日的適用分派率，及於每年的4月11日和10月11日派半年息一次。本行可以自行決定，選擇取消分派付款或贖回額外一級資本，但需得到金管局的事先書面同意。本行可根據既定的非可行性情況出現時及所載條款及條件減值未償還額外一級資本證券的總額。根據香港《金融機構(處置機制)條例》(第628章)中賦予自救權力，當非可行性事件發生時，香港處置機制當局可行使相關香港處置機制當局權決定調整未償還額外一級資本證券總額。截至2020年12月31日年內的分派付款的支付為21,250,000美元(等值港幣164,700,000元)(2019年：21,250,000美元，等值港幣166,745,000元)。

** 根據2018年10月發佈的計劃和補充發行通函，本行於2018年11月6日為符合《巴塞爾協定三》發行了定價為500,000,000美元的永續型非累積後償額外一級資本證券。此面值及本金500,000,000美元(等值港幣3,916,900,000元)額外一級資本證券於香港聯合交易所有限公司上市及無固定到期日，於2023年11月6日首個提前贖回日期前的分派息率為年利率7.10%。若屆時未有行使贖回權，此分派息率的年利率將按當時5年期美國國庫債券息率加年利率4.151%每五年一次重新釐訂。

根據條款及條件，額外一級資本證券賦予持有人按本金收取非累計分派(每次分派)的權利，包括自發行日的適用分派率，及於每年的5月6日和11月6日派半年息一次。本行可以自行決定，選擇取消分派付款或贖回額外一級資本，但需得到金管局的事先書面同意。本行可根據既定的非可行性情況出現時及所載條款及條件減值未償還額外一級資本證券的總額。根據香港《金融機構(處置機制)條例》(第628章)中賦予自救權力，當非可行性事件發生時，香港處置機制當局可行使相關香港處置機制當局權決定調整未償還額外一級資本證券總額。截至2020年12月31日年內的分派付款的支付為35,500,000美元(等值港幣275,187,000元)(2019年：35,500,000美元，等值港幣278,390,000元)。

34 Other equity instruments (continued)

According to the terms and conditions, the AT1 Capital Securities confer a right to the holders to receive non-cumulative distributions on the principal amount from, and including, the issue date at the applicable distribution rate, payable semi-annually in arrears on 11 April and 11 October in each year. The Bank may, at its sole discretion, elect to cancel the distribution payment or redeem the AT1 Capital Securities subject to prior written consent of the HKMA. The outstanding amount of AT1 Capital Securities can be written down by the Bank following the occurrence of a non-viability event as defined and set out in the terms and conditions. At the sole discretion of the relevant Hong Kong Resolution Authority following a non-viability event, the outstanding amount of AT1 Capital Securities can be adjusted upon the exercise of Hong Kong Resolution Authority Power in accordance with the Hong Kong Financial Institutions (Resolution) Ordinance (Cap.628). A distribution payment of US\$21,250,000 (equivalent to HK\$164,700,000) was paid during the year ended 31 December 2020. (2019: US\$21,250,000, equivalent to HK\$166,745,000).

** Under the Programme and supplemental offering circulars released in October 2018, the Bank issued the US\$500 million Basel III compliant Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities on 6 November 2018. The AT1 Capital Securities with a face value and principal amount of US\$500 million (equivalent to HK\$3,916.90 million) are perpetual and listed on the Stock Exchange of Hong Kong Limited, and bear a coupon of 7.10% per annum distribution rate until the first call date on 6 November 2023. The distribution rate will be reset every five years if the AT1 Capital Securities are not called by the Bank to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus 4.151% per annum.

According to the terms and conditions, the AT1 Capital Securities confer a right to the holders to receive non-cumulative distributions on the principal amount from, and including, the issue date at the applicable distribution rate, payable semi-annually in arrear on 6 May and 6 November in each year. The Bank may, at its sole discretion, elect to cancel the distribution payment or redeem the AT1 Capital Securities subject to prior written consent of the HKMA. The outstanding amount of AT1 Capital Securities can be written down by the Bank following the occurrence of a non-viability event as defined and set out in the terms and conditions. At the sole discretion of the relevant Hong Kong Resolution Authority following a non-viability event, the outstanding amount of AT1 Capital Securities can be adjusted upon the exercise of Hong Kong Resolution Authority Power in accordance with the Hong Kong Financial Institutions (Resolution) Ordinance (Cap.628). A distribution payment of US\$35,500,000 (equivalent to HK\$275,187,000) was paid during the year ended 31 December 2020(2019: US\$35,500,000, equivalent to HK\$278,390,000).

35 綜合現金流量表附註

35 Notes to consolidated cash flow statement

		2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
(a) 經營溢利與經營業務之現金淨額的對賬	(a) Reconciliation of operating profit to net cash flow from operating activities		
經營業務	Operating activities		
稅前溢利	Profit before taxation	1,306,088	3,333,975
非現金項目調整：	Adjustments for non-cash items:		
金融資產預期信貸損失	Expected credit losses on financial assets	2,356,656	1,216,032
其他資產減值損失(轉回)/提撥	Impairment losses (reversed)/charged on other assets	(4,176)	51,711
出售以公允價值計入其他全面收益的金融資產淨損失	Net loss on disposal of financial assets at fair value through other comprehensive income	33,428	21,940
出售物業及設備淨損失	Net loss on disposal of property and equipment	961	2,787
投資物業重估損失	Revaluation loss on investment properties	34,300	1,459
應佔聯營企業收益	Share of profit of associates	-	(841)
出售聯營企業收益	Gain on disposal of interest in associates	-	(9,226)
贖回部分債務資本損失	Loss on partial redemption of loan capital	-	58,995
遞延支出攤銷	Amortisation of deferred expenses	89,954	48,274
無形資產攤銷	Amortisation of intangible assets	207,597	181,354
物業及設備折舊	Depreciation on property and equipment	113,458	101,493
使用權資產折舊	Depreciation on right-of-use assets	291,776	297,875
權益證券股息收入	Dividend income from equity securities	(4,330)	(4,630)
債務資本及已發行債務證券利息支出	Interest expense on loan capital and debt securities issued	315,332	543,228
匯兌差額	Foreign exchange differences	(650,433)	196,307
營運資金變動前的經營溢利	Operating profit before changes in working capital	4,090,611	6,040,733
經營資產淨減少/(增加)	Net decrease/(increase) in operating assets		
原到期日超過3個月的在銀行、中央銀行及其他金融機構的存款及墊款	Placements with and advances to banks, central banks and other financial institutions with original maturity beyond 3 months	4,203,829	(3,976,052)
原到期日超過3個月的國庫券	Treasury bills with original maturity beyond 3 months	(403,416)	(863,149)
原到期日超過3個月的持有存款證	Certificates of deposit held with original maturity beyond 3 months	797,370	8,726,213
以公允價值計入損益的金融資產	Financial assets at fair value through profit or loss	(740,706)	(467,838)
衍生金融工具	Derivative financial instruments	(8,094,993)	(255,775)
客戶貸款及墊款及其他賬項	Loans and advances to customers and other accounts	(35,549,178)	8,882,524
以公允價值計入其他全面收益的金融資產	Financial assets at fair value through other comprehensive income	(6,573,671)	(12,163,713)
		(46,360,765)	(117,790)

35 綜合現金流量表附註 (續)

35 Notes to consolidated cash flow statement (continued)

	2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
(a) 經營溢利與經營業務之現金淨額的對賬 (續)	(a) Reconciliation of operating profit to net cash flow from operating activities (continued)	
經營負債淨 (減少)/增加	Net (decrease)/increase in operating liabilities	
銀行及其他金融機構的存款及結存		
客戶存款		
衍生金融工具		
已發行存款證		
其他負債		
	36,911,304	(2,856,674)
(用於)/來自經營業務的現金額	Cash (used in)/generated from operating activities	
已付所得稅	Income tax paid	
已付香港利得稅		
已付海外稅項		
	(730,888)	(366,897)
	(37,747)	(60,846)
(用於)/來自經營業務的現金淨額	Net cash flow (used in)/generated from operating activities	
經營業務產生的現金包括：	Cash flows from operating activities included:	
已收利息	8,585,922	11,862,060
已付利息	(4,036,553)	(5,239,643)
(b) 現金及現金等值項目的結存分析	(b) Analysis of the balances of cash and cash equivalents	
現金及在銀行、中央銀行及其他金融機構的結存	32,181,569	25,572,830
在銀行、中央銀行及其他金融機構的存款及墊款 (原於3個月內到期)	17,336,484	49,913,849
國庫券及持有的存款證 (原於3個月內到期)		
— 以公允價值計入其他全面收益的金融資產	28,786,996	15,416,520
	78,305,049	90,903,199

35 綜合現金流量表附註 (續)

35 Notes to consolidated cash flow statement (continued)

(c) 融資業務產生的負債變化

(c) Changes in liabilities arising from financing activities

		2020		2019	
		已發行 債務證券 Debt securities issued	貸款資金 Loan capital	已發行 債務證券 Debt securities issued	貸款資金 Loan capital
Liabilities from financing activities		港幣千元 HK\$' 000	港幣千元 HK\$' 000	港幣千元 HK\$' 000	港幣千元 HK\$' 000
融資業務的負債					
於1月1日	At 1 January	3,346,067	6,249,182	3,408,077	6,283,542
於本年度內新發行	New issue during the year	-	-	-	3,908,552
贖回	Redemption	(3,252,833)	(2,359,017)	-	(3,902,486)
匯兌差額	Foreign exchange differences	(94,911)	(23,025)	(66,364)	(39,742)
其他非現金調整	Other non-cash adjustments	1,677	(11,766)	4,354	(684)
於12月31日	At 31 December	-	3,855,374	3,346,067	6,249,182

36 僱員退休計劃

36 Staff retirement scheme

本集團設有一項界定供款公積金計劃(「該退休計劃」)；據此，本集團須作出相當於僱員基本薪金10%的供款。該退休計劃是一個強積金豁免計劃，涵蓋範圍遍及本集團的所有全職僱員。僱員毋須作出任何供款。如果僱員在獲得全數供款前離職，本集團不得將僱員所放棄的供款用作減少現時的供款額，而需將有關供款撥入一個獨立的福利基金，作為該退休計劃成員的福利金。

The Group has a defined contribution provident fund scheme ("the Retirement Scheme") under which it contributes 10% of the employees' basic salaries. The Retirement Scheme is a Mandatory Provident Fund ("MPF") exempted scheme and covers all permanent full-time employees of the Group. No employee contributions are required. Contributions forfeited by leavers prior to vesting fully may not be used by the Group to reduce the existing level of contribution, but are transferred to a separate welfare fund which shall be applied for the welfare of the Retirement Scheme's members.

除了該退休計劃外，本集團自2000年12月1日起，也參與一項認可強積金計劃，為現有及新聘的僱員提供計劃選擇。本集團已根據強積金計劃提供等同強制部分的福利。

In addition to the Retirement Scheme, the Group has also participated in an approved MPF scheme effective from 1 December 2000 to provide a choice of schemes to both existing and new employees. Mandatory benefits are provided under the MPF Scheme.

本年度內，本集團就這些計劃作出的供款約為港幣124,372,000元(2019年：港幣116,876,000元)(附註10)。

During the year, the Group contributed approximately HK\$124,372,000 (2019: HK\$116,876,000) (note 10) to these schemes.

37 用作抵押的資產

37 Assets pledged as security

		2020年 港幣千元 HK\$'000	2019年 港幣千元 HK\$'000
用作抵押的資產	Assets pledged as security		
以公允價值計入其他 全面收益的金融資產的 法定存款(附註)	Financial assets at fair value through other comprehensive income pledged as statutory deposits (Note)	92,980	202,408

附註：

用作抵押的資產是指本行的海外分行抵押予美國貨幣監理處的法定存款。

Note:

The assets pledged represented statutory deposits pledged by the overseas branches of the Bank to the Office of the Comptroller of the Currency in the United States.

38 重大關聯方交易

38 Material related party transactions

除在本財務報表其他部份披露的交易及結餘外，本集團進行了以下重大關聯方交易。

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

(a) 與集團公司的交易

本年度內，本集團在其日常銀行業務過程中與關聯方進行了多項交易，其中特別包括借貸、接受及存放同業存款、參與銀團貸款、往來銀行交易和外匯交易。這些交易的合約定價是按照每次進行交易時的相關市場利率而定，並與提供給本集團其他交易方及客戶的條款相同。董事會認為，這些交易是按正常商業條款進行。

(a) Transactions with group companies

During the year, the Group entered into a number of transactions with related parties in the normal course of its banking business; including, inter alia, lending, acceptance and placement of interbank deposits, participation in loan syndicates, correspondent banking transactions and foreign exchange transactions. The transactions were priced based on relevant market rates at the time of each transaction, and were under the same terms as those available to other counterparties and customers of the Group. In the opinion of the Directors, these transactions were conducted on normal commercial terms.

38 重大關聯方交易 (續)

(a) 與集團公司的交易 (續)

本年度內，關聯方交易的數額及於結算日的結欠如下：

		最終控股及 中間控股母公司		直接控股母公司		同系附屬公司		聯營公司 (附註(i))		關聯公司 (附註(ii))	
		Ultimate holding and intermediate parents		Immediate parent		Fellow subsidiaries		Associates (note (i))		Related companies (note (ii))	
		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
		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	港幣千元	港幣千元
		HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
利息收入	Interest income	66,095	69,534	-	-	25,206	27,199	41,743	24,978	-	96,364
利息支出	Interest expense	(12,433)	(47,883)	(16,958)	(20,394)	(33,251)	(91,762)	(68,551)	(65,326)	(41)	(5,922)
費用及佣金收入/ (支出)	Fee and commission income/ (expenses)	271	(41)	-	-	-	-	-	-	-	-
交易用途衍生收益/(損失)	Trading gain/(loss) on derivatives	610,433	60,058	-	-	(9,714)	(10,946)	(3,813)	(7,488)	450	749
經營收入	Other operating income	-	-	4,200	-	-	-	-	-	-	-
經營支出	Other operating expenses	(2,454)	(1)	(4,200)	-	(24,351)	(19,391)	(760)	(40)	(1,488)	-
資產	Assets										
以公允價值計入其他全面 收益的金融資產	Financial assets at fair value through other comprehensive income	-	-	-	-	117,038	119,037	956,092	-	-	-
以公允價值計入損益的 金融資產	Financial assets at fair value through profit or loss	-	-	-	-	-	-	3,522	-	-	-
衍生金融工具	Derivative financial instruments	775,480	157,696	-	-	6,621	3,416	13,822	11,197	-	-
其他應收賬項	Other receivables	262,443	86,401	-	-	4,609	3,897	11,175	2,265	1,137	311
負債	Liabilities										
衍生金融工具	Derivative financial instruments	363,927	163,006	-	-	27,922	44,965	3,202	-	-	-
其他應付賬項	Other payables	64,996	56,086	-	-	10,355	12,515	4,945	6,895	-	140
貸款活動：	Lending activities										
於12月31日	At 31 December	1,111,479	6,631,306	-	-	1,387,936	869,691	78,523	359,981	1,216	2,200,000
本年度平均金額	Average for the year	4,467,183	3,866,934	-	-	963,090	592,714	1,029,184	590,446	880,243	2,200,000
接受存款：	Acceptance of deposits										
於12月31日	At 31 December	5,165,421	417,758	2,271,114	1,404,767	3,726,340	6,579,461	6,812,972	3,277,237	133,863	578,447
本年度平均金額	Average for the year	1,500,471	2,810,036	1,933,359	1,097,447	5,134,930	5,326,533	3,952,402	3,553,411	384,047	738,046
財務狀況表外項目	Off-statement of financial position items										
承兌匯票、擔保及信用證	Acceptances, guarantees and letters of credit										
— 應付合約金額	- contract amounts payable	-	-	-	-	(3,000)	(3,000)	-	-	-	-
其他承擔	Other commitments	-	-	-	-	-	311,465	759,000	1,167,021	-	-
衍生金融工具	Derivative financial instruments										
— 名義金額	- notional amounts	83,480,959	65,959,440	-	-	2,029,090	1,892,832	5,789,552	192,964	-	-

38 Material related party transactions (continued)

(a) Transactions with group companies (continued)

The amount of related party transactions during the year and outstanding balances at the end of the year are set out below:

38 重大關聯方交易 (續)**(a) 與集團公司的交易 (續)**

並無就上述關聯方貸款及存款作出減值準備。

附註：

- (i) 本集團的聯營公司包括屬於最終控股公司及直接控股母公司的聯營公司。
- (ii) 關聯公司是指與中間控股母公司擁有共同股東。以及中間控股母公司股東的子公司。

(b) 與主要管理人員的交易

本集團主要管理人員酬金總額包括附註11所披露已付予本行董事的款項，詳情如下：

38 Material related party transactions (continued)**(a) Transactions with group companies (continued)**

No impairment allowances were made in respect of the above loans to and placements with related parties.

Note:

- (i) Associates of the Group include the associates of the ultimate controlling party and immediate parent respectively.
- (ii) Related companies refers to companies which are common shareholder, and subsidiaries of shareholders of the intermediate parent.

(b) Transactions with key management personnel

The aggregate amount of remuneration of key management personnel of the Group, including the amount paid to the Bank's Directors as disclosed in note 11, are as follows:

		2020	2019
		港幣千元	港幣千元
		HK\$'000	HK\$'000
短期僱員福利	Short-term employee benefits	66,508	96,505
離職後福利	Post-employment benefits	3,461	4,241
		69,969	100,746

酬金總額已計入「員工成本」(附註10)。

Total remuneration is included in 'staff costs' (note 10).

本年度內，本行向本行內部及其控股公司的主要管理人員和他們的近親及由他們控制或受他們重大影響的公司提供信貸融資。信貸融資是在日常業務過程中提供，並與身份類似人士或(如適用)與其他僱員進行可比較交易的條款大致相同。

During the year, the Bank provided credit facilities to key management personnel of the Bank and its holding companies and their close family members, as well as to companies controlled or significantly influenced by them. The credit facilities were provided in the ordinary course of business and on substantially the same terms as for comparable transactions with persons of a similar standing, or where applicable, with other employees.

		2020	2019
		港幣千元	港幣千元
		HK\$'000	HK\$'000
於1月1日的結餘	At 1 January	12,832	16,247
於12月31日的結餘	At 31 December	17,122	12,832
年內最高結欠總額	Maximum amount during the year	23,410	18,003

38 重大關聯方交易 (續)**(b) 與主要管理人員的交易 (續)**

本集團沒有就主要管理人員於年內的結欠額確認任何減值虧損，也沒有就主要管理人員和他們的近親於年末的結欠額提撥個別評估的減值準備。

(c) 行政人員貸款

根據《香港公司條例》(第622G章)第17條「披露董事利益資料」，披露截至2020和2019年12月31日行政人員的貸款資料如下。

38 Material related party transactions (continued)**(b) Transactions with key management personnel (continued)**

No impairment losses were recorded against outstanding balances with key management personnel during the year, and no individually assessed impairment allowance was made on balances with key management personnel and their immediate relatives at the year end.

(c) Loans to directors

Particulars of loans to directors disclosed pursuant to Section 17 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) for the year ended 31 December 2020 and 2019 are shown as below.

		2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
於12月31日本行提供的有關 貸款結欠總額	Aggregate amount of relevant loans made by the Bank at 31 December		
– 發放貸款及墊款	– Loans and advances	12,712	7,218
– 承諾信貸額	– Committed facility	23,070	19,593
本年度內本行提供的有關貸款 最高結欠總額	Maximum aggregate amount of relevant loans made by the Bank during the year		
– 發放貸款及墊款	– Loans and advances	15,170	12,507

於2020年及2019年12月31日，本集團沒有為這些貸款提撥準備。

There were no impairment allowances made against these loans at 31 December 2020 and 2019.

39 金融風險管理

本集團透過董事會及其授權的委員會密切監督以管理各類型的風險。本集團的風險管理部獲授權擔當持續的管理職責，推動和執行集團的風險管理框架和管治，包括識別、量化、監測、報告和緩解風險。

39 Financial risk management

The Group manages its risks under the oversight of the Board of Directors and its delegated committees. The Risk Management Group ("RMG") has been entrusted with the ongoing responsibilities of driving and implementing the Group's risk management framework and governance encompassing the identification, quantification, monitoring, reporting, and mitigation of the risks to which the Group is exposed.

39 金融風險管理 (續)

本集團採用「標準方法」計算信貸及市場風險，而業務操作風險則採用「基本指標法」。本集團已制定了政策、程序和流程以識別和建立適當的風險限額來分析、控制和監測這些風險。本集團不斷提升其風險管理框架和基礎設施，以緊貼市場、產品提供和國際最佳風險管理程序。本集團的內部審計亦會定期進行獨立審核，以確保遵守內部政策和監管要求。

本集團管理的風險主要包括以下各類：

(a) 信貸風險管理

信貸風險是客戶或交易對手不能履行其合約責任所招致財務損失的風險。信貸風險主要來自貸款及墊款、債務證券、國庫券、交易衍生產品及資產負債表外業務，如貸款承諾。本集團已建立一系列標準、政策及程序以量度、監控及減低借貸業務的風險。本集團會按要求而評估有關政策及程序，以便能夠在急速轉變的市場環境下作快速的回應以更有效反映在信貸考慮中的風險因素。

為積極加強風險基礎設施及應對持續加劇的監管要求，本集團通過鞏固三道防線並實施了多個風險管理監管的增強項目並提高其主動性。自2020年以來，本集團啟動了各種監管專案以全面符合新規則和監管標準，包括初始保證金標準、交易對手信用風險的標準化方法，對巴塞爾協議III的計算法改革和香港財務報告準則第9號模型驗證。此外，本集團繼續加強對其風險框架和指標的現有管治、風險限額控制流程、報告、披露和差異分析。

信貸風險管理及監控集中於信貸委員會轄下之風險管理部，並每季在董事會向信貸及風險管理委員會匯報。該委員會對本集團的風險管理程序提供合適的監察，確定集團的政策及風險取態，並為風險管理部提供方法以執行措施來減低因集團已採納的策略而產生的信貸風險。

39 Financial risk management (continued)

The Group adopts the Standardised Approach for credit and market risk measurement, and the Basic Indicator Approach for operational risk measurement. The Group has established policies, procedures and processes to identify and set appropriate risk limits, as well as to analyse, control and monitor these risks. The Group continually strives to enhance its risk management framework and infrastructure in keeping with the market, product offerings and international best practices. The Group's internal auditor performs regular independent audits to ensure due compliance with internal policies and regulatory requirements.

The Group manages the following main types of risk:

(a) Credit risk management

Credit risk is the risk of financial loss due to the failure of a customer or counterparty to fulfill its contractual obligations. Credit exposure principally arises in loans and advances, debt securities, treasury bills and trading derivatives, as well as in the credit risk from financial arrangements in off-balance sheet financial positions such as loan commitments. The Group has developed standards, policies and procedures to measure, monitor and mitigate the risk of its lending business. The policies and procedures are reviewed as required, to respond quickly to the changing market environment and to better reflect the risk factors for the Group's credit considerations.

Throughout the full year of 2020, the Group continues to enhance its risk management framework and internal control practices by solidifying its three lines of defence, promoting risk culture and reviewing its risk appetite and policies to ensure its compliance with regulatory requirements. Various risk management enhancement projects and initiatives are underway to keep pace with the evolving regulatory landscape and increasingly stringent regulatory requirements. These projects included Initial Margin Standard for non-centrally cleared over-the-counter derivatives, Standardised Approach to Counterparty Credit Risk, Basel III reform on the calculation of risk-weighted assets for credit risk, and HKFRS-9 model validation. Furthermore, the Group continues to enhance the existing risk governance, risk limit control process, reporting, disclosure and variance analysis on its risk framework and metrics.

Credit risk is controlled and managed by the Risk Management Group ("RMG") under the oversight of the Credit Committee, and is reported to the Credit & Risk Management Committee ("CRMC") at the board level on a quarterly basis. These committees provide appropriate oversight of the Group's risk management practices by defining the Group's policies and risk appetite, and providing the RMG with the means to implement measures to mitigate credit risk arising from the Group's adopted strategy.

39 金融風險管理 (續)

(a) 信貸風險管理 (續)

產品的信貸風險會在產品計劃以及正在進行的審查和評估過程中得以識別及計量。各交易對手的信貸風險由信貸人員根據本集團內部之風險評級模型以識別及計量。信貸申請之批核會因情況而定，並由指定職權的信貸人員或信貸委員會負責。

本集團通過取得抵押品和與借款人或交易對手訂立可依法執行的可抵銷或按淨額基準結算的協議，以減低信貸風險，只要這些條款和協議在法律上可以確立並執行。

當地理、經濟或行業因素的變動對各交易對手團體產生類似影響，而這些團體的信貸風險合計起來對本集團的總體風險而言屬重大時，便會產生信貸風險集中的問題。本集團的金融工具組合分散在不同的地區、行業和產品類別。

財資交易信貸風險的管理方式，與本集團管理企業風險的方式相同，並根據各債券發行人和交易對手的風險評級，設定個別風險額度。

有關國家及金融機構的信貸及交易對手風險會根據本集團的國家風險及金融機構風險政策作出評估及定期監察。這些政策的共同實施對處於同一國家風險額度函蓋底下的各國相關金融機構能作出有效的評估及控制信貸額度和期限。

本集團對或有負債採用與財務狀況報表內記錄的金融工具相同的信貸政策，根據貸款審批程序，使用限額以減低風險及進行監察。信貸風險亦因透過向借款人及第三者取得以抵押資產形式的抵押品及擔保而減低。

39 Financial risk management (continued)

(a) Credit risk management (continued)

Credit risk embedded in products is identified and measured in product programmes and on-going review and assessment process. Credit risk pertaining to individual customers is identified and measured by credit officers utilising internal risk rating models. Credit applications are approved by credit officers under delegated authorities or by the Credit Committee.

The Group mitigates credit risk by taking collateral and entering into offsetting or netting agreements with borrowers and counterparties, as the case may be, should such clauses and agreements be legally established and enforceable.

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's portfolio of financial instruments is diversified among geographic, industry and product sectors.

Credit risk for treasury transactions is managed in the same way as the Group manages its corporate risk. Risk grading is applied to the debt issuers and the counterparties, with individual credit limits set.

Credit and counterparty risks related to countries and financial institutions are assessed and monitored regularly according to the Group's Country Risks and Financial Institution Risks policies. The policies are implemented together to effectively assess and control credit limits and tenors made available to the respective financial institutions under an umbrella country risk limit for each country.

The Group applies the same credit policy in respect of contingent liabilities as in respect of financial instruments recorded on the statement of financial position, based on loan approval procedures, use of limits to reduce risk and monitoring. Credit risk is also mitigated by obtaining collateral in the form of pledged assets and guarantees from borrowers and third parties.

39 金融風險管理 (續)

(a) 信貸風險管理 (續)

(i) 信貸質量

本集團已採用一套對應外部信貸評級機構主要級別的24級內部風險評級系統(其中G01至G21級為正常金融資產, G22至G24級為不良金融資產)。這系統與本集團匯報架構的整合能確保信貸風險報告更為細化, 從而提升本行的內部管理水平。風險評級工具均按照不同客戶行業(製造業、貿易業、物業發展/投資等)作分配, 確保本集團能為每位客戶的信貸素質評級, 並決定本行對個別客戶或交易對手的信貸敞口。

每位客戶的風險評級均會作定期檢討, 並按需要作及時修改, 尤其在波動的市場情況下, 本集團亦有委員會負責定期監察較弱的信貸(即風險評級為G19至G21級)以鞏固本集團貸款組合的質素。下表列示本集團的評級基準相對應的外部信貸機構評級:

參考ECAI評級				
Reference ECAI Rating				
債務人級別	穆迪	標準普爾	惠譽國際	評級說明
Obligor Grade	Moody's	S&P	Fitch	Rating Description
G01	Aaa	AAA	AAA	債務被認為本身具有最高的獨立財務實力, 即使可能在沒有任何附屬機構或政府的特殊支持的情況下, 所承受的信用風險水平為最低。 Obligations are judged to have the highest intrinsic, or standalone, financial strength, and thus subject to the lowest level of credit risk absent any possibility of extraordinary support from an affiliate or government.
G02 – G04	Aa1/Aa2/Aa3	AA+/AA/AA-	AA+/AA/AA-	債務被認為本身具有較高的獨立財務實力, 即使可能沒有任何附屬公司或政府提供特別支持的情況下, 所承受的信用風險非常低。 Obligations are judged to have high intrinsic, or standalone, financial strength, and thus subject to very low credit risk absent any possibility of extraordinary support from an affiliate or government.

39 Financial risk management (continued)

(a) Credit risk management (continued)

(i) Credit quality

The Group has adopted a granular 24-grade internal risk rating system (Grades G01-G21 for performing financial assets and Grades G22-G24 for non-performing financial assets) that maps to external credit rating agencies' rating scales. The integration of this framework into the Group's reporting structure has enabled more granular credit risk reporting, thus enhancing the internal management. The risk rating are assigned according to differing customer segments (manufacturing, trading, property development/investment, etc.) which enables the ranking of the credit quality of each customer and the governing of the credit exposure for individual customers or counterparties.

Customers' risk ratings are reviewed regularly and amendments, where necessary, are implemented promptly, particularly in times of fluctuating market conditions. The Group also maintains a committee to regularly oversee weaker credits (which have lower risk ratings of G19-G21) to preserve the Group's quality portfolio. The table below outlines the Group's rating scale benchmarked against external credit agencies:

39 金融風險管理 (續)

(a) 信貸風險管理 (續)

(i) 信貸質量 (續)

債務人級別 Obligor Grade	參考ECAI評級 Reference ECAI Rating			評級說明 Rating Description
	穆迪 Moody's	標準普爾 S&P	惠譽國際 Fitch	
G05 – G07	A1/A2/A3	A+/A/A-	A+/A/A-	債務被認為本身具有中高等級別的獨立財務實力，即使可能沒有任何附屬公司或政府的特別支持的情況下，所承受的信用風險為低風險。 Obligations are judged to have upper-medium-grade intrinsic, or standalone, financial strength, and thus subject to low credit risk absent any possibility of extraordinary support from an affiliate or government.
G08 – G10	Baa1/Baa2/Baa3	BBB+/BBB/BBB-	BBB+/BBB/BBB-	債務被認為本身具有中等或獨立的財務實力，即使可能擁有某些投機性信貸因素，而沒有任何附屬機構或政府提供特別支持的情況下所承受的信用風險為適度。 Obligations are judged to have medium-grade intrinsic, or standalone, financial strength, and thus subject to moderate credit risk and, as such, may possess certain speculative credit elements absent any possibility of extraordinary support from an affiliate or government.
G11 – G13	Ba1/Ba2/Ba3	BB+/BB/BB-	BB+/BB/BB-	債務被認為本身具有投機性或獨立的財務實力，即使可能沒有任何附屬機構或政府提供特別支持的情況下，將會面臨較大的信用風險。 Obligations are judged to have speculative intrinsic, or standalone, financial strength, and are subject to substantial credit risk absent any possibility of extraordinary support from an affiliate or government.
G14 – G16	B1/B2/B3	B+/B/B-	B+/B/B-	債務被認為本身具有投機性或獨立的財務實力，但可能在沒有任何附屬機構或政府提供特別支持的情況下，會承受高信用風險。 Obligations are judged to have speculative intrinsic, or standalone, financial strength, and are subject to high credit risk absent any possibility of extraordinary support from an affiliate or government.

39 Financial risk management (continued)

(a) Credit risk management (continued)

(i) Credit quality (continued)

39 金融風險管理 (續)

(a) 信貸風險管理 (續)

(i) 信貸質量 (續)

債務人級別 Obligor Grade	參考ECAI評級 Reference ECAI Rating			評級說明 Rating Description
	穆迪 Moody's	標準普爾 S&P	惠譽國際 Fitch	
G17 – G18	Caa1/Caa2	CCC+/CCC	CCC+/CCC	債務被認為本身具有投機性或獨立的財務實力，但可能沒有來自附屬公司或政府的任何特別支持的情況下，會承受非常高的信用風險。 Obligations are judged to have speculative intrinsic, or standalone, financial strength, and are subject to very high credit risk absent any possibility of extraordinary support from an affiliate or government.
G19 需要關注 Special Mention	Caa3	CCC-	CCC-	債務被認為本身具有高度的投機性，並且很可能處於或接近違約，但仍有一定的本金和利息回收的前景。 Obligations are judged to have highly speculative intrinsic, and are likely in, or near, default, with some prospect of recovery of principal and interest.
G20 需要關注 Special Mention	Ca	CC	CC	債務被認為本身具有高度投機性，並且很可能處於違約或非常接近違約的狀態，但仍有一定的本金和利息回收的前景。 Obligations are judged to have highly speculative intrinsic, and are likely in, or very near, default, with some prospect of recovery of principal and interest.
G21 需要關注 Special Mention	C	C	C	債務評級為最低，通常達致違約，回收本金或利息的可能性很小。 Obligations are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.
G22 次級 Substandard	D	D	D	次級。根據資產質量分類政策。 Substandard. In accordance with the Asset Quality Classification Policy.
G23 呆滯 Doubtful	D	D	D	呆滯。根據資產質量分類政策。 Doubtful. In accordance with the Asset Quality Classification Policy.
G24 損失 Loss	D	D	D	損失。根據資產質量分類政策。 Loss. In accordance with the Asset Quality Classification Policy.

39 Financial risk management (continued)

(a) Credit risk management (continued)

(i) Credit quality (continued)

39 金融風險管理 (續)**(a) 信貸風險管理 (續)****(ii) 信貸風險上限**

於結算日承受的信貸風險上限，未計及任何持有的抵押品或其他信用提升，為財務狀況表中每項金融資產於扣除任何減值準備後的賬面金額。信貸風險上限概述如下：

39 Financial risk management (continued)**(a) Credit risk management (continued)****(ii) Exposure of credit risk**

The maximum exposure to credit risk at the end of the reporting period, without considering any collateral held or other credit enhancements, is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowances. A summary of the maximum exposure is as follows:

		2020	2019
		港幣千元	港幣千元
		HK\$'000	HK\$'000
現金及在銀行、中央銀行及其他金融機構的結存	Cash and balances with banks, central banks and other financial institutions	32,571,718	25,533,437
在銀行、中央銀行及其他金融機構的存款及墊款	Placements with and advances to banks, central banks and other financial institutions	28,969,830	54,468,897
以公允價值計入損益的金融資產	Financial assets at fair value through profit or loss	2,649,076	1,908,370
衍生金融工具	Derivative financial instruments	14,378,601	6,283,608
客戶貸款及墊款及其他賬項	Loans and advances to customers and other accounts	226,169,265	193,065,725
以公允價值計入其他全面收益的金融資產	Financial assets at fair value through other comprehensive income	84,840,800	76,559,964
攤銷成本投資	Amortised cost investments	48,493	–
財務擔保及其他與信貸有關的或有負債	Financial guarantees and other credit-related contingent liabilities	20,252,337	18,340,871
貸款承擔及其他與信貸有關的承擔	Loan commitments and other credit-related commitments	97,891,862	86,692,648
		507,771,982	462,853,520

按信貸質量及階段分佈的金融資產的進一步分析呈列於財務報表附註39(a)(vii)。

Further detailed analyses of the credit quality of financial assets by credit quality and stage distribution are provided in the note 39(a)(vii) of the financial statements.

39 金融風險管理(續)

(a) 信貸風險管理(續)

(iii) 主要淨額結算協議

本集團與其他交易方訂下主要淨額結算協議。假如發生違約，所有與其他交易方未完成的交易將被終止及所有未償還款項將以按淨額基準結算。除了違約情況，所有與其他交易方未完成的交易是按總額結算，及一般不會在財務狀況表的資產和負債抵銷。本集團披露信息是為了讓財務報告使用者評估淨額結算協議於本集團的財務狀況的潛在影響，其中包括抵銷本集團已確認金融資產和金融負債的相關權利。

39 Financial risk management (continued)

(a) Credit risk management (continued)

(iii) Master netting arrangement

The Group enters into enforceable master netting arrangements with counterparties. If an event of default occurs, all outstanding transactions with the counterparty are terminated and all amounts outstanding are settled on a net basis. Except for the event of default, all outstanding transactions with the counterparty are settled on a gross basis and generally do not result in offsetting the assets and liabilities in the statement of financial position. The Group discloses information for financial statement users to evaluate the effect or potential effect of netting arrangements, including the rights of set-off associated with the Group's recognised financial assets and recognised financial liabilities, on the Group's financial position.

		2020			
		在財務狀況表內 沒有抵銷的相關數額			
		Related amounts that are not offset in the statement of financial position			
		在財務狀況表內 匯報的衍生 金融工具淨額	金融工具	持有 現金抵押	淨額
		Derivative financial instruments 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
金融資產	Financial assets				
– 衍生金融工具(附註19(b))	– Derivative financial instruments (note 19(b))	14,378,601	(7,335,314)	(1,648,722)	5,394,565
金融負債	Financial liabilities				
– 衍生金融工具(附註19(b))	– Derivative financial instruments (note 19(b))	15,160,283	(7,335,314)	–	7,824,969

39 金融風險管理 (續)

(a) 信貸風險管理 (續)

(iii) 主要淨額結算協議 (續)

		2019			
		在財務狀況表內 沒有抵銷的相關數額		Related amounts that are not offset in the statement of financial position	
		在財務狀況表內 匯報的衍生 金融工具淨額	持有 現金抵押 金融工具	Cash collateral received	淨額
		Derivative financial instruments presented in the statement of financial position	Financial instruments	Financial instruments	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
金融資產	Financial assets				
– 衍生金融工具 (附註19(b))	– Derivative financial instruments (note 19(b))	6,283,608	(4,103,014)	(1,644,063)	536,531
金融負債	Financial liabilities				
– 衍生金融工具 (附註19(b))	– Derivative financial instruments (note 19(b))	6,363,156	(4,103,014)	–	2,260,142

(iv) 緩減信貸風險 – 抵押品及其他信用提升

本集團致力投放資源以不同方式減緩信貸風險。一般而言，本集團以抵押品及其它信用提升以減緩最終信貸敞口的風險。本集團將繼續提升減緩信貸風險的水平。

本集團用作貸款及墊款而持有的抵押品主要包括按揭、現金抵押、於主要指數或認可的交易所上市的股權、應收賬款賦值、備用信用證及上市的債務證券。在一些情況下，本集團將視乎客戶的狀況和申請的信貸產品類別，批核由企業或個人作擔保的無抵押貸款。

39 Financial risk management (continued)

(a) Credit risk management (continued)

(iii) Master netting arrangement (continued)

(iv) Mitigation of credit risk – Collateral and other credit enhancements

The Group is dedicated to mitigating credit risk, and this takes many forms. In general, risk to the Group's ultimate credit exposure is mitigated by recognised collateral and credit risk enhancement. The Group continuously seeks to enhance its level of credit risk mitigation.

The principal collateral received to secure loans and advances includes mortgages, cash collateral, equities listed on a main index/recognised exchanges, accounts receivable assignments, standby letters of credit and listed debt securities acceptable to the Group. In some cases, depending on the customer's position and the types of credit products, some loans may be granted and backed by corporate or personal guarantees only.

39 金融風險管理 (續)**(a) 信貸風險管理 (續)****(iv) 緩減信貸風險 – 抵押品及其他信用提升 (續)**

本集團有一套特定的準則以評核特定級別的抵押品及信用提升的可接受度及其估值參數。該估值參數傾向保守並會作定期檢討。本集團對結構性證券及契約（財務及非財務）作定期檢討以確保它們均能符合有關協定情況。儘管抵押品在減緩信貸風險上十分重要，本集團政策以評估個人客戶或交易對手的還款能力為本而並非單純依靠抵押品。

本集團於2020年及2019年12月31日含抵押品的信貸風險分佈（扣除減值的風險承擔後）如下：

		2020	2019
		港幣千元	港幣千元
		HK\$'000	HK\$'000
貸款及墊款總額及持有作抵押金融資產之抵押品及其他信用提升的公允價值兩者之較低者為：	Lower of gross loans and advances and fair value of collateral and other credit enhancements held against financial assets that are:		
– 沒有逾期或減值	– neither past due nor impaired	98,874,080	87,080,130
– 逾期但沒有減值	– past due but not impaired	1,866,376	1,554,412
		100,740,456	88,634,542

**(v) 貸款組合管理及風險集中度
貸款組合管理**

本集團採用以風險為本的定價制度模型作為貸款組合管理的其中一組措施。本集團希望透過採用這個模型，考慮客戶信用額的風險亦就是用來支持貸款敞口及其它成本所需資本，務求改善銀行的整體回報。本集團定期進行風險壓力測試。測試結果由相關委員會批准，並由董事會透過信貸及風險管理委員會認可。

39 Financial risk management (continued)**(a) Credit risk management (continued)****(iv) Mitigation of credit risk – Collateral and other credit enhancements (continued)**

The Group has guidelines on the acceptability of specific classes of collateral or credit risk enhancements accompanied by the determination of valuation parameters. Such parameters are expected to be conservative and reviewed regularly. Security structures and covenants (financial and non-financial) are subject to regular review to ensure they comply with the stipulated conditions. The collateral is important to mitigate credit risk, but it is the Group's policy to assess the repayment ability of individual customers or counterparties rather than just solely relying on securities.

The Group's collateralised credit risk at 31 December 2020 and 31 December 2019, excluding impaired exposure, is broken down as follows:

**(v) Portfolio management and risk concentration
Portfolio management**

As part of the Group's portfolio management practices, a Risk-based Pricing Model has been adopted with the aim of improving the overall return for the Group, after taking into account the risks of the customers and facilities, and thus the capital required to support the loan exposure and other costs. Stress tests on the Group's credit risk are conducted regularly. The result is approved by the relevant committees and is endorsed by the Board through the CRMC.

39 金融風險管理 (續)

(a) 信貸風險管理 (續)

(v) 貸款組合管理及風險集中度 (續)

風險集中度

本集團建立適當的風險限額來控制和監測貸款敞口在客戶、國家、行業、集團內部和貸款組合上有關信貸集中的風險。

當一組交易對手同時受相同地區、經濟或行業因素影響，而該組別之信貸風險承擔對本集團的總體風險承擔至關重要時，便會產生信貸風險集中的問題。本集團的金融工具組合分散在不同的地區、行業和產品類別。

(vi) 預期信貸損失計量

所有分類為按攤餘成本或以公允價值計入其他全面收益的債務工具金融資產及不以公允價值計入損益的貸款承擔及財務擔保都需要確認預期信貸損失。預期信貸損失準備的釐定是基於無偏頗的情況並已考慮一系列可能結果、時間值及有關聯的過往事件、現時狀況及預測未來經濟狀況的合理預測。而前瞻性資料和其相關的專業判斷更是預期信貸損失準備模型的一個重要因素。

預期信貸損失的計量

預期信貸損失準備的計量是：(i) 12個月預期信貸損失；或(ii) 自初始確認後經歷信貸風險重大上升的金融工具以預期年限信貸損失計算。預期信貸損失準備的計算是基於上行、基礎及下行情景的概率加權情景的預期數值以計量預期現金短缺，並以實際利率折現。現金短缺是到期的合約現金流及本集團預期收到的現金流間的差異。第3階段的預期信貸損失準備之計算是基於已考慮一系列可能結果及時間值，並由已減值金融資產產生的概率加權回收金額。

39 Financial risk management (continued)

(a) Credit risk management (continued)

(v) Portfolio management and risk concentration (continued)

Risk concentration

The Group sets various risk limits to control and monitor its exposure to individual counterparties, countries, industries, intragroup exposures and loan portfolios to avoid excessive risk concentration.

Concentration of credit risk exists when changes in geographic, economic or industry factors affect groups of linked counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's portfolio of financial instrument is diversified along geographical, industry and product sectors.

(vi) Expected credit losses measurement

ECL allowances are recognised on all financial assets that are debt instruments classified either as amortised or fair value through other comprehensive income and for loan commitments and financial guarantees that are not measured at fair value through profit and loss. The ECL allowances represent an unbiased scenario that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and future economic conditions. Forward-looking information is explicitly incorporated into the estimation of ECL allowances and expert judgement on economic forecasts becomes one of the important factors to the ECL.

Measurement of ECL

ECL allowances are measured at amounts equal to either: (i) 12-month ECL; or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk ("SICR") since initial recognition. The calculation of ECL allowances is based on the expected value of probability-weighted scenarios with a combination of upside, base and downside scenario(s) to measure the expected cash shortfalls, discounted at the effective interest rate. A cash shortfall is the difference between the contractual cash flows that are due and the cash flows that the Group expects to receive. The calculation of ECL allowances for Stage 3 is based on probability-weighted recovery amount from an impaired financial asset and is determined by evaluating a range of possible outcomes and time value of money.

39 金融風險管理 (續)**(a) 信貸風險管理 (續)***(vi) 預期信貸損失計量 (續)**預期信貸損失計量 (續)*

計量第1階段及第2階段的預期信貸損失準備的主要數據如下：

- 違約或然率是於特定時間範圍內預期違約之可能性；
- 違約損失率是於特定時間內如發生違約預期的損失；及
- 違約風險承擔是於未來違約日的預期風險承擔。

階段轉移

第1階段包括所有自初始確認後沒有觸發信貸風險大幅上升的非已減值金融資產。通過於報告結算日金融工具發生違約的風險及於初始確認時金融工具發生違約的風險作出比較，本集團持續監察此等資產的信貸風險及評估信貸風險是否有重大上升。

第2階段包括所有自初始確認後已發生信貸風險大幅上升的非已減值金融資產。本集團為第2階段金融資產確認預算期限信貸損失。在其後的報告期內，如金融資產的信貸風險改善並非自初始確認後發生信貸風險重大上升，由於金融資產已轉回第1階段，本集團返回確認12個月預期信貸損失。

第3階段金融資產是本集團已分類為信貸減值的資產。本集團為所有第3階段金融資產確認預期年限貸款損失。自金融資產初始確認後發生一項或多項對金融資產的估計未來現金流產生不利影響的事件時，本集團將金融資產分類為已減值。減值的證據包括借款人發生重大財務困難，或已發生違約或拖欠。

39 Financial risk management (continued)**(a) Credit risk management (continued)***(vi) Expected credit losses measurement (continued)**Measurement of ECL (continued)*

The key inputs in the measurement of ECL allowances for Stage 1 and Stage 2 are as follows:

- The probability of default ("PD") is an estimate of the likelihood of default over a given time horizon;
- The loss given default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time; and
- The exposure at default ("EAD") is an estimate of the exposure at a future default date.

Stage transfer

Stage 1 is comprised of all non-impaired financial assets which have not triggered a SICR since initial recognition. Their credit risk continuously monitored by the Group and in assessing whether credit risk has increased significantly, the Group compares the risk of a default occurring on the financial instruments as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of its initial recognition.

Stage 2 is comprised of all non-impaired financial assets which have triggered a SICR since initial recognition. The Group recognises lifetime ECL for stage 2 financial assets. In subsequent reporting periods, if the credit risk of the financial assets improves such that there is no longer a SICR since initial recognition, then the Group reverts to recognising 12 months of ECL as the financial assets have transferred back stage 1.

Stage 3 financial assets are those that the Group has classified as credit-impaired. The Group recognises lifetime ECL for all stage 3 financial assets. The Group classifies financial assets as impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred after its initial recognition. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred.

39 金融風險管理 (續)**(a) 信貸風險管理 (續)****(vi) 預期信貸損失計量 (續)****階段轉移 (續)**

對於在初始確認時受到信貸減值的已購買或來源的信貸受損金融資產，其預期信貸損失按年限計量。

如以上披露，除了在對信用風險沒有大幅增加的金融資產運用最高（即12個月）的違約或然率的情況外，從風險管理角度，本集團有權考慮於計算預期信貸損失時，應用比剩餘合約時間更長時間的信貸風險。

預期信貸損失對賬摘要分析了在報告期內推動預期信貸損失和相關損益表變動的關鍵因素。以下是包括的關鍵要素：

對賬匯總中列示的金融資產包括與銀行，中央銀行和其他金融機構的結存，銀行，中央銀行和其他金融機構的存款和墊款，客戶貸款及墊款，攤銷成本的其他資產，以公允價值計入其他全面收益的金融資產－債務證券。就本披露而言，總賬面值是指以公允價值計入其他全面收益的金融資產－債務證券的公允價值。總賬面值的變動是通過其他綜合收益進行，但確認預期信貸損失準備，利息收入以及匯兌損益是在損益中確認。

39 Financial risk management (continued)**(a) Credit risk management (continued)****(vi) Expected credit losses measurement (continued)****Stage transfer (continued)**

For purchased or originated credit-impaired financial assets that are credit-impaired on initial recognition, their ECL allowances are always measured on a lifetime basis.

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 remaining life of the financial instrument, even if, for risk management purposes, the Group has the right to consider a longer period.

The ECL reconciliation summary analyse the key elements that drive the movement of ECL and related income statement over the reporting period. The key elements included below are:

Financial assets presented in the reconciliation summary comprise balances with banks, central banks and other financial institutions, placement with and advances to banks, central banks and other financial institutions, loans and advances to customers, other assets at amortised cost, FVOCI – debt securities and amortised cost investments. For the purposes of this disclosure, the gross carrying amounts refer to the fair values of the FVOCI – debt securities. Movements in the gross carrying amount are taken through other comprehensive income, except for the recognition of ECL allowances, interest revenue and foreign exchange gains and losses which are recognised in profit and loss.

39 金融風險管理(續)

(a) 信貸風險管理(續)

(vi) 預期信貸損失計量(續)

39 Financial risk management (continued)

(a) Credit risk management (continued)

(vi) Expected credit losses measurement (continued)

		2020							
		第1階段		第2階段		第3階段		總額	
		Stage 1		Stage 2		Stage 3		Total	
		預期信貸 金融資產 Financial assets 港幣千元 HK\$' 000		預期信貸 金融資產 Financial assets 港幣千元 HK\$' 000		預期信貸 金融資產 Financial assets 港幣千元 HK\$' 000		預期信貸 金融資產 Financial assets 港幣千元 HK\$' 000	
		損失準備 ECL allowances 港幣千元 HK\$' 000		損失準備 ECL allowances 港幣千元 HK\$' 000		損失準備 ECL allowances 港幣千元 HK\$' 000		損失準備 ECL allowances 港幣千元 HK\$' 000	
2020年1月1日	At 1 January 2020	333,851,300	839,983	12,025,091	1,749,793	2,368,525	1,198,790	348,244,916	3,788,566
收益表變動的影響	Movements with income statement impact								
轉移：	Transfer:								
– 轉入第1階段	– Transfer to Stage 1	7,861,124	32,347	(7,859,868)	(31,091)	(1,256)	(1,256)	-	-
– 轉入第2階段	– Transfer to Stage 2	(13,556,823)	(155,896)	14,129,235	237,231	(572,412)	(81,335)	-	-
– 轉入第3階段	– Transfer to Stage 3	(130,433)	(269)	(5,888,687)	(1,528,712)	6,019,120	1,528,981	-	-
階段轉移產生之預期 信貸損失準備重新 計量淨額	Net remeasurement of ECL allowances arising from transfer between stage	-	(21,872)	-	371,116	-	448,163	-	797,407
金融資產產生/ (終止確認或還款)/ 公允價值變動淨額	Net financial assets originated/(derecognised or repaid)/ changes in fair value	25,792,747	436,687	(1,910,147)	(196,633)	(700,058)	(362,488)	23,182,542	(122,434)
風險參數變動及 模型數據	Changes in risk parameters and model inputs	-	(484,891)	-	(23,964)	-	2,331,144	-	1,822,289
貸款減值損失折現回撥	Unwinding of discount on loan impairment losses	-	-	-	-	-	(189,253)	-	(189,253)
沖銷數額	Amounts written-off	-	-	-	-	(3,482,743)	(3,482,743)	(3,482,743)	(3,482,743)
外幣轉換及其他數據之變動	Changes in foreign translation and others	-	-	-	-	251,075	251,075	251,075	251,075
2020年12月31日	At 31 December 2020	353,817,915	646,089	10,495,624	577,740	3,882,251	1,641,078	368,195,790	2,864,907

39 金融風險管理(續)

39 Financial risk management (continued)

(a) 信貸風險管理(續)

(a) Credit risk management (continued)

(vi) 預期信貸損失計量(續)

(vi) Expected credit losses measurement (continued)

		2019							
		第1階段		第2階段		第3階段		總額	
		Stage 1		Stage 2		Stage 3		Total	
		預期信貸 賬面總值 損失準備		預期信貸 賬面總值 損失準備		預期信貸 賬面總值 損失準備		預期信貸 賬面總值 損失準備	
		Financial assets		Financial assets		Financial assets		Financial assets	
		ECL allowances		ECL allowances		ECL allowances		ECL allowances	
		港幣千元		港幣千元		港幣千元		港幣千元	
		HK\$'000		HK\$'000		HK\$'000		HK\$'000	
2019年1月1日	At 1 January 2019	338,516,632	690,518	15,251,563	1,628,226	1,881,346	621,491	355,649,541	2,940,235
收益表變動的影響	Movements with income statement impact								
轉移：	Transfer:								
– 轉入第1階段	– Transfer to Stage 1	4,271,544	18,996	(4,271,517)	(18,969)	(27)	(27)	-	-
– 轉入第2階段	– Transfer to Stage 2	(12,962,586)	(90,800)	12,963,106	90,981	(520)	(181)	-	-
– 轉入第3階段	– Transfer to Stage 3	(265,526)	(936)	(1,977,967)	(756,476)	2,243,493	757,412	-	-
階段轉撥產生之預期 信貸損失準備重新 計量淨額	Net remeasurement of ECL allowances arising from transfer between stage	-	(14,989)	-	258,159	-	142,250	-	385,420
金融資產源生/ (終止確認或還款)/ 公允價值變動淨額	Net financial assets originated/(derecognised or repaid)/changes in fair value	4,444,549	230,145	(9,940,094)	3,349	(1,395,476)	(138,690)	(6,891,021)	94,804
風險參數變動及 模型數據	Changes in risk parameters and model inputs	-	7,093	-	544,523	-	224,232	-	775,848
貸款減值損失折現回撥	Unwinding of discount on loan impairment losses	-	-	-	-	-	(47,406)	-	(47,406)
沖銷數額	Amounts written-off	-	-	-	-	(360,291)	(360,291)	(360,291)	(360,291)
外幣轉換及其他數據之 變動	Changes in foreign translation and others	(153,313)	(44)	-	-	-	-	(153,313)	(44)
2019年12月31日	At 31 December 2019	333,851,300	839,983	12,025,091	1,749,793	2,368,525	1,198,790	348,244,916	3,788,566

39 金融風險管理 (續)

(a) 信貸風險管理 (續)

(vi) 預期信貸損失計量 (續)

信貸風險重大上升

在每個財務報告期間，通過考慮在金融工具剩餘合約期間發生的違約風險的變化來評估自初始確認以來金融工具是否經歷了信貸風險重大上升。評估是建基於規範化的、公正的和前瞻性的，並考慮到所有合理和可支援的資訊，包括關於過去事件、現狀和未來經濟狀況。

在以下情況下，金融工具將被視為信用風險重大增加：

- (a) 票據的合同付款逾期30天以上；或
- (b) 自最初確認以來，金融工具的信用評級下降5個級別；或
- (c) 金融工具被列為需要注意。

在預期信貸損失計算所用到的前瞻性資料

評估信貸風險重大上升及預期信貸損失計算時已包含前瞻性資料。本集團已就不同金融資產作出歷史分析並識別影響信貸風險及預期信貸損失的重要經濟變數。

此等經濟變數及其對違約或然率，違約風險承擔及違約損失率的相關影響因應金融工具而改變。在此過程中需要應用專業判斷。至於此等經濟變數（基準經濟情景）的預測則由本集團經濟師提供並已考慮到實際數據、內部及外部預測。此外，本集團制定了一個對有關經濟變數未來方向的基準情景觀點以及具代表性的可能預測情景（包括1個上行及3個下行預測情景）。

39 Financial risk management (continued)

(a) Credit risk management (continued)

(vi) Expected credit losses measurement (continued)

Significant increase in credit risk

An assessment of whether the financial instruments have experienced SICR since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment is rule-based, unbiased and forward-looking, and considers all reasonable and supportable information, including information about past events, current conditions and future economic conditions.

The financial instruments will be considered to have significant increase in credit risk when:

- a) The contractual payments of the instruments are with more than 30 days past due; or
- b) The credit rating of the financial instrument has been gone down by 5 notches since initial recognition; or
- c) The financial instruments have been classified as special mention.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for financial assets.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the 'base economic scenario') are provided by the Group's economists and include consideration of a variety of actual and forecast information from internal and external sources. 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 including 1 upside and 3 downside forecast scenarios.

39 金融風險管理 (續)

(a) 信貸風險管理 (續)

(vi) 預期信貸損失計量 (續)

在預期信貸損失計算所用到的前瞻性資料 (續)

特別是，基準情境代表了繼續當前經濟形勢的最可能情境；權重（在任何管理層調整之前）為55%（2019：55%）；上行情境（即良性情境）代表了改善當前經濟狀況的可能性；權重為10%（2019：10%）；不利的情況是輕度，中度和嚴重情境代表不同嚴重程度的經濟下滑的可能性，分別（在任何管理層調整之前）佔10%（2019：10%），20%（2019：20%）和5%（2019：5%）的權重。本集團定期檢閱經濟預測，以反映最新的經濟狀況。財務報表中確認的預期信用損失反映了上述一系列可能情況的概率加權結果，並且管理層在考慮了這些信息的情況下，不斷評估了有關借款人撥備的適當性。如果認為有必要對準備金進行任何調整，則將採用管理層調整確保保守性。

於2019年，本集團透過管理層調整將適用於香港預期信貸損失計算模型的投資組合的25%權重從基準情境暫時轉移至嚴重情境。在預期信貸損失計算，以反映當前的市場狀況。相較2019年現時的市場經濟數據已大致反映了當前的市場現況，因此在2020年移除了管理層的調整。

基準情景

集團的基本情景的特徵是在2021年至2025年的預測期內全球範圍內將逐步增長。預計在這五年中，隨著實際需求的反彈，全球經濟增長將逐步恢復，各國之間的經貿緊張局勢將緩解，尤其是在各國之間，美國和中國以及有效接種疫苗可以減弱新型冠狀病毒大流行的逆境。

由於中美衝突的改善，經濟逐步回升，政府對貨幣政策的持續支持，以及由於新型冠狀病毒疫情得到緩解，中國大陸的國內生產總值增長預計將在預測期內進一步增長。有效接種。

39 Financial risk management (continued)

(a) Credit risk management (continued)

(vi) Expected credit losses measurement (continued)

Forward-looking information incorporated in the ECL models (continued)

In particular, the base scenario represents the most likely scenario of continuing the current economic situation; carrying a weight (before any management overlay) of 55% (2019: 55%); the upside scenario, namely benign, represents likelihood of improvements to the current economic situation; carrying a weight of 10% (2019: 10%); and the downside scenarios, namely, mild, medium and severe represents the likelihood of economic downturn of different severities, carrying a weight (before any management overlay) of 10% (2019: 10%), 20% (2019: 20%) and 5% (2019: 5%) respectively. The economic forecasts are reviewed regularly to reflect the latest economic conditions. The ECL recognised in the financial statements reflect the probability weighted outcomes of a range of possible scenarios above and management continuously assess the appropriateness of the provision made against the borrowers concerned taking these information into consideration. If any adjustment in provision is deemed necessary, management overlay(s) would be applied to ensure conservativeness.

In 2019, the Group applied a management overlay on the ECL model by temporarily shifting 25% of the weight from the Base Scenario to the Severe Scenario for portfolios applicable to the Hong Kong ECL model in order to reflect the prevailing market conditions. The management overlay was removed in 2020 as the market economic data reflected, most if not all, of the prevailing market conditions compared to 2019.

The Base scenario

The Group's Base Scenario is characterised a gradual growth across the globe over the forecast period of 2021 – 2025. Global economic growth is expected to gradually recover in these five years with rebound in real demand, economic and trade tensions relieve among countries, particularly between the US and China and effective inoculation of vaccines to weaken the adversities of the COVID-19 pandemic.

Mainland China GDP growth is forecast to strengthen further over the forecast period, as a result of gradual economic rebound from the improvement of China – US conflicts, continuing support from government over monetary policy and the relief of the COVID-19 pandemic as a result of effective inoculation.

39 金融風險管理 (續)

(a) 信貸風險管理 (續)

(vi) 預期信貸損失計量 (續)

在預期信貸損失計算所用到的前瞻性資料 (續)

基準情景 (續)

預計香港經濟將逐步復甦，這是由於政府支持逐漸減少的綜合結果，有效疫苗的廣泛接種以及政府對病毒遏制措施的緩解，導致在預測期內增長有所增強。

由於新型冠狀病毒大流行和經濟下滑，今年包括中國大陸和香港在內的大多數經濟體的失業率都在上升。預計失業率將逐步回落，但在預測期內不久將不可能恢復到正常水平。

2021年預測

		香港 Hong Kong			中國內地 Mainland China		
		較好 Benign	基準 Base	較差/ 中性/嚴重 Mild/ Medium/ Severe ^(note)	較好 Benign	基準 Base	較差/ 中性/嚴重 Mild/ Medium/ Severe ^(note)
2021年至2025年平均	Average 2021-2025						
國內生產總值增長率(%)	GDP growth rate (%)	3.2	2.7	-1.8	6.5	6.3	4.0
通脹率(%)	Inflation (%)	2.5	2.3	0.0	2.1	1.8	-0.3
失業率(%)	Unemployment (%)	4.6	4.7	6.2	3.6	3.6	4.2
物業價格指數	Property price index	429	422	357			
真實匯率	Real exchange rate	124	123	117			
6個月之結算率(%)	Settlement rate in 6 months (%)	0.6	0.6	0.5			
12個月之結算率(%)	Settlement rate in 12 months (%)	0.9	0.9	0.7			

39 Financial risk management (continued)

(a) Credit risk management (continued)

(vi) Expected credit losses measurement (continued)

Forward-looking information incorporated in the ECL models (continued)

The Base scenario (continued)

Hong Kong economy is expected to recover gradually, as a mixed result of government support lessen gradually, effective vaccines widely inoculated and relief of government's virus-containment measures, resulting growth strengthen over the forecast period.

Unemployment rates have risen in most economies including Mainland China and Hong Kong this year, as a result of gradual recovery from the COVID-19 pandemic and economic downturn. The unemployment rates are expected to fall gradually but unlikely return to normal levels any time soon over the forecast period.

Forecast for 2021

		香港 Hong Kong			中國內地 Mainland China		
		較好 Benign	基準 Base	較差/ 中性/嚴重 Mild/ Medium/ Severe ^(note)	較好 Benign	基準 Base	較差/ 中性/嚴重 Mild/ Medium/ Severe ^(note)
2021年至2025年平均	Average 2021-2025						
國內生產總值增長率(%)	GDP growth rate (%)	3.2	2.7	-1.8	6.5	6.3	4.0
通脹率(%)	Inflation (%)	2.5	2.3	0.0	2.1	1.8	-0.3
失業率(%)	Unemployment (%)	4.6	4.7	6.2	3.6	3.6	4.2
物業價格指數	Property price index	429	422	357			
真實匯率	Real exchange rate	124	123	117			
6個月之結算率(%)	Settlement rate in 6 months (%)	0.6	0.6	0.5			
12個月之結算率(%)	Settlement rate in 12 months (%)	0.9	0.9	0.7			

39 金融風險管理 (續)

(a) 信貸風險管理 (續)

(vi) 預期信貸損失計量 (續)

在預期信貸損失計算所用到的前瞻性

資料 (續)

基準情景 (續)

2020年預測

2020年至2024年平均	Average 2020-2024	香港 Hong Kong			中國內地 Mainland China		
		較好 Benign	基準 Base	較差 / 中性 / 嚴重 (註) Mild/ Medium/ Severe ^(note)	較好 Benign	基準 Base	較差 / 中性 / 嚴重 (註) Mild/ Medium/ Severe ^(note)
國內生產總值增長率 (%)	GDP growth rate (%)	2.0	1.6	-2.2	6.0	5.8	4.8
通脹率 (%)	Inflation (%)	2.2	2.0	0.3	2.2	2.2	1.4
失業率 (%)	Unemployment (%)	3.3	3.4	4.4	3.5	3.6	4.0
物業價格指數	Property price index	392	381	326			
真實匯率	Real exchange rate	125	124	119			
6個月之結算率 (%)	Settlement rate in 6 months (%)	2.4	2.3	1.8			
12個月之結算率 (%)	Settlement rate in 12 months (%)	2.4	2.4	1.9			

註：表示三種情景的平均比重。

Note: Represent the weighted average of the three scenarios.

良性情景

良性情景在基本方向上與基本情景略有偏離，全球經濟以略快於預期的速度擴張，而其他主要經濟指標則顯示出略好於預期的改善。

The Benign Scenario

The Benign Scenario is a slight deviation from the Base Scenario in the positive direction, with the global economy expanding at a slightly faster-than-expected pace and other key economic indicators displaying slightly better-than-expected improvements.

39 金融風險管理 (續)**(a) 信貸風險管理 (續)****(vi) 預期信貸損失計量 (續)**

在預期信貸損失計算所用到的前瞻性資料 (續)

較差情景

較差情景從基準情景略向負面方向偏離，全球經濟以略低於基準預期的速度擴張，其他主要經濟指標表現略差於預期。

中性情景

中性情景處於基準情景和嚴重情景之間，全球經濟增長速度和其他主要經濟指標均處於兩種情景之間的中間點。

嚴重情景

在嚴峻形勢下，新型冠狀病毒持續大流行使全球經濟陷入衰退，接種結果無效，政府沒有足夠的支持以振興內需，加劇中美和全球經濟和貿易衝突，中美急劇下滑經濟，主要經濟體政府的貨幣政策失靈以及地緣政治緊張局勢加劇。預計包括香港在內的大多數先進經濟體的GDP增長將變得非常負增長，並且中國大陸的經濟將逐漸放緩。結果，股票市場經歷了劇烈的調整，大宗商品價格因而通貨膨脹率急劇下降，失業率顯示出相當大的上升。

預期信貸損失計算的敏感性分析

本集團針對經濟情境對預期信貸損失的影響進行了一系列敏感性分析：

- (i) 將2020年底基準情境下的預期信貸損失與5個情境的概率加權結果的差異進行比較，基準情境下的預期信貸損失約為15% (4.02億港元) 低於目前在綜合財務報告中報告的5個經濟情境的加權結果。
- (ii) 通過假設於2020年底從基準情境向上下方向偏離10%，其預期信貸損失將減少約3.26億港元或增加約3.66億港元。

39 Financial risk management (continued)**(a) Credit risk management (continued)****(vi) Expected credit losses measurement (continued)**

Forward-looking information incorporated in the ECL models (continued)

The Mild Scenario

The Mild Scenario is a slight deviation from the Base Scenario in the negative direction, with the global economy expanding at a slightly slower-than-expected pace and other key economic indicators displaying slightly worse-than-expected improvements.

The Medium Scenario

The Medium Scenario is in between the Base Scenario and the Severe Scenario, with the global GDP growth rate and other key economic indicators standing at the medium points between those of the two scenarios.

The Severe Scenario

Under the Severe Scenario, the global economy falls into recession hit by persistent COVID-19 pandemic with inoculation results ineffective, insufficient support from government to revive domestic demand, escalating China – US and global economic and trade conflicts, sharp downturn in the US and China economies, failure in monetary policy by governments in major economies, and intensified geopolitical tensions. GDP growth is forecast to become deeply negative in most of the advanced economies, including Hong Kong, and see a gradual slowdown in Mainland China. Consequently, equity markets experience sharp corrections, commodity prices and hence inflation witness deep declines, and unemployment rates show considerable rises.

Sensitivity analyses of expected credit loss calculation

The Group has conducted a series of sensitivity analyses for the impacts of economic scenarios on expected credit loss:

- (i) Comparing the difference of expected credit loss under the Base Scenario against the probability weighted outcomes of 5 scenarios at the year ended of 2020, the expected credit loss under the base scenario would be approximately 15% (HK\$402 million) lower than the weighted outcomes of the 5 economic scenarios currently reported in the consolidated financial statements.
- (ii) By assuming 10% scenario weight shift from Base scenario to upside or to the most severe downside scenario at the year end of 2020, there would be a decrease in credit loss by approximately HK\$326 million or an increase in credit loss by approximately HK\$366 million, respectively.

39 金融風險管理 (續)**(a) 信貸風險管理 (續)***(vi) 預期信貸損失計量 (續)**違約及信貸減值資產定義*

當合同的本金償還或利息支付逾期超過90天或滿足資產質量分類政策中定義的某些評估標準時，本集團將金融資產定義為違約。

在評估借款人是否違約時，本集團考慮的因素包括：(i) 定性方面 – 例如違反財務限制條款、身故、破產或長期暫緩還款；(ii) 定量方面 – 例如逾期情況及同一發行人未能向本集團償還其他債務。此等條件已應用到所有本集團持有的金融資產及與內部信貸風險管理中的違約定義一致。此違約定義已應用於本集團計算預期損失中使用的違約或然率、違約風險承擔及違約損失率。當本金或利息的合約還款出現逾期超過90天時，本集團認為該金融資產出現違約。

當所有包括利息的逾期數額已收回，其本金及利息已根據原有或已修訂合約條款被確定應可全數收回，或所有分類為已減值的條件已糾正時，該資產不再是違約。

39 Financial risk management (continued)**(a) Credit risk management (continued)***(vi) Expected credit losses measurement (continued)**Definition of default and credit-impaired assets*

The Group defines a financial asset as in default when contractual repayment of principal or payment of interest is past due more than 90 days or fulfill certain assessment criteria as defined in the Asset Quality Classification Policy.

Moreover, in assessing whether a borrower is in default, the Group considers various indicators comprising: (i) qualitative – such as in breach of financial covenant(s), deceased, insolvent or in long-term forbearance; (ii) quantitative – such as overdue status and non-payment on another obligation of the same issuer to the Group. These criteria have been applied to all financial assets held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Group's expected loss calculations. The Group considers a financial asset to be in default when contractual repayment of principal or payment of interest is past due more than 90 days.

A financial asset is no longer considered in default when all past due amounts, including interest, have been recovered, and it is determined that the principal and interest are fully collectible in accordance with the original or revised contractual terms of the financial assets with all criteria for the impaired classification having been remedied.

39 金融風險管理 (續)**(a) 信貸風險管理 (續)****(vi) 預期信貸損失計量 (續)****沖銷**

當本集團無合理期望整體或部分收回該金融資產時，沖銷全部或部分金融資產。沒有合理預期恢復的指標包括：(i)停止執法活動；(ii)當本集團的追索方法是強制執行抵押品且抵押品的價值使得沒有合理的期望全額收回時；(iii)處於破產狀態的債務人。預期信貸虧損撥備由2019年12月31日的3,788.6百萬港元減少為截至2020年12月31日的2,864.9百萬港元，主要是由於本集團核銷了一些無合理預期會全額收回的貸款。本集團將繼續根據香港財務報告準則第9號客觀及及時地評估預期信貸虧損撥備，以確保其充裕。

(vii) 金融資產的信貸質量

本集團致力管理及監控其風險並已推行審慎的貸款分類政策及減值評估政策為這範疇作有效管治。本集團擁有專業團隊處理追收不良貸款的工作，包括貸款重組，採取法律行動，收回資產及出售抵押品等。

39 Financial risk management (continued)**(a) Credit risk management (continued)****(vi) Expected credit losses measurement (continued)****Write-off**

The Group writes off a financial asset in whole or in part, when it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. Indicators that there is no reasonable expectation of recovery include: (i) ceasing enforcement activity; (ii) where the Group's recovery method is enforcing collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full; and (iii) debtors in state of insolvency. The ECL allowances changed from HKD3,788.6 million as of 31 December 2019 to HKD2,864.9 million as of 31 December 2020. It was mainly as a result of the Group writing off certain loans that have no reasonable expectation of full recovery. The Group will continue to objectively and timely assess the ECL allowances according to HKFRS 9 to ensure its sufficiency.

(vii) Credit quality of financial assets

The Group manages and monitors its risks, and has an Asset Quality Classification Policy and Impairment Assessment Policy in place to govern this aspect. The Group has a professional team dedicated to handling recovery of non-performing loans, which include loan restructuring, taking legal action, repossession and disposal of collateral, etc.

39 金融風險管理 (續)

39 Financial risk management (continued)

(a) 信貸風險管理 (續)

(a) Credit risk management (continued)

(vii) 金融資產的信貸質量 (續)

(vii) Credit quality of financial assets (continued)

按信貸質量及階段分佈列示已應用《香港財務報告準則》第9號減值規定的金融工具分佈。

Distribution of financial instruments to which the impairment requirements in HKFRS 9 are applied, by credit quality and stage distribution.

		2020					預期信貸 損失準備 ECL 港幣千元 HK\$'000	賬面淨額 Net carrying amount 港幣千元 HK\$'000
		賬面 / 名義總額 Gross carrying/notional amount						
		優質 Strong 港幣千元 HK\$'000	滿意 Satisfactory 港幣千元 HK\$'000	較高風險 Higher risk 港幣千元 HK\$'000	已減值 Credit impaired 港幣千元 HK\$'000	總額 Total 港幣千元 HK\$'000		
在銀行、中央銀行及其他金融機構 的結存按攤銷成本	Balances with banks, central banks and other financial institutions at amortised cost	32,574,369	-	-	-	32,574,369	(2,651)	32,571,718
- 第1階段	- Stage 1	32,574,369	-	-	-	32,574,369	(2,651)	32,571,718
- 第2階段	- Stage 2	-	-	-	-	-	-	-
- 第3階段	- Stage 3	-	-	-	-	-	-	-
在銀行、中央銀行及其他金融機構 的存款及墊款按攤銷成本	Placements with and advances to banks, central banks and other financial institutions at amortised cost	28,689,080	291,719	-	-	28,980,799	(10,969)	28,969,830
- 第1階段	- Stage 1	28,689,080	291,719	-	-	28,980,799	(10,969)	28,969,830
- 第2階段	- Stage 2	-	-	-	-	-	-	-
- 第3階段	- Stage 3	-	-	-	-	-	-	-
客戶貸款及墊款按攤銷成本	Loans and advances to customers at amortised cost	131,869,106	74,118,463	10,477,689	3,631,176	220,096,434	(2,440,456)	217,655,978
- 第1階段	- Stage 1	131,186,164	73,405,689	1,377,781	-	205,969,634	(588,972)	205,380,662
- 第2階段	- Stage 2	682,942	712,774	9,099,908	-	10,495,624	(577,740)	9,917,884
- 第3階段	- Stage 3	-	-	-	3,631,176	3,631,176	(1,273,744)	2,357,432
其他金融資產按攤銷成本	Other financial assets at amortised cost	887,072	516,747	-	251,075	1,654,894	(251,858)	1,403,036
- 第1階段	- Stage 1	887,072	516,747	-	-	1,403,819	(783)	1,403,036
- 第2階段	- Stage 2	-	-	-	-	-	-	-
- 第3階段	- Stage 3	-	-	-	251,075	251,075	(251,075)	-
攤銷成本投資	Amortised cost investments	48,494	-	-	-	48,494	(1)	48,493
- 第1階段	- Stage 1	48,494	-	-	-	48,494	(1)	48,493
- 第2階段	- Stage 2	-	-	-	-	-	-	-
- 第3階段	- Stage 3	-	-	-	-	-	-	-
貸款承擔和財務擔保合約 (附註1)	Loan commitments and financial guarantee contracts (Note 1)	102,279,249	1,400	-	-	102,280,649	(126,654)	102,153,995
- 第1階段	- Stage 1	102,259,344	1,400	-	-	102,260,744	(125,762)	102,134,982
- 第2階段	- Stage 2	19,905	-	-	-	19,905	(892)	19,013
- 第3階段	- Stage 3	-	-	-	-	-	-	-
總額	Total	296,347,370	74,928,329	10,477,689	3,882,251	385,635,639	(2,832,589)	382,803,050
以公允價值計入其他全面收益的 金融資產	Financial assets at fair value through other comprehensive income							
- 債務證券 (附註2)	- Debt securities (Note 2)	82,647,079	2,193,721	-	-	84,840,800	(158,972)	
- 第1階段	- Stage 1	82,647,079	2,193,721	-	-	84,840,800	(42,713)	
- 第2階段	- Stage 2	-	-	-	-	-	-	
- 第3階段	- Stage 3	-	-	-	-	-	(116,259)	
總額	Total	82,647,079	2,193,721	-	-	84,840,800	(158,972)	

39 金融風險管理 (續)

(a) 信貸風險管理 (續)

(vii) 金融資產的信貸質量 (續)

39 Financial risk management (continued)

(a) Credit risk management (continued)

(vii) Credit quality of financial assets (continued)

		賬面/名義總額 Gross carrying/notional amount					預期信貸 損失準備	賬面淨額
		優質	滿意	較高風險	已減值	總額	ECL	Net carrying
		Strong	Satisfactory	Higher risk	impaired	Total	allowances	amount
		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
在銀行、中央銀行及其他金融機構 的結存按攤銷成本	Balances with banks, central banks and other financial institutions at amortised cost	25,519,378	17,635	-	-	25,537,013	(3,576)	25,533,437
- 第1階段	- Stage 1	25,519,378	17,635	-	-	25,537,013	(3,576)	25,533,437
- 第2階段	- Stage 2	-	-	-	-	-	-	-
- 第3階段	- Stage 3	-	-	-	-	-	-	-
在銀行、中央銀行及其他金融機構 的存款及墊款按攤銷成本	Placements with and advances to banks, central banks and other financial institutions at amortised cost	54,084,307	395,862	-	-	54,480,169	(11,272)	54,468,897
- 第1階段	- Stage 1	54,084,307	395,862	-	-	54,480,169	(11,272)	54,468,897
- 第2階段	- Stage 2	-	-	-	-	-	-	-
- 第3階段	- Stage 3	-	-	-	-	-	-	-
客戶貸款及墊款按攤銷成本	Loans and advances to customers at amortised cost	110,205,539	66,396,611	10,504,414	2,270,765	189,377,329	(3,596,987)	185,780,342
- 第1階段	- Stage 1	108,193,871	65,441,247	1,446,355	-	175,081,473	(761,692)	174,319,781
- 第2階段	- Stage 2	2,011,668	955,364	9,058,059	-	12,025,091	(1,749,793)	10,275,298
- 第3階段	- Stage 3	-	-	-	2,270,765	2,270,765	(1,085,502)	1,185,263
其他金融資產按攤銷成本	Other financial assets at amortised cost	425,535	1,823,186	-	41,719	2,290,440	(39,360)	2,251,080
- 第1階段	- Stage 1	425,535	1,823,186	-	-	2,248,721	(1,480)	2,247,241
- 第2階段	- Stage 2	-	-	-	-	-	-	-
- 第3階段	- Stage 3	-	-	-	41,719	41,719	(37,880)	3,839
貸款承擔和財務擔保合約 (附註1)	Loan commitments and financial guarantee contracts (Note 1)	92,138,084	22,400	-	-	92,160,484	(70,663)	92,089,821
- 第1階段	- Stage 1	92,138,084	22,400	-	-	92,160,484	(70,663)	92,089,821
- 第2階段	- Stage 2	-	-	-	-	-	-	-
- 第3階段	- Stage 3	-	-	-	-	-	-	-
總額	Total	282,372,843	68,655,694	10,504,414	2,312,484	363,845,435	(3,721,858)	360,123,577
以公允價值計入其他全面收益的 金融資產	Financial assets at fair value through other comprehensive income							
- 債務證券 (附註2)	- Debt securities (Note 2)	74,203,301	2,300,623	-	56,040	76,559,964	(137,371)	
- 第1階段	- Stage 1	74,203,301	2,300,623	-	-	76,503,924	(61,963)	
- 第2階段	- Stage 2	-	-	-	-	-	-	
- 第3階段	- Stage 3	-	-	-	56,040	56,040	(75,408)	
總額	Total	74,203,301	2,300,623	-	56,040	76,559,964	(137,371)	

39 金融風險管理 (續)**(a) 信貸風險管理 (續)****(vii) 金融資產的信貸質量 (續)**

附註：

- (1) 承擔和財務擔保合約的名義金額是指需應用《香港財務報告準則》第9號減值規定的承擔和財務擔保合約。因此以上列示的數字與財務報告附註41(a)有所不同。
- (2) 於2020年12月31日，以公允價值計入其他全面收益的債務證券以公允價值列示。以公允價值計入其他全面收益的債務證券的預期信貸損失準備於儲備中反映。
- (3) 信貸質量分類

本集團採用以下內部風險評級以決定金融資產的信貸質量。

信貸質量說明	Credit quality description	內部評級 Internal ratings
優質	Strong	G01-G12
滿意	Satisfactory	G13-G16
較高風險	Higher risk	G17-G21
已減值	Credit impaired	G22-G24

(viii) 以公允價值計入損益和以公允價值計入其他全面收益的債務證券金融資產的信貸質量

在使用債務證券的信貸評級時，如外部評級機構對該等發行具有指定評級，該等指定發行評級將作為信貸風險評級分配的參考。如該等發行並沒有指定發行評級，但具有發行人評級，該等發行人評級將作為信貸風險評級分配的參考。下表呈列在結算日債務證券的投資之信貸質量分析。

39 Financial risk management (continued)**(a) Credit risk management (continued)****(vii) Credit quality of financial assets (continued)**

Note:

- (1) The notional amount of commitments and financial guarantee contracts refer to those commitments and financial guarantees which subject to impairment requirements under HKFRS 9. Therefore, figures disclosed in the above do not agree with the figures disclosed in note 41(a) of the annual financial statements.
- (2) Debt securities measured at FVOCI are held at fair value at 31 December 2020. The expected credit losses allowances in respect of debt securities measured at FVOCI are held within reserves.
- (3) Classification of credit quality

The Group adopts the following internal risk ratings to determine the credit quality for financial assets.

(viii) Credit quality of financial assets at debt securities measured at FVPL and FVOCI

For the application of credit rating to debt securities, primarily the issue specific rating would be taken as reference for credit risk rating assignment. Where this is not available, the issuer rating would be adopted. When the issuer rating is not available, the rating of the guarantor of that debt securities (if applicable) would be adopted, otherwise it would be treated as unrated. The following table presents an analysis of the credit quality of investments in debt securities at the end of the reporting period.

39 金融風險管理(續)

(a) 信貸風險管理(續)

(viii) 以公允價值計入損益和以公允價值計入其他全面收益的債務證券金融資產的信貸質量(續)

39 Financial risk management (continued)

(a) Credit risk management (continued)

(viii) Credit quality of financial assets at debt securities measured at FVPL and FVOCI (continued)

		2020			
		以公允價值計入 損益的金融資產 －債務證券 Debt securities measured at FVPL 港幣千元 HK\$'000	以公允價值計入 其他全面收益 的金融資產 －債務證券 Debt securities measured at FVOCI 港幣千元 HK\$'000	攤銷成本投資 －債務證券 Debt securities measured at amortised cost investments 港幣千元 HK\$'000	總額 Total 港幣千元 HK\$'000
Aaa	Aaa	–	4,615,014	–	4,615,014
Aa3至Aa1	Aa3 to Aa1	558,314	22,225,056	48,493	22,831,863
A3至A1	A3 to A1	1,258,890	49,291,171	–	50,550,061
低於A3	Lower than A3	627,756	8,003,915	–	8,631,671
		2,444,960	84,135,156	48,493	86,628,609
未評級	Unrated	204,116	705,644	–	909,760
總額	Total	2,649,076	84,840,800	48,493	87,538,369

		2019			
		以公允價值計入 損益的金融資產 －債務證券 Debt securities measured at FVPL 港幣千元 HK\$'000	以公允價值計入 其他全面收益 的金融資產 －債務證券 Debt securities measured at FVOCI 港幣千元 HK\$'000	攤銷成本投資 －債務證券 Debt securities measured at amortised cost investments 港幣千元 HK\$'000	總額 Total 港幣千元 HK\$'000
Aaa	Aaa	–	4,446,128	–	4,446,128
Aa3至Aa1	Aa3 to Aa1	304,817	20,691,330	–	20,996,147
A3至A1	A3 to A1	315,173	39,714,114	–	40,029,287
低於A3	Lower than A3	936,797	10,055,043	–	10,991,840
		1,556,787	74,906,615	–	76,463,402
未評級	Unrated	351,583	1,653,349	–	2,004,932
總額	Total	1,908,370	76,559,964	–	78,468,334

39 金融風險管理 (續)

(b) 市場風險管理

市場風險是指持有的好倉或淡倉因不利的估值變動所造成的損失風險。風險的成因源自從事利率、外匯、股權、信貸和商品市場及其相關衍生工具的莊家、包銷、自營持倉和資產／負債管理的活動。本集團主要通過其交易和資金業務管理其市場風險敞口。交易業務是為了促進客戶的活動，但亦導致自營持倉。財資業務執行資產／負債管理職能，包括流動性風險管理，並特意透過非交易組合（以公允價值計入其他全面收益的債務證券）進行流動性資金管理和投資的目的。

市場風險管理的目標是要及時，公正並貫徹地衡量和監測市場風險，以便更好地管理投資組合，從而優化其財務業績。業務部是負責管理市場風險，並在市場風險限額參數內達致公司業績目標。風險管理部負責獨立監測和報告所有市場風險。

市場風險的框架

本集團董事會通過限額審批流程分配資金或風險偏好。董事會授權信貸風險管理委員會建立不同業務的限額。信貸風險管理委員會進一步將市場風險限額委託給市場風險委員會，市場風險委員會再委託給風險管理部落實。風險管理部負責設計和起草市場風險限額和框架，並定期進行審查和更新限額。市場風險限額須經市場風險委員會批准並獲得信貸風險管理委員會認可。此外，董事會還根據風險偏好聲明書建立了一系列風險指標以計量不同類型的風險，包括市場風險。

39 Financial risk management (continued)

(b) Market risk management

Market risk is the risk of loss caused by an adverse change in valuation associated with holding either long or short market positions. The risk arises as a result of market making, underwriting, principal position taking and asset/liability management in interest rate, foreign exchange, equity, credit and commodity markets and their associated derivatives instruments. The Group manages its market risk exposures mainly through its trading and treasury business. The trading business is to facilitate customer activities, but as a result, takes on principal positions. The treasury business performs asset/liability management function including liquidity risk management, with securities positions intended for liquidity management and investment purposes under non-trading portfolio (debt securities measured at fair value through other comprehensive income).

The objective of market risk management is to consistently measure and monitor market risk on a timely and unbiased basis in order to better manage the portfolios and, by doing so, optimise financial performance. The business is responsible for managing market risks to meet corporate performance objectives within the market risk limit parameters. The Risk Management Group ("RMG") is responsible to independently monitor and report all market risks.

Market risk framework

The Board of the Group allocates capital or risk appetite through the limit process. The Board delegates Credit & Risk Management Committee ("CRMC") to establish limits for the different businesses. CRMC further delegates market risk limit establishment to the Market Risk Committee ("MRC") and then to RMG. RMG is responsibility for designing and drafting the market risk limits and framework and reviewing and updating the limits on a regular basis. The market risk limits are to be approved by MRC and endorsed by CRMC. In addition, the Board also establishes a set of risk indicators under the risk appetite statement ("RAS") in measuring different types of risks including market risk.

39 金融風險管理 (續)

(b) 市場風險管理 (續)

市場風險的框架 (續)

風險管理部是一個獨立職能部門並向風險管理總監進行匯報。風險管理部同時採用定量和定性措施分析市場風險。分析包括但不限於風險值、壓力測試、風險敏感度、市場事件、產品流動性和波動性、質素、對沖策略、績效包括損益、估值的準確性和資產負債表以及資本消耗等。這些分析結果需定期向高級管理層、風險管理總監、市場風險委員會和信貸風險管理委員作出匯報。

市場風險模型的方法和特點

風險值

風險值是一種用於估計因市場利率和價格在特定時段內所引致的波動及其產生的潛在損失的技巧。設計該模型是為了涵蓋不同的風險類型，包括利率風險，外匯風險，信貸利差風險，股權風險，商品風險和波動風險。

本集團所用的風險值模型是根據歷史模擬方法。該方法是通過模擬或建立持倉回報隨著時間推移因利率、外匯、股票、信貸和商品市場的利率和價格的歷史變化來預測風險值。

39 Financial risk management (continued)

(b) Market risk management (continued)

Market risk framework (continued)

RMG is an independent function reporting to the Chief Risk Officer ("CRO"). RMG uses both quantitative and qualitative measures in analysing market risk. The analysis includes, but not limited to, Value-at-Risk ("VaR"), stress testing, risk sensitivities, market events, product liquidity and volatility, underlying quality, hedging strategy, performance including profit and loss, accuracy of valuations and balance sheet and capital consumptions. The results are regularly reported to senior management and CRO and to MRC and CRMC.

Methodology and characteristics of market risk model

Value-at-risk ("VaR")

VaR is a technique in estimating the potential losses that could occur on market risk-taking positions due to market rates and prices movement under normal market conditions over a specified time horizon. The model is designed to capture different types of risk including interest rate risk, foreign exchange risk, credit spread risk, equity risk, commodity risk and volatility risk.

The VaR model used by the Group is based on the historical simulation technique. The technique predicts the value at risk by simulating or constructing position returns over time arise from the historical changes in rates and prices in the interest rate, foreign exchange, equity, credit and commodity markets.

39 金融風險管理 (續)

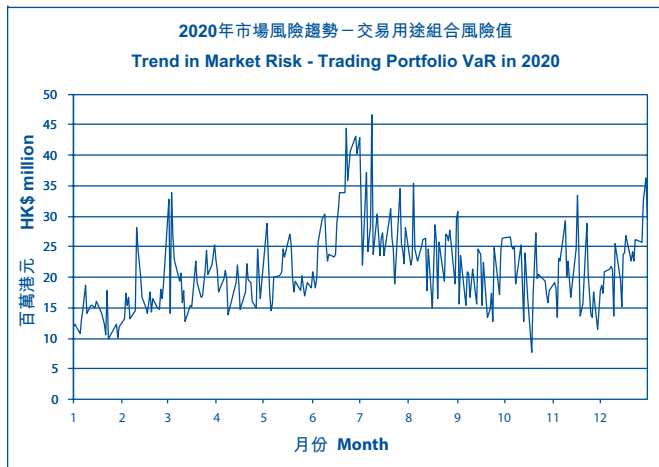
(b) 市場風險管理 (續)

市場風險模型的方法和特點 (續)

風險值 (續)

對於風險值的計算，本集團使用最近兩年的歷史市場利率，價格和相關的波幅作基礎。

- 對交易盤持倉，風險值是以1天持有期來計算。



39 Financial risk management (continued)

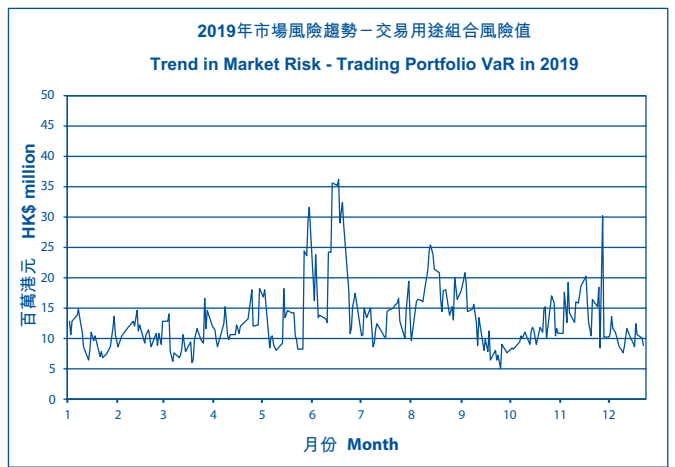
(b) Market risk management (continued)

Methodology and characteristics of market risk model (continued)

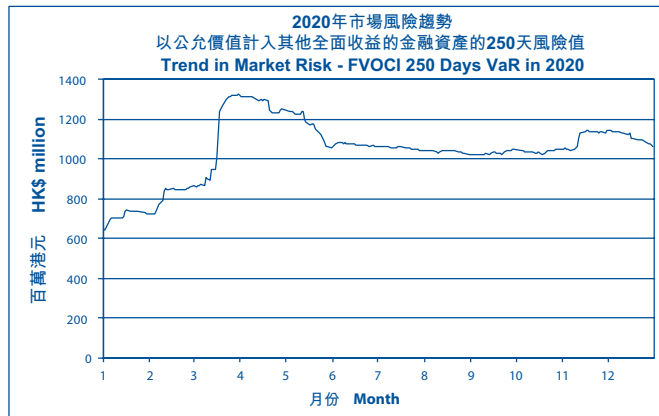
Value-at-risk ("VaR") (continued)

For the calculation of VaR, the Group uses the most recent two years of historical market rates, prices and volatilities.

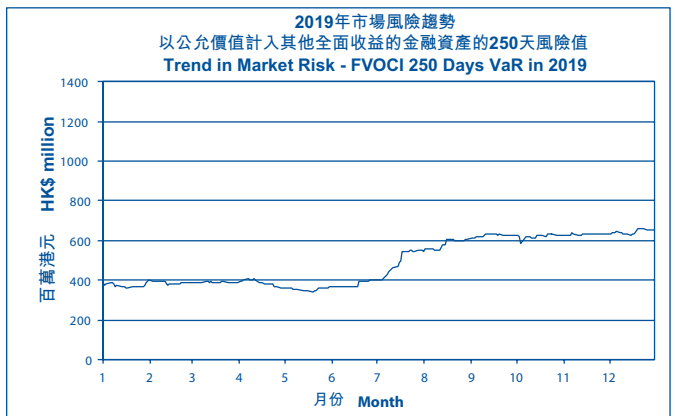
- For the trading positions, the VaR is calculated for one-day holding period.



- 對以公允價值計入其他全面收益的金融資產，風險值以250天的持有期來計算。



- For the FVOCI debt securities and related positions, VaR is calculated for 250-day holding period.



39 金融風險管理 (續)

39 Financial risk management (continued)

(b) 市場風險管理 (續)

(b) Market risk management (continued)

市場風險模型的方法和特點 (續)

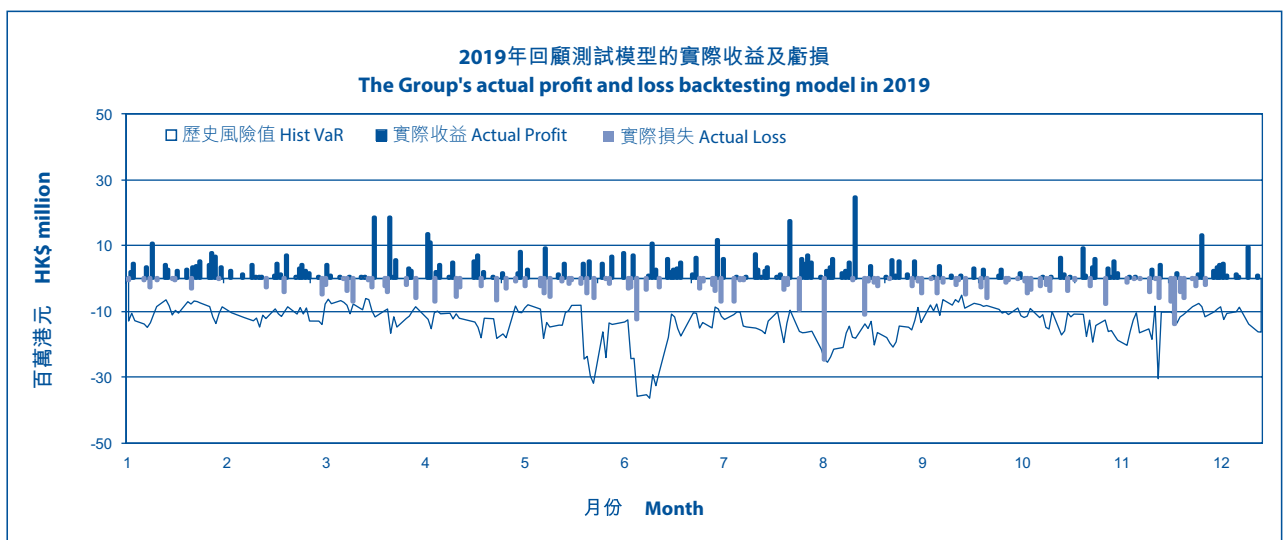
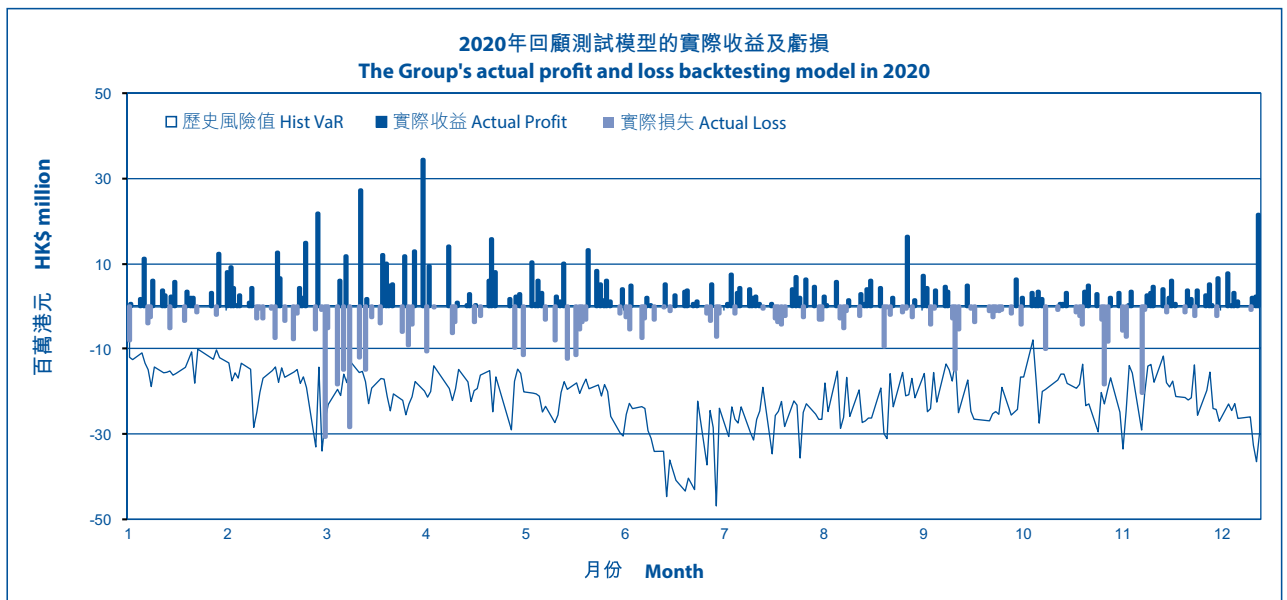
Methodology and characteristics of market risk model (continued)

風險值 (續)

Value-at-risk ("VaR") (continued)

— 本集團比較實際和假設每日損益結果及調整項目包括服務費和佣金，對照相應的風險值的數字，用以驗證風險值模型的準確性。於2020年1月1日至2020年12月31日期間，回顧測試有三次例外發生(2019年1月1日至2019年12月31日：有兩次例外發生)，它相當於由香港金融管理局和國際巴塞爾原則所指定的綠色區域內。

— The Group back-tests the accuracy of its VaR model by comparing the actual and hypothetical daily profit and loss, adjusted for items including fees and commissions, against the corresponding VaR figures. For the period from 1 January 2020 to 31 December 2020, there were 3 exceptions in the back-testing results (for the period of 1 January 2019 to 31 December 2019, there were 2 exceptions), which corresponds to the green zone specified by the HKMA and the international Basel principles.



39 金融風險管理 (續)

(b) 市場風險管理 (續)

市場風險模型的方法和特點 (續)

風險值 (續)

截至2020年12月31日止年度，本集團持倉交易盤之單日平均收益為港幣638,000元(2019年：收益為港幣1,426,000元)，單日平均收入標準誤差為港幣7,165,000元(2019年：港幣4,786,000元)。下圖顯示截至2020年及2019年12月31日止年度本集團按市價計值收入之單日分佈圖。

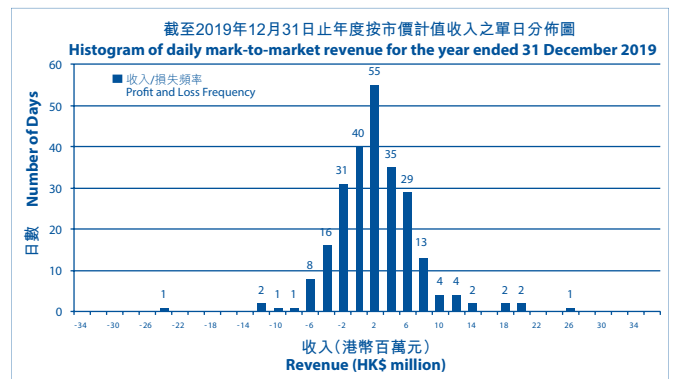
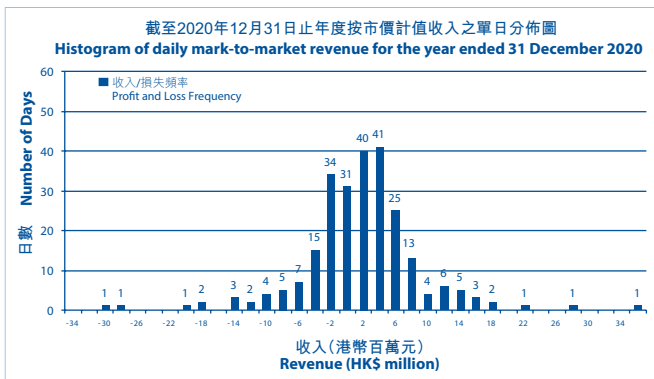
39 Financial risk management (continued)

(b) Market risk management (continued)

Methodology and characteristics of market risk model (continued)

Value-at-risk ("VaR") (continued)

For the year ended 31 December 2020, the average daily mark-to-market revenue from the Group's trading portfolio was a gain of HK\$638,000 (31 December 2019: a gain of HK\$1,426,000). The standard deviation of the daily revenue was HK\$7,165,000 (31 December 2019: HK\$4,786,000). The graphs below show the histograms of the Group's daily mark-to-market revenue for the year ended 31 December 2020 and 2019, respectively.



39 金融風險管理 (續)

(b) 市場風險管理 (續)

市場風險模型的方法和特點 (續)

風險值 (續)

下表顯示了交易盤持倉和與以公允價值計入其他全面收益的金融資產債務證券有關的持倉之風險值統計數字。

39 Financial risk management (continued)

(b) Market risk management (continued)

Methodology and characteristics of market risk model (continued)

Value-at-risk ("VaR") (continued)

The tables below decomposes VaR by risk factors for the trading positions and the debt securities measured at FVOCI related positions.

交易盤持倉 – 1天風險值
1-day VaR for the trading positions

		2020				2019			
		約計 Approximate			截至12月31日 At 31 December	約計 Approximate			截至12月31日 At 31 December
		最高 Maximum	最低 Minimum	平均 Mean		最高 Maximum	最低 Minimum	平均 Mean	
		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
外匯風險	Foreign exchange risk	31,032	1,678	9,807	5,136	19,630	1,993	8,131	13,963
利率風險及 信貸利差風險	Interest rate risk and credit spread risk	29,563	8,513	18,165	27,398	36,081	4,462	10,152	8,059
風險值總額	Total VaR	46,682	7,744	21,440	29,447	36,124	5,021	13,211	16,177

以公允價值計入其他全面收益的金融資產債務證券有關的持倉 – 250天風險值
250-day VaR for the debt securities measured at FVOCI related position

		2020				2019			
		約計 Approximate			截至12月31日 At 31 December	約計 Approximate			截至12月31日 At 31 December
		最高 Maximum	最低 Minimum	平均 Mean		最高 Maximum	最低 Minimum	平均 Mean	
		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
利率風險	Interest rate risk	1,188,548	752,505	1,076,732	814,616	775,966	410,965	610,970	760,531
信貸利差風險	Credit spread risk	1,381,528	780,097	1,161,481	1,259,418	801,164	423,341	578,619	790,477
250天風險值總額	Total 250-day VaR	1,324,028	641,417	1,042,057	1,064,716	662,981	340,157	491,228	654,085

壓力測試

壓力測試的實施是作為對風險值模型的補充，目的在於涵蓋遙遠但可能發生的事件。本集團同時基於敏感度和歷史情景進行市場風險壓力測試。測試結果需向高級管理層、市場風險委員會和信貸及風險管理委員會作出匯報。

Stress testing

Stress testing is implemented as a compliment of the VaR model in order to capture remote, but plausible events. The Group uses both sensitivity-based and historical-based scenarios for market risk stress testing. The results are reported to senior management, MRC and CRMC.

39 金融風險管理 (續)**(b) 市場風險管理 (續)****外匯風險**

本集團的外匯風險源自本集團及海外分行和附屬公司的商業交易、外匯證券投資及營運的外匯買賣盤。本集團的外匯買賣盤限額均須經由市場風險委員會核准。用以量度外匯風險的指標包括個別貨幣和整體持倉金額以及敏感度如希臘指標（適用於外匯期權）。截至2020年12月31日止年度，本集團的外匯買賣盤的平均單日損益為損失港幣1,796,000元（2019年：溢利港幣1,135,000元）及其標準誤差為港幣13,750,000元（2019年：港幣5,094,000元）。

於結算日的重大外匯風險如下：

相等於港幣千元	Equivalent in HK\$'000	2020				2019			
		美金 USD	人民幣 RMB	其他貨幣 Others	總額 Total	美金 USD	人民幣 RMB	其他貨幣 Others	總額 Total
現貨資產	Spot assets	164,369,879	22,409,162	26,200,137	212,979,178	155,397,093	21,679,191	26,317,487	203,393,771
現貨負債	Spot liabilities	(120,232,212)	(20,069,718)	(14,058,439)	(154,360,369)	(111,503,584)	(21,591,724)	(15,393,598)	(148,488,906)
遠期買入	Forward purchases	362,454,488	194,205,562	71,795,914	628,455,964	366,026,392	122,622,627	79,498,934	568,147,953
遠期賣出	Forward sales	(402,141,228)	(199,504,087)	(83,411,374)	(685,056,689)	(406,919,637)	(122,158,607)	(89,612,241)	(618,690,485)
期權盤淨額	Net options position	(3,634,671)	4,018,861	(359,109)	25,081	(1,720,295)	1,521,451	235,996	37,152
長/(短)盤淨額	Net long/(short) position	816,256	1,059,780	167,129	2,043,165	1,279,969	2,072,938	1,046,578	4,399,485
結構盤淨額	Net structural position	-	714,898	48,542	763,440	-	669,549	48,518	718,067

期權盤淨額是按照金管局所核准的模式使用者法計算。

39 Financial risk management (continued)**(b) Market risk management (continued)****Currency risk**

The Group's foreign exchange risk stems from taking foreign exchange positions from commercial dealings, investments in foreign currency securities, and operations of the Group and its overseas branches and subsidiaries. The Group's foreign exchange positions are subject to exposure limits approved by the MRC. Methods adopted to measure foreign currency risk exposure against corresponding limits include individual currency positions, overall foreign exchange positions and sensitivities such as Greeks (for foreign exchange options). For the year ended 31 December 2020, the Group's average daily trading profit and loss from foreign exchange positions was a loss of HK\$1,796,000 (2019: a profit of HK\$1,135,000) with a standard deviation of HK\$13,750,000 (2019: HK\$5,094,000).

Significant foreign currency exposures at the end of the reporting period were as follows:

The net option position is calculated using the Model User Approach, which has been approved by the HKMA.

39 金融風險管理 (續)**(b) 市場風險管理 (續)****外匯風險 (續)**

外匯風險敏感度分析

- (i) 於2020年12月31日，如港幣兌美元以外的其他貨幣貶值10%並假設其他所有參數不變，本年度本集團之除稅後溢利將增加港幣102,447,000元(2019年：增加港幣260,480,000元)，主要由於非港幣計值的金融資產之匯兌溢利補償了非港幣計值的金融負債之匯兌虧損。

相反地，如港幣兌美元以外的其他貨幣升值10%並假設所有其他參數不變，本年度本集團之除稅後溢利將減少港幣102,447,000元(2019年：減少港幣260,480,000元)。

- (ii) 本集團所承受之貨幣風險主要源自以美元計值的財務工具(不包括人民幣600,000,000元及澳門幣50,000,000元的結構性外匯持倉)。由於美元與港幣掛鈎，本集團認為美元與港幣匯率變動而引致的貨幣風險對本集團沒有重大的影響。

利率風險

本集團的利率風險承擔主要來自銀行賬冊及交易賬冊。對於銀行賬冊，資產負債管理委員會和風險管理委員會負責監督來自資產及負債管理所產生的利率風險。而財資部的職能負責利用不同的金融產品包括利率衍生工具配合對沖會計準則來管理利率風險。利率風險包括重新定價風險，基礎風險，收益率曲線風險和潛在期權風險，並受銀行賬冊的利率風險管理政策所約束。

對於交易賬冊，市場風險委員會和風險管理委員會負責監督其交易組合的利率風險。環球市場部負責使用不同金融產品包括衍生工具來管理利率風險，這些衍生工具的價值基於市值來估算。利率風險包括基礎風險，收益率曲線風險和潛在期權風險，並受市場風險政策所約束。

39 Financial risk management (continued)**(b) Market risk management (continued)****Currency risk (continued)**

Sensitivity analysis on foreign exchange exposures

- (i) At 31 December 2020, if the HKD had weakened by 10% against other currencies (other than the USD) with all other variables held constant, the Group's profit after tax for the year would have been higher by HK\$102,447,000 (2019: higher by HK\$260,480,000), mainly as a result of foreign exchange gains on the translation of non-HKD denominated financial assets compensated by foreign exchange losses on the translation of non-HKD denominated financial liabilities.

Conversely, if the HKD had strengthened by 10% against other currencies (other than the USD) with all other variables held constant, the Group's profit after tax for the year would have been lower by HK\$102,447,000 (2019: lower by HK\$260,480,000).

- (ii) The Group is exposed to currency risks arising from financial instruments that are denominated in USD, excluding structural foreign exchange positions of RMB600,000,000 and MOP 50,000,000. As the USD is pegged to the HKD, the Group considers the risk of movements in exchange rates between the HKD and the USD to be insignificant.

Interest rate risk

The Group's interest rate risk arise from its banking and trading book. For the banking book, ALCO and RMG are responsible in overseeing the interest rate exposure arised from its assets and liabilities management. The function of central treasury units is responsible in managing the interest rate risk using different financial products including interest rate derivatives, under which hedge accounting treatment is adopted. The interest rate risk includes repricing risks, basis risks, yield curve risks and embedded option risks, and are governed by the Interest Rate Risk Management Policy for the Banking Book.

For the trading book, MRC and RMG are responsible in overseeing the interest rate exposure from its trading portfolio. Global Markets is responsible in managing the interest rate risk using different financial products including derivatives, under which mark-to-market treatment is adopted. The interest rate risk includes basis risks, yield curve risks and embedded option risks, and are governed by the Market Risk Policy.

39 金融風險管理 (續)**(b) 市場風險管理 (續)****利率風險 (續)**

截至2020年12月31日止年度，本集團與利率及固定收益交易策略相關的平均每日交易損益為盈利港幣2,443,000元（2019年：盈利港幣290,000元）及其標準誤差為港幣14,618,000元（2019年：港幣4,483,000元）。

利率風險敏感度分析

本集團每季均採用利率風險承擔敏感度分析來量度銀行賬冊之利率風險。於敏感度分析中，利率變動對本集團盈利之潛在影響的評估是基於香港金管局SPM IR-1定義的多套新利率方案和利率波動要求且最嚴格方案並已採納如下。

相等於港幣千元	Equivalent in HK\$'000	2020			2019		
		港元 HKD	人民幣 RMB	美元 USD	港元 HKD	人民幣 RMB	美元 USD
對未來12個月的盈利影響	Impact on earnings over the next 12 months	(1,273,241)	(423,767)	(58,250)	(1,235,713)	(102,261)	(250,600)
對經濟價值的影響	Impact on economic value	(1,817,966)	(218,278)	(2,372,587)	(909,911)	(200,446)	(106,289)

這利率敏感度是依據資產及負債的利率風險的狀況而計算僅用於風險管理目的，有關分析乃根據以下假設進行：

- (i) 該分析是根據金管局SPM IR-1定義的多套利率方案和利率波幅方案而作出。
- (ii) 投資組合沒有其他變化。

利率上調而導致本集團淨利息收入及經濟價值的實際變動與該敏感度分析的結果可能有所不同。

39 Financial risk management (continued)**(b) Market risk management (continued)****Interest rate risk (continued)**

For the year ended 31 December 2020, the Group's average daily trading profit and loss related to interest rate and fixed income trading strategy was a gain of HK\$2,443,000 (31 December 2019: a gain of HK\$290,000), with a standard deviation of HK\$14,618,000 (31 December 2019: HK\$4,483,000).

Sensitivity analysis on interest rate exposures

The Group measures the interest rate risk of the banking book by conducting a sensitivity analysis of the interest rate exposure on a quarterly basis. The sensitivity analysis on the potential impacts of movements in interest rates on the Group's earnings and economic value are assessed based on the HKMA SPM IR-1 defined multi-sets of new interest rate scenario and interest rate volatility scenario requirements and the most stressed scenarios are selected below.

This sensitivity analysis, which is based on an interest rate risk profile of assets and liabilities, is used for risk management purposes only. The analysis is based on the following assumptions:

- (i) The analysis is based on the requirements under HKMA SPM IR-1 defined multi-sets of interest rate scenario and interest rate volatility scenario.
- (ii) There are no other changes to the portfolio.

Actual changes in the Group's net interest income and the economic value resulting from the change in interest rates may differ from the results of this sensitivity analysis.

39 金融風險管理 (續)

(b) 市場風險管理 (續)

利率風險 (續)

下表總結本集團於結算日的計息資產及負債的利率風險承擔(合同重定價日或到期日,以較早者為準)。

39 Financial risk management (continued)

(b) Market risk management (continued)

Interest rate risk (continued)

The following tables summarise the Group's exposures to interest rate risks for the interest bearing assets and liabilities at the end of the reporting period as referred to earlier of contractual repricing or maturity dates.

		2020					
		3個月內 (包括逾期)	3個月以上 至1年	1年以上 至5年	5年以上	非計息	
		3 months or less (including Total	3 months to 1 year	1 year to 5 years	Over 5 years	Non- interest bearing	
		總額	總額	總額	總額	總額	
		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	
資產	Assets						
現金及在銀行、中央銀行及 其他金融機構的結存	Cash and balances with banks, central banks and other financial institutions	32,783,916	32,571,718	-	-	212,198	
在銀行、中央銀行及其他 金融機構的存款及墊款	Placements with and advances to banks, central banks and other financial institutions	28,969,830	28,969,830	-	-	-	
以公允價值計入損益的 金融資產	Financial assets at fair value through profit or loss	2,649,076	13,145	312,044	877,964	998,551	
衍生金融工具	Derivative financial instruments	14,378,601	-	-	-	447,372	
客戶貸款及墊款及其他賬項	Loans and advances to customers and other accounts	226,789,958	206,014,661	9,586,948	509,811	14,378,601	
以公允價值計入其他全面 收益的金融資產	Financial assets at fair value through other comprehensive income	84,950,868	37,716,914	17,023,195	29,843,774	18,099	
攤餘成本投資	Amortised cost investments	48,493	48,493	-	-	10,660,439	
非計息資產	Non-interest bearing assets	2,327,946	-	-	-	252,917	
資產總額	Total assets	392,898,688	305,334,761	26,922,187	31,231,549	1,269,567	
負債	Liabilities						
銀行及其他金融機構的 存款及結存	Deposits and balances of banks and other financial institutions	5,326,408	4,382,785	705,323	238,300	-	
客戶存款	Deposits from customers	309,877,016	267,897,342	26,371,061	797,045	-	
以公允價值計入損益的 金融負債	Financial liabilities at fair value through profit or loss	290,185	-	-	111,597	178,588	
衍生金融工具	Derivative financial instruments	15,160,283	-	-	-	-	
債務資本	Loan capital	3,855,374	-	-	3,855,374	-	
其他負債	Other liabilities	10,078,174	2,281,192	-	-	-	
非計息負債	Non-interest bearing liabilities	743,454	-	-	-	-	
負債總額	Total liabilities	345,330,894	274,561,319	27,076,384	5,002,316	178,588	
利率敏感度差距	Interest rate sensitivity gap		30,773,442	(154,197)	26,229,233	1,090,979	

39 金融風險管理 (續)

39 Financial risk management (continued)

(b) 市場風險管理 (續)
利率風險 (續)(b) Market risk management (continued)
Interest rate risk (continued)

2019

		2019					非計息 Non- interest bearing interest
		3個月內 (包括逾期) 3 months or less 總額 Total 港幣千元 HK\$'000	3個月以上 至1年 Over 3 months to 1 year 港幣千元 HK\$'000	1年以上 至5年 Over 1 year to 5 years 港幣千元 HK\$'000	5年以上 Over 5 years 港幣千元 HK\$'000	5年以上 Over 5 years 港幣千元 HK\$'000	
資產	Assets						
現金及在銀行、中央銀行及 其他金融機構的結存	Cash and balances with banks, central banks and other financial institutions	26,005,564	25,533,437	-	-	-	472,127
在銀行、中央銀行及其他 金融機構的存款及墊款	Placements with and advances to banks, central banks and other financial institutions	54,468,897	50,904,096	3,564,801	-	-	-
以公允價值計入損益的 金融資產	Financial assets at fair value through profit or loss	1,908,370	674,182	41,143	794,234	398,811	-
衍生金融工具	Derivative financial instruments	6,283,608	-	-	-	-	6,283,608
客戶貸款及墊款及其他賬項	Loans and advances to customers and other accounts	193,572,226	172,177,383	11,881,205	757,303	6,828	8,749,507
以公允價值計入其他全面 收益的金融資產	Financial assets at fair value through other comprehensive income	76,668,300	31,664,961	19,801,314	24,045,911	1,043,778	112,336
非計息資產	Non-interest bearing assets	2,314,537	-	-	-	-	2,314,537
資產總額	Total assets	361,221,502	280,954,059	35,288,463	25,597,448	1,449,417	17,932,115
負債	Liabilities						
銀行及其他金融機構的 存款及結存	Deposits and balances of banks and other financial institutions	7,121,633	6,046,036	629,231	446,366	-	-
客戶存款	Deposits from customers	276,872,680	226,807,678	36,896,138	423,941	-	12,744,923
以公允價值計入損益的 金融負債	Financial liabilities at fair value through profit or loss	146,500	146,500	-	-	-	-
衍生金融工具	Derivative financial instruments	6,363,156	-	-	-	-	6,363,156
已發行存款證	Certificates of deposit issued	3,112,919	3,112,919	-	-	-	-
債務證券	Debt securities issued	3,346,067	-	3,346,067	-	-	-
債務資本	Loan capital	6,249,182	-	2,384,710	3,864,472	-	-
非計息負債	Non-interest bearing liabilities	11,559,191	-	-	-	-	11,559,191
負債總額	Total liabilities	314,771,328	236,113,133	43,256,146	4,734,779	-	30,667,270
利率敏感度差距	Interest rate sensitivity gap		44,840,926	(7,967,683)	20,862,669	1,449,417	

39 金融風險管理 (續)

(c) 流動資金風險管理

流動性風險乃指本集團不可能在提供資金以應付資產增加或履行到期債務時而不須承受不可接受之損失的風險。流動資金的融資風險是由於本集團管理的資產和負債的期限出現錯配。市場流動性風險是指於異常或受壓的市場情況下出售持倉而產生額外費用的風險。在這條件下，其買入及賣出價範圍比在正常的市場條件下相差甚遠和極端地缺乏買家，本行將需支付額外費用以出售持倉。

流動資金風險管理框架如下：

- 本集團的流動資金風險管理，乃受資產負債委員會及信貸及風險管理委員會認可，並經董事會批准的流動資金風險管理政策監管。
- 信貸及風險管理委員會獲董事會授權，負責監察本集團的流動資金風險管理，其主要責任在於檢討及批核政策、制定策略、界定風險取向及可接受的風險水平限額。
- 資產負債委員會由行政總裁成立並獲信貸及風險管理委員會授權，負責制定及執行政策、策略、指引及限額架構。此外，亦負責識別、計量及監管流動性風險狀況，以確保能應付現在及將來之資金需求。資產負債委員會監控一套風險指標以管理流動性風險。風險管理部會每日進行流動性壓力測試，其中包括整體市場、銀行特定組合和合併（整體市場和銀行特定）壓力情景，並由資產負債委員會審閱，以評估風險承受能力水平和流動性緩衝水平。此外，建立了一項資金應變計劃，為此列明解決流動性風險情況下的策略。該計劃包括一系列的政策、程序及行動計劃，以及明確責任分工，調用和升級程序。該計劃並由資產負債委員會定期審閱及批核。

39 Financial risk management (continued)

(c) Liquidity risk management

Liquidity risk is the risk that the Group may not be able to fund an increase in assets or meet obligations as they fall due without incurring unacceptable losses. Such funding liquidity risk arises from the maturity mismatch of the assets and liabilities that the Group manages. Market liquidity risk is a risk that occurs when additional costs are involved in disposing of a position in the market under abnormal or stressed market conditions. Under these conditions, the bid-ask spreads for the position are much wider than usual or there could even be an extreme lack of buyers. As a result, the Bank will incur extra costs to dispose of the position.

The liquidity risk management framework is as follows:

- The management of the Group's liquidity risk is governed by the Liquidity Management Policy, concurred by the Asset and Liability Committee ("ALCO") and the CRMC, and approved by the Board of Directors.
- The CRMC is delegated by the Board of Directors to oversee the Group's liquidity risk management. Its main responsibilities are to review and approve policies, set strategies, and define risk appetite and tolerance limits.
- The ALCO is established by the Chief Executive Officer and ratified by the CRMC as the governing body responsible for formulating and implementing policies, strategies, guidelines and limit structures. It also identifies, measures and monitors the Group's liquidity risk profile to ensure current and future funding requirements are met. In addition, the ALCO monitors a set of risk indicators for liquidity risk. Daily liquidity stress testing, which includes market general, bank-specific and combined (market general and bank-specific) stress scenarios, is conducted by the Risk Management Group, and the stress results are regularly reviewed by the ALCO to assess the current risk tolerance level and the level of the liquidity cushion. A Contingency Funding Plan is established which sets out the strategies for addressing liquidity stress situations. The plan contains a set of policies, procedures and action plans, with clearly established lines of responsibility, as well as invocation and escalation procedures. This plan is reviewed and approved by the ALCO on a regular basis.

39 金融風險管理 (續)

(c) 流動資金風險管理 (續)

- 日常流動性管理由資金營運中心負責，監控資金需求，並由包括財務管理部和風險管理部在內的其他相關部門協助監管流動性風險和定期向管理層，委員會和地方監管機構提供報告。在壓力情景下的不同時段設置現金流量淨額限制，以確保有足夠資金和流動資產能滿足資金流動性需求。此外，其他流動性風險指標亦設有限制、觸發水平或警報，例如法定流動性比率、貸存比率、貨幣錯配比率和期限錯配比率。數量化和素質化計算方式均被採用以衡量和確定市場流動性風險。財務管理部或風險管理部負責監察及定期報告相對於市場和資金流動風險的限制和警報水平，並由資產負債委員會作出審查和批准。內部審計部門會定期作出檢討，確保流動性風險管理功能得以有效執行。

流動性管理於本集團及銀行層面、各海外分行及附屬公司進行。財務附屬公司及海外分行會按照資產負債委員會已考慮各不同流動資金風險特性後訂立之框架及當地監管機構之要求，執行其流動性管理政策。資產負債委員會亦會一併監控其流動性情況。對於提供資金予海外分行及附屬公司，本集團亦設立政策和交易對手限額。本集團期望各部門透過與存款人、客戶、銀行同業、關聯公司及金管局建立並維持良好的關係，為銀行無論在正常和緊急情況下均能夠成功、有效地管理流動資金而作出貢獻。

39 Financial risk management (continued)

(c) Liquidity risk management (continued)

- Daily liquidity management is managed by the Central Treasury Unit to monitor funding requirements. This unit is supported by other functional departments including the Financial Management Group and Risk Management Group, which monitor the liquidity risk and provide regular reports to the management, committees and local regulatory bodies. Limits for net cash flow per different time bucket under stress scenarios have been set to ensure that adequate funding and liquid assets are available to meet liquidity needs. Moreover, limits, triggers or alerts are set for other liquidity risk indicators such as the statutory liquidity ratios, the loan-to-deposit ratio, the currency mismatch ratio and the maturity mismatch ratio. Both quantitative and qualitative measures are employed to identify and measure market liquidity risk. Limits and alert levels related to market and funding liquidity risk are monitored and reported by the Financial Management Group or Risk Management Group to the ALCO to review and approve on a regular basis. The Audit Department performs periodic reviews to ensure liquidity risk management functions are carried out effectively.

Liquidity management is conducted at the Group and the Bank levels, and at individual overseas branches and subsidiaries. Financial subsidiaries and overseas branches are responsible for implementing their own liquidity management policies under the framework established by the ALCO and local regulatory requirements, taking into account their different liquidity risk characteristics. The liquidity situation of overseas branches and subsidiaries falls under the overall supervision of the ALCO. Policy and respective counterparty limits are set for overseas branches and subsidiaries in respect of the funding support extended from the head office. The Group expects all business units to contribute to the success of managing liquidity under normal and contingency situations by maintaining a rapport with depositors, customers, interbank counterparties, related companies and the HKMA.

39 金融風險管理 (續)**(c) 流動資金風險管理 (續)**

流動資金管理之目標為履行於正常及緊急情況下到期之債務，提供資金以應付資產增長與及符合法定之流動性要求。為此，本集團有以下之流動資金管理程序：

- 在正常及壓力情景下估算現金流量，利用資產負債錯配淨缺口評估預期資金需求；
- 在正常及壓力情景下計入潛在不可撤銷的信貸承諾提取，以應付或有流動性風險；
- 按照內部及／或監管機構的規定，監控法定流動性比率、貸存比率、貨幣及期限錯配比率；
- 藉監控存款組合之結構及穩定性，以確保穩健及多元化之資金來源；
- 定期預測短期至中期之法定流動性比率，以至能及早察覺流動性問題，並確保比率在法定要求及內部預警之內；
- 於每年預算過程中，預測資金需求及資金結構，以確保充足資金及適當資金組合；
- 在新產品業務推出前，須先進行潛在的流動性風險評估程序；
- 為應付無法預測之資金需求，本集團持有優質流動資產，包括現金及具投資評級之證券。另外，本集團參照法定要求和流動性壓力測試結果，而決定持有優質流動資產的數量；
- 持續使用同業拆借市場；
- 定期維持各項融資計劃以支持債務融資；

39 Financial risk management (continued)**(c) Liquidity risk management (continued)**

The objective of liquidity management is to meet obligations payable under normal and emergency circumstances, to fund asset growth and to comply with the statutory liquidity requirements. To achieve this, the following liquidity management processes are in place:

- Projecting cash flows in normal and various stress scenarios, using the net mismatch gap between assets and liabilities to estimate the prospective net funding requirement;
- Factoring potential drawdown on irrevocable committed facilities into our normal and stress scenarios to cater for contingent liquidity risk;
- Monitoring the statutory liquidity ratios, the loan-to-deposit ratio, the currency mismatch ratio and the maturity mismatch ratio against internal and/or regulatory requirements;
- Ensuring a sound and diversified range of funding sources, through monitoring the structure and the stability of the deposit portfolio;
- Projecting the statutory liquidity ratios regularly for the short to medium term to permit early detection of liquidity issues and to ensure the ratios are within statutory requirements and internal triggers;
- Projecting a high-level funding requirement and funding structure during the annual budget process to ensure sufficient funding and an appropriate funding mix;
- Conducting liquidity risk assessment before launching a new product;
- Maintaining High Quality Liquid Assets (“HQLA”) comprising cash and investment grade securities as a cushion against unexpected funding needs. The amount of HQLA that the Group maintains is determined with reference to the statutory requirement and the results of the liquidity stress tests;
- Maintaining access to the interbank money market;
- Maintaining a funding programme to tap debt funding on a regular basis;

39 金融風險管理 (續)**(c) 流動資金風險管理 (續)**

- 維持本集團的抵押品要求。定期評估和審查於衍生工具合約及信用降級時所需的額外抵押品。按2020年12月31日的狀況，在評級遭降2個級別的情況下，對本集團需要額外抵押品要求的影響輕微；及
- 維持應變融資計劃，其中集合壓力測試的情景和假設的結果，包括設定預警指標（包括內部及市場指標），並且描述若出現危機時應採取之相應行動，以將業務所受的任何長遠負面影響減至最低。

集團業務所需的資金來自多元化資金來源，主要來自其零售及企業客戶的存款。與此同時，本集團亦積極從事批發融資業務，透過發行存款證來取得另一個資金來源及確保資金來源的多元化。本集團並定期監察存款之期限組合及債務到期日，以確保一個適當之資金到期組合。

根據《銀行業（流動性）規則》，本集團作為第1類機構必須保持高於法定最低要求的流動性覆蓋率和淨穩定資金比率。

本集團維持適當的優質流動資產水平及其貨幣組合，以確保本集團於金管局監管框架下有能力應付不利或無法預計的經濟事故所引致突然性市場流動資金流失。除此之外，本集團同時監察及定期向資產負債管理委員會報告各個別主要幣種的流動性覆蓋比率以控制貨幣錯配。2020年下半年平均流動性覆蓋比率的變化主要由於現金流出壓力的變化所引致。

39 Financial risk management (continued)**(c) Liquidity risk management (continued)**

- Monitoring the Group's collateral requirement. Periodically assess and review the additional collateral required under derivative contracts and credit downgrade events. Based on the position at 31 December 2020, in the event of a 2-notch downgrade, the impact on the Group's additional collateral requirement is minimal; and
- Maintaining a Contingency Funding Plan, which integrates with the results of the scenarios and assumptions used in the stress test, including setting early warning indicators (including internal and market indicators), and describing actions to be taken in the event of a stress crisis, so as to minimise adverse long-term implications for business.

The Group funds its operations through a diversified funding source, primarily from the retail and corporate customer deposits. At the same time, it also participates in the wholesale funding market through the issuance of certificates of deposit ("CDs") to secure another source of term funding and to enable diversification of funding sources. Deposit tenor mix and debt maturities are regularly monitored to ensure there is an appropriate funding maturity mix.

Under the Banking (Liquidity) Rules, the Group being a Category 1 institution is required to maintain a Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR") above the statutory minimum requirements.

An appropriate level and currency mix of HQLA has been maintained to ensure that the Group could handle sudden drains in market liquidity due to adverse or unexpected economic events under the HKMA's regulatory framework. Besides, the Group also monitors and reports the LCR for each individual significant currency to ALCO regularly to control the currency mismatch in the LCR. The changes in average LCR in the second half of 2020 was mainly driven by the changes in the cash outflow pressure.

39 金融風險管理 (續)

39 Financial risk management (continued)

(c) 流動資金風險管理 (續)

(c) Liquidity risk management (continued)

		加權數額 (平均值) Weighted amount (average value)				
		2020年 12月31日 止之季度 For quarter ended 31 December 2020	2020年 9月30日 止之季度 For quarter ended 30 September 2020	2020年 6月30日 止之季度 For quarter ended 30 June 2020	2020年 3月31日 止之季度 For quarter ended 31 March 2020	2019年 12月31日 止之季度 For quarter ended 31 December 2019
平均流動性覆蓋比率	Average LCR	217%	240%	224%	272%	226%

本集團經常持有充足現金和流動資金及優質流動資產作為於緊急情景下可獲得之緩衝資金。流動性覆蓋比率中所包含的優質流動資產佔大多數為根據《銀行業(流動性)規則》定義之一級資產。下表載列流動性覆蓋比率框架中本集團優質流動資產的組成。

The Group always maintains sufficient cash and liquid positions as well as a pool of HQLA as a liquidity cushion that can be liquidated in stress scenarios. The majority of HQLA included in the LCR is Level 1 assets as defined in Banking (Liquidity) Rules. The below table shows the composition of the Group's HQLA in the LCR framework:

		加權數額 (平均值) Weighted amount (average value)				
		2020年 12月31日 止之季度 For quarter ended 31 December 2020 港幣千元 HK\$'000	2020年 9月30日 止之季度 For quarter ended 30 September 2020 港幣千元 HK\$'000	2020年 6月30日 止之季度 For quarter ended 30 June 2020 港幣千元 HK\$'000	2020年 3月31日 止之季度 For quarter ended 31 March 2020 港幣千元 HK\$'000	2019年 12月31日 止之季度 For quarter ended 31 December 2019 港幣千元 HK\$'000
一級資產	Level 1 assets	42,607,213	36,145,061	34,012,891	38,613,525	28,625,081
二級資產	Level 2 assets	10,836,099	9,278,291	8,373,110	8,398,230	6,840,970
總額	Total	53,443,312	45,423,352	42,386,001	47,011,755	35,466,051

39 金融風險管理 (續)**(c) 流動資金風險管理 (續)**

本集團同時維持足夠可用的穩定資金以支持其長期資產以滿足穩定資金淨額比率法定要求。2020年下半年穩定資金淨額比率的減少主要源自客戶貸款的增加，惟部份增長因客戶存款上升而抵銷。此外，本集團並無根據《銀行業(流動性)規則》定義為互有關連的資產及負債。

	2020年 12月31日 止之季度 Quarter ended 31 December 2020	2020年 9月30日 止之季度 Quarter ended 30 September 2020	2020年 6月30日 止之季度 Quarter ended 30 June 2020	2020年 3月31日 止之季度 Quarter ended 31 March 2020	2019年 12月31日 止之季度 Quarter ended 31 December 2019
穩定資金淨額比率 NSFR	128%	134%	139%	138%	145%

根據《銀行業(披露)規則》，本集團採用金管局指定的標準披露模板披露有關本集團流動資金的資料，並可在本行的網站 www.cncbinternational.com 內「監管披露」部份進行查閱。

39 Financial risk management (continued)**(c) Liquidity risk management (continued)**

The Group also maintains sufficient available stable funding in support of its longer-term assets to meet the statutory NSFR requirements. The decrease in the NSFR in the second half of 2020 was mainly driven by the increases in the customer loans, partly offset by the increases in the customer deposits. There is no interdependent asset and liability as defined in the Banking (Liquidity) Rules in the Group.

For the purposes of compliance with Banking (Disclosure) Rules, information relating to the Group's liquidity are published by using standard disclosure templates as specified by the HKMA and they can be viewed in the Regulatory Disclosures section of our Bank's corporate website at www.cncbinternational.com.

39 金融風險管理(續)

(c) 流動資金風險管理(續)

- (i) 根據餘下期間作出的資產及負債分析
以下到期日分析是以結算日至合約到
期日的餘下期間為準。

由於交易用途資產組合可能在到期前
出售，而客戶存款則可能在沒有提取
的情況下到期，因此，合約到期日並
不代表預計獲得未來現金流量的日期。

39 Financial risk management (continued)

(c) Liquidity risk management (continued)

- (i) Analysis of assets and liabilities by remaining maturity

The following maturity profile is based on the remaining period
at the end of the reporting period date to the contractual
maturity date.

As the trading portfolios may be sold before maturity, or
deposits from customers may mature without being withdrawn,
the contractual maturity dates do not represent the expected
dates of future cash flows.

		2020							
		總額	即時償還	1個月內	1個月以上 至3個月	3個月以上 至1年	1年以上 至5年	5年以上	無註明 日期
		Total	Repayable on demand	Within 1 month	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated
		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								
現金及在銀行、中央銀行及 其他金融機構的結存	Cash and balances with banks, central banks and other financial institutions	32,783,916	32,178,918	-	-	-	-	-	604,998
在銀行、中央銀行及其他 金融機構的存款及墊款	Placements with and advances to banks, central banks and other financial institutions	28,969,830	-	28,466,136	503,694	-	-	-	-
以公允價值計入損益的 金融資產	Financial assets at fair value through profit or loss	2,649,076	-	13,145	20,290	392,042	1,093,636	1,129,963	-
衍生金融工具	Derivative financial instruments	14,378,601	-	3,018,141	2,772,946	4,525,456	3,338,373	723,685	-
客戶貸款及墊款及其他賬項	Loans and advances to customers and other accounts	226,789,958	1,171,785	24,798,400	17,970,865	70,376,044	77,763,961	25,876,401	8,832,502
以公允價值計入其他全面 收益的金融資產	Financial assets at fair value through other comprehensive income	84,950,868	-	7,858,746	16,214,941	22,557,650	37,952,546	256,917	110,068
攤銷成本投資	Amortised cost investments	48,493	-	-	48,493	-	-	-	-
可回收稅項	Tax recoverable	55,449	-	-	-	55,449	-	-	-
無註明日期資產	Undated assets	2,272,497	-	-	-	-	-	-	2,272,497
資產總額	Total assets	392,898,688	33,350,703	64,154,568	37,531,229	97,906,641	120,148,516	27,986,966	11,820,065
負債	Liabilities								
銀行及其他金融機構的存款 及結存	Deposits and balances of banks and other financial institutions	5,326,408	847,661	1,491,891	2,043,233	705,324	238,299	-	-
客戶存款	Deposits from customers	309,877,016	100,613,550	78,002,580	103,879,111	26,577,924	803,851	-	-
以公允價值計入損益的 金融負債	Financial liabilities at fair value through profit or loss	290,185	-	-	-	-	111,119	179,066	-
衍生金融工具	Derivative financial instruments	15,160,283	-	3,712,221	2,911,671	4,618,205	3,016,940	901,246	-
本期稅項	Current taxation	19,656	-	-	-	19,656	-	-	-
其他負債	Other liabilities	10,078,174	406,513	1,976,112	2,315,199	240,554	-	-	5,139,796
租賃負債	Lease liabilities	722,894	-	21,290	44,872	202,223	438,188	16,321	-
債務資本	Loan capital	3,855,374	-	-	-	-	3,855,374	-	-
無註明日期負債	Undated liabilities	904	-	-	-	-	-	-	904
負債總額	Total liabilities	345,330,894	101,867,724	85,204,094	111,194,086	32,363,886	8,463,771	1,096,633	5,140,700
資產 - 負債差距	Asset-liability gap		(68,517,021)	(21,049,526)	(73,662,857)	65,542,755	111,684,745	26,890,333	

39 金融風險管理 (續)

39 Financial risk management (continued)

(c) 流動資金風險管理 (續)

(c) Liquidity risk management (continued)

(i) 根據餘下期間作出的資產及負債分析 (續)

(i) Analysis of assets and liabilities by remaining maturity (continued)

		2020							
		即時償還	1個月內	1個月以上 至3個月	3個月以上 至1年	1年以上 至5年	5年以上	無註明 日期	
		Repayable	Within	3 months or less but over	1 year or less but over	5 years or less but over	Over	Undated	
		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	
其中：	Of which:								
持有的存款證	Certificates of deposit held								
– 已計入以公允價值計入 其他全面收益的 金融資產	– included in financial assets at fair value through other comprehensive income	5,179,894	-	248,080	1,555,254	3,062,850	313,710	-	
債務證券	Debt securities held								
– 已計入以公允價值計入 損益的金融資產	– included in financial assets at fair value through profit or loss	2,351,288	-	13,144	20,290	94,255	1,093,636	1,129,963	
– 已計入以公允價值計入 其他全面收益的 金融資產	– included in financial assets at fair value through other comprehensive income	56,157,194	-	1,483,111	2,390,078	14,388,252	37,638,836	256,917	
		58,508,482	-	1,496,255	2,410,368	14,482,507	38,732,472	1,386,880	

39 金融風險管理 (續)

39 Financial risk management (continued)

(c) 流動資金風險管理 (續)

(c) Liquidity risk management (continued)

(i) 根據餘下期間作出的資產及負債分析 (續)

(i) Analysis of assets and liabilities by remaining maturity (continued)

		2019							
			即時償還	1個月內	1個月以上 至3個月	3個月以上 至1年	1年以上 至5年	5年以上	無註明 日期
		總額	Repayable on demand	Within 1 month	or less but over 1 month	or less but over 3 months	or less but over 1 year	Over 5 years	Undated
		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								
現金及在銀行、中央銀行及 其他金融機構的結存	Cash and balances with banks, central banks and other financial institutions	26,005,564	25,569,254	-	-	-	-	-	436,310
在銀行、中央銀行及其他 金融機構的存款及墊款	Placements with and advances to banks, central banks and other financial institutions	54,468,897	-	48,321,816	2,589,985	3,557,096	-	-	-
以公允價值計入損益的 金融資產	Financial assets at fair value through profit or loss	1,908,370	-	54,447	45,635	104,364	1,285,935	417,989	-
衍生金融工具	Derivative financial instruments	6,283,608	-	1,082,916	1,155,376	2,905,078	974,180	166,058	-
客戶貸款及墊款及其他賬項	Loans and advances to customers and other accounts	193,572,226	2,541,515	14,520,736	22,517,544	68,074,411	52,853,070	24,876,730	8,188,220
以公允價值計入其他全面 收益的金融資產	Financial assets at fair value through other comprehensive income	76,668,300	-	9,110,858	11,379,512	21,352,466	33,673,351	1,043,777	108,336
可回收稅項	Tax recoverable	6,842	-	-	-	6,842	-	-	-
無註明日期資產	Undated assets	2,307,695	-	-	-	-	-	-	2,307,695
資產總額	Total assets	361,221,502	28,110,769	73,090,773	37,688,052	96,000,257	88,786,536	26,504,554	11,040,561
負債	Liabilities								
銀行及其他金融機構的存款 及結存	Deposits and balances of banks and other financial institutions	7,121,633	438,601	2,283,723	3,323,713	629,231	446,365	-	-
客戶存款	Deposits from customers	276,872,680	76,761,278	71,250,565	91,542,452	36,894,443	423,942	-	-
以公允價值計入損益的 金融負債	Financial liabilities at fair value through profit or loss	146,500	-	-	-	-	23,393	123,107	-
衍生金融工具	Derivative financial instruments	6,363,156	-	1,105,055	1,157,591	2,921,560	970,738	208,212	-
已發行存款證	Certificates of deposit issued	3,112,919	-	-	3,112,919	-	-	-	-
債務證券	Debt securities issued	3,346,067	-	-	-	3,346,067	-	-	-
本期稅項	Current taxation	705,837	-	-	-	705,837	-	-	-
其他負債	Other liabilities	10,155,293	-	1,689,963	584,638	641,529	609,294	-	6,629,869
租賃負債	Lease liabilities	695,870	-	20,315	40,042	173,201	462,312	-	-
債務資本	Loan capital	6,249,182	-	-	-	2,384,710	3,864,472	-	-
無註明日期負債	Undated liabilities	2,191	-	-	-	-	-	-	2,191
負債總額	Total liabilities	314,771,328	77,199,879	76,349,621	99,761,355	47,696,578	6,800,516	331,319	6,632,060
資產 - 負債差距	Asset-liability gap		(49,089,110)	(3,258,848)	(62,073,303)	48,303,679	81,986,020	26,173,235	

39 金融風險管理(續)

39 Financial risk management (continued)

(c) 流動資金風險管理(續)

(c) Liquidity risk management (continued)

(i) 根據餘下期間作出的資產及負債分析(續)

(i) Analysis of assets and liabilities by remaining maturity (continued)

		2019							
		即時償還	1個月內	1個月以上 至3個月	3個月以上 至1年	1年以上 至5年	5年以上	無註明 日期	
		Repayable	Within	or less but over	or less but over	or less but over	Over	Undated	
		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	
其中：	Of which:								
持有的存款證	Certificates of deposit held								
– 已計入以公允價值計入 其他全面收益的 金融資產	– included in financial assets at fair value through other comprehensive income	5,438,918	–	922,239	1,403,298	1,842,949	1,270,432	–	
債務證券	Debt securities held								
– 已計入以公允價值計入 損益的金融資產	– included in financial assets at fair value through profit or loss	1,908,370	–	54,447	45,635	104,364	1,285,935	417,989	
– 已計入以公允價值計入 其他全面收益的 金融資產	– included in financial assets at fair value through other comprehensive income	49,353,873	–	299,728	1,924,523	13,682,821	32,403,024	1,043,777	
		51,262,243	–	354,175	1,970,158	13,787,185	33,688,959	1,461,766	
已發行存款證	Certificates of deposit issued	3,112,919	–	–	3,112,919	–	–	–	

39 金融風險管理 (續)

(c) 流動資金風險管理 (續)

(ii) 金融負債剩餘期限分析

以下的剩餘期限分析顯示本集團的金融負債的最早可能的合約到期日之餘下期間為準的未折現現金流量。衍生金融工具的合同未折現現金流量僅包括利息支付按合同利率計算的利率衍生工具。

39 Financial risk management (continued)

(c) Liquidity risk management (continued)

(ii) Analysis of the residual contractual maturities of financial liabilities

The following maturity profile shows the undiscounted cash flows of the Group's financial liabilities on the basis of their earliest possible contractual maturity. The contractual undiscounted cashflows for derivative financial instruments only included interest rates derivatives with interest payments computed using contractual rates.

		2020						
		現金流量總額	即時償還	1個月內	1個月以上 至3個月	3個月以上 至1年	1年以上 至5年	5年以上
		Gross	Repayable	Within	or less but over	or less but over	or less but over	Over
		cash flows	on demand	1 month	1 month	3 months	1 year	5 years
		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
銀行及其他金融機構的 存款及結存	Deposits and balances of banks and other financial institutions	5,401,433	847,661	1,491,987	2,056,588	748,778	256,419	-
客戶存款	Deposits from customers	310,619,467	100,613,550	78,136,565	104,167,003	26,814,388	887,961	-
以公允價值計入損益的 金融負債	Financial liabilities at fair value through profit or loss	348,935	-	479	1,961	10,650	140,686	195,159
衍生金融工具	Derivative financial instruments	6,668,940	-	313,829	513,979	1,877,131	3,409,719	554,282
債務資本	Loan capital	4,503,601	-	-	89,636	89,636	4,324,329	-
		327,542,376	101,461,211	79,942,860	106,829,167	29,540,583	9,019,114	749,441
		2019						
		現金流量總額	即時償還	1個月內	1個月以上 至3個月	3個月以上 至1年	1年以上 至5年	5年以上
		Gross	Repayable	Within	or less but over	or less but over	or less but over	Over
		cash flows	on demand	1 month	1 month	3 months	1 year	5 years
		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
銀行及其他金融機構的 存款及結存	Deposits and balances of banks and other financial institutions	7,191,403	438,601	2,290,043	3,337,231	641,679	483,849	-
客戶存款	Deposits from customers	278,559,116	76,761,278	71,606,292	92,199,747	37,562,828	428,971	-
以公允價值計入損益的 金融負債	Financial liabilities at fair value through profit or loss	185,562	-	-	1,010	3,638	41,941	138,973
衍生金融工具	Derivative financial instruments	4,317,876	-	218,643	416,741	1,313,496	1,971,204	397,792
已發行存款證	Certificates of deposit issued	3,210,797	-	-	3,210,797	-	-	-
已發行債務證券	Debt securities issued	3,495,044	-	-	-	3,495,044	-	-
債務資本	Loan capital	7,152,216	-	-	89,995	2,540,568	4,521,653	-
		304,112,014	77,199,879	74,114,978	99,255,521	45,557,253	7,447,618	536,765

39 金融風險管理 (續)**(d) 資本管理**

本集團管理資本有以下主要目的：

- 於本集團有營運業務之所在國家中，符合有關銀行監管機構的資本監管要求；
- 維持雄厚的資本基礎以支持其業務發展；及
- 維護本集團持續經營的能力，以持續為股東提供回報及為其他相關持份者提供效益。

金管局設定及監控本集團整體的資本要求，而各經營銀行業務的子公司則直接受其當地銀行監管機構所監管。金管局要求本集團須維持三個最低風險加權資本比率，包括普通股權一級資本比率、一級資本比率及總資本比率。《2014年銀行業(資本)(修訂)規則》於2015年1月1日開始實施《巴塞爾協定三》下的緩衝資本要求，包括防護緩衝資本(「CCB」)其目的是確保銀行於受壓期以外建立風險加權數額的2.5%之資本，以及逆週期緩衝資本(「CCyB」)由個別司法管轄區設置，其目的用以在信貸過度增長時期積存資本。此兩項要求於2019年1月1日起全面實施。金管局並已宣佈香港地區適用的CCyB，由2019年1月1日起為風險加權數額的2.5%及由2019年10月14日起降低至2.0%，其後於2020年3月16日起再降低至1.0%。《巴塞爾協定三》框架下還引入了槓桿比率作為非以風險為基礎的後備限額，以補充以風險為基礎的資本要求。《2017年銀行業(資本)(修訂)規則》於2018年1月1日正式實施並立法規定最低槓桿比率為3%。

本集團採用標準計算法以計算其在持倉交易盤的市場風險及信貸風險的風險權重，並採用基本指標計算法以計算業務操作風險。銀行業務以交易賬或銀行賬區分，而風險加權數額則按各資產及表外資產風險承擔所反映的不同程度風險之相關要求來釐定。

39 Financial risk management (continued)**(d) Capital management**

The Group's primary objectives when managing capital are:

- to comply with the capital requirements set by the banking regulators in the markets where the entities within the Group operate;
- to maintain a strong capital base to support the development of its business; and
- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The HKMA sets and monitors capital requirements for the Group as a whole. An individual banking subsidiary is directly regulated by its local banking supervisor. The HKMA requires that the Group maintain three prescribed minimum risk-weighted capital ratios: Common Equity Tier 1 ("CET1") capital ratio, Tier 1 capital ratio and total capital ratio. In accordance with the Banking (Capital) (Amendment) Rules 2014 which came into effect on 1 January 2015, the Basel III capital buffers, namely capital conservation buffer ("CCB") which is designed to ensure that banks build up capital outside periods of stress of 2.5% of risk-weighted amounts and countercyclical capital buffer ("CCyB") which is set on an individual country basis and is built up during periods of excessive credit growth, came into operation. Both have been fully implemented on 1 January 2019. The HKMA announced the CCyB ratio for Hong Kong is 2.5% of risk-weighted amounts effective from 1 January 2019, reduced to 2.0% effective from 14 October 2019 and is further reduced to 1.0% effective from 16 March 2020. Basel III framework also introduced a leverage ratio as a non-risk-based backstop limit, to supplement risk-based capital requirements. On 1 January 2018, the Banking (Capital) (Amendment) Rules 2017 came into operation and prescribed the statutory minimum leverage ratio of 3%.

The Group adopts the standardised approach of calculating market risk in its trading portfolios and risk weightings for credit risk, and the basic indicator approach for operational risk. Banking operations are categorised as either trading or banking book, and risk-weighted amounts are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

39 金融風險管理 (續)

(d) 資本管理 (續)

本集團積極及定期檢討和管理其資本結構，以在較高槓桿效益可能為股東帶來可觀回報與穩健的資本狀況所帶來的優點和安穩兩者之間取得平衡，並因應不同的經濟狀況調整資本結構。為符合金管局規定以風險為基礎的資本充足要求，本集團進行內部資本充足評估程序以評估第二支柱風險的資本需求，因而計算於第一支柱及第二支柱下的資本要求。此外，作為資本管理政策其中的一部份以及確保本集團有充足資本基礎，本集團每年均進行資本規劃，當中考慮銀行整體策略重點、未來業務增長、風險偏好及監管要求。資本規劃亦包括按需要發行之資本工具，以確保本集團的資本充足比率遠高於內部的監控水平及監管要求。本集團並定期進行壓力測試，以確保在極端但有可能出現的壓力情景下，對風險和資本狀況的影響已被考慮。壓力測試同時為本集團提供了重大不利事件的潛在影響之見解，以及所需之相關補救措施。

按照行業慣常做法，本集團以資本充足比率監控其資本結構。於年內，本集團的資本管理政策並無重大變動。

於2020年12月31日的資本充足比率乃是本集團根據金管局監管規定須包括若干附屬公司於綜合基準上所計算，並符合香港《銀行業條例》下《銀行業(資本)規則》的規定。

截至2020年12月31日及2019年12月31日止年度，本集團及其個別受監管的業務均一直遵守所有外部施加的資本要求，且有關資本比率遠高於金管局要求的最低比率水平。

39 Financial risk management (continued)

(d) Capital management (continued)

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might otherwise be possible with greater gearing, and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. In order to comply with the risk-based supervisory framework of capital adequacy stipulated by the HKMA, the Group conducts the Internal Capital Adequacy Assessment Process, which assesses the capital requirement for Pillar 2 risks and hence the capital requirement for Pillar 1 and 2 is derived. Moreover, as part of the capital management policy and to ensure capital adequacy, the Group conducts capital planning annually, which takes into account the strategic focus, future business growth, risk appetite and regulatory requirement. The plan covers the issuance of capital instruments, if required, to ensure the Group's capital ratios are well above their respective internal monitoring levels and regulatory requirement. Regular stress testing is performed to ensure that the impact of extreme but plausible scenarios on the risk profile and capital position is considered. Stress testing also gives an insight into the potential impact of significant adverse events and how these could be mitigated.

Consistent with industry practice, the Group monitors its capital structure on the basis of the capital adequacy ratio. There have been no material changes in the Group's policy on the management of capital during the year.

The capital adequacy ratios at 31 December 2020 were computed on the consolidated basis of the Group and some subsidiaries as specified by the HKMA for its regulatory purposes, and are in accordance with the Banking (Capital) Rules of the Hong Kong Banking Ordinance.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year ended 31 December 2020 and 31 December 2019, and the Group's capital ratios are well above the minimum required ratios set by the HKMA.

39 金融風險管理 (續)

(e) 新產品風險管治

新產品風險的定義

新產品的風險涵蓋因現有產品和服務的變更和因推出新產品和服務相關的風險，包括信貸、市場、利率、流動性、操作、聲譽、策略、法律和合規等風險。

管治架構

本集團已建立了一個以提升的產品管治框架以便在產品發佈前進行更嚴格和更全面的評估和審批流程。該框架是由董事會審批並受新產品委員會和信貸及風險管理委員會所監督的新產品審批政策約束。風險管理小組下屬的新產品專職團隊在其他風險管理職能部門和特定風險領域的專家包括監控及合規部、財務管理部、營運管理部、資訊科技部和行政總裁辦公室支援下負責有效地實施控制和監測措施。

(f) 操作風險管理

操作風險管理的定義

操作風險是因內部流程、人員、系統的不足或失誤，或其他外部事件，所造成損失的風險。

管治架構

本集團已建立操作風險管理架構以識辨、評估、緩減、控制、監測及報告操作風險。操作風險管理架構涵蓋本集團中的所有成員，並透過政策及指引規定最低要求，以確保操作風險管理方式的一致性。操作風險管理委員會由行政總裁設立，並由董事會授權之信貸及風險管理委員會監管有關操作風險管理事項。推行操作風險管理計劃及工具則由集團操作風險管理部門負責，並由各操作風險領域主題專家提供支援。

39 Financial risk management (continued)

(e) New Product Risk Governance

Definition of New Product Risk

New Product Risk comprise the risks associated with launch of new products and services (including changes to existing products and services), encompassing credit, market, interest rate, liquidity, operational, reputation, strategic, legal and compliance risks.

Governance Framework

The Group has established an enhanced product governance framework to instill more stringent and comprehensive assessment and approval processes prior to launch. The framework is governed by the New Product Approval Policy, which is approved by the Board and under the oversight of the New Product Committee ("NPC") and the CRMC. The effective implementation of the controls and monitoring measures is driven by the dedicated New Product Governance team under the Risk Management Group, with the support from other risk management functions and subject matter experts on specific risk areas, including the Controls & Compliance Group, Financial Management Group, Operations Management Group, Information Technology Group and CEO Office.

(f) Operational risk management

Definition of operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Governance framework

The Group has established an Operational Risk Governance Framework ("ORGF") to identify, assess, mitigate, control, monitor and report operational risk. The ORGF encompasses every member within the Group and is governed by policies and guidelines which define the minimum requirements to ensure a consistent approach to manage operational risks. The Operational Risk Management Committee ("ORMC") is established by the Chief Executive Officer ("CEO") and ratified by the Credit & Risk Management Committee ("CRMC"), which is a Board delegated Committee to oversee Operational Risk Management ("ORM") and relevant matters. Implementation of ORM plans and tools is driven by a Group-level ORM department with the support from other key participants and subject matter experts in ORM.

39 金融風險管理 (續)

(f) 操作風險管理 (續)

操作風險的管理

為了確保有效管理整個集團的運營風險，治理結構提出了三道防線，如下所示：

第一道防線 — 日常操作風險相關事項由各業務部門、支援部門及其業務操作風險主任協助各部門主管執行。各業務部門及支援部門根據其所屬範圍負責識別、評估、管理和監察相關的操作風險及主要風險指標。

第二道防線 — 操作風險管理部門協助管理層理解及管理操作風險，並確保本集團的操作風險政策、流程及程序能一致地應用於集團各部門。操作風險管理部門與第一道防線緊密合作，通過提供指導和職能監督支援來加強集團的操作風險管理、監察本集團的整體操作風險水平及確保所有重大風險都能及時並準確地向操作風險管理委員會、信貸及風險管理委員會及集團的高級管理層匯報，提請作出關注。

第三道防線 — 審計部定期對操作風險管治架構作出審查以確保管治架構持續恰當有效。

所有外判活動、新產品及大型項目均需進行風險評估。

39 Financial risk management (continued)

(f) Operational risk management (continued)

Management of operational risk

To ensure effective management of operational risk across the Group, the Governance Structure presents three lines of defense as depicted below:-

First Line of Defence – Day-to-day operational risk management lies with our business units, support units and the Business Operational Risk Officer (“BORO”) of each unit assists the respective unit heads in this regard. Business and support units are responsible for identifying, assessing, managing and monitoring operational risks and tracking Key Risk Indicators in their areas.

Second Line of Defence – ORM department assists management in meeting their responsibility of understanding and managing operational risk and ensures the development and consistent application of operational risk policies, processes and procedures throughout the Group. The ORM department works closely with the first Line of Defence (1LOD) to strengthen the Group’s operational risk management by offering guidance and functional oversight support, monitors the Group’s overall operational risk exposures and ensures that all material risks are promptly and appropriately escalated to the ORMC, CRMC and senior management of the Group for their attention.

Third Line of Defence – The Internal Audit Group examines and evaluates the adequacy and control effectiveness of the ORGF on an ongoing basis.

Risk assessments are conducted on all outsourced activities, new products and large projects.

39 金融風險管理 (續)**(f) 操作風險管理 (續)***工具及方法*

本集團透過以下不同的工具和系統作識辨、評估、監察及報告操作風險：

- 操作風險自我評估是用作識別及評估各風險級別及其控制措施有效性的一種工具。在操作風險管理部門的指引下，該工具已應用於所有業務及支援部門。各部門的管理層委任負責人需從日常業務運作中識別主要的風險因素，按各風險因素估計損失及分析發生頻率，從而量化該因素帶來的財務影響。除評估財務影響，亦需考慮其他非財務影響，包括受影響客戶人數、監管及聲譽影響等的可能性及嚴重性。
- 主要風險指標是一項透過分析不同的風險因素，提供風險警報訊號予管理層作監察及行動的統計性測量工具。透過定期的主要風險指標監察，本集團能及早識別及應對潛在的業務監控弱點。主要風險指標分為兩個層面，即集團層面及部門層面。部門層面的主要風險指標由各部門制定，以持續監測相關改善計劃的進度及完成情況。部門層面的主要風險指標門檻值參照本集團的風險偏好或各部門於每個風險因素下可承受的風險程度而設定。

39 Financial risk management (continued)**(f) Operational risk management (continued)***Tools and methodologies*

The Group identifies, assesses, monitors and reports on operational risk through the ORM tools and systems as set out below:

- Operational Risk & Control Self-Assessment ("RCSA") is a tool to identify and assess the level of operational risk and effectiveness of control. RCSA has been rolled out across the business and support units under the guidance of the OR&C. RCSA leaders are nominated by the management of each business and support unit to conduct self-assessments and identify key risk factors in their daily business and support functions. Each key risk factor is assessed and quantified for financial impact, in terms of the estimated loss impact of each occurrence and estimated number of occurrences. In addition to the financial impact assessment, non-financial impacts including customer, regulatory and reputation impacts are also assessed taking into considerations of both likelihood of risk materializing and severity of impact.
- Key Risk Indicators ("KRIs") are statistical metrics that take various risk factors into consideration and serve to provide early warning signals for management's monitoring and action. Through regular monitoring of these KRIs, areas of potential operational control weaknesses can be identified at an early stage and addressed promptly. KRIs are developed at two levels, namely the group and the unit level. Unit level KRIs are developed by the respective units, and are monitored and tracked for progress towards completion of applicable mitigation plans. Thresholds are established for each business unit and support unit with reference to the risk appetite of the Group or the acceptable risk level for the unit under each risk factor.

39 金融風險管理 (續)

(f) 操作風險管理 (續)

工具及方法 (續)

- 所有操作風險事件均記錄於操作風險損失數據資料庫內。操作風險管理部門確保所有重要事件均已妥為匯報及調查，並確保相關的糾正及預防措施已如期執行。作為中央數據資料庫，操作風險損失數據會用於編製定期報告，呈交高級管理層、操作風險管理委員會、信貸及風險管理委員會，協助檢討重大的操作風險事件，及監察操作風險損失趨勢。另有匯報機制確保操作風險重大事故能按需要迅速通報監管機構；影響較小的操作風險事件則整合作趨勢分析，以提供更具前瞻性的啟示，確保潛在的風險問題得到關注。
- 操作風險管理儀表板為管理層就主要操作風險事項提供概覽，其中包括但不限於操作風險自我評估進度及主要風險指標。此儀表板每季呈交操作風險管理委員會及信貸及風險管理委員會，作為集團風險管理報告的一部分。集團風險管理報告亦涵蓋操作風險措施的執行情況、描述操作風險事件及分析損失的走勢，並扼要論述重大事故。

本集團會不斷優化及提升操作風險管治架構，與市場同步發展。所有新入職員工必須完成操作風險網上培訓課程，在職員工亦必須進行年度的操作風險架構重溫。操作風險管理部門亦為各業務部門及支援部門舉辦培訓班，以提高員工對操作風險的防範意識及熟習風險管理工具的運用，使在職員工更了解操作風險管理架構及其角色和責任。管理層的支持進一步加強了操作風險的認受性和推動員工達致卓越的營運水平。

本集團的長遠目標為推動一個具前瞻性、有承擔和負責任的操作風險管理文化，持續穩健地管理業務操作風險，以達致卓越營運的目的。

39 Financial risk management (continued)

(f) Operational risk management (continued)

Tools and methodologies (continued)

- Operational risk incidents are reported into a centralized operational loss database. The OR&C ensures all material operational risk incidents are registered in the database, and are properly investigated, with corrective and preventive actions promptly executed according to agreed timelines. The loss data serves as a centralized database to produce regular reports for senior management, ORMC and CRMC review on the impact of significant incidents and monitoring of the operational risk loss trends. An escalation protocol is in place to ensure that operational risk incidents with significant impact are reported to the regulatory authorities, if deemed necessary. Lower impact operational risk events are also collected to assist trend analysis and provide a more forward looking perspective of potential risk issues that warrant for closer attention.
- Operational Risk Dashboard (“ORD”) provides management with an overview of the key operational risk issues including but not limited to the progress of the RCSA reviews and KRI evaluation results. This information is submitted to the ORMC and relevant summarized information is submitted to the CRMC quarterly as part of the Group-wide Risk Status Update Report. The Group-wide Risk Status Update Report captures the implementation status of ORM initiatives, contains analyses on the trend of operational losses, highlights operational risk incidents that have a material impact on the Group.

The Group will continuously fine-tune and enhance its operational risk governance framework to progress with industrial developments. A web-based learning programme on operational risk is required for all new joiners and an annual refresher training on ORGF is compulsory for all staff. Training workshops led by the ORM department are offered to business and support units with the objectives to raise operational risk awareness among staff, familiarize them with the ORM tools and enhance understanding of the ORGF along with their roles, responsibilities and accountabilities. This is further reinforced by strong management support which encourages staff to embrace and pursue operational excellence.

The Group’s long-term goal is to cultivate a proactive, responsible and accountable culture on ORM, and achieve operational excellence through robust and continuous operational risk management.

39 金融風險管理 (續)

(g) 法律風險管理

本集團緊貼所有適用於其管治及營運的最新法律和監管規定，不斷致力培育員工，提升系統和程序，按需要推行必要的變動及建立對這些要求的警覺意識。本集團定時進行檢討，以確保本集團的政策和程序符合相關最新的法律和監管的規定。若發佈新的或大幅修改政策和程序，相關培訓通常會隨之進行。本集團亦設立了一項有力的程序以確保有效地認定，監測及緩解法律風險。如有發生任何重大而相對於風險的未合規事件，法律或合規部門會匯報予本集團的信貸及風險管理委員會及高級管理層。

本集團的法律部及合規部在本集團的運作中扮演著極為重要的角色，並為各部門提供法律與合規的意見及支援，並支援單位的合作，以確保維持相關的控制措施。在2020年，法律部及合規部積極參與新產品的推出及新業務的創立，重要的策略性交易及商業合約、外判合約、以及為本集團處理其遍及不同地域及範疇商業活動的日常事務。與此同時，法律部及合規部亦積極參與監察和確保符合急速變化的監管規定對本集團各方面的影響。而且將繼續就本集團的需要提供意見及支援以應對未來的法律升和法規所帶來的挑戰。

(h) 策略性及聲譽風險管理

策略性風險管理是源自本集團為建立、支持及推行有關長期增長及發展的策略性決定所付出的努力。聲譽風險管理則源自本集團致力保護其品牌及業務經營權免除由有關本集團經營慣例、行為或財務狀況的負面公眾消息所導致的潛在損害。

本集團的信貸及風險管理委員會定期開會，監察和管理本集團的策略性及聲譽風險。本集團高級管理層認為當前要務是確保能妥善制定及執行業務和營運策略，並以專業手法及按合適時機進行。此等策略會定時作出檢討以使本集團能與不斷變化的營運及監管環境同步並進。本集團以銀行整體基礎為業務重點，連同一些能清楚配合支持本集團策略的個別業務及支援部門，可計量的目標會分配到不同單位以確保能完善執行。本集團亦非常關注保護本集團的聲譽及加強其品牌效應達至最大效益，此需要持續致力監管及確保客戶的滿意度、營運的效率、法律與監管的合規性、與公眾的溝通及發佈的管理等方面能維持高水平。

39 Financial risk management (continued)

(g) Legal risk management

The Group remains abreast of all legal and regulatory requirements applicable to its governance and operations, and continuously seeks to develop its people, enhance its systems and processes, and implement changes as necessary to meet the demands and create awareness of such requirements. Regular reviews are conducted with respect to the Group's policies and procedures to ensure the same reflect the latest legal and regulatory requirements. Issuance of new or substantially revised policies and procedures are often accompanied by relevant training. There is a strong process in place to ensure legal and regulatory risks are identified, monitored and mitigated. Any significant matters that arise relating to such risks are reported as appropriate by the Legal and Compliance function to the Group's CRMC or senior management.

The Legal and Compliance Department has been one of the key partners in the business, providing legal and compliance advice and support to all parts of the Group and working with business and support units to ensure relevant controls are in place. In 2020, the Legal and Compliance Department had actively involved in new product launches and new business initiatives, strategically important transactions and commercial agreements, outsourcing arrangements as well as day-to-day matters arising from the Group's business. The Legal and Compliance Department will remain heavily involved in monitoring and ensuring compliance with changing regulatory requirements in various areas impacting the Group, and will continue to advise and support the Group in meeting the legal and regulatory challenges that lay ahead.

(h) Strategic and reputation risk management

Strategic risk management refers to the Group's efforts to develop, uphold and implement strategic decisions related to its long-term growth and development. Reputation risk management refers to the Group's efforts to protect its brand name and business franchise from any potential damages arising from negative publicity and information about its business practices, conduct or financial condition.

The CRMC of the Group meets regularly to monitor and oversee the Group's strategic and reputation risks. Senior management places high priority on ensuring that the Group's business and operational strategies are appropriately defined and are executed professionally and promptly. Such strategies are reviewed regularly to enable the Group to respond efficiently to changes in its operating and regulatory environment. Business priorities, set on a bank-wide basis, as well as for individual business and functional units, are aligned to support the Group's strategies, and measurable targets are assigned to ensure execution excellence. Great care is also taken to protect the Group's reputation and to maximise its brand equity. This includes ongoing efforts to monitor and ensure high standards of customer satisfaction, operational efficiency, legal and regulatory compliance, public communication and issues management.

40 公允價值計量的金融工具

(a) 以公允價值計量的金融工具

(i) 層級計算公允價值

公允價值估計是根據金融工具的特性和相關市場資料於某一特定時間作出，因此一般是主觀的。公允價值根據下列公允價值層級釐定：

40 Fair value measurement of financial instruments

(a) Financial instruments measured at fair value

(i) Fair value hierarchy

Fair value estimates are generally subjective in nature, and are made at a specific point in time based on the characteristics of the financial instruments and relevant market information. Fair value is determined according to the following fair value hierarchy:

		於2020年12月31日的公允價值計量 Fair value measurements at 31 December 2020 using			
		截至12月31日 公允價值 (總額) Fair value at 31 December (Total) 港幣千元 HK\$' 000	相同資產在 活躍市場報價 (第1層級) Quoted prices in active market for identical assets (Level 1) 港幣千元 HK\$' 000	其他主要 可觀察的數據 (第2層級) Significant other observable input (Level 2) 港幣千元 HK\$' 000	主要而 非可觀察的數據 (第3層級) Significant unobservable input (Level 3) 港幣千元 HK\$' 000
經常性公允價值計量	Recurring fair value measurements				
資產	Assets				
以公允價值計入損益的金融資產	Financial assets at fair value through profit or loss				
– 債務證券	– Debt securities	2,351,288	2,279,919	71,369	–
– 國庫券	– Treasury bills	297,788	297,788	–	–
		2,649,076	2,577,707	71,369	–
衍生金融工具	Derivative financial instruments				
– 衍生工具的正公允價值	– Positive fair value of derivatives	14,378,601	615	14,377,986	–
以公允價值計入其他全面收益的 金融資產	Financial assets at fair value through other comprehensive income				
– 持有的存款證	– Certificates of deposit held	5,179,894	475,947	4,703,947	–
– 國庫券	– Treasury bills	23,503,712	23,503,712	–	–
– 債務證券	– Debt securities	56,157,194	48,308,026	7,845,168	4,000
– 權益證券	– Equity securities	110,068	–	–	110,068
		84,950,868	72,287,685	12,549,115	114,068
		101,978,545	74,866,007	26,998,470	114,068
負債	Liabilities				
以公允價值計入損益的 金融負債	Financial liabilities at fair value through profit or loss				
– 債務證券短倉	– Short sales of debt securities	290,185	288,627	1,558	–
衍生金融工具	Derivative financial instruments				
– 衍生工具的負公允價值	– Negative fair value of derivatives	15,160,283	1,034	15,159,249	–

40 公允價值計量的金融工具(續)

40 Fair value measurement of financial instruments
(continued)

(a) 以公允價值計量的金融工具(續)

(a) Financial instruments measured at fair value (continued)

(i) 層級計算公允價值(續)

(i) Fair value hierarchy (continued)

於2019年12月31日的公允價值計量
Fair value measurements at 31 December 2019 using

		截至12月31日 公允價值 (總額) Fair value at 31 December (Total) 港幣千元 HK\$' 000	相同資產在 活躍市場報價 (第1層級) Quoted prices in active market for identical assets (Level 1) 港幣千元 HK\$' 000	其他主要 可觀察的數據 (第2層級) Significant other observable input (Level 2) 港幣千元 HK\$' 000	主要而 非可觀察的數據 (第3層級) Significant unobservable input (Level 3) 港幣千元 HK\$' 000
經常性公允價值計量	Recurring fair value measurements				
資產	Assets				
以公允價值計入損益的金融資產	Financial assets at fair value through profit or loss				
– 債務證券	– Debt securities	1,908,370	1,724,403	183,967	–
衍生金融工具	Derivative financial instruments				
– 衍生工具的正公允價值	– Positive fair value of derivatives	6,283,608	2,261	6,281,347	–
以公允價值計入其他全面收益的 金融資產	Financial assets at fair value through other comprehensive income				
– 持有的存款證	– Certificates of deposit held	5,438,918	403,526	5,035,392	–
– 國庫券	– Treasury bills	21,767,173	21,488,349	278,824	–
– 債務證券	– Debt securities	49,353,873	46,012,472	3,337,401	4,000
– 權益證券	– Equity securities	108,336	–	–	108,336
		76,668,300	67,904,347	8,651,617	112,336
		84,860,278	69,631,011	15,116,931	112,336
負債	Liabilities				
以公允價值計入損益的 金融負債	Financial liabilities at fair value through profit or loss				
– 債務證券短倉	– Short sales of debt securities	146,500	146,500	–	–
衍生金融工具	Derivative financial instruments				
– 衍生工具的負公允價值	– Negative fair value of derivatives	6,363,156	152	6,363,004	–

截至2020年及2019年12月31日止年度，公允價值層級第1層級和第2層級之間並沒有重大的金融工具的轉移。以第3層級計量的轉入及轉出於以下附註40(a)(iii)中披露。

For the years ended 31 December 2020 and 2019, there were no significant transfers of financial instruments between level 1 and level 2 of the fair value hierarchy. For transfer in and out of Level 3 measurements see the note 40(a)(iii) below.

40 公允價值計量的金融工具 (續)**(a) 以公允價值計量的金融工具 (續)****(ii) 公允價值的釐定**

本集團以下列的層級計算公允價值以反映輸入的數據對量度公允價值的重要性：

第1層級 — 參考同一工具於計量日在活躍市場取得的市場報價(未經調整)。

第2層級 —

(i) 參考同一或類似非活躍工具的市場報價；

(ii) 根據可觀察的數據之估值模式。輸入的數據是直接或間接可從市場觀察所得的數據。此層級估值的工具，包括金融工具：就相若工具在活躍市場取得的市場報價或就相同或相若工具在非活躍市場取得的市場報價。

第3層級 — 根據重要而非可觀察得到的輸入數據之估值模式。其估值模式包括一個或多個重要的輸入數據是非可觀察的數據。此層級包括金融工具其估值按相若金融工具的市場報價，惟當中需要作出非可觀察之調整或假設，以反映不同金融工具之間的差別。

於活躍市場上進行交易的金融資產及金融負債根據市場報價或經銷商報價以釐定其公允價值。而對於所有其他金融工具的公允價值本集團則採用估值模式。估值模式包括淨現值和現金流量折現模型和其他估價模型。用於估值模式的假設和輸入數據包括無風險利率及基準利率，信用差價和其他變數用以估計折現率，債券價格和外匯匯率。

40 Fair value measurement of financial instruments (continued)**(a) Financial instruments measured at fair value (continued)****(ii) Determination of fair value**

The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 – Quoted (unadjusted) market price in active markets for identical instruments at the measurement date.

Level 2 –

(i) Quoted market price for identical or similar instruments that are not active;

(ii) Valuation techniques based on observable inputs, either directly or indirectly, where all significant inputs are observable from market data. This category includes financial instruments with quoted prices in active markets for similar instruments; or quoted prices in markets that are considered less than active for identical or similar instruments.

Level 3 – Valuation techniques using significant unobservable inputs where the valuation techniques include one or more significant inputs that are unobservable. This category includes financial instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect the differences between the instruments.

Fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair value using valuation techniques. Valuation techniques include net present value, discounted cash flow models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other parameters used in estimating discount rates, bond price and foreign currency exchange rates.

40 公允價值計量的金融工具 (續)

(a) 以公允價值計量的金融工具 (續)

(ii) 公允價值的釐定 (續)

本集團就釐定金融工具的公允價值採用最常見的估值方法如利率和貨幣掉期，這是可靠性高的可觀察市場數據，並不需要管理層耗時判斷與估計。觀察價格和模型的輸入數據通常可見於市場內上市的債券及股份證券，外匯買賣的衍生工具和簡單的場外交易衍生工具如利率掉期。然而，可否取得可觀察市場價格和輸入數據取決於不同的產品和市場，並會因金融市場個別事件和一般情況而有不同變化。

某些金融工具的估價模式需要一個或多個非可觀察的主要輸入數據，這些金融工具包括結構性投資，例如場外交易結構性衍生工具，及一些沒有活躍市場的證券。該等需利用主要而非可觀察的數據的估值模式，需要管理層深入判斷或估計始能揀選適當的估值模式，並為估值的金融工具決定其預期的未來現金流量，交易對手違約和還款的或然率，以及選擇適當的折現率等。

(iii) 第3層級的公允價值計量資料

	估值模式 Valuation techniques	主要而非可觀察的數據 Significant unobservable inputs	非可觀察的數據的 公允價值計量之敏感度 Fair value measurement sensitivity to unobservable inputs
債務證券 Debt securities	現金流量折現模型 Discounted cash flow model	預計現金流及估計無風險利率 Forecasted cash flows and estimated risk-free rate	無風險利率顯著上升 引致較低的公允價值 Significant increase in the estimated risk-free rate would result in a lower fair value
權益證券 Equity securities	股利增長模型 Dividend growth model	預計股息和估計的無風險利率 Forecasted dividend and estimated risk-free rate	參考附註40(a)(iv)中的敏感性分析 Refer to sensitivity analysis in note 40(a)(iv)

註：

於第3層級公允價值計量的債務及權益證券一般歸類為以公允價值計入其他全面收益的金融資產，且並非於活躍市場進行買賣。由於缺乏交投活躍的市場，其公允價值的估算是參照共同市場估值模型。

40 Fair value measurement of financial instruments (continued)

(a) Financial instruments measured at fair value (continued)

(ii) Determination of fair value (continued)

The most common valuation techniques applied by the Group to determine the fair value of financial instruments are from interest rates and currency swaps, which are observable market data with high reliability, and do not require the significant involvement of management's judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter ("OTC") derivatives like interest rate swaps. However, the availability of observable market prices and inputs varies depending on the products and markets, and is prone to changes based on specific events and general conditions in the financial markets.

Certain financial instruments need to be employed with valuation techniques where one or more significant market inputs involved are not observable. Examples of these financial instruments are structured investments, OTC structured derivatives and certain securities for which there is no active market. For valuation models involving significant unobservable inputs, a high degree of management judgement or estimation is required to select the appropriate valuation model, determine the expected future cash flows on the financial instruments being valued, determine the probability of counterparty default and prepayments, and select the appropriate discount rates.

(iii) Information about Level 3 fair value measurements

	估值模式 Valuation techniques	主要而非可觀察的數據 Significant unobservable inputs	非可觀察的數據的 公允價值計量之敏感度 Fair value measurement sensitivity to unobservable inputs
債務證券 Debt securities	現金流量折現模型 Discounted cash flow model	預計現金流及估計無風險利率 Forecasted cash flows and estimated risk-free rate	無風險利率顯著上升 引致較低的公允價值 Significant increase in the estimated risk-free rate would result in a lower fair value
權益證券 Equity securities	股利增長模型 Dividend growth model	預計股息和估計的無風險利率 Forecasted dividend and estimated risk-free rate	參考附註40(a)(iv)中的敏感性分析 Refer to sensitivity analysis in note 40(a)(iv)

Note:

Both of debt and equity securities under level 3 fair value measurements are generally classified as financial assets at fair value through other comprehensive income and are not traded in the active market, accordingly, the fair value is estimated by reference to common market valuation models.

40 公允價值計量的金融工具(續)

(a) 以公允價值計量的金融工具(續)

(iii) 第3層級的公允價值計量資料(續)

下表顯示第3層級的公允價值層級期初及期末餘額的變動情況：

資產	Assets	以公允價值計入 其他全面收益的金融資產		總額 Total
		債務證券 Debt securities	權益證券 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	At 1 January 2020	4,000	108,336	112,336
由第2層級轉入	Transfer from Level 2	40,843	-	40,843
於損益表確認的收益	Gains recognised in the income statement	-	46	46
於其他綜合收益中確認的收益/(損失)	Gains/(losses) recognised in other comprehensive income	(40,843)	1,686	(39,157)
於2020年12月31日	At 31 December 2020	4,000	110,068	114,068
於結算日仍持有的資產於年內的 損益表中確認的收益總額：	Total gains for the year included in the income statement for assets held at the end of the reporting period recorded in:			
– 買賣外幣收益	– Gains from dealing in foreign currencies	-	46	46
於其他綜合收益中確認的(損失)/收益	Total (losses)/gains recognised in other comprehensive income	(40,843)	1,686	(39,157)

40 Fair value measurement of financial instruments
(continued)

(a) Financial instruments measured at fair value (continued)

(iii) Information about Level 3 fair value measurements (continued)

The following table shows a reconciliation between the opening and the closing balance of fair value measurements in Level 3 of the fair value hierarchy:

40 公允價值計量的金融工具(續)

40 Fair value measurement of financial instruments
(continued)

(a) 以公允價值計量的金融工具(續)

(a) Financial instruments measured at fair value (continued)

(iii) 第3層級的公允價值計量資料(續)

(iii) Information about Level 3 fair value measurements (continued)

資產	Assets	以公允價值計入 損益的金融資產	以公允價值計入 其他全面收益的金融資產		總額 Total
		Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
		投資基金 Investment funds	債務證券 Debt securities	權益證券 Equity securities	
		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	513	13,837	95,801	110,151
買入	Sales	(514)	-	-	(514)
結算	Repayment	-	(87,521)	-	(87,521)
於損益表確認的收益/(損失)	Gains/(losses) recognised in the income statement	1	77,684	(16)	77,669
於其他綜合收益中確認的 收益/(損失)	Gains/(losses) recognised in other comprehensive income	-	-	12,551	12,551
於2019年12月31日	At 31 December 2019	-	4,000	108,336	112,336
於結算日仍持有的資產於年內的 損益表中確認的損失總額：	Total losses for the year included in the income statement for assets held at the end of the reporting period recorded in:				
— 買賣外幣損失	— Losses from dealing in foreign currencies	-	-	(16)	(16)
於其他綜合收益中確認的 收益總額	Total gains recognised in other comprehensive income	-	-	12,551	12,551

40 公允價值計量的金融工具(續)

(a) 以公允價值計量的金融工具(續)

(iv) 公允價值的敏感度改變合理可行的另類假設

第3層級以公允價值計入其他全面收益的金融資產(權益證券),其公允價值是通過使用估值模型並基於可觀察市場數據的假設來計量。下表顯示出以公允價值計入其他全面收益的第3層級公允價值的敏感度。於合理可行的另類假設中10%的變動確定公允價值計量的有利和不利變化。

40 Fair value measurement of financial instruments
(continued)

(a) Financial instruments measured at fair value (continued)

(iv) Sensitivity of fair values to reasonably possible alternative assumptions

For the level 3 financial assets at fair value through other comprehensive income (equity securities), its fair value is measured by using a valuation model to incorporate assumptions that are not based on observable market data. The following table shows the sensitivity of level 3 fair value measurements on the equity securities measured at fair value through other comprehensive income. The basis of 10% change in reasonably possible alternative assumptions on risk-free rate will determine the favourable and unfavourable changes on the fair value measurements.

		2020年12月31日 31 December 2020			
		於收益表中反映 Effect on income statement		於其他全面收益反映 Effect on other comprehensive income	
		有利 Favourable	(不利) (Unfavourable)	有利 Favourable	(不利) (Unfavourable)
		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				
以公允價值計入其他全面收益的金融資產	Financial assets at fair value through other comprehensive income				
– 權益證券	– Equity securities	-	-	8,618	(7,835)

		2019年12月31日 31 December 2019			
		於收益表中反映 Effect on income statement		於其他全面收益反映 Effect on other comprehensive income	
		有利 Favourable	(不利) (Unfavourable)	有利 Favourable	(不利) (Unfavourable)
		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				
以公允價值計入其他全面收益的金融資產	Financial assets at fair value through other comprehensive income				
– 權益證券	– Equity securities	-	-	5,364	(4,785)

40 公允價值計量的金融工具 (續)**(b) 以公允價值以外列賬的金融工具的公允價值**

除另有說明外，所有金融工具均以公允價值列賬，或以與截至2020年及2019年12月31日的公允價值差別不大的賬面值列賬。

(i) 金融資產

本集團的金融資產主要包括現金、銀行、中央銀行及其他金融機構存款、客戶貸款及墊款、投資及金融衍生工具。

銀行、中央銀行及其他金融機構存款的公允價值主要按照市場利率定價，並於1年內到期。因此，賬面值與公允價值相若。

客戶貸款及墊款的公允價值已經考慮有關市場利率及按照接近市場利率的浮動利率定價，並經常於3個月內重新定價，故相等於其賬面值。

**40 Fair value measurement of financial instruments
(continued)****(b) Fair values of financial instruments not measured at fair value**

All financial instruments are stated at fair value or carried at amounts not materially different from their fair value at 31 December 2020 and 2019 unless otherwise stated.

(i) Financial assets

The Group's financial assets mainly include cash; placements with banks, central banks and other financial institutions; loans and advances to customers; investments; and financial derivative instruments.

The fair values of placements with banks, central banks and other financial institutions are mainly priced at market interest rates, and mature within one year. Accordingly, the carrying values approximate the fair value.

The fair values of loans and advances to customers, taking into account the relevant market interest rates and being mostly priced at floating rates close to the market interest rate which are mainly repriced within 3 months, approximately equals their carrying amount.

40 公允價值計量的金融工具(續)

(b) 以公允價值以外列賬的金融工具的公允價值(續)

(ii) 金融負債

除下述者外，所有金融負債均以公允價值呈列或按照與其截至2020年及2019年12月31日的公允價值分別不大的賬面值入賬：

40 Fair value measurement of financial instruments
(continued)(b) Fair values of financial instruments not measured at fair value
(continued)

(ii) Financial liabilities

All financial liabilities are stated at fair value or carried at amounts not materially different from their fair values at 31 December 2020 and 31 December 2019, except the following:

		2020				
		賬面金額 Carrying amount 港幣千元 HK\$' 000	公允價值 Fair value 港幣千元 HK\$' 000	第1層級 Level 1 港幣千元 HK\$' 000	第2層級 Level 2 港幣千元 HK\$' 000	第3層級 Level 3 港幣千元 HK\$' 000
金融負債	Financial liabilities					
債務資本	Loan capital	3,855,374	4,116,794	4,116,794	-	-
		2019				
		賬面金額 Carrying amount 港幣千元 HK\$' 000	公允價值 Fair value 港幣千元 HK\$' 000	第1層級 Level 1 港幣千元 HK\$' 000	第2層級 Level 2 港幣千元 HK\$' 000	第3層級 Level 3 港幣千元 HK\$' 000
金融負債	Financial liabilities					
已發行存款證	Certificates of deposit issued	3,112,919	3,116,629	-	3,116,629	-
已發行債務證券	Debt securities issued	3,346,067	3,366,484	-	3,366,484	-
債務資本	Loan capital	6,249,182	6,469,575	6,469,575	-	-
		12,708,168	12,952,688	6,469,575	6,483,113	-

41 或有資產、負債及承擔

(a) 提供信貸的或有負債及承擔

以下是每類主要或有負債及承擔的合約金額概要：

		2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
直接信貸代替品	Direct credit substitutes	482,575	1,972,142
與交易有關的或有項目	Transaction-related contingencies	977,663	435,981
與貿易有關的或有項目	Trade-related contingencies	5,871,861	3,059,713
遠期有期存款	Forward forward deposits placed	12,920,238	12,873,035
其他承擔：	Other commitments:		
– 銀行可無條件取消或 在借款人的信貸狀況轉壞 時可自動取消	– which are unconditionally cancellable or automatically cancellable due to deterioration in the creditworthiness of the borrower	89,362,475	80,912,845
– 原到期日在1年或以下	– with an original maturity of not more than 1 year	4,017,915	1,967,519
– 原到期日在1年以上	– with an original maturity of more than 1 year	4,511,472	3,812,284
		118,144,199	105,033,519
信貸風險加權數額	Credit risk-weighted amounts	7,254,665	7,599,154

或有負債及承擔是與信貸相關的工具，包括遠期有期存款、信用證和提供信貸的擔保及承擔。涉及的風險基本上與向客戶提供貸款融資額涉及的信貸風險相同。合約金額是指在合約全數提取後發生客戶拖欠而需承擔風險的金額。由於融資額可能在到期時仍未動用，故合約金額並非預期未來現金流量。

用於計算信貸風險加權數額的風險加權由0%至150% (2019年：0%至150%) 不等。

41 Contingent assets, liabilities and commitments

(a) Contingent liabilities and commitments to extend credit

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments:

Contingent liabilities and commitments are credit-related instruments which include forward forward deposits placed, letters of credit, guarantees and commitments to extend credit. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client default. As the facilities may expire without being drawn upon, the contract amounts do not represent expected future cash flows.

The risk weights used in the computation of credit risk-weighted amounts range from 0% to 150% (2019: 0% to 150%).

41 或有資產、負債及承擔 (續)**(b) 資本承擔**

於2020年12月31日，主要因用於項目及購入設備未償付而又未在財務報表內提撥準備的資本承擔如下：

	2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
已授權及訂約： Authorised and contracted for	177,150	134,027

本集團通過經營租賃的方式租借多項物業及設備。有關物業及設備的最初租賃期一般為1至9年，可於續期時重新商定所有條款。以上租賃均不涉及或有租金。

(c) 有關法律申索的或有負債

於2020及2019年12月31日，本集團並沒有牽涉任何可能對其財政狀況構成重大影響的法律行動。

42 信託活動

本集團通常擔任受託人及以其他受信人身份，代表個別人士、信託、退休福利計劃及其他機構持有或存放資產。由於這些資產並非本集團的資產，故這些資產及其產生的收入不包括在本財務報表內。

43 直接母公司及最終控權方

董事會認為，本集團於2020年12月31日的直接母公司為在香港註冊成立的中信國際金融控股有限公司，而本集團最終控權方為在中華人民共和國註冊成立的中國中信集團有限公司。

44 比較數值

與使用權資產(附註25)，合併現金流量表和分部資料(附註15)有關的某些比較數字已重述，以符合本年度的列報方式。

41 Contingent assets, liabilities and commitments (continued)**(b) Capital commitments**

Capital commitments mainly for projects and the purchase of equipment outstanding at 31 December 2020 not provided for in the financial statements are as follows:

	2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
已授權及訂約： Authorised and contracted for	177,150	134,027

The Group leases a number of properties and items of equipment under operating leases. The leases typically run for an initial period of one to nine years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

(c) Contingent liability in respect of legal claim

The Group was not involved in any legal action that would be significant to the financial position of the Group at 31 December 2020 and 2019.

42 Trust activities

The Group commonly acts as a trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising therefrom are excluded from these financial statements as they are not assets of the Group.

43 Immediate parent and ultimate controlling party

At 31 December 2020, the Directors considered the immediate parent of the Group to be CITIC International Financial Holdings Limited, which is incorporated in Hong Kong, and the ultimate controlling party of the Group to be CITIC Group Corporation, which is incorporated in Mainland China.

44 Comparative figures

Certain comparative figures relating to the right-of-use assets (note 25), consolidated cash flow statement and segment reporting (note 15) have been restated in order to conform with current year's presentation.

45 本行之財務狀況表及儲備變動

45 Statement of financial position and reserve movement of the Bank

(a) 本行財務狀況表
於2020年12月31日
(以港幣為單位)(a) Statement of financial position of the Bank
At 31 December 2020
(Expressed in Hong Kong dollars)

	附註 Note	2020 港幣千元 HK\$'000	2019 港幣千元 HK\$'000
資產	ASSETS		
現金及在銀行、中央銀行及 其他金融機構的結存	Cash and balances with banks, central banks and other financial institutions	32,367,615	25,301,762
在銀行、中央銀行及 其他金融機構的存款及墊款	Placements with and advances to banks, central banks and other financial institutions	28,596,665	54,468,897
以公允價值計入損益的金融資產	Financial assets at fair value through profit or loss	2,201,704	1,283,753
衍生金融工具	Derivative financial instruments	14,368,120	6,276,544
客戶貸款及墊款及其他賬項	Loans and advances to customers and other accounts	212,048,355	180,283,668
以公允價值計入其他全面收益的 金融資產	Financial assets at fair value through other comprehensive income	83,990,154	73,689,116
應收附屬公司款項	Amounts due from subsidiaries	7,717,699	10,182,040
附屬公司投資	Investments in subsidiaries	1,756,418	1,756,418
攤銷成本投資	Amortised cost investments	48,493	–
物業及設備	Property and equipment		
– 投資物業	– Investment properties	231,000	199,000
– 其他物業及設備	– Other property and equipment	478,517	477,362
使用權資產	Right-of-use assets	643,895	634,740
無形資產	Intangible assets	629,446	579,846
可收回稅項	Tax recoverable	40,426	–
遞延稅項資產	Deferred tax assets	143,782	297,202
資產總額	Total assets	385,262,289	355,430,348
負債及權益	LIABILITIES AND EQUITY		
負債	Liabilities		
銀行及其他金融機構的存款及結存	Deposits and balances of banks and other financial institutions	3,831,330	6,218,455
客戶存款	Deposits from customers	304,984,316	273,597,652
以公允價值計入損益的金融負債	Financial liabilities at fair value through profit or loss	290,185	146,500
衍生金融工具	Derivative financial instruments	15,159,575	6,350,932
已發行存款證	Certificates of deposit issued	–	3,112,919
已發行債務證券	Debt securities issued	–	3,346,067
本期稅項	Current tax liabilities	3,133	663,648
遞延稅項負債	Deferred tax liabilities	–	227
其他負債	Other liabilities	9,387,650	9,123,731
租賃負債	Lease liabilities	666,593	649,599
應付附屬公司款項	Amounts due to subsidiaries	693,486	486,170
債務資本	Loan capital	3,855,374	6,249,182
負債總額	Total liabilities	338,871,642	309,945,082
權益	EQUITY		
股本	Share capital	33(a) 18,404,013	18,404,013
儲備	Reserves	45(b) 20,216,222	19,310,841
股東權益總額	Total shareholders' equity	38,620,235	37,714,854
額外權益工具	Other equity instruments	34 7,770,412	7,770,412
權益總額	Total Equity	46,390,647	45,485,266
權益及負債總額	Total Equity and Liabilities	385,262,289	355,430,348

本財務報表已於2021年3月24日獲董事會核准並授權發佈。
Approved and authorised for issue by the Board of Director on 24 March 2021.

畢明強
BI Mingqiang
執行董事、行長兼行政總裁
Executive Director, President and
Chief Executive Officer

簡吳秋玉
KAN NG Chau Yuk Helen
執行董事兼替任行政總裁
Executive Director and
Alternate Chief Executive Officer

45 本行之財務狀況表及儲備變動(續)

(b) 本行權益各組成部份的變動

本行的個別權益組成部分於年初及年終結餘變動則詳列如下：

45 Statement of financial position and reserve movement of the Bank (continued)

(b) Movement in components of equity of the Bank

Details of the changes in the Bank's individual components of equity between the beginning and the end of the year are set out below:

		本行 The Bank								
		股本 Share capital	資本儲備 Capital reserve	一般儲備 General reserve	物業 重估儲備 Property revaluation reserve	投資 重估儲備 Investment revaluation reserve	保留溢利 Retained profits	儲備總額 Total reserves	其他權益工具 (附註34) Other equity instruments (note 34)	權益總額 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	18,404,013	2,903	100,000	76,245	334,670	18,797,023	19,310,841	7,770,412	45,485,266
截至2020年的權益變動：	Changes in equity for 2020:									
本年度溢利	Profit for the year	-	-	-	-	-	1,033,509	1,033,509	-	1,033,509
本年度其他全面收益	Other comprehensive income for the year	-	-	-	58,686	253,073	-	311,759	-	311,759
本年度全面收益總額	Total comprehensive income for the year	-	-	-	58,686	253,073	1,033,509	1,345,268	-	1,345,268
轉自保留溢利	Transfer from retained profits	-	-	-	-	-	(439,887)	(439,887)	439,887	-
支付額外一級資本證券 票息	Distribution payment for AT1 Capital Securities	-	-	-	-	-	-	-	(439,887)	(439,887)
於2020年12月31日	At 31 December 2020	18,404,013	2,903	100,000	134,931	587,743	19,390,645	20,216,222	7,770,412	46,390,647
於2019年1月1日	At 1 January 2019	18,404,013	2,903	100,000	76,300	(239,532)	16,621,868	16,561,539	10,080,580	45,046,132
截至2019年的權益變動：	Changes in equity for 2019:									
本年度溢利	Profit for the year	-	-	-	-	-	2,748,250	2,748,250	-	2,748,250
本年度其他全面收益	Other comprehensive income for the year	-	-	-	10	574,202	-	574,212	-	574,212
本年度全面收益總額	Total comprehensive income for the year	-	-	-	10	574,202	2,748,250	3,322,462	-	3,322,462
出售物業時轉自重估儲備	Release of reserve upon disposal of property	-	-	-	(65)	-	65	-	-	-
轉自保留溢利	Transfer from retained profits	-	-	-	-	-	(530,500)	(530,500)	530,500	-
支付額外一級資本證券 票息	Distribution payment for AT1 Capital Securities	-	-	-	-	-	-	-	(530,500)	(530,500)
贖回額外一級資本證券	Redemption of AT1 Capital Securities	-	-	-	-	-	(42,660)	(42,660)	(2,310,168)	(2,352,828)
於2019年12月31日	At 31 December 2019	18,404,013	2,903	100,000	76,245	334,670	18,797,023	19,310,841	7,770,412	45,485,266

46 財務報表核准

本財務報表已於2021年3月24日獲董事會核准並授權發佈。

46 Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 24 March 2021.

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APPENDIX 2 – SUPPLEMENTAL OFFERING CIRCULAR DATED 13 APRIL 2022

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CHINA CITIC BANK INTERNATIONAL LIMITED 中信銀行(國際)有限公司

(Incorporated with limited liability in Hong Kong)

U.S.\$600,000,000

4.80 per cent. Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities

issued under the

U.S.\$3,000,000,000 Medium Term Note Programme

This Supplement (this "Supplement") to the Offering Circular dated 10 June 2021 (the "Offering Circular") is prepared in connection with the U.S.\$3,000,000,000 Medium Term Note Programme (the "Programme") established by China CITIC Bank International Limited 中信銀行(國際)有限公司 (the "Issuer" or the "Bank"). The U.S.\$600,000,000 4.80 per cent. Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities (the "Capital Securities") will be issued by the Issuer under the Programme. Terms defined in the Offering Circular have the same meaning when used in this Supplement. This Supplement is supplemental to, forms part of and should be read in conjunction with, the Offering Circular and any other supplements to the Offering Circular issued by the Issuer.

Application will be made to The Stock Exchange of Hong Kong Limited (the "SEHK") for the listing of the Capital Securities 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) (the "Professional Investors") only. This document is for distribution to Professional Investors only.

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

The SEHK has not reviewed the contents of this Supplement, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Supplement to Professional Investors only have been reproduced in this Supplement. Listing of the Capital Securities on the SEHK is not to be taken as an indication of the commercial merits or credit quality of the Capital Securities or the Issuer or the Group or quality of disclosure in this Supplement. Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this Supplement, 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 Supplement.

It is expected that dealing in, and listing of, the Capital Securities on the SEHK will commence on or about 25 April 2022.

The Offering Circular and this Supplement include 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 the Offering Circular and this Supplement 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.

The Capital Securities will be issued in registered form and will be represented by a global note in registered form without interest coupons registered in the name of a nominee of, and deposited with a common depository for, Euroclear Bank SA/NV and Clearstream Banking S.A.

The Capital Securities are expected to be assigned a rating of "Ba2" by Moody's Investors Service Hong Kong Limited ("Moody's"). The rating does not constitute a recommendation to buy, sell or hold the Capital Securities and may be subject to suspension, reduction or withdrawal at any time by Moody's.

The Capital Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, a U.S. person. The Capital Securities are being offered only outside the United States in reliance on Regulation S under the Securities Act.

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"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Capital Securities are "prescribed capital markets 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).

PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Capital Securities 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 Directive 2014/65/EU (as amended, "EU MiFID II") or; (ii) a customer within the meaning of Directive 2016/97/EU (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "EU PRIIPs Regulation") for offering or selling the Capital Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

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As described in this Supplement, the terms of the Capital Securities provide that subject to the Conditions, the Capital Securities confer a right to receive Distributions on the principal amount (subject to adjustments following the occurrence of a Non-Viability Event (as defined herein) in accordance with the Conditions) from, and including, the Issue Date at the applicable Distribution Rate (as defined herein), payable semi-annually in arrear on 22 April and 22 October in each year. Distributions (as defined herein) will not be cumulative and Distributions which are not paid in accordance with the Conditions will not accumulate or compound and Securityholders will have no right to receive such Distributions at any time, even if subsequent Distributions are paid in the future, or be entitled to any claim in respect thereof against the Issuer.

The terms of the Capital Securities also provide for circumstances under which the Issuer will not be obliged to pay, and will not pay, any Distribution on the applicable Distribution Payment Date (as defined herein), in whole or in part, as applicable. The Issuer shall have no obligation to pay a Distribution on any Distribution Payment Date if such non-payment is in accordance with the Conditions and any failure to pay such Distribution shall not constitute an Event of Default (as defined herein). Distributions are non-cumulative and any Distribution which is cancelled shall therefore not be payable at any time thereafter whether in a Winding-Up (as defined herein) or otherwise.

The Capital Securities are perpetual and have no maturity date. Securityholders have no ability to require the Issuer to redeem their Capital Securities whereas the Issuer can redeem the Capital Securities in certain circumstances as described in the Conditions. However, the Issuer is under no obligation to redeem the Capital Securities at any time. The ability of the Issuer to redeem Capital Securities is subject to the Issuer (a) obtaining the prior written consent of the Monetary Authority (as defined herein) (if then required) to the redemption, and (b) satisfying any conditions that the Monetary Authority may impose at that time.

If a Non-Viability Event occurs and is continuing, the Issuer shall, upon the provision of a Non-Viability Event Notice (as defined herein), irrevocably (without the need for the consent of the Securityholders of the Capital Securities) reduce the then principal amount of, and cancel any accrued but unpaid Distribution in respect of, each Capital Security (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount (as defined herein) per Capital Security. Once the principal amount of, and any accrued but unpaid distribution under, the Capital Securities 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 Securityholder may exercise, claim or plead any right to any amount that has been Written-off, and each Securityholder shall, by virtue of his holding of any Capital Securities, be deemed to have waived all such rights to such amount that has been Written-off. Securityholders could risk losing up to the full principal amount of the Capital Securities, as well as the cancellation of any accrued (and unpaid) Distributions, without receiving any compensation for such loss or cancellation.

In accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (关于推进企业发行外债备案登记制管理改革的通知(发改外资[2015] 2044号)) (the "NDRC Circular") issued by the National Development and Reform Commission of the People's Republic of China (the "NDRC"), and also 中华人民共和国国家发展和改革委员会企业借用外债备案登记证明(发改办外资备[2022] [33]号) (Certificate of Registration of Foreign Debt by Enterprise issued by the National Development and Reform Commission of the People's Republic of China) granted by the NDRC on 14 January 2022, the NDRC has granted an annual foreign debt quota to CITIC Group Corporation (中國中信集團有限公司) ("CGC") and its subsidiaries (the "Quota Enterprises") in 2022 (the "NDRC Approval"). Each of the Quota Enterprises may at its own discretion issue notes of any amount up to the available amount under such annual foreign debt quota without carrying out any other pre-issuance registration with the NDRC pursuant to the NDRC Circular. The Capital Securities will be issued pursuant to the NDRC Approval. Such Quota Enterprise will still have to make post-issuance filing (the "NDRC Post-issue Filing") after the completion of the relevant note issuance. The Issuer will undertake to complete or procure to be completed the NDRC Post-issue Filing within the prescribed timeframe and to comply with all applicable PRC laws and regulations in connection with the Capital Securities.

THE CAPITAL SECURITIES ARE COMPLEX FINANCIAL INSTRUMENTS AND OF HIGH RISK. INVESTORS SHOULD BE AWARE THAT THERE ARE RISKS INHERENT IN THE HOLDING OF THE CAPITAL SECURITIES, INCLUDING THE RISKS IN RELATION TO THEIR SUBORDINATION AND THE CIRCUMSTANCES IN WHICH SECURITYHOLDERS MAY SUFFER LOSS AS A RESULT OF HOLDING THE CAPITAL SECURITIES. PROSPECTIVE INVESTORS SHOULD HAVE REGARD TO THE FACTORS DESCRIBED UNDER THE SECTIONS HEADED "INVESTMENT CONSIDERATIONS" BEGINNING ON PAGE 15 OF THIS SUPPLEMENT AND "INVESTMENT CONSIDERATION" BEGINNING ON PAGE 79 OF THE OFFERING CIRCULAR FOR A DISCUSSION OF CERTAIN CONSIDERATIONS TO BE TAKEN INTO ACCOUNT IN CONNECTION WITH AN INVESTMENT IN THE CAPITAL SECURITIES. INVESTORS SHOULD HAVE SUFFICIENT KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS TO EVALUATE THE INFORMATION CONTAINED IN THE OFFERING CIRCULAR, THIS SUPPLEMENT AND THE PRICING SUPPLEMENT (AS DEFINED BELOW) AND THE MERITS AND RISKS OF INVESTING IN THE CAPITAL SECURITIES IN THE CONTEXT OF THEIR FINANCIAL POSITION AND PARTICULAR CIRCUMSTANCES. INVESTORS ALSO SHOULD HAVE THE FINANCIAL CAPACITY TO BEAR THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE CAPITAL SECURITIES. INVESTORS SHOULD NOT PURCHASE THE CAPITAL SECURITIES UNLESS THEY UNDERSTAND AND ARE ABLE TO BEAR RISKS ASSOCIATED WITH THE CAPITAL SECURITIES.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

China CITIC Bank International

Citigroup

CNCB Capital

CLSA

Joint Bookrunners and Joint Lead Managers

ABC International

Bank of Communications

The Bank of East Asia, Limited

BNP PARIBAS

BOCOM International

CCB International

China Construction Bank (Asia)

China Everbright Bank Hong Kong Branch

China Galaxy International

China International Capital Corporation

China Minsheng Banking Corp., Ltd., Hong Kong Branch

China Securities International

Chiyu Banking Corporation Limited

Chong Hing Bank

CMB International

CMB Wing Lung Bank Limited

CMBC Capital

CSFG

GF Securities

Haitong International

Huatai International

ICBC International

Industrial Bank Co., Ltd. Hong Kong Branch

Mizuho Securities

Nanyang Commercial Bank

Shanghai Pudong Development Bank Hong Kong Branch

SMBC Nikko

SPDB International

UBS

The date of this Supplement is 13 April 2022.

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IMPORTANT NOTICE

To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement and the Offering Circular is in accordance with the facts and does not omit anything that would make the statements therein, in light of the circumstances which they were made misleading. The Issuer, having made all reasonable enquiries, confirms that this Supplement and the Offering Circular contain or incorporate all information which is material in the context of the issue and offering of the Capital Securities, that the information contained or incorporated in this Supplement and the Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Supplement or the Offering Circular are honestly held and that there are no other facts the omission of which would make this Supplement or the Offering Circular or any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility accordingly.

No person is or has been authorised by the Issuer or the Trustee to give any information or to make any representations other than those contained in this Supplement and the Offering Circular in connection with the Programme or the Capital Securities and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, China CITIC Bank International Limited 中信銀行（國際）有限公司, Citigroup Global Markets Limited, CNCB (Hong Kong) Capital Limited, CLSA Limited, ABCI Capital Limited, Bank of Communications Co., Ltd. Hong Kong Branch, The Bank of East Asia, Limited, BNP Paribas, BOCOM International Securities Limited, CCB International Capital Limited, China Construction Bank (Asia) Corporation 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, China Minsheng Banking Corp., Ltd., Hong Kong Branch, China Securities (International) Corporate Finance Company Limited, Chiyu Banking Corporation Limited, Chong Hing Bank Limited, CMB International Capital Limited, CMB Wing Lung Bank Limited, CMBC Securities Company Limited, CSFG International Securities Limited, GF Securities (Hong Kong) Brokerage Limited, Haitong International Securities Company Limited, Huatai Financial Holdings (Hong Kong) Limited, ICBC International Securities Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Mizuho Securities Asia Limited, Nanyang Commercial Bank, Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, SMBC Nikko Securities (Hong Kong) Limited, SPDB International Capital Limited and UBS AG Hong Kong Branch (together, the "**Joint Lead Managers**") or the Trustee.

Neither the Joint Lead Managers nor the Trustee has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers, the Trustee or any of them as to the accuracy or completeness of the information contained or incorporated in this Supplement or the Offering Circular or any other information provided by the Issuer in connection with the Programme or the Capital Securities.

Neither this Supplement nor the Offering Circular is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Joint Lead Managers or the Trustee that any recipient of this Supplement or the Offering Circular should purchase any of the Capital Securities. Each investor contemplating purchasing the Capital Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. None of this Supplement, the Offering Circular nor any other information supplied in connection with the Programme or the issue of the Capital Securities constitutes an offer or invitation by or on behalf of the Issuer, any of the Joint Lead Managers or the Trustee to any person to subscribe for or to purchase any Capital Securities.

Neither the delivery of this Supplement or the Offering Circular nor the offering, sale or delivery of any Capital Securities shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme or the Capital Securities is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or the Capital Securities or to advise any investor in the Capital Securities of any information coming to their attention. Investors should review, inter alia, the most recently published documents incorporated by reference into this Supplement and the Offering Circular when deciding whether or not to purchase any Capital Securities.

The Capital Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Subject to certain exceptions, the Capital Securities may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act). For a further description of certain restrictions on the offering and sale of the Capital Securities and on distribution of this Supplement and the Offering Circular, see "*Subscription and Sale*" of the Offering Circular.

Neither this Supplement nor the Offering Circular constitutes an offer to sell or the solicitation of an offer to buy any Capital Securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Supplement and the Offering Circular and the offer or sale of Capital Securities may be restricted by law in certain jurisdictions. None of the Issuer, the Joint Lead Managers and the Trustee represents that this Supplement or the Offering Circular may be lawfully distributed, or that any Capital Securities 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 assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Joint Lead Managers or the Trustee which would permit a public offering of any Capital Securities or distribution of this Supplement or the Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Capital Securities may be offered or sold, directly or indirectly, and none of this Supplement, the Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Supplement and the Offering Circular or any Capital Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Supplement and the Offering Circular and the offering and sale of Capital Securities. In particular, there are restrictions on the distribution of this Supplement and the Offering Circular and the offer or sale of the Capital Securities in the United States, the European Economic Area (including The Netherlands), the United Kingdom, Singapore, Japan, Hong Kong, the People's Republic of China and Taiwan. See "*Subscription and Sale*" of the Offering Circular.

CERTAIN DEFINITIONS

Unless otherwise specified or the context requires, references herein to "**US dollars**", "**U.S.\$**" and "**USD**" are to the lawful currency of the United States of America (the "**USA**" or the "**US**"), references to "**Hong Kong dollars**", "**HK dollars**", "**HK\$**" and "**HKD**" are to the lawful currency of the Hong Kong Special Administrative Region of the PRC ("**Hong Kong**"), references to "**Renminbi**", "**RMB**" and "**CNY**" are to the lawful currency of the People's Republic of China (the "**PRC**"), references to "**Sterling**" and "**£**" are to the lawful currency of the United Kingdom and references to "**EUR**", "**euro**" and "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

In addition, references to "**Macau**" are to the Macau Special Administrative Region of the PRC, references to "**Mainland China**" are to the PRC excluding Hong Kong and Macau and references to "**Greater China**" are to the PRC including Hong Kong and Macau.

For convenience only and unless otherwise noted, all translations from HK\$ into U.S.\$ in this Supplement were made at the rate of HK\$7.7996 to U.S.\$1. No representation is made that the HK dollar amounts referred to in this Supplement could have been or could be converted into US dollars at any particular rate or at all.

Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

FORWARD-LOOKING STATEMENTS

The Bank has included statements in this Supplement and the Offering Circular which contain words or phrases such as **will, would, aim, aimed, will likely result, is likely, are likely, believe, expect, expected to, will continue, will achieve, anticipate, estimate, estimating, intend, plan, contemplate, seek to, seeking to, trying to, target, propose to, future, objective, goal, project, should, can, could, may, will pursue** and similar expressions or variations of such expressions, that are "forward-looking statements". Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with the Bank's expectations with respect to, but not limited to, its ability to successfully implement its strategy, its ability to integrate recent or future mergers or acquisitions

into its operations, future levels of non-performing assets and restructured assets, its growth and expansion, the adequacy of its provision for credit and investment losses, technological changes, investment income, its ability to market new products, cash flow projections, the outcome of any legal or regulatory proceedings it is or becomes a party to, the future impact of new accounting standards, its ability to pay dividends, its ability to roll over its short-term funding sources, its exposure to operational, market, credit, interest rate and currency risks and the market acceptance of and demand for Internet banking services.

PRESENTATION OF FINANCIAL INFORMATION

This Supplement contains selected financial information as at and for the year ended 31 December 2020 and 2021 which was extracted from the audited consolidated financial statements of the Bank for the year ended 31 December 2021 (the “**2021 Audited Financial Statements**”). These consolidated financial statements were prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”).

Save for the 2021 Audited Financial Statements, which shall be deemed to be incorporated in, and to form part of, this Supplement, the selected financial information contained in this Supplement does not constitute the Issuer’s audited consolidated financial statements (as defined in the Companies Ordinance (Cap. 622) of Hong Kong) for the year ended 31 December 2021 but, in respect of the selected financial information, is derived from those audited consolidated financial statements.

PricewaterhouseCoopers (Certified Public Accountants), the auditors of the Issuer, has issued auditor’s report on the audited consolidated financial statements of the Issuer for the year ended 31 December 2021. Such report was not qualified or otherwise modified, did not refer to any matters to which the auditors drew attention by way of emphasis without qualifying the reports and did not contain any statement under Sections 406(2) or 407(2) or (3) of the Companies Ordinance (Cap. 622) of Hong Kong.

DOCUMENTS INCORPORATED BY REFERENCE

This Supplement is supplemental to, forms part of and should be read in conjunction with, the Offering Circular and any other supplements to the Offering Circular issued by the Issuer.

On 10 April 2022, the Issuer published the 2021 Audited Financial Statements. The 2021 Audited Financial Statements shall be deemed to be incorporated in, and to form part of, this Supplement.

The published audited financial statements for the years ended 31 December 2020 and 31 December 2021 can be accessed here: <https://www.cncbinternational.com/about-us/investor-relations/interim-and-annual-reports/en/index.jsp>.

SUMMARY OF THE OFFERING

The following summary does not purport to be complete and should be read in conjunction with the Conditions. Words and expressions defined in the Conditions shall have the same meanings in this summary.

Issuer	China CITIC Bank International Limited 中信銀行（國際）有限公司
Description	U.S.\$600,000,000 4.80 per cent. Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers ¹	China CITIC Bank International Limited 中信銀行（國際）有限公司 Citigroup Global Markets Limited CNCB (Hong Kong) Capital Limited CLSA Limited
Joint Bookrunners and Joint Lead Managers ¹	ABCI Capital Limited Bank of Communications Co., Ltd. Hong Kong Branch The Bank of East Asia, Limited BNP Paribas BOCOM International Securities Limited CCB International Capital Limited China Construction Bank (Asia) Corporation 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 China Minsheng Banking Corp., Ltd., Hong Kong Branch China Securities (International) Corporate Finance Company Limited Chiyu Banking Corporation Limited Chong Hing Bank Limited CMB International Capital Limited

¹ The Issuer has entered into a subscription agreement with the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers dated 13 April 2022 (the "**Subscription Agreement**") pursuant to which, and subject to certain conditions contained in the Subscription Agreement, the Issuer agreed to sell to the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, and the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers severally and not jointly agreed to subscribe (other than China CITIC Bank International Limited) or procure subscribers for, the aggregate principal amount of the Capital Securities.

CMB Wing Lung Bank Limited

CMBC Securities Company Limited

CSFG International Securities Limited

GF Securities (Hong Kong) Brokerage Limited

Haitong International Securities Company Limited

Huatai Financial Holdings (Hong Kong) Limited

ICBC International Securities Limited

Industrial Bank Co., Ltd. Hong Kong Branch

Mizuho Securities Asia Limited

Nanyang Commercial Bank, Limited

Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch

SMBC Nikko Securities (Hong Kong) Limited

SPDB International Capital Limited

UBS AG Hong Kong Branch

Issue Date..... 22 April 2022

Status of the Capital Securities The Capital Securities constitute direct, 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 Securityholders are subordinated in the manner described below.

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 of the Securityholders to payment of principal and Distributions on the Capital Securities and any other obligations in respect of the Capital Securities will rank (x) subordinate and junior in right of payment to, and of all claims of, (i) all unsubordinated creditors of the Issuer (including its depositors), (ii) creditors in respect of Tier 2 Capital Securities of the Issuer, and (iii) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Capital Securities or rank senior to the Capital Securities 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 Junior Obligations in the manner provided in the Trust Deed.

"**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 capital regulations applicable to the regulatory capital of Authorized Institutions in Hong Kong as published by the Monetary Authority.

"Junior Obligation" means the Shares, and any other class of the Issuer's share capital and any instrument or other obligation (including without limitation any preference share) issued or guaranteed by the Issuer that ranks or is expressed to rank junior to the Capital Securities 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 or any successor thereto.

"Parity Obligation" means any instrument or other obligation issued or entered into by the Issuer that constitutes or qualifies as Additional Tier 1 capital (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 Capital Securities by operation of law or contract.

"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 Capital Securities.

"Shares" means the ordinary share capital of the Issuer.

"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 the claims of 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 Securityholders of the Capital Securities. For this purpose indebtedness shall include all liabilities, whether actual or contingent.

"Tier 2 Capital Securities" means instruments categorised as Tier 2 capital pursuant to the Capital Regulations that rank or are expressed to rank senior to the Capital Securities by operation of law or contract.

"Winding-Up" means a final and effective order or resolution for the winding up, liquidation, or similar proceedings in respect of the Issuer.

No Set-off..... Subject to applicable law, no Securityholder 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 Capital Securities and each Securityholder shall, by virtue of being the Securityholder of any Capital Security be deemed to have waived all such rights of such set-off, counter-claim or retention.

Form and Denomination The Capital Securities will be issued in registered form in the denomination of U.S.\$250,000 each and integral multiples of U.S.\$1,000 in excess thereof.

Distributions Subject to Condition 6B, the Capital Securities confer a right to receive Distributions on the principal amount (subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 6C) from, and including, the Issue Date at the applicable Distribution Rate, payable semi-annually in arrear on 22 April and 22 October in each year.

Non-cumulative Distributions Distributions will not be cumulative and Distributions which are not paid in accordance with the Conditions will not accumulate or compound and Securityholders will have no right to receive such Distributions at any time, even if subsequent Distributions are paid in the future, or be entitled to any claim in respect thereof against the Issuer.

Distribution Rate..... The Distribution Rate applicable to the Capital Securities shall be:

- (i) in respect of the period from, and including, the Issue Date to, but excluding, 22 April 2027 (the "**First Call Date**"), 4.80 per cent. per annum; and
- (ii) in respect of the period from, and including, the First Call Date and each Distribution Reset Date thereafter to, but excluding, the immediately following Distribution Reset Date, the Reset Distribution Rate.

"Distribution Reset Date" means the First Call Date and each anniversary falling five years thereafter.

"Reset Distribution Rate" means, in relation to a Reset Distribution Period, a fixed rate per annum (expressed as a percentage) equal to the aggregate of (a) the then-prevailing U.S. Treasury Rate (as defined in the Conditions) and (b) the Spread.

"Spread" means 2.104 per cent. per annum.

Optional Distribution Cancellation Event Unless a Distribution has already been cancelled in full pursuant to a Mandatory Distribution Cancellation Event, prior to any Distribution Payment Date the Issuer may, at its sole discretion, elect to cancel any payment of Distribution, in whole or in part, by giving a notice signed by two Directors of the Issuer to the Securityholders, the Trustee and the Agents, as further described in "*Terms and Conditions of the Capital Securities – Distribution Restrictions – Optional Distribution Cancellation Event*".

Mandatory Distribution Cancellation Event..... Notwithstanding that a Distribution Cancellation Notice has not been given, the Issuer will not be obliged to pay, and will not pay, any Distribution on the applicable Distribution Payment Date, in whole or in part, as applicable, upon a Mandatory Distribution Cancellation Event, as further described in "*Terms and Conditions of Capital Securities – Distribution Restrictions – Mandatory Distribution Cancellation Event*".

No Obligation to Pay..... The Issuer shall have no obligation to pay a Distribution on any Distribution Payment Date if such non-payment is in accordance with Condition 6B(b) and any failure to pay such Distribution shall not constitute an Event of Default. Distributions are non-cumulative and any

Distribution which is cancelled shall therefore not be payable at any time thereafter whether in a Winding-Up or otherwise.

No Claim by Securityholders for Distributions:.....

No Securityholder shall have any claim in respect of any Distribution or part thereof cancelled and/or not due or payable as described under "Terms and Conditions of the Capital Securities – Distribution Restrictions – Optional Distribution Cancellation Event", "Terms and Conditions of the Capital Securities – Distribution Restrictions – Mandatory Distribution Cancellation Event" and "Terms and Conditions of the Capital Securities – Distribution – Non-Cumulative Distribution". Accordingly, such Distribution shall not accumulate for the benefit of the Securityholders or entitle the Securityholders to any claim in respect thereof against the Issuer.

Distributable Reserves.....

Any Distribution may only be paid out of Distributable Reserves.

"**Distributable Reserves**" means the amounts for the time being available to the Issuer for distribution as a distribution in compliance with section 297 of the Companies Ordinance (Cap. 622) of Hong Kong ("**Companies Ordinance**"), as amended or modified from time to time, as at the Issuer's latest audited balance sheet, and subject to the Monetary Authority's then current Capital Regulations as applicable to the Issuer on the relevant Distribution Payment Date (the "**Available Amount**");

provided that if the Issuer reasonably determines that the Available Amount as at any Distribution Determination Date is lower than the Available Amount as at the date of the Issuer's latest audited balance sheet and is insufficient to pay the Distributions and any payments on Parity Obligations on the relevant Distribution Payment Date, then on certification by two Directors and the Auditors of such revised amount, the Distributable Reserves shall for the purposes of Distribution mean the Available Amount as set forth in such certificate.

As at the date hereof, pursuant to section 297(1) of the Companies Ordinance, the Issuer may only make a distribution out of profits available for distribution. For the purposes of section 297 of the Companies Ordinance, the Issuer's profits available for distribution are its accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated, realised losses, so far as not previously written off in a reduction or reorganisation of capital.

Dividend Stopper

If, on any Distribution Payment Date, payment of Distribution scheduled to be paid is not made in full by reason of Condition 6B, the Issuer shall not:

- (i) declare or pay in cash any distribution or dividend or make any other payment in cash on, and will procure that no distribution or dividend in cash or other payment in cash is made on, any Shares; or
- (ii) purchase, cancel or otherwise acquire any Shares or permit any of its Subsidiaries to do so,

in each case, unless or until the earlier of: (A) the Distribution scheduled to be paid on any subsequent Distribution Payment Date (which, for the

avoidance of doubt, shall exclude any Distribution that has been cancelled in accordance with the Conditions prior to such subsequent Distribution Payment Date) has been paid in full to Securityholders or irrevocably to a designated third party trust account for the benefit of the Securityholders pending payment by the trustee thereof to the Securityholders on such subsequent Distribution Payment Date, or (B) the redemption or purchase and cancellation of the Capital Securities in full, or reduction of the principal amount of the Capital Securities to zero, or (C) the Issuer is permitted to do so by an Extraordinary Resolution.

See "*Terms and Conditions of the Capital Securities – Distribution Restrictions – Dividend Stopper*" for further information.

Non-Viability Loss Absorption

If a Non-Viability Event occurs and is continuing, the Issuer shall, upon the provision of a Non-Viability Event Notice, irrevocably (without the need for the consent of the Securityholders of the Capital Securities) reduce the then outstanding principal amount of, and cancel any accrued but unpaid Distribution in respect of, each Capital Security (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount per Capital Security (such reduction and cancellation, and the reduction and cancellation of any other Subordinated Capital Securities so reduced and cancelled 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).

"**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.

"**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 Securityholders of the Capital Securities, the Trustee and the Paying Agents, in accordance with the Conditions and which shall state:

- (a) in reasonable detail the nature of the relevant Non-Viability Event; and
- (b) the Non-Viability Event Write-off Amount for: (i) each Capital Security; and (ii) each other Subordinated Capital Security on the

Loss Absorption Effective Date in accordance with its terms; and
(iii) specifying the Loss Absorption Effective Date.

"Non-Viability Event Write-off Amount" means the amount of distribution, interest and/or principal 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 Capital Securities 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) 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 Capital Security will be calculated based on a percentage of the outstanding principal amount of that Capital Security.

"Subordinated Capital Security" means any Junior Obligations, Parity Obligations or Tier 2 Capital Securities 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.

**Consequence of Non-Viability Loss
Absorption**

Once the outstanding principal amount of, and any accrued but unpaid Distribution under, the Capital Securities 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 Securityholder may exercise, claim or plead any right to any amount that has been Written-off, and each Securityholder shall, by virtue of his holding of any Capital Securities, 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 Capital Securities, including without limitation Condition 6C, or any other agreement or arrangement, each Securityholder 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 Capital Securities being written off, cancelled, converted or modified, or to having the form of the Capital Securities 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 Distributions on, the Capital Securities;
- (b) the conversion of all or a part of the outstanding principal amount of, or Distributions on, the Capital Securities 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 Capital Securities; and

- (c) the amendment or alteration of the maturity of the Capital Securities or amendment or alteration of the amount of Distributions payable on the Capital Securities, or the date on which the Distributions become payable, including by suspending payment for a temporary period, or any other amendment or alteration of the Conditions.

With respect to (a), (b) and (c) above, references to principal and Distributions shall include payments of principal and Distributions that have become due and payable (including principal that has become due and payable), but which have not been paid, prior to the exercise of any Hong Kong Resolution Authority Power. The rights of the Securityholders and the Trustee under the Capital Securities 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 Capital Securities or payment of Distributions on the Capital Securities 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 Capital Securities, the Issuer shall provide a written notice not more than two Hong Kong Business Days after the occurrence of such exercise regarding such exercise of the Hong Kong Resolution Authority Power to the Securityholders in accordance with Condition 15.

Neither the reduction or cancellation, in part or in full, of the outstanding principal amount of, or Distributions on the Capital Securities, the conversion thereof into another share, security or obligation of the Issuer or another person, or any other amendment or alteration of the 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 Capital Securities shall constitute an Event of Default under Condition 11.2A.

Maturity Date..... The Capital Securities are perpetual securities in respect of which there is no fixed redemption date. The Capital Securities may not be redeemed at the option of the Issuer other than in accordance with Condition 8.

Redemption at the Option of the Issuer Subject to Condition 8.12A, the Issuer may redeem all but not some only of the Capital Securities then outstanding on the First Call Date or any Distribution Payment Date thereafter, at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, as further described in "*Terms and Conditions of the Capital Securities – Redemption and Purchase – Redemption at the Option of the Issuer (Issuer Call)*".

Redemption for Taxation Reasons

Subject to Condition 8.12A, the Capital Securities 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 if the Issuer satisfies the Trustee immediately before the giving of such notice that a Withholding Tax Event has occurred.

Capital Securities so redeemed will be redeemed at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non- Viability Event in accordance with Condition 6C.

See "*Terms and Conditions of the Capital Securities – Redemption and Purchase – Redemption for Tax Reasons*" for further information.

Redemption for Tax Deduction.....

Subject to Condition 8.12A, the Capital Securities 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 if the Issuer satisfies the Trustee immediately before the giving of such notice that (a) in respect of the Distribution payable on the Capital Securities, 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 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 the date on which an agreement is reached to issue the Capital Securities and such change or amendment was not foreseeable at the time of such agreement; and (b) such non tax deductibility cannot be avoided by the Issuer taking reasonable measures available to it.

Capital Securities so redeemed will be redeemed at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non- Viability Event in accordance with Condition 6C.

See "*Terms and Conditions of the Capital Securities – Redemption and Purchase – Redemption for Tax Deduction Reasons*" for further information.

Redemption for Regulatory Reasons

Subject to Condition 8.12A, the Capital Securities 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 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 8.3A that (a) the Capital Securities, after having qualified as such, will no longer qualify (in whole or in part) as Additional Tier 1 capital (or equivalent) of the Issuer and/or (b) the Capital Securities 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 any supervisory guidelines issued by the Monetary Authority and such change or amendment was not foreseeable at the time of the issuance of the Capital Securities.

Capital Securities so redeemed will be redeemed at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non- Viability Event in accordance with Condition 6C.

See "*Terms and Conditions of the Capital Securities – Redemption and Purchase – Redemption of the Capital Securities for Regulatory Reasons*" for further information.

Conditions for Redemption and Purchase in respect of the Capital Securities.....

The Issuer shall not redeem any of the Capital Securities (other than pursuant to Condition 11.2A) and the Issuer or any of its Subsidiaries shall not purchase any of the Capital Securities unless the prior written consent of the Monetary Authority thereto shall have been obtained, as further described in "*Terms and Conditions of the Capital Securities – Redemption and Purchase – Conditions for Redemption and Purchase in respect of the Capital Securities*".

Taxation.....

All payments of principal and Distribution in respect of the Capital Securities by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, subject as provided in Condition 9. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 9, be required to pay additional amounts to cover the amounts so deducted.

Governing Law.....

The Trust Deed, the Capital Securities, and any non-contractual obligations arising out of or in connection with the Trust Deed, the Capital Securities are governed by, and shall be construed in accordance with, English law, except that the subordination provisions set out in Condition 3.3(a) and Clause 7.2 of the Trust Deed shall be governed by, and construed in accordance with, the laws of Hong Kong.

Rating.....

The Capital Securities are expected to be assigned a rating of "Ba2" by Moody's. The rating does not constitute a recommendation to buy, sell or hold the Capital Securities and may be subject to suspension, reduction or withdrawal at any time by Moody's.

Clearing Systems.....

Euroclear Bank SA/NV and Clearstream Banking S.A.

Use of proceeds.....

The net proceeds will be applied by the Issuer for its funding and general corporate purposes.

Listing.....

Application will be made for the listing of the Capital Securities on the SEHK by way of debt issues to Professional Investors only.

**Qualification and Capital
Treatment of the Capital
Securities.....**

It is intended that the Capital Securities will qualify in full as Additional Tier 1 capital of the Issuer.

SUMMARY FINANCIAL AND OTHER INFORMATION

The section headed “Summary Financial and Other Information” on pages 3 to 7 of the Offering Circular shall be deleted in its entirety and replaced with the following:

The following tables set forth the summary financial and other information of the Bank as at and for the periods indicated. The summary financial information as at and for the years ended 31 December 2020 and 2021 set forth below is derived from the Bank’s audited consolidated financial statements for the year ended 31 December 2021, and should be read in conjunction with the audited consolidated financial statements of the Bank for the year ended 31 December 2021 and the notes thereto, which are incorporated by reference in this Supplement. Certain items in the consolidated financial statements of the Bank for the year ended 31 December 2021 have been aggregated for the purpose of presentation of the summary financial information in the tables below.

The Bank’s audited consolidated financial statements for the year ended 31 December 2021 were prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”). The accounting policies of the Bank have been summarised in note 2 to the Bank’s audited consolidated financial statements for the year ended 31 December 2021.

SUMMARY INCOME STATEMENT DATA

	Years ended 31 December		
	2020	2021	2021
	<i>HK\$</i>	<i>HK\$</i>	<i>U.S.\$</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
	<i>(in millions)</i>		
Interest income	9,038.8	7,945.2	1,018.7
Interest expense	(3,852.6)	(2,139.9)	(274.4)
Net interest income	5,186.2	5,805.3	744.3
Non-interest income	2,169.5	2,390.0	306.4
Operating expenses.....	(3,661.8)	(3,929.6)	(503.8)
Operating profit before impairment	3,693.9	4,265.7	546.9
Impairment losses	(2,352.5)	(1,769.2)	(226.8)
	1,341.4	2,496.5	320.1
Non-operating income	(35.3)	3.9	0.5
Profit before taxation	1,306.1	2,500.4	320.6
Income tax	(150.3)	(372.0)	(47.7)
Profit for the year	<u>HK\$1,155.8</u>	<u>HK\$2,128.4</u>	<u>U.S.\$ 272.9</u>
Earnings per share (HK\$)	0.10	0.18	0.02

SUMMARY FINANCIAL AND OTHER INFORMATION

SUMMARY STATEMENT OF FINANCIAL POSITION DATA

	As at 31 December		
	2020	2021	2021
	<i>HK\$</i>	<i>HK\$</i>	<i>U.S.\$</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
	<i>(in millions)</i>		
Assets			
Cash and balances with banks and central banks	32,783.9	28,828.5	3,696.2
Placements with and advances to banks	28,969.8	21,058.6	2,700.0
Financial assets at fair value through profit or loss	2,649.1	3,106.3	398.3
Derivative financial instruments.....	14,378.6	8,888.8	1,139.6
Loans and advances to customers and other accounts	226,790.0	249,416.4	31,978.1
Financial assets at fair value through other comprehensive income	84,950.9	103,926.4	13,324.6
Amortised cost investments.....	48.5	53.4	6.8
Property and equipment.....			
— Investment properties	254.8	446.6	57.3
— Other premises and equipment	511.8	479.2	61.4
Right-of-use assets	696.7	559.1	71.7
Intangible asset	635.1	539.8	69.2
Tax recoverable.....	55.4	-	-
Deferred tax assets.....	174.1	168.9	21.7
Total Assets	392,898.7	417,472.0	53,524.8
Equity and Liabilities			
Deposits and balances of banks and other financial institutions .	5,326.4	13,584.4	1,741.7
Deposits from customers	309,877.0	327,768.0	42,023.7
Financial liabilities at fair value through profit or loss	290.2	768.0	98.5
Derivative financial instruments.....	15,160.3	8,766.4	1,124.0
Certificates of deposit issued.....	-	1,481.4	189.9
Current tax liabilities	19.7	120.7	15.5
Deferred tax liabilities	0.9	1.6	0.2
Other liabilities	10,078.2	10,718.5	1,374.2
Lease liabilities.....	722.9	592.6	76.0
Loan capital	3,855.4	3,883.9	498.0
Total Liabilities	345,331.0	367,685.5	47,141.6
Equity			
Share capital	18,404.0	18,404.0	2,359.6
Reserves	21,393.3	22,827.7	2,926.8
Total equity attributable to equity shareholders of the Bank	39,797.3	41,231.7	5,286.4

Other equity instruments.....	7,770.4	8,554.8	1,096.8
Total Equity and Liabilities	392,898.7	417,472.0	53,524.8

At 31 December 2020	At 31 December 2021
<i>(audited)</i>	<i>(audited)</i>
<i>(per cent.)</i>	

OTHER INFORMATION

Common Equity Tier 1 (“CET1”) capital ⁽¹⁾	12.2	12.0
Tier 1 capital ratio ⁽¹⁾	14.8	14.7
Total capital ratio ⁽¹⁾	17.2	17.1
Average liquidity coverage ratio ⁽²⁾	217	239
Loans to deposits	71.0	73.7
Loans to total assets.	56.0	58.1
Cost to income	49.8	47.9
Return on average assets	0.3	0.5
Return on average shareholders’ equity	2.91	5.21

Notes:

- As at 31 December 2021 and 31 December 2020, the capital adequacy ratio was computed on a consolidated basis covering the Bank and certain of its subsidiaries as required by the Hong Kong Monetary Authority (the “HKMA”) for its regulatory purposes and was in accordance with the Banking (Capital) Rules issued by the HKMA.
- Under the Banking (Liquidity) Rules, the Group being a Category 1 institution is required to maintain a Liquidity Coverage Ratio (“LCR”) above the statutory minimum requirement.

TIER I AND TIER II CAPITAL BASE — As at 31 December 2021

Capital adequacy ratios (“CARs”) are complied with in accordance with the Banking (Capital) Rules issued by the HKMA. The CARs are computed on a consolidated basis covering the Bank and some of its subsidiaries as required by the HKMA. The Bank has adopted the “standardised approach” for calculating the risk-weighted amount for credit risk and market risk and the “basic indicator approach” for calculating operational risk.

Years ended 31 December		
2020	2021	2021
<i>HK\$</i>	<i>HK\$</i>	<i>U.S.\$</i>
<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
<i>(in millions)</i>		

CET1 capital: instruments and reserves

Directly issued qualifying CET1 capital instruments plus any related share premium.	18,404.0	18,052.2	2314.5
Retained earnings.	20,416.2	22,119.6	2,836.0
Disclosed reserves.....	1,050.8	822.7	105.5

	Years ended 31 December		
	2020	2021	2021
	<i>HK\$</i>	<i>HK\$</i>	<i>U.S.\$</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
	<i>(in millions)</i>		
CET1 capital before regulatory deductions	<u>39,871.0</u>	<u>40,994.5</u>	<u>5,256.0</u>
CET1 capital: regulatory deductions			
Deferred tax assets net of deferred tax liabilities.....	174.1	168.9	21.7
Other intangible assets (net of related deferred tax liability)....	635.1	539.8	69.2
Cumulative fair value gains arising from the revaluation of land and buildings (own use and investment properties)	173.8	340.2	43.6
Regulatory reserve for general banking risks	1,926.8	2,061.3	264.3
Valuation adjustments	26.1	22.6	2.9
Debt valuation adjustments in respect of derivative contracts .	2.4	2.7	0.3
Total regulatory deductions to CET1 capital	<u>2,938.3</u>	<u>3,135.5</u>	<u>402.0</u>
CET1 capital	<u>36,932.7</u>	<u>37,859.0</u>	<u>4,854.0</u>
Additional Tier 1 (AT1) capital	<u>7,772.1</u>	<u>8,556.0</u>	<u>1,097.0</u>
Tier 1 capital	<u>44,704.8</u>	<u>46,415.0</u>	<u>5,950.9</u>
Tier 2 capital: instruments and provisions			
Qualifying Tier 2 capital instruments plus any related share premium	3,876.2	3,898.4	499.8
Reserve attributable to fair value gains on revaluation of holdings of land and buildings	78.2	153.1	19.6
Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	3,234.5	3,471.3	445.1
Tier 2 capital base before deductions	<u>7,188.9</u>	<u>7,522.8</u>	<u>964.5</u>
Tier 2 capital: regulatory deductions			
Regulatory deductions to Tier 2 capital.....	<u>—</u>	<u>—</u>	<u>—</u>
Tier 2 capital	<u>7,188.9</u>	<u>7,522.8</u>	<u>964.5</u>
Total capital	<u>51,893.7</u>	<u>53,937.8</u>	<u>6,915.5</u>

INVESTMENT CONSIDERATIONS

Prospective investors should carefully take into account the following considerations, in addition to the other information contained in this Supplement and the Offering Circular, before investing in the Capital Securities. Attention is drawn particularly to the information under the section "Investment Considerations" in pages 79 to 101 (inclusive) of the Offering Circular, save as amended in this Supplement, which must be read in conjunction with the additional considerations set out below. The occurrence of one or more events described below and in the section "Investment Considerations" of the Offering Circular could have an adverse effect on the Group's business, financial condition or results of operations, and could affect the Bank's ability to make payments of principal, premium and/or Distribution (if any) under the Capital Securities. Additional considerations and uncertainties not presently known to the Bank, or which the Bank currently deems immaterial, may also have an adverse effect on an investment in the Capital Securities.

THE CAPITAL SECURITIES ARE OFFERED TO PROFESSIONAL INVESTORS ONLY. INVESTORS SHOULD NOT PURCHASE THE CAPITAL SECURITIES IN THE PRIMARY OR SECONDARY MARKETS UNLESS THEY ARE PROFESSIONAL INVESTORS. INVESTING IN THE CAPITAL SECURITIES INVOLVES RISKS. INVESTORS SHOULD HAVE SUFFICIENT KNOWLEDGE AND EXPERTISE TO EVALUATE EFFECT OR THE LIKELIHOOD OF THE OCCURRENCE OF NON-VIABILITY EVENT FOR THE CAPITAL SECURITIES WHICH FEATURE LOSS ABSORPTION.

Considerations relating to the Group

The sub-section headed "Investment Considerations – Considerations relating to the Group" on pages 79 to 87 of the Offering Circular shall be deleted in its entirety and replaced with the following investment considerations:

The occurrence of a contagious disease in Hong Kong, Macau or the PRC could affect the Group's business, financial condition or results of operations

During the first half of 2003, the outbreak of SARS caused an adverse effect on the economies of the affected regions in Asia, including Hong Kong and the PRC, which impinged on the Group's operations in these affected regions. In the last few years, there have also been outbreaks of avian influenza in parts of Asia, including Hong Kong. In 2009, there were also outbreaks of the Human Swine Influenza A ("H1N1") virus globally. On 11 June 2009, the World Health Organization (the "WHO") raised its pandemic alert level to Phase 6, its highest level, after considering data confirming the H1N1 outbreak. As at the date of this Supplement, the COVID-19 pandemic continues to impact various parts of the world and, certain strains of COVID-19 that have since developed are considered highly contagious. The pandemic has resulted in a high number of fatalities and continues to be considered by public health authorities as a serious public health threat. Many governments across the world have imposed a number of measures in an effort to contain the spread of COVID-19, including mandatory business closures, travel restrictions, quarantines, lockdowns, limitations on public gatherings and the suspension of major events. These containment measures have caused disruptions across Hong Kong, China and a majority of countries globally. It remains uncertain as to when the COVID-19 pandemic will be contained. The COVID-19 pandemic has caused substantial disruption in international economies and markets. It is uncertain as to if and when business activity and economies as a whole would return to pre-COVID-19 pandemic levels. The global economy fell into a recession in 2020 due to the COVID-19 pandemic, with global GDP decreased by 3.3 per cent.. In 2021, the global economy resumed growth with global GDP increased by 5.9 per cent., according to forecasts provided by the International Monetary Fund. The rebound was led by a 6.5 per cent. growth for emerging and developing economies as a whole and 5.0 per cent. for the advanced economies. Meanwhile, global trade posted a stronger rebound of 9.3 per cent. in 2021, following a decrease of 8.2 per cent. in 2020. The COVID-19 pandemic has had a material impact on the performance of the Group. The Group's net profit after tax for the year ended 31 December 2020 decreased 58.9 per cent. versus that of the year ended 31 December 2019. In 2021, the Group's financial performance improved with its net profit after tax for the year ended 31 December 2021 increased by 84.2 per cent. versus that of the year ended 31 December 2020. The Group has been implementing business continuity plans since early 2020 to ensure that normal business activities remain on track. Meanwhile, the Group also launched work-from-home arrangements and split office arrangements to ensure safety of its customers and staff. The Group has been encouraging its staff members to get vaccinated to better protect themselves and others. Other measures that the Group has launched to take care of its

employees include providing pandemic prevention information and health talks on a regular basis and giving out pandemic prevention subsidies and supplies. In light of the challenging macro conditions, the Group also launched various relief measures for small and medium enterprises and individual customers since early 2020. The fifth wave of the COVID-19 pandemic emerged in Hong Kong in December 2021. Since then, the Hong Kong government has tightened up social distancing measures to fight against the pandemic and the Group has strengthened its work-from-home arrangements and split office arrangements in order to ensure safety of its customers and staff. The Group shall remain vigilant and will continue to monitor the COVID-19 situation in Hong Kong closely to mitigate against potential operational risks.

No assurance can be given that there will not be a recurrence of the outbreak of SARS or other epidemics, or that the incidence of avian influenza or H1N1 will not increase. Meanwhile, countries all over the world are still implementing various containment measures such as social distancing rules and pandemic control measures to fight against the COVID-19 pandemic. As such, there can be no assurance that the Group's business, financial condition or results of operations will not be adversely affected if another outbreak of SARS, H1N1 virus or other highly contagious disease such as COVID-19 occurs.

The Group is subject to significant competition

The Group is subject to significant competition from many other banks and financial institutions, including competitors which have significantly more financial and other capital resources, higher market share, and stronger brand recognition than the Group. In particular, the banking and financial services industry in Hong Kong is a mature market and, as at 28 February 2022, supported 31 Hong Kong incorporated licensed banks and 128 licensed banks incorporated outside Hong Kong competing for a customer population of over 7.4 million people. Therefore, many of the international and local banks and niche players operating in Hong Kong compete for substantially the same customers as the Group. There is a limited market, especially for retail banking products such as investment and insurance products, home mortgage loans, credit cards, personal loans and transport lending businesses. The strength of competition in the past few years has had an adverse impact on the pricing of certain products.

In recent years, competition among banks in Hong Kong for investment and insurance products, home mortgage loans, credit cards, personal loans and transport lending business 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.

As a result of the intensified competition among banks, the Bank has experienced downward pressure on its profit margins in recent years. To counter the effects of increased competition, the Bank has actively pursued a strategy of diversifying its income sources by focusing on increasing its fee-based income, introducing innovative products and, at the same time, improving the cost efficiency of its operations. However, there can be no assurance that the Bank will be able to compete successfully in the mature Hong Kong banking market and sustain its profitability in future.

Following the PRC's accession to the World Trade Organisation (the "WTO"), a number of foreign banks have received authorisation from the PRC government to provide RMB-denominated banking and financial services ("RMB services") to PRC domestic enterprises and to individuals from five years after its accession. The Closer Economic Partnership Agreement with the PRC (the "CEPA"), which allows Hong Kong banks to operate in the PRC, has also increased competition in the Mainland China 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. Accordingly, the Group is likely to face competition in the Mainland China market from both existing local Chinese banks and foreign banks entering the Mainland China market. There can be no assurance that the Group will maintain its current position or continue to develop its business successfully in Mainland China if, as expected, competition in the banking sector in Mainland China intensifies as a result of these latest changes in the regulatory environment in the PRC.

The introduction of CEPA has also enabled Mainland China 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,

Mainland China banks are encouraged to expand their business through mergers and acquisitions (“M&A”). The entry of Mainland China banks into the Hong Kong market via M&A 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 the increased competition.

The Group’s business is vulnerable to volatility in interest rates

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 level 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 its net interest income. Interest rates in Hong Kong are sensitive to factors over which the Group has no control, including, among others:

- interest rates in the US;
- liquidity of the domestic inter-bank 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 Bank’s position, it may adversely affect the Group’s business, financial condition or results of operations. The interest rate environment has remained low in recent years and, as a result, the Bank’s net interest margin also remained at a low level. For the years ended 31 December 2020 and 2021, the Bank’s net interest margin was 1.47 per cent. and 1.44 per cent., respectively. There can be no assurance that interest rates will rise or not fall or become volatile or that changes in interest rates will not be frequent.

In addition, the Group is subject to interest rate risk as a result of mismatches in the pricing and duration of its assets and liabilities. A significant part of the Group’s funding requirements is met through short-term or floating rate funding sources, primarily in the form of deposits, including customer deposits, inter-bank deposits and certificates of deposit, which tend to be at floating rates and are regularly repriced. In contrast, some of the Group’s assets either receive a fixed rate of interest or if they receive a floating rate of interest, they may not be repriced as frequently as the Group’s deposits. The Group closely monitors the risks associated with changes in interest rates that may arise from maturity gaps, basis risks among different interest rate benchmarks, yield curve movements, interest rate repricing risks and risks from embedded options (if any), and mitigates such risks through the use of interest rate derivatives, mainly interest rate swaps, to hedge both assets and liabilities as available-for-sale securities and non-trading liabilities. Sensitivity analyses on the Bank’s interest rate exposures are also conducted on a quarterly basis. However, in a volatile interest rate environment there can be no assurance that the Group’s net interest margin will not be impacted and the Group’s net interest income reduced.

The activities of Treasury and Markets Group (“TMG”) also involve taking interest rate and credit spread risk. As the funding of treasury investments is generally of shorter duration than the assets that are held, which primarily consist of both fixed rate and floating rate investments, TMG may employ hedging strategies as appropriate to protect its portfolio. However, there can be no assurance that the investment income of TMG would not suffer from a rising interest rate environment or widening credit spread situation. Furthermore, there can be no assurance that the Bank will be able to generate positive net interest income in the future, and it is likely that in a continuing rising interest rate environment, the Bank’s gains from disposals of securities may be lower, or that TMG may even incur losses.

The Group has significant exposure to the Hong Kong property market

The Group has significant exposure to the Hong Kong property market. As at 31 December 2021, home mortgage loans in Hong Kong (excluding loans under the Home Ownership Scheme and the Private Sector Participation Scheme and loans under a mortgage refinancing scheme launched by the Bank in 2002) accounted for 9.4 per cent. of the Group’s total loans to customers while loans for property investment accounted for 6.3 per cent. of the Group’s total loans to customers. The Hong Kong property market in general has been resilient, in particular the residential property market, in spite of the volatility experienced in recent years. Residential property prices in Hong Kong managed to recover and reach

a new high in the third quarter of 2021, before heading for another correction as a result of the fifth wave of the COVID-19 pandemic in Hong Kong. The Centa-City Index decreased by about 5 per cent. as of late February 2022, after hitting a new record high in August 2021. Looking ahead, property prices are expected to remain under pressure with a potential of further adjustments, in view of the lingering Covid-19 pandemic, a weakening local economy, as well as the looming interest rate hikes and balance sheet reduction by the US Federal Reserve. The degree of adjustment will hinge on a number of factors, including the extent of the fifth wave of the Covid-19 pandemic in Hong Kong, the pace of USD interest rate hike and the Federal Reserve balance sheet reduction, the magnitude of HKD Prime Rate hike, and the strength of local economic recovery. A substantial fall in property values could adversely affect the Group's financial conditions and operations, and in turn its business performance.

The Group has significant PRC exposure

A significant proportion of the Group's loans are advanced to PRC entities, which are identified by those borrowers that are domiciled in the PRC, or guaranteed by entities domiciled in the PRC and thus have their risks transferred to PRC country risk. Such PRC-related loans accounted for 21.0 per cent. of the Group's total loans to customers as at 31 December 2021. For the year ended 31 December 2021, 13.0 per cent. of the Group's total non-performing loans is PRC-related non-performing loans. See "*Selected Statistical and Other Information Relating to the Group — Asset Quality — Top ten non-performing loans*". There can be no assurance that the Group's continued exposure to the PRC or its continual development 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. See "*Business — Strategy*".

The Group has significant committed exposure to a relatively few number of borrowers

As at 31 December 2021, the Group's 20 largest borrowers (including groups of individuals and companies) accounted for approximately HK\$53,591.8 million (U.S.\$6,871.1 million). As at 31 December 2021, the Group's five largest borrowers (including groups of individuals and companies) accounted for approximately HK\$20,825.3 million (U.S.\$2,670.0 million) with the largest borrower accounting for HK\$5,655.3 million (U.S.\$725.1 million) or 12.2 per cent. of the Group's Tier 1 capital base. The non-performance of loans held by one or more of these customers could have a material adverse effect on the Group's business, financial condition or results of operations.

The Group's funding is primarily short-term, and if depositors do not roll over their deposits upon maturity, the Group's liquidity could be adversely affected

The Group's funding requirements are primarily met through short-term funding sources, primarily in the form of customer deposits, inter-bank deposits and shareholders' funds. As at 31 December 2021, 82.7 per cent. of the Group's customer deposits had a remaining maturity of three months or less. Historically, a substantial portion of such customer deposits have been rolled over upon maturity. However, no assurance can be given that this pattern will continue. If a substantial number of depositors fail to roll over deposited funds upon maturity, the Group's liquidity position would be adversely affected and it may need to seek alternative sources of short-term or long-term funding to finance its operations, which may be more expensive than the current level of deposits.

The Deposit Protection Scheme (the "**Deposit Protection Scheme**") established under the Deposit Protection Scheme Ordinance (Cap. 581) of Hong Kong (the "**Deposit Protection Scheme Ordinance**") and subsequently, the Deposit Protection Scheme (Amendment) Ordinance 2010 (the "**Amendment Ordinance**") enacted on 1 January 2011, protects eligible deposits held with licensed banks in Hong Kong up to a limit of HK\$500,000. However, there can be no assurance that the level of customer deposits of the Group will not be adversely affected by any future withdrawal of or any other changes to the Deposit Protection Scheme.

The HKMA acts as the provider of the Contingent Term Facility under the Liquidity Facilities Framework, at the discretion of the HKMA, to all authorised institutions in Hong Kong, when such authorised institutions face extraordinary liquidity stress that cannot be overcome through other means, to provide support for liquidity needs in the banking system generally as well as to specific institutions. In this regard, certain portions of the Bank's interest-earning assets are acceptable to the HKMA for such emergency funding support. However, there can be no assurance that the HKMA will

take measures to assist banks in Hong Kong in the future or that it would elect to provide liquidity support assistance in the future to the Bank in the event of a liquidity crisis.

If the Bank is unable to control the level of impaired loans in its loan portfolio, its financial condition and results of operations will be materially and adversely affected

The Bank's results of operations may be negatively impacted by its impaired loans due to asset deterioration. Under the Hong Kong Financial Reporting Standards, the accounting principles that are applicable to the Bank, loans are impaired if there is objective evidence that the Bank will not be able to collect all amounts due according to the original contractual terms of the loans. As at 31 December 2021, the total amount of the Bank's impaired loans was HK\$2,254.2 million (U.S.\$289.0 million). The Bank's impairment allowances on loans and advances amounted to HK\$1,871.8 million (U.S.\$240.0 million) as at 31 December 2021.

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 Bank and there can be no assurance that the Bank 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 Bank'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 Bank 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 Bank's control, such as a slowdown in economic growth and other adverse macroeconomic conditions in Hong Kong and Greater China, which may cause operational, financial and liquidity problems for its borrowers and hence materially and adversely affect their ability to service their outstanding debts. Furthermore, a portion of the Bank's impairment allowances are estimated based on expected credit losses ("ECL") which have considered the historical patterns between credit quality and movement of macroeconomic factors of its loan portfolio. As historical patterns may behave differently in the future, its current impairment allowances on loans and advances may not be adequate to cover any unforeseeable change in the historical pattern or any future deterioration in the overall credit quality of the Bank's loan portfolio. As a result, the Bank may be required to increase its impairment allowances for impaired loans, which may in turn reduce its profit and adversely affect its financial condition and results of operations. Moreover, there is no precise method for predicting loan losses, and there can be no assurance that the Bank's impairment allowances on loans and advances are or will be sufficient to cover actual losses. If the Bank is unable to manage the above risks and control the level of its impaired loans, its financial condition and results of operations will be materially and adversely affected.

The Group's classification of loans and its policy in relation to the adequacy of allowance for loan losses may be different from the standards of other countries

In accordance with guidelines set by the HKMA, the Bank classifies its problem loans into one of three categories corresponding to levels of risk: "sub-standard", "doubtful" and "loss". The classification of loans into one of these categories depends on various quantitative and qualitative factors, including the number of overdue days, the type of loan, the tenor of the loan, the likelihood of collection, the type and amount of collateral, whether the net realizable value of the security is sufficient to cover the principal and accrued interest, whether the principal or interest amount has been overdue for more than 90 days, and the expectations for recovery or performance. The laws, regulations and guidelines governing banking in Hong Kong differ from those applicable in certain other countries in certain respects and may result in particular loans being classified at a different time or being classified in a category reflecting a different degree of risk than would be required in certain other countries. In addition, the typical procedures for writing off loans in Hong Kong may result in loans being written off later than would be the case for banks in certain other countries. Banks in Hong Kong may have different sets of criteria for recognition of accrued interest on loans which may be treated differently in certain other countries. While the Bank believes that its loan policies are generally in line with those which are required under Hong Kong laws and regulations, the Bank is not required to maintain such policies at levels above those generally applicable to banks in Hong Kong. For a description of the banking regulations that apply to banks in Hong Kong, see "*Regulation and Supervision*".

The Bank may be adversely affected by allegations made against it by its customers and/or its regulators

The Bank offers a range of wealth management and investment products to its customers. The Bank's management of the selling process associated with the distribution of these products is important to the success of its business. The Bank is required, among other things, to assess the suitability of customers for particular investment products and ensure that risks associated with those products are adequately disclosed to its customers before the Bank sells such products to them. The Bank may become liable to customers for damages and may be subject to regulatory enforcement actions if the sale of these products by the Bank is subsequently found to be in breach of the relevant legal or regulatory requirements, or duties owed to customers.

Given the nature of the Bank's businesses, the Bank will face potential litigation and claims from disgruntled investors who have suffered losses with respect to their investments in the investment products subscribed through the Bank. Based on currently available information as at the date of this Supplement, the Bank does not expect such potential litigation and claims to have a material adverse impact on the Group's financial position.

The HKMA and the Securities and Futures Commission (the "SFC") regularly review and investigate complaints received from investors alleging mis-selling of investment products. The Hong Kong regulators can impose fines and/or suspend or withdraw a distributor's licence to engage in regulated activities in the event that a distributor has been found to have mis-sold investment products or be otherwise in breach of its legal or regulatory obligations. In response to issues arising from the distribution of structured products before the global financial crisis, the regulators in Hong Kong have since introduced new rules and regulations that impose stricter obligations on banks in Hong Kong in connection with the sale of investment products to their customers.

Litigation and claims will always be a possibility and such claims, in the aggregate, may become material to the Bank. Similarly, there can be no assurance that relevant government authorities or regulators will not seek to impose fines and/or suspend the Bank's regulated activities as a result of regulatory proceedings. Regulatory pressure to settle claims could also result in material payments by the Bank 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 Bank's reputation with existing and potential customers, as well as the Bank's business, financial condition or results of operations. Lastly, future legislative or regulatory restrictions may also limit the practices and ability of the Bank to sell structured investment products, which may have an impact on the Bank's business.

Fluctuations in foreign exchange rates could have an adverse effect on the Group's business, financial condition or results of operations

The Group undertakes various foreign exchange transactions as part of its treasury business and in providing hedging solutions to its corporate and retail customers. Foreign exchange positions of the Bank are subject to exposure limits approved by the Market Risk Committee (the "MRC") and the Credit and Risk Management Committee (the "CRMC"). The Bank's risk management function conducts regular and independent assessment, stress testing, scenario analysis, and monitors and controls the Bank's foreign currency risk exposure against corresponding limits including individual currency positions and overall foreign exchange positions and sensitivities. However, there can be no assurance that a significant change in the exchange rate between the relevant foreign currency and the Hong Kong dollar will not result in the Group incurring foreign exchange related losses, which in turn could have an adverse effect on the Group's business, financial condition or results of operations.

Security breaches to, and eliminating security problems of, the Group's internet banking services could have an adverse effect on its operations and reputation

To the extent that the Group's internet banking activities involve storage and transmission of confidential information, security breaches could expose the Group to possible liability and damage its reputation. The Group's network may be vulnerable to unauthorised access, computer viruses and other disruptive problems. Costs incurred in rectifying any of such disruptive problems may be high and may adversely affect the Group's business, financial condition or results of operations. Concerns regarding security risks may deter the Group's existing and potential customers from using its internet banking products and services. Eliminating computer viruses and alleviating other security problems may result in interruptions, delays or termination of user access to the Group's internet banking services. Undetected defects in

software products that the Group uses in providing its internet banking services, and the Group's inability to sustain a high volume of traffic, may materially and adversely affect the Group's internet banking business.

CITIC is the ultimate controlling shareholder of the Bank

The Bank is 75 per cent. owned by CITIC International Financial Holdings Limited (“CIFH”) which is 100 per cent. owned by China CITIC Bank Corporation Limited (“CNCB”). In turn, CNCB is over 60 per cent. indirectly owned by CITIC Limited. CITIC Limited is approximately 58 per cent. indirectly owned by CITIC Group Corporation (“CITIC” or the “CITIC Group”). CITIC Limited and CNCB are both listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

With their controlling shareholding, CITIC and CNCB ultimately determine the strategy, management and operations of the Bank. CITIC and CNCB are able to determine the Bank's corporate policies, appoint its Directors and officers, and vote to pursue corporate actions requiring shareholders' approval. As at the date of this Supplement, the Chairman of the Bank is nominated by CNCB. See “*Management*”. Although to date the Bank has been managed independently, there can be no assurance that the Bank will maintain its independence in the event of a conflict of interests with CITIC and CNCB.

The Bank's future strategy is to focus on the development of cross-border capabilities and services to offer “one-stop” solutions in conjunction with CNCB to serve the China-related in-bound and/or out-bound business needs of its customers, both in the PRC and in Asia. See “*Description of the Issuer — Wholesale & Cross-border Banking Group*”. There can be no assurance that conflicts of interests will not arise between the Bank and CNCB and/or other CITIC companies. Under these conditions, there can be no assurance that the Bank can continue to develop its business in the PRC successfully.

The Bank's future strategy is dependent on its success in maximising synergies with CNCB

CIFH's privatisation in November 2008 and the CIFH Acquisition (as defined in “*Description of the Issuer*”) by CNCB are integral steps to CITIC's Restructuring Strategy (as defined in “*Description of the Issuer*”) to develop into an international PRC banking franchise. The Bank's future strategy is developed based on its role as the international commercial banking platform for CITIC and CNCB. Its success will depend on the Bank's ability to maximise synergies with CNCB.

There can be no assurance that the strategic initiatives of the Bank and CNCB will be successful, or that the anticipated synergies expected to be generated from the strategic initiatives will be realised, as these may be affected by numerous factors including difficulties in integrating the existing operations of CNCB and the Bank, unforeseen contingent risks or latent liabilities that may only become apparent following completion of such integration, potential adverse tax consequences to the Bank and loss of key personnel.

Expansion of the Group's operations may disrupt its business and reduce its profitability if not managed effectively

Expansion into overseas markets may present the Group with new risks and challenges, such as new regulatory environments, different market practices and competition in these markets. Expansion into overseas markets may also require significant operational, administrative and management resources. The success of any such expansion will depend in part on the ability of the Group's management to integrate the operations of its new overseas businesses with its existing operations and, where applicable, to integrate various departments, systems and processes. Consequently, the Group's ability to implement its business strategy may be constrained and the timing of such implementation may be affected due to the demand placed on existing resources by the expansion process. There can be no assurance that any overseas expansion will achieve the level of performance that the Group anticipates or that the projected demand for, and margins of, the Group's products and services will be realised. The failure to manage expansion effectively could have an adverse effect on the Group's business, financial condition and results of operations.

There could be material changes in, or a breach of, the regulations that govern the Group and its business activities

Banks in Hong Kong are subject to the supervision of the HKMA, whose supervisory framework is in line with international standards. The Group's banking business in Hong Kong conducted through the Bank could be directly

affected by any changes in the HKMA's policies, including in the areas of specific lending activities, loan provisioning, capital adequacy and liquidity requirements. In addition, any changes in regulatory or governmental policies, tax laws or rules and accounting principles, as well as international conventions and standards relating to commercial banking operations, including changes under Basel III, could affect the Group's operations and financial performance. Furthermore, US laws and regulations such as the Foreign Account Tax Compliance Act may have impacts on the financial institutions in Hong Kong generally as well as the Group's operations and reporting duty. There can be no assurance that any future changes in the regulatory environment for banks in Hong Kong will not adversely affect the Group's business, financial condition or results of operations in the future.

Apart from the above, certain products and services provided by the Group are regulated by other regulators, including the SFC and the Insurance Authority in Hong Kong. The Group carefully manages legal and compliance risks, including in relation to the sale of financial and insurance products and anti-money laundering regulations. However, there can 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.

The Bank may issue further securities

To ensure that it remains in compliance with applicable capital requirements under Hong Kong law, rules and regulations (including guidelines issued by the HKMA), the Bank may from time to time raise additional capital through such means and in such manner as it may consider appropriate including, without limitation, the issue of further notes (whether on terms similar to the Notes issued under the Programme or otherwise) or other hybrid capital instruments, subject to any regulatory approval that may be required. There can be no assurance that such future capital raising activities will not adversely affect the market price of the Notes issued under the Programme in the secondary market.

The Group may be affected by a discontinuation of or amendment to the link of the Hong Kong dollar to the US dollar or revaluation of the Hong Kong dollar

Under the Linked Exchange Rate System established in 1983, HK dollar banknotes are fully backed by US dollars at a rate of HK\$7.80 to U.S.\$1 (the **Linked Rate**) and depending on the flow of funds into and out of the HK dollar market, the HKMA also operates convertibility undertakings on both the strong side and the weak side of the Linked Rate within the convertibility zone between HK\$7.75 and HK\$7.85 to U.S.\$1. In the event that this policy were to be changed or there were to be a revaluation of the Hong Kong dollar, it could adversely affect the Hong Kong economy and, as a result, the Group's business, financial condition or results of operations. There can be no assurance that the Hong Kong dollar will continue to be linked to the US dollar. As at 31 December 2021, the Group had US dollar denominated assets of approximately HK\$178,846.6 million (U.S.\$22,930.2 million) and US dollar denominated liabilities of approximately HK\$170,188.6 million (U.S.\$21,820.2 million), representing approximately 42.8 per cent. and approximately 46.3 per cent. of the Group's total assets and liabilities, respectively, at the same date. A significant change in the exchange rate between the US dollar and the Hong Kong dollar may have an adverse effect on the Group's business, liquidity, financial position and capital.

Considerations relating to Hong Kong and the PRC

The sub-section headed "Investment Considerations – Considerations relating to Hong Kong and the PRC" on pages 87 to 91 of the Offering Circular shall be deleted in its entirety and replaced with the following investment considerations:

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 or results of operations.

In 2003, the Hong Kong economy was seriously affected by the Severe Acute Respiratory System ("SARS") epidemic, which resulted in, among other things, increased provisions which undermined the Group's profitability. Although the

Hong Kong economy has recovered from the impact of SARS in subsequent years, the global credit markets have experienced, and may continue to experience, significant dislocation and turbulence which originated from the liquidity disruptions in the US credit and sub-prime residential mortgage markets since the second half of 2007. Sub-prime mortgage loans in the United States experienced increased rates of delinquencies, foreclosures and losses. These and other related events, such as the collapse of a number of financial institutions resulted in an economic slowdown in the US and most economies around the world, substantial volatility in equity securities markets globally, fluctuations in foreign currency exchange rates and volatility and tightening of liquidity in global credit markets. Although global economic and financial conditions have improved since the second half of 2009, gradual withdrawal of monetary stimulus by central banks, emergence of trade protectionism in the US (such as the sustained tension between the US and China over trade policies) and the potential withdrawal of countries from the European Union (including the United Kingdom's exit from the European Union which took effect on 1 January 2021) have led to renewed doubts regarding the sustainability of the global economic recovery. Social events in Hong Kong which started in mid-2019 have led to significant challenges to the operating conditions in Hong Kong. Such social events have subsided but continued to linger, while sanctions by the United States on individuals and business entities in Hong Kong and China continue to lead to fluctuations in the political and economic conditions of Hong Kong. Moreover, the COVID-19 pandemic which began in 2020 has significantly affected the business environment of Hong Kong. In particular, cross-border travelling has been restricted as the Hong Kong government has implemented social distancing measures since early 2020 in order to fight against the pandemic. In 2020, Hong Kong's gross domestic product ("GDP") dropped 6.1 per cent., which is the largest contraction on record. Hong Kong economy managed to achieve a visible recovery in 2021 with GDP growth at 6.4 per cent., while unemployment rate reached a 17-year high of 7.2 per cent. as of February 2021 and then retracted to 3.9 per cent. as of December 2021. If there is another economic downturn or any slowdown in global economic recovery, there can be no assurance that the Hong Kong economy or the Group's business, financial condition and results of operations will not be adversely affected.

The Group expects the recovery of, and the continued growth in, the Hong Kong economy to depend in part upon the economic performances of the US and the PRC, as well as certain other developed countries. In addition, it will also to a large extent depend on the duration of the ongoing COVID-19 pandemic and its impact on Hong Kong and globally. There can be no assurance that future global events will not have an adverse effect on the Hong Kong economy and the Group.

The Group may be affected by an economic downturn in the PRC

The Bank plans to continue to develop 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 value of the Group's loans in the PRC, as well as its loans 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, the rate of inflation, RMB interest rate and RMB 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. See "*— Considerations relating to the Group — The Group has significant PRC exposure*" and "*Business — Strategy*".

China's GDP growth was only 2.3 per cent. in 2020 as a result of the negative consequences of the COVID-19 pandemic, yet it was one of very few economies in the world that reported a positive GDP growth in 2020. The RMB appreciated 6.1 per cent. against the USD in 2020 due to the sharply weakened USD on one hand and a rapid recovery of China's economy from the COVID-19 pandemic on the other hand. In 2021, China's GDP grew 8.1 per cent. but the recovery was uneven to some extent. On one hand, China's export competitiveness further improved during the COVID-19 pandemic, with international trade recording significant growth and exports and trade surplus reaching successive record highs. On the other hand, stringent pandemic prevention and control measures inevitably placed restrictions on consumption. China's real estate sector also reported liquidity concerns during the second half of 2021, and China's internet sector faced regulatory challenges. The PRC government is expected to continue to cope with the problems of excess capacity and high corporate debt, and to contain financial risks. Sustained tension between the US and China may pose an additional risk to China's economic prospects. If the PRC's economy experiences a renewed slowdown in growth

or a downturn in the future, or if the RMB 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 will have an impact on Hong Kong and Hong Kong companies conducting business in the PRC. The Bank and its customers may also be affected accordingly.

The Bank is subject to various regulatory requirements in the Hong Kong banking industry

Under the Banking Ordinance, the HKMA 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 adequacy standards which have been adopted in Hong Kong.

In December 2010 and January 2011, the Basel Committee issued further capital requirements designed to raise the quality, consistency and transparency of banks' capital base and new global liquidity standards. These requirements are collectively known as Basel III. Among other things, Basel III increases 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 Basel Committee's press release dated 13 January 2011 entitled "Minimum requirements to ensure loss absorbency at the point of non-viability" included the following statements:

"The terms and conditions of all non-common Tier 1 and Tier 2 instruments issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of the trigger event unless:

- (a) the governing jurisdiction of the bank has in place laws that (i) require such Tier 1 and Tier 2 instruments to be written off upon such event, or (ii) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss;
- (b) a peer group review confirms that the jurisdiction conforms with clause (a); and
- (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under clause (a) in this paragraph."

The release also states as follows: "The trigger event is the earlier of: (1) a decision that a write-off, without which the firm would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the firm would have become non-viable, as determined by the relevant authority" (for the purposes of this Supplement, each a "**Non-Viability Event**").

The initial stage of the Basel III reforms has been implemented by the Hong Kong government since the beginning of 2013, and the full implementation of the reforms will be completed by January 2023.

These standards require banks to disclose key pieces of information on capital, risk exposures, risk assessment processes and hence capital adequacy. The aim of the new standards is to encourage banks to demonstrate to the market participants that their risk management systems are robust and that all relevant risks have been identified and controlled.

The Bank 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 investor 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.

The Bank is subject to minimum regulatory capital and liquidity requirements

The Group is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements. Capital requirements are now more sensitive to market movements than under previous regimes and capital requirements will increase if economic conditions or negative trends in the financial markets worsen. Any failure of the Group to maintain its minimum regulatory capital ratios could result in administrative actions or sanctions, which in turn may have a material adverse impact on the Group's results of operations. A shortage of available capital might restrict the Group's opportunities for expansion.

Under Basel III, capital and liquidity requirements have been raised. On 17 December 2009, the Basel Committee of Banking Supervision (the "**Basel Committee**") proposed a number of fundamental reforms to the regulatory capital framework in its consultative document entitled 'Strengthening the resilience of the banking sector'. On 16 December 2010 and on 13 January 2011, the Basel Committee issued its final guidance on Basel III. The Basel Committee's package of reforms includes increasing the minimum common equity (or equivalent) requirement and the total Tier 1 capital requirement. In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer to withstand future periods of stress. If there is excess credit growth in any given country resulting in a system-wide build up of risk, a countercyclical buffer of common equity is to be applied as an extension of the conservation buffer.

Furthermore, systemically important banks should have loss-absorbing capacity beyond these standards. The Basel III reforms also require Tier 1 and Tier 2 capital instruments to be more loss-absorbing.

The reforms therefore increase the minimum quantity and quality of capital which banks are obliged to maintain. There can be no assurance as to the availability or cost of such capital. The capital requirements has been supplemented by leverage ratio which has been adopted in Hong Kong.

Regarding liquidity perspective, Basel III also strengthened the requirements and introduced liquidity coverage ratio and net stable funding ratio which have been adopted in Hong Kong.

There can be no assurance that, prior to its full implementation by 2023, the Basel Committee will not amend the package of reforms described above. Further, the HKMA may implement the package of reforms in a manner that is different from that which is currently envisaged, or may impose additional capital requirements on authorised institutions. If the regulatory capital requirements, liquidity restrictions or ratios applied to the Group are increased in the future, any failure of the Group to maintain such increased regulatory capital and liquidity ratios could result in administrative actions or sanctions, which may have an adverse effect on the Group's results of operations.

The Bank may be affected by the Financial Institutions (Resolution) Ordinance of 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 in Hong Kong as may be designated by the relevant resolution authorities, which may in the future include members of the Group (a "**FIRO Group Entity**"). The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution for a failing authorised institution or within scope financial institution in Hong Kong in order to stabilise and secure their continuity. In particular, in the context of a resolution of any FIRO Group Entity, the relevant resolution authority may have the ability to resolve other entities within the Group as if they were themselves a within scope financial institution for the purposes of FIRO and take certain actions and make certain directions in relation to such entities. Any such actions could potentially affect contractual and property rights relating to the relevant entity. The implementation of FIRO remains untested and certain details relating to FIRO have been or will be set out through secondary legislation and

supporting rules. Therefore, the Bank is unable to assess the full impact of FIRO on the financial system generally, the Bank's counterparties, the Bank, any of its consolidated subsidiaries or other Group entities, the Bank's operations and/or its financial position.

Considerations relating to the Capital Securities

The Capital Securities may not be a suitable investment for all investors.

Each potential investor in the Capital Securities 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 Capital Securities, the merits and risks of investing in the Capital Securities and the information contained or incorporated by reference in the 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 Capital Securities 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 Capital Securities, including where the currency for principal or Distribution payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Capital Securities and be familiar with the behaviour of any relevant financial markets; and
- (e) be able to evaluate (either alone or with a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

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

The Capital Securities are perpetual securities and investors have no right to require redemption.

The Capital Securities are perpetual and have no maturity date. Securityholders have no ability to require the Issuer to redeem their Capital Securities whereas the Issuer can redeem the Capital Securities in certain circumstances as described in the Conditions. However, the Issuer is under no obligation to redeem the Capital Securities at any time. The ability of the Issuer to redeem Capital Securities is subject to the Issuer (a) obtaining the prior written consent of the Monetary Authority (if then required) to the redemption, and (b) satisfying any conditions that the Monetary Authority may impose at that time.

This means that Securityholders have no ability to cash in their investment, except if the Issuer exercises its right to redeem the Capital Securities or by selling their Capital Securities. However, there can be no guarantee that the Issuer will be able to meet the conditions for redemption of Capital Securities. Securityholders who wish to sell their Capital Securities 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 Capital Securities.

In addition, upon the occurrence of a Withholding Tax Event, a Tax Deduction Event or a Capital Event, the Capital Securities 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 "*The terms of the Capital Securities contain non-viability loss absorption and bail-in provisions*", Securityholders may lose up to the full principal amount of the Capital Securities.

There can be no assurance that Securityholders 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 Capital Securities.

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

The Capital Securities are redeemable at the option of the Issuer on the First Call Date and on any Distribution Payment Date thereafter at their principal amount together (if appropriate) with any Distribution accrued to (but excluding) the date fixed for redemption. Additionally, upon the occurrence of a Withholding Tax Event, a Tax Deduction Event or a Capital Event, the Capital Securities may be redeemed at their principal amount together (if appropriate) with any Distribution accrued to (but excluding) the date fixed for redemption, as more particularly described in the Conditions.

However, prior to any such redemption, the Issuer must obtain the prior written consent of the Monetary Authority to the extent such consent is then required, as described in Condition 8.12A.

The date on which the Issuer elects to redeem the Capital Securities may not accord with the preference of individual Securityholders. This may be disadvantageous to the Securityholders in light of market conditions or the individual circumstances of the securityholders of the Capital Securities. There can be no assurance that Securityholders 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 Capital Securities.

The Issuer's obligations under the Capital Securities are subordinated.

The Issuer's obligations under the Capital Securities constitute direct, unsecured and subordinated obligations of the Issuer which rank *pari passu* with Parity Obligations. Subject, *inter alia*, as discussed under "*The terms of the Capital Securities contain non-viability loss absorption and bail-in provisions*", 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 (as defined in Condition 3.3(a)), the rights of the Securityholders to payment of principal and Distributions on the Capital Securities and any other obligations in respect of the Capital Securities are expressly 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 3.3 and will rank senior to all Junior Obligations. In the event of a shortfall of funds on a Winding-Up, there is a risk that an investor in the Capital Securities 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 Capital Securities. The Capital Securities 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 Capital Securities.

The terms of the Capital Securities contain non-viability loss absorption and bail-in provisions.

Under the Conditions, a Non-Viability Event occurs when the Monetary Authority notifies 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 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.

The Conditions also provide that each Securityholder (as defined in the Conditions) and the Trustee shall be subject, and deemed to agree that the relevant Hong Kong Resolution Authority (as defined in the Conditions) can exercise the Hong Kong Resolution Authority Power (as defined in the Conditions) in relation to the Capital Securities. The Hong Kong Resolution Authority Power allows the relevant Hong Kong Resolution Authority to take certain actions in relation to the Capital Securities, including to:

- (a) cancel all or a part of the principal amount of, or Distribution on, the Capital Securities;
- (b) modify or change the form of the Capital Securities;

- (c) suspend the operation of the Conditions in relation to the Capital Securities or deem payments of principal or Distribution to have been made in relation to the Capital Securities when no payments of principal or Distribution have been made; and
- (d) order anything else the relevant Hong Kong Resolution Authority considers appropriate in consequence of exercising the Hong Kong Resolution Authority Power.

If a Non-Viability Event occurs and is continuing, the Issuer shall, upon the provision of a Non-Viability Event Notice (which shall be given by the Issuer not more than two Hong Kong Business Days after the occurrence of the Non-Viability Event), irrevocably reduce the then principal amount of, and cancel any accrued but unpaid Distribution in respect of, each Capital Security (in each case in whole or in part). If the Hong Kong Resolution Authority Power is exercised by the relevant Hong Kong Resolution Authority, the provisions detailed in the instrument by which the relevant Hong Kong Resolution Authority exercises the Hong Kong Resolution Authority Power (the "**Hong Kong Resolution Authority Power Instrument**") shall apply to the Capital Securities. Although the Issuer has agreed to notify the clearing systems and the Securityholders following the occurrence of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power, there will be a delay between a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power and the time that the clearing systems and the Securityholders via the clearing systems are notified of the occurrence of the relevant event through their clearing systems accounts or otherwise. Such delay may exceed several days during which trading and settlement in the Capital Securities 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 Capital Securities or on the rights of the Securityholders. See "*Terms and Conditions of the Capital Securities – Distribution – Non-Viability Loss Absorption*" and "*– Hong Kong Resolution Authority Power*". The notification of a Non-Viability Event is at the discretion of the Monetary Authority and the exercise of the Hong Kong Resolution Authority Power is at the discretion of the relevant Hong Kong Resolution Authority and both beyond the control of the Issuer. 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.

Securityholders should note that any amount that is written down upon the occurrence of a Non-Viability Event in accordance with the Conditions or is subject to the demise of the Hong Kong Resolution Authority Power is permanent and will not be restored under any circumstances, even if the relevant Non-Viability Event or exercise of the Hong Kong Resolution Authority Power has ceased. In addition, a Non-Viability Event or exercise of the Hong Kong Resolution Authority Power may occur on more than one occasion and each Capital Security may be written down on more than one occasion. As the Distribution Rate is calculated on the basis of the 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 or exercise of the Hong Kong Resolution Authority Power, Securityholders will receive less Distributions on their Capital Securities. In addition, upon the occurrence of a Non-Viability Event or exercise of the Hong Kong Resolution Authority Power, Securityholders could risk losing up to the full principal amount of the Capital Securities, as well as the cancellation of any accrued (and unpaid) Distributions, without receiving any compensation for such loss or cancellation. See "*Regulation and Supervision – The Hong Kong "Resolution Regime"*" of the Offering Circular.

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:

- (a) that a Write-off or conversion is necessary, without which the Issuer would become non-viable; or
- (b) 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.

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 Bank and the Group and with which neither the Bank nor the Group 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 Capital Securities will occur. Accordingly, the trading behaviour in respect of the Capital Securities is not necessarily expected to follow trading behaviour associated with other types of securities. Any indication that the Bank 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 Capital Securities.

Potential investors should consider the risk that a holder of Capital Securities may lose all of their investment in the Capital Securities, including the principal amount plus any accrued but unpaid Distribution, 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 Capital Securities may be subject to a full or partial Write-off.

Investors may lose all of their investment in any Capital Securities 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 Capital Securities as a result of the cancellation or modification of the Capital Securities 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 Distribution of such Capital Securities will automatically be written down and if there is a full Write-off the principal amount and any accrued but unpaid Distribution may be written down completely and such Capital Securities will be automatically cancelled.

In addition, the subordination and set off provisions set out in Condition 3 are effective only upon the occurrence of any winding-up proceedings of the Bank. In the event that a Non-Viability Event occurs the rights of holders of Capital Securities shall be subject to Condition 6. In the event that the Hong Kong Resolution Authority Power is exercised, the rights of the holders of the Capital Securities 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 Securityholders as would otherwise occur under Condition 3 upon the occurrence of any winding-up proceedings of the Bank.

Furthermore, upon the occurrence of a Write-off of any Capital Securities or if specified in the Hong Kong Resolution Authority Power Instrument, Distribution will cease to accrue and all Distribution amounts that were not due and payable prior to the Write-off or as specified in the Hong Kong Resolution Authority Power Instrument shall become null and void. Consequently, Securityholders will not be entitled to receive any Distribution that has accrued on such Capital Securities from (and including) the last Distribution Payment Date falling on or prior to the Non-Viability Event Notice or the relevant cut-off time specified in the Hong Kong Resolution Authority Power Instrument. Upon the occurrence of a Write-off or if specified in the Hong Kong Resolution Authority Power Instrument, no Securityholder may exercise, claim or plead any right to any such amounts written off, and each Securityholder 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 Securityholders 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 Bank or be entitled to any other participation in the upside potential of any equity or debt securities issued by the Bank or any other member of the Group, or be entitled to any subsequent write-up or any other compensation in the event of a potential recovery of the Bank or the Group.

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 Capital Securities 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 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 Capital Securities by Securityholders after receipt of a Non-Viability Event Notice or as specified in the Hong Kong Resolution Authority Power Instrument, and any transfer of the Capital Securities 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 notice of the exercise of the Hong Kong Resolution Authority Power will be sent by the Issuer to the ICSDs and the Securityholders via the ICSDs after the occurrence of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power, 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, and a period of time, which may exceed several days, will be required before the clearance and settlement of transfers of the Capital Securities 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 the Hong Kong Resolution Authority Power Instrument. In such circumstances, transferors of the Capital Securities 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 the Hong Kong Resolution Authority Power Instrument. In such circumstances, transferees of the Capital Securities may be required to pay consideration through the ICSDs even though, upon the occurrence of a Non-Viability Event or if specified in the Hong Kong Resolution Authority Power Instrument, no amounts under the Capital Securities will thereafter become due, and such transferees will have no rights whatsoever under the Trust Deed or the Capital Securities to take any action or enforce any rights or instruct the Trustee to take any action or enforce any rights whatsoever against the Bank, regardless of whether they have received actual or constructive notice of such fact. The settlement of the Capital Securities following a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power will be subject to procedures of the ICSDs that are in place at such time.

The application of a non-viability loss absorption feature similar to Condition 6C, the exercise of the Hong Kong Resolution Authority Power as set out in Condition 6D has not been tested in Hong Kong and some degree of uncertainty may exist in its application.

Payments of Distribution are discretionary and Distributions are non-cumulative.

Payment of Distributions on any Distribution Payment Date is at the sole discretion of the Issuer. Subject to the Conditions, the Issuer may elect to or, in certain cases, be required to cancel any Distribution on any Distribution Payment Date. The Issuer may make such election for any reason. In addition, the Issuer will not be obliged to pay, and will not pay, any Distribution upon the occurrence of a Mandatory Distribution Cancellation Event or an Optional Distribution Cancellation Event. Cancelled Distributions will not be reinstated and will not constitute an event of default.

In addition, Distributions would only be paid out of such amounts for the time being available to the Issuer for distribution in compliance with section 297 of the Companies Ordinance as at the Issuer's latest audited balance sheet, and subject to certain capital conservation requirements as applicable to the Issuer. As at the date of this Supplement, pursuant to section 297(1) of the Companies Ordinance, the Issuer may only make a distribution out of profits available for distribution. For the purposes of section 297 of the Companies Ordinance, the Issuer's profits available for distribution are its accumulated,

realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated, realised losses, so far as not previously written off in a reduction or reorganisation of capital.

Any Distributions which are not paid on the applicable Distribution Payment Date following a Mandatory Distribution Cancellation Event, an Optional Distribution Cancellation Event or a Write-off shall not accumulate or be payable at any time thereafter, whether or not funds are or subsequently become available. Securityholders will have no right thereto whether in a bankruptcy or dissolution as a result of the insolvency of the Issuer or otherwise. Therefore, any Distributions not paid following a Mandatory Distribution Cancellation Event, an Optional Distribution Cancellation Event or a Write-off will be lost and the Issuer will have no obligation to make payment of such Distributions or to pay interest thereon.

If Distributions are not paid for whatever reason, the Capital Securities may trade at a lower price. If a Securityholder sells his Capital Securities during such a period, he may not receive the same return on investment as a Securityholder who continues to hold his Capital Securities until Distributions are resumed.

There are limited remedies for non-payment under the Capital Securities.

Any scheduled Distribution will not be due if the Issuer elects not to pay that Distribution pursuant to the Conditions. 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 Distributions on any of the Capital Securities has become due and such failure continues for a period of 14 days in the case of Distributions or seven business days in the case of principal; or where an order is made or an effective resolution passed for the Winding-Up or dissolution of the Issuer. The only remedy against the Issuer available to any Securityholders for recovery of amounts in respect of the Capital Securities following the occurrence of a payment default after any sum becomes due in respect of the Capital Securities 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 Capital Securities. In such a winding-up, the claims of the Securityholder 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 3.3.

The Trustee may request that Securityholders provide indemnity to its satisfaction.

In certain circumstances (including, without limitation, as referred to in Condition 11.2A and Condition 11.3), the Trustee may request the Securityholders to provide indemnity and/or security and/or funds to its satisfaction before it takes action on behalf of the Securityholders. The Trustee shall not be obliged to take any such action if not indemnified and/or provided with security and/or put in funds to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or funds can be a lengthy process and may impact on when such action can be taken. The Trustee may not be able to take actions notwithstanding the provision of indemnity and/or security and/or funds to it, in breach of the terms of the Trust Deed or Terms and Conditions.

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

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 Capital Securities, 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 Capital Securities). The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Securityholders on a dissolution or winding-up and/or may increase the likelihood of a cancellation of Distributions under the Capital Securities. 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 Capital Securities and/or the ability of Securityholders to sell their Capital Securities.

The operation of the resolution regime in Hong Kong may override the contractual terms of the Capital Securities.

In Hong Kong, the FRO 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 Bank. 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 Distribution on, the Capital Securities, and powers to amend or alter the contractual provisions of the Capital Securities. 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 Capital Securities cannot currently be fully accurately assessed. See "*Regulation and Supervision – The Hong Kong "Resolution Regime"*" of the Offering Circular.

The operation of the resolution regime in Hong Kong may affect the rights of the Securityholders and could result in the Securityholders losing their rights in relation to accrued and future Distribution without compensation. See "*The terms of the Capital Securities contain non-viability loss absorption and bail-in provisions*".

CAPITALISATION

The section headed “Capitalisation” on pages 102 to 103 of the Offering Circular shall be deleted in its entirety and replaced with the following:

The following table sets forth the consolidated capitalisation of the Group as at 31 December 2021. The information as at 31 December 2021 has been derived from the audited financial statements of the Group as at 31 December 2021. This table should be read in conjunction with the audited financial statements of the Group as at 31 December 2021, including the notes thereto, which are incorporated by reference in this Supplement.

Short-term funding and long-term funding

	At 31 December 2021	
	<i>HK\$</i>	<i>U.S.\$⁽¹⁾</i>
	<i>(in millions)</i>	
Short-term borrowings⁽²⁾		
Deposits and balances of banks and financial institutions, short-term portion....	13,584.4	1,741.7
Deposits of customers, short-term portion ⁽³⁾	325,220.8	41,697.1
Certificates of deposits, short-term portion	1,481.4	189.9
Total short-term liabilities	340,286.6	43,628.7
Capitalisations		
Long-term borrowings⁽⁴⁾		
Deposits of customers, long-term portion ⁽³⁾	2,547.2	326.6
Loan capital	3,883.9	498.0
Total long-term liabilities	6,431.1	824.6
Share capital ⁽⁵⁾	18,404.0	2,359.6
Reserves	22,827.7	2,926.8
Shareholders’ equity	41,231.7	5,286.4
Other equity instruments	8,554.8	1,096.8
Total capitalisation⁽⁶⁾	56,217.6	7,207.8

Notes:

- (1) Translated at the rate of HK\$7.7996 = U.S.\$1.00.
- (2) Short-term borrowings represent borrowings with a remaining maturity of one year or less or borrowings that are repayable on demand.
- (3) As at 31 December 2021, deposits of customers (short-term and long-term) amounted to HK\$327,768.0 million (U.S.\$42,023.7 million).
- (4) Long-term borrowings represent borrowings with a remaining maturity of more than one year.
- (5) As at the date of this Supplement, the issued and fully paid share capital is HK\$18,404.0 million (U.S.\$2,359.6 million).
- (6) Total capitalisation represents the sum of total long-term liabilities, shareholders’ equity and other equity instruments.
- (7) Save as disclosed above, there has been no material change in the consolidated capitalisation of the Bank since 31 December 2021.

DESCRIPTION OF THE ISSUER

The section headed “Description of the Issuer” on pages 104 to 129 of the Offering Circular shall be deleted in its entirety and replaced with the following:

The Bank is incorporated and licensed in Hong Kong with business operations and presence spanning across Hong Kong, Macau, the PRC, the United States and Singapore. It is 75 per cent. owned by CITIC International Financial Holdings Limited (“**CIFH**”), which in turn is 100 per cent. owned by China CITIC Bank Corporation Limited (“**CNCB**”). CNCB is over 60 per cent. indirectly owned by CITIC Limited while CITIC Limited is approximately 58 per cent. indirectly owned by CITIC Group Corporation. On 29 September 2017, the Bank implemented a plan to introduce five financial investors who injected approximately HK\$9.05 billion in total into the Bank for a combined 25 per cent. holding of its enlarged issued share capital. The five financial investors are Tian Yuan Trading Ltd. (a subsidiary of Ningxia Tianyuan Manganese Co., Ltd.), Hong Kong Guansheng Investment Co., Ltd. (a subsidiary of Xinhua Zhongbao Co., Ltd.), Anxin Trust Co., Ltd., Clear Option Ltd. and Elegant Prime Ltd. (the two latter companies are wholly owned by Mr. Hui Wing Mau, the controlling shareholder of Shimao Property Holdings Ltd.). The transaction was completed on 15 December 2017. CIFH continues to retain 75 per cent. shareholding in the Bank after the transaction.

By providing value-creating financial solutions in order to define and exceed the wealth management and international business objectives of its Greater China and overseas customers, the Bank aspires to be “the best overseas integrated financial services provider” with the best international standards and capabilities. As at the date of this Supplement, the Bank had a network of 24 retail branches and two business banking centres in Hong Kong, and a branch in each of Macau, New York, Los Angeles and Singapore. The Bank’s wholly owned subsidiary, HKCB Finance Limited (“**HKCBF**”), specialises in mortgage services in Hong Kong while its PRC-incorporated wholly owned subsidiary, CITIC Bank International (China) Limited (“**CBI China**”), is headquartered in Shenzhen with branches in Beijing and Shanghai.

The Bank is an integral part of CITIC Group’s international commercial banking strategy. It is CITIC’s vehicle for developing commercial banking businesses in Hong Kong, and the commercial banking platform for overseas business expansion for CITIC. In an effort to drive CITIC’s strategy to restructure and align its Hong Kong and mainland Chinese commercial banking businesses operated through the Bank and CNCB, respectively, CITIC privatised CIFH in November 2008 to facilitate and maximise the synergy from the tripartite cooperation between the Bank, CNCB and Banco Bilbao Vizcaya Argentaria, S.A. (“**BBVA**”) (the “**Restructuring Strategy**”). (See “*Principal Shareholders — CITIC International Financial Holdings Limited*”). Aside from this, CITIC also transferred all its holdings in CIFH to CNCB for a cash consideration of approximately HK\$13.6 billion (U.S.\$1.7 billion) (the “**CIFH Acquisition**”). The CIFH Acquisition was completed on 23 October 2009.

On 23 December 2014, BBVA agreed to dispose of its 29.68 per cent. stake in CIFH to CNCB for HK\$8,162 million and the transaction was completed on 27 August 2015. Following completion of the transaction, CNCB assumed full ownership of CIFH.

The Bank believes it has the following competitive advantages:

- International management standards — the Bank is independently managed by a team of qualified international banking professionals who are committed to international standards, business excellence and corporate governance;
- Mainland Chinese parentage — the Bank offers depth of knowledge and market connectivity in the PRC through its strong ties with and support from CNCB and its ultimate parent, CITIC;
- One-stop cross-border financial solutions — the Bank has a business model structured strategically for offering effective and timely one-stop financial solutions to customers with cross-border banking and financial needs, and for capturing cross-border opportunities entailed by Hong Kong’s role as an offshore RMB centre as well as business opportunities arising from the implementation of the Greater Bay Area initiatives announced by the PRC government;

- Customer-centric culture — the Bank has a customer-centric culture with a focus on upholding integrity, transparency, professionalism, discipline, innovation and progressiveness; and
- Strategic business position — the Bank is designated as the international commercial banking platform for CITIC and CNCB.

For the year ended 31 December 2021, the Group reported consolidated net profits of HK\$2,128.4 million (U.S.\$272.9 million), up 84.2 per cent. as compared to the corresponding period of the previous year. As at 31 December 2021, the Group had consolidated total assets, total loans to customers and total customer deposits and certificates of deposit issued of HK\$417.5 billion (U.S.\$53.5 billion), HK\$242.7 billion (U.S.\$31.1 billion) and HK\$329.2 billion (U.S.\$42.2 billion), respectively, and its capital adequacy ratio, loans to deposits ratio, loans to total assets ratio and average liquidity coverage ratio were 17.1 per cent., 73.7 per cent., 58.1 per cent. and 239 per cent., respectively.

The Bank's operations currently comprise three main lines of business: Personal & Business Banking Group ("PBG"), Wholesale and Cross-border Banking Group ("WBG") and Treasury and Markets Group ("TMG").

The principal operations of the Bank's three main lines of business are as follows:

Personal & Business Banking Group

PBG is positioned to be the best integrated retail in Motion Bank, leading the peers banks to provide customer-centric and digital savvy user experience in Hong Kong and the Greater Bay Area, and focuses on serving affluent individuals and small business customers in Hong Kong and the PRC. Its products and services primarily comprise general banking and wealth management services for individuals, mortgage lending, consumer lending and credit cards, insurance services, as well as banking solutions for small- and medium-sized enterprises ("SMEs"). These are offered through a multi-channel distribution system which comprises retail branches, direct sales, automated teller machines, a 24-hour call centre, i-banking, phone banking and mobile banking.

Wholesale Banking Group

WBG is strategically positioned to be a full-service banking partner for Greater China and international corporates seeking, or active in, cross-border businesses and investments in the PRC. Its target customers include local Hong Kong and PRC companies, multinational companies, State-owned Enterprises ("SOE"), Privately-owned Enterprises ("POE"), banks and non-bank financial institutions and public sector. It strives to offer these customers tailored and value-enhancing solutions including products and services such as account services, cash management services, bilateral loan, trade finance, structured finance, syndicated loan, as well as corporate treasury services, debt capital market products and custodian services. WBG's key business units include Corporate Banking, Financial Institutions and Public Sector, Group Co-operation Office, Transaction Banking and Structured Finance, and the Bank's overseas branches in Singapore, New York, Los Angeles and Macau.

Treasury and Markets Group

TMG performs the dual function of managing the Bank's liquidity and risk exposures, and developing customer-driven trading and distribution capabilities for the Bank. One of TMG's principal roles lies in asset and liability management for the Bank. Under the oversight of the Asset and Liability Committee (the "ALCO"), TMG's functions include liquidity management, funding and financing in the money markets and capital markets, and the management of the Bank's trading and investment portfolios. TMG is also responsible for developing the Bank's customer-related treasury business. Apart from offering traditional liabilities hedging solutions, TMG also offers wealth management solutions to customers and works closely with PBG and WBG to cross-sell packaged and tailored structured solutions to the Bank's retail and corporate customers. In June 2016, TMG commenced its Debt Capital Markets ("DCM") business, enriching the range of products available to clients and enhancing service capability.

History

The history of the Bank dates back to February 1922 with the inception of Ka Wah Ngan Ho in Guangzhou, China. In 1924, Ka Wah Ngan Ho was incorporated as a limited company in Hong Kong under the Hong Kong Companies Ordinance under the name of The Ka Wah Savings Bank Limited, which subsequently became The Ka Wah Bank Limited in January 1949. In July 1980, The Ka Wah Bank Limited made an initial public offer of 35,000,000 ordinary shares of HK\$1.00 par value per share. The Bank experienced financial difficulties in 1985 as a result of adverse economic conditions in Hong Kong and incurred substantial losses. This led to the restructuring of the Bank in 1986 with an investment injection of HK\$350 million by CITIC, which is now the ultimate controlling shareholder of the Bank. CITIC was approved by the State Council of the People Republic of China and established in 1979. It is a large state-owned multinational conglomerate with a wide range of businesses covering finance, energy and resources, manufacturing, engineering contracting and real estate.

In 1998, The Ka Wah Bank Limited underwent a management restructuring and transformed from a small-sized bank managed predominantly by bankers from the PRC into a medium-sized bank managed predominantly by professionals recruited from international commercial banks in Hong Kong. In July 1998, The Ka Wah Bank Limited changed its name to CITIC Ka Wah Bank Limited to underscore its relationship with CITIC and expanded its operations substantially in a move to reposition itself as a progressive, customer-centric bank while serving as a platform for the acquisition of The Hongkong Chinese Bank, Limited (“HKCB”). Reforms were implemented across most areas of the bank, including core business areas of retail banking, wholesale and cross-border banking, international banking and treasury, to improve the management and operating efficiency of its businesses while investment was also made in information technology infrastructure, and product enhancement and development.

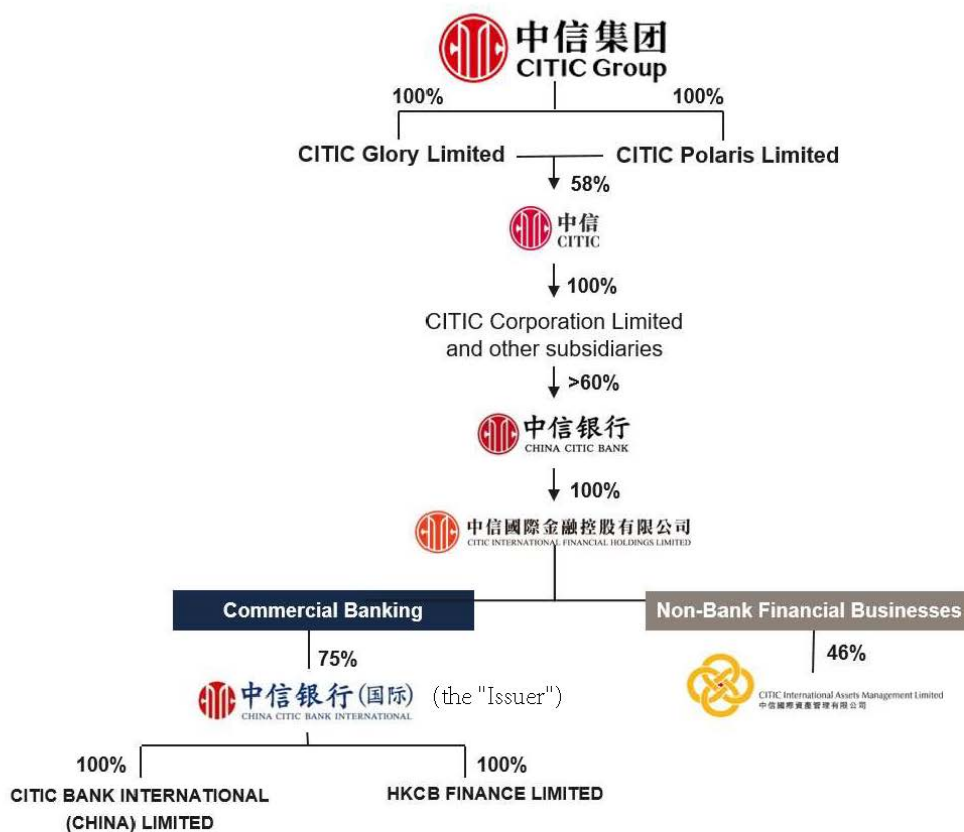
On 17 January 2002, CITIC Ka Wah Bank Limited completed the acquisition of the entire issued share capital of HKCB for an aggregate consideration of HK\$4.2 billion. On 25 November 2002, the merger of CITIC Ka Wah Bank Limited and HKCB was completed after CITIC Ka Wah Bank Limited transferred most of its commercial banking assets and liabilities to HKCB and changed its name into “CITIC International Financial Holdings Limited”. CIFH maintained its listing status and became the holding company of a group of reorganised banking and financial services companies. At the same time, HKCB adopted the name of CITIC Ka Wah Bank Limited and continued to operate the integrated commercial banking business of the merged entities.

On 1 March 2007, CIFH and BBVA completed a strategic alliance agreement which involved BBVA taking a 14.58 per cent. stake in CIFH. On 3 June 2008, CITIC, through Gloryshare Investments Limited, proposed to privatise CIFH by way of Scheme of Arrangement (the “Proposed Privatisation”) as part of its Restructuring Strategy to align its commercial banking businesses in Hong Kong and Mainland China (See “Principal Shareholders — CITIC International Financial Holdings Limited”). On 16 October 2008, CIFH’s independent shareholders approved the Proposed Privatisation. On 5 November 2008, CIFH was delisted from the Hong Kong Stock Exchange and on the same day, BBVA’s stake in CIFH increased from 14.58 per cent. to 29.68 per cent. As part of the Restructuring Strategy, CITIC reaffirmed the role of the Bank as its exclusive vehicle for developing commercial banking business in Hong Kong and as the international commercial banking platform for business expansion in Asia for CITIC and BBVA. On 8 May 2009, CNCB announced the CIFH Acquisition which was approved at CNCB’s annual general meeting held on 29 June 2009 and was completed on 23 October 2009.

On 7 May 2010, the Bank changed its name from CITIC Ka Wah Bank Limited to CITIC Bank International Limited and again on 16 November 2012 to China CITIC Bank International Limited with an aim to put further emphasis on its role as CNCB’s offshore platform for pursuing business expansion in Hong Kong and internationally.

On 27 August 2015, CNCB successfully acquired the remaining 29.68 per cent. stake in CIFH from BBVA and assumed full indirect ownership of the Bank, strengthening the ties between the Bank and the parent bank for synergetic development on the full advantage of the CITIC brand.

On 15 December 2017, the Bank successfully introduced five financial investors with aggregate shareholding of 25 per cent. of the total issued share capital of the Bank. Since then, the Bank became a 75 per cent. owned subsidiary of CIFH. The following chart offers a simplified overview of the corporate structure of the Bank as at the date of this Supplement:



Strategy

Hong Kong is known across the world for its mature and highly sophisticated banking and financial services industry which has over the last two decades been characterised by intense competition posed by local and multinational financial institutions vying for opportunities from mainland China's growing prominence and the liberalisation of the country's banking industry since 2005. Major Chinese financial institutions, especially those with H-share listings in Hong Kong, have started to embrace internationalisation strategies and leverage Hong Kong as a strategic springboard for overseas expansion. Since 2006, Chinese banks have been active in acquiring Hong Kong commercial banks as a means to gain immediate access to branch networks as well as operational presence in Hong Kong and abroad. As a result, smaller local and family-owned commercial banks in Hong Kong were increasingly prone to acquisition or marginalisation.

As an integral part of CITIC's international commercial banking franchise and its Hong Kong and offshore business development platform, the Bank is positioned to compete through its business model, which underpins its close collaboration with CNCB, to offer effective and timely one-stop financial solutions to customers with cross-border banking and financial needs, and capture cross-border opportunities entailed by Hong Kong's role as an offshore RMB centre as well as business opportunities arising from the implementation of the Greater Bay Area initiatives announced by the PRC government.

In pursuit of its objective of becoming the "best integrated financial services provider" with international standards and capabilities, the Bank leverages its strategic role as the offshore commercial banking platform of CITIC in Hong Kong and overseas. The Bank's vision is to support the establishment and expansion of the CITIC international banking franchise. In order to achieve this, the Bank adopts a three-pronged approach of (i) strengthening its core business fundamentals; (ii) identifying and building new competencies that will enhance its capacity for serving customers with

cross-border business and trade flows between Greater China and the rest of the world; and (iii) developing and providing cross-border RMB business and financial solutions.

The implementation of the three-pronged approach is summarised as follows:

Personal & Business Banking: Be the best integrated retail inMotion Bank

PBG is positioned to be the best integrated retail inMotion Bank, leading the peers banks to provide customer-centric and digital savvy user experience in Hong Kong and the Greater Bay Area. In order to differentiate its services and establish its unique competitive niche, the Bank has three unique customer segments including High-Net-Worth, Business Banking and Mass segment. As at 31 December 2021, these three segments in total covered over 420,000 clients with total client assets under management exceeding HK\$230 billion.

PBG focuses on providing a greater diversity of innovative and tailor-made wealth management solutions to the customers and investing in digital banking services via inMotion mobile banking platform in order to spearhead Fintech transformation and expand the business scale in the Hong Kong market. In addition, PBG continues to identify and serve the cross-border wealth management needs of the growing PRC affluent customer segment, as Hong Kong establishes itself as an offshore RMB centre with the support of the PRC government.

Wholesale Banking: Position itself as “the best integrated financial services provider” for customers

WBG aims to position itself as the “the best integrated financial services provider” for Greater China and overseas corporates seeking or active in cross-border businesses and investments in the region. Since June 2014, WBG’s overseas footprint has covered New York, Los Angeles, Singapore and Macau as well. Moreover, WBG has continued to deepen cooperation with CITIC Group and CNCB and has further optimised the coverage efforts for all onshore branches of CNCB. WBG has also enhanced collaboration with upstream and downstream customers of the CITIC Group to expand customer acquisitions channels.

WBG will continue to solidify its customer base by expanding the number of customers and effective customers in order to build up momentum for development. WBG’s goal is to transform from a lending provider to a provider of integrated services by offering signature products, enriching its product portfolio, further building out the syndicated loans business, spearheading development of the transaction banking business, and strengthening cross-selling with TMG. Meanwhile, WBG will further optimise collaboration mechanism and continue to provide global and seamless services to its customers in order to satisfy customer demands for onshore and offshore cross-border financial services.

Treasury and Markets: Establish global markets capabilities to drive customer-related income

TMG aims to improve on its traditional role of managing the Bank’s liquidity and risk exposures. It plans to develop and establish the Bank’s global markets capabilities to expand its revenue sources and to meet the increasingly sophisticated demands of its customers. In particular, it aims to leverage on CNCB’s foreign exchange market-making leadership in Mainland China to develop an offshore capital markets platform in Hong Kong to provide timely financial solutions to customers. It will work closely with CNCB to expand its client base and to generate more business flows by offering hedging tools such as non-deliverable currencies products and interest rate swaps, as well as structured products for yield enhancement. It will also focus on expanding its China-related businesses such as RMB-denominated trade settlement, RMB bond issuance and RMB initial public offering businesses in due course.

Awards

The Bank has received various awards and accolades for its business, management and operational excellence in addition to its contribution to the Hong Kong community.

In 2009 and 2011, CITIC*first* received a Wealth Management Service Award from local finance magazine — *Capital Weekly*. The magazine also presented the Bank another award in the RMB Banking category in 2011. The Bank’s commitment to employee development was recognised by a Best Practice Financial Services — Effective Training Award

from Benchmark and Best Practice Management in 2009, a Manpower Developer 1st Award from the Employees Retraining Board and Certificate of Merit in the Award for Excellence in Training and Development by the Hong Kong Management Association in 2010. Meanwhile, the Bank was presented an mtn-i Asia Pacific Landmark Deal Award from mtn-i in 2010 and 2012. In April 2012, the Bank retained the Manpower Developer 1st accreditation by the Employees Re-training Board for another two years until March 2014. In 2013, the Bank received an additional award from *Capital Weekly* in recognition of its wealth management service. In 2014, the Bank won an Outstanding e-Banking Award in the Quamnet Outstanding Enterprise Awards. In the area of corporate social responsibility, the Bank was awarded a Gold Certificate by the Social Welfare Department's Volunteer Movement for the fifth consecutive year in 2012, was named Caring Company for the 10th consecutive year in the same year by the Hong Kong Council of Social Service (the "HKCSS"), and was awarded a 10 Years Plus Caring Company Logo by HKCSS in 2014. The Bank continued to receive media plaudits and garnered several industry awards in 2015. These included a Metro Awards for Banking & Finance Corporations 2015 – Best Renminbi Investment Services Award from *Metro Daily* and *Metro Prosperity*, an Outstanding Private Banking - Diversified Business Award in the 2015 RMB Business Outstanding Awards by *Metro Finance*, *Metro Finance Digital* and *Wen Wei Po*, and a Quamnet Outstanding Enterprise Awards 2014 – Outstanding e-Banking award. The Bank was also named Company for Financial Planning Excellence of the Year 2015 at the SCMP/IFPHK Financial Planner Awards. In 2016, the Bank was presented a Hong Kong ICT Awards 2016: Best FinTech (Emerging Solutions) Certificate of Merit. The Bank was also named Metro Finance Hong Kong Leaders' Choice Awards 2016 – Excellent Brand of Private Banking and Quamnet Outstanding Enterprise Awards 2015 – Outstanding Wealth Management Bank. Moreover, the Bank received a Sky Post Banking and Finance Awards 2016 - Most Favourite Mobile Banking Service Award, and was again named Company for Financial Planning Excellence of the Year 2016 at the SCMP/IFPHK Financial Planner Awards.

In 2017, the Bank was awarded several accolades, including The Asian Banker Financial Markets Awards 2017 – Financial Markets Technology Implementation of the Year – Best Integrated Treasury and Capital Markets Platform Implementation; Metro Finance Hong Kong Leaders' Choice 2017 – Excellent Brand of Mobile Banking and Excellent Brand of Private Banking Service; Quamnet Outstanding Enterprise Awards 2016 – Outstanding Mobile Banking Services; and IFPHKA – Accredited Professional Financial Planning Firm 2017.

In 2018, the Bank received the following awards: Quamnet Outstanding Enterprise Awards 2017 – Outstanding Private Banking Service and Outstanding Wealth Management Bank; etnet FinTech Awards 2017 – Outstanding Mobile Payment Integration with Social Media Platform; Metro Finance Hong Kong Leaders' Choice Awards 2018 – Excellent Brand of Mobile Banking, Excellent Brand of Private Banking Service and Excellent Brand of Wealth Management Banking; Thomson Reuters Hong Kong FX Awards 2018 – E-FX Execution – Chinese Bank and FX Data Contribution; LinkedIn Transformation Awards 2018 Hong Kong (Bronze); the 18th Capital Outstanding Enterprise Awards – Private Bank; Shenzhen-Hong Kong Fintech Award – Shenzhen-Hong Kong Financial Collaborative Innovation Award – Second Prize; and the Caring Company Logo by the Hong Kong Council of Social Service for the 15th Consecutive Year.

In 2019, the Bank received the following awards: Metro Finance Hong Kong Leaders' Choice 2019 – Excellent Brand of Business Financial Planning Services, Excellent Brand of Mobile Banking and Excellent Brand of Private Banking Services; HKEX – OTC Derivatives Clearing Member of the Year (Cross Currency Swaps), Interest Rate Derivatives Clearing Member of the Year, FX Clearing Member of the Year; The Asset Benchmark Research's Asian G3 Bond Benchmark Review 2019 – Most Astute Investor Hong Kong (Rank 7) and Top Investment House, Commercial and Investment Bank China/Hong Kong (Rank 4); Mastercard – Most Innovative Consumer Virtual Card Program 2018/2019; Refinitiv 2019 awards – Top CNH Spot Trader and Top 5 Trading Volume in FX Spot; IDC Digital Transformation Awards – 2019 Information Visionary (Hong Kong); International Banker Awards 2019 – Best Innovation in Retail Banking China and Best Customer Service Provider of the Year (Asia); The Digital Banker's Global Retail Banking Innovation Awards 2019 – Marketing and Customer Awards: Best New Product Launch, Digital Innovation Awards: Best Digital Market Entry Strategy; Shenzhen-Hong Kong Fintech Award 2018 – Fintech Initiatives Awards (3rd Grade); The Hong Kong Institute of Bankers – Talent Development Award (Category 1); The 19th Capital Outstanding Enterprise Awards – Outstanding Deposit Service, Outstanding New Generation Banking Service, Outstanding Private Banking Service; Quamnet Outstanding Enterprise Awards 2018 – Outstanding Private Banking Service, Outstanding E Business Service 2018; etnet Fintech Awards 2018 – Outstanding Innovative Mobile Banking Service; and the Caring Company Logo by the Hong Kong Council of Social Service for the 16th Consecutive Year.

In 2020, the Bank received the following awards: Skypost Banking and Finance Awards 2020 – Excellence Award for Mobile Banking Service; Refinitiv 2020 awards – Top 5 Trading Volume in FX Spot and FX Swaps in Hong Kong, Top RMB FX Spot Trader and Entity in Hong Kong, Top G10 FX Trader in Hong Kong; Bond Connect Company – Outstanding Commercial Bank for 2019-2020; China Foreign Exchange Trade System – Best Overseas Participant Member; HKEx – Top HKD OTC Derivatives Clearing Bank and Top OTC Derivatives Clearing Member of the Year; Labour and Welfare Bureau Community Investment and Inclusion Fund’s Social Capital Builder Awards 2020 – Social Capital Builder Logo Award; Hong Kong Fintech Impetus Awards 2020 organized by Metro Finance and KPMG – Innovative Banking Service (E-Banking); the 13th Hong Kong Institute of Bankers’ Outstanding Financial Management Planner Awards – Top Nomination Award; the 20th Capital Outstanding Enterprise Awards – Outstanding Robo Advisory Service; Quamnet Outstanding Enterprise Awards 2019 – Outstanding Private Banking Service 2019, Outstanding E-Business Service 2019; etnet Fintech Awards 2019 – Outstanding Intelligent Personal Investment Service; 2019 HKCAMA-Bloomberg Offshore China Fund Awards – Best Digital Financial Service; Employees Retraining Board’s ERB manpower Developer Award Scheme – acknowledged as Super MD; and the Caring Company Logo by the Hong Kong Council of Social Service for the 17th Consecutive Year.

In 2021, the Bank received the following awards: Skypost Banking and Finance Awards 2021 – Excellence Award for Fintech in Retail Banking; Hong Kong Ta Kung Wen Wei Media Group – Best Bank in Greater Bay Area Award; Hong Kong Ta Kung Wen Wei Media Group – Best Cross-Border Wealth Management in Greater Bay Area Award; the Hong Kong Institute of Bankers’ Hong Kong Banking Industry Talent Development Awards Programme – HKIB Talent Development Award 2021; Ming Pao Awards for Excellence in Finance 2021 – Financial Services: Premier Banking Service Award for Excellence in Users Experience; Ming Pao Awards for Excellence in Finance 2021 – Financial Services: Wealth Management Service Award for Excellence in Product; Refinitiv 2021 award – 5th in RMB spot trading in Hong Kong; Bond Connect Company – Outstanding Commercial Bank for 2020-2021; The Asset Benchmark Research – ranked number two as Top Investment House in Asian bonds for 2021; the Community Chest of Hong Kong’s Corporate and Employee Contribution Programme – Certificate of Appreciation; the 21st Capital Outstanding Enterprise Awards – Outstanding Private Bank; Office of the Privacy Commissioner for Personal Data, Hong Kong “Privacy Friendly Awards 2021” – Gold Certificate; etnet Fintech Awards 2020 – Outstanding Intelligent Personal Investment Service; etnet Fintech Awards 2020 – Outstanding Personal Banking Mobile App; JobsDB’s Hong Kong HR Awards 2021/22 – Grand Awards of People; JobsDB’s Hong Kong HR Awards 2021/22 – Employer of the Year; and the Caring Company Logo by the Hong Kong Council of Social Service for the 18th Consecutive Year.

Principal Business Activities

The Bank’s operations currently comprise three main lines of business: PBG, WBG and TMG. China Banking, which was formed in early 2002 to establish and oversee the Bank’s onshore network and business developments in the PRC as well as driving business and strategic collaborative efforts with CNCB, was combined with Wholesale Banking to form the Wholesale and Cross-border Banking Group in 2012.

The following table sets out the contribution to the operating income of the Group on a consolidated basis by each of the business groups of the Group for the periods indicated.

	For the years ended 31 December		
	2020	2021	2021
	HK\$	HK\$	U.S.\$
	<i>(in millions)</i>		
Personal and Business Banking.....	2,422.2	2,797.9	358.7
Wholesale and Cross-border Banking.....	3,625.0	3,956.7	507.3
Treasury & Markets.....	943.4	1,108.7	142.1
Others ⁽¹⁾	365.0	332.0	42.6
Operating Income	7,355.6	8,195.3	1,050.7

Note:

- (1) Others mainly comprised unallocated revenue, inter-segment revenue elimination and China banking which mainly included a subsidiary bank in China.

The following table sets out the profit before taxation from each of the business groups of the Group for the period indicated.

	For the years ended 31 December		
	2020	2021	2021
	HK\$	HK\$	U.S.\$
	<i>(in millions)</i>		
Personal and Business Banking.....	862.5	1,139.2	146.1
Wholesale and Cross-border Banking.....	792.2	1,655.8	212.3
Treasury & Markets	583.5	711.0	91.2
Others ⁽¹⁾	(932.1)	(1,005.6)	(128.9)
Total profit before taxation	1,306.1	2,500.4	320.6

Note:

- (1) Others mainly comprised unallocated revenue and expenses, corporate expenses, inter-segment elimination and China banking which mainly included a subsidiary bank in China.

Personal & Business Banking Group

Overview

PBG is committed to provide customer centric and digital savvy user experience in Hong Kong and the Greater Bay Area, and focuses on serving affluent individuals and small business customers in Hong Kong and the PRC. PBG is a full retail service provider and its products and services primarily comprise general banking and wealth management services for individuals, mortgage lending, consumer lending and credit cards, insurance services, as well as banking solutions for small- and medium-sized enterprises (“SMEs”). These are offered through a multi-channel distribution system which comprises retail branches, direct sales, automated teller machines, a 24-hour call centre, i-banking, phone banking and mobile banking.

PBG focuses on growing its non-interest income through the distribution of a wide range of wealth management products including stock trading, unit trusts, insurance products and structured products. For the year ended 31 December 2021, non-interest income amounted to HK\$1,098.3 million (U.S.\$140.8 million), representing 25.7 per cent. growth over 2020.

In order to enhance customer experience, PBG continues to invest in Fintech to spearhead transformation and optimize digital banking services via the Bank’s mobile banking named inMotion to provide support to customers in their transition from conducting banking transactions offline to online.

In 2018, inMotion was Hong Kong’s first virtual banking service app to provide truly remote account opening. Upon this success, inMotion continued to act as the pioneer in the market and launched Hong Kong’s first truly virtual credit card “Motion Virtual Credit Card” in 2019. In November 2019, the Bank was then again the first bank in Hong Kong to introduce “Robo 360”, which is an online financial advisory service. inMotion also introduced brand new experiences on foreign exchange services, fast payment services, 24X7 time deposit placements/renewals and 24X7 live chat services.

In March 2020, the Bank was the first bank in Hong Kong to enable its customers to open a 3-in-1 account via remote channels encompassing deposit, investment and credit card accounts. In June 2020, the Bank introduced a new money

market fund investment service, providing a new investment experience with increased flexibility and convenience for customers. As at 31 December 2021, the number of inMotion users increased significantly by 63 per cent. compared to 2020 as a result of the continuous launch of new products and services to enhance customer experience.

PBG continues to innovate products and enhance customer experience to capture market opportunities and meet customer needs. In January 2021, PBG launched the “Monopoly” deposit account in cooperation with the global game and entertainment brand “Monopoly”. In July 2021, PBG launched the GBA mortgage service to meet customer needs for cross-border products. In October 2021, the “GBA Wealth Management Connect” was successfully launched. The Bank is one of the first batch of banks to provide both Northbound and Southbound services.

In view of the Bank’s sustained efforts to develop wealth management and cross border products and services, PBG was awarded 6 accolades in 2021:

- Hong Kong Ta Kung Wen Wei Media Group “Best Bank in Greater Bay Area Award”
- Hong Kong Ta Kung Wen Wei Media Group “Best Cross-border Wealth Management in Greater Bay Area Award”
- Ming Pao Awards for Excellence in Finance 2021 “Financial Services - Premier Banking Service Award for Excellence in Users Experience”
- Ming Pao Awards for Excellence in Finance 2021 “Financial Services - Wealth Management Service Award for Excellence in Product”
- The 21st Capital Outstanding Enterprise Awards “Outstanding Private Bank”
- Skypost Banking and Finance Awards 2021 “Excellence Award for Fintech in Retail Banking”

PBG continues to strengthen collaboration with CNCB and CITIC group companies on customer referrals and strengthen product range in order to better serve the cross-border wealth management needs of the growing mainland and Hong Kong affluent customers.

Business Portfolio

PBG is committed to remain customer-centric and digital savvy. It has a strong innovative spirit and will continue to enhance and develop new customer solutions to make banking simple and convenient for both local and cross-border customers. There are three key customer segments in PBG, comprising High-Net-Worth, Business Banking and Mass segment.

High-Net-Worth

High-net-worth segment is composed of Private Banking, CITIC*diamond* and CITIC*first* customers. PBG helps customers define and develop optimised solutions to meet their financial goals, risk-return profiles, risk tolerances level and investment preferences through comprehensive wealth management products to meet the risk diversification and yield enhancement needs of its customers.

PBG focuses on growing its high-net-worth customer base and providing more innovative and tailor-made wealth management solutions. For 2021, wealth management income increased by 28.7 per cent. year on year while the number of high-net-worth customers increased by 61.5 per cent. year on year. To cope with the business growth, PBG continues to invest in the increase of Private Banking relationship managers. In addition, two new CITIC*diamond* centres were opened at Mongkok and Causeway Bay in January and October 2021 respectively.

Business Banking

Business Banking segment focuses on servicing SMEs to provide comprehensive financial and wealth management solutions including trade finance, cash management, foreign exchange, insurance and corporate loans. Small business customers offer an excellent opportunity for cross-selling fee-based products and are important sources of interest income for the Bank. To cope with the business growth, two business banking centres have been opened at Central and Tsimshatsui.

Business Banking strengthened business scale via expanding its relationship manager team, so that it can acquire more quality customers and deepen existing customer relationships. For the year ended 31 December 2021, operating income increased by 30.8 per cent. year on year and reached a new high. Customer loan and deposit balances also registered all-time highs, up 11.2 per cent. and 16.4 per cent. respectively versus end-2020.

Mass Segment

Mass segment has the largest customer base in PBG among the three segments. PBG offers a comprehensive product suite and services including general banking and wealth management service, mortgage lending, consumer finance, deposits, credit cards and insurance to this segment. Customers can be reached through a multi-channel distribution system comprising retail branches, direct sales, automated teller machines, a 24-hour call centre, i-banking, phone banking and mobile banking. To develop this segment, PBG continues to improve the digital banking capability and enhance customer experience in order to provide support to customers for conducting banking transactions from offline to online.

Wholesale Banking Group

Overview

WBG is strategically positioned to be a full-service banking partner for Greater China and international corporates seeking, or, which is active in, cross-border businesses and investments in the PRC. It strives to offer these customers tailored and value-enhancing solutions including products and services such as account services, cash management services, bilateral loan, trade finance, structured finance, syndicated loan, as well as corporate treasury services, debt capital market products and custodian services.

Key Business and Product Areas of WBG

Corporate Banking I, II, III, IV, V. The five Corporate Banking teams were formed with the aim to better serve the banking needs of SOEs in Mainland China, privately owned PRC enterprises who are leaders in their industries, existing core and strategic customers of CNCB with cross-border needs and non-PRC companies which are predominantly doing business in Mainland China and Hong Kong. Moreover, the five teams also provide tailor-made banking solutions to major multinationals and regional corporates who are active in overseas expansion and international trade.

Group Co-operation Office (“GCO”). The GCO team is responsible for deepening cooperation with CITIC Group and CNCB and further optimise the coverage efforts for all onshore branches of CNCB. GCO also strives to enhance collaboration with upstream and downstream customers of the CITIC Group to expand customer acquisitions channels.

Financial Institutions and Public Sector (“FI&PS”). The FI&PS team is responsible for expanding the Bank’s marketing reach to banks and non-bank financial institutions in the region and offering banking solutions to government and quasi-government departments or bodies and non-profit making organisations.

Structured Finance (“SF”). The SF team is responsible for the origination, underwriting and distribution of syndicated and structured finance deals of the Bank. In addition, the team also specialises in commercial real estate debt financing, covering a broad range of property types.

Transaction Banking (“TB”). The TB team was set up with enhanced product management and business development capabilities in order to strengthen service professionalism for providing tailored and value-enhancing transaction banking services.

Strategic Collaboration with CNCB

As the Bank's main interface for collaboration with CNCB and other CITIC Group entities in the Mainland China market, WBG continues to promote and co-ordinate business collaboration across all business lines between the Bank and CNCB as well as other CITIC subsidiaries. A series of business cooperation initiatives have been successfully introduced, including Overseas Lending Against Mainland Guarantee, Credit Facilities Against 3-Party/ 4-Party Agreement and Back to Back FX Solution.

Other specific areas for collaboration include organising client events jointly with CNCB in promoting cross-border syndications and structured financial solutions as well as introducing a revolutionary account aggregation service to cater for the group financial management needs of CNCB's and CNCBI's mutual customers through bank to bank connectivity. The two banks will also focus on training and development, particularly in areas such as credit and risk management.

Strengthen and Expand Overseas Branches as the Offshore Business Platform for CNCB

US branches. The Bank's businesses in the United States are conducted through its two branches located in Los Angeles and New York. The US branches work closely with local enterprises and US-based corporations engaged in PRC-related businesses and aim to meet the financial needs of Chinese corporations in the United States.

Macau branch. The Bank's branch in Macau, opened in 2005, strengthens the Bank's geographic reach and serves customers in the Western Pearl River Delta region. The branch's business focuses on Hong Kong businesses which have set up offshore companies in Macau, property funds and developers, and Macau corporates. The branch provides tailor-made services in the areas of trade finance, foreign exchange, remittances, loans and deposits, and selected mortgage finance to individual borrowers.

Singapore branch. The Bank opened its Singapore branch in 2011. The Bank's Singapore branch provides wholesale banking and global markets products and services to corporate and institutional clients. The branch will increasingly capitalise on opportunities arising from the growth opportunities in the economies of countries in the region. The branch's business is focused on corporations engaged in PRC-related trade.

Treasury and Markets Group

Overview

TMG has two principal functions: one function is to undertake the role of corporate treasury under the oversight of ALCO, and the other function is to undertake the role of Global Markets in managing and developing the trading and distribution business.

Under the oversight of ALCO, TMG's corporate treasury functions include liquidity management, funding and financing in the money markets and capital markets, and the management of the Bank's trading and investment portfolios. Its objectives are to ensure the adequate supply of funds to finance the Bank's local and foreign currency business, to ensure ready access to financing through the money and capital markets, to lower the cost of funding through the use of various financial instruments and different sources of funding, and to invest the Bank's surplus liquidity in debt securities and funds according to the investment criteria set by ALCO.

The Global Markets function of TMG includes managing foreign exchange and interest rate trading risks, market-making of treasury products, and distribution of treasury solutions to the Bank's retail and wholesale customers. In order to enhance the Bank's wealth management business, TMG established its in-house product capability in structured products, and is focused on further building its distribution of wealth management products by working closely with PBG and WBG to cross-sell packaged and tailored structured solutions to the Bank's retail and corporate customers.

Liquidity, Funding and Interest Rates Risk Management

Under the supervision of ALCO, TMG is responsible for managing the funding and liquidity of the Bank. It engages in inter-bank placing and borrowing, and fulfills the Bank's long-term funding requirements by issuing debt securities in both the local and international capital markets. Derivatives are used to swap assets or liabilities to fixed rate or floating rate exposure according to strategies set by ALCO. In addition to being able to issue Notes under the Programme as described in this Supplement, the Bank also has a HK\$25.0 billion (U.S.\$3.2 billion) and a HK\$2.0 billion (U.S.\$0.3 billion) certificates of deposit issuance facility that it utilises to secure longer term funding so as to reduce the mismatch between the Group's loan and deposit maturities. The Bank aims to structure its liability mix and strengthen its long-term sources of funds by issuing certificates of deposit at regular intervals. Through public syndication and placement, as at 31 December 2021, the Bank has issued certificates of deposit in the amount of HK\$1.5 billion (U.S.\$0.19 billion).

Another major function of TMG is to invest the surplus liquidity of the Bank under the supervision of ALCO. The interest rate sensitivity of the portfolio is set by ALCO. Surplus liquidity of the Bank is traditionally invested in high grade and liquid fixed income securities and primarily through the Bank's fair value through other comprehensive income securities portfolio. As at 31 December 2021, this portfolio amounted to HK\$103.93 billion (U.S.\$13.33 billion), and was primarily invested in senior debt of, and exchange fund bills and notes issued by investment grade international financial institutions and governments. The average credit rating of the securities within the portfolio is A-rated or above. Apart from generating extra income for the Bank, this portfolio is also a source of liquidity when necessary.

Customer-driven Trading and Distribution

TMG, which serves as an offshore platform for banking businesses of CNCB, has been focusing on its Non-Deliverable Forward business for clients of CNCB who wish to hedge their onshore exposures. In July 2010, Renminbi as an offshore currency was introduced in the Hong Kong market, and deliverable products denominated in Renminbi have gradually grown popular. TMG expects customer demand for these treasury tools and solutions to continue to increase, and is focused on strengthening its structuring capabilities and service quality. TMG is also active in delivering structured products to individual investor customers through the Bank's retail banking channel.

TMG aims to develop and establish the Bank's global markets capabilities and to further develop its customer-driven trading and distribution capabilities in order to expand its revenue sources and to meet the increasingly sophisticated demands of its customers. In particular, it aims to leverage on CNCB's foreign exchange market-making leadership in Mainland China to develop timely and relevant customer solutions to capitalise on the liberalisation of RMB trade settlement between Mainland China, Hong Kong and the rest of the world.

Other Investments

The Group also invests in fixed income securities from time to time as a means to diversify its income source. The Group mainly invests in investment grade fixed income securities, with approximately 93.0 per cent. of the fixed income securities held by the Group as at 31 December 2021 being rated A-/A3 or above by Standard & Poor's Financial Service LLC or Moody's Investors Services Inc. Other than these fixed income securities, as of the date of this Supplement the Group did not have any material exposure to other types of investment, such as funds, structured investment vehicles, collateralised debt obligations and credit default swaps.

Properties

As at 31 December 2021, the Group owned properties with aggregate floor areas of approximately 37,670 square feet, 7,471 square feet and 10,003 square feet on Hong Kong Island, in Kowloon and in the New Territories, respectively. In addition, as at 31 December 2021, the Group also leased properties with aggregate floor areas of approximately 196,542 square feet, 113,911 square feet and 15,803 square feet on Hong Kong Island, in Kowloon and in the New Territories, respectively. These leased properties are used as offices, branches, business continuity sites and warehouses.

Outside of Hong Kong, as at 31 December 2021, the Group owned and leased approximately 10,268 square feet, 10,448 square feet, 7,600 square feet, 12,850 square feet and 14,161 square feet in Shanghai, Macau, Los Angeles, New York and Singapore, respectively. As at 31 December 2021, CBI (China) leased approximately 14,243 square feet and 12,914 square feet in Beijing and Shanghai, respectively as branches and 24,965 square feet in Shenzhen as the headquarters.

Insurance

The Group procured Banker's Blanket Bond, Computer Crime and Professional Indemnity Insurance to cover potential liabilities against acts including dishonesty, fraud, forgery or alteration, computer crime, internet banking exposure, breach of fiduciary duty, breach of professional duty, breach of statutory duty and misrepresentation and libel. The Bank maintains an "all risk" insurance coverage for its cash, owned properties and computers, public liability insurance and motor insurance. The Bank generally requires borrowers to obtain appropriate insurance coverage for certain types of security, such as residential premises.

The Bank has also acquired employee compensation, medical and earthquake insurance cover for the Bank's branches in Hong Kong, Macau, Singapore, New York and Los Angeles.

In addition, following the implementation of the Deposit Protection Scheme since September 2006, the Bank is required to pay contributions to the Hong Kong Deposit Protection Board to provide customer deposit protection for its customers.

Systems and Controls

The Bank operates in a highly regulated environment and continually enhances its operational risk management systems and controls to understand its risk profile. The Bank's operational risk management encompasses identifying risks; measuring and assessing exposures to those risks (where possible); monitoring exposures and corresponding capital needs on an ongoing basis; taking steps to control or mitigate exposures; and reporting to senior management and the board of directors on the Bank's risk exposures.

From a governance perspective, the Bank relies on the three lines of defence model as the foundation of an effective operational risk management framework to ensure clear responsibility and accountability and to promote a sound culture across the Bank. The Bank's Operational Risk Management Committee (the "ORMC"), which is chaired by the Chief Risk Officer convenes on a regular basis. Among other duties, the ORMC monitors, reviews and evaluates the effectiveness of the Bank's operational risk framework and operational risk profile.

Internal controls are typically embedded in the Bank's day-to-day business and are designed to ensure, to the extent possible, that the Bank's activities are efficient and effective; that information is reliable, timely and complete; and that the Bank is compliant with applicable laws and regulations.

Litigation

The Group is not currently involved in any material litigation or other adversarial proceedings which is expected to have a significant impact on the Group and the Group is not aware of any circumstances under which any of the same is pending or threatened. See "*The Bank may be adversely affected by allegations made against it by its customers and/or its regulators*".

Intellectual Property

The Group relies on domain name registrations to establish and protect its internet domain names. The Group has registered more than 400 internet domain names in various jurisdictions for its current operations.

Employees

As at 31 December 2021, the Group, on a consolidated basis had a total of 2,475 employees as set forth in the following table.

	No. of Employees
PBG, WBG and TMG	1,267
Head office and operational support	891

Overseas (Mainland China, Macau, Singapore and the United States)	317
Total:	2,475

As at 31 December 2021, approximately 30 per cent. of the Group's employees, on a consolidated basis, performed supervisory and management functions, while the remaining 70 per cent. performed business and operational support functions.

The Group places high priority on its ongoing efforts to attract, motivate and retain talent through a combination of prudent people management practices, professional development opportunities, employee recognition programmes, employee wellbeing, sports and recreation programmes, and market-aligned compensation schemes. Emphasis is also placed on performance management, with variable rewards linked to results through differentiation and levelling.

At the same time, training and development remain at the core of the Group's talent development and retention strategy. The Group's staff force received an average of 6.7 training days during the year of 2021, covering business, technical, leadership, managerial, and personal effectiveness training as well as attainment of professional qualifications.

The Group strives to provide a caring and pleasant work environment to its employees. None of the Group's employees are members of a trade union. The Group provides staff housing loans, staff preferential pricing, as well as life, personal accident and medical insurance benefits for its employees. The Group maintains a Mandatory Provident Fund Scheme as well as an ORSO Provident Fund Scheme (The China CITIC Bank International Provident Fund) for its employees.

Competition

The Hong Kong banking industry is well developed and the Group faces intense competition from many other Hong Kong banks as well as PRC and international banks. In particular, the banking and financial services industry in Hong Kong is a mature market, and as at 28 February 2022, supported 31 Hong Kong incorporated licensed banks and 128 licensed banks incorporated outside Hong Kong competing for a customer population of over 7.4 million people. Therefore, many of the international and local banks and niche players operating in Hong Kong compete for substantially the same customers as the Group. In 2019, the HKMA granted eight new virtual banking licences in order to facilitate financial innovation, which enhanced customer experience and financial inclusion. Since then, the virtual banks have initiated business operations and have brought about heightened competition within the banking industry in Hong Kong.

With the PRC's growing economic strength and the liberalisation of the PRC banking industry since 2005, major PRC financial institutions, especially those with H-share listings in Hong Kong, have started to embrace internationalisation strategies that leverage Hong Kong as a strategic platform for overseas expansion. Since 2006, PRC banks have been active in acquiring Hong Kong commercial banks to gain immediate access to branch networks as well as operational presence in Hong Kong and overseas. As a result, smaller local and family-owned commercial banks in Hong Kong are increasingly vulnerable to becoming acquisition targets or face the risk of being marginalised.

The intensity of competition in the past few years has had an adverse impact on the pricing of certain products.

In recent years, competition among banks in Hong Kong for investment and insurance products, home mortgage loans, credit cards, personal loans and lending businesses has become intense.

Since 2000, many banks in Hong Kong, including the Bank, have lowered interest rates charged on new-home mortgage loans not guaranteed by the HKSAR Government. Despite a slight increase in such interest rates in 2008, competition in the mortgage loans market remains intense. In 2011, with interest rates at an extremely low level, a significant portion of new-home mortgage loans charged by banks in Hong Kong was HIBOR based. As at 31 December 2021, the standard rate the Bank charged on its new-home mortgage loans was 2.75 per cent. below the prime lending rate or 140 basis points above HIBOR.

As a result of the intensified competition among banks, the Bank has experienced downward pressure on its profit margins in recent years. To counter the effects of increased competition, the Bank has actively pursued a strategy of diversifying

its income sources by focusing on increasing its fee-based income, introducing innovative products and, at the same time, improving the cost efficiency of its operations. See “*Investment Considerations — Considerations relating to the Group — The Group is subject to significant competition*”.

Principal Subsidiaries

The Bank’s subsidiaries are involved in the provision of general banking and other financial services. Details of the Bank’s principal subsidiaries and its effective equity interest in each, as at 31 December 2021, are set out below.

<u>Name of Company</u>	<u>Place of incorporation /operation</u>	<u>Per cent. of shares held</u>	<u>Principal activities</u>	<u>Issued ordinary share capital</u>
Subsidiary				
Carford International Limited	Hong Kong	100	Property holding	HK\$2
CITIC Bank International (China) Limited	People’s Republic of China	100	Banking	RMB1,000,000,000
CITIC Insurance Brokers Limited.....	Hong Kong	100	Insurance broker	HK\$5,000,000
CNCBI Investment Holdings Limited	Hong Kong	100	Investment holding	HK\$511,000,000
HKCB Finance Limited	Hong Kong	100	Consumer financing	HK\$200,000,000
The Hongkong Chinese Bank (Nominees) Limited	Hong Kong	100	Nominee services	HK\$5,000
The Ka Wah Bank (Trustee) Limited	Hong Kong	100	Trustee services	HK\$3,000,000
CNCBI Asset Management Limited.....	Hong Kong	100	Asset management	HK\$60,000,000

SELECTED STATISTICAL AND OTHER INFORMATION RELATING TO THE GROUP

The section headed “Selected Statistical and Other Information Relating to the Group” on pages 120 to 129 of the Offering Circular shall be deleted in its entirety and replaced with the following:

Loan Portfolio

Overview

As at 31 December 2021, the Group’s total loans to customers were HK\$242,667.0 million (U.S.\$31,112.7 million) which represented 58.1 per cent. of its total assets. Home mortgage loans and loans for property investment represented 15.6 per cent. of the Group’s total loans to customers as at 31 December 2021.

The table below sets forth a summary of the Group’s loans by sector as at the dates indicated.

Loans and advances to customers analysed by industry sectors

The following economic sector analysis as at the dates indicated are based on categories and definitions used by the HKMA.

	As at 31 December 2020			As at 31 December 2021		
	Gross loans and advances to customers		Percentage of total	Gross loans and advances to customers		Percentage of total
	HK\$ (in millions)	U.S.\$ (in millions)		HK\$ (in millions)	U.S.\$ (in millions)	
Industrial, commercial and financial						
—Property development.....	11,268.4	1,444.7	5.1	8,951.2	1,147.6	3.7%
—Property investment.....	13,460.6	1,725.8	6.1	15,064.3	1,931.4	6.2%
—Financial concerns.....	12,699.0	1,628.2	5.8	14,866.6	1,906.1	6.1%
—Stockbrokers	4,044.3	518.5	1.8	4,616.4	591.9	1.9%
—Wholesale and retail trade	9,618.8	1,233.2	4.4	8,814.0	1,130.1	3.6%
—Manufacturing.....	9,762.1	1,251.6	4.4	6,149.7	788.5	2.5%
—Transport and transport equipment	3,326.4	426.5	1.5	2,207.2	283.0	0.9%
—Recreational activities	1,891.5	242.5	0.9	1,396.5	179.0	0.6%
—Information technology	6,759.4	866.6	3.1	4,141.0	530.9	1.7%
—Others ⁽¹⁾	12,454.4	1,596.8	5.7	12,106.1	1,552.1	5.0%
Individuals						
—Loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme.....	25.4	3.3	0.0	18.7	2.4	0.0
—Loans for the purchase of other residential properties	21,168.7	2,714.1	9.6	22,708.4	2,911.5	9.4

—Credit card advances.....	434.6	55.7	0.2	634.4	81.3	0.3
—Others ⁽²⁾	<u>16,152.9</u>	<u>2,071.0</u>	<u>7.3</u>	<u>19,463.9</u>	<u>2,495.5</u>	<u>8.0</u>
Gross loans and advances for use in Hong Kong	123,066.5	15,778.6	55.9	121,138.4	15,531.4	49.9
Trade finance.....	5,441.5	697.7	2.5	6,628.7	849.9	2.7
Gross loans and advances for use outside Hong Kong ⁽³⁾	<u>91,588.4</u>	<u>11,742.7</u>	<u>41.6</u>	<u>114,899.9</u>	<u>14,731.5</u>	<u>47.4</u>
Gross loans and advances to customers.....	<u>220,096.4</u>	<u>28,218.9</u>	<u>100.0</u>	<u>242,667.0</u>	<u>31,112.7</u>	<u>100.0</u>

Notes:

- (1) “Others” includes loans which are used to finance the general working capital of conglomerates including conglomerates in the hotel, retail, import and export, civil engineering, gas and electricity industries.
- (2) “Others” includes personal loans, tax loans and loans for the purchase of commercial and industrial properties.
- (3) This refers to loans to customers with a principal place of business outside Hong Kong

Geographical concentration

A significant proportion of the Group’s loans to customers are advanced to PRC entities, which are identified by those borrowers that are domiciled in the PRC, or are guaranteed by entities domiciled in the PRC and thus have risk transferred to PRC country risk. As at 31 December 2021, Mainland China-related loans accounted for 21.0 per cent. of the Group’s total loans to customers. See “— *Asset Quality*”.

The table below sets forth a summary of the Group’s loans to customers by geographical location as at the dates indicated.

	As at 31 December 2020			As at 31 December 2021		
	Gross loans and advances to customers		Percentage of total	Gross loans and advances to customers		Percentage of total
	HK\$	U.S.\$		HK\$	U.S.\$	
	(in millions)	(in millions)		(in millions)	(in millions)	
Hong Kong	134,288.1	17,217.3	61.0	164,317.8	21,067.5	67.7
Mainland China	49,682.0	6,369.8	22.6	51,062.2	6,546.8	21.0
United States	9,276.2	1,189.3	4.2	9,380.7	1,202.7	3.9
Singapore.....	4,693.7	601.8	2.1	5,425.3	695.6	2.2
Others ⁽²⁾	<u>22,156.4</u>	<u>2,840.7</u>	<u>10.1</u>	<u>12,481.0</u>	<u>1,600.2</u>	<u>5.2</u>
Total	<u>220,096.4</u>	<u>28,218.9</u>	<u>100.0</u>	<u>242,667.0</u>	<u>31,112.7</u>	<u>100.0</u>

Notes:

- (1) The geographical breakdown is classified by the location of the counterparties after taking into account the transfer of risk and therefore, where a claim guaranteed by a party is situated in a country different from the counterparty, risk will be transferred to the country of the guarantor.
- (2) “Others” includes Bermuda, British Virgin Islands, the United Kingdom, the Cayman Islands, Macau, Taiwan and the United Arab Emirates.

Customer loan concentration

The Banking (Exposure Limits) Rules 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 25.0 per cent. of its Tier 1 capital base. For a discussion of financial exposure, see “Regulation and Supervision — Principal Obligations of Authorised Institutions — Financial exposure to any one customer”. As at 31 December 2021, the Group’s 20 largest borrowers (including groups of individuals and companies) accounted for HK\$53,591.8 million (U.S.\$6,871.1 million). As at 31 December 2021, the Group’s five largest borrowers (including groups of individuals and companies) accounted for HK\$20,825.3 million (U.S.\$2,670.0 million) with the largest borrower accounting for HK\$5,655.3 million (U.S.\$725.1 million) or 12.2 per cent. of the Group’s Tier 1 capital base. As at 31 December 2021, 17.6 per cent. of the total loans to customers was represented by outstanding loans to individual borrowers of HK\$42,825.4 million (U.S.\$5,490.7 million).

Loan analysis

A significant proportion of the Group’s loans are advanced for the purchase of residential property. 11.7 per cent. and 12.6 per cent. of total loans to customers had a remaining maturity of more than five years as at 31 December 2020 and 31 December 2021, respectively. The following table sets forth a summary of the Group’s total loans to customers by remaining maturity as at the dates indicated.

	As at 31 December 2020			As at 31 December 2021		
	Gross loans and advances to customers		Percentage of total	Gross loans and advances to customers		Percentage of total
	HK\$	U.S.\$		HK\$	U.S.\$	
	<i>(in millions)</i>			<i>(in millions)</i>		
Repayable on demand	1,171.8	150.2	0.5	1,447.9	185.6	0.6
Three months or less but not repayable on demand.....	41,275.3	5,292.0	18.8	39,790.0	5,101.5	16.4
One year or less but over three months.	69,907.2	8,962.9	31.8	76,906.1	9,860.3	31.7
Five years or less but over one year .	77,563.2	9,944.5	35.2	91,414.5	11,720.4	37.7
After five years.....	25,809.6	3,309.1	11.7	30,523.0	3,913.4	12.5
Undated ⁽¹⁾	4,369.3	560.2	2.0	2,585.5	331.5	1.1
Total:	220,096.4	28,218.9	100.0	242,667.0	31,112.7	100.0

Note:

(1) This refers to loans whose repayments are overdue for more than one month and impaired loans.

The Group’s interest rate for home mortgage loans and commercial mortgage loans in Hong Kong typically ranges from 2.75 per cent. below the Hong Kong prime lending rate to 1.40 per cent. above HIBOR. The Group’s interest rate for Hong Kong dollar consumer finance or personal loan products (other than overdrafts) is generally calculated on the initial principal amounts of such loans and typically ranges from 0.065 per cent. to 1.6 per cent. per month and for overdrafts may be as high as 3.250 per cent. above the prime lending rate. The Group’s interest rates for Hong Kong dollar hire purchase and equipment leasing loans are with floating rates or at prime lending rates. Trade finance loans made by the Group are typically with floating rates. The interest rate for project finance loans and syndicated loans made by the Group is typically a margin over the HIBOR or, in the case of US dollar facilities, a margin over the London inter-bank offering rate. The Group may, in appropriate circumstances, offer rates which are lower than the above rates. As at 31 December 2021, 50.4 per cent. of total loans to customers made by the Group was denominated in Hong Kong dollars while the remainder was denominated primarily in US dollars.

An important component of the Group's asset and liability policy is its management of interest rate risk, which is the relationship between market interest rates and the Group's interest rates on its interest-earning assets and interest-bearing liabilities. See "*— Asset and Liability Management*".

Home mortgage loans are generally secured by a first legal charge over the underlying property. Working capital loans for businesses are typically secured by fixed and floating charges over land, buildings, machinery, inventory and receivables. Term loans for specific projects or developments are typically secured against the underlying project's assets and its receivables, while the sponsors or shareholders typically provide additional guarantees. The Group also receives guarantees in relation to certain of its other loans to cover, in the case of trade finance, any shortfall in security or, in the case of consumer loans to younger or less financially secure customers, to provide security on what are normally unsecured loans.

All forms of security taken as collateral against credit facilities are monitored by the respective departments which extended the loans. Collateral in the form of property is typically valued by an independent valuer at the origination of the loan. With the exception of home mortgage loans, which are not subject to regular reviews, collateral is generally reviewed on an annual basis by the department which extended the loan.

Credit Policies and Approval Procedures

Internal policies and procedures

The Bank's lending policies have been formulated in line with international standards and industry best practice as well as with close reference to the Banking Ordinance, Banking (Exposure Limits) Rules, HKMA guidelines and policies of the Hong Kong Association of Banks and other statutory requirements (and in the case of overseas branches and subsidiaries, the relevant local laws and regulations).

The Group has set limits on the Group's banking operations, reinforced the management of operational risks, including risk analysis for new products, and adopted a system for measuring foreign currency derivatives. The Bank has also enhanced its credit review process with the implementation of a total exposure limit system that enforces maximum exposure limits by business groups. With an independent credit management unit in each of the Group's main lines of business, credit origination and approval functions are separated, enabling independent credit evaluation. Loan application and credit reports are standardised. The Bank has control procedures in credit approval and exposure monitoring for new business areas, such as setting up of approval criteria, authorisation procedures, provisioning policy and portfolio quality tracking were also put in place. The Group has also developed a risk based pricing tool based on facility rating and capital consumption. The tool is being used at the point of credit application to assess the profitability of the deals from a risk perspective for the WBG portfolio.

Within the Group, the credit risk management function is centralised and is governed by the CRMC at Board level of the Bank, see "*Credit and Risk Management Committee*". The CRMC defines and delegates the approval authority to three credit related functional committees: the Credit Committee, the Non-Performing Loans Committee (the "**NPL Committee**") and the Investment Review Committee, which focus on different aspects of the credit risk management function of the Group. These three committees comprise the Chief Risk Officer of the Bank and other members of senior management. The Credit Committee has overall responsibility for the Group's credit policies and oversees the credit quality of the Group's loan portfolio. The NPL Committee controls and manages all critical credits and approves loan impairments. The Investment Review Committee manages and monitors the risks (including credit risk) of the investment portfolio of the Group.

Under the oversight of the Credit Committee, officers of the Bank are authorised to approve credit based on the size of the loan, the collateral provided and the credit standing of the applicant. In order to improve efficiency and allow the Credit Committee to be more focused on appraising and approving larger and more complicated credits, the lending authority matrix empowers experienced and skilled managers with the responsibility for appraising and approving transactions that are of a lower risk profile and with a lower expected loss.

For its corporate commercial loans and trade finance loans, the Bank has instituted an internal credit scoring system which grades the creditworthiness of a potential borrower based upon a set of expert judgment risk factors together with comprehensive financial analysis and scoring criteria. The credit scoring system comprise a 24-grade internal risk rating system. The credit score given to a potential borrower and related obligors will help determine whether the Bank will extend credit to such borrower, the size of the loan facility, the pricing on the loan and whether collateral will be required. See “— *Asset Quality — Loan classification*”.

For the Group’s retail banking loans, such as credit cards and personal loans, the Bank has established well-defined credit granting criteria within a clear indication of the target market and a thorough understanding of the borrower’s source of repayment. Borrowers’ creditworthiness is assessed through prescribed acceptance criteria and underwriting formula against different customer segments, based on their risk profile, credit history and repayment ability. Borrower’s external credit rating, financial obligation and credit history would be assessed through Credit Reference Agencies for subsequent lending decisions.

The Group has established loan-to-value ratio requirements for its secured lending based on the appraised market value of the relevant collateral. Loan-to-value ratios on home mortgage loans (excluding loans under the Home Ownership Scheme and Private Sector Participation Scheme and loans under the new mortgage refinancing scheme) directly follow the limits stipulated in the HKMA guidelines depending on the property type, the property price, the repayment source and the debt servicing ratio. Underlying property values are based on the lower of the purchase price or the independently appraised value of the property. The Group’s lending policies also limit the maximum monthly repayment amount as a percentage of the gross household income of a borrower in accordance with the HKMA guidelines.

Risk Management Group

The Risk Management Group is responsible for: (i) credit policy formulation; (ii) credit evaluation; (iii) authorisation and approval; (iv) compliance with credit policies and approval conditions; and (v) exposure control. The Risk Management Group’s key objectives are to evaluate new credit applications and review existing accounts to ensure sound credit and robust asset quality monitoring. When loans are graded sub-standard or below by the Group, such loans will generally be transferred to the Risk Assets Management of Corporate Credit Risk (the “**RAM**”) which will institute the appropriate debt recovery actions.

In addition to credit risk management, the Risk Management Group is also responsible for the management of market risk, interest rate risk in banking book, liquidity risk, operational risks and fair value.

Asset Quality

Overview

The Group’s classified loans accounted for HK\$2,254.2 million (U.S.\$289.0 million) as at 31 December 2021, representing 0.93 per cent. of the Group’s total loans to customers.

The Bank’s residential mortgage delinquency ratio was 0.06 per cent. as at 31 December 2021, which was at similar level with the industry average as announced by the HKMA. As at the date of this Supplement, the Bank has a credit rating of “BBB+” from Fitch Ratings and a credit rating “A3” from Moody’s.

The Group’s PRC exposure accounted for 21.0 per cent. of the Group’s total loans to customers as at 31 December 2021. PRC-related non-performing loans as a percentage of the Group’s total non-performing loans as at 31 December 2021 is 13.0 per cent..

The performance of the Hong Kong economy is heavily dependent on the property sector. The Group’s property lending accounted for 19.3 per cent. of the Group’s total loans to customers as at 31 December 2021. As a result, the Group’s asset quality is closely correlated to the industry performance of the property markets. As at 31 December 2021, home mortgage loans accounted for HK\$22,727.1 million (U.S.\$2,913.9 million) or 9.4 per cent. of the Group’s total loans to customers. Home mortgage loans accounted for one of the largest segments of the Group’s total loans to customers. See

“Risk Factors — Considerations relating to the Group — The Group has significant exposure to the Hong Kong property market”.

RAM is responsible for resolving the Group’s exposure to non-performing loans and improving the Group’s recovery on such non-performing loans. In general, loans are transferred to RAM once they have been classified as sub-standard or below.

Loan classification

In 2005, the Group developed a judgment-based risk rating system which is used to rank borrowers of the Bank’s wholesale banking portfolio based on their default risk. In 2017, the Group adopted a new and more granular 24-grade internal risk rating system that maps to external agencies’ Master Scales, providing calibrated internal rating. This model was developed to assess the creditworthiness of borrowers of the performing customers; the output from the model will then be taken into consideration in the HKMA loan classification.

The rating system can provide information on the borrower’s credit quality and allow credit grade migration, monitoring and analysis. It provides significant value-added benefits to the Bank’s strategic and business decision-making process in terms of asset allocation and portfolio management of credit grades distribution.

The Group’s credit grading classifies loans into the following 24 categories:

- Grades 01 to 18 — pass;
- Grade 19 to 21 — special mention; and
- Grades 22 to 24 — classified loans.

A borrower risk rating estimates the borrower’s default risk. It is used to classify borrowers into different risk categories according to their level of default risk mapped against default experience. Borrower risk ratings should provide a meaningful risk differentiation and should be calibrated to the borrower’s Probability of Default (“PD”). The structure of the master rating scale is specified with a PD range for each grade. Each internal grade reflects the likelihood that a borrower will default.

Recognition of classified loans

The Group’s classified loans are sub-divided into three categories: sub-standard (Grade 22), doubtful (Grade 23) and loss (Grade 24). A key driver for determining a loan classification is the number of overdue days. For the WBG and PBG Business Banking portfolio, sub-standard loans are loans overdue for 91 to 180 days, doubtful loans are loans overdue for over 180 days and loss loans are loans with remote collectability. For the PBG personal loan portfolio, a more stringent classification is adopted; sub-standard loans are loans overdue for 91 to 120 days, doubtful loans are loans overdue for 121 to 180 days and loss loans are loans overdue for over 180 days or with remote collectability. The Group would only consider not downgrading a loan in accordance with the overdue days when there is good justification that is in line with the guidance of the HKMA. Even when there is no overdue day, the Group may still consider downgrading a loan as sub-standard, doubtful or loss loans if there are severe trigger events such as liquidation, bankruptcy, winding-up, receivership and proven management fraud. The terms “classified loans”, “impaired loans” and “non-performing loans” are used synonymously in this Supplement and refer to loans that are classified as sub-standard, doubtful and loss.

Impairment of loans and receivables

Commencing 1 January 2018, the HKFRS 9 was adopted for impairment assessment. The stage 1 and 2 impairment assessment to performing loans whereas the stage 3 impairment assessment is applied to non-performing loans. ECL allowances are measured at amounts equal to either: (i) 12-month ECL; or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (“SICR”) since initial recognition. The calculation of ECL allowances is based on the expected value of probability-weighted scenarios with a combination of upside, base and

downside scenario(s) to measure the expected cash shortfalls, discounted at the effective interest rate. A cash shortfall is the difference between the contractual cash flows that are due and the cash flows that the Group expects to receive. The calculation of ECL allowances for Stage 3 is based on probability-weighted recovery amount from an impaired financial asset and is determined by evaluating a range of possible outcomes and time value of money.

Top ten non-performing loans

As at 31 December 2021, the Group's ten largest non-performing loans accounted for 0.7 per cent. of its total loans to customers and 75.9 per cent. of its gross non-performing loans to customers. As at 31 December 2021, the Group's exposure from its ten largest non-performing loans amounted to approximately HK\$1,711.1 million (U.S.\$219.4 million) in the aggregate out of HK\$2,254.2 million (U.S.\$289.0 million) of non-performing loans in total, of which the Hong Kong exposure accounted for approximately 86.7 per cent., the PRC exposure accounted for approximately 13.0 per cent., and exposure to others accounted for approximately 0.3 per cent.

Recovery of non-performing and classified loans

RAM is responsible for managing non-performing loans that are transferred from WBG and other business units in the Bank. Accounts that are transferred to RAM are reviewed and monitored on an ongoing basis and, depending on the performance of the account, RAM may recommend the restoring of the loan to normal status, the restructuring of the loan or the commencement of debt collection or asset recovery procedures.

RAM adopts a systematic and flexible approach towards the recovery of non-performing and classified loans through means such as enforcement of security, debt restructuring, asset swaps and settlement. In certain circumstances, particularly in relation to PRC-related loans, RAM may conduct asset-for-debt swaps and accept assets such as equity interests in PRC businesses and land for residential or commercial development in the PRC. Where appropriate, risks and problems associated with transfer of legal title are managed with the advice of PRC legal advisers.

Even after a non-performing loan has been written off, RAM will continue its recovery efforts until it is satisfied that all recovery efforts have been exhausted, in which case it will recommend the closing of the account.

The Group's classified loans are resolved on a case-by-case basis, subject to the approval of the NPL Committee on the restructured limits and recovery measures. Loans are generally considered for restructuring where there has been a deterioration in the financial position or repayment capability of a customer. For the year ended 31 December 2021, the Group resolved a total of HK\$3,718.9 million (U.S.\$476.8 million) of classified loans, as a result the total impaired loan was HK\$2,254.2 million (U.S.\$289.0 million) as at 31 December 2021, equating to 0.9 per cent. of all loans. For the year ended 31 December 2020, the Group resolved a total of HK\$4,694.0 million (U.S.\$601.8 million) of classified loans, as a result the total impaired loan was HK\$3,631.2 million (U.S.\$465.6 million) as at 31 December 2020, equating to 1.6 per cent. of all loans.

Asset and Liability Committee

ALCO comprises senior management of the Bank, including the President & Chief Executive Officer, Chief Financial Officer, Treasurer, Head of Central Treasury Unit, Head of Trading, Deputy Head of Wholesale Banking Group, Head of Personal and Business Banking Group, Chief Risk Officer, Head of Market Risk and Liquidity Modeling, and Head of Asset and Liability Management and Capital Management.

ALCO is established by the Chief Executive Officer and ratified by the CRMC as the governing body responsible for formulating and implementing policies, strategies, guidelines and limit structures. It also identifies, measures and monitors the Group's liquidity risk profile to ensure current and future funding requirements are met. In addition, the ALCO monitors a set of risk indicators for liquidity risk. ALCO meets on a bi-weekly basis or less frequently, if appropriate, but at least once a month under any circumstances. TMG is responsible for the daily management of the discretionary portion of the Bank's assets and liabilities within the approved internal limits, including repricing gap limits.

The Bank measures the interest rate risk of the banking book by conducting a sensitivity analysis of the interest rate exposure on a quarterly basis. The sensitivity analysis on the potential impacts of movements in interest rates on the Bank's earnings and economic value are assessed based on the HKMA SPM IR-1 defined multi-sets of new interest rate scenario and interest rate volatility scenario requirements.

The Bank's liquidity structure, derived from its assets, liabilities and contingent commitments, is managed so as to ensure that all of the Bank's operations can meet their funding requirements and comply with the statutory liquidity requirements. The liquidity risk is well managed by holding sufficient cash and liquid positions as well as a pool of high quality liquid assets. Access to inter-bank borrowing is maintained through sufficient counterparty money market as well as repurchase facilities. Moreover, the Bank also solicits longer term funding through regular issuance of medium-term certificates of deposit.

Daily liquidity management is managed by the Central Treasury Unit to monitor funding requirements. This unit is supported by other functional departments including the Financial Management Group and the Risk Management Group, which monitor the liquidity risk and provide regular reports to the management, committees and local regulatory bodies. The average liquidity coverage ratio was 239 per cent. for the year ended 31 December 2021, which was well above the statutory minimum ratios of 100 per cent..

The majority of the Bank's loans are made at floating rates that are benchmarked against the inter-bank rates and prime lending rate. These assets are primarily funded by floating rate liabilities, including customer deposits and certificates of deposit. The interest rate risk, basis risk and liquidity risk of the Bank's assets and liabilities are continuously monitored by ALCO and if necessary, ALCO may direct the Bank's management to take necessary action to mitigate these risks, such as using interest rate swaps to hedge against rises in interest rates.

Credit and Risk Management Committee

The CRMC was established in 2002 at the Board level of the Bank to oversee and manage the Bank's risk related matters including but not limited to, the risk strategy, appetite/tolerance, profile, policies (including key risk procedures), fair value practices, capital adequacy and risk culture, systems and various risk-related initiatives and projects. The risks concerned primarily include credit, market, interest rate, liquidity, operational, reputation, legal, compliance, financial crime compliance, strategic and any risks associated with entering new markets, new areas of business, or dealing in new products or services. The CRMC is also responsible for approving matters relating to Internal Capital Adequacy Assessment Process, and the Reverse Stress Testing methodology and results, and endorsing the recovery planning document before reporting to the Board for approval on an annual basis. The CRMC carries out its oversight function on the Bank's risk management through various committees at the Bank's management level, including: Credit Committee, Investment Review Committee, NPL Committee, ALCO, Operational Risk Management Committee, Market Risk Committee, Compliance and AML Committee, New Product Committee, and Management Committee. The CRMC comprises five Directors of the Bank, including three Independent Non-executive Directors.

Market Risk Committee

Market Risk Committee ("MRC") was established by the CRMC of the Bank's Board to manage and monitor the market risk and fair value related matters of the Bank including its branches and subsidiaries.

MRC is chaired by the Chief Risk Officer ("CRO") from Risk Management Group, with the participation of senior management of the Bank, including President & Chief Executive Officer ("CEO"), senior representatives from Treasury and Global Markets, Chief Financial Officer, senior representatives from Finance Management Group and senior representatives from Risk Management Group.

MRC provides oversight on the Bank's operations related to market risk. It has the authority to direct the Bank's management in the setting of strategies related to market risk. It manages market risks of the Bank within acceptable level in a manner consistent with the overall goals of the Bank. It sets and reviews commensurate limits to monitor the Bank's market risk. It has the authority to disapprove or suspend any product or activity proposed or conducted by the Bank if it

deems they are not in sync with the Bank's approved objective, strategy and business plans, or if the risk level present is unacceptable, or if management fails to institute an effective risk management mechanism for such product or activity.

MRC also provides oversight in relation to financial instruments fair value governance and operations, and escalates significant valuation issues to CRMC to ensure awareness of major matters related to fair value governance and regulations.

Internal Auditing

The Internal Audit Group of the Bank has responsibility for the internal audit of its operations. Through regular audits of the Bank and its subsidiaries, the Internal Audit Group seeks to review and evaluate the adequacy and effectiveness of internal controls, safeguard its assets, improve efficiency of operations and assess compliance with established policies, procedures and relevant statutory requirements. The Internal Audit Group reports its findings to the Chairman of the Board and the Chief Executive Officer of the Bank as well as the relevant subsidiaries and departments of the Bank. All major findings are reported to the Audit Committee designed by the Board on a monthly basis. Such findings are also shared with the Bank's external auditors and can also be made available to the HKMA on request.

Legal and Compliance

The Legal and Compliance Department within the Controls and Compliance Group is responsible for administering legal issues and regulatory compliance issues concerning the Bank's business. The Legal and Compliance Department also reviews new products and business proposals from the legal perspective and compliance perspective. Another key function of the Bank's Controls and Compliance Group is to conduct periodic reviews of certain of the Bank's activities, advise senior management in accordance with applicable laws, rules and regulations and raise compliance awareness among staff members. The General Compliance Policy, which is updated regularly, was first issued to all staff members of the Bank in November 2001 and regular training sessions are conducted to update them on any significant legal and regulatory changes relevant to the operations of the Bank.

MANAGEMENT

The section headed “Management” on pages 130 to 134 of the Offering Circular shall be deleted in its entirety and replaced with the following:

The Bank is managed by the Board, which is responsible for the direction and management of the Bank. The articles of association of the Bank does not contain any provision about the minimum or maximum number of directors of the Bank. Directors can be appointed at any time either by the shareholders or by the Board. At each annual general meeting, all Directors are required to retire from office by rotation and are eligible at the same meeting for re-election.

The aggregate emoluments, consisting of fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions, of the Directors for the year ended 31 December 2021 was HK\$56.8 million (U.S.\$7.3 million).

Board of Directors

The current Board comprises the following individuals:

<u>Name</u>	<u>Age</u>	<u>Title</u>
YANG Yu	60	Chairman
BI Mingqiang	52	President & Chief Executive Officer
KAN NG Chau Yuk Helen	61	Deputy Chief Executive Officer
BAI Lijun	42	Deputy Chief Executive Officer
TANG Nai Pan	61	Deputy Chief Executive Officer
FANG Heying	56	Non-executive Director
GUO Danghuai.....	58	Non-executive Director
HU Gang	55	Non-executive Director
LI Shuk Yin Edwina	60	Independent Non-executive Director
TANG Shisheng.....	66	Independent Non-executive Director
TSANG King Suen Katherine	65	Independent Non-executive Director
WANG Guoliang	70	Independent Non-executive Director
WU Jiesi	71	Independent Non-executive Director

Mr. Yang Yu

(Chairman)

Appointed Director of the Bank on 26 August 2020 and further elected Chairman on 22 September 2020. Mr. Yang is currently a Director and the Chief Executive Officer of CIFH. He is also the chairman of CITIC International Assets Management Limited, and a Director of KWB International Limited. Mr. Yang had been a Party committee member and vice president of CNCB from 2015 to 2020. Prior to joining CNCB, Mr. Yang had been the Party secretary and president of China Construction Bank Limited (“CCB”) Jiangsu Branch from March 2011 to June 2015 and the Party secretary and president of CCB Hebei Branch from July 2006 to February 2011. Between August 1982 to June 2006, Mr. Yang worked at CCB Henan Branch, holding various positions including deputy head of the branch’s budget and finance division, head of the budget and finance division as well as vice president and Party committee member of Xinyang Branch, Party secretary and general manager of Zhengzhou municipal railway branch, Party secretary and president of Zhengzhou Branch, and deputy Party secretary and vice president (presiding) of Henan Provincial Branch. Mr. Yang is a “Senior

Economist” with a postgraduate degree and PhD in Management. He has over 30 years of experience in the Chinese banking industry.

Mr. Bi Mingqiang

(Executive Director, President & Chief Executive Officer)

Appointed Director and Chief Executive Officer of the Bank on 28 September 2018. Mr. Bi is also Chairman of CITIC Bank International (China) Limited and CNCBI Investment Holdings Limited, and Director of Ka Wah International Merchant Finance Limited, The Hong Kong Chinese Enterprises Association and The Tsinghua University Education Foundation (Hong Kong Special Administrative Region) Limited. He has more than 24 years of multifaceted expertise in the finance industry, and has held various management positions in China, Canada, the US, and the UK, covering a wide range of banking businesses. He started his banking career with The Industrial and Commercial Bank of China (“ICBC”) and progressed through different assignments in project financing, corporate lending, credit risk management, sales management, global markets, mergers and acquisitions, and strategic planning. Mr. Bi has extensive experience in overseas operations setup and management, new business development, commercial banking management, cross-cultural people engagement, team effectiveness building, and corporate governance. Over the years, he has held various important positions including business heads, CEO, and chairmanship of several Mainland and overseas organisations including Head of Credit Management of ICBC group, Country Head of ICBC’s US operations, CEO and President of ICBC Canada and Chairman of ICBC Standard Bank Plc headquartered in London. Prior to coming to Hong Kong, he was Managing Director of CICC Capital Management Co Ltd, a subsidiary of China International Capital Corporation Limited. Mr. Bi obtained his undergraduate and postgraduate degrees from Tsinghua University and subsequently a PhD in Finance from Renmin University of China.

Mrs. Kan Ng Chau Yuk Helen

(Executive Director, Deputy Chief Executive Officer and Head of Personal & Business Banking Group)

Appointed Director of the Bank on 15 March 2013. Mrs. Kan is currently the Bank’s Executive Director, Deputy Chief Executive Officer, Head of Personal & Business Banking Group, and Director of various subsidiaries of the Bank, including CITIC Bank International (China) Limited, Security Nominees Limited, The Hongkong Chinese Bank (Nominees) Limited and The Ka Wah Bank (Nominees) Limited. She is also a Director and member of Executive Committee of The Hong Kong Institute of Bankers, a Director of Nova Credit Limited, and a Director and President of Hong Kong Women Professionals and Entrepreneurs Association Limited. Mrs. Kan has more than 30 years of experience in the banking and finance industry. Over the years, Mrs. Kan had held various senior positions across a broad spectrum of banking and finance exposures in Hong Kong, Mainland China, the UK and other global markets. Mrs. Kan’s rich experience covers strategic transformation, new business set up and expansion, diversified consumer banking businesses, global and multi-cultural management, people development, quality management and internal audit. Prior to joining the Bank, she was Standard Chartered Bank’s Global Head of Distribution in charge of the strategic development and performance of distribution channels. Mrs. Kan holds an Honours Degree in Management and Economics, and a Master’s Degree in Laws from The University of Hong Kong. She was appointed Council Member of The Hong Kong University of Science and Technology in August 2017.

Mr. Bai Lijun

(Executive Director, Deputy Chief Executive Officer and Head of Wholesale Banking and Treasury & Global Markets Group)

Appointed Director of the Bank on 20 August 2018. Mr. Bai is currently the Bank’s Executive Director, Deputy Chief Executive Officer, and Head of Wholesale Banking and Treasury & Global Markets Group. Mr. Bai’s scope of responsibilities encompasses the overall management of the Bank’s Treasury & Markets Group with a view to strengthen funding and liquidity management, in addition to a fortifying wholesale banking products and business controls while driving CNCB- and CITIC Group-related collaboration for enhanced business development for the Bank. He is also Director of various subsidiaries of the Bank, including Carford International Limited, CITIC Bank International (China)

Limited, CNCBI Investment Holdings Limited, CNCBI Financial Consultant Limited and The Ka Wah Bank (Nominees) Limited. Mr. Bai joined CNCB's Financial Markets Department from Bank of Beijing in 2006. In 2009, he took up an additional role at the Chairman Office of CITIC Group, assisting the Group's Chairman with corporate governance, group projects and business affairs. Prior to joining the Bank, Mr. Bai was CNCB's Deputy General Manager of the Office of the Board of Directors and Supervisors. Mr. Bai holds a Bachelor of Economics Degree from the School of Economics at Nankai University in Tianjin, and a Master of Finance Degree from the School of Finance at Renmin University of China in Beijing.

Mr. Tang Nai Pan

(Executive Director, Deputy Chief Executive Officer and Chief Risk Officer)

Appointed Director of the Bank on 20 March 2020. Mr. Tang is currently the Bank's Executive Director, Deputy Chief Executive Officer, Chief Risk Officer, and Director of various of the Bank's subsidiaries including CITIC Bank International (China) Limited, CNCBI Investment Holdings Limited and CNCBI Asset Management Limited. He is also a Director of Financial Dispute Resolution Centre. Mr. Tang has over 30 years of experience in the banking industry. Prior to joining the Bank, Mr. Tang was Deputy Chief Executive, Alternate Chief Executive and Chief Risk Officer of Shanghai Commercial Bank Limited. Over the years, he has accumulated a wealth of experience in treasury, compliance and risk management from banking institutions including Chong Hing Bank, Hang Seng Bank, Shanghai Pudong Development Bank, DBS Bank Singapore and Citibank (Hong Kong). Mr. Tang received his education in the US. He holds a Bachelor of Arts Degree in Mathematics and Statistics from University of Minnesota, Minneapolis, and a Master of Science Degree in Statistics from University of Chicago. Mr. Tang is also a Doctor of Philosophy candidate in Finance at Kellogg School of Management, Northwestern University.

Mr. Fang Heying

(Non-executive Director)

Appointed Director of the Bank on 24 March 2016. Mr. Fang is currently the Party committee member and Deputy General Manager of CITIC Group Corporation Limited, Deputy General Manager and member of the executive committee of CITIC Limited, Deputy General Manager of CITIC Corporation Limited, and the Party secretary, Vice Chairman, Executive Director and President of CNCB. He is also a Director of CIFH. Mr. Fang joined CNCB in 1996 and was formerly the President of Suzhou Branch, President of Hangzhou Branch and Business Director of Financial Markets. He served as a Vice President of CNCB since November 2014 and was further appointed as its President in March 2019. Mr. Fang was a "Senior Economist". He graduated from Hunan College of Finance and Economics with a Bachelor's Degree in Finance and obtained an Executive Master's Degree in Business Administration from Peking University.

Mr. Guo Danghuai

(Non-executive Director)

Appointed Non-executive Director of the Bank on 9 April 2020. Mr. Guo is currently the Party committee member, Executive Director and Vice President of CNCB. He is also Chairman of CITIC Wealth Management Corporation Limited, Director of CIFH, CNCB (Hong Kong) Investment Limited and CITIC aiBank Corporation Limited. Mr. Guo joined CNCB in 1986 and was formerly its Chief Auditor, General Manager of its Business Department at Head Office, President of its Tianjin Branch and Shenyang Branch. Mr. Guo is a "Senior Economist" and graduated from Peking University with a Master's Degree in Business Management. He has over 30 years of working experience in the Chinese banking industry.

Mr. Hu Gang

(Non-executive Director)

Appointed Non-executive Director of the Bank on 4 March 2021. Mr. Hu is currently the Party committee member, Vice President and Chief Risk Officer of CNCB. Mr. Hu joined CNCB in 2000 and was formerly head of the wholesale business and head of risk management of the Head Office, president of Shanghai Branch, president of Chongqing Branch and vice president of Changsha Branch. Mr. Hu graduated from Hunan University with a doctoral degree in Economics. He is a “Senior Economist” with over 20 years of experience in the Chinese banking industry.

Ms. Li Shuk Yin Edwina

(Independent Non-executive Director)

Appointed Independent Non-executive Director of the Bank on 28 September 2018. Ms. Li is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. She was formerly with KPMG from 1994 with her last role as the partner in charge of KPMG China’s Financial Services Assurance team until her retirement in March 2018. Ms. Li has significant experience in accounting, capital market, market entrance, regulatory compliance related internal control and risk management in Hong Kong and China. Prior to joining KPMG, Ms. Li qualified as a Chartered Accountant with one of the Big Four firms and as controller with a real estate company and a financial services group in London. She graduated from University of Exeter, England with an Honours degree in Accountancy. She received her Master’s degree in Risk Management from Glasgow Caledonian University in Scotland and holds a Postgraduate Diploma in Enterprise Risk Management from HKU SPACE. She is also an Independent Non-executive Director and the chairperson of the audit committee of Bank of Zhengzhou Co., Ltd. and a Director of Elite Beam Limited.

Mr. Tang Shisheng

(Independent Non-executive Director)

Appointed Independent Non-executive Director of the Bank on 13 November 2013. Mr. Tang is also an Independent Non-executive Director of Wison Engineering Services Co. Ltd. and Independent Director of Chongqing Three Gorges Bank Co., Ltd. He has extensive experience in finance and securities industries. Mr. Tang graduated from Hunan College of Finance and Economics with a Bachelor's Degree in Finance. He received his Master's Degree in Economics and Doctor's Degree in Economics respectively from the Graduate School of The People's Bank of China and the Graduate School of Chinese Academy of Social Sciences. Mr. Tang was granted the title of “Senior Economist” by The People’s Construction Bank of China in 1993.

Ms. Tsang King Suen Katherine

(Independent Non-executive Director)

Appointed Independent Non-executive Director and Chairman of the Credit & Risk Management Committee of the Bank on 1 December 2016. Ms. Tsang is a well-recognised member of the Asian financial and business community. Fortune Magazine (China) named her as No.6 China’s Most Influential Businesswomen in 2012 and she was on the top 25 list from 2010 to 2013. Ms. Tsang is the founder of Max Giant Group, an asset management business that has established a host of funds investing in both public markets and private equities globally. She is also an Independent Non-executive Director of Fosun International Limited and Budweiser Brewing Company APAC Limited, Non-executive Director of Fidelity Emerging Markets Fund Limited, Director of Ever Ascent Corporation Limited, Pride Vision Group and Try Door Limited, member of the Advisory Council for China of the City of London, and an honorary board member of Shanghai Jiao Tong University. Ms. Tsang was formerly with Standard Chartered Bank for over 20 years, with her last role as Chairperson of Greater China before she retired in August 2014. She attained her Bachelor of Commerce Degree from University of Alberta, Canada.

Mr. Wang Guoliang

(Independent Non-executive Director)

Appointed Independent Non-executive Director of the Bank on 12 August 2016 and elected Chairman of Audit Committee on 2 November 2016. Mr. Wang is a professor-level senior accountant and is currently Independent Director of China Taiping Insurance Group Limited and COSCO Shipping Lines Co., Limited. Mr. Wang worked as Chief Accountant of China National Petroleum Corporation and was Chairman of Bank of Kunlun. He has extensive experience in finance and accounting. Mr. Wang graduated from Harbin University of Commerce with a Bachelor's Degree in Economics. He received his Master's Degree in International Economics from Hebei University.

Mr. Wu Jiesi

(Independent Non-executive Director)

Appointed Independent Non-executive Director of the Bank on 5 August 2013 and elected Chairman of the Remuneration Committee and the Nomination Committee on 20 July 2016 and 25 May 2017 respectively. Mr. Wu is Chairman of Shenzhen Fuhaiyintao Asset Management Co., Ltd. He is also an Independent Non-executive Director of Beijing Enterprises Holdings Limited and The Industrial and Commercial Bank of China (Asia) Limited. Mr. Wu has extensive experience in corporate management, investment and finance. He holds a Doctor's Degree in Economics from The Research Institution of The People's Bank of China. Mr Wu conducted post-doctorate research work in theoretical economics at Nankai University and was conferred a professorship qualification by Nankai University in 2001.

RELATED PARTY TRANSACTIONS

The section headed “Related Party Transactions” on pages 135 to 136 of the Offering Circular shall be deleted in its entirety and replaced with the following:

The Group is majority-owned by CIFH and is controlled by its ultimate holding company, CITIC. See “*Principal Shareholders — CITIC International Financial Holdings Limited*” and “*Principal Shareholders — CITIC Group*” respectively.

The Group entered into a number of transactions with related parties in the normal course of its banking business including, *inter alia*, lending, acceptance and placement of inter-bank deposits, participation in loan syndicates, correspondent banking transactions and foreign exchange transactions. The transactions were priced based on relevant market rates at the time of each transaction, and were under the same terms as those available to other counterparties and customers of the Group. In the opinion of the directors of the Bank, these transactions were conducted on normal commercial terms.

Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

Transactions with group companies

During the years ended 31 December 2020 and 2021, the Group entered into a number of transactions with related parties in the normal course of its banking business including, *inter alia*, lending, acceptance and placement of inter-bank deposits; and participation in loan syndicates, correspondent banking transactions and foreign exchange transactions. The transactions were priced based on relevant market rates at the time of each transaction, and were under the same terms as those available to other counterparties and customers of the Group. In the opinion of Directors, these transactions were conducted on normal commercial terms.

The amount of related party transactions during the years ended 31 December 2020 and 2021 and outstanding balances at the end of such years are set out in note 36(a) to the 2021 Audited Financial Statements incorporated by reference into this Supplement.

PRINCIPAL SHAREHOLDERS

The section headed “Principal Shareholders” on pages 137 to 139 of the Offering Circular shall be deleted in its entirety and replaced with the following:

CITIC GROUP CORPORATION

CITIC is the ultimate controlling shareholder of the Bank. As at the date of this Supplement, the Bank is 75 per cent. owned by CIFH, which is 100 per cent. owned by CNCB. CNCB is over 60 per cent. indirectly owned by CITIC Limited. CITIC Limited is approximately 58 per cent. indirectly owned by CITIC.

CITIC was approved by the PRC’s State Council and established in 1979. Since its founding, CITIC has received the support of the PRC government. The late Mr. Rong Yiren, former Vice President of the PRC, was the first Chairman of CITIC. Since then, CITIC has grown into a large state-owned multinational conglomerate with a wide range of businesses covering finance, energy and resources, manufacturing, engineering contracting, real estate and others.

CITIC as the ultimate controlling shareholder of the Bank ultimately determines the strategy, management and operations of the Bank. Subject to compliance with the regulations of the HKMA, CITIC, through CNCB, is able to determine the Bank’s corporate policies, appoint the Bank’s Directors and officers, and vote to pursue corporate actions requiring shareholders’ approval. The Chairman of the Bank is nominated by CNCB.

CITIC owns or controls a number of companies which may compete directly or indirectly with the businesses of the Bank and CIFH and its subsidiaries and associated company (the “CIFH Group”), and have more experience, superior resources and a larger scale of operations in the PRC.

Currently, the Bank also engages in, and expects from time to time in the future to engage in, financial and commercial transactions with members of the CITIC Group. See “*Related Party Transactions*”.

The following chart sets out the shareholding chain of CITIC Group in CIFH and the Bank as at the date of this Supplement:

CITIC Limited (formerly known as CITIC Pacific Limited)

CITIC Limited is approximately 58 per cent. indirectly owned by CITIC and was incorporated in Hong Kong in January 1985. As at the date of this Supplement, CITIC Limited held 100 per cent. of the share capital of CITIC Corporation Limited.

CITIC Corporation Limited (formerly known as CITIC Limited)

CITIC Corporation Limited is a wholly owned subsidiary of CITIC Limited and was incorporated in China in December 2011. As at the date of this Supplement, CITIC Corporation Limited, together with other subsidiaries of CITIC Limited, held over 60 per cent. of the share capital of CNCB.

China CITIC Bank Corporation Limited

As at the date of this Supplement, CNCB, held 100 per cent. of the issued share capital of CIFH, the holding company of the Bank.

As part of the Restructuring Strategy, on 8 May 2009, CNCB entered into a Share Purchase Agreement with CITIC and Gloryshare Investments Limited (“GIL”) to acquire a 70.32 per cent. interest in CIFH for a cash consideration of approximately HK\$13.6 billion (U.S.\$1.7 billion). This CIFH Acquisition is an integral part of CITIC’s Restructuring Strategy, the intention of which was explicitly stated at the time of CIFH’s privatisation in November 2008. The CIFH

Acquisition was completed on 23 October 2009. Three senior executives of CNCB are currently Non-Executive Directors of the Bank.

The CIFH Acquisition is expected to enable CNCB to:

- expand its branch network to international financial centres, develop its commercial banking network both domestically and internationally, and to provide “one-stop-shop” financial solutions and a wider variety of and more applicable service products and service channels for its customers with international banking needs;
- realise its strategic objective to become a “leading international bank”;
- maximise synergies by promoting the effective integration of financing resources, optimise the allocation of resources, constantly increasing the business synergies between CIFH and CNCB, and enhance its overall competitiveness in the banking market; and
- use excess capital to enhance shareholder value.

The CIFH Acquisition also created opportunities for CNCB and the Bank to expand the width and depth of their collaboration. The Bank extended cooperation to more CNCB branches, spanning across most of CNCB’s major geographical coverage in Mainland China. A series of new business cooperation initiatives were successfully introduced during the year, including RMB trade settlement programme, structured financing, pre-Initial Public Offering financing, offshore account opening, i-banking services and offshore bill operation and services.

CITIC International Financial Holdings Limited

The Bank is a majority-owned subsidiary of CIFH which is the financial flagship of CITIC outside Mainland China. The CIFH Group is a financial services group whose core businesses include the provision of commercial banking, asset management and other related financial services. CIFH became the holding company of the CIFH Group following the group reorganisation on 25 November 2002, the appointed day designated by the board of directors of CIFH for the legal merger of the relevant undertakings of CIFH and HKCB pursuant to the CITIC Ka Wah Bank Limited (Merger) Ordinance (Cap. 1171) of the laws of Hong Kong. As part of the group reorganisation, CIFH (which prior to the reorganisation was named CITIC Ka Wah Bank Limited) transferred most of its commercial banking assets and liabilities to HKCB, a then wholly-owned subsidiary of CIFH. At the same time, HKCB changed its name to CITIC Ka Wah Bank Limited and continued to operate the integrated commercial banking business of the CIFH Group. See “*Business — History*”.

CIFH is supported by CITIC in its vision to drive the offshore expansion and establishment of the CITIC brand in international banking and financial services. One of its strategic priorities is to develop effective partnership models with companies in the CITIC Group in the Mainland China to maximise strategic opportunities to promote the CITIC brand in international banking and financial services.

On 29 December 2006, CIFH completed the acquisition of a 15.17 per cent. strategic stake in CNCB to enhance its ability to capture opportunities from the increasing cross-border business flows into and out of the PRC market. Upon the listing of CNCB on the Hong Kong Stock Exchange on 27 April 2007, CIFH topped up its investment in CNCB to maintain a 15 per cent. equity interest in CNCB’s enlarged share capital.

On 9 February 2007, CIFH’s shareholders gave approval for BBVA to become a 14.58 per cent. strategic investor in CIFH, and the transaction was duly completed on 1 March 2007.

On 16 October 2008, CIFH’s independent shareholders gave approval for CITIC, through GIL, to take CIFH private by way of Scheme of Arrangement. On 5 November 2008, CIFH was delisted from the Hong Kong Stock Exchange, and on the same day, BBVA’s stake in CIFH was increased to 29.68 per cent. The strategic investment in CNCB held by CIFH was proportionately transferred to CITIC and BBVA in December 2008.

The privatisation of CIFH was part of CITIC's Restructuring Strategy to create a single banking business platform within the CITIC Group. The intention of the privatisation was for the Bank to become CITIC's exclusive vehicle to develop commercial banking business in Hong Kong and a commercial banking platform for new business expansion for CITIC in Asia.

As at 31 December 2021, the CIFH Group's total assets, shareholders' funds, total loans and total deposits were HK\$420.1 billion (U.S.\$53.9 billion), HK\$35.8 billion (U.S.\$4.6 billion), HK\$242.7 billion (U.S.\$31.1 billion) and HK\$329.2 billion (U.S.\$42.2 billion), respectively.

As at the date of this Supplement, CIFH has 7,459,172,916 ordinary shares in issue, which are all fully paid.

Principal Activities of the CIFH Group

The CIFH Group currently engages in a wide range of banking and non-bank financial businesses through the following entities:

The Bank and its subsidiaries

retail banking (including home mortgage loans, consumer finance, credit cards, deposits, personal wealth management, distribution of insurance and investment products, hire purchase and leasing and small business loans), wholesale banking (including commercial mortgages, trade finance, corporate loans, syndicated loans, term loans and overdrafts, and structured finance) and treasury activities

CITIC International Assets Management Limited and its subsidiaries

private equity investments, asset management and investment holding

TERMS AND CONDITIONS OF THE CAPITAL SECURITIES

The following is the text of the Terms and Conditions of the Capital Securities (subject to completion and modification and excluding italicised text) will be endorsed on each of the Capital Securities in definitive form. The numbering and title of the following Terms and Conditions of the Capital Securities follow the numbering of the Terms and Conditions of the Notes as set out in the Offering Circular dated 10 June 2021.

The U.S.\$600,000,000 4.80 per cent. undated non-cumulative subordinated Additional Tier 1 capital securities (the "**Capital Securities**") of China CITIC Bank International Limited 中信銀行（國際）有限公司 (the "**Issuer**") are constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 30 November 2007 made between the Issuer and Citibank, N.A., London Branch (the "**Trustee**", which expression shall include any successor as Trustee).

The Capital Securities have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 30 November 2007 and made between the Issuer, the Trustee, Citibank, N.A., London Branch as issuing and principal paying agent and agent bank (the "**Principal Paying Agent**", which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents) and Citigroup Global Markets Europe AG as registrar (the "**Registrar**", which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents).

For the purposes of the Trust Deed, the Agency Agreement and the Global Certificate, these Capital Securities are "Undated Subordinated Notes".

Any reference to "**Securityholders**" or "**holders**" in relation to any Capital Securities shall mean the persons in whose name the Capital Securities are registered and shall, in relation to any Capital Securities represented by a Global Note, be construed as provided below.

The Trustee acts for the benefit of the Securityholders in accordance with the provisions of the Trust Deed.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee being at 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom and at the specified office of each of the Paying Agents. Copies of the Pricing Supplement are obtainable during normal business hours at the specified office of each of the Paying Agents. The Securityholders are deemed to have notice of, and are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the Pricing Supplement which are applicable to them. The statements in these Terms and Conditions ("**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed.

Words and expressions defined in the Trust Deed and the Agency Agreement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and **provided that**, in the event of inconsistency between the Trust Deed or the Agency Agreement and the Conditions, the Conditions will prevail. The terms and conditions of the Notes as set out in the Offering Circular dated 10 June 2021 shall be deemed to be replaced by these Conditions for the purposes of the Capital Securities.

1. FORM, DENOMINATION AND TITLE

Condition 1 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

1.1 Form and Denomination

The Capital Securities are issued in registered form in the denomination of U.S.\$250,000 each and integral multiples of U.S.\$1,000 in excess thereof (referred to as the "**principal amount**" of a Capital Security). The principal amount of a Capital Security is subject to adjustment following the occurrence of a Non-Viability Event (as defined in Condition 6C) in accordance with Condition 6C and references in the Conditions to the "**principal amount**" of a Capital Security shall mean the principal amount of a Capital Security as so adjusted. A certificate (each a "**Certificate**") will be issued to each Securityholder in respect of its registered holding of Capital Securities. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Securityholders which the Issuer will procure to be kept by the Registrar and at the office of the Issuer.

The Capital Securities are not issuable in bearer form.

1.2 **Title**

Title to the Capital Securities passes only by registration in the register of Securityholders. The Securityholder of any Capital Security will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Securityholder.

2. **TRANSFERS OF REGISTERED NOTES**

2.1 **Transfers of interests in Registered Global Note**

Condition 2.1 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

Transfers of beneficial interests in Capital Securities represented by a global note in registered form ("**Registered Global Note**") will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing system acting on behalf of beneficial transferees and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for definitive Capital Securities in registered form ("**Definitive Registered Notes**") or for a beneficial interest in another Registered Global Note only in the denomination set out in Condition 1.1 and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for Euroclear or Clearstream, Luxembourg shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of Euroclear or Clearstream, Luxembourg or to a successor if Euroclear or Clearstream, Luxembourg or such successor's nominee.

2.2 **Transfers of Definitive Registered Notes**

Condition 2.2 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

Subject as provided in Condition 2.5 below, upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the denomination set out in Condition 1.1). In order to effect any such transfer (i) the holder or holders must (A) surrender the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 3 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Definitive Registered Note in definitive form of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 **Registration of transfer upon partial redemption**

Condition 2.3 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

2.4 **Cost of Registration**

Condition 2.4 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

Securityholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

2.5 **Closed Periods**

Condition 2.5 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

No Securityholder may require the transfer of a Capital Security to be registered (i) during the period of 15 days prior to (and including) the due date of any payment of principal or Distributions in respect of the Capital Securities; (ii) during the period of seven days ending on (and including) any Record Date; and (iii) during a Suspension Period.

"**Suspension Period**" means the period commencing on the second Hong Kong Business Day (as defined in Condition 6B below) immediately following the date of a Non-Viability Event Notice and ending on the close of business in Hong Kong on the effective date of the related Write-off.

So long as the Capital Securities are represented by a Global Note and such Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system, "Suspension Period" shall mean the period commencing on the second Hong Kong Business Day immediately following the date on which a Non-Viability Event Notice is received by Euroclear and/or Clearstream, Luxembourg and ending at the close of business in Hong Kong on the effective date of the related Write-off.

2.6 **Exchanges and transfers of Definitive Registered Notes generally**

Holders of Definitive Registered Notes may exchange such Notes for interests in a Registered Global Note of the same type at any time.

3. **STATUS OF THE NOTES**

3.1 **Status of Senior Notes**

Condition 3.1 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

3.2 **Status of the Subordinated Notes**

Condition 3.2 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Conditions 3.3 and 3.4 shall be inserted after Condition 3.2:

3.3 **Status of the Capital Securities**

(a) *Provision relating to the Capital Securities*

The Capital Securities constitute direct, 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 Securityholders are subordinated in the manner described below.

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 of the Securityholders to payment of principal and Distributions on the Capital Securities and any other obligations in respect of the Capital Securities will rank (x) subordinate and junior in right of payment to, and of all claims of, (i) all unsubordinated creditors of the Issuer (including its depositors), (ii) creditors in respect of Tier 2 Capital Securities of the Issuer, and (iii) all other Subordinated Creditors

of the Issuer whose claims are stated to rank senior to the Capital Securities or rank senior to the Capital Securities 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 Junior Obligations in the manner provided in the Trust Deed.

In the event of a Winding-Up that requires the Securityholders or the Trustee to provide evidence of their claim to principal or Distribution under the Capital Securities, such claims of the Securityholders will only be satisfied after all senior ranking obligations of the Issuer have been satisfied in whole. No amount may be claimed in respect of any Distribution that has been cancelled pursuant to a Mandatory Distribution Cancellation Event or an Optional Distribution Cancellation Event.

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 capital regulations applicable to the regulatory capital of Authorized Institutions in Hong Kong as published by the Monetary Authority.

"Junior Obligation" means the Shares, and any other class of the Issuer's share capital and any instrument or other obligation (including without limitation any preference share) issued or guaranteed by the Issuer that ranks or is expressed to rank junior to the Capital Securities 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 or any successor thereto.

"Parity Obligation" means any instrument or other obligation issued or entered into by the Issuer that constitutes or qualifies as Additional Tier 1 capital (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 Capital Securities by operation of law or contract.

"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 Capital Securities.

"Shares" means the ordinary share capital of the Issuer.

"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 the claims of 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 Securityholders of the Capital Securities. For this purpose indebtedness shall include all liabilities, whether actual or contingent.

"Tier 2 Capital Securities" means instruments categorised as Tier 2 capital pursuant to the Capital Regulations that rank or are expressed to rank senior to the Capital Securities by operation of law or contract.

"Winding-Up" means a final and effective order or resolution for the winding up, liquidation or similar proceedings in respect of the Issuer.

(b) *Set-off*

Subject to applicable law, no Securityholder 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 Capital Securities and each Securityholder shall, by virtue of being the Securityholder of any Capital Security be deemed to have waived all such rights of such set-off, counter-claim or retention.

In the event that any Securityholder nevertheless receives (whether by set-off or otherwise) directly in a Winding-Up Proceeding (as defined in Condition 11.2A) 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 Capital Securities, other than in accordance with this Condition 3.3, such Securityholder 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 Securityholder, by virtue of becoming a Securityholder of any Capital Security, 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.

3.4 **Qualification of the Capital Securities**

The Capital Securities are intended to qualify as Additional Tier 1 capital under the Capital Regulations.

4. **NEGATIVE PLEDGE (SENIOR NOTES ONLY)**

Condition 4 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Condition 4A shall be inserted after Condition 4:

4A **REPORTING COVENANTS**

In relation to the Capital Securities, the Issuer undertakes to file or cause to be filed with the National Development and Reform Commission of the PRC ("**NDRC**") the requisite information and documents within 10 PRC Business Days (as defined below) after the Issue Date in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (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) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**").

The Issuer shall complete or procure to be completed the NDRC Post-issue Filing within the prescribed timeframe and shall comply with all applicable PRC laws and regulations in connection with the Capital Securities.

For the purposes of this Condition:

"**PRC Business Day**" means a day on which commercial banks are open for business in the PRC.

5. **REDENOMINATION**

Condition 5 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

6. **INTEREST**

Condition 6 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Conditions 6A, 6B and 6C shall be inserted after Condition 6:

6A **DISTRIBUTION**

(a) *Non-Cumulative Distribution*

Subject to Condition 6B below, the Capital Securities confer a right to receive distributions (each a "**Distribution**") on the principal amount (subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 6C) from, and including, the Issue Date at the applicable Distribution Rate, payable semi-annually in arrear on 22 April and 22 October in each year (each a "**Distribution Payment Date**").

Distributions will not be cumulative and Distributions which are not paid in accordance with these Conditions will not accumulate or compound and Securityholders will have no right to receive such Distributions at any time, even if subsequent Distributions are paid in the future, or be entitled to any claim in respect thereof against the Issuer. Unless otherwise provided in these Conditions, each Capital Security will cease to confer the right to receive any Distribution from the due date for redemption

unless, upon surrender of the Certificate representing such Capital Security, payment of principal is improperly withheld or refused. In such event Distribution shall continue to accrue at such rate (both before and after judgment) until whichever is the earlier of (a) the date on which all amounts due in respect of such Capital Security have been paid; and (b) five days after the date on which the full amount of moneys payable in respect of such Capital Security has been received by the Principal Paying Agent and notice to that effect has been given to the Securityholders in accordance with Condition 15.

No Securityholder shall have any claim in respect of any Distribution or part thereof cancelled and/or not due or payable pursuant to Condition 6A and Condition 6B below. Accordingly, such Distribution shall not accumulate for the benefit of the Securityholders or entitle the Securityholders to any claim in respect thereof against the Issuer.

(b) *Distribution Rate*

The rate of distribution (the "**Distribution Rate**") applicable to the Capital Securities shall be:

- (i) in respect of the period from, and including, the Issue Date to, but excluding, 22 April 2027 (the "**First Call Date**"), 4.80 per cent. per annum; and
- (ii) in respect of the period from, and including, the First Call Date and each Distribution Reset Date thereafter to, but excluding, the immediately following Distribution Reset Date, the Reset Distribution Rate.

For the purposes of these Conditions:

"**Auditors**" means the independent certified public accountants for the time being of the Issuer.

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

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

"**Calculation Date**" means, in relation to a Reset Distribution Period, the Calculation Business Day preceding the Distribution Reset Date on which such Reset Distribution Period commences.

"**Comparable Treasury Issue**" means the U.S. Treasury security selected by the Calculation Agent 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 any Calculation Date, the average of three Reference Treasury Dealer Quotations for such Calculation Date.

"**Directors**" means the Board of Directors from time to time of the Issuer and "**Director**" means any one of them.

"**Distribution Determination Date**" means the day falling two business days prior to a Distribution Payment Date.

"**Distributable Reserves**" means the amounts for the time being available to the Issuer for distribution as a distribution in compliance with section 297 of the Companies Ordinance (Cap. 622) of Hong Kong, as amended or modified from time to time, as at the Issuer's latest audited balance sheet, and subject to the Monetary Authority's then current Capital Regulations as applicable to the Issuer on the relevant Distribution Payment Date (the "**Available Amount**"); **provided that** if the Issuer reasonably determines that the Available Amount as at any Distribution Determination Date is lower than the Available Amount as at the date of the Issuer's latest audited balance sheet and is insufficient to pay the Distributions and any payments on Parity Obligations on the relevant Distribution Payment Date, then on certification by two Directors and the Auditors of such revised amount, the Distributable Reserves shall for the purposes of Distribution mean the Available Amount as set forth in such certificate.

As at the date hereof, pursuant to section 297(1) of the Companies Ordinance (Cap. 622) of Hong Kong, the Issuer may only make a distribution out of profits available for distribution. For the purposes of section 297 of the Companies Ordinance (Cap. 622) of Hong Kong, the Issuer's profits available for distribution are its accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated, realised losses, so far as not previously written off in a reduction or reorganisation of capital.

"Distribution Reset Date" means the First Call Date and each anniversary falling five years thereafter.

"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 any 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 Calculation Agent by such Reference Treasury Dealer at 10.00 p.m. New York City time, on such Calculation Date.

"Reset Distribution Period" means the period from, and including, a Distribution Reset Date to, but excluding, the immediately following Distribution Reset Date.

"Reset Distribution Rate" means, in relation to a Reset Distribution Period, 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 2.104 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 Securityholders equal to the yield on U.S. Treasury securities having a maturity of five years as is displayed on Bloomberg page **"PX1"** (or any successor page or service displaying yields on U.S. Treasury securities as agreed between the Issuer and the Calculation Agent) at 6 p.m. (New York time) on the Calculation Date. If such page (or any successor page or service) does not display the relevant yield at 6 p.m. (New York time) on the Calculation Date, **"U.S. Treasury Rate"** shall mean the rate in percentage per annum equal to the semi-annual equivalent 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. The U.S. Treasury Rate will be calculated on the relevant Calculation Date.

(c) *Calculation of Distribution and Relevant Reset Distribution Rate*

The Calculation Agent will calculate the amount of Distribution in respect of any period by applying the applicable Distribution Rate to the Calculation Amount. If Distribution is required to be paid in respect of a Capital Security on any date other than the Distribution Payment Date, it shall be calculated by applying the applicable Distribution 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 Capital Security 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 12 30-day months).

The Calculation Agent will, on the Calculation Date prior to each Distribution Reset Date, calculate the applicable Reset Distribution Rate payable in respect of each Capital Security. The Calculation Agent will cause the Distribution and applicable Reset Distribution 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 6A by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Principal Paying Agent and the Securityholders and (subject as aforesaid) 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.

(d) *Publication of Relevant Reset Distribution Rate*

The Issuer shall cause notice of the then applicable Reset Distribution Rate to be notified to the Securityholders as soon as practicable in accordance with Condition 15 after determination thereof.

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

If the Calculation Agent does not at any time for any reason so determine the applicable Reset Distribution 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 6A, 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.

6B **DISTRIBUTION RESTRICTIONS**

(a) *Optional Distribution Cancellation Event*

Unless a Distribution has already been cancelled in full pursuant to a Mandatory Distribution Cancellation Event, prior to any Distribution Payment Date the Issuer may, at its sole discretion, elect to cancel any payment of Distribution, in whole or in part, by giving a notice signed by two Directors of the Issuer, which shall be conclusive and binding on the Securityholders (such notice, a "**Distribution Cancellation Notice**") of such election to the Securityholders in accordance with Condition 15, and to the Trustee and the Agents at least 10 Hong Kong Business Days prior to the relevant Distribution Payment Date. The Issuer shall have no obligation to pay any Distribution on any Distribution Payment Date if it validly elects not to do so in accordance with this Condition 6B and any failure to pay such Distribution shall not constitute an Event of Default. Distributions are non-cumulative and any Distribution that is cancelled shall therefore not be payable at any time thereafter, whether in a Winding-Up or otherwise.

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

(b) *Mandatory Distribution Cancellation Event*

Notwithstanding that a Distribution Cancellation Notice has not been given, the Issuer will not be obliged to pay, and will not pay, any Distribution on the applicable Distribution Payment Date, in whole or in part, as applicable, if and to the extent that:

- (i) the Distribution scheduled to be paid together with any dividends, distributions or other payments scheduled to be paid or made during the Issuer's then current fiscal year on any Parity Obligations or any instruments which effectively rank *pari passu* with any Parity Obligations shall exceed the Distributable Reserves as at such Distribution Determination Date; or
- (ii) the Monetary Authority so directs the Issuer to cancel such Distribution (in whole or in part) or applicable Hong Kong banking regulations or other requirements of the Monetary Authority prevent the payment in full of dividends or other distributions when due on Parity Obligations,

(each a "**Mandatory Distribution Cancellation Event**").

The Issuer shall have no obligation to pay a Distribution on any Distribution Payment Date if such non-payment is in accordance with this Condition 6B(b) and any failure to pay such Distribution shall not constitute an Event of Default. Distributions are non-cumulative and any Distribution which is cancelled shall therefore not be payable at any time thereafter whether in a Winding-Up or otherwise.

(c) *Distributable Reserves*

Any Distribution may only be paid out of Distributable Reserves.

(d) *Dividend Stopper*

If, on any Distribution Payment Date, payment of Distribution scheduled to be paid is not made in full by reason of this Condition 6B, the Issuer shall not:

- (i) declare or pay in cash any distribution or dividend or make any other payment in cash on, and will procure that no distribution or dividend in cash or other payment in cash is made on, any Shares; or
- (ii) purchase, cancel or otherwise acquire any Shares or permit any of its Subsidiaries to do so,

in each case, unless or until the earlier of: (A) the Distribution scheduled to be paid on any subsequent Distribution Payment Date (which, for the avoidance of doubt, shall exclude any Distribution that has been cancelled in accordance with these Conditions prior to such subsequent Distribution Payment Date) has been paid in full (I) to Securityholders or (II) irrevocably to a designated third party trust account for the benefit of the Securityholders pending payment by the trustee thereof to the Securityholders on such subsequent Distribution Payment Date, or (B) the redemption or purchase and cancellation of the Capital Securities in full, or reduction of the principal amount of the Capital Securities to zero, or (C) the Issuer is permitted to do so by an Extraordinary Resolution.

(e) *No Default*

Notwithstanding any other provision in these Conditions, the cancellation or non-payment of any Distribution in accordance with this Condition 6B shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 11.2A) on the part of the Issuer.

6C **NON-VIABILITY LOSS ABSORPTION**

If a Non-Viability Event occurs and is continuing, the Issuer shall, upon the provision of a Non-Viability Event Notice, irrevocably (without the need for the consent of the Securityholders of the Capital Securities) reduce the then outstanding principal amount of, and cancel any accrued but unpaid Distribution in respect of, each Capital Security (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount per Capital Security (such reduction and cancellation, and the reduction and cancellation of any other Subordinated Capital Securities so reduced and cancelled 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 notice of a Non-Viability Event, unless otherwise directed by the Monetary Authority, the Issuer shall procure that a similar notice be given in respect of other loss absorbing regulatory capital instruments in accordance with their terms.

For the avoidance of doubt, any Write-off pursuant to this provision will not constitute an Event of Default under the Capital Securities.

The Capital Securities may be subject to one or more Write-offs in part (as the case may be), except where the Capital Securities have been Written-off in its entirety. Any references in the Conditions to principal in respect of the Capital Securities shall thereafter refer to the outstanding principal amount of the Capital Securities reduced by any applicable Write-off(s).

Once the outstanding principal amount of, and any accrued but unpaid Distribution under, the Capital Securities 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 Securityholder may exercise, claim or plead any right to any amount that has been Written-off, and each Securityholder shall, by virtue of his holding of any Capital Securities, be deemed to have waived all such rights to such amount that has been Written-off.

For the purposes of this Condition 6C:

"**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.

"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 Securityholders of the Capital Securities, the Trustee and the Paying Agents, in accordance with the Conditions and which shall state:

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

"Non-Viability Event Write-off Amount" means the amount of distribution, interest and/or principal 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 Capital Securities 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) 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 Capital Security will be calculated based on a percentage of the outstanding principal amount of that Capital Security.

"Subordinated Capital Security" means any Junior Obligations, Parity Obligations or Tier 2 Capital Securities 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.

6D HONG KONG RESOLUTION AUTHORITY POWER

Notwithstanding any other term of the Capital Securities, including without limitation Condition 6C, or any other agreement or arrangement, each Securityholder 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 Capital Securities being written off, cancelled, converted or modified, or to having the form of the Capital Securities 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 Distributions on, the Capital Securities;
- (b) the conversion of all or a part of the outstanding principal amount of, or Distributions on, the Capital Securities 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 Capital Securities; and
- (c) the amendment or alteration of the maturity of the Capital Securities or amendment or alteration of the amount of Distributions payable on the Capital Securities, or the date on which the Distributions become 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 Distributions shall include payments of principal and Distributions that have become due and payable (including principal that has become due and payable), but which have not been paid, prior to the exercise of any Hong Kong Resolution Authority Power. The rights of the Securityholders and the Trustee under the Capital Securities 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 Capital Securities or payment of Distributions on the Capital Securities 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 Capital Securities, the Issuer shall provide a written notice not more than two Hong Kong Business Days after the occurrence of such exercise regarding such exercise of the Hong Kong Resolution Authority Power to the Securityholders in accordance with Condition 15.

Neither the reduction or cancellation, in part or in full, of the outstanding principal amount of, or Distributions on the Capital Securities, the conversion thereof into another share, security or 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 Capital Securities shall constitute an Event of Default under Condition 11.2A.

The Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the "Ordinance") was passed by the Legislative Council of Hong Kong and published in the gazette of the Hong Kong Special Administrative Region Government (the "HKSAR Government") in June 2016. The Ordinance became effective on 7 July 2017 and all licensed banks in Hong Kong are subject to the Ordinance.

For the purposes of these Conditions:

"Group" means the Issuer and its Subsidiaries taken as a whole.

"Hong Kong Resolution Authority Power" means any power which may exist from time to time under the Ordinance relating to 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.

"relevant Hong Kong Resolution Authority" means any authority with the ability to exercise a Hong Kong Resolution Authority Power in relation to the Issuer.

"Subsidiary" means any company (i) in which the Issuer holds a majority of the voting rights, (ii) of which the Issuer is a member and has the right to appoint or remove a majority of the Directors, (iii) of which the Issuer is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of the Issuer from time to time or (iv) whose affairs are for the time being required to be fully consolidated in the consolidated accounts of the Issuer.

7. PAYMENTS

7.1 Method of payment

Condition 7.1 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

Payments in U.S. dollars will be made by credit or transfer to an account in U.S. dollar maintained by the payee with a bank in the New York City.

7.2 **Presentation of Definitive Bearer Notes, Receipts and Coupons**

Condition 7.2 of the Terms and Conditions of the Notes does not apply to the Capital Securities.

7.3 **Payments in respect of Bearer Global Notes**

Condition 7.3 of the Terms and Conditions of the Notes does not apply to the Capital Securities.

7.4 **Payments in respect of Definitive Registered Notes and Registered Global Note**

Condition 7.4 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

Payments of principal in respect of each Definitive Registered Note and each Registered Global Note will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Definitive Registered Note or Registered Global Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Capital Security appearing in the register of holders of the Capital Securities in registered form maintained by the Registrar (the "**Register**") (i) where in global form, at the close of the business day (being for this purpose, a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, "**Designated Account**" means the account maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means a bank in the New York City.

Payments of Distribution in respect of each Definitive Registered Note and each Registered Global Note will be made on the relevant due date to the Designated Account of the holder (or the first named of joint holders) of the Capital Security in registered form appearing in the Register (i) where in global form, at the close of the business day (being for this purpose, a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the "**Record Date**") at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of Distribution in respect of a Capital Security in registered form, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of Distribution (other than Distribution due on redemption) in respect of the Capital Securities in registered form which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the Distribution due in respect of each Capital Security in registered form on redemption will be made in the same manner as payment of the principal amount of such Capital Security.

No commissions or expenses shall be charged to such holder by the Registrar in respect of any payments of principal or Distribution in respect of Capital Securities in registered form.

None of the Issuer, the Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.5 **General Provisions Applicable to Payments**

Condition 7.5 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

The holder of a Capital Security represented by a global note ("**Global Note**") shall be the only person(s) entitled to receive payments in respect of Capital Securities represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, as the beneficial holder of a particular nominal amount of Capital Securities represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

7.6 **Payment Day**

Condition 7.6 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

If the date for payment of any amount in respect of any Capital Security is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further Distribution or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 10) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) in the case of Capital Securities in definitive form only the relevant place of presentation;
 - (ii) London; and
- (b) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the New York City.

7.7 **Interpretation of Principal and Interest**

Condition 7.7 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

7.8 **Payments Subject to Fiscal and Other Laws**

Payments will be subject in all cases, to (i) any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 9, 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 9) any law implementing an intergovernmental approach thereto.

8. **REDEMPTION AND PURCHASE**

8.1 **Redemption at Maturity**

Condition 8.1 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Condition 8.1A shall be inserted after Condition 8.1:

8.1A *No Fixed Redemption Date*

The Capital Securities are perpetual securities in respect of which there is no fixed redemption date. The Capital Securities may not be redeemed at the option of the Issuer other than in accordance with this Condition.

8.2 **Redemption for Tax Reasons**

Condition 8.2 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

Subject to Condition 8.12A, the Capital Securities 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 15, the Securityholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that (a) on the occasion of the next payment due under the Capital Securities, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 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 having the power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which an agreement is reached to issue the Capital

Securities and such change or amendment was not foreseeable at the time of such agreement and (b) such obligation 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 Capital Securities then due.

Prior to giving any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee (i) a certificate signed by two Directors of the Issuer stating that the requirement referred to in (a) above will apply on the next Distribution 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 8.12A; and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Securityholders.

Capital Securities redeemed pursuant to this Condition 8.2 will be redeemed at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 6C.

The following Condition 8.2A shall be inserted after Condition 8.2:

8.2A *Redemption for Tax Deduction Reasons*

Subject to Condition 8.12A, the Capital Securities 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, the Principal Paying Agent and the Registrar, and, in accordance with Condition 15, the Securityholders (which notice shall be irrevocable, subject to Condition 6C, and shall specify the date fixed for redemption), following the occurrence of a Tax Deduction Event.

For the purposes of this Condition 8.2A, a Tax Deduction Event occurs if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) in respect of the Distribution payable on the Capital Securities, 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 the date on which an agreement is reached to issue the Capital Securities and such change or amendment was not foreseeable at the time of such agreement; and
- (b) such non tax deductibility cannot be avoided by the Issuer taking reasonable measures available to it, **provided that:** (i) the Conditions for Redemption set out in Condition 8.12A have been satisfied and (ii) 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 Distribution payable on the Capital Securities as provided in paragraph (a) 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 the date on which an agreement is reached to issue the Capital Securities.

Prior to the publication of any notice of redemption pursuant to this Condition 8.2A, the Issuer shall deliver to the Trustee (i) a certificate signed by two Directors 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 so 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 8.12A and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Securityholders.

Capital Securities redeemed pursuant to this Condition 8.2A will be redeemed at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 6C.

8.3 Redemption of the Undated and/or Dated Subordinated Notes for Regulatory Reasons

Condition 8.3 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Condition 8.3A shall be inserted after Condition 8.3:

8.3A Redemption of the Capital Securities for Regulatory Reasons

Subject to Condition 8.12A, the Capital Securities 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 15, the Securityholders (which notice shall be irrevocable) following the occurrence of a Capital Event.

For the purposes of this Condition 8.3A, a "**Capital Event**" occurs if the Issuer satisfies the Trustee immediately before the giving of the notice of redemption referred in this Condition 8.3A that (a) the Capital Securities, after having qualified as such, will no longer qualify (in whole or in part) as Additional Tier 1 capital (or equivalent) of the Issuer and/or (b) the Capital Securities 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 any supervisory guidelines issued by the Monetary Authority in relation thereto and such change or amendment was not foreseeable at the time of the issuance of the Capital Securities, **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 8.3A, the Issuer shall deliver to the Trustee (i) a certificate signed by two Directors 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 to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Securityholders.

Capital Securities redeemed pursuant to this Condition 8.3A will be redeemed at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 6C.

8.4 Redemption at the Option of the Issuer (Issuer Call)

Condition 8.4 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

Subject to Condition 8.12A, the Issuer may, having given:

- (a) not less than 15 nor more than 45 days' notice to the Securityholders in accordance with Condition 15; and
- (b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Trustee and 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 Capital Securities then outstanding on the First Call Date or any Distribution Payment Date thereafter, at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 6C.

For the avoidance of doubt, the Issuer does not provide any undertaking that it will call the Capital Securities at any time.

8.5 **Redemption at the option of the Noteholders other than holders of Undated Subordinated Notes (Investor Put)**

Condition 8.5 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

8.6 **Early Redemption Amounts**

Condition 8.6 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

8.7 **Instalments**

Condition 8.7 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

8.8 **Partly Paid Notes**

Condition 8.8 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

8.9 **Purchases**

Condition 8.9 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

8.10 **Cancellation**

Condition 8.10 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

8.11 **Late payment on Zero Coupon Notes**

Condition 8.11 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

8.12 **Conditions for Redemption and Purchase in respect of Subordinated Notes**

Condition 8.12 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Condition 8.12A shall be inserted after Condition 8.12:

8.12A *Conditions for Redemption and Purchase in respect of the Capital Securities*

Notwithstanding any other provision in these Conditions, the Issuer shall not redeem any of the Capital Securities (other than pursuant to Condition 11.2A) and the Issuer or any of its Subsidiaries shall not purchase any of the Capital Securities unless the prior written consent of the Monetary Authority thereto shall have been obtained, **provided however, that** if from time to time the consent of the Monetary Authority is not a requirement of any such Capital Securities to constitute Additional Tier 1 capital (or equivalent) of the Issuer for the purposes of, and as defined in, 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, then the condition to the redemption or purchase and cancellation of the relevant Capital Securities set out in this Condition 8.12A shall not apply for so long as such consent is not required.

For the avoidance of doubt, this provision shall not apply to the Issuer or any of its Subsidiaries holding the Capital Securities in a purely nominee capacity.

9. TAXATION

Condition 9 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

All payments of principal and Distribution in respect of the Capital Securities by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Capital Securities after such withholding or deduction shall equal the respective amounts of principal and Distribution which would otherwise have been receivable in respect of the Capital Securities in the absence of the withholding or deduction; except that no such additional amounts shall be payable with respect to any Capital Security:

- (a) to, or to a person on behalf of, a holder who is liable to the Taxes in respect of such Capital Security by reason of his having some connection with Hong Kong other than the mere holding of such Capital Security; or
- (b) 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 a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a business day.

As used in these Conditions, "**Relevant Date**" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent, the Trustee or the Registrar on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect is duly given to the Securityholders by the Issuer in accordance with Condition 15.

10. PRESCRIPTION

Condition 10 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

Claims against the Issuer for payment in respect of the Capital Securities will become void unless made within a period of 10 years (in the case of principal) and five years (in the case of Distribution) after the Relevant Date (as defined in Condition 9) therefor.

11. EVENTS OF DEFAULT AND ENFORCEMENT

11.1 Events of Default relating to Senior Notes

Condition 11.1 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

11.2 Events of Default relating to Subordinated Notes

Condition 11.2 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Condition 11.2A shall be inserted after Condition 11.2:

11.2A Events of Default and Winding-Up Proceedings

If default is made in the payment of any amount of principal or Distribution in respect of the Capital Securities 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 Distribution (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 principal amount of the outstanding Capital Securities or if so directed by an Extraordinary Resolution (as defined in the Trust Deed), shall (subject to the Trustee having been indemnified and/or provided with security and/or put in funds to its satisfaction) institute a Winding-Up Proceeding against the Issuer. For the avoidance of doubt, no Distribution will be due and

payable if such Distribution has been cancelled or is deemed cancelled (in each case, in whole or in part) in accordance with these Conditions. Accordingly, no default in payment under the Capital Securities will have occurred or be deemed to have occurred for the non-payment of any Distribution that has been so cancelled or deemed cancelled.

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 principal amount of the outstanding Capital Securities or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or put in funds to its satisfaction) give written notice to the Issuer declaring the Capital Securities to be immediately due and payable, whereupon they shall become immediately due and payable at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of actual payment, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 6C, without further action or formality.

In these Conditions:

"Winding-Up Proceedings" shall mean, with respect to the Issuer, proceedings in Hong Kong in respect of the Issuer for the liquidation, winding-up or other similar proceeding of the Issuer.

11.3 Enforcement

Condition 11.3 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

- (a) Without prejudice to Condition 11.2A, the Trustee may at any time and if the Issuer fails to perform, observe or comply with any obligation, condition or provision relating to the Capital Securities binding on it under these Conditions or the Trust Deed (other than any obligation of the Issuer for the payment of any principal or Distributions in respect of the Capital Securities), subject as provided below, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce such obligation, condition or provision **provided that** the Issuer shall not as a consequence of such proceedings be obliged to pay any sum or sums representing or measured by reference to principal or Distributions in respect of the Capital Securities sooner than the same would otherwise have been payable by it.
- (b) The Trustee shall not be bound to take action as referred to in Conditions 11.2A and 11.3(a) or any other action under these Conditions or the Trust Deed unless (i) it shall have been so requested in writing by Securityholders holding at least 25 per cent. in principal amount of the Capital Securities then outstanding or if so directed by an Extraordinary Resolution of the Securityholders and (ii) it shall have been indemnified and/or secured and/or put in funds to its satisfaction. No Securityholder 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.
- (c) 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 11.2A and Conditions 11.3(a) and (b) above or submitting a claim in the Winding-Up of the Issuer will be available to the Trustee or the Securityholders.
- (d) No Securityholder 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 Securityholder may, on giving an indemnity 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.

12. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Condition 12 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Condition 12A shall be inserted after Condition 12:

12A REPLACEMENT OF CAPITAL SECURITIES

Should any Certificate be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar or the Transfer Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13. PRINCIPAL PAYING AGENT, REGISTRAR, PAYING AND TRANSFER AGENTS

Condition 13 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

The names of the initial Principal Paying Agent, the other initial Paying Agents, the initial Registrar and the other initial Transfer Agents and their initial specified offices are set out in the Agency Agreement.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent, Registrar or Transfer Agent and/or appoint additional or other Paying Agents, Registrars or Transfer Agents and/or approve any change in the specified office through any of the same acts, **provided that:**

- (a) there will at all times be a Principal Paying Agent and a Registrar; and
- (b) so long as the Capital Securities are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Registrar and Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority.

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Securityholders in accordance with Condition 15.

In acting under the Agency Agreement, the Principal Paying Agent, the Paying Agents, the Registrar or the Transfer Agent act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency with, any Securityholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

14. EXCHANGE OF TALONS

Condition 14 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

15. NOTICES

Condition 15 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

All notices regarding the Capital Securities will be deemed to be validly given if (a) sent by first class mail or (if posted to an address overseas) by airmail to the Securityholders (or the first named of joint Securityholders) at their respective addresses recorded in the Register and will be deemed to have been given on the third day after mailing and (b) if and for so long as the Capital Securities are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Capital Securities are issued, there may, so long as any Global Notes representing the Capital Securities are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the Securityholders of the Capital Securities and, in addition, for so long as any Capital Securities are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required

by those rules. Any such notice shall be deemed to have been given to the Securityholder of the Capital Securities on the first day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Securityholder shall be in writing and given by lodging the same, together (in the case of any Capital Security in definitive form) with the relative Capital Security or Capital Securities, with the Principal Paying Agent (in the case of Capital Securities in bearer form) or the Registrar (in the case of Capital Securities in registered form). Whilst any of the Capital Securities are represented by a Global Note, such notice may be given by any Securityholder of a Capital Security to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

16. MEETINGS OF NOTEHOLDERS, MODIFICATIONS AND CONSOLIDATIONS

Condition 16 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Condition 16A shall be inserted after Condition 16:

16A MEETINGS OF SECURITYHOLDERS, MODIFICATIONS AND CONSOLIDATIONS

16A.1 Meetings of Securityholders

The Trust Deed contains provisions for convening meetings of the Securityholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Capital Securities or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or Securityholders holding not less than 10 per cent. in nominal amount of the Capital Securities for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than 50 per cent. in principal amount of the Capital Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Securityholders whatever the nominal amount of the Capital Securities so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Capital Securities or the Trust Deed (including modifying or any date for payment of Distribution thereon, reducing or cancelling the amount of principal or Distribution Rate in respect of the Capital Securities or altering the currency of payment of the Capital Securities) the quorum shall be one or more persons holding or representing not less than two-thirds in principal amount of the Capital Securities for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in principal amount of the Capital Securities for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Securityholders shall be binding on all the Securityholders, whether or not they are present at the meeting.

16A.2 Modifications and Waivers

The Trustee may agree, without the consent of the Securityholders to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Capital Securities or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Notification Event (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Securityholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven or to comply with mandatory provisions of law. Any such modification shall be binding on the Securityholders and any such modification shall be notified to the Securityholders in accordance with Condition 15 as soon as practicable thereafter.

16A.3 Consolidation, Merger and Sale of Assets

The Issuer shall not consolidate with or merge into any other company or entity, and the Issuer may not, directly or indirectly, sell, convey, transfer or lease all or substantially all of its properties and assets to any company or other entity unless:

- (a) the company or other entity formed by or surviving such consolidation or merger or the person, company or other entity which acquires by conveyance or transfer, or which leases, all or

substantially all of the properties and assets of the Issuer shall expressly assume by way of a supplemental trust deed the due and punctual payment of the principal of, and Distribution on, the Capital Securities and the performance of the Capital Securities, the Trust Deed and the Agency Agreement on the part of the Issuer to be performed or observed;

- (b) immediately after giving effect to such transaction, no Event of Default with respect to the Capital Securities, and no event, which after notice or lapse of time, or both, would become an Event of Default with respect to the Capital Securities, shall have happened and be continuing;
- (c) the Issuer has delivered to the Trustee (in form and substance satisfactory to the Trustee) (i) a certificate signed by two Directors of the Issuer and (ii) an opinion of independent legal advisers of recognised standing (acceptable to the Trustee) stating that such consolidation, merger, conveyance, transfer or lease and any such supplemental trust deed comply with this Condition 16A.3 and that all conditions precedent relating to such transaction have been complied with; and
- (d) immediately after giving effect to such consolidation, amalgamation or merger of the Issuer, no internationally recognised rating agency has in respect of the Capital Securities, issued any notice downgrading its credit rating for such Capital Securities or indicating that it intends to downgrade its credit rating for such Capital Securities.

16A.4 Exercise of Trustee's Powers etc

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Securityholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Securityholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Securityholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Securityholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Securityholders except to the extent already provided for in Condition 9 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

17. SUBSTITUTION

Condition 17 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

18. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER

18.1 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or put in funds to its satisfaction.

18.2 Trustee Contracting with the Issuer

Condition 18.2 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the Securityholders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Securityholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

19. **FURTHER ISSUES**

Condition 19 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

20. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

Condition 20 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

No person shall have any right to enforce any term or condition of this Capital Security under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

21. **GOVERNING LAW AND SUBMISSION TO JURISDICTION**

21.1 **Governing law**

Condition 21.1 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

The Trust Deed, the Capital Securities, and any non-contractual obligations arising out of or in connection with the Trust Deed, the Capital Securities are governed by, and shall be construed in accordance with, English law, except that the subordination provisions set out in Condition 3.3(a) and the first paragraph of Clause 7.2 of the Trust Deed shall be governed by, and construed in accordance with, the laws of Hong Kong.

21.2 **Submission to Jurisdiction**

Condition 21.2 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

- (a) Subject to Condition 21.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Capital Securities, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Capital Securities (a "**Dispute**") and all Disputes will be submitted to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition 21.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) This Condition 21.2(c) is for the benefit of the Trustee, the Securityholders only. To the extent allowed by law, the Trustee, the Securityholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

21.3 **Appointment of Process Agent**

The Issuer irrevocably appoints Hackwood Secretaries Limited at its specified office for the time being as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of Hackwood Secretaries Limited being unable or unwilling for any reason so to act, it will immediately appoint another person approved by the Trustee as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

TAXATION

The sub-section headed "Taxation — Hong Kong — Stamp Duty" on page 151 of the Offering Circular shall be deleted in its entirety and replaced with the following:

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes **provided that** either:

- (i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the "SDO")).

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes **provided that** either:

- (i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Registered Notes constitute loan capital (as defined in the SDO).

Notwithstanding the above, no stamp duty is payable on the transfer of a regulatory capital security (as defined in Section 17A of the IRO).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.26 per cent. (of which 0.13 per cent. is payable by the seller and 0.13 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK\$5.00 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

GENERAL INFORMATION

The section headed “General Information” on pages 162 to 164 of the Offering Circular shall be deleted in its entirety and replaced with the following:

Authorisation

The issue of the Capital Securities was approved by the resolutions of the Board of Directors of the Issuer passed on 22 March 2022.

Listing

Application will be made to the SEHK for the listing of the Capital Securities by way of debt issues to Professional Investors only. The issue price of the Capital Securities listed on the SEHK will be expressed as a percentage of the nominal amount of the Capital Securities. It is expected that dealings will, if permission is granted to deal in and for the listing of the Capital Securities, commence on or about the date of listing of the Capital Securities.

NDRC approval

The Capital Securities will be issued in accordance with the requirements under the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (关于推进企业发行外债备案登记制管理改革的通知(发改外资 [2015] 2044 号)) (the “**NDRC Circular**”) issued by the National Development and Reform Commission of the People’s Republic of China (the “**NDRC**”) and the annual applicable foreign debt quota granted by the NDRC to CITIC Group Corporation and its subsidiaries.

The Bank is able to rely on such annual foreign debt quota granted by the NDRC and is not required to make any pre-issuance registration of the Capital Securities with the NDRC, however, the Bank will be required to make a post-issuance filing with the NDRC within the prescribed time following issuance of the Capital Securities.

Clearing systems

The Capital Securities have been accepted for clearance through Euroclear and Clearstream. The ISIN and Common Code for the Capital Securities are XS2461766805 and 246176680 respectively.

No significant change

Save as disclosed in this Supplement (read together with the Offering Circular), there has been no significant change in the financial or trading position of the Bank since 31 December 2021 and there has been no material adverse change in the financial position or prospects of the Bank since 31 December 2021.

Litigation

Save as disclosed in this Supplement (read together with the Offering Circular), the Issuer is not involved in any legal proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this Supplement a significant effect on the financial position of the Issuer.

Auditor

The auditor of the Issuer is, for the years ended 31 December 2020 and 2021, PricewaterhouseCoopers (Certified Public Accountants).

The Trust Deed provides that the Trustee may rely on certificates or reports from the Auditors (as defined in the Trust Deed) or any other person in accordance with the provisions of the Trust Deed as sufficient evidence of the facts stated

therein whether or not called for by or addressed to the Trustee and whether or not any such certificate or report or engagement letter or other document entered into by the Trustee and the Auditors or such other person in connection therewith contains a monetary or other limit on the liability of the Auditors or such other person. However, the Trustee will have no recourse to the Auditors or such other person in respect of such certificates or reports unless the Auditors or such other person have agreed to address such certificates or reports to the Trustee.

Documents

So long as the Capital Securities are outstanding, copies of the following documents will, when published, be available from the registered office of the Issuer and from the specified office of the Principal Paying Agent for the time being in Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom:

- (a) the constitutional documents of the Issuer;
- (b) the audited consolidated financial statements of the Issuer for the year ended 31 December 2021;
- (c) the most recent annual audited consolidated financial statements of the Issuer and the most recently published unaudited interim consolidated financial statements of the Issuer (if any);
- (d) the Programme Agreement, the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (e) the Pricing Supplement in relation to the Capital Securities; and
- (f) a copy of the Offering Circular together with this Supplement and any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements to the Offering Circular and any other documents incorporated herein or therein by reference.

Legal Entity Identifier

The legal entity identifier of the Issuer is 54930034UPFJV0NHXV95.

FORM OF PRICING SUPPLEMENT

13 April 2022

Application will be made to The Stock Exchange of Hong Kong Limited (“SEHK”) for the listing of the Capital Securities 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 Capital Securities are intended for purchase by Professional Investors only and will be listed on the SEHK on that basis. Accordingly, the Issuer confirms that the Capital Securities are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The SEHK has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Capital Securities on the SEHK is not to be taken as an indication of the commercial merits or credit quality of the Capital Securities or the Issuer or the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this document, 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 document.

This document 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. The Issuer accepts full responsibility for the accuracy of the information contained in this document 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.

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore - 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"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Capital Securities are prescribed capital markets 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 Recommendation on Investment Products).

PRIIPs REGULATION - PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Capital Securities 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 Directive 2014/65/EU (as amended, "EU MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended the "PRIIPs Regulation") for offering or selling the Capital Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Capital Securities 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 Capital Securities 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 United Kingdom (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 ("EUWA"); or (ii) a customer within the meaning of the provisions of and any rules or regulations made under the Financial Services and Markets Act 2000 ("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 Capital Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

CHINA CITIC BANK INTERNATIONAL LIMITED 中信銀行（國際）有限公司

Issue of U.S.\$600,000,000 4.80 per cent. Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities (the "Capital Securities")

under the U.S.\$3,000,000,000
Medium Term Note Programme

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the offering circular dated 10 June 2021 (the "**Original Offering Circular**"), the supplemental offering circular dated 13 April 2022 (the "**Supplemental Offering Circular**", and together with the Original Offering Circular, the "**Offering Circular**"). This document constitutes the Pricing Supplement relating to the issue of Capital Securities described herein. The detailed terms and conditions of the Capital Securities are set out in the Schedule hereto and form part of the Pricing Supplement.

This Pricing Supplement contains the final terms of the Capital Securities and must be read in conjunction with the Offering Circular and the Schedule hereto. In particular, investors in the Capital Securities should read the section titled "Investment Considerations" contained in the Original Offering Circular and the Supplemental Offering Circular, including but not limited to the risk factors titled "The Issuer's obligations under the Capital Securities are subordinated", "The terms of the Capital Securities contain non-viability loss absorption and bail-in provisions", "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" and "The operation of the resolution regime in Hong Kong may override the contractual terms of the Capital Securities", which apply to the issue of Capital Securities described herein.

1. Issuer: China CITIC Bank International Limited 中信銀行（國際）有限公司
2. (a) Series Number: 13
(b) Tranche Number: 001
3. Issue Date: 22 April 2022
4. Gross Proceeds: U.S.\$600,000,000
5. (a) Status of the Capital Securities: Subordinated
(b) Qualification of the Capital Securities: The Capital Securities are intended to qualify as Additional Tier 1 capital under the Capital Regulations
(c) Date of Board approval for issuance of the Capital Securities obtained: 22 March 2022
(d) Date of regulatory approval for issuance of the Capital Securities obtained: NDRC approval dated 14 January 2022
6. Listing: SEHK. It is expected that dealing in, and listing of, the Capital Securities on the SEHK will commence on or about 25 April 2022
7. U.S. Selling Restrictions: Reg. S Category 2; TEFRA not applicable
8. Prohibition of Sales to EEA Retail Investors: Applicable
9. Prohibition of Sales to UK Investors: Applicable

10. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): Not Applicable
11. Delivery: Delivery against payment
12. (a) If syndicated, names of Managers: *Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers:*
- China CITIC Bank International Limited
Citigroup Global Markets Limited
CNCB (Hong Kong) Capital Limited
CLSA Limited
ABCI Capital Limited
Bank of Communications Co., Ltd. Hong Kong Branch
The Bank of East Asia, Limited
BNP Paribas
BOCOM International Securities Limited
CCB International Capital Limited
China Construction Bank (Asia) Corporation 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
China Minsheng Banking Corp., Ltd., Hong Kong Branch
China Securities (International) Corporate Finance Company Limited
Chiyu Banking Corporation Limited
Chong Hing Bank Limited
CMB International Capital Limited
CMB Wing Lung Bank Limited
CMBC Securities Company Limited
CSFG International Securities Limited
GF Securities (Hong Kong) Brokerage Limited
Haitong International Securities Company Limited
Huatai Financial Holdings (Hong Kong) Limited
ICBC International Securities Limited
Industrial Bank Co., Ltd. Hong Kong Branch
Mizuho Securities Asia Limited
Nanyang Commercial Bank, Limited
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch
SMBC Nikko Securities (Hong Kong) Limited
SPDB International Capital Limited
UBS AG Hong Kong Branch
- (together, the "**Managers**")
- (b) Stabilisation Manager(s) (if any): Any one of the Managers (other than China CITIC Bank International Limited)
13. Additional Paying Agent(s) (if any): Not Applicable
- ISIN: XS2461766805

	Common Code:	246176680
14.	Ratings	The Capital Securities to be issued are expected to be rated "Ba2" by Moody's
15.	Legal Entity Identifier:	54930034UPFJV0NHXV95
16.	Private Bank Commission / Rebate:	The Issuer has agreed with the Managers that the Issuer will pay a commission to certain private banks in connection with the distribution of the Capital Securities to their clients. This commission will be based on the principal amount of the Capital Securities so distributed, and may be deducted from the purchase price for the Capital Securities payable by such private banks upon settlement

LISTING APPLICATION

This Pricing Supplement comprises the pricing supplement required to list the issue of Capital Securities described herein pursuant to the U.S.\$3,000,000,000 Medium Term Note Programme of the Issuer.

MATERIAL ADVERSE CHANGE STATEMENT

Save as disclosed in the Offering Circular, there has been no significant change in the financial or trading position of the Issuer since 31 December 2021 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2021.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By:

Duly authorised

By:

Duly authorised

SCHEDULE

TERMS AND CONDITIONS OF THE CAPITAL SECURITIES

The text of the Terms and Conditions of the Capital Securities will be inserted in the Schedule of the Pricing Supplement

THE ISSUER

China CITIC Bank International Limited 中信銀行（國際）有限公司

61-65 Des Voeux Road Central
Hong Kong

TRUSTEE

Citibank, N.A., London Branch

c/o Floor 39, Champion Tower
Three Garden Road
Central
Hong Kong

PRINCIPAL PAYING AGENT AND AGENT BANK

Citibank, N.A., London Branch

c/o Ground Floor
1 North Wall Quay
Dublin 1, Ireland

REGISTRAR AND TRANSFER AGENT

Citigroup Global Markets Europe AG

Reuterweg 16
60323 Frankfurt
Germany

LEGAL ADVISERS

To the Issuer as to Hong Kong law and English law

Allen & Overy
9/F Three Exchange Square
Central, Hong Kong

*To the Joint Global Coordinators, the Joint
Bookrunners and the Joint Lead Managers as to
English law*

Clifford Chance
27/F, Jardine House
One Connaught Place
Central, Hong Kong

AUDITOR

PricewaterhouseCoopers

22/F, Prince's Building
Central
Hong Kong

APPENDIX 3 – PRICING SUPPLEMENT DATED 13 APRIL 2022

PRICING SUPPLEMENT

13 April 2022

Application will be made to The Stock Exchange of Hong Kong Limited ("SEHK") for the listing of the Capital Securities 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 Capital Securities are intended for purchase by Professional Investors only and will be listed on the SEHK on that basis. Accordingly, the Issuer confirms that the Capital Securities are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The SEHK has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Capital Securities on the SEHK is not to be taken as an indication of the commercial merits or credit quality of the Capital Securities or the Issuer or the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this document, 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 document.

This document 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. The Issuer accepts full responsibility for the accuracy of the information contained in this document 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.

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore - 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"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Capital Securities are prescribed capital markets 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 Recommendation on Investment Products).

PRIIPs REGULATION - PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Capital Securities 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 Directive 2014/65/EU (as amended, "EU MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended the "PRIIPs Regulation") for offering or selling the Capital Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Capital Securities 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 Capital Securities 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 United Kingdom (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 ("EUWA"); or (ii) a customer within the meaning of the provisions of and any rules or regulations made under the Financial Services and Markets Act 2000 ("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 Capital Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

CHINA CITIC BANK INTERNATIONAL LIMITED 中信銀行（國際）有限公司

Issue of U.S.\$600,000,000 4.80 per cent. Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities (the "Capital Securities")

under the U.S.\$3,000,000,000
Medium Term Note Programme

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the offering circular dated 10 June 2021 (the "**Original Offering Circular**"), the supplemental offering circular dated 13 April 2022 (the "**Supplemental Offering Circular**", and together with the Original Offering Circular, the "**Offering Circular**"). This document constitutes the Pricing Supplement relating to the issue of Capital Securities described herein. The detailed terms and conditions of the Capital Securities are set out in the Schedule hereto and form part of the Pricing Supplement.

This Pricing Supplement contains the final terms of the Capital Securities and must be read in conjunction with the Offering Circular and the Schedule hereto. In particular, investors in the Capital Securities should read the section titled "Investment Considerations" contained in the Original Offering Circular and the Supplemental Offering Circular, including but not limited to the risk factors titled "The Issuer's obligations under the Capital Securities are subordinated", "The terms of the Capital Securities contain non-viability loss absorption and bail-in provisions", "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" and "The operation of the resolution regime in Hong Kong may override the contractual terms of the Capital Securities", which apply to the issue of Capital Securities described herein.

- | | | |
|----|--|--|
| 1. | Issuer: | China CITIC Bank International Limited 中信銀行（國際）有限公司 |
| 2. | (a) Series Number: | 13 |
| | (b) Tranche Number: | 001 |
| 3. | Issue Date: | 22 April 2022 |
| 4. | Gross Proceeds: | U.S.\$600,000,000 |
| 5. | (a) Status of the Capital Securities: | Subordinated |
| | (b) Qualification of the Capital Securities: | The Capital Securities are intended to qualify as Additional Tier 1 capital under the Capital Regulations |
| | (c) Date of Board approval for issuance of the Capital Securities obtained: | 22 March 2022 |
| | (d) Date of regulatory approval for issuance of the Capital Securities obtained: | NDRC approval dated 14 January 2022 |
| 6. | Listing: | SEHK. It is expected that dealing in, and listing of, the Capital Securities on the SEHK will commence on or about 25 April 2022 |

7. U.S. Selling Restrictions: Reg. S Category 2; TEFRA not applicable
8. Prohibition of Sales to EEA Retail Investors: Applicable
9. Prohibition of Sales to UK Investors: Applicable
10. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): Not Applicable
11. Delivery: Delivery against payment
12. (a) If syndicated, names of Managers: *Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers:*
- China CITIC Bank International Limited
Citigroup Global Markets Limited
CNCB (Hong Kong) Capital Limited
CLSA Limited
ABCI Capital Limited
Bank of Communications Co., Ltd. Hong Kong Branch
The Bank of East Asia, Limited
BNP Paribas
BOCOM International Securities Limited
CCB International Capital Limited
China Construction Bank (Asia) Corporation 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
China Minsheng Banking Corp., Ltd., Hong Kong Branch
China Securities (International) Corporate Finance Company Limited
Chiyu Banking Corporation Limited
Chong Hing Bank Limited
CMB International Capital Limited
CMB Wing Lung Bank Limited
CMBC Securities Company Limited
CSFG International Securities Limited
GF Securities (Hong Kong) Brokerage Limited
Haitong International Securities Company Limited
Huatai Financial Holdings (Hong Kong) Limited
ICBC International Securities Limited
Industrial Bank Co., Ltd. Hong Kong Branch
Mizuho Securities Asia Limited
Nanyang Commercial Bank, Limited
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch
SMBC Nikko Securities (Hong Kong) Limited
SPDB International Capital Limited
UBS AG Hong Kong Branch
- (together, the "**Managers**")

- | | | |
|-----|--------------------------------------|---|
| (b) | Stabilisation Manager(s) (if any): | Any one of the Managers (other than China CITIC Bank International Limited) |
| 13. | Additional Paying Agent(s) (if any): | Not Applicable |
| | ISIN: | XS2461766805 |
| | Common Code: | 246176680 |
| 14. | Ratings | The Capital Securities to be issued are expected to be rated "Ba2" by Moody's |
| 15. | Legal Entity Identifier: | 54930034UPFJV0NHXV95 |
| 16. | Private Bank Commission / Rebate: | The Issuer has agreed with the Managers that the Issuer will pay a commission to certain private banks in connection with the distribution of the Capital Securities to their clients. This commission will be based on the principal amount of the Capital Securities so distributed, and may be deducted from the purchase price for the Capital Securities payable by such private banks upon settlement |

LISTING APPLICATION

This Pricing Supplement comprises the pricing supplement required to list the issue of Capital Securities described herein pursuant to the U.S.\$3,000,000,000 Medium Term Note Programme of the Issuer.

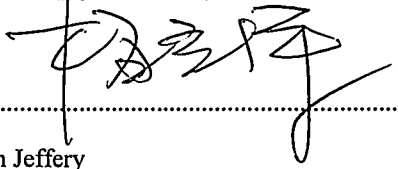
MATERIAL ADVERSE CHANGE STATEMENT

Save as disclosed in the Offering Circular, there has been no significant change in the financial or trading position of the Issuer since 31 December 2021 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2021.

RESPONSIBILITY

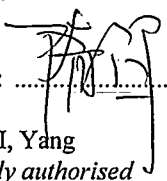
The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:



By:

BAI, Lijun Jeffery
Duly authorised



By:

SUI, Yang
Duly authorised

SCHEDULE

TERMS AND CONDITIONS OF THE CAPITAL SECURITIES

The following is the text of the Terms and Conditions of the Capital Securities (subject to completion and modification and excluding italicised text) will be endorsed on each of the Capital Securities in definitive form. The numbering and title of the following Terms and Conditions of the Capital Securities follow the numbering of the Terms and Conditions of the Notes as set out in the Offering Circular dated 10 June 2021.

The U.S.\$600,000,000 4.80 per cent. undated non-cumulative subordinated Additional Tier 1 capital securities (the "**Capital Securities**") of China CITIC Bank International Limited 中信銀行（國際）有限公司 (the "**Issuer**") are constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 30 November 2007 made between the Issuer and Citibank, N.A., London Branch (the "**Trustee**", which expression shall include any successor as Trustee).

The Capital Securities have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 30 November 2007 and made between the Issuer, the Trustee, Citibank, N.A., London Branch as issuing and principal paying agent and agent bank (the "**Principal Paying Agent**", which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents) and Citigroup Global Markets Europe AG as registrar (the "**Registrar**", which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents).

For the purposes of the Trust Deed, the Agency Agreement and the Global Certificate, these Capital Securities are "Undated Subordinated Notes".

Any reference to "**Securityholders**" or "**holders**" in relation to any Capital Securities shall mean the persons in whose name the Capital Securities are registered and shall, in relation to any Capital Securities represented by a Global Note, be construed as provided below.

The Trustee acts for the benefit of the Securityholders in accordance with the provisions of the Trust Deed.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee being at 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom and at the specified office of each of the Paying Agents. Copies of the Pricing Supplement are obtainable during normal business hours at the specified office of each of the Paying Agents. The Securityholders are deemed to have notice of, and are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the Pricing Supplement which are applicable to them. The statements in these Terms and Conditions ("**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed.

Words and expressions defined in the Trust Deed and the Agency Agreement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and **provided that**, in the event of inconsistency between the Trust Deed or the Agency Agreement and the Conditions, the Conditions will prevail. The terms and conditions of the Notes as set out in the Offering Circular dated 10 June 2021 shall be deemed to be replaced by these Conditions for the purposes of the Capital Securities.

1. **FORM, DENOMINATION AND TITLE**

Condition 1 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

1.1 **Form and Denomination**

The Capital Securities are issued in registered form in the denomination of U.S.\$250,000 each and integral multiples of U.S.\$1,000 in excess thereof (referred to as the "**principal amount**" of a Capital Security). The principal amount of a Capital Security is subject to adjustment following the occurrence of a Non-Viability Event (as defined in Condition 6C) in accordance with Condition

6C and references in the Conditions to the "**principal amount**" of a Capital Security shall mean the principal amount of a Capital Security as so adjusted. A certificate (each a "**Certificate**") will be issued to each Securityholder in respect of its registered holding of Capital Securities. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Securityholders which the Issuer will procure to be kept by the Registrar and at the office of the Issuer.

The Capital Securities are not issuable in bearer form.

1.2 **Title**

Title to the Capital Securities passes only by registration in the register of Securityholders. The Securityholder of any Capital Security will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Securityholder.

2. **TRANSFERS OF REGISTERED NOTES**

2.1 **Transfers of interests in Registered Global Note**

Condition 2.1 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

Transfers of beneficial interests in Capital Securities represented by a global note in registered form ("**Registered Global Note**") will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing system acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for definitive Capital Securities in registered form ("**Definitive Registered Notes**") or for a beneficial interest in another Registered Global Note only in the denomination set out in Condition 1.1 and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for Euroclear or Clearstream, Luxembourg shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of Euroclear or Clearstream, Luxembourg or to a successor if Euroclear or Clearstream, Luxembourg or such successor's nominee.

2.2 **Transfers of Definitive Registered Notes**

Condition 2.2 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

Subject as provided in Condition 2.5 below, upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the denomination set out in Condition 1.1). In order to effect any such transfer (i) the holder or holders must (A) surrender the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 3 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or

other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Definitive Registered Note in definitive form of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 **Registration of transfer upon partial redemption**

Condition 2.3 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

2.4 **Cost of Registration**

Condition 2.4 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

Securityholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

2.5 **Closed Periods**

Condition 2.5 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

No Securityholder may require the transfer of a Capital Security to be registered (i) during the period of 15 days prior to (and including) the due date of any payment of principal or Distributions in respect of the Capital Securities; (ii) during the period of seven days ending on (and including) any Record Date; and (iii) during a Suspension Period.

"Suspension Period" means the period commencing on the second Hong Kong Business Day (as defined in Condition 6B below) immediately following the date of a Non-Viability Event Notice and ending on the close of business in Hong Kong on the effective date of the related Write-off.

So long as the Capital Securities are represented by a Global Note and such Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system, "Suspension Period" shall mean the period commencing on the second Hong Kong Business Day immediately following the date on which a Non-Viability Event Notice is received by Euroclear and/or Clearstream, Luxembourg and ending at the close of business in Hong Kong on the effective date of the related Write-off.

2.6 **Exchanges and transfers of Definitive Registered Notes generally**

Holders of Definitive Registered Notes may exchange such Notes for interests in a Registered Global Note of the same type at any time.

3. **STATUS OF THE NOTES**

3.1 **Status of Senior Notes**

Condition 3.1 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

3.2 **Status of the Subordinated Notes**

Condition 3.2 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Conditions 3.3 and 3.4 shall be inserted after Condition 3.2:

3.3 Status of the Capital Securities

(a) *Provision relating to the Capital Securities*

The Capital Securities constitute direct, 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 Securityholders are subordinated in the manner described below.

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 of the Securityholders to payment of principal and Distributions on the Capital Securities and any other obligations in respect of the Capital Securities will rank (x) subordinate and junior in right of payment to, and of all claims of, (i) all unsubordinated creditors of the Issuer (including its depositors), (ii) creditors in respect of Tier 2 Capital Securities of the Issuer, and (iii) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Capital Securities or rank senior to the Capital Securities 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 Junior Obligations in the manner provided in the Trust Deed.

In the event of a Winding-Up that requires the Securityholders or the Trustee to provide evidence of their claim to principal or Distribution under the Capital Securities, such claims of the Securityholders will only be satisfied after all senior ranking obligations of the Issuer have been satisfied in whole. No amount may be claimed in respect of any Distribution that has been cancelled pursuant to a Mandatory Distribution Cancellation Event or an Optional Distribution Cancellation Event.

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 capital regulations applicable to the regulatory capital of Authorized Institutions in Hong Kong as published by the Monetary Authority.

"**Junior Obligation**" means the Shares, and any other class of the Issuer's share capital and any instrument or other obligation (including without limitation any preference share) issued or guaranteed by the Issuer that ranks or is expressed to rank junior to the Capital Securities 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 or any successor thereto.

"**Parity Obligation**" means any instrument or other obligation issued or entered into by the Issuer that constitutes or qualifies as Additional Tier 1 capital (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 Capital Securities by operation of law or contract.

"**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 Capital Securities.

"**Shares**" means the ordinary share capital of the Issuer.

"**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 the claims of 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 Securityholders of the Capital Securities. For this purpose indebtedness shall include all liabilities, whether actual or contingent.

"**Tier 2 Capital Securities**" means instruments categorised as Tier 2 capital pursuant to the Capital Regulations that rank or are expressed to rank senior to the Capital Securities by operation of law or contract.

"**Winding-Up**" means a final and effective order or resolution for the winding up, liquidation or similar proceedings in respect of the Issuer.

(b) *Set-off*

Subject to applicable law, no Securityholder 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 Capital Securities and each Securityholder shall, by virtue of being the Securityholder of any Capital Security be deemed to have waived all such rights of such set-off, counter-claim or retention.

In the event that any Securityholder nevertheless receives (whether by set-off or otherwise) directly in a Winding-Up Proceeding (as defined in Condition 11.2A) 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 Capital Securities, other than in accordance with this Condition 3.3, such Securityholder 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 Securityholder, by virtue of becoming a Securityholder of any Capital Security, 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.

3.4 **Qualification of the Capital Securities**

The Capital Securities are intended to qualify as Additional Tier 1 capital under the Capital Regulations.

4. **NEGATIVE PLEDGE (SENIOR NOTES ONLY)**

Condition 4 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Condition 4A shall be inserted after Condition 4:

4A **REPORTING COVENANTS**

In relation to the Capital Securities, the Issuer undertakes to file or cause to be filed with the National Development and Reform Commission of the PRC ("**NDRC**") the requisite information and documents within 10 PRC Business Days (as defined below) after the Issue Date in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (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) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**").

The Issuer shall complete or procure to be completed the NDRC Post-issue Filing within the prescribed timeframe and shall comply with all applicable PRC laws and regulations in connection with the Capital Securities.

For the purposes of this Condition:

"**PRC Business Day**" means a day on which commercial banks are open for business in the PRC.

5. **REDENOMINATION**

Condition 5 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

6. **INTEREST**

Condition 6 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Conditions 6A, 6B and 6C shall be inserted after Condition 6:

6A **DISTRIBUTION**

(a) *Non-Cumulative Distribution*

Subject to Condition 6B below, the Capital Securities confer a right to receive distributions (each a "**Distribution**") on the principal amount (subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 6C) from, and including, the Issue Date at the applicable Distribution Rate, payable semi-annually in arrear on 22 April and 22 October in each year (each a "**Distribution Payment Date**").

Distributions will not be cumulative and Distributions which are not paid in accordance with these Conditions will not accumulate or compound and Securityholders will have no right to receive such Distributions at any time, even if subsequent Distributions are paid in the future, or be entitled to any claim in respect thereof against the Issuer. Unless otherwise provided in these Conditions, each Capital Security will cease to confer the right to receive any Distribution from the due date for redemption unless, upon surrender of the Certificate representing such Capital Security, payment of principal is improperly withheld or refused. In such event Distribution shall continue to accrue at such rate (both before and after judgment) until whichever is the earlier of (a) the date on which all amounts due in respect of such Capital Security have been paid; and (b) five days after the date on which the full amount of moneys payable in respect of such Capital Security has been received by the Principal Paying Agent and notice to that effect has been given to the Securityholders in accordance with Condition 15.

No Securityholder shall have any claim in respect of any Distribution or part thereof cancelled and/or not due or payable pursuant to Condition 6A and Condition 6B below. Accordingly, such Distribution shall not accumulate for the benefit of the Securityholders or entitle the Securityholders to any claim in respect thereof against the Issuer.

(b) *Distribution Rate*

The rate of distribution (the "**Distribution Rate**") applicable to the Capital Securities shall be:

- (i) in respect of the period from, and including, the Issue Date to, but excluding, 22 April 2027 (the "**First Call Date**"), 4.80 per cent. per annum; and
- (ii) in respect of the period from, and including, the First Call Date and each Distribution Reset Date thereafter to, but excluding, the immediately following Distribution Reset Date, the Reset Distribution Rate.

For the purposes of these Conditions:

"**Auditors**" means the independent certified public accountants for the time being of the Issuer.

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

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

"Calculation Date" means, in relation to a Reset Distribution Period, the Calculation Business Day preceding the Distribution Reset Date on which such Reset Distribution Period commences.

"Comparable Treasury Issue" means the U.S. Treasury security selected by the Calculation Agent 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 any Calculation Date, the average of three Reference Treasury Dealer Quotations for such Calculation Date.

"Directors" means the Board of Directors from time to time of the Issuer and **"Director"** means any one of them.

"Distribution Determination Date" means the day falling two business days prior to a Distribution Payment Date.

"Distributable Reserves" means the amounts for the time being available to the Issuer for distribution as a distribution in compliance with section 297 of the Companies Ordinance (Cap. 622) of Hong Kong, as amended or modified from time to time, as at the Issuer's latest audited balance sheet, and subject to the Monetary Authority's then current Capital Regulations as applicable to the Issuer on the relevant Distribution Payment Date (the **"Available Amount"**); **provided that** if the Issuer reasonably determines that the Available Amount as at any Distribution Determination Date is lower than the Available Amount as at the date of the Issuer's latest audited balance sheet and is insufficient to pay the Distributions and any payments on Parity Obligations on the relevant Distribution Payment Date, then on certification by two Directors and the Auditors of such revised amount, the Distributable Reserves shall for the purposes of Distribution mean the Available Amount as set forth in such certificate.

As at the date hereof, pursuant to section 297(1) of the Companies Ordinance (Cap. 622) of Hong Kong, the Issuer may only make a distribution out of profits available for distribution. For the purposes of section 297 of the Companies Ordinance (Cap. 622) of Hong Kong, the Issuer's profits available for distribution are its accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated, realised losses, so far as not previously written off in a reduction or reorganisation of capital.

"Distribution Reset Date" means the First Call Date and each anniversary falling five years thereafter.

"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 any 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 Calculation Agent by such Reference Treasury Dealer at 10.00 p.m. New York City time, on such Calculation Date.

"Reset Distribution Period" means the period from, and including, a Distribution Reset Date to, but excluding, the immediately following Distribution Reset Date.

"Reset Distribution Rate" means, in relation to a Reset Distribution Period, 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 2.104 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 Securityholders equal to the yield on U.S. Treasury securities having a maturity of five years as is displayed on Bloomberg page "**PX1**" (or any successor page or service displaying yields on U.S. Treasury securities as agreed between the Issuer and the Calculation Agent) at 6 p.m. (New York time) on the Calculation Date. If such page (or any successor page or service) does not display the relevant yield at 6 p.m. (New York time) on the Calculation Date, "**U.S. Treasury Rate**" shall mean the rate in percentage per annum equal to the semi-annual equivalent 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. The U.S. Treasury Rate will be calculated on the relevant Calculation Date.

(c) *Calculation of Distribution and Relevant Reset Distribution Rate*

The Calculation Agent will calculate the amount of Distribution in respect of any period by applying the applicable Distribution Rate to the Calculation Amount. If Distribution is required to be paid in respect of a Capital Security on any date other than the Distribution Payment Date, it shall be calculated by applying the applicable Distribution 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 Capital Security 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 12 30-day months).

The Calculation Agent will, on the Calculation Date prior to each Distribution Reset Date, calculate the applicable Reset Distribution Rate payable in respect of each Capital Security. The Calculation Agent will cause the Distribution and applicable Reset Distribution 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 6A by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Principal Paying Agent and the Securityholders and (subject as aforesaid) 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.

(d) *Publication of Relevant Reset Distribution Rate*

The Issuer shall cause notice of the then applicable Reset Distribution Rate to be notified to the Securityholders as soon as practicable in accordance with Condition 15 after determination thereof.

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

If the Calculation Agent does not at any time for any reason so determine the applicable Reset Distribution 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 6A, 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.

6B DISTRIBUTION RESTRICTIONS

(a) *Optional Distribution Cancellation Event*

Unless a Distribution has already been cancelled in full pursuant to a Mandatory Distribution Cancellation Event, prior to any Distribution Payment Date the Issuer may, at its sole discretion, elect to cancel any payment of Distribution, in whole or in part, by giving a notice signed by two Directors of the Issuer, which shall be conclusive and binding on the Securityholders (such notice, a "**Distribution Cancellation Notice**") of such election to the Securityholders in accordance with Condition 15, and to the Trustee and the Agents at least 10 Hong Kong Business Days prior to the relevant Distribution Payment Date. The Issuer shall have no obligation to pay any Distribution on any Distribution Payment Date if it validly elects not to do so in accordance with this Condition 6B and any failure to pay such Distribution shall not constitute an Event of Default. Distributions are non-cumulative and any Distribution that is cancelled shall therefore not be payable at any time thereafter, whether in a Winding-Up or otherwise.

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

(b) *Mandatory Distribution Cancellation Event*

Notwithstanding that a Distribution Cancellation Notice has not been given, the Issuer will not be obliged to pay, and will not pay, any Distribution on the applicable Distribution Payment Date, in whole or in part, as applicable, if and to the extent that:

- (i) the Distribution scheduled to be paid together with any dividends, distributions or other payments scheduled to be paid or made during the Issuer's then current fiscal year on any Parity Obligations or any instruments which effectively rank *pari passu* with any Parity Obligations shall exceed the Distributable Reserves as at such Distribution Determination Date; or
- (ii) the Monetary Authority so directs the Issuer to cancel such Distribution (in whole or in part) or applicable Hong Kong banking regulations or other requirements of the Monetary Authority prevent the payment in full of dividends or other distributions when due on Parity Obligations,

(each a "**Mandatory Distribution Cancellation Event**").

The Issuer shall have no obligation to pay a Distribution on any Distribution Payment Date if such non-payment is in accordance with this Condition 6B(b) and any failure to pay such Distribution shall not constitute an Event of Default. Distributions are non-cumulative and any Distribution which is cancelled shall therefore not be payable at any time thereafter whether in a Winding-Up or otherwise.

(c) *Distributable Reserves*

Any Distribution may only be paid out of Distributable Reserves.

(d) *Dividend Stopper*

If, on any Distribution Payment Date, payment of Distribution scheduled to be paid is not made in full by reason of this Condition 6B, the Issuer shall not:

- (i) declare or pay in cash any distribution or dividend or make any other payment in cash on, and will procure that no distribution or dividend in cash or other payment in cash is made on, any Shares; or
- (ii) purchase, cancel or otherwise acquire any Shares or permit any of its Subsidiaries to do so,

in each case, unless or until the earlier of: (A) the Distribution scheduled to be paid on any subsequent Distribution Payment Date (which, for the avoidance of doubt, shall exclude any Distribution that has been cancelled in accordance with these Conditions prior to such subsequent Distribution Payment Date) has been paid in full (I) to Securityholders or (II) irrevocably to a designated third party trust account for the benefit of the Securityholders pending payment by the trustee thereof to the Securityholders on such subsequent Distribution Payment Date, or (B) the redemption or purchase and cancellation of the Capital Securities in full, or reduction of the principal amount of the Capital Securities to zero, or (C) the Issuer is permitted to do so by an Extraordinary Resolution.

(e) *No Default*

Notwithstanding any other provision in these Conditions, the cancellation or non-payment of any Distribution in accordance with this Condition 6B shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 11.2A) on the part of the Issuer.

6C **NON-VIABILITY LOSS ABSORPTION**

If a Non-Viability Event occurs and is continuing, the Issuer shall, upon the provision of a Non-Viability Event Notice, irrevocably (without the need for the consent of the Securityholders of the Capital Securities) reduce the then outstanding principal amount of, and cancel any accrued but unpaid Distribution in respect of, each Capital Security (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount per Capital Security (such reduction and cancellation, and the reduction and cancellation of any other Subordinated Capital Securities so reduced and cancelled 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 notice of a Non-Viability Event, unless otherwise directed by the Monetary Authority, the Issuer shall procure that a similar notice be given in respect of other loss absorbing regulatory capital instruments in accordance with their terms.

For the avoidance of doubt, any Write-off pursuant to this provision will not constitute an Event of Default under the Capital Securities.

The Capital Securities may be subject to one or more Write-offs in part (as the case may be), except where the Capital Securities have been Written-off in its entirety. Any references in the Conditions to principal in respect of the Capital Securities shall thereafter refer to the outstanding principal amount of the Capital Securities reduced by any applicable Write-off(s).

Once the outstanding principal amount of, and any accrued but unpaid Distribution under, the Capital Securities 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 Securityholder may exercise, claim or plead any right to any amount that has been Written-off, and each Securityholder shall, by virtue of his holding of any Capital Securities, be deemed to have waived all such rights to such amount that has been Written-off.

For the purposes of this Condition 6C:

"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.

"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 Securityholders of the Capital Securities, the Trustee and the Paying Agents, in accordance with the Conditions and which shall state:

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

"Non-Viability Event Write-off Amount" means the amount of distribution, interest and/or principal 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 Capital Securities 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) 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 Capital Security will be calculated based on a percentage of the outstanding principal amount of that Capital Security.

"Subordinated Capital Security" means any Junior Obligations, Parity Obligations or Tier 2 Capital Securities 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.

6D HONG KONG RESOLUTION AUTHORITY POWER

Notwithstanding any other term of the Capital Securities, including without limitation Condition 6C, or any other agreement or arrangement, each Securityholder 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 Capital Securities being written off, cancelled, converted or modified, or to having the form of the Capital Securities 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 Distributions on, the Capital Securities;
- (b) the conversion of all or a part of the outstanding principal amount of, or Distributions on, the Capital Securities 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 Capital Securities; and
- (c) the amendment or alteration of the maturity of the Capital Securities or amendment or alteration of the amount of Distributions payable on the Capital Securities, or the date on which the Distributions become 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 Distributions shall include payments of principal and Distributions that have become due and payable (including principal that has become due and payable), but which have not been paid, prior to the exercise of any Hong Kong Resolution Authority Power. The rights of the Securityholders and the Trustee under the Capital Securities 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 Capital Securities or payment of Distributions on the Capital Securities 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 Capital Securities, the Issuer shall provide a written notice not more than two Hong Kong Business Days after the occurrence of such exercise regarding such exercise of the Hong Kong Resolution Authority Power to the Securityholders in accordance with Condition 15.

Neither the reduction or cancellation, in part or in full, of the outstanding principal amount of, or Distributions on the Capital Securities, the conversion thereof into another share, security or 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 Capital Securities shall constitute an Event of Default under Condition 11.2A.

The Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the "Ordinance") was passed by the Legislative Council of Hong Kong and published in the gazette of the Hong Kong Special Administrative Region Government (the "HKSAR Government") in June 2016. The Ordinance became effective on 7 July 2017 and all licensed banks in Hong Kong are subject to the Ordinance.

For the purposes of these Conditions:

"**Group**" means the Issuer and its Subsidiaries taken as a whole.

"**Hong Kong Resolution Authority Power**" means any power which may exist from time to time under the Ordinance relating to 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.

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

"**Subsidiary**" means any company (i) in which the Issuer holds a majority of the voting rights, (ii) of which the Issuer is a member and has the right to appoint or remove a majority of the Directors, (iii) of which the Issuer is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of the Issuer from time to time or (iv) whose affairs are for the time being required to be fully consolidated in the consolidated accounts of the Issuer.

7. PAYMENTS

7.1 Method of payment

Condition 7.1 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

Payments in U.S. dollars will be made by credit or transfer to an account in U.S. dollar maintained by the payee with a bank in the New York City.

7.2 **Presentation of Definitive Bearer Notes, Receipts and Coupons**

Condition 7.2 of the Terms and Conditions of the Notes does not apply to the Capital Securities.

7.3 **Payments in respect of Bearer Global Notes**

Condition 7.3 of the Terms and Conditions of the Notes does not apply to the Capital Securities.

7.4 **Payments in respect of Definitive Registered Notes and Registered Global Note**

Condition 7.4 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

Payments of principal in respect of each Definitive Registered Note and each Registered Global Note will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Definitive Registered Note or Registered Global Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Capital Security appearing in the register of holders of the Capital Securities in registered form maintained by the Registrar (the "**Register**") (i) where in global form, at the close of the business day (being for this purpose, a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, "**Designated Account**" means the account maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means a bank in the New York City.

Payments of Distribution in respect of each Definitive Registered Note and each Registered Global Note will be made on the relevant due date to the Designated Account of the holder (or the first named of joint holders) of the Capital Security in registered form appearing in the Register (i) where in global form, at the close of the business day (being for this purpose, a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the "**Record Date**") at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of Distribution in respect of a Capital Security in registered form, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of Distribution (other than Distribution due on redemption) in respect of the Capital Securities in registered form which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the Distribution due in respect of each Capital Security in registered form on redemption will be made in the same manner as payment of the principal amount of such Capital Security.

No commissions or expenses shall be charged to such holder by the Registrar in respect of any payments of principal or Distribution in respect of Capital Securities in registered form.

None of the Issuer, the Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.5 **General Provisions Applicable to Payments**

Condition 7.5 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

The holder of a Capital Security represented by a global note ("**Global Note**") shall be the only person(s) entitled to receive payments in respect of Capital Securities represented by such Global

Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, as the beneficial holder of a particular nominal amount of Capital Securities represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

7.6 **Payment Day**

Condition 7.6 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

If the date for payment of any amount in respect of any Capital Security is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further Distribution or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 10) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) in the case of Capital Securities in definitive form only the relevant place of presentation;
 - (ii) London; and
- (b) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the New York City.

7.7 **Interpretation of Principal and Interest**

Condition 7.7 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

7.8 **Payments Subject to Fiscal and Other Laws**

Payments will be subject in all cases, to (i) any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 9, 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 9) any law implementing an intergovernmental approach thereto.

8. **REDEMPTION AND PURCHASE**

8.1 **Redemption at Maturity**

Condition 8.1 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Condition 8.1A shall be inserted after Condition 8.1:

8.1A *No Fixed Redemption Date*

The Capital Securities are perpetual securities in respect of which there is no fixed redemption date. The Capital Securities may not be redeemed at the option of the Issuer other than in accordance with this Condition.

8.2 Redemption for Tax Reasons

Condition 8.2 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

Subject to Condition 8.12A, the Capital Securities 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 15, the Securityholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that (a) on the occasion of the next payment due under the Capital Securities, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 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 having the power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which an agreement is reached to issue the Capital Securities and such change or amendment was not foreseeable at the time of such agreement and (b) such obligation 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 Capital Securities then due.

Prior to giving any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee (i) a certificate signed by two Directors of the Issuer stating that the requirement referred to in (a) above will apply on the next Distribution 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 8.12A; and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Securityholders.

Capital Securities redeemed pursuant to this Condition 8.2 will be redeemed at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 6C.

The following Condition 8.2A shall be inserted after Condition 8.2:

8.2A Redemption for Tax Deduction Reasons

Subject to Condition 8.12A, the Capital Securities 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, the Principal Paying Agent and the Registrar, and, in accordance with Condition 15, the Securityholders (which notice shall be irrevocable, subject to Condition 6C, and shall specify the date fixed for redemption), following the occurrence of a Tax Deduction Event.

For the purposes of this Condition 8.2A, a Tax Deduction Event occurs if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) in respect of the Distribution payable on the Capital Securities, 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 the date on which an agreement is reached to issue the Capital Securities and such change or amendment was not foreseeable at the time of such agreement; and
- (b) such non tax deductibility cannot be avoided by the Issuer taking reasonable measures available to it, **provided that:** (i) the Conditions for Redemption set out in Condition

8.12A have been satisfied and (ii) 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 Distribution payable on the Capital Securities as provided in paragraph (a) 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 the date on which an agreement is reached to issue the Capital Securities.

Prior to the publication of any notice of redemption pursuant to this Condition 8.2A, the Issuer shall deliver to the Trustee (i) a certificate signed by two Directors 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 so 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 8.12A and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Securityholders.

Capital Securities redeemed pursuant to this Condition 8.2A will be redeemed at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 6C.

8.3 **Redemption of the Undated and/or Dated Subordinated Notes for Regulatory Reasons**

Condition 8.3 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Condition 8.3A shall be inserted after Condition 8.3:

8.3A *Redemption of the Capital Securities for Regulatory Reasons*

Subject to Condition 8.12A, the Capital Securities 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 15, the Securityholders (which notice shall be irrevocable) following the occurrence of a Capital Event.

For the purposes of this Condition 8.3A, a "**Capital Event**" occurs if the Issuer satisfies the Trustee immediately before the giving of the notice of redemption referred in this Condition 8.3A that (a) the Capital Securities, after having qualified as such, will no longer qualify (in whole or in part) as Additional Tier 1 capital (or equivalent) of the Issuer and/or (b) the Capital Securities 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 any supervisory guidelines issued by the Monetary Authority in relation thereto and such change or amendment was not foreseeable at the time of the issuance of the Capital Securities, **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 8.3A, the Issuer shall deliver to the Trustee (i) a certificate signed by two Directors 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 to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Securityholders.

Capital Securities redeemed pursuant to this Condition 8.3A will be redeemed at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 6C.

8.4 Redemption at the Option of the Issuer (Issuer Call)

Condition 8.4 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

Subject to Condition 8.12A, the Issuer may, having given:

- (a) not less than 15 nor more than 45 days' notice to the Securityholders in accordance with Condition 15; and
- (b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Trustee and 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 Capital Securities then outstanding on the First Call Date or any Distribution Payment Date thereafter, at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 6C.

For the avoidance of doubt, the Issuer does not provide any undertaking that it will call the Capital Securities at any time.

8.5 Redemption at the option of the Noteholders other than holders of Undated Subordinated Notes (Investor Put)

Condition 8.5 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

8.6 Early Redemption Amounts

Condition 8.6 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

8.7 Instalments

Condition 8.7 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

8.8 Partly Paid Notes

Condition 8.8 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

8.9 Purchases

Condition 8.9 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

8.10 Cancellation

Condition 8.10 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

8.11 Late payment on Zero Coupon Notes

Condition 8.11 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

8.12 **Conditions for Redemption and Purchase in respect of Subordinated Notes**

Condition 8.12 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Condition 8.12A shall be inserted after Condition 8.12:

8.12A *Conditions for Redemption and Purchase in respect of the Capital Securities*

Notwithstanding any other provision in these Conditions, the Issuer shall not redeem any of the Capital Securities (other than pursuant to Condition 11.2A) and the Issuer or any of its Subsidiaries shall not purchase any of the Capital Securities unless the prior written consent of the Monetary Authority thereto shall have been obtained, **provided however, that** if from time to time the consent of the Monetary Authority is not a requirement of any such Capital Securities to constitute Additional Tier 1 capital (or equivalent) of the Issuer for the purposes of, and as defined in, 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, then the condition to the redemption or purchase and cancellation of the relevant Capital Securities set out in this Condition 8.12A shall not apply for so long as such consent is not required.

For the avoidance of doubt, this provision shall not apply to the Issuer or any of its Subsidiaries holding the Capital Securities in a purely nominee capacity.

9. **TAXATION**

Condition 9 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

All payments of principal and Distribution in respect of the Capital Securities by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Capital Securities after such withholding or deduction shall equal the respective amounts of principal and Distribution which would otherwise have been receivable in respect of the Capital Securities in the absence of the withholding or deduction; except that no such additional amounts shall be payable with respect to any Capital Security:

- (a) to, or to a person on behalf of, a holder who is liable to the Taxes in respect of such Capital Security by reason of his having some connection with Hong Kong other than the mere holding of such Capital Security; or
- (b) 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 a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a business day.

As used in these Conditions, "**Relevant Date**" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent, the Trustee or the Registrar on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect is duly given to the Securityholders by the Issuer in accordance with Condition 15.

10. **PRESCRIPTION**

Condition 10 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

Claims against the Issuer for payment in respect of the Capital Securities will become void unless made within a period of 10 years (in the case of principal) and five years (in the case of Distribution) after the Relevant Date (as defined in Condition 9) therefor.

11. **EVENTS OF DEFAULT AND ENFORCEMENT**

11.1 **Events of Default relating to Senior Notes**

Condition 11.1 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

11.2 **Events of Default relating to Subordinated Notes**

Condition 11.2 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Condition 11.2A shall be inserted after Condition 11.2:

11.2A *Events of Default and Winding-Up Proceedings*

If default is made in the payment of any amount of principal or Distribution in respect of the Capital Securities 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 Distribution (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 principal amount of the outstanding Capital Securities or if so directed by an Extraordinary Resolution (as defined in the Trust Deed), shall (subject to the Trustee having been indemnified and/or provided with security and/or put in funds to its satisfaction) institute a Winding-Up Proceeding against the Issuer. For the avoidance of doubt, no Distribution will be due and payable if such Distribution has been cancelled or is deemed cancelled (in each case, in whole or in part) in accordance with these Conditions. Accordingly, no default in payment under the Capital Securities will have occurred or be deemed to have occurred for the non-payment of any Distribution that has been so cancelled or deemed cancelled.

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 principal amount of the outstanding Capital Securities or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or put in funds to its satisfaction) give written notice to the Issuer declaring the Capital Securities to be immediately due and payable, whereupon they shall become immediately due and payable at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of actual payment, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 6C, without further action or formality.

In these Conditions:

"Winding-Up Proceedings" shall mean, with respect to the Issuer, proceedings in Hong Kong in respect of the Issuer for the liquidation, winding-up or other similar proceeding of the Issuer.

11.3 **Enforcement**

Condition 11.3 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

- (a) Without prejudice to Condition 11.2A, the Trustee may at any time and if the Issuer fails to perform, observe or comply with any obligation, condition or provision relating to the Capital Securities binding on it under these Conditions or the Trust Deed (other than any obligation of the Issuer for the payment of any principal or Distributions in respect of the Capital Securities), subject as provided below, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce such obligation, condition or provision **provided that** the Issuer shall not as a consequence of such proceedings be obliged to pay any sum or sums representing or measured by reference to principal or Distributions in respect of the Capital Securities sooner than the same would otherwise have been payable by it.
- (b) The Trustee shall not be bound to take action as referred to in Conditions 11.2A and 11.3(a) or any other action under these Conditions or the Trust Deed unless (i) it shall have been so requested in writing by Securityholders holding at least 25 per cent. in principal amount of the Capital Securities then outstanding or if so directed by an Extraordinary Resolution of the Securityholders and (ii) it shall have been indemnified and/or secured and/or put in funds to its satisfaction. No Securityholder 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.
- (c) 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 11.2A and Conditions 11.3(a) and (b) above or submitting a claim in the Winding-Up of the Issuer will be available to the Trustee or the Securityholders.
- (d) No Securityholder 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 Securityholder may, on giving an indemnity 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.

12. **REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS**

Condition 12 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Condition 12A shall be inserted after Condition 12:

12A **REPLACEMENT OF CAPITAL SECURITIES**

Should any Certificate be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar or the Transfer Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13. **PRINCIPAL PAYING AGENT, REGISTRAR, PAYING AND TRANSFER AGENTS**

Condition 13 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

The names of the initial Principal Paying Agent, the other initial Paying Agents, the initial Registrar and the other initial Transfer Agents and their initial specified offices are set out in the Agency Agreement.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent, Registrar or Transfer Agent and/or appoint additional or other Paying Agents, Registrars or Transfer Agents and/or approve any change in the specified office through any of the same acts, **provided that:**

- (a) there will at all times be a Principal Paying Agent and a Registrar; and
- (b) so long as the Capital Securities are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Registrar and Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority.

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Securityholders in accordance with Condition 15.

In acting under the Agency Agreement, the Principal Paying Agent, the Paying Agents, the Registrar or the Transfer Agent act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency with, any Securityholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

14. **EXCHANGE OF TALONS**

Condition 14 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

15. **NOTICES**

Condition 15 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

All notices regarding the Capital Securities will be deemed to be validly given if (a) sent by first class mail or (if posted to an address overseas) by airmail to the Securityholders (or the first named of joint Securityholders) at their respective addresses recorded in the Register and will be deemed to have been given on the third day after mailing and (b) if and for so long as the Capital Securities are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Capital Securities are issued, there may, so long as any Global Notes representing the Capital Securities are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the Securityholders of the Capital Securities and, in addition, for so long as any Capital Securities are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the Securityholder of the Capital Securities on the first day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Securityholder shall be in writing and given by lodging the same, together (in the case of any Capital Security in definitive form) with the relative Capital Security or Capital Securities, with the Principal Paying Agent (in the case if Capital Securities in bearer form) or the Registrar (in the case of Capital Securities in registered form). Whilst any of the Capital Securities are represented by a Global Note, such notice may be given by any Securityholder of a Capital Security to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

16. MEETINGS OF NOTEHOLDERS, MODIFICATIONS AND CONSOLIDATIONS

Condition 16 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

The following Condition 16A shall be inserted after Condition 16:

16A MEETINGS OF SECURITYHOLDERS, MODIFICATIONS AND CONSOLIDATIONS

16A.1 Meetings of Securityholders

The Trust Deed contains provisions for convening meetings of the Securityholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Capital Securities or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or Securityholders holding not less than 10 per cent. in nominal amount of the Capital Securities for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than 50 per cent. in principal amount of the Capital Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Securityholders whatever the nominal amount of the Capital Securities so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Capital Securities or the Trust Deed (including modifying or any date for payment of Distribution thereon, reducing or cancelling the amount of principal or Distribution Rate in respect of the Capital Securities or altering the currency of payment of the Capital Securities) the quorum shall be one or more persons holding or representing not less than two-thirds in principal amount of the Capital Securities for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in principal amount of the Capital Securities for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Securityholders shall be binding on all the Securityholders, whether or not they are present at the meeting.

16A.2 Modifications and Waivers

The Trustee may agree, without the consent of the Securityholders to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Capital Securities or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Notification Event (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Securityholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven or to comply with mandatory provisions of law. Any such modification shall be binding on the Securityholders and any such modification shall be notified to the Securityholders in accordance with Condition 15 as soon as practicable thereafter.

16A.3 Consolidation, Merger and Sale of Assets

The Issuer shall not consolidate with or merge into any other company or entity, and the Issuer may not, directly or indirectly, sell, convey, transfer or lease all or substantially all of its properties and assets to any company or other entity unless:

- (a) the company or other entity formed by or surviving such consolidation or merger or the person, company or other entity which acquires by conveyance or transfer, or which leases, all or substantially all of the properties and assets of the Issuer shall expressly assume by way of a supplemental trust deed the due and punctual payment of the principal of, and Distribution on, the Capital Securities and the performance of the Capital Securities, the Trust Deed and the Agency Agreement on the part of the Issuer to be performed or observed;
- (b) immediately after giving effect to such transaction, no Event of Default with respect to the Capital Securities, and no event, which after notice or lapse of time, or both, would become an Event of Default with respect to the Capital Securities, shall have happened and be continuing;
- (c) the Issuer has delivered to the Trustee (in form and substance satisfactory to the Trustee) (i) a certificate signed by two Directors of the Issuer and (ii) an opinion of independent legal advisers of recognised standing (acceptable to the Trustee) stating that such consolidation, merger, conveyance, transfer or lease and any such supplemental trust deed comply with this Condition 16A.3 and that all conditions precedent relating to such transaction have been complied with; and
- (d) immediately after giving effect to such consolidation, amalgamation or merger of the Issuer, no internationally recognised rating agency has in respect of the Capital Securities, issued any notice downgrading its credit rating for such Capital Securities or indicating that it intends to downgrade its credit rating for such Capital Securities.

16A.4 Exercise of Trustee's Powers etc

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Securityholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Securityholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Securityholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Securityholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Securityholders except to the extent already provided for in Condition 9 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

17. SUBSTITUTION

Condition 17 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

18. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER

18.1 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or put in funds to its satisfaction.

18.2 **Trustee Contracting with the Issuer**

Condition 18.2 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the Securityholders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Securityholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

19. **FURTHER ISSUES**

Condition 19 of the Terms and Conditions of the Notes as set out in the Offering Circular does not apply to the Capital Securities.

20. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

Condition 20 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

No person shall have any right to enforce any term or condition of this Capital Security under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

21. **GOVERNING LAW AND SUBMISSION TO JURISDICTION**

21.1 **Governing law**

Condition 21.1 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

The Trust Deed, the Capital Securities, and any non-contractual obligations arising out of or in connection with the Trust Deed, the Capital Securities are governed by, and shall be construed in accordance with, English law, except that the subordination provisions set out in Condition 3.3(a) and the first paragraph of Clause 7.2 of the Trust Deed shall be governed by, and construed in accordance with, the laws of Hong Kong.

21.2 **Submission to Jurisdiction**

Condition 21.2 of the Terms and Conditions of the Notes as set out in the Offering Circular is deemed to be deleted in its entirety and replaced with the following:

- (a) Subject to Condition 21.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Capital Securities, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Capital Securities (a "**Dispute**") and all Disputes will be submitted to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition 21.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) This Condition 21.2(c) is for the benefit of the Trustee, the Securityholders only. To the extent allowed by law, the Trustee, the Securityholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

21.3 **Appointment of Process Agent**

The Issuer irrevocably appoints Hackwood Secretaries Limited at its specified office for the time being as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of Hackwood Secretaries Limited being unable or unwilling for any reason so to act, it will immediately appoint another person approved by the Trustee as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.