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This announcement and the listing document attached hereto are for information purposes only, and do not constitute an invitation or solicitation of an offer to acquire, purchase or subscribe for securities or an invitation to enter into an agreement to do any such things, nor are they calculated to invite any offer to acquire, purchase or subscribe for any securities.

This announcement and the listing document referred to herein have been published for information purposes only as required by the Listing Rules (as defined below) 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.

*This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities to be issued under the Programme (as defined below) have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state of the United States or any other jurisdiction, and may not be offered, sold or if applicable, delivered in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. No public offer of securities referred to herein is being or will be made in the United States.*

Notice to Hong Kong investors: The Issuer (as defined below) confirms that any notes that may be issued under the Programme 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 will be listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer confirms that any notes that may be issued under the Programme are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

PUBLICATION OF OFFERING CIRCULAR



招商永隆銀行

CMB WING LUNG BANK

CMB WING LUNG BANK LIMITED

(incorporated with limited liability in Hong Kong)

(the “Issuer”)

U.S.\$2,000,000,000

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 22 April 2022 (the “**Offering Circular**”) appended hereto in relation to the Programme. As disclosed in the Offering Circular, the notes to be issued under the Programme (the “**Notes**”) are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and will be 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.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any Notes of the Issuer, and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Circular.

Hong Kong, 25 April 2022

As at the date of this announcement, the Directors of the Issuer are Mr. LIU Yuan, Professor CHEUNG Yan Leung Stephen, Dr. HONG Bo, Mr. ZHU Jiangtao, Ms. LI Li, Mr. ZHANG Cheng, Mr. ZHANG Dong, Mr. LIU Erh Fei, Mr. KWOK Lam Kwong Larry and Mr. WANG Qixin.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION WITHIN 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 attached Offering Circular. In accessing the attached 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 IN 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. THE FOLLOWING OFFERING CIRCULAR MAY NOT BE DOWNLOADED, FORWARDED OR DISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY DOWNLOADING, FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTION, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation and your Representation: In order to be eligible to view the attached Offering Circular or make an investment decision with respect to the securities, investors must be purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to have represented to CMB Wing Lung Bank Limited (in its capacity as Dealer) and CMB International Capital Limited (the “**Dealers**”) and CMB Wing Lung Bank Limited (the “**Bank**”) (1) that you and any customers you represent are and that the electronic mail address that you gave the Bank and to which this e-mail has been delivered is not located in the United States and (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

You are reminded that the attached Offering Circular has been delivered to you on the basis that you are a person into whose possession the attached 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, deliver or disclose the contents of the attached Offering Circular to any other person. You should not reply by e-mail to this notice, 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.

The attached Offering Circular does 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 licensed broker or dealer and the Dealers or any affiliate of the Dealers are a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealers or such affiliate on behalf of the Bank in such jurisdiction.

The attached Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the Bank, the Dealers or any of the Agents (each as defined in the attached Offering Circular) nor any person who controls any of them nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Dealers.

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.

Offering Circular dated 22 April 2022



招商永隆銀行
CMB WING LUNG BANK
CMB WING LUNG BANK LIMITED
(incorporated with limited liability in Hong Kong)

U.S.\$2,000,000,000
Medium Term Note Programme

Under the U.S.\$2,000,000,000 Medium Term Note Programme described in this Offering Circular (the “Programme”), CMB Wing Lung Bank Limited (the “Bank” or the “Issuer”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue senior notes (the “Senior Notes”) or subordinated notes (the “Subordinated Notes”) and, together with the Senior Notes, the “Notes”) as specified in the relevant Pricing Supplement (as defined in “Summary of the Programme”). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.\$2,000,000,000 (or the equivalent in other currencies).

The Notes may be issued on a continuing basis to one or more of the Dealers 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 for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see “Investment Considerations”. Prospective investors should be aware that Subordinated Notes may be issued under the Programme. For a discussion of certain risks in relation to Subordinated Notes, see “Investment Considerations – Considerations Relating to Subordinated Notes”. The Senior Notes and the Subordinated Notes are complex and high risk financial instruments. There are risks inherent in the holding of any of the Senior Notes or the Subordinated Notes, including for example in respect of the Subordinated Notes, the risks in relation to their subordination, and the circumstances in which Noteholders (as defined in “Terms and Conditions of the Notes”) may suffer loss as a result of holding any of the Senior Notes or the Subordinated Notes. Prospective investors should have regard to the factors described under the section headed “Investment Considerations” in this Offering Circular for a discussion of certain considerations to be taken into account in connection with an investment in the Senior Notes or the Subordinated Notes. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and the relevant Pricing Supplement (as defined in “Summary of the Programme”) and the merits and risks of investing in the Senior Notes or the Subordinated Notes 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 Senior Notes or the Subordinated Notes. Investors must not purchase the Senior Notes or the Subordinated Notes unless they understand and are able to bear risks associated with the Senior Notes or the Subordinated Notes.

Application has been made to The Stock Exchange of Hong Kong Limited (“HKSE”) for the listing of the Programme under which Notes may be issued 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 (“Listing Rules”)) (the “Professional Investors”) only during the 12-month period after the date of this Offering Circular on the HKSE. This document is for distribution to Professional Investors only.

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

The HKSE 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 Programme and the Notes on the HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer or the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the HKSE 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.

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 which, with respect to Notes to be listed on the HKSE, will be delivered to the HKSE, on or before the date of issue of the Notes of such Tranche.

Where applicable for a relevant Tranche of Notes, the Notes will be issued within the relevant annual or otherwise general foreign debt quota granted indirectly to the Issuer, or separate pre-issuance registration will be completed on behalf of the Issuer, in each case pursuant to the Circular on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (Fa Gai Wai Zi [2015] No. 2044 國家發展改革委關於推進企業發行外債備案註冊管理改革的通知(發改外資[2015]2044號)) issued by the National Development and Reform Commission (the “NDRC”) on 14 September 2015 which came into effect on the same day, and any implementation rules, regulations, certificates, circulars or notices in connection therewith issued by the NDRC from time to time (the “NDRC Circular”). After the issuance of such relevant Tranche of Notes, the Issuer will file or cause to be filed the requisite information on the issuance of the Notes to the NDRC within the time period prescribed by the NDRC Circular.

Each Series (as defined in “Summary of the Programme”) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a “temporary Global Note”) or a permanent global note in bearer form (each a “permanent Global Note”). Notes in registered form will be represented by registered certificates (each a “Certificate”), one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. The Notes of each Series in registered form will initially be represented by a permanent global certificate (each a “Global Certificate”) without interest coupons. The Global Notes and Global Certificates may be deposited on the relevant issue date (a) in the case of a Series intended to be cleared through Euroclear and/or Clearstream, with a common depository on behalf of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”) or with a sub-custodian for the Central Money/Markets Unit Service, operated by the Hong Kong Monetary Authority (the “CMU”) and (b) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream, or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold, or, in the case of Bearer Notes, delivered within the United States. Registered Notes are subject to certain restrictions on transfer, see “Subscription and Sale”.

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled “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, “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 MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “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 MiFID 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 person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the 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 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, 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.

IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled “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 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 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 (as amended, the “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 PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled “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 (the “UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “EUWA”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement 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.

Product classification pursuant to Section 309B of the SFA – The Pricing Supplement in respect of any Notes may include a legend entitled “Singapore Securities and Futures Act Product Classification” which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act 2001 of Singapore (as modified or amended from time to time, the “SFA”). The Issuer will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Pricing Supplement will constitute notice to “relevant persons” for purposes of section 309B(1)(c) of the SFA.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein (the “Conditions”), 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.

Moody’s Investors Service, Inc. (“Moody’s”) is expected to rate Senior Notes issued under the Programme “A3” and Subordinated Notes issued under the Programme “Baa1”. Tranches of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Arrangers and Dealers

CMB Wing Lung Bank Limited

CMB International

The Issuer, having made all reasonable enquiries, confirms that to the best of its knowledge this Offering Circular contains or incorporates all information which is material in the context of the issuance and offering of Notes, that the information contained or incorporated by reference in this Offering Circular is true and accurate in all material respects and is not misleading in any material respect, 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 in any material respect and which, in each case, is material in the context of the issuance and offering of the Notes. The Issuer accepts responsibility accordingly.

This Offering Circular is to be read in conjunction with all documents which are incorporated herein by reference (see “*Documents Incorporated by Reference*”).

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled “*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. A distributor should take into consideration the target market assessment; however, a distributor subject to 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 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 MiFID 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. A 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.

A determination will be made in relation to each issue about whether, for the purpose of 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.

Important – EEA Retail Investors – If the Pricing Supplement in respect of any Notes includes a legend entitled “*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 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 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 the Prospectus Regulation. Consequently, no key information document required by the 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 PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled “*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 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 EUWA; (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 EUWA. Consequently, no key information document required by 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.

This Offering Circular includes particulars given in compliance with the Listing Rules for the purposes of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this 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.

Admission to the HKSE and quotation of any Notes on the HKSE is not to be taken as an indication of the merits of the Programme, the Notes or the Issuer or the Issuer and its subsidiaries (the “**Group**”). In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering, including the merits and risks involved. See “*Investment Considerations*” for a discussion of certain factors to be considered in connection with an investment in the Notes.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Arrangers or the Dealers (as defined in “*Summary of the Programme*”) or the Agents (as defined in “*Terms and Conditions of the Notes*”). Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes should be considered as a recommendation by the Issuer, any Dealer, any Arranger or the Agents that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. This Offering Circular does not take into account the objectives, financial situation or needs of any potential investor. Each investor contemplating purchasing any 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 Dealer, any Arranger or the Agents to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Arrangers and the Dealers to inform themselves about and to observe any such restriction.

Product classification pursuant to Section 309B of the SFA – The Pricing Supplement in respect of any Notes may include a legend entitled “*Singapore Securities and Futures Act Product Classification*” which will state the product classification of the Notes pursuant to section 309B(1) of the SFA. The Issuer will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Pricing Supplement will constitute notice to “relevant persons” for purposes of section 309B(1)(c) of the SFA.

The Notes are being offered and sold outside the United States in reliance on Regulation S. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Offering Circular, see “*Subscription and Sale*”.

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. None of the Issuer, any Arranger, the Agents or any Dealer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable law. 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 Dealers, the Arrangers or the Agents 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 assumes any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Pricing Supplement, no action has been taken by the Issuer, the Dealers, the Arrangers or the Agent which is intended to 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 Notes in the United States, the European Economic Area, the United Kingdom, Hong Kong, Singapore, the PRC and Japan. See “*Subscription and Sale*”.

Market data and certain industry forecast and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Arrangers, the Dealers, the Agents or their respective affiliates, advisers, directors, employees, agents and representatives and neither the Issuer, the Arrangers, the Dealers, the Agents nor their respective affiliates, advisers, directors, employees, agents and representatives make any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

To the fullest extent permitted by law, none of the Arrangers, the Dealers or the Agents accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Arrangers or a Dealer or any Agent or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Arrangers, each Dealer and each Agent accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither this Offering Circular nor any financial statements of the Issuer or the Group are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers, the Dealers or the Agents that any recipient of this Offering Circular or any financial statements of the Issuer or the Group should purchase the Notes. Each potential investor of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arrangers, the Dealers or the Agents undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers, the Dealers or the Agents.

The Dealers and their respective subsidiaries and affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Dealers and certain of their subsidiaries or affiliates may have performed certain investment banking and advisory services for, and entered into certain commercial banking transactions with the Issuer or any member of the Group and/or their respective subsidiaries and affiliates, from time to time, for which they have received customary fees and expenses. The Dealers and their respective subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for the Issuer or any member of the Group and/or their respective subsidiaries and affiliates in the ordinary course of their business.

The Dealers and their respective affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. References herein to the Notes being offered should be read as including any offering of the Notes to the Dealers and/or their respective affiliates acting in such capacity. In the ordinary course of their various business activities, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

In making an investment decision, each potential investor must rely on its own examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved. The Issuer does not and the Arrangers, the Dealers and the Agents do not make any representation regarding the legality of investment under any applicable laws.

Potential investors should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (the “**Stabilisation Manager(s)**”) (or persons acting on behalf of any Stabilisation Manager) 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. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

PRESENTATION OF INFORMATION

In this Offering Circular, unless the context otherwise requires, (i) references to the “**Bank**” or the “**Issuer**” mean CMB Wing Lung Bank Limited and, as the context may require, its subsidiaries; and (ii) references to the “**Group**” mean CMB Wing Lung Bank Limited and its subsidiaries.

Unless otherwise specified or the context otherwise requires, references to “**U.S.\$**” and to “**US dollars**” are to lawful currency of the United States of America, references to “**HK\$**”, “**Hong Kong dollars**” and “**HK dollars**” are to the lawful currency of Hong Kong Special Administrative Region of the PRC (“**Hong Kong**”), references to “**RMB**” and “**Renminbi**” are to the lawful currency of the People’s Republic of China (“**PRC**”), references to “**sterling**” and “**£**” are to the lawful currency of the United Kingdom, references to “**C**”, “**EUR**” and “**Euro**” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended from time to time, references to “**Australian dollars**” are to lawful currency of Commonwealth of Australia, and references to the “**PRC**” and “**Mainland China**” are to the People’s Republic of China and, for the purpose of this Offering Circular, except where the context requires, do not include Hong Kong, Macau Special Administrative Region of the PRC (“**Macau**”), or Taiwan.

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

FORWARD-LOOKING STATEMENTS

This Offering Circular includes statements that are, or may be deemed to be, “*forward-looking statements*”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Offering Circular and include statements regarding the intentions, beliefs or current expectations of the Issuer concerning, among other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which the Issuer operates.

By their nature, forward-looking statements are subject to numerous assumptions, risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and that the Issuer’s actual results of operations, financial condition and liquidity, and the development of the industries in which the Issuer operates, may differ materially from those made in or suggested by the forward-looking statements contained in this Offering Circular. In addition, even if the results of operations, financial condition and liquidity and the development of the industries in which the Issuer operates are consistent with the forward-looking statements contained in this Offering Circular, those results or developments may not be indicative of results or developments in subsequent periods.

The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Issuer or persons acting on its behalf may issue. The Issuer does not undertake any obligation to review or confirm analysts’ expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this Offering Circular.

The following list includes some, but not necessarily all, of the factors that may cause actual results to differ from those anticipated or predicted:

- changes in the general operating environment of the Hong Kong banking industry;
- changes in general economic, market, business and regulatory conditions in Hong Kong, Mainland China, the United States and other countries;
- changes in the monetary and credit policies of the United States, Hong Kong and Mainland China;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- changes in Hong Kong governmental policies, laws or regulations, in particular those affecting the banking industry in Hong Kong;
- the effects of intensifying competition in the banking industry in Hong Kong; and
- the performance of the real property and financial markets in Hong Kong.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “*Investment Considerations*”.

In this Offering Circular, statements of, or references to, intentions of the Issuer or those of any of the directors of the Issuer are made as at the date of this Offering Circular. Any such intentions may change in light of future developments. Each of the Issuer, the Arrangers, the Agents and the relevant Dealers expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer’s expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any such statement was based or any change in the intentions of the Issuer, any of their respective directors or the Group.

DOCUMENTS INCORPORATED BY REFERENCE

The Issuer hereby incorporates by reference (i) each Pricing Supplement, (ii) the most recently published audited or reviewed consolidated financial statements of the Issuer published from time to time after the date of this Offering Circular in each case together with any audit or review reports prepared in connection therewith, and (iii) all amendments and supplements from time to time to this Offering Circular, each of which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with the contents of this Offering Circular.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the specified offices of the Issuer and of the Paying Agents set out at the end of this Offering Circular.

Supplemental Offering Circular

The Issuer has given an undertaking to the Arrangers and the Dealers that if it has notified the Permanent Dealers (as defined in “*Summary of the Programme*”) in writing that it intends to issue Notes under the Programme for the time being, and if a significant new factor, material mistake or inaccuracy arises or is noted relating to the information included in the Offering Circular which is capable of affecting an assessment by investors of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and/or of the rights attaching to the Notes, it shall (i) prepare and publish an amendment or supplement to the Offering Circular, (ii) advise the Arrangers and the Dealers promptly of any proposal to amend or replace the Offering Circular, (iii) advise the Dealers promptly of any proposal to supplement the Offering Circular and (iv) provide the Arrangers and the Permanent Dealers with a copy of any such proposed amendment, supplement or replacement promptly prior to its publication.

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SUMMARY

The Bank, founded in 1933, is one of the oldest local Chinese banks in Hong Kong and is wholly-owned by China Merchants Bank Co., Ltd. (“CMB”), a company incorporated in the PRC and listed on the Shanghai Stock Exchange and the main board of the HKSE. CMB is in turn partially owned by China Merchants Group Ltd., a state-owned corporation of the PRC, which holds a 29.97 per cent. shareholding in CMB. In the list of Top 1000 World Banks published by The Banker (a British magazine) in 2021, CMB ranked 14th worldwide; and in the list of Fortune Global 500 released by Fortune in 2021, CMB ranked 162nd. As at 31 December 2021, CMB had total assets worth approximately RMB9,249.0 billion and operated 143 branches, 1,770 sub-branches, one dedicated branch-level operation centre (credit card centre), one representative office, 2,812 self-service centres, 6,592 self-service machines and 14,746 visual counters in more than 130 cities of Mainland China.

The Bank was incorporated as a limited liability company in 1956. Its shares were publicly listed on the main board of the HKSE in 1980 (Stock Code: 0096). CMB acquired 53.12 per cent. of the shareholding in the Bank from the companies controlled by the families of Dr. Wu Yee-Sun and Dr. Wu Jieh-Yee in September 2008 and the compulsory acquisition of the remaining shares by CMB was completed on 15 January 2009. On 16 January 2009, the Bank withdrew the listing of its shares on the main board of the HKSE.

The Bank became a wholly-owned subsidiary of CMB upon the completion of its privatisation by CMB. As a member of the “CMB Group” (being CMB and its subsidiaries), the Bank receives extensive support from CMB in terms of funding, settlement, information technology and client resources. The significant collaboration between the Group and CMB enables the Group to better serve its customers, maximise cross selling efforts, expand its product range and capture the emerging business opportunities in the PRC and overseas markets.

The Group provides a wide range of banking and financial services including retail and corporate deposit-taking, mortgage and personal lending, advance of commercial and industrial loans, foreign exchange, deposit-taking from and lending to non-bank financial institutions, money market, interbank market, capital market activities, securities broking, asset management service, wealth management service, insurance business, trade financing, hire purchase and leasing, property trustee and nominees services. The Group also provides RMB banking products and services in Hong Kong, such as deposit, exchange, remittance, RMB non-deliverable forward contracts, dual currency credit cards, PRC account opening witness services and PRC mortgage loans to its retail customers as well as RMB trade settlement and finance to its corporate customers. The Group conducts its treasury operations primarily through the Bank’s Asset and Liability Management Department. As at 31 December 2021, the Bank had more than 30 banking offices in Hong Kong, four branches and sub-branches in the PRC, a branch in Macau and two overseas branches in Los Angeles and San Francisco, and a representative office in Bangkok, respectively. In 2021, the Bank was awarded the “Financial Services Awards of Excellence 2021 – Syndicated Loan and Financing” and the “Financial Services Awards of Excellence for Private Banking Wealth Succession” by Hong Kong Economic Journal, the “FinTech Awards 2021 in Wealth Investment and Management – Outstanding Cross-border Wealth Management App” and the “FinTech Awards 2021 in Wealth Investment and Management – Outstanding Smart Investment Management Service” by ET Net, the “FinTech Excellence Awards 2021 – Innovative Fintech Banking Services” by HK01, the “2021 RMB Business Outstanding Award (Outstanding Retail Banking – Cross-Border Wealth Management Award)” and the “2021 RMB Business Outstanding Award (Outstanding Greater Bay Area Financial Services – Greater Bay Area Property Mortgage Loan Awards)” by Metro Finance and Hong Kong Ta Kung Wen Wei Media Group as well as the “Outstanding Award for Green and Sustainable Bond Lead Manager (Banking Industry) – Visionary Sustainability Bond Framework” by Hong Kong Quality Assurance Agency.

The Group believes its main strengths are as follows:

- Strong shareholder support and synergy with CMB;
- Steadily growing retail banking business with diversified licensing support;
- Robust development of strategic businesses;
- Well-maintained asset quality with sufficient capitalisation;
- Robust profitability and operating efficiency; and
- Prudent internal control and risk management system.

The major components of the Group's overall strategy are as follows:

- Provide diversified cross-border products and services;
- Strengthen integration and coordination with CMB to better serve its customers, maximise cross selling efforts and expand its product range and geographic coverage;
- Diversify sources of revenue to achieve sustainable growth;
- Enhance technological capability and accelerate digital transformation;
- Promote the benefit of a full-licensed bank; and
- Foster strategic transformation and business expansion.

SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Offering Circular. Words and expressions defined in “*Terms and Conditions of the Notes*” below shall have the same meaning in this summary.

The Issuer	CMB Wing Lung Bank Limited.
Description	Medium Term Note Programme.
Size	Up to U.S.\$2,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement. The Dealer Agreement provides for the U.S.\$ equivalent of any Note denominated in another currency to be determined on or around the date agreement is reached to issue those Notes or, if the agreement date is not a date that commercial banks and foreign exchange markets are open for general business in London, on the preceding day on which commercial banks and foreign exchange markets are open for general business in London.
Risk Factors	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 “ <i>Investment Considerations</i> ” 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 “ <i>Investment Considerations</i> ” and include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of particular Series (as defined below) of Notes and certain market risks.
Arrangers and Dealers	CMB Wing Lung Bank Limited CMB International Capital Limited The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to “ Permanent Dealers ” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to “ Dealers ” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Fiscal Agent	The Hongkong and Shanghai Banking Corporation Limited.
Transfer Agents	The Hongkong and Shanghai Banking Corporation Limited.

Registrar	The Hongkong and Shanghai Banking Corporation Limited.
CMU Lodging and Paying Agent	The Hongkong and Shanghai Banking Corporation Limited.
Method of Issue	<p>The Notes may be issued on a syndicated or non-syndicated basis. The Notes may be issued in series (each a “Series”) having one or more issue dates (each tranche within such Series a “Tranche”) and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a pricing supplement (a “Pricing Supplement”).</p>
Issue Price	<p>Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.</p>
Form of Notes	<p>Notes may be issued in bearer form (“Bearer Notes”) or in registered form (“Registered Notes”). Registered Notes will not be exchangeable for Bearer Notes and <i>vice versa</i>.</p> <p>Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each Global Note will be deposited on or around the relevant issue date with a common depository or sub-custodian for Euroclear, Clearstream and/or as the case may be, the CMU and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.</p>

Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "**Global Certificates**".

Registered Notes sold in an "**offshore transaction**" within the meaning of Regulation S will initially be represented by a Global Certificate.

Clearing Systems

The CMU, Clearstream, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.

Initial Delivery of Notes

On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream or deposited with a sub-custodian for the Monetary Authority (as defined below) as operator of the CMU or deposited with a depositary or sub-custodian for any other clearing system or may be delivered outside any clearing system **provided that** the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealers. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.

"**Monetary Authority**" means the monetary authority appointed pursuant to Section 5A of the Exchange Fund Ordinance (Cap. 66) of Hong Kong as amended or superseded from time to time or any successor thereto.

Currencies

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.

Maturities

Subject to compliance with all relevant laws, regulations and directives, any maturity.

Specified Denomination

Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement, save that unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which must be redeemed before the first anniversary of their date of issue and 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 Financial Services and Markets Act 2000 will have a minimum denomination of £100,000 (or its equivalent in other currencies).

Fixed Rate Notes

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement.

Floating Rate Notes

Floating Rate Notes will bear interest determined separately for each Series as follows:

- (i) 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., as amended, supplemented or replaced;
- (ii) by reference to EURIBOR or HIBOR (or such other benchmark (other than SOFR) as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin; or
- (iii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service (in relation to Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SOFR, please see Condition 5(b)(iii)(C)).

Interest periods will be specified in the relevant Pricing Supplement.

Benchmark Discontinuation

See Conditions 5(j) (*Benchmark Discontinuation for Floating Rate Notes (other than Floating Rate Notes where the Reference Rate is specified as being SOFR)*) and 5(k) (*Benchmark Discontinuation (SOFR)*).

Zero Coupon Notes

Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.

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 may be specified in the relevant Pricing Supplement.
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 as may be specified in the relevant Pricing Supplement.
Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.
Redemption and Redemption Amounts	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which must be redeemed before the first anniversary of their date of issue and 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 Financial Services and Markets Act 2000 must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Redemption by Instalments	The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
Other Notes	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Pricing Supplement.
Optional Redemption	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Notes that can be issued under the Programme	The Issuer may issue Senior Notes and/or Subordinated Notes.

Status of the Senior Notes	The Senior Notes issued by the Issuer will constitute direct unconditional, unsubordinated and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves. The payment obligations of the Issuer under the Senior Notes relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.
Status of the Subordinated Notes	<p>The Subordinated Notes issued by the Issuer will constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves. The rights of the holders of the Subordinated Notes will, in the event of the Winding-Up of the Issuer, be subordinated in right of payment in the manner provided in Condition 3(b).</p> <p>The Subordinated Notes also includes certain loss absorption provisions, which is further described in Condition 6(k).</p>
Waiver of Set-off in respect of Subordinated Notes	See the relevant sub-condition under “ <i>Terms and Conditions of the Notes – Status</i> ”.
Negative Pledge	Applicable to Senior Notes only. See “ <i>Terms and Conditions of the Notes – Negative Pledge and Notification to NDRC</i> ”.
Events of Default	Applicable to Senior Notes and Subordinated Notes. See “ <i>Terms and Conditions of the Notes – Events of Default</i> ”.
Cross Default	Applicable to Senior Notes only. See the relevant sub-condition under “ <i>Terms and Conditions of the Notes – Events of Default</i> ”.
Write-off upon a Non-Viability Event in respect of Subordinated Notes	<p>The applicable Pricing Supplement issued in respect of each issue of Subordinated Notes may provide that a Write-off in accordance with Condition 6(k) for Subordinated Notes is applicable.</p> <p>“Non-Viability Event” means the earlier of:</p> <ul style="list-style-type: none"> (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; and (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.

**Consequence of Non-Viability
Loss Absorption**

Once any principal amount of, and any accrued but unpaid interest in respect of the Subordinated Notes has been Written-off, it will not be restored in any circumstances, including where the relevant Non- Viability Event ceases to continue. Any Write-off pursuant to Condition 6(k) shall not constitute an Event of Default under the Subordinated Notes.

Concurrently with a Write-off, the Issuer shall undertake to, unless otherwise directed by the Monetary Authority, (i) issue a similar notice of Write-off in respect of other Subordinated Capital Instruments in accordance with their terms and (ii) procure a Write-off concurrently and rateably with the Write-off of the Subordinated Notes, in respect of the aggregate principal amount of such other Parity Capital Instruments on a *pro rata* basis with the Subordinated Notes.

No holder of the Subordinated Notes may exercise, claim or plead any right to any Non-Viability Event Write-off Amount, and each holder of the Subordinated Notes shall be deemed to have waived all such rights to such Non-Viability Event Write-off Amount.

**Hong Kong Resolution
Authority Power**

Notwithstanding any other term of the Subordinated Notes, including without limitation Condition 6(k), or any other agreement or arrangement, each holder of such Subordinated Notes shall be subject, and shall be deemed to agree, be bound by and acknowledge that they are each subject, to having Subordinated Notes held by each being written off, cancelled, converted or modified, or to having its form 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:

- (i) the reduction or cancellation of all or a part of the principal amount of, or interest on, the Subordinated Notes;
- (ii) the conversion of all or a part of the principal amount of, or interest on, the Subordinated Notes 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 Subordinated Notes; and
- (iii) the amendment or alteration of the maturity of the Subordinated Notes or amendment or alteration of the amount of interest payable on the Subordinated Notes, or the date on which the interest becomes payable, including by suspending payment for a temporary period, or any other amendment or alteration of the Conditions.

With respect to (i), (ii) and (iii) above, references to principal and interest shall include payments of principal and interest that have become due and payable (including principal that has become due and payable at the maturity date), but which have not been paid, prior to the exercise of any Hong Kong Resolution Authority Power. The rights of the holders of Subordinated Notes under the Subordinated Notes 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 principal amount of the Subordinated Notes or payment of interest on the Subordinated Notes 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 Subordinated Notes, the Issuer shall provide a written notice as soon as practicable regarding such exercise of the Hong Kong Resolution Authority Power to the holders of Subordinated Notes in accordance with Condition 15.

Neither the reduction or cancellation, in part or in full, of the principal amount of, or interest on the Subordinated Notes, the conversion thereof into another share, security or other 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 Subordinated Notes shall constitute an Event of Default under Condition 10.

Ratings

Moody's is expected to rate Senior Notes issued under the Programme "A3" and Subordinated Notes issued under the Programme "Baa1". Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Early Redemption

Except as provided in “*Optional Redemption*” above, Notes will be redeemable at the option of the Issuer prior to maturity for tax reasons and (for Subordinated Notes) upon occurrence of a Regulatory Redemption Event. See “*Terms and Conditions of the Notes – Redemption, Purchase, Options and Non-Viability Event and Hong Kong Resolution Authority Power in respect of Subordinated Notes*”. Subordinated Notes may only be redeemed prior to their stated maturity date with the prior consent of the Monetary Authority, if such consent is required.

Withholding Tax

All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of Hong Kong, subject to customary exceptions, all as described in “*Terms and Conditions of the Notes – Taxation*”.

Governing Law

English law, except that the provisions of the Notes relating to subordination shall be governed by Hong Kong law.

Listing

Application has been made to the HKSE for the listing of the Programme under which Notes may be issued by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular on the HKSE.

Capital Treatment of the Subordinated Notes

It is intended that the Subordinated Notes will qualify in full as Tier 2 capital of the Issuer in accordance with the requirements of the Banking (Capital) Rules (Cap. 155L) of Hong Kong.

Selling Restrictions

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, the European Economic Area, the United Kingdom, Hong Kong, Singapore, the PRC and Japan, see “*Subscription and Sale*” below.

SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information and other selected financial data of the Group as at and for the periods indicated.

The summary consolidated historical financial data as at and for the years ended 31 December 2019, 2020 and 2021 set forth below are derived from the Group's audited consolidated financial statements for the years ended 31 December 2020 and 2021 (which have been audited by Deloitte Touche Tohmatsu and are included elsewhere in this Offering Circular) and should be read in conjunction with such audited consolidated financial statements and the notes thereto.

The Group's consolidated financial statements are prepared and presented in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Group, including the notes thereto, included elsewhere in this Offering Circular.

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December		
	2019	2020	2021
	(HK\$'000)		
Interest income	10,074,579	7,966,964	6,969,693
Interest expense	(4,854,348)	(4,109,301)	(2,779,493)
Net interest income	<u>5,220,231</u>	<u>3,857,663</u>	<u>4,190,200</u>
Fees and commission income	1,075,403	1,304,359	1,453,820
Fees and commission expense	(206,337)	(215,633)	(238,556)
Net fees and commission income	<u>869,066</u>	<u>1,088,726</u>	<u>1,215,264</u>
Insurance operating income	747,888	684,266	826,309
Net trading gain	241,787	370,295	239,019
Net gain on disposal of financial assets at fair value through other comprehensive income	79,142	123,620	148,770
Other operating income	242,153	220,822	219,945
Operating income	<u>7,400,267</u>	<u>6,345,392</u>	<u>6,839,507</u>
Net insurance claims	(276,308)	(340,845)	(374,426)
Operating income net of insurance claims	<u>7,123,959</u>	<u>6,004,547</u>	<u>6,465,081</u>
Operating expenses	(2,333,384)	(2,532,559)	(2,630,423)
Operating profit before impairment charge	<u>4,790,575</u>	<u>3,471,988</u>	<u>3,834,658</u>
Impairment losses	(500,234)	(439,809)	(477,369)
Operating profit	<u>4,290,341</u>	<u>3,032,179</u>	<u>3,357,289</u>
Fair value losses on investment properties	(64,367)	(196,810)	(85,680)
Net gain/(loss) on disposal of other properties and equipment	50,848	(82)	2,502
Net gain/(loss) on redemption of financial instrument at amortised cost	586	(214)	(12,530)
Net loss on disposal of an associate	–	–	(199,145)
Share of net profit of jointly controlled entities	36,462	44,444	44,835
Share of net profit of associates	422,068	512,882	496,327
Profit before taxation	<u>4,735,938</u>	<u>3,392,399</u>	<u>3,603,598</u>
Income tax	(748,646)	(520,402)	(571,704)
Profit for the year	<u>3,987,292</u>	<u>2,871,997</u>	<u>3,031,894</u>
Profit attributable to equity shareholders of the Bank	3,986,589	2,872,237	3,031,505
Profit attributable to non-controlling interests	703	(240)	389
Profit for the year	<u>3,987,292</u>	<u>2,871,997</u>	<u>3,031,894</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December		
	2019	2020	2021
	(HK\$'000)		
Assets			
Cash, balances and placements with and loans and advances to banks	66,327,987	85,217,010	70,303,930
Derivative financial instruments	588,286	1,620,404	503,360
Financial assets at fair value through profit or loss . .	6,736,721	4,360,483	2,575,441
Investments in securities	72,130,647	82,748,994	102,877,910
Advances and other accounts	187,931,963	197,508,371	207,780,923
Interests in jointly controlled entities	203,071	221,380	237,468
Interests in associates	3,074,800	3,633,892	248,833
Investment properties	3,171,350	2,832,290	2,695,310
Interests in leasehold land	157,674	153,921	150,167
Other properties and equipment	1,492,709	1,668,373	1,637,470
Tax recoverable	783	14,956	12,429
Deferred tax assets	27,347	46,746	51,475
Total assets	341,843,338	380,026,820	389,074,716
Liabilities			
Deposits and balances from banks	27,238,432	39,874,412	30,281,502
Trading liabilities	309,136	154,331	348,837
Derivative financial instruments	393,553	1,284,107	514,382
Deposits from customers	243,135,943	270,121,858	293,060,718
Certificates of deposit issued	3,725,259	7,454,237	270,000
Subordinated debts issued	3,110,591	3,097,196	3,115,586
Current taxation	738,707	679,510	440,696
Deferred tax liabilities	30,823	32,425	2,237
Other accounts and accruals	16,417,757	7,619,821	8,607,947
Total liabilities	295,100,201	330,317,897	336,641,905
Equity			
Share capital	1,160,951	1,160,951	1,160,951
Reserves	37,862,710	40,962,985	43,686,589
Total equity attributable to shareholders of the Bank	39,023,661	42,123,936	44,847,540
Additional equity instruments	7,708,361	7,574,573	7,574,573
Non-controlling interests	11,115	10,414	10,698
Total equity	46,743,137	49,708,923	52,432,811
Total equity and liabilities	341,843,338	380,026,820	389,074,716

INVESTMENT CONSIDERATIONS

Prospective investors should carefully take into account the following considerations, in addition to the other information contained in this Offering Circular, before investing in the Notes. The occurrence of one or more events described below could have an adverse effect on the Group's business, financial condition or results of operations, and could affect the Bank's ability to make payments of principal, premium and/or interest (if any) under the Notes. The following considerations and uncertainties described below may not be the only ones which the Group faces. 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.

Considerations Relating to the Group

Volatility in interest rates could have an adverse effect on the Group's business, financial condition, liquidity and results of operations.

Net interest income is a significant factor in determining the Group's overall financial performance. 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. These changes could result in an increase in the interest expenses of the Group 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 Prime Rate and HIBOR movements in Hong Kong, and domestic and international economic and political conditions which may have an impact on local and international interest rates. Any significant volatility and abrupt movements in interest rates could adversely affect the Group's business, financial condition and results of operations.

An increase in interest rates could lead to a decline in value of securities in the Group's treasury portfolio. A sustained increase in interest rates could also raise the Group's funding costs without a proportionate increase, or any increase at all, in loan demand or yield. Rising interest rates would therefore require the Group to re-balance its assets and liabilities in order to minimise the risk of potential mismatches. In addition, high interest rate levels may adversely affect the economy in Hong Kong and the PRC and the financial condition and repayment ability of relevant corporate and retail borrowers, including holders of credit cards, which in turn may lead to a deterioration of the Group's credit portfolio.

Significant competition in the Hong Kong and the PRC banking industries could adversely affect the Group's profitability.

The Group focuses principally on the Hong Kong and the PRC markets for individual and corporate customers. The banking industry in Hong Kong is a mature market, and the Group is subject to significant competition from many other Hong Kong-incorporated banks and Hong Kong branches of international banks, including competitors that have significantly greater financial and other resources, higher market share or stronger brand recognition. According to statistics published by the Monetary Authority, there were more than 160 international and local licensed banks as at 31 December 2021, competing for a population in Hong Kong of approximately seven million people. There is a limited market, especially for business from personal banking products such as residential mortgage loans, credit cards and personal loans. The Group competes on the basis of a number of factors, including price, products and services, innovation, transaction execution capability, reputation, experience and knowledge of staff and employee compensation. The Group expects that further consolidation in the industry, in particular among medium-sized Hong Kong banks, will continue to intensify competition. There can be no assurance that the Group will be able to compete effectively in the face of such competition. Significant competition may make it difficult for the Group to increase the size of its loan portfolio and deposit base and may cause

intense pricing competition, which could have an adverse effect on its growth plans, interest, margins, ability to pass on increased costs of funding, results of operations and financial condition. Furthermore, the financial services industry in Hong Kong and the PRC houses a large number of participants and is highly competitive. In addition, according to information published by the Securities and Futures Commission of Hong Kong (the “SFC”), as at 31 December 2021, there were a total of 3,210 licensed corporations. The financial services industry in Hong Kong has a low entry barrier as new participants are able to enter so long as they have engaged professionals with the appropriate skills and have obtained the requisite licences and permits to engage in the various types of activities regulated under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”). Apart from the multinational financial institutions including commercial banks and investment banks with global networks and a local presence in Hong Kong and the PRC, as well as securities houses and asset management firms based in the PRC and Hong Kong, the Group faces further competition from other financial services firms with similar target clients or a similar range of products and services, including traditional and online banking services, wealth management and corporate finance businesses, treasury services, and financial institution business. Historically, competition in these businesses has been fierce. For example, over the past decade, online securities brokerage and financial information portals have become prevalent, intensifying competition for online business revenues. In recent years, as the asset management and brokerage market in the PRC and Hong Kong has become more saturated, banks and brokerage firms rolled out low management fees, prolonged commission-free concessions or extra-low fixed commissions as incentives to attract customers, thus further intensifying the competition in this industry. The Group expects that competition will continue to be intense. As a result, the Group has to compete with new competitors by offering innovative platforms, new product types and other incentives to develop their businesses in the early stages. There can be no assurance that the Group will be able to compete effectively in the face of such competition.

In addition, as movements in interest rates on non-Hong Kong government-guaranteed new residential mortgage loans (“**Mortgage Interest Rates**”) are uncertain, there can be no assurance that competition among banks in Hong Kong for residential mortgage loans will not result in fluctuations in Mortgage Interest Rates, which could have an adverse effect on the Group’s business, financial condition or results of operations.

Due to the maturity of the Hong Kong banking industry and new business opportunities in the PRC, the Group intends to continue to expand its personal and corporate lending portfolio by growing its PRC – related business. However, the Group is likely to face significant competition in the PRC market from existing local Chinese banks and other foreign banks entering the market. A number of foreign banks have established locally incorporated banks in the PRC. In addition, the PRC’s Closer Economic Partnership Arrangement (“**CEPA**”) with Hong Kong and Macau allows smaller banks from these jurisdictions to operate in the PRC, a development which may also increase competition in the banking industry in the PRC.

The Group may be exposed to concentration risk in Hong Kong and the PRC.

The Group conducts most of its operations and generates most of its revenue in Hong Kong and the PRC, where the Group is primarily based. Therefore, the financial condition and results of operations of the Group will be closely affected by the social and economic development in Hong Kong and the PRC. For example, the outbreak of the novel coronavirus disease (“**COVID-19**”) since 2020 has caused severe disruptions to business and economic activities in Hong Kong, the PRC and globally. While the Hong Kong government has introduced certain economic relief measures, there can be no assurance that such measures will have the intended effects. Any significant or sudden economic slowdown, recession or other adverse changes or developments in the local social and economic environment in Hong Kong and the PRC may adversely affect the Group’s business, financial condition, results of operations and prospects.

Civil unrest and an uncertain political environment may also impact Hong Kong's economy, which may adversely impact investor confidence and affect overall business activities. This may in turn have a negative impact on the Group's banking business in Hong Kong. Any instability in the social and political landscape of Hong Kong may adversely affect the Group's business, financial condition and the results of its operations. Civil unrest is outside the control of the Group and there can be no assurance that further large-scale protests will not occur in the future which may affect the stability of the political and economic landscape in Hong Kong.

Further, with the increasing interaction between the PRC and Hong Kong economies, policies of the PRC are also expected to have varying degrees of impact on Hong Kong as well as Hong Kong companies conducting their businesses in the PRC. The Group engages in various businesses in the PRC and the Group has continued to expand its businesses in regions such as the Greater Bay Area. Therefore, the Group and its customers may be affected accordingly by the policies of the PRC.

The Group has a relatively high concentration of loans to the property-related sectors, and if these sectors experience volatility or an extended downturn in the future, the Group's business and financial condition could be adversely affected.

The Group has significant exposure to the Hong Kong and the PRC property markets due to its portfolio of loans to real estate investors and developers and residential mortgage loans. As at 31 December 2021, of the total loans for use in Hong Kong, the Group had HK\$5,276.0 million outstanding in property development loans, HK\$5,784.6 million outstanding in property investment loans and HK\$11,829.1 million in loans made to individuals for the purchase of flats in the home ownership scheme, private sector participation scheme, tenants purchase scheme or their respective successor schemes and for the purchase of other residential properties, representing 5.2 per cent., 5.7 per cent. and 11.6 per cent. of the total loans for use in Hong Kong, respectively.

The Hong Kong and the PRC property markets are highly cyclical and property prices in general have been volatile. In view of the increasing risk of a property price bubble, the Hong Kong Government has continuously published various cooling measures to the Hong Kong property market, including the Special Stamp Duty, Buyer's Stamp Duty and the reduction of loan-to-value ratio caps for high end properties mortgages. In November 2016, the Hong Kong government announced further cooling measures in the form of an increase to stamp duty payable on property transactions to 15 per cent., effective from 5 November 2016, and applying to all residential property acquisitions by individuals or companies (except for first time home buyers who are Hong Kong permanent residents). On 12 April 2017, this increased stamp duty was extended to apply to first-time Hong Kong permanent resident property buyers acquiring multiple properties under a single contract. In Hong Kong, the Monetary Authority has also implemented regulatory measures to mitigate risks in residential mortgage lending in the banking sector. This has included prudential measures to reduce loan-to-value ratio caps for mortgages of high end properties with a value of at least HK\$10 million to 50 per cent. In addition, the Hong Kong government has been increasing the amount of stamp duty payable on various real estate purchases. The Hong Kong government has also tried to increase land supply and the supply of real estate. As the introduction of these measures are subject to policy changes reflecting domestic political or economic circumstances, there can be no assurance that the Hong Kong government will not introduce further measures in the future that may have a significant impact on the Hong Kong property market, which may in turn have an adverse effect on the Group's business.

Property prices are affected by a number of factors, including, among other things, the supply of, and demand for, comparable properties, the rate of economic growth in Hong Kong, political and economic developments in the PRC, and the relationship between the PRC, Hong Kong and other countries. In the PRC, a build-up in inflationary pressure, resulting from changes in the external economic and political environment and a prolonged period of negative interest rates, fuelled a strong housing demand for wealth preservation since 2010. The PRC government launched a series of policy initiatives to rein in excessive appreciation in housing prices. From time to time, the PRC government adjusts its regulation of the property market depending on the macroeconomic conditions to achieve policy goals, such as preventing the overheating of the property market or stimulating the property market during and after an economic downturn. In recent years, various administrative bodies have launched a series of measures to discourage speculation and control the growth of the PRC property market. For instance, since September 2016, certain local governments have issued new property market control policies, including restoring or strengthening the restriction on purchases of residential properties and tightening credit policy. As a result of these regulatory measures, the property market in the PRC showed significant volatility in recent years.

Accordingly, any prolonged decrease or fluctuations in property values and/or liquidity of the Hong Kong and the PRC property markets could adversely affect the Group's business, financial condition and results of operations.

All of the aforesaid measures by the Hong Kong Government and the Monetary Authority are subject to policy changes from time to time reflecting domestic, political or economic circumstances. There is no assurance that the Hong Kong Government or Monetary Authority will not introduce further measures in the future that may have a significant impact on the Hong Kong property market, which may in turn affect the Group's business.

The Group's funding is primarily short-term, and if the Group fails to maintain its deposit growth, if there is a significant decrease in its deposit, or if depositors do not roll over their deposits upon maturity, the Group's liquidity could be adversely affected.

The Group's primary sources of funding comprise customer deposits, certificates of deposit, subordinated debts and shareholders' funds. Furthermore, most of the funding requirements of the Group's commercial banking operations are met through short-term funding, principally in the form of deposits, including customer and inter-bank deposits. As at 31 December 2021, the Group had HK\$293,060.7 million in customer deposits and HK\$30,281.5 million in deposits and balances from banks. As at 31 December 2021, approximately 86.6 per cent. of the Group's customer deposits were repayable on demand or 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. While the Group's short-term customer deposits have been a stable and predictable source of funding, there can be no assurance that the Group will always be able to rely on this source of funding. If a substantial number of depositors fail to roll over deposited funds upon maturity, if the Group fails to maintain its deposit growth or if there is a significant decrease in its deposits, the Group's liquidity position, business, financial condition and results of operations may be materially and 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 current deposits.

In addition, the Group may experience shortages of cash flow from time to time as a result of mismatches between the maturity of its income-generating assets and the maturity of its debts or funding needs. If the mismatches between the maturity of its assets and the maturity of its debts or funding needs widen significantly, the Group's liquidity position could be materially and adversely affected. There can be no assurance that the Group will be able to obtain additional capital source financing in a timely manner, on acceptable terms or at all. The Group may need to seek alternative sources of short-term or long-term funding to finance its operations, which may be more expensive than existing deposits. Furthermore, the Group's ability to obtain additional funds may also be affected by other factors, including factors beyond the Group's control, such as the deterioration of overall market conditions, disturbances to the financial markets or a downturn in the industries where it has substantial credit exposure. All of these factors may result in a significant adverse effect on the Group's liquidity, business, financial position and results of operations.

In order to minimise the impact of the financial crisis on the banks in Hong Kong and to restore depositor confidence, the Hong Kong Government has enacted measures to protect customer deposits through its Deposit Protection Scheme (the "**Deposit Protection Scheme**" or the "**Scheme**") which protects eligible deposits (being all types of ordinary deposits such as current accounts, savings accounts, secured deposits and time deposits with a term not more than five years) held with banks in Hong Kong which are members of the Scheme. The Deposit Protection Scheme compensates deposit holders with eligible deposits up to a limit of HK\$500,000. With the exception of a few overseas-incorporated banks which are covered by a similar scheme in their country of incorporation, all licenced banks in Hong Kong are members of the Deposit Protection Scheme. On 24 March 2016, the Deposit Protection Scheme (Amendment) Ordinance 2016 (the "**2016 Amendment Ordinance**") came into effect. Amongst other things, a gross pay-out approach was adopted for the determination of compensation under the Deposit Protection Scheme in case the scheme is triggered. Under this approach, any compensation paid to depositors is determined on the basis of their aggregate protected deposits held with a failed bank (up to HK\$500,000 per depositor) without deducting the amount of liabilities owed by those depositors to the same bank. However, there can be no assurance that the level of customer deposits of the Group will not be adversely affected by the expiration of the guarantee, the future withdrawal of or any other changes to the Deposit Protection Scheme.

The Monetary Authority acts as the lender of last resort 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 Monetary Authority for such emergency funding support. However, there can be no assurance that the Monetary Authority 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.

The Group faces risks associated with the underwriting or placement of securities offerings.

The Group is exposed to transaction-specific execution risks for the securities offerings which it may underwrite or place. The Group generally receives payment of underwriting or placement commissions only after it has successfully completed a transaction. If a project is not completed as scheduled or at all for any reason, including weak investor interest, market fluctuation and/or a failure to receive the relevant listing or regulatory approval, the Group may not receive payment for its services in a timely manner, or at all, which may materially and adversely affect its business, financial condition, results of operations and prospects. Due to the exposure of its business to markets which may be volatile and regulatory changes, revenue from its business may be unpredictable and unstable. Markets may be subject to long periods of downturn and transaction sizes may be lower on an individual or overall value basis due to local or global economic conditions, the prevailing interest rate environment, overall investor sentiment and more stringent regulatory developments, and during such periods, the Group is unlikely to be able to draw significant revenue from this business segment if revenues are dependent on successful transaction execution.

The Group may need additional capital in the future, and there can be no assurance that it would be able to obtain such capital in a timely manner, on acceptable terms or at all.

Uncertainties in the economic and business environment in Hong Kong, the PRC, the United States and certain other developed countries may result in a deterioration of the Group's capital adequacy position. In particular, the Group may experience a deterioration in its asset quality as a result of a worsening macroeconomic climate. Any increase in the Group's allowances for impaired assets will decrease its operating profit after such allowances. To the extent that the Group's future operating income is not sufficient to meet provisioning requirements, its capital will be eroded, and the Group may be required to obtain new capital. A requirement to increase significantly the level of the Group's provisions would adversely affect its financial condition, results of operations and capital position. Moreover, the Monetary Authority may increase the Bank's required capital adequacy ratio levels in the future in response to, among other things, an adverse economic or credit environment or regulatory changes. In addition, in order for the Group to grow, remain competitive, enter new businesses or expand its base of operations, the Group may require new capital. The Bank may seek to raise additional capital in the future through equity issuances or other capital instruments that are eligible for capital adequacy purposes under the Banking (Capital) Rules (Cap. 155L) of Hong Kong or successor legislation. There can be no assurance that the Group will be able to obtain additional capital in a timely manner, on acceptable terms or at all.

If the Group is unable to maintain the quality of its loan portfolio, investment securities, the collateral securing its loans, or other assets, its business could be materially and adversely affected.

The Group's results of operations could be materially and adversely affected by any deterioration in the quality of its loan portfolio, investment securities or other assets. Under Hong Kong Financial Reporting Standard No. 9 ("HKFRS 9") which replaced Hong Kong Accounting Standard No. 39 – Financial instruments: Recognition and Measurement with effect from 1 January 2018, impairment from an adverse change in credit loss expectations (i.e. an expected loss model) is recorded when financial instruments are first recognised. In addition, expected credit losses are continuously re-estimated and the Bank is required to take up full lifetime expected losses on a more timely basis. Since 1 January 2018, the Group has adopted and implemented the expected credit loss ("ECL") impairment model under HKFRS 9 and made impairment provisioning for the Group's non-performing loans in accordance with HKFRS 9. The ECL model under HKFRS 9 requires an entity to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk after initial recognition. In assessing whether the credit risk of a financial asset has significantly increased since origination, both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as change in credit rating, is considered.

Risks from changes in credit quality and the recoverability of loans and amounts due from counterparties as well as risks from the Group's investment activities are inherent in a wide range of the Group's businesses. The Group may not be able to control effectively the level of impaired loans in its current loan portfolio or control the level of new loans that may become impaired in the future. In particular, the amount of the Group's impaired loans may increase in the future due to a deterioration in the quality of its loan portfolio and/or a substantial increase in the amount of its new loans.

Deterioration in the quality of the Group's loan portfolio, investment securities or other assets may occur for a variety of reasons, including factors which are beyond the Group's control, such as a slowdown in growth of the Hong Kong, the PRC or global economies, a relapse of a global credit crisis, volatility in interest rates and market liquidity, and other adverse macroeconomic trends and financial conditions in Hong Kong, the PRC and other parts of the world. These factors may cause operational, financial and liquidity problems for the borrowers of the Group and the issuers of the Group's investment securities

which, in turn, may materially and adversely affect their ability to service their outstanding debt and fulfil their payment obligations under the securities issued. The Group currently holds significant investments in debt securities issued by banks in Hong Kong and the PRC. The Group currently has no exposure to debt securities issued by banks in Portugal, Italy, Ireland, Greece and Spain.

Other factors may also cause the asset quality of the Group's loan portfolio to deteriorate and the market value of its securities investment to decrease, including actual or perceived failure or worsening credit of counterparties (in particular, those counterparties to which the Group has substantial exposure), default by counterparties on corporate bonds, declines in residential and commercial property prices, higher unemployment rates and reduced profitability of corporate borrowers. Moreover, to the extent that a material portion of the Group's loans has been extended to a relatively small number of counterparties, the overall quality of its loan portfolio could be adversely affected by a decline in the credit quality of such borrowers. In addition, the Group's expansion in the PRC and overseas markets may potentially impact the quality of its loan portfolio, where the Group is less able to control its loan portfolio quality and where uncertainties in economic and monetary policies are likely to affect its borrowers severely. Lastly, in connection with its periodic examinations of the Bank's operations, the Monetary Authority may in the future require the Bank to change the classification of some of its loans which may increase the level of the Group's impaired loans. If the level of the Group's impaired loans or write-offs in its investment securities and other assets increases, its business, financial condition and results of operations may be materially and adversely affected.

The Group may not be able to realise the full value of its collateral as a result of a downturn in the real estate markets, delays in bankruptcy and foreclosure proceedings, fraudulent transfers by borrowers and other factors beyond its control. Any decline in the value of the collateral securing the Group's loans may result in an increase in its impairment allowances and a reduction in the recovery from collateral realisation, which may adversely affect its financial condition and results of operations.

The loan classification and provisioning system for Hong Kong banks is different in certain respects from that in certain other countries.

In accordance with guidelines set by the Monetary Authority, the Group classifies its problem loans into one of three categories corresponding to levels of risks: "sub-standard", "doubtful" and "loss". In grading loans, the Group considers various quantitative and qualitative factors, including: (a) the payment history of the loan; (b) the history of the Group's dealings with the borrower in question; (c) the borrower's financial condition; (d) the management and operation of the borrower's business; (e) the status of any collateral or guarantees; and (f) the market conditions affecting the borrower's industry. Loans are reviewed on an ongoing basis and by periodic reviews to re-examine the appropriateness of the assigned loan grade and provision level. Loans are classified as non-performing once they are in payment default for over 90 days except in cases where exposures (including future interest) are fully covered by collateral, or when the borrower declares insolvency. Considerations for impairment include both qualitative and quantitative factors including: (a) the type and amount of collateral; (b) whether the expected cash flow of the security is sufficient to cover the principal and accrued interest; (c) whether the principal or interest amount has been overdue for more than 90 days; and (d) the expectations for recovery or performance. Following the adoption of HKFRS 9 since 1 January 2018, ECL for Stage 3 financial assets is made for the Group's non-performing loans.

The laws, regulations and guidelines governing banking business 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 accrue interest on “sub-standard” loans in situations where such interest would not be accrued by banks in certain other countries. Whilst the Group believes that its loan provisioning policies are more prudent than those which are required under Hong Kong laws and regulations, the Group 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*” in this Offering Circular.

Any inability to attract and retain talented professionals may adversely impact the Group’s business.

The ability to sustain growth and meet future business demands depends on an ability of the Group to attract and recruit suitably skilled and qualified staff. Given the business growth and increasing market competition, there can be no assurance that the Group will be able to recruit staff in sufficient numbers or with adequate experience. In addition, the Group also faces strong competition to retain skilled and qualified staff. Any inability to attract and retain talented professionals may have an adverse impact on the Group’s business and growth prospect.

There are operational risks associated with the industry that the Group operates in which, if realised, may have an adverse effect on its business.

The Group is exposed to many types of operational risks, including the risk of fraud, unauthorised transactions or other misconduct by employees (including the violation of regulations for the prevention of corrupt practices, and other regulations governing its business activities).

Whilst the Group continues to improve its risk management and internal controls against fraud, corruption and other misconduct, the business, reputation and prospects of the Group may be adversely affected if it is not able to detect and prevent fraud, corruption or other misconduct committed by its employees, customers or other third parties in a timely manner. Fraud and other misconduct by employees or third parties may be difficult to detect and prevent and could subject the Group to financial losses and sanctions imposed by governmental authorities or could seriously harm the Group’s reputation. In addition, the Group’s employees may commit errors or take improper actions that could subject it to financial or other claims and regulatory actions. Although the Group has in the past and is at present continually increasing its efforts to detect and prevent employee and third party fraud or other misconduct, it is not always possible to detect or prevent such activities, and the precautions the Group takes may not be effective in all cases. The Group cannot assure investors that fraud or other misconduct, whether involving past acts that have gone undetected or future acts, will not have a material adverse effect on its reputation, results of operations and business prospects.

In addition, the Group is exposed to risks associated with operational errors, including clerical or record-keeping errors or errors resulting from faulty computer or telecommunications systems. The Group is further exposed to the risk that external vendors may be unable to fulfil their contractual obligations to the Group (or will be subject to the same risk of fraud or operational errors by their employees). For example, the Group uses direct marketing associates to market its retail credit products and the Group also outsources some functions to other agencies. Moreover, the Group is exposed to the risk that its (or its vendors’) business continuity and data security systems prove to be insufficient in case of a system failure or natural disaster.

Given the Group's high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, the Group's dependence upon automated systems to record and process transactions may further increase the risk of technical system flaws or employee tampering or manipulation of those systems that will result in losses that may be difficult to detect. The Group may also be subject to disruptions of its operating systems, arising from events that are wholly or partially beyond its control (including, for example, computer viruses or electrical or telecommunication outages), which may give rise to a deterioration in customer service and loss or liability to the Group. The Group also faces the risk that the design of its controls and procedures may prove inadequate or are circumvented, thereby causing delays in detection of errors in information. There can be no assurance that it will not suffer material losses from operational risks in the future. The Group's reputation could be adversely affected by the occurrence of any such events involving its employees, customers or third parties. In addition to internal factors that may affect the Group's operations, the rapid growth and expansion of its business in recent years as compared to other banks may have also resulted in increasing complexity in its internal and external control systems and risk management measures, which may add to its operational risks.

While the Group has established risk management control systems, certain areas within its risk management and internal control systems may require constant monitoring, maintenance and continual improvements by its senior management and staff. The Group's businesses and prospects may be materially and adversely affected if its efforts to maintain these systems are proved to be ineffective or inadequate.

The Group's internal control system may contain inherent limitations caused by misjudgement. As a result, there can be no assurance that its risk management and internal control systems are adequate or effective notwithstanding its efforts, and any failure to address any internal control matters and other deficiencies could result in investigations and disciplinary actions or even prosecution being initiated against the Group or its employees, or disruption to its risk management system. In such cases, there may be a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may not be able to identify money laundering activities or other illegal or improper activities fully or on a timely basis, which could expose it to additional liability and adversely affect its business.

The Group is required to comply with applicable anti-money laundering, anti-terrorism and sanctions laws and other regulations in Hong Kong and the PRC. Financial institutions in Hong Kong and the PRC are required to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting. Whilst the Group has already adopted policies and procedures to detect and prevent the use of the Group's network for money laundering activities and by terrorists and terrorist-related organisations and individuals generally, such policies and procedures may not completely eliminate instances where the Group may be used by other parties to engage in money laundering and other illegal or improper activities. To the extent the Group fails to fully comply with applicable laws, rules and regulations, the relevant government agencies to which the Group reports have the power and authority to impose fines, freeze assets and impose other penalties on the Group. The Group cannot absolutely assure that there will not be future failures in detecting money laundering or other illegal or improper activities which may adversely affect the Group's business, reputation, operations and financial results.

The Group is subject to reputational and general confidence risks related to its business operations.

With the rapid development of the financial industry and social media technology, the public (including customers of the Group) is paying increasing attention to the banking industry and communicating any negative sentiments widely through social media or other form of internet network related to banks' services quality, their operations and management and compliance issues. Such communication may reflect negative feedback from the Group's customers, investors and other stakeholders about the Group's services, operations, management or compliance with applicable laws and regulations or codes of conduct. Such adverse publicity if not managed swiftly or adequately could deter existing or potential customers from using the Group's services and may adversely affect the Group's operations and business, causing a liquidity crisis in an extreme case.

Within the banking industry, the banks have close interbank relationships with one another and interbank deposits and lending are relatively common. If a certain bank does not operate properly or becomes insolvent, a chain reaction may occur, which may trigger a confidence crisis towards the whole banking industry, and adversely affect the Group's financial condition and results of operations.

System and technological failures or ineffectiveness, corruption of databases, cyberattacks and service disruption may occur and could result in additional administrative and remediation costs, loss of business and profits and/or cause reputational damage to the Group.

The Group uses its internet banking and trading services as a means of providing customers with greater access to its products and services and attracting new customers. In recent years, the Group has gradually adhered to an asset-light bank business strategy, increased the deployment of resources in fintech and aimed at achieving digital transformation. For example, the Group has focused on promoting the use of "CMBWLB Wintech" mobile banking services. The Group's business may be adversely affected if its internet banking and trading services do not continue to grow or grow more slowly than anticipated. Usage of the Group's internet banking and trading services may be adversely affected by a number of reasons, including but not limited to inadequate network infrastructure, security concerns, inconsistent quality of service and unavailability of high-speed internet access. The Group cannot assure investors that its operations will not be materially disrupted if there is a partial or complete failure of any of its primary information technology systems or communications networks. Such failures could be caused by a number of reasons, including but not limited to software bugs, computer virus attacks or conversion errors due to system upgrading, extended power outages, failure of service from the Group's telecommunications provider, fires and natural disasters. Such failures could result in additional administrative and remediation costs, loss of business and profits and/or cause reputational damage to the Group.

The proper functioning of the Group's internet banking and trading services also depends on accurate and reliable data and other system input, which is subject to human errors. Any failure, mistake or delay in recording or processing the Group's transaction data could subject it to claims for losses and regulatory fines and penalties. In addition, any security breach caused by unauthorised access to information or systems, loss or corruption of data and malfunction of software, hardware or other computer equipment could have a material adverse effect on the Group's business, reputation, results of operations and financial condition.

To the extent that the Group's internet banking and trading activities involve the storage and transmission of confidential information, security breaches could expose the Group to possible liability and/or damage the Group's reputation. For example, in 2017 and 2018 there have been several instances of fraudulent websites which use the Bank's name. These instances highlight the challenge in keeping confidential information secure. The Group's networks may be vulnerable to unauthorised access, computer viruses and

other disruptive problems. Costs required to rectify such disruptive problems may be high and may adversely affect the Group's financial condition and results of operations. Concerns regarding security risks may deter the Group's existing and potential customers from using its internet banking and trading products and services. Eliminating computer viruses and alleviating other security problems may result in interruptions, delays or termination of service to customers accessing the Group's internet banking and trading services. Undetected defects in software products that the Group uses in its products and the Group's inability to sustain a high volume of traffic may materially and adversely affect the Group's internet banking and trading business.

Further, the proper functioning of the Group's financial control, risk management, accounting, customer service and other data processing systems, together with the communication networks between its various branches and sub-branches and its main data processing centres, are critical to the Group's business and its ability to compete effectively. As such, the Group's ability to remain competitive will depend in part on its ability to upgrade its information technology systems on a timely and cost-effective basis. In addition, the information available to and received by the Group through its existing information technology systems may not be timely or sufficient for it to manage risks and plan for, and respond to, market changes and other developments in its current operating environment. Any substantial failure to improve or upgrade the Group's information technology systems effectively or on a timely basis could materially and adversely affect its competitiveness, financial condition and results of operations.

The Group is subject to legal risks, which may have an adverse effect on the Group.

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

From time to time, the Group may be subject to material litigation or governmental, legal or arbitration proceedings and other contingent liabilities which, if they are adversely determined or crystallised, may adversely affect the Group's financial and business results.

The Group will be exposed to various risks as it expands its range of products and services.

In order to meet the needs of the Group's customers and to diversify its business portfolio, the Group has been expanding the range of products and services it provides to its customers. Expansion of the Group's business is subject to certain risks and challenges, including:

- competitors of the Group may have substantially greater experience and resources in relation to the business activities that the Group wishes to commence in, and the Group may not be able to attract customers to its services from competitors with existing relationships with those customers;
- new products and services may not be accepted by customers or meet the Group's expectations for profitability, and may require greater marketing and compliance costs than the Group's traditional services;
- new products and services may give rise to potential disputes or claims from customers;

- the Group may be exposed to the legal and regulatory regimes of new jurisdictions with which the Group may be less familiar as well as fluctuations in the macroeconomic conditions of new economies;
- the requirement to hire additional qualified personnel who may not be available;
- the failure to obtain regulatory approval for new products or services; and
- the inability to enhance risk management capabilities and information technology systems to support a broader range of products and services.

If the Group is unable to achieve the intended results with respect to the new products and services to be offered to its customers, the Group could experience an adverse effect on its business, financial condition and results of operations.

For example, the Group has steadily grown its strategic businesses such as wealth management and financial market. The Group has expanded its offering of wealth management services in recent years, and has become the offshore wealth management platform of CMB. Net non-interest income (being operating income net of insurance claims deducted by net interest income) amounted to HK\$2,274.9 million for the year ended 31 December 2021, representing an increase of 6.0 per cent. as compared with the previous year. However, there can be no assurance that the Group will continue to be able to achieve the administrative, systems-related and logistical improvements necessary to achieve its goals and other aspects of its growth effectively. If the Group is unable to achieve the intended results from the expansion of its range of products and services as a result of the unsuccessful execution of the planning or implementation of its strategies and methods, the Group's business, results of operations and financial condition may be materially and adversely affected.

Downgrades to the Group's credit ratings or outlook could impair its access to funding and its competitive position.

The Group's ability to access the capital and, to a lesser extent, the wholesale markets, and the cost of borrowing in these markets, is influenced by the credit ratings assigned to the Group by the rating agencies. The Group's earnings are partly affected by its ability to value financial instruments properly. Rating agencies, in determining the Group's credit ratings, will take into consideration the Group's success at managing its liquidity risk. However, in certain illiquid markets, determining the value at which such financial instruments can be realised is highly subjective and there can be no assurance that the Group will not be subject to downgrades of its credit ratings. Any changes in the credit ratings of the Group could affect its ability to borrow from other financial institutions or to engage in funding transactions on favourable terms, or at all. Downgrade in the credit ratings of the Group may also lead to deteriorating investor sentiment towards the Group. All of these factors may reduce the Group's earnings and its profit in any given period.

There is no assurance that CMB's interest will coincide with the interests of the Noteholders.

The Bank is a wholly-owned subsidiary of CMB. The Bank has followed and will continue to follow guidelines set out by the Monetary Authority to ensure that the board of directors of the Bank (the "Board") maintains independence from its management and controlling shareholder. Although to date the Bank has been managed independently from CMB, there can be no assurance that the Bank will maintain its independence in the event of a conflict of interest with CMB. In addition, there can be no assurance that CMB's interests will coincide with the interests of the Noteholders or that it will be aligned with the Bank's strategy. The Group relies on business referrals from and cooperation with CMB in both Hong Kong and the PRC. There can be no assurance such referrals and cooperation will continue and if they are terminated, the Group could experience an adverse effect on its business, financial condition and results of operation.

The Group's ability to extend credit may be affected by CMB's credit exposure limits, which may adversely affect its business and results of operations.

As a wholly-owned subsidiary of CMB, the Group's ability to extend credit to a customer or counterparty of CMB may be constrained by CMB's overall credit exposure limits and specific credit exposure limits to such customer or counterparty. Any constraint on the Group's ability to conduct operations in its best economic interest may make the Group's business less competitive, as well as adversely affect its business, financial condition and results of operations.

Discontinuation of the link of the Hong Kong dollar to the US dollar or revaluation of the Hong Kong dollar could adversely affect the Group's liquidity position as well as its financial condition and results of operations.

The majority of the Group's revenues are generated in Hong Kong dollars. Although the Hong Kong dollar has been linked to the US dollar since 1983, there can be no assurance that such linkage will be maintained in the future. In order to ensure continued liquidity of the Hong Kong dollar, the Monetary Authority has entered into bilateral repurchase agreements with the central banks of Australia, the PRC, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore and Thailand. In addition, the Hong Kong Government is committed to maintaining exchange rate stability under the "Linked Exchange Rate System", an automatic interest rate adjustment mechanism. No assurance can be given that, in the event of a liquidity problem affecting the Hong Kong dollar, such bilateral repurchase agreements or automatic interest rate adjustment mechanism will help to maintain adequate liquidity for the Hong Kong dollar. The Group's business, financial condition and results of operations could be adversely affected by the impact on the Hong Kong economy of the discontinuation of the link of the Hong Kong dollar to the US dollar, any change in the liquidity of the Hong Kong dollar or any devaluation of the Hong Kong dollar.

The Group's business and results of operation could be negatively impacted by currency fluctuations.

Foreign currency exposures arising from customer transactions, including currency options embedded in certain customer deposits are normally offset against other customer transactions or transactions with the market. The Group also uses currency swaps to deal with currency mismatches in the Group's balance sheet. The currency swap market is deemed to be a more efficient market and thus a more cost effective way to deal with currency mismatches compared with on-balance sheet instruments, like interbank borrowing or lending. As such, the gain or loss on currency swaps should be seen as interest income or expense from a business perspective, although it is classified as net gain from foreign exchange trading from an accounting perspective. Currency swap income will depend on the size of the currency mismatch and the extent of the interest rate differential between the surplus and deficit currencies. Although the Group monitors market changes and its exposure to currency fluctuations, these fluctuations could negatively impact the Group's business and results of operations. For instance, the widening of interest rate spreads between the U.S. dollar and Renminbi may result in a stronger Renminbi *vis-a-vis* the U.S. dollar, leading to a higher U.S. dollar to Renminbi premium and contributing to currency swap gain for the Group, while the narrowing of interest rate spreads between the U.S. dollar and Renminbi may lead to a drop in the currency swap gain. Moreover, the widening of interest rate spreads between the U.S. dollar and the Hong Kong dollar may mean a stronger U.S. dollar *vis-a-vis* the Hong Kong dollar, leading to a deeper discount of these swaps and contributing to a drop in the Group's currency swap gain. Further currency fluctuations could have an adverse impact on the Group's business and results of operations.

Considerations Relating to Hong Kong and the PRC

An economic downturn in Hong Kong and the PRC may materially and adversely affect the Group's business, financial condition or results of operations.

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

Since the second half of 2008, the global credit markets have experienced, and may continue to experience, significant dislocations and liquidity disruptions which have originated from liquidity disruptions in the United States and the European Union credit and sub-prime residential mortgage markets. In particular, the sovereign debt crisis in some European countries (including Greece, Ireland, Italy, Spain, Portugal and Cyprus) since early 2010 and the downgrading of the credit rating of the United States' sovereign debt in August 2011 have contributed to an economic slowdown in most economies around the world, substantial volatility in financial markets globally and the tightening of liquidity in global financial markets. Although the global economy has shown varying degrees of recovery since 2016, there is still a great deal of uncertainty in relation to continued economic recovery globally and in Hong Kong and the PRC. The United States Federal Reserve increased interest rates by 25 basis points in March 2017, June 2017, December 2017, March 2018, June 2018, September 2018 and December 2018, but subsequently reduced interest rates in July 2019, September 2019, October 2019 and March 2020. It then increased interest rates in March 2022 with the target range for its federal funds being between 0.25 per cent. and 0.5 per cent. If the United States Federal Reserve continues to raise interest rates, the Group's cost of funding, business, operations, financial condition and properties may be adversely impacted. More recently, the uncertainty arising from the United Kingdom's withdrawal from the European Union, fears of a slowdown in the PRC economy and geopolitical events such as the conflict between Russia and Ukraine and the sanctions imposed by governments in response have resulted in instability and volatility in the capital markets. The PRC economy may also be more susceptible to slowdowns or downturns as a result of uncertainties related to the recent trade war and other tension between the United States and the PRC. Since July 2018, the U.S. government has been imposing various tariffs on Chinese goods, which then led the PRC to respond with similar sized tariffs on U.S. products. In addition, in 2019, the U.S. government restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The PRC government lodged a complaint in the World Trade Organization against the U.S. over the import tariffs in the same year. On 15 January 2020, the U.S. and the PRC governments signed the U.S.-China Economic and Trade Agreement (the "**Phase I Agreement**"). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Despite this reprieve, however, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. The trade war created substantial uncertainties and volatilities to global markets, and may severely damage the economy and market confidence of both countries. These events have had and may continue to have an adverse impact on the global credit and financial markets as a whole.

If there is any renewed economic downturn or 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 performance of the United States and the PRC, as well as certain other developed countries. There can be no assurance that future global events will not have an adverse effect on the Hong Kong economy and the Group.

The PRC government has the power to implement macroeconomic controls affecting the PRC's economy. The PRC government has implemented various measures in an effort to control the growth rate of certain industries and restrain inflation. As measured by GDP, the PRC has been one of the world's fastest growing economies in the last decade. The PRC's real GDP growth was 6.0 per cent. in 2019, 2.2 per cent. in 2020 and 8.1 per cent. in 2021, respectively. However, the PRC may not be able to sustain such a growth rate. In recent times, the PRC government has eased its monetary stance, increasing interest rates and financial deleveraging. However, no assurance can be given that the PRC government will continue to implement these monetary measures, and if the PRC's economy experiences a continued slowdown in growth or a downturn in the future, or if the RMB exchange rate experiences unexpected fluctuations, there can be no assurance that the Group's business, financial condition and results of operations will not be adversely affected.

The Bank's shares are unlisted and it is not subject to the continuous disclosure requirements that a listed company would be.

While the Bank currently discloses its financial information publicly from time to time, its shares are currently not listed on any stock exchange and the Bank is not obliged by requirements to produce and maintain public information relating to its business or to publicly publish financial information or other information that would be required if it did have an equity listing in Hong Kong or elsewhere. Whilst requirements will be imposed on the Bank relating to disclosure of financial information, the disclosure of interests of shareholders and directors in shares and debentures and other information material to investors for issues of listed securities under the Listing Rules due to the Programme and the Notes issued thereunder being listed on HKSE, these requirements are not as stringent as those which would apply to a primary or secondary equity listing. The Bank is also not subject to, and will not become subject to, by virtue of issuing listed securities, the requirements that apply to companies with a primary or secondary equity listing in Hong Kong or elsewhere, including corporate governance standards, restrictions on directors' dealings in securities, controls on connected party transactions, requirements for notification and, in some cases, approval of major acquisitions and disposals, conditions on further debt and equity issuance and certain other ongoing disclosure requirements. Accordingly, investors should exercise caution in reviewing the historical financial information presented to them and implying or extrapolating trends based thereon.

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

As a participant in the financial services industry, the Group is subject to extensive laws, regulations, rules, policies, guidance and codes of conduct of relevant regulatory authorities and faces the risk of intervention by regulatory authorities in Hong Kong. A failure to comply with these rules and regulations may subject the Group to enquiries and/or investigations by the relevant regulatory bodies, which may result in fines, censure, reprimand or even suspension of licences. If the Group fails to comply with any regulatory requirements in the future, the Group and its employees may become the subject of inquiries or investigations by the relevant regulatory authorities. Under the Banking Ordinance (Cap. 155) of Hong Kong (the "**Banking Ordinance**"), the Monetary Authority regulates the business activities and operations of commercial banks and has the ability to influence banking and financial markets generally. Potential investors should be aware that regulatory requirements in Hong Kong may differ from those that prevail in other countries. Since the Group operates in the highly regulated banking and securities industries in Hong Kong, potential investors should also be aware that the regulatory authorities have been consistently imposing higher standards and developing new guidelines and regulatory requirements, such as the Basel III capital adequacy standards which have been adopted in Hong Kong. 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 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. From time to time, the regulators in Hong Kong may introduce recommendations which are intended to provide tighter control and more transparency in the Hong Kong banking sector, in particular, in relation to the selling of investment products to retail customers.

Potential investors should also be aware that the Group has taken steps to implement the recommendations by relevant regulators and to comply with any new or modified regulations. Increased regulation and the requirement for more stringent 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 Group 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 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 initial stage of the Basel III capital reforms has been implemented by the government of Hong Kong since the beginning of 2013, and full implementation of the Basel III reforms is expected to be completed by July 2023. 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 are 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 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 are to be supplemented by other financial measures such as leverage ratio, liquidity coverage ratio and net stable funding ratio. The Monetary Authority may from time to time further implement the package of reforms in a manner that is different from the aforesaid, 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 ratios could result in administrative actions or sanctions, which may have an adverse effect on the Group's results of operations.

The outbreak of the contagious COVID-19 worldwide may have an adverse effect on the Group's business, financial condition and results of operations.

Since early 2020, countries and regions around the world have encountered an outbreak of COVID-19, a highly contagious disease known to cause respiratory illness. On 11 March 2020, the World Health Organisation announced the COVID-19 outbreak as a pandemic. The on-going COVID-19 pandemic has resulted in many countries, including China, Japan, the United States, members of the European Union and the United Kingdom, declaring a state of emergency and imposing extensive business and travel restrictions with a view to containing the pandemic, and there is no assurance that such measures will, or will continue to be, effective. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic have significantly disrupted the global economy and global markets. In addition, COVID-19 has led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities, which may persist for some time. While lock-down and stay-at-home policies previously imposed in many countries and regions are being gradually lifted or softened while the spread of COVID-19 slows down, there is still significant uncertainty surrounding its impact on economic activity and employment. A number of governments have revised GDP growth forecasts downward in response to the economic slowdown caused by the spread of

COVID-19, and it is possible that the outbreak of COVID-19 may cause a prolonged global economic crisis or recession, which may in turn adversely affect the Group's business. In 2021, vaccination programmes have been rolled out in various countries, including the United States, China, the European Union and the United Kingdom. However, the effect of the vaccination programmes on COVID-19 remains uncertain, and many countries are experiencing another wave of COVID-19, and in some cases new variants of COVID-19 such as Delta and Omicron could be more contagious. Several countries have shown signs of resurgence, such signs being stimulated further by these variants. Renewed outbreaks emphasise the ongoing threat of COVID-19 even in countries that have recorded lower than average cases so far. As COVID-19 continues to adversely affect business activities globally, governments and central banks across the world have introduced or are planning fiscal and monetary stimulus measures including direct subsidies, tax cuts, interest rates cuts, quantitative easing programmes and suspension or relaxation of prudential bank capital requirements. These measures aim to contain the economic impact of COVID-19, stabilise the capital markets and provide liquidity easing to the markets. However, the outlook for the world economy and financial markets in 2022 and beyond remains uncertain. There is no assurance that the outbreak will not lead to decreased demand for services the Group provides, nor is there assurance that the outbreak's adverse impact on the PRC economy, Hong Kong economy and the Group's customers will not adversely affect the level of non-performing loans. Furthermore, while the Hong Kong government has introduced certain economic relief measures, there can be no assurance that such measures will have the intended effects. Any significant or sudden economic slowdown, recession or other adverse changes or developments in the local social and economic environment in Hong Kong may adversely affect the Group's business, financial condition, results of operations and prospects.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond the Group's control may have a material adverse effect on the Group's business operations, financial condition and results of operations.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond the Group's control may adversely affect the economy, infrastructure and livelihood of the people in the regions where the Group conducts its business. These regions may be under the threat of flood, earthquake, sandstorm, snowstorm, fire or drought, power shortages or failures, or are susceptible to epidemics, potential wars or terrorist attacks. Serious natural disasters may result in a tremendous loss of life, injury and destruction of assets and may disrupt the Group's business and operations. Acts of war or terrorism may also injure the Group's employees, cause loss of life, or disrupt the Group's business operations.

Severe communicable disease outbreaks, including the outbreak of COVID-19 around the world, could lead to widespread health crises which may materially and adversely affect the financial markets and the national economy. Any future occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, including avian influenza, SARS, H5N1 influenza, H1N1 influenza, H7N9 influenza or COVID-19 pandemic, may adversely affect the Group's business, financial condition and results of operations. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may in turn adversely affect the Group's business, financial condition and results of operations.

Moreover, countries in the world have experienced natural disasters like earthquakes, floods and drought in the past few years. Any future occurrence of severe natural disasters may adversely affect the worldwide economy and in turn the Group's business, financial condition and results of operations. There is no guarantee that any future occurrence of natural disasters or outbreak of avian influenza, SARS, H5N1 flu, H1N1 flu, H7N9 flu, COVID-19 pandemic or other epidemics, or the measures taken by the Hong Kong government, the PRC government or other countries in response to a future outbreak of these epidemics, will not seriously interrupt the Group's operations or its customers, which may have a material adverse effect on the Group's results of operations.

Considerations Relating to the Notes

The establishment of a resolution regime in Hong Kong may override the contractual terms of the Notes.

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 includes the Bank as the issuer of the Notes. The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. In particular, and subject to certain safeguards, the relevant resolution authority is 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 cancel, write off, modify, convert or replace all or a part of the Notes or the principal amount of, or interest on, the Notes, and powers to amend or alter the contractual provisions of the Notes, all of which may adversely affect the value of the Notes, and the holders thereof may suffer a loss of some or all of their investment as a result. Holders of Notes (whether senior or subordinated) will be subject to and bound by the FIRO.

The implementation of FIRO remains untested and certain details relating to FIRO 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, its operations and/or its financial position.

The payment of interest and premium (if any) on and principal of the Notes is not guaranteed by CMB, and CMB is not legally obligated to provide any support in respect of the Notes.

As a wholly-owned subsidiary of CMB, the Issuer has received and expects to continue to receive support from CMB in different forms and means, including capital contributions and interbank and money market lines and/or funding. There can be no assurance that support received from CMB will not decrease or cease in the future.

CMB is not an obligor under the Notes. Payment by the Issuer of interest and premium on or principal under its outstanding indebtedness, including the Notes, is not backed by the credit of, or supported by any guarantee, by CMB.

Furthermore, there is no statutory or other legal requirement for CMB to provide the Issuer with direct financial support to meet its outstanding debt obligations, including the Notes.

The 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 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 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 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 Notes and be familiar with the behaviour of any relevant 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.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone 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 a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Investors shall pay attention to any modification.

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.

In addition, the Conditions may be amended, modified, or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

Reliance on procedures of Euroclear, Clearstream and the CMU.

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depository or sub-custodian for Euroclear, Clearstream or the CMU (each as defined under "*Form of the Notes*"). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear, Clearstream and the CMU and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Notes where denominations involve integral multiples: definitive Notes.

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Investors shall be aware of the effect of change of law.

The Conditions of the Notes are based on English law 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, or administrative practice after the date of this Offering Circular.

Considerations 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 Bank.

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

The Bank 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 would generally 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.

Index Linked Notes and Dual Currency Notes.

The Bank 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 Bank 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) the 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 will likely 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 Bank 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. The market values of such Notes are typically 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 Bank may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Bank's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Bank may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Bank 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 Bank converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

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 Bank 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 Bank. The Subordinated Notes are subordinated obligations of the Bank. Accordingly, in the winding-up of the Bank, there may not be a sufficient amount to satisfy the amounts owing to the holders of Subordinated Notes.

If the Bank does not satisfy its 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 Bank'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 Bank's obligations under Subordinated Notes are subordinated.

The payment obligations of the Bank under the Subordinated Notes will rank behind Senior Notes. Subordinated Notes constitute unsecured and subordinated obligations of the Bank and rank *pari passu* without any preference among themselves.

In addition, under statutory requirements prevailing as at the date of this Offering Circular relating to Tier 2 capital for the purposes of the Banking Ordinance, any redemption of Subordinated Notes intended to constitute Tier 2 capital (or equivalent) of the Bank prior to its stated maturity, for tax reasons, regulatory reasons or otherwise, is subject to the prior consent of the Monetary Authority at the relevant time, for so long as the consent of the Monetary Authority is a requirement for any such Subordinated Notes to constitute Tier 2 capital (or equivalent) of the Issuer for the purposes of the Banking Ordinance.

Considerations related to the market in general.

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 in general.

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 would generally 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 Bank 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 (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) 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 the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Risks related to Notes which are linked to "benchmarks".

Interest rates and indices which are deemed to be "benchmarks" are the subject of national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

Regulation (EU) 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 European Union (the "**EU**"). Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**") among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the United Kingdom Financial Conduct Authority (the "**FCA**") or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, 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 (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that, other than where the Reference Rate is specified as being SOFR, a Benchmark Event (as defined in Condition 5(l)) occurs in respect of an Original Reference Rate or other relevant reference rate and/or any page on which such benchmark may be published (or any other successor service) becomes unavailable. Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or an Alternative Reference Rate (both as defined in the Conditions), with the application of an adjustment spread (which could be positive, negative or zero), and may include amendments to the Terms and Conditions of the Notes to ensure the proper operation of the new benchmark, all as determined by the Independent Adviser or the Issuer and as more fully described at Conditions 5(j). It is possible that the adoption of a Successor Rate or Alternative Reference Rate, including any adjustment spread, may result in any Notes linked to or referencing an Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the Original Reference Rate were to continue to apply in its current form. There is also a risk that the relevant fallback provisions may not operate as expected or intended at the relevant time.

Furthermore, in certain circumstances, the ultimate fallback for the purposes of calculation of the Rate 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.

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

The Rate of Interest in respect of the Notes may be determined on the basis of SOFR Compounded Index (as defined in the Conditions), which is calculated by referencing the SOFR Index (as defined in the Conditions), subject to the fallback provisions set out in the Conditions.

The Federal Reserve Bank of New York, as the administrator of the Secured Overnight Financing Rate (“SOFR”), in cooperation with the Treasury Department’s Office of Financial Research (the “OFR”), began publishing the SOFR Index on 2 March 2020. The SOFR Index is intended to measure the cumulative impact of compounding SOFR on a unit of investment over time, with the initial value set to 1.00000000 on 2 April 2018, the first value date of SOFR. The Federal Reserve Bank of New York reports that the SOFR Index is compounded by the value of each SOFR thereafter, and that as a result, the SOFR Index on a given day is intended to reflect the effect of compounding SOFR across all previous U.S. Government Securities Business Days (as defined in the Conditions) since 2 April 2018. It also reports that the SOFR Index allows for the calculation of compounded average rates over custom time periods.

The Federal Reserve Bank of New York reports that the SOFR Index is published as a number rounded to the eighth decimal place on each day that SOFR is published, on a dedicated page on its website, shortly after SOFR is published at approximately 8:00 a.m., New York Time. The Federal Reserve Bank of New York notes that the SOFR Index will only be revised on a same-day basis at approximately 2:30 p.m., New York Time, and only if either that day’s SOFR publication were also being revised or an error were discovered in the calculation of the SOFR Index. The Federal Reserve Bank has also published an update to the indicative series of data of the SOFR Index from 2 April 2018 to 2 March 2020. However, investors should not rely on any historical changes or trends in the SOFR Index as an indicator of future changes in SOFR, the SOFR Index, compounded SOFR and/or the liquidity or market price of the Notes.

Further, prospective investors should be aware that the Federal Reserve Bank of New York, in cooperation with the OFR, also publishes 30-, 90-, and 180-day SOFR averages, sometimes referred to as “SOFR averages”, which are referred to as “30-day Average SOFR”, “90-day Average SOFR” and “180-day Average SOFR”. However, if SOFR is specified as the Reference Rate in the relevant Pricing Supplement, the Rate of Interest in respect of the Notes will be determined on the basis of SOFR Compounded Index, and not according to the SOFR average as published. Any determination based on SOFR Compounded Index may diverge from any determination that may have been made based on any published compounded SOFR information.

SOFR is published by the Federal Reserve Bank of New York, in cooperation with the OFR, and is intended to be a broad measure of the general cost of financing Treasury securities overnight. The Federal Reserve Bank of New York reports that SOFR includes all trades used in the Broad General Collateral Rate, plus data on transactions cleared through the Fixed Income Clearing Corporation’s Delivery-versus-Payment (“DVP”) repo service. The Federal Reserve Bank of New York notes that DVP repo transactions with rates below the 25th volume-weighted percentile rate are removed from the distribution of DVP repo data each day. This has the effect of removing some (but not all) transactions in which the specific securities are said to be trading “special”. In addition, the Federal Reserve Bank of New York notes that it excludes trades between affiliated entities, when relevant and when the data to make such exclusions is available. Similarly, it excludes trades negotiated for forward settlement. To the extent possible, “open” trades, for which pricing resets daily, are included in the calculation of SOFR.

The Federal Reserve Bank of New York reports that SOFR is calculated as a volume-weighted median, which is the rate associated with transactions at the 50th percentile of transaction volume. Specifically, the volume-weighted median rate is calculated by ordering the transactions from lowest to highest rate, taking the cumulative sum of volumes of these transactions, and identifying the rate associated with the trades at the 50th percentile of dollar volume. At publication, the volume-weighted median is rounded to the nearest basis point. The Federal Reserve Bank of New York notes that SOFR is based on transaction-level data collected under the supervisory authority of the Board of Governors of the Federal Reserve System and transaction-level data obtained from DTCC Solutions LLC, an affiliate of the Depository Trust & Clearing Corporation, under a commercial agreement. The Federal Reserve Bank of New York notes on its publication page for SOFR that the use of SOFR is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice.

The Federal Reserve Bank of New York began publishing SOFR in April 2018. The Federal Reserve Bank of New York has also published historical indicative SOFR going back to 2014. Investors should not rely on any historical changes or trends in SOFR as an indicator of future changes in SOFR.

Prospective investors in the Notes should be aware that the market continues to develop in relation to SOFR as a reference rate in the capital markets and its adoption as an alternative to U.S. Dollar (USD) LIBOR. The market or a significant part thereof may adopt an application of SOFR, the SOFR Index or compounded SOFR that differs significantly from that set out in the Conditions and the Issuer may in future issue bonds referencing SOFR, the SOFR Index or Compounded SOFR that differ materially in terms of interest determination when compared with any previous SOFR, SOFR Index or compounded SOFR referenced bonds issued by it. The development of SOFR as an interest reference rate for the bond markets, as well as continued development of SOFR-based rates, indices and averages for such markets 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. Similarly, if SOFR, the SOFR Index or compounded SOFR do not prove widely used in securities such as the Notes, investors may not be able to sell the Notes at all or the trading price of the Notes may be lower than those of bonds linked to indices that are more widely used.

In addition, the manner of adoption or application of SOFR, the SOFR Index or compounded SOFR in the bond markets may differ materially compared with the application and adoption of SOFR, the SOFR Index or compounded SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SOFR, the SOFR Index or compounded SOFR 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 the Notes. Investors should consider these matters when making their investment decision with respect to any such Notes.

Furthermore, if SOFR is specified as the Reference Rate in the relevant Pricing Supplement, the Rate of Interest in respect of the Notes is only capable of being determined five U.S. Government Securities Business Days immediately prior to the relevant Interest Payment Date (subject as set out in the relevant Pricing Supplement). It may be difficult for investors in the Notes to estimate reliably the amount of interest which will be payable on the Notes, and some investors may be unable or unwilling to trade the Notes without changes to their IT systems, both of which factors could adversely impact the liquidity of the Notes. Further, if the Notes become due and payable, the final Rate of Interest payable in respect of the Notes shall only be determined on the date on which the Notes become due and payable and shall not be reset thereafter.

In addition, as SOFR and the SOFR Index are published by the Federal Reserve Bank of New York based on data received from other sources, the Issuer has no control over their determination, calculation or publication. There can be no guarantee that SOFR and the SOFR Index will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in the Notes. If the manner in which SOFR and/or the SOFR Index is calculated is changed, that change may result in a reduction of the amount of interest payable on the Notes and the trading prices of the Notes. If the definition, methodology, formula, guidelines, or other means of calculating SOFR and/or the SOFR Index is modified, references to SOFR and/or the SOFR Index shall be to SOFR and/or the SOFR Index as modified. Furthermore, to the extent that the SOFR Index is no longer published, the applicable rate to be used to calculate the Rate of Interest on the Notes will be determined using the alternative methods described in the Conditions (“**Fallbacks**”). Any of these Fallbacks may result in interest payments that are lower than, or do not otherwise correlate over time with, the payments that would have been made on the Notes if SOFR and/or the SOFR Index had been provided by the Federal Reserve Bank of New York in its current form. In addition, the use of the Fallbacks may result in determinations being made by an Independent Adviser (as defined in the Conditions) or directly by the Issuer, in accordance with the respective applicable Fallbacks. The use of the Fallbacks may also result in a fixed rate of interest being applied to the Notes.

Accordingly, an investment in the Notes may entail significant risks not associated with similar investments in conventional debt securities. Any investor should ensure that it understands the nature of the terms of the Notes and the extent of its exposure to risk, and that it considers the suitability of the Notes as an investment in the light of its own circumstances and financial condition. An investor should consult its own professional advisers about the risks associated with investment in the Notes and the suitability of investing in the Notes in light of its particular circumstances.

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 and 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.

Fluctuation of market value of the Notes.

Trading prices of the Notes are influenced by various factors, including the operating results and/or financial condition of the Group, political, economic, financial and other factors that can affect capital markets, the industry and the Group.

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 (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) 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 the Notes under any applicable risk-based capital or similar rules.

The NDRC Circular, including the pilot programmes thereunder, is a recent regulation and its interpretation may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Notes.

According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities or medium-to-long term loans issued or incurred outside the PRC with NDRC prior to the issue of the securities or drawings under the loans, and notify the particulars of the relevant issues or drawings within 10 working days after closing.

The NDRC Circular, including the pilot programmes thereunder, is a recent regulation and its interpretation may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Notes. The NDRC Circular is silent on the legal consequences of non-compliance with the post-issue registration requirements. In addition, the administration of the NDRC Circular, including the pilot programmes thereunder, may be subject to a certain degree of executive and policy discretion by NDRC. There is also risk that the annual foreign debt quota with the NDRC may be revoked or amended in the future or that future changes in PRC laws and regulations may have a negative impact on the performance or validity and enforceability of the Notes in the PRC. Potential investors of the Notes are advised to exercise due caution when making their investment decisions.

Considerations Relating to Subordinated Notes

Limited rights of enforcement and subordination of the Subordinated Notes could impair an investor's ability to enforce its rights or realise any claims on the Subordinated Notes.

In most circumstances, the sole remedy against the Issuer available to the holders of the Subordinated Notes to recover any amounts owing in respect of the principal of or interest on the Subordinated Notes will be to institute proceedings for the winding-up of the Issuer in Hong Kong. See “*Terms and Conditions – Events of Default*”.

The holders of the Subordinated Notes will have no right to accelerate payment of the Subordinated Notes in the case of default in payment or failure to perform a covenant except as they may be so permitted in accordance with the Conditions.

The Subordinated Notes will be direct, unconditional, subordinated and unsecured obligations of the Issuer and the rights of the holders of Subordinated Notes shall rank subordinate and junior in right of payment to, and to all claims of, (a) all unsubordinated creditors of the Issuer (including its depositors), and (b) all other Subordinated Creditors (as defined in the Conditions) of the Issuer whose claims are stated to rank senior to the Subordinated Notes or whose claims rank senior to the Subordinated Notes by operation of law or contract. Upon the occurrence of any winding-up proceeding, the rights of the holders of the relevant Subordinated Notes to payments on such Subordinated Notes will be subordinated in right of payment to the prior payment in full of all deposits and other liabilities of the Issuer except those liabilities

which rank equally with or junior to the relevant Subordinated Notes. In a winding-up proceeding, the holders of the relevant Subordinated Notes may recover less than the holders of deposit liabilities or the holders of other unsubordinated liabilities of the Issuer. As there is no precedent for a winding-up of a major financial institution in Hong Kong, there is uncertainty as to the manner in which such a proceeding would occur and the results thereof. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a risk that an investor in Subordinated Notes will lose all or some of its investment should the Issuer become insolvent. The Subordinated Notes also do not contain provisions which 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 Subordinated Notes.

The subordination of payments under the Subordinated Notes will likely have an adverse effect on the market price of the Subordinated Notes. In addition, as a result of the subordinated payment provisions of the Subordinated Notes, the market price of the Subordinated Notes may be more volatile than the market prices of other debt securities that are not subject to such subordination and may be more sensitive generally to adverse changes in the Issuer's financial condition.

The Subordinated Notes are subject to redemption by the Issuer upon the occurrence of a Regulatory Redemption Event.

Subject to the prior consent of the Monetary Authority, the Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time following the occurrence of a Regulatory Redemption Event (as defined in the Conditions).

The Monetary Authority from time to time may introduce measures or make proposals to strengthen capital and liquidity regulations with the goal of promoting a more resilient banking sector. It may lead to changes in the requirements for bank capital and certain term subordinated debt may not qualify as regulatory capital beyond a certain time frame. In particular, the Monetary Authority may decide that the Subordinated Notes do not qualify as term subordinated debt for inclusion in regulatory capital base of the Issuer. If the Subordinated Notes do not qualify, the Issuer may choose to redeem the Subordinated Notes (subject to the prior consent of the Monetary Authority) prior to the relevant maturity date pursuant to the Regulatory Redemption Event redemption right.

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

The Basel Committee has proposed a number of fundamental reforms to the regulatory capital framework for internationally active banks which are designed, in part, to ensure that capital instruments issued by such banks fully absorb losses before tax payers are exposed to loss (the "**Basel III Reforms**"), the principal elements of which are set out in its papers dated 16 December 2010 (as revised in June 2011) and its press release dated 13 January 2011. The implementation of the Basel III Reforms by the Monetary Authority is currently under way and is subject to a series of transitional arrangements, and full implementation of the Basel III Reforms is expected to be completed by July 2023.

The Basel III Reforms provide that all Tier 2 instruments which do not contain any contractual terms providing for their writing off or conversion into ordinary shares, at the option of the Monetary Authority and upon the occurrence of certain non-viability event will cease to be eligible to count in full as Tier 2 capital from 1 January 2013 unless, amongst other things, the jurisdiction of the relevant bank has in place relevant laws that (i) require such instruments to be written off upon the occurrence of certain non-viability event, or (ii) otherwise require such instruments fully to absorb losses before tax payers are exposed to loss.

To the extent that a series of Subordinated Notes contains provisions relating to loss, a Non-Viability Event (as defined in the Conditions) occurs upon the earlier of the Monetary Authority notifying the Issuer in writing that (a) the Monetary Authority is of the opinion that a Write-off or conversion is necessary, without which the Issuer would become non-viable; and (b) 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.

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, 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 either effect a full or partial write-off of the outstanding principal and accrued and unpaid interest in respect of such Subordinated Notes. In the event of a partial write-off, 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 Monetary Authority. The write-off will be effected in full in the event that the amount written off 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. There will be no compensation for any such loss, and holders could risk losing up to the full principal amount of Notes, besides cancellation of any accrued (and unpaid) interest. Any interest which was not paid on the applicable Interest Payment Date following a Write-off shall not accumulate or be payable at any time thereafter, whether or not funds are or subsequently become available.

Further, as interest is calculated on the basis of the principal amount as adjusted following the occurrence of a Non-Viability Event, in the event that such principal amount is permanently reduced by the relevant Write-off, holders of the Subordinated Notes will receive less interest on their Notes.

The application of non-viability loss absorption features similar to Condition 6(k) has not been tested in Hong Kong and some degree of uncertainty may exist in its application.

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 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; and (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. As a result, the Monetary Authority may require or may cause a write-off in circumstances that are beyond the control of the Issuer and the Group and with which neither the Issuer nor the Group 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 Issuer 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 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 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 Subordinated Notes may be subject to a full or partial Write-off.

Investors may lose the entire amount of their investment in any Subordinated Notes in which Write-off upon the occurrence of a Non-Viability Event is specified, which will lead to a full or partial Write-off. Upon the occurrence of a Write-off, the principal amount and any accrued but unpaid interest of such Subordinated Notes will automatically be written down and if there is a full Write-off, the principal amount and any accrued but unpaid interest may be written down completely and such Subordinated Notes will be automatically cancelled.

In addition, the subordination and set off provisions set out in Condition 3(b) are effective only upon the occurrence of any winding-up proceedings of the Issuer. In the event that a Non-Viability Event occurs the rights of holders of Subordinated Notes and the Receipts and Coupons relating to them shall be subject to the Write-off pursuant to Condition 6(k). This may not result in the same outcome for holders of Subordinated Notes as would otherwise occur under Condition 3 upon the occurrence of any winding-up proceedings of the Issuer.

Furthermore, upon the occurrence of a Write-off of any Subordinated Notes, interest will cease to accrue and all interest amounts that were not due and payable prior to the Write-off shall become null and void. Consequently, holders of Subordinated Notes will not be entitled to receive any interest that has accrued on such Subordinated Notes from (and including) the last Interest Payment Date falling on or prior to the Non-Viability Event Notice. Upon the occurrence of a Write-off, no holder of Subordinated Notes may exercise, claim or plead any right to any such amounts written off, and each holder of Subordinated Notes shall be deemed to have waived all such rights to such amounts.

Any such Write-off will be irrevocable and the holders of the Subordinated Notes will, upon the occurrence of a Write-off, not receive any shares or other participation rights of the Issuer or be entitled to any other participation in the upside potential of any equity or debt securities issued by the Issuer or 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 Issuer or the Group.

Upon the occurrence of a Non-Viability Event, clearance and settlement of the Subordinated Notes will be suspended and there may be a delay in updating the records of the relevant clearing system to reflect the amount written-off.

Following the receipt of a Non-Viability Event Notice, all clearance and settlement of the Subordinated Notes will be suspended. As a result, for so long as the Notes are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear, Clearstream, the CMU or any other clearing system, holders of the Subordinated Notes will not be able to settle the transfer of any Subordinated Notes during the period of five Clearing System Business Days (as defined in the Conditions) (or such other period as the relevant clearing systems shall determine in accordance with their rules and procedures) commencing on the Clearing System Business Day immediately following the date on which the Non-Viability Event Notice has been received by the relevant clearing systems (the “**Suspension Period**”), and any sale or other transfer of the Subordinated Notes that a holder may have initiated prior to the commencement of the Suspension Period that is scheduled to settle during the Suspension Period will be rejected by the relevant clearing system and will not be settled within the relevant clearing systems.

While a Tranche of Subordinated Notes that contains non-viability loss absorption provisions is represented by one or more Global Notes or Global Certificates and a Non-Viability Event occurs, the records of Euroclear and Clearstream or any other clearing system (other than the CMU) in respect of their respective participants' position held in such Tranche of Subordinated Notes may not be immediately updated to reflect the amount to be written-off (where applicable) and may continue to reflect the nominal amount of such Subordinated Notes prior to the Write-off as being outstanding, for a period of time. The update process of the relevant clearing system may only be completed after the date on which the Write-off is scheduled. Notwithstanding such delay, holders of such Subordinated Notes may lose the entire value of their investment in such Subordinated Notes on the date on which the Write-off occurs. No assurance can be given as to the period of time required by the relevant clearing system to complete the update of their records. Further, the conveyance of notices and other communications by the relevant clearing system to their respective participants, by those participants to their respective indirect participants, and by the participants and indirect participants to beneficial owners of interests in the Global Note or Global Certificate will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Regulations on non-viability loss absorption and the exercise of the Hong Kong Resolution Authority Power are subject to interpretation and application by regulators in Hong Kong.

The regulations on non-viability loss absorption are relatively new and untested, and will be subject to the interpretation and application by the Monetary Authority. It is uncertain how the Monetary 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 any Subordinated Notes.

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

A potential investor should not invest in the Subordinated Notes unless it has the knowledge and expertise to evaluate how the Subordinated Notes will perform under changing conditions, the resulting effects on the likelihood of a Write-off and the value of the Subordinated 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 this Offering Circular.

Considerations relating to Renminbi-Denominated Notes

Notes denominated in RMB (“**RMB Notes**”) may be issued under the Programme. Prospective investors should carefully take into account the following considerations, in addition to the other information contained in this Offering Circular, before investing in the RMB Notes.

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC.

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 by foreign investors into the PRC for the settlement of capital account items, such as capital contributions, 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 the PRC for settlement of capital account items are developing gradually.

Although the Renminbi was added to the Special Drawing Rights basket created by the International Monetary Fund in 2016, 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. 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 RMB Notes and the Bank’s ability to source Renminbi outside the PRC to service such RMB Notes.

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

There are restrictions imposed by 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 PBOC. The Renminbi Clearing Banks only have access to onshore liquidity support from 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 such cases, the participating banks 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 Renminbi Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in RMB Notes is subject to exchange rate risks.

The value of Renminbi against the US dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. In August 2015, the PBOC implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. 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. In May 2017, the PBOC further decided to introduce counter-cyclical factors to offset the market pro-cyclicality, so that the midpoint quotes could adequately reflect China's actual economic performance. However, the volatility in the value of the Renminbi against other currencies still exists. All payments of interest and principal will be made with respect to RMB Notes in Renminbi. As a result, the value of these Renminbi payments in US dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the US dollar or other foreign currencies, the value of investment in US dollar or other applicable foreign currency terms will decline.

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

All payments to investors in respect of RMB Notes will be made solely by (i) when RMB Notes are represented by global certificates deposited with a sub-custodian for CMU, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, (ii) when RMB Notes are represented by global certificates held with the common depositary, for Euroclear and Clearstream or any alternative clearing system, transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, in accordance with prevailing Euroclear and Clearstream rules and procedures, (iii) when RMB Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, in accordance with prevailing rules and regulations or (iv) by transfer through the Cross-Border Interbank Payment System in accordance with relevant rules and regulations, if so specified in the Pricing Supplement. The Bank cannot be required to make payment by any other means (including in any other currency or in bank notes, by check or draft or by transfer to a bank account in the PRC).

USE OF PROCEEDS

The net proceeds from each issue of Notes will be used by the Bank for working capital and general corporate purposes.

CAPITALISATION AND INDEBTEDNESS

As at 31 December 2021, the Issuer had issued and fully paid up share capital of approximately HK\$1,161.0 million consisting of approximately 232.2 million ordinary shares.

The following table sets out the Group's consolidated capitalisation and indebtedness as at 31 December 2021.

	As at 31 December 2021 (HK\$'000)
Short-term borrowings⁽¹⁾:	
Deposits and balances from banks	30,281,502
Deposits from customers and certificates of deposit issued	287,892,644
Total short-term liabilities	318,174,146
Capitalisation:	
Long-term borrowings ⁽²⁾	5,438,074
Subordinated debts issued	3,115,586
Total long-term liabilities	8,553,660
Share capital	1,160,951
Reserves	43,686,589
Shareholders' equity	44,847,540
Additional equity instruments	7,574,573
Total capitalisation⁽³⁾	60,975,773

⁽¹⁾ Short-term borrowings represent borrowings with a remaining maturity of one year or less or borrowings that are repayable on demand.

⁽²⁾ Long-term borrowings represent deposits from customers and borrowings with a remaining maturity of more than one year.

⁽³⁾ Total capitalisation represents the sum of total long-term liabilities, shareholders' equity and additional equity instruments.

There has been no material change in the Group's total capitalisation since 31 December 2021.

DESCRIPTION OF THE BANK

INTRODUCTION

The Bank, founded in 1933, is one of the oldest local Chinese banks in Hong Kong and is wholly-owned by CMB, a company incorporated in the PRC and listed on the Shanghai Stock Exchange and the main board of the HKSE. CMB is in turn partially owned by China Merchants Group Ltd., a state-owned corporation of the PRC, which holds a 29.97 per cent. shareholding in CMB. In the list of Top 1000 World Banks published by The Banker (a British magazine) in 2021, CMB ranked 14th worldwide; and in the list of Fortune Global 500 released by Fortune in 2021, CMB ranked 162nd. As at 31 December 2021, CMB had total assets worth approximately RMB9,249.0 billion and operated 143 branches, 1,770 sub-branches, one dedicated branch-level operation centre (credit card centre), one representative office, 2,812 self-service centres, 6,592 self-service machines and 14,746 visual counters in more than 130 cities of Mainland China.

The Bank was incorporated as a limited liability company in 1956. Its shares were publicly listed on the main board of the HKSE in 1980 (Stock Code: 0096). CMB acquired 53.12 per cent. of the shareholding in the Bank from the companies controlled by the families of Dr. Wu Yee-Sun and Dr. Wu Jieh-Yee in September 2008 and the compulsory acquisition of the remaining shares by CMB was completed on 15 January 2009. On 16 January 2009, the Bank withdrew the listing of its shares on the main board of the HKSE.

The Bank became a wholly-owned subsidiary of CMB upon the completion of its privatisation by CMB. As a member of the CMB Group, the Bank receives extensive support from CMB in terms of funding, settlement, information technology and client resources. The significant collaboration between the Group and CMB enables the Group to better serve its customers, maximise cross selling efforts, expand its product range and capture the emerging business opportunities in the PRC and overseas markets.

The Group provides a wide range of banking and financial services including retail and corporate deposit-taking, mortgage and personal lending, advance of commercial and industrial loans, foreign exchange, deposit-taking from and lending to non-bank financial institutions, money market, interbank market, capital market activities, securities broking, asset management service, wealth management service, insurance business, trade financing, hire purchase and leasing, property trustee and nominees services. The Group also provides RMB banking products and services in Hong Kong, such as deposit, exchange, remittance, RMB non-deliverable forward contracts, dual currency credit cards, PRC account opening witness services and PRC mortgage loans to its retail customers as well as RMB trade settlement and finance to its corporate customers. The Group conducts its treasury operations primarily through the Bank's Asset and Liability Management Department. As at 31 December 2021, the Bank had more than 30 banking offices in Hong Kong, four branches and sub-branches in the PRC, a branch in Macau and two overseas branches in Los Angeles and San Francisco, and a representative office in Bangkok, respectively. In 2021, the Bank was awarded the "Financial Services Awards of Excellence 2021 – Syndicated Loan and Financing" and the "Financial Services Awards of Excellence for Private Banking Wealth Succession" by Hong Kong Economic Journal, the "FinTech Awards 2021 in Wealth Investment and Management – Outstanding Cross-border Wealth Management App" and the "FinTech Awards 2021 in Wealth Investment and Management – Outstanding Smart Investment Management Service" by ET Net, the "FinTech Excellence Awards 2021 – Innovative Fintech Banking Services" by HK01, the "2021 RMB Business Outstanding Award (Outstanding Retail Banking – Cross-Border Wealth Management Award)" and the "2021 RMB Business Outstanding Award (Outstanding Greater Bay Area Financial Services – Greater Bay Area Property Mortgage Loan Awards)" by Metro Finance and Hong Kong Ta Kung Wen Wei Media Group as well as the "Outstanding Award for Green and Sustainable Bond Lead Manager (Banking Industry) – Visionary Sustainability Bond Framework" by Hong Kong Quality Assurance Agency.

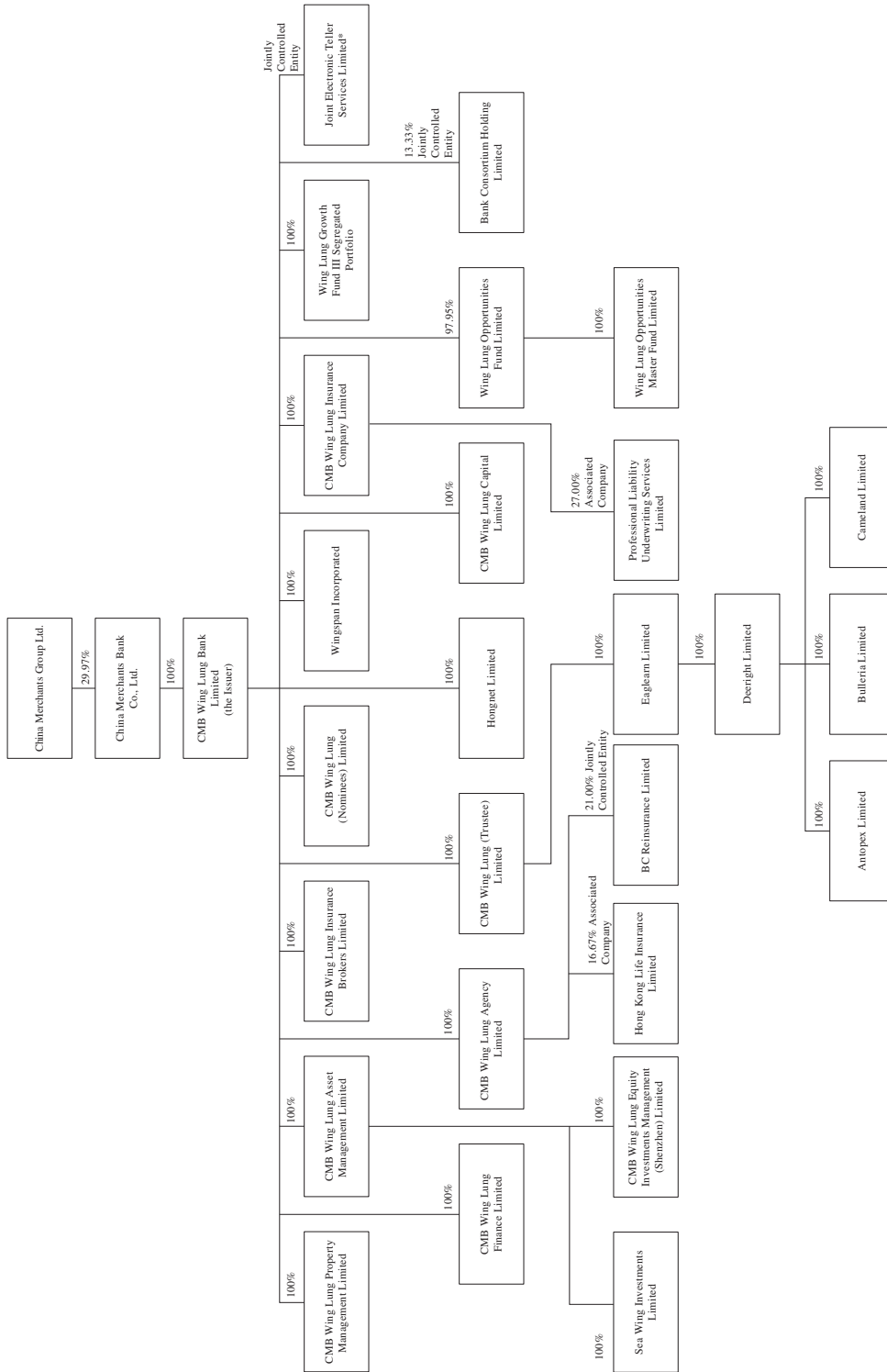
As at 31 December 2021, on a consolidated basis, the Group's total assets, total equity, total loans and advances to customers (including trade bills) and total deposits from customers were approximately HK\$389.1 billion, HK\$52.4 billion, HK\$204.4 billion and HK\$293.1 billion, respectively.

For the year ended 31 December 2021, the Group's operating profit before impairment charge was HK\$3,834.7 million and profit attributable to shareholders was HK\$3,031.5 million.

As at 31 December 2021, the Group's common equity tier 1 ("CET1") ratio was 14.5 per cent., its tier 1 capital ratio was 17.3 per cent. and its total capital ratio was 19.6 per cent.

ORGANISATION

The following chart sets out the Group's organisation structure for the principal subsidiaries, associated companies and jointly controlled entities as at 31 December 2021:



* The Group is one of the five founding members which together have a controlling interest in Joint Electronic Teller Services Limited. The Group holds 20 per cent. of Class A ordinary shares issued by Joint Electronic Teller Services Limited to its founding members. Joint Electronic Teller Services Limited also has other class of ordinary shares. Class A ordinary shares carry the right to vote on the allocation of Joint Electronic Teller Services Limited's asset upon the winding up of Joint Electronic Teller Services Limited. As at 31 December 2021, the Group was entitled to 2.74 per cent. of dividends declared by Joint Electronic Teller Services Limited.

STRENGTHS

Strong shareholder support and synergy with CMB

The Bank is a wholly-owned subsidiary of CMB. CMB is one of the leading commercial banks in China with a competitive advantage in retail banking as well as good overseas business coverage. As such, the Group is able to enjoy strong synergies with CMB across different business lines including retail banking, private banking and corporate banking. Specifically, the Group can also make use of CMB's wide network of branches, abundant client resources and strong product research and development capabilities to develop and strengthen its own business. The Group can also leverage on CMB's operational experience and receive potential liquidity and funding support from CMB.

Steadily growing retail banking business with diversified licensing support

The business scale of the Group has expanded steadily. As at 31 December 2021, the total assets of the Group amounted to HK\$389.1 billion, representing an increase of 2.4 per cent. as compared with the end of 2020. As at 31 December 2021, the total loans and advances to customers (including trade bills) and total deposits from customers increased by 5.2 per cent. to HK\$204.4 billion and by 8.5 per cent. to HK\$293.1 billion as compared with that at the end of 2020, respectively. In particular, the Group has maintained a healthy and developed retail banking business, with broad coverage in credit card, trust, securities brokerage and investment and insurance businesses. Non-interest income and the retail banking business made steady revenue contribution in the past years. As at 31 December 2021, the Group had over 450,000 retail customers.

Robust development of strategic businesses

The Group has seen corporate customers increase from 3,817 to 4,138 (a 8.4 per cent growth) between December 2020 and December 2021. With a competitive corporate and commercial banking business, the Group's total corporate loans (including trade bills) amounted to HK\$79.7 billion, HK\$83.4 billion and HK\$80.5 billion as at 31 December 2019, 2020 and 2021, respectively. Corporate deposits balances increased from HK\$41.1 billion as at 31 December 2019 to HK\$53.2 billion as at 31 December 2020, and further increased to HK\$79.6 billion as at 31 December 2021. The Group has also seen strong performance as a bookrunner, ranking second among syndicated loans bookrunners and lead managers in Hong Kong in 2021, and has been within the top five syndicated loans bookrunners in Hong Kong for six consecutive years since 2016 according to Refinitiv Bookrunners ranking. The Group continues to expand and diversify, as advances to non-bank financial institutions were HK\$17.7 billion as at 31 December 2019, HK\$17.6 billion as at 31 December 2020 and HK\$14.7 billion as at 31 December 2021.

In adherence to its goal to maintain a diversified business structure, the Group's other strategic businesses including wealth management and financial markets have also grown steadily. For the year ended 31 December 2021, net non-interest income (being operating income net of insurance claims deducted by net interest income) amounted to HK\$2,274.9 million, representing an increase of 6.0 per cent. as compared with the previous year and contributing 35.2 per cent. to net operating income.

Well-maintained asset quality with sufficient capitalisation

The Group has been able to maintain superior asset quality compared to its peers. Its risk resistance capability has been strengthened continuously. The non-performing loan ratio, including trade bills, of the Bank was 0.51 per cent, 0.48 per cent. and 0.63 per cent. as at 31 December 2019, 2020 and 2021, respectively. Meanwhile, the Group's capital adequacy ratio and tier 1 capital ratio have been maintained at a healthy level and well above regulatory requirements.

The Group also formulated a detailed and feasible five-year capital management plan at the end of 2021, which has been reviewed and approved by the Board. The plan aims to maintain the Group's total capital ratio and common equity tier 1 capital ratio at a stable level. As at 31 December 2021, the Group's total capital ratio and common equity tier 1 capital ratio were 19.6 per cent. and 14.5 per cent., respectively.

Robust profitability and operating efficiency

The Group has a relatively high operational efficiency with cost-to-income ratio of 32.8 per cent., 42.2 per cent. and 40.7 per cent. for the years ended 31 December 2019, 2020 and 2021, respectively, which was lower than that of most of the industry peers. The Group continues to maintain a relatively high operating efficiency as well as good asset quality and this helps the Group to maintain good profitability. As at 31 December 2021, the return on average assets and return on average shareholders' equity were 0.79 per cent. and 6.97 per cent. respectively.

Prudent internal control and risk management system

The Group maintains a prudent internal control system. Key bodies in this system include the board of directors, the management committee, the audit committee, risk committee, the chief auditor and the audit department. These bodies aim to establish, maintain and operate an effective and comprehensive internal control system. Also, the Group has a well-organised system covering credit risks, market risks, liquidity risks and operational risks.

STRATEGY

The major components of the Group's overall strategy are as follows:

Provide diversified cross-border products and services

The Group aims to secure its leading position in cross-border finance services through the development and implementation of its three cross-border finance platforms strategy, or "One Body with Two Wings" approach. The Group has developed three cross-border platforms: cross-border wealth management platform ("Caifutong"), cross-border investment and financing platform ("Zibentong"), and cross-border clearing and settlement, dealing and trading platform ("Shangmaotong"). The Group intends to upgrade the functions of these three major cross-border platforms and use them to promote and develop its macro-asset management business as well as to strengthen its position in the cross-border wealth management and family wealth succession spheres. To expand its cross-border personal financing business, the Group also appointed specialised personnel and set up dedicated lines for the launch of mortgage loan services in the Greater Bay Area.

Strengthen integration and coordination with CMB to better serve its customers, maximise cross selling efforts and expand its product range and geographic coverage

The Group will adhere to its business philosophy of “Progress with prudence, service with sincerity” and continue to pursue growth by leveraging its relationship with CMB. It continues to focus on customer demand as well as strengthening business referral, cross-selling and resources sharing between CMB and the Group. With support from CMB, the Group expects that it will continue to grow by (i) maintaining a business presence in the Greater China region, (ii) leveraging CMB’s quality PRC client base; supporting and servicing such clients by meeting their need for cross-border and one-stop banking services, and (iii) supporting and servicing the growing demand of its traditional client base for PRC banking services by leveraging CMB’s onshore network. The Group will seize the opportunities for future business development through deepening the business collaboration with CMB, as well as to cooperate with CMB to build a comprehensive cross-border financial services platform, so as to strengthen its competitive edge and enhance its overall profitability.

As a fully licensed financial institution under CMB Group in Hong Kong with branches in Mainland China and Macau, the Group relies on the extensive resources and support of CMB and synergies with CMB in various aspects of asset management, product creation and product sales. The Group serves as the bridge in connecting the domestic and offshore markets and servicing cross-border customers, with the objective of becoming the key overseas node of the extensive wealth management solutions and products platform of CMB. The Group will continue to focus on the wealth protection and inheritance needs of high-end customers in both Hong Kong and Mainland China, and to proactively integrate into the cyclic value chain of extensive wealth management of CMB by building its business flywheel of “wealth management – asset management – investment banking”. With a view to expanding its geographic coverage in the PRC and its ability to serve its PRC clients, the Group will continue to enhance the co-operation between the Group and CMB at all levels, from customer relationship management and cross selling across products and clients, to back office processing and sharing of information technology platforms, providing integrated financial services to customers in the PRC and Hong Kong and capturing emerging business opportunities in the PRC and overseas markets.

Diversify sources of revenue to achieve sustainable growth

The Group aims to strengthen its business capabilities for a more balanced and sustainable revenue platform. In adherence to the corporate culture of “Solidarity, professionalism, progressivism and meticulousity” and “Progress with prudence, service with sincerity”, the Group intends to continue to diversify its revenue sources by providing tailor-made products and services to meet customer needs. The Group has expanded its investment product sales, wealth management services and other retail and private wealth management services to enhance its fee based income and reduce its reliance on interest income. By offering a total solution through an integrated service platform and enhanced service capabilities, the Group aims to be the premier banking group for its customers. In addition, the Group will continue to expand its financial institutional business focusing on cross-border financing and dealings with mainland financial institutions.

The Group continues to build comparative advantages in its core business areas. The Group’s private banking business focuses on the investment and financing needs of cross-border high net worth customers, striving to provide such customers with unparalleled service experience. The Group also places emphasis on the needs of strategic customers for syndicate services and maintains a leading position in the market. In the bond issuance business, the Group is gradually increasing the scale of its bond underwriting business and seeks to improve its market share and ranking. The Group aims to further grow its custody business and to enhance its custody scale and operating platform service capabilities so as to reach the forefront of the industry. In the financial market business, the Group is building a first-class bond investment and foreign exchange trading team, as the Group strives to become a leading bond investment trading and operations platform and an offshore RMB market maker. In adherence to the “Light-model bank” business strategy, the Group fostered the establishment of asset management platforms, cooperation with high-quality banks in the Belt and Road Region and Greater Bay Area as well as business coordination with branches in China and overseas.

To fulfil its social responsibility of green finance and sustainable development, the Group has further formulated a green finance service plan based on the green finance strategy of CMB as well as its own operating characteristics and transformation progress. The Group aspires to provide customers with effective green finance solutions and gradually integrate the concept of green finance with its daily operation.

Enhance technological capability and accelerate digital transformation

The Group continues to diversify and optimise its cross-border financial products system including cross-border settlement, cross-border financing, asset management and structural wealth management. The Group strives to offer superior customer experience by actively introducing more fintech initiatives including more customer-centric mobile banking services via CMBWLB Wintech and the application of blockchain technology into the Group's operations. With the professional guidance of CMB, the Group further increases the deployment of resources in science, technology, fintech and IT infrastructure to achieve higher level of digitalisation, enhance operational efficiency and leverage technology to expand diverse product lines. Adhering to the "mobile first" strategy, the Group continues to finesse and optimise its product offerings and solutions, including CMBWLB Wintech. The Group also launched the smart investment advisory services "Wealth-Tech".

Promote the benefit of a full-licensed bank

The Group plans to leverage on the diversified licenses held by the Group, including licenses in securities brokerage, wealth management, asset management, trust and insurance industries, to better serve both retail and corporate customers. The Group also aims to maximise cross-selling opportunities between different business lines as a means to continued growth.

Foster strategic transformation and business expansion

Going forward, the Group aims to focus on core customers, strengthen online retail operations, achieve high-quality growth in assets under management, and accelerate the transformation of retail line wealth management. The Group also strives to carry out specialised operation in strategic customer industries, enhance the comprehensive service capacity for listed companies in Hong Kong, and build business capacity in mergers and acquisitions and structured finance. The Group plans to develop comprehensive service solutions focused on its customers, strengthen its customer management processes and expand its intermediate business, whilst promoting online transformation of banking transactions in the financial markets.

The Group plans to keep its base in Hong Kong with a view to leveraging the emerging opportunities in the Greater Bay Area to strengthen its business in Mainland China. In terms of client positioning, the Group's key target will be cross-border high net wealth individuals, cross-border corporate clients and cross-border institutions.

BUSINESS SEGMENTS

The Group operates mainly in Hong Kong and predominantly in commercial banking, which comprises four business segments: retail banking, corporate and commercial banking, treasury and financial institution activities, and Mainland China, Macau and overseas operations. Other activities of the Group mainly comprise general insurance underwriting and investment properties holding.

The table below sets forth a summary of the performance of the Group by business segment for the periods indicated below:

	Operating income/(loss)			Segment operating profit		
	Year ended 31 December			Year ended 31 December		
	2019	2020	2021	2019	2020	2021
	(Expressed in thousands of Hong Kong dollars)					
Retail banking	2,711,084	1,974,662	2,139,350	1,495,114	839,992	844,184
Corporate and commercial banking	1,712,986	1,280,555	1,343,710	1,249,319	718,117	791,314
Treasury and financial institutions	1,591,346	1,563,327	1,753,145	1,270,282	1,345,427	1,553,037
Mainland China, Macau and overseas operations	1,137,383	1,242,938	1,190,723	728,019	661,700	654,585
Others	487,025	537,031	553,504	295,236	347,786	365,105
Unallocated and inter-segment elimination	(515,865)	(593,966)	(515,351)	(747,629)	(880,843)	(850,936)
Total	<u>7,123,959</u>	<u>6,004,547</u>	<u>6,465,081</u>	<u>4,290,341</u>	<u>3,032,179</u>	<u>3,357,289</u>

Retail Banking

The principal retail banking activities of the Group include acceptance of retail deposits, mortgage and personal lending, wealth management, securities brokerage, life insurance agency and brokerage services. The Group conducts its retail banking business primarily through the Group's retail banking unit. The Group markets its retail products and services through a combination of its branch network and ATMs in Hong Kong and other delivery channels such as telephone banking, CMBWLB Wintech mobile banking and online banking services. The Group continues to embark on a series of initiatives to enhance its operational efficiency and customer experience. This includes expanding and relocating certain branches, optimising counter transaction process, strengthening electronic channels and achieving paperless operation. The Group will also continue to enhance its mutual co-operation and connections with CMB's branches in the PRC to serve common customers and capitalise on business opportunities by leveraging CMB's extensive branch network in the PRC, channels and sizeable customer base.

Assets of the retail banking segment comprised approximately 15.8 per cent. of the total assets of the Group as at 31 December 2021. The retail banking segment contributed HK\$2,711.1 million, HK\$1,974.7 million and HK\$2,139.4 million to the Group's operating income for the years ended 31 December 2019, 2020 and 2021, respectively.

The major retail banking products and services offered by the Group are as follows:

Acceptance of Retail Deposits

The Group has a diversified deposit base which provides a stable source of funding and a broad platform across which it is able to cross-sell other products to create stronger, multi-product customer relationships.

The Group offers a range of deposit services to customers, including savings and current accounts and fixed deposits denominated in Hong Kong dollars, US dollars, Renminbi and other currencies. As at 31 December 2021, the balance of retail deposits amounted to HK\$165.4 billion. As at 31 December 2021, of the total retail deposits, current and savings deposits increased by 16.3 per cent as compared with that

as at the end of 2020. To provide customers with convenient, secured and efficient mobile banking service and to put forward the asset-light transformation and development of retail banking, the Group launched “CMBWLB Wintech” (formerly named as WLB Wintech), a mobile application, in January 2017. By adopting a “mobile phone priority” strategy, the Group has continuously built and optimised the function of CMBWLB Wintech in order to provide customers with a better banking experience. As at 31 December 2021, the number of customers and monthly active users of CMBWLB Wintech were 191,510 and 74,368, respectively.

Retail Lending

Following the Bank-wide strategy to strengthen collaboration with CMB, the Bank’s Retail Finance and Credit Card Department focuses on the enhancement of synergy effects with CMB and the establishment of a comprehensive cross-border financial platform. The Group’s retail lending business has concentrated on high net worth customer segments such as providing asset-backed loan business through “Digital Loan Services – Insurance Policy” and “Digital Loan Services – Investment Funds” by CMBWLB Wintech. Moreover, the Group’s cross-border personal financing business in the Greater Bay Area has thrived following the launch of mortgage loan services.

As at 31 December 2021, the aggregate amount of outstanding loans relating to insurance financing and investment financing was HK\$31,319.6 million, representing a 40.6 per cent. surge as compared with that at the end of 2020. As at 31 December 2021, the aggregate amount of loans drawn down under the Greater Bay Area mortgage loan services offered by the Group amounted to HK\$214.3 million. The overall credit quality of retail loans provided by the Bank remained sound.

Wealth Management

The Group has expanded its wealth management products and actively promoted its wealth management services in order to offer a wide array of products and services to its existing client base and to new customers. The Group segregates its wealth management customers into different categories based on their net assets under management in order to cater for different customers’ wealth management objectives and risk appetites. The Group officially launched its “Private Wealth Management Service” in 2012 to offer comprehensive financial services to high-end customers in Mainland China and Hong Kong. These services, which include bonds, mutual funds, general banking and brokerage, will be provided primarily out of the Group’s head office in Hong Kong. The Group has been optimising its wealth management services with the aim of enhancing customer experience and helping customers achieve investment returns. In 2020, the Bank launched “Insurance Policy Financing” and made available online purchase of equity-linked investment products via CMBWLB Wintech, providing customers with convenient and efficient financing and investment channels. In 2021, the Bank became one of the first banks approved to engage in the “Cross-border Wealth Management Connect”. The Bank received regulatory approval from Mainland China, Hong Kong and Macau to be included in the first batch of pilot banks to provide its customers with Southbound Trading and Northbound Trading services under Bond Connect. The Bank was awarded the “Brand Awards 2020 – Best Mobile Banking Services” by iMoney in 2020. In 2021, the Bank was awarded the “Fintech Awards 2021 in Wealth Investment and Management – Outstanding Cross-border Wealth Management App” by ET Net, the “Financial Services Awards of Excellence for Private Banking Wealth Succession” by Hong Kong Economic Journal, the “FinTech Excellence Awards 2021 – Innovative Fintech Banking Services” by HK01 and the “2021 RMB Business Outstanding Award (Outstanding Retail Banking – Cross-Border Wealth Management Award)” by Metro Finance and Hong Kong Ta Kung Wen Wei Media Group. Continued efforts to expand the cross-border business showed positive results, as the private banking and wealth management customer base expanded by 12.1 per cent. in 2021. The Group’s commission income from investment services for the year ended 31 December 2021 grew by 16.1 per cent. as compared to 2020.

The Group currently has wealth management centres located in its headquarters in Central, Hong Kong and its other branches in Hong Kong, through which the Group distributes wealth management products such as financial planning, investment fund services, bond investment services and currency-linked products. The Group also strives to develop offshore trust business and caters for the needs of cross-border high-end customers. The Group has a dedicated investment advisory team to tailor-make wealth management solutions for customers, and the Group expects to expand its branch network to meet a growing demand for wealth management products and services. The Group will continue to focus on developing its wealth management service branded “Sunflower” to provide a comprehensive financial service platform to such customers. The Group leverages on its close relationship with CMB and focuses on the increasing flow of PRC customers that its relationship with CMB brings about. To seek high net worth customers in the PRC, the Group has placed emphasis on strengthening its collaboration with CMB’s branches in Mainland China. The Group also arranged for high-end customers in the PRC to participate in activities for selected customers held in Hong Kong to establish good relationships and introduce its wealth management services to them. The Group strived to enrich its product platform and provide customers with wider choice. It launched fund trading services on a mobile application platform in Hong Kong and comprehensively enhanced the function of the platform to further leverage the advantages of mobile financial services. In 2021, the trading volume via electronic channels occupied 61.6 per cent. of the total trade volume of the Bank. The total assets under management as at 31 December 2021 increased by 14.7 per cent. as compared with that at the end of 2020.

For the year ended 31 December 2021, the Group’s wealth management business contributed revenue of HK\$957.8 million, representing an increase of 26.9 per cent. as compared to the same period in 2020.

Life Insurance Agency and Brokerage Services

The Bank, acting as a life insurance agency, distributes life insurance products through its various outlets. In addition, the Group provides life insurance brokerage services through one of its subsidiaries, CMB Wing Lung Insurance Brokers Limited. These products include life insurance policies such as whole life and term life policies. All life insurance products offered by the Bank are underwritten by Hong Kong Life Insurance Limited, an associated company of the Bank. The Group strives to deepen customer relationships and foster customer segmentation by conducting customer analysis and providing recommendations on asset allocation for key customers, thereby increasing its proportion of mid-to-high-end customers.

The Group’s brokerage activities include custodian services, securities financing and securities brokerage services. For the year ended 31 December 2021, the Group provided initial public offering service for 102 IPO cases. For the year ended 31 December 2021, the Group realised securities brokerage commission income of HK\$391.8 million, representing an increase of 22.6 per cent. as compared with the corresponding period in 2020. The Group provides differential pricing and services to different customers based on their net worth, and thereby caters for the diversified needs of the customer base. The Group offers online trading services, the NET Securities services and the CMBWLB Wintech mobile banking services, which allow customers to access real-time market information of Hong Kong stocks and to trade securities listed on the HKSE or The Singapore Exchange Limited via the internet, mobile phone and fixed-line telephone. To grasp the trend of the U.S. stock market and the ensuing market opportunities, the Group further made available the trading of U.S. stocks via CMBWLB Wintech, and as a result the Group recorded an increase in transaction volume and commission income in 2021 as compared to 2020.

Corporate and Commercial Banking

The Group's corporate and commercial banking services include acceptance of corporate deposits, advance of commercial and industrial loans, trade financing and hire purchase and leasing. The Group's customers are principally corporates in the property development, property investment, financial, manufacturing, wholesale and retail trading businesses based in Hong Kong and the PRC. Many of these customers have been banking with the Group for many years.

The Group expects to continually expand its business in accepting guarantee from domestic enterprises as security for loans granted to overseas enterprises, syndicated loans and corporate loans granted to enterprises in both the PRC and Hong Kong as well as bilateral loans. The Group will continue to strengthen its collaboration with CMB, providing one-stop financial services to customers in Hong Kong and the PRC, so as to broaden its customer base.

As at 31 December 2019, 2020 and 2021, with respect to corporate and commercial banking business, total corporate loans, including trade bills, amounted to HK\$79.7 billion, HK\$83.4 billion and HK\$80.5 billion, respectively. The corporate and commercial banking segment contributed HK\$1,713.0 million, HK\$1,280.6 million and HK\$1,343.7 million to the Group's operating income for the years ended 31 December 2019, 2020 and 2021, respectively.

Acceptance of Corporate Deposits

The Group had HK\$79.6 billion in deposits from corporate customers as at 31 December 2021, representing an increase of 49.6 per cent. as compared with that at the end of 2020.

Commercial and Industrial Loans

The Group's corporate loan products include general purpose and working capital financing. The Group also provides overdraft, revolving loans and term loan facilities to local companies for general working capital and other commercial purposes. Credit facilities are subject to review at least annually depending on credit performance. The Group also provides revolving loans and syndicated loans to larger corporate customers. The Group's participation in syndicated loans is dependent on the creditworthiness of borrowers, pricing and the Group's relationship with arrangers. According to the Refinitiv Bookrunner rankings in 2021, the Bank ranked second among the banking competitors in Hong Kong, and has ranked in the top five for six consecutive years since 2016. In 2021, it was also awarded the "Financial Services Awards of Excellence 2021 – Syndicated Loan and Financing" by the Hong Kong Economic Journal.

The Group also offers mortgage loans to corporate customers. The Group's mortgage products allow its corporate customers to borrow as much as 50 per cent. of the appraised property value, and the repayment periods can be as long as 30 years.

Trade Financing

The Group's import financing products and services include documentary credit issuance, shipping guarantees, trust receipt loans, import collection and invoice financing. The Group's commercial banking customers who are engaged in the import business typically request that the Bank issues letters of credit or guarantees to support their payment obligations to sellers of goods. Some commercial banking customers also rely on trust receipts and invoice financing to support their liquidity.

For customers who are engaged in the export business, the Bank offers letter of credit advising and negotiation, bills purchase, D/P and D/A purchases, packing loans, invoice discounting, export finance and account receivable loans to assist them in managing their liquidity. Account receivables loans involves receivable management, credit-risk cover and finance to exporters against accounts receivable with overseas buyers. Financing is based on customers' accounts receivable without requiring additional security. The Group often provides a package of working capital financing that may consist of various trade and receivables finance products and services to meet customers' needs in their trading business, and also different treasury products to enable clients to hedge against their foreign exchange risks.

Hire Purchase and Leasing

The Group provides lease financing and hire purchase loans to its customers to finance their capital expenditure needs for acquisition of new and second-hand machinery and transportation equipment, including vehicles and boats. The Group generally requires its lease financing and hire purchase loans to be secured.

Treasury and Financial Institution Activities

The Group conducts treasury operations for itself and also provides treasury operations products and services for its customers. Treasury and financial institution activities include foreign exchange, money market, interbank market and capital market activities. Apart from the business in foreign exchange and stock markets, the Group also provides its customers with market strategies and treasury portfolio products through "U-BANK@CMBWLB services" and CMBWLB Wintech. The treasury operations of the Group involve mostly bonds, which have a minimum credit rating of A3 and above (save for "dim sum bonds") issued by the central government, central banks and financial institutions and have limited exposure to derivative products. For the years ended 31 December 2019, 2020 and 2021, the Group's income from foreign exchange trading business amounted to HK\$165.4 million, HK\$362.6 million and HK\$213.3 million, respectively. The treasury and financial institution segment contributed HK\$1,591.3 million, HK\$1,563.3 million and HK\$1,753.1 million to the Group's operating income for the years ended 31 December 2019, 2020 and 2021, respectively.

Foreign Exchange

The Group's foreign exchange revenue is derived mainly from services provided to customers, such as foreign exchange trading and forward contracts. It also engages in foreign exchange trading for its own account.

Proprietary Trading

The Group prudently invests in securities for its own account, primarily debt securities issued by banks, other financial institutions and sovereigns. As at 31 December 2021, the Group's investments in debt securities amounted to HK\$103.6 billion, representing an increase of 20.8 per cent. compared with 31 December 2020, of which over 80 per cent. had a credit rating of A3 or above. The Group adopts a conservative approach to proprietary trading and places strict limits on dealer's positions. Compliance with these limits is regularly monitored by the Risk Management Committee of the Bank.

Financial Institution Business

With respect to bank financial institution business, the Bank focuses on expanding the customer base of domestic small and medium-sized banks, overseas branches of Chinese banks and foreign banks. Great emphasis is placed on the development of “cross-border financial service platform for medium and small-sized financial institutions” and further deepening of the cross-border business relationship with domestic medium and small-sized banks. The Group strives to realise three main functions, namely “Clearing and Settlement, Dealing and Trading as well as Investment and Financing”. To cater for the business needs of the customers, the Group provides financial institution customers with a diversified product chain, thus enhancing synergy effects. In adherence to the “Light-model bank” business strategy, the Group will further build asset management platforms, cooperate with high-quality banks in the Belt and Road Region and the Greater Bay Area as well as foster business coordination with branches in Mainland China and overseas.

With respect to the non-bank financial institution business, the Group priorities risk management given the volatility of the market while expanding the investment and commercial banking businesses through participating in initial public offer financing bonds and funds collateral loans. To follow the “Light-model bank” business strategy, the Group focuses on the development of its custody service, bond issuance and foreign exchange business, hence increasing its non-interest income. In 2021, the Bank offered custody service to a mutual fund custodian business for the first time, indicating the enhanced strength and expertise of its custody business has brought it to a new stage of development. In addition, the Group also provides an initial public offer receiving bank service and dividend payment service so as to increase non-interest income and liquidity. To facilitate fundraising, trading and asset allocation in trading markets by non-bank financial institution customers, the Group designs a series of wealth management products, from account and custodian to investment product selection and leverage financing. The Group also strives to explore diversified financing models, intensify the advantages of capital market financing and enhance the Group’s market influence. In addition, the Group continues acquiring customers from other sub-sectors including, but not limited to, financial leasing, asset management and fund companies.

Sale and Distribution

The Group’s sales activities provide corporate and individual customers with a broad range of investment and yield enhancing products as well as customised risk management solutions for customers through financial instruments. The Group’s relationship with CMB contributed to the expansion of the customer base for its treasury business. The Group continues to seek cross selling opportunities for financial products to PRC corporates.

The Group has also regularly raised term borrowing by issuing certificates of deposit to lengthen its funding maturity profile and to increase its deposit base. The Group established a certificate of deposit programme in 1997, together with updates in subsequent years. As at 31 December 2021, the carrying amount of certificates of deposit issued was HK\$270.0 million. With the strong support of CMB, the Group actively participated in Renminbi related transactions and expanded non-trading Renminbi accounts, to increase trading volume and related revenue.

Liquidity Management

The Asset and Liability Management Department of the Group is responsible for managing the liquidity position of the Group. The objective of liquidity management is to achieve a reasonable return on the liquid assets of the Group while complying with the requirements of the Banking Ordinance and the Banking (Liquidity) Rules, the guidelines of the Monetary Authority and the liquidity management guidelines set by the Board of the Bank. In particular, the Group seeks to have sufficient cash and other liquid assets to handle contingencies.

Mainland China and Overseas Operations

The Group's Mainland China, Macau and overseas operations contributed HK\$1,137.4 million, HK\$1,242.9 million and HK\$1,190.7 million to the Group's operating income for the years ended 31 December 2019, 2020 and 2021, respectively. As at 31 December 2021, the Group's total deposits for the Mainland China, Macau and overseas branches grew by 46.9 per cent. to HK\$30.1 billion as compared to that as at 31 December 2020. The Group's total loans to customers of the Mainland China, Macau and overseas branches increased by 8.1 per cent. to HK\$40.4 billion as at 31 December 2021 as compared to that as at 31 December 2020. To adjust the asset structure and enhance net interest margin, the mainland branches strived to increase Renminbi deposits as well as promote discounted bills business and Renminbi loan business. In order to increase profit, the mainland branches also emphasized on promoting non-interest income related products. The overseas branches focused on restructuring, deploying funds to higher yielding loans and maintaining profit growth. As at 31 December 2021, the Bank had four branches and sub-branches in Mainland China, a branch in Macau, two overseas branches in Los Angeles and San Francisco in the United States and a representative office in Bangkok, Thailand, respectively.

Other Activities

Insurance

The Bank distributes general insurance products through its various channels. These products not only include household protection, travel insurance package and domestic helper insurance etc., but also cater for the more complicated insurance needs of the Bank's commercial clients. The insurance products and services are provided by CMB Wing Lung Insurance Company Limited ("**CMB Wing Lung Insurance**"), a subsidiary of the Bank. Over the years, CMB Wing Lung Insurance has achieved steady business growth by emphasizing more on profit than market share expansion. To increase overall income, CMB Wing Lung Insurance has strived to pursue a more balanced business structure through the development of bancassurance, electronic business channel and personal insurance businesses. In recent years, it has also expanded its business for infrastructure projects insurance and has achieved steady growth in premium income from employee liability insurance and motor vehicle insurance businesses. CMB Wing Lung Insurance will continue to closely collaborate with the Bank to further increase insurance penetration and offer better insurance services to the Bank's customers, and enhance the optimisation and application of electronic platform. CMB Wing Lung Insurance was awarded the "FinTech Awards 2020 – Outstanding One Stop General Insurance Mobile App" by ET Net.

For the year ended 31 December 2021, the Group's gross insurance premium written income amounted to HK\$857.4 million, representing an increase of 16.2 per cent. as compared to the previous year, with an overall underwriting profit of over HK\$100 million for the year ended 31 December 2021, representing an increase of 13.9 per cent. compared with the same period of 2020. For the year ended 31 December 2021, the net insurance claims increased by 9.9 per cent. to HK\$374.4 million.

Investment properties

The Group's other business activities mainly comprise the holding of investment properties.

The Group leases out investment properties under operating leases. The leases typically run for an initial period of up to four years.

The following table summarises the significant properties held by the Group as at 31 December 2021:

Property	Tenure	Type	Group's ownership
CMB Wing Lung Bank Centre, 636 Nathan Road, Mongkok, Kowloon	150 years from 1910	Crown lease for Commercial	100%

Asset Management

The Group distributes various types of asset management products and professional investment services to investors by relying on the advantageous resources of CMB and the Group. The main products include cash management, fixed income, equity, multi-asset and alternative funds products. The services include discretionary portfolio management, customised investment and financing services. These products and services are provided by CMB Wing Lung Asset Management Limited (“CMBWLAM”), a wholly-owned subsidiary of the Bank which is licensed by the SFC to advise on securities and asset management business (Type 4 and 9 activities), and its wholly-owned subsidiary, CMB Wing Lung Equity Investment Management (Shenzhen) Limited, which is a private equity and venture capital fund manager registered under the Asset Management Association of China. In order to cater for the cross-border investment needs of CMB’s customers, CMBWLAM has carried out a comprehensive strategic upgrade by reorganising and strengthening its professional team, asset management products, risk, compliance, operations and key businesses since 2021. CMBWLAM strives to create value for customers and focus on the fields of fixed income investment, asset securitization, alternative investment and discretionary portfolio management.

CUSTOMER BASE

The Group has an extensive base of retail and corporate customers. The Group has maintained good and long-standing relationships with many of the business groups, companies and retail customers in Hong Kong, and its customer base in Mainland China is steadily expanding. As at 31 December 2021, the Group’s balances from retail deposits and corporate deposits were HK\$165.4 billion and HK\$79.6 billion respectively. The Group’s outstanding balances from residential mortgage loans were HK\$11.5 billion. Such extensive customer bases drive the growth and development of the Group’s products across different business segments.

INSURANCE COVERAGE

The Group maintains insurance coverage which includes an “all risks” insurance for its money, properties and computers, public liability insurance and directors’ and officers’ liability insurance. The Group periodically reviews such insurance coverage to ensure that there is adequate coverage. The Group generally requires borrowers to obtain appropriate insurance coverage for certain types of security, such as residential premises, provided by them.

SALES AND DISTRIBUTION

The Group will continue to build an integrated multi-channel distribution capability to distribute its products and services by leveraging on its existing distribution channels, including its branch network and diversifying into other distribution channels. The Group currently has the following distribution channels: branch network, ATMs, call centres, wealth management centres, online banking, CMBWLB Wintech mobile banking and phone banking services. Moreover, to leverage and enhance the co-operation and

connections with CMB's branches in the PRC, and to capture business opportunities within the region, the Group has strengthened its collaboration with CMB's branches in Mainland China. The Group has also arranged for high-end customers in the PRC to participate in the activities for selected customers held in Hong Kong in order to establish good relationships with them and promote the Group's wealth management services.

COMPETITION

The Hong Kong banking industry is well developed and the Group faces intense competition from many other Hong Kong banks and international banks. In addition, the banking industry in Hong Kong is a mature market and a number of competitors of the Group have enjoyed a longer presence in this market.

The intensity of competition in the past few years has had an adverse impact on the pricing of certain products including investment and insurance products, home mortgage loans, credit cards, personal loans and transport lending businesses.

Since 2000, many banks in Hong Kong, including the Bank, have lowered interest rates charged on new-home mortgage loans below the prime lending rate. As at 31 December 2021, the average rate the Bank charged on its new-home mortgage loans was in the range of HIBOR plus 1.3 to 1.4 per cent. with a cap at 2.5 to 2.75 per cent. below the prime lending rate.

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 Group has actively pursued a strategy of diversifying its income sources by formulating competitive lending strategies, as well as adopting flexible measures and 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 – Significant competition in the Hong Kong and the PRC banking industries could adversely affect the Group's profitability*" in this Offering Circular.

LITIGATION

Neither the Bank nor any of its subsidiaries is currently involved in any material litigation, arbitration or similar proceedings and the Bank is not aware of any circumstances under which any of the same is pending or threatened.

EMPLOYEES

As at 31 December 2021, the Group had a total of 2,053 employees, of which 1,751 were in Hong Kong, 220 in the PRC, 46 in Macau and 36 overseas.

The Group believes that it maintains a good relationship with its employees and has not experienced any material employment disputes. The Group provides various benefits to its employees including retirement, life and medical insurance benefits. The Group also operates five staff retirement schemes and a "Mandatory Provident Fund" scheme for its employees.

SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

The Bank's subsidiaries are involved in the provision of banking-related financial services. Details of the Bank's principal subsidiaries and its effective equity interest in each of such principal subsidiaries, as at 31 December 2021, are set out below.

Name of Company Subsidiaries	Place of incorporation and operation	Particulars of issued shares held	Bank's interest (%)	Principal activities
CMB Wing Lung Insurance Company Limited.	Hong Kong	29,000,000 ordinary shares	100	Insurance underwriting
CMB Wing Lung Capital Limited.	Hong Kong	7,000,000 ordinary shares	100	Financial consultancy services
CMB Wing Lung Finance Limited.	Hong Kong	2,500,000 ordinary shares	100	Provision of financial services
CMB Wing Lung Asset Management Limited	Hong Kong	2,565,450 ordinary shares	100	Asset management
CMB Wing Lung (Trustee) Limited.	Hong Kong	300,000 ordinary shares	100	Trustee services
CMB Wing Lung Insurance Brokers Limited.	Hong Kong	250,000 ordinary shares	100	Insurance broking
CMB Wing Lung Agency Limited.	Hong Kong	50,000 ordinary shares	100	Insurance agency
CMB Wing Lung (Nominees) Limited.	Hong Kong	1,000 ordinary shares	100	Nominee services
CMB Wing Lung Property Management Limited	Hong Kong	1,000 ordinary shares	100	Property management
Hongnet Limited*	Hong Kong	1,000 ordinary shares	100	Investment holding
Wingspan Incorporated	U.S.A.	1,500,000 ordinary shares of U.S.\$1 each	100	Property holding
Wing Lung Opportunities Fund Limited.	Cayman Islands	36,211 ordinary shares of U.S.\$1,000 each	97.95 <i>(note ⁽¹⁾)</i>	Investment holding
Wing Lung Opportunities Master Fund Limited	Cayman Islands	23,890 ordinary shares of U.S.\$1,000 each	<i>(note ⁽¹⁾)</i>	Investment holding
Wing Lung Growth Fund III Segregated Portfolio	Cayman Islands	433,200 ordinary shares of HK\$1,000 each	100	Investment holding
Sea Wing Investments Limited.	Hong Kong	1,000 ordinary shares	100 – indirectly held by the Bank	Property holding
CMB Wing Lung Equity Investment Management (Shenzhen) Limited	People's Republic of China	Registered capital was RMB13,000,000	100 – indirectly held by the Bank	Equity investment management
Antopex Limited.	British Virgin Islands	1 ordinary share of U.S.\$1	100 – indirectly held by the Bank	Trustee services

<u>Name of Company Subsidiaries</u>	<u>Place of incorporation and operation</u>	<u>Particulars of issued shares held</u>	<u>Bank's interest</u> (%)	<u>Principal activities</u>
Bulleria Limited	British Virgin Islands	1 ordinary share of U.S.\$1	100 – indirectly held by the Bank	Trustee services
Cameland Limited.	British Virgin Islands	1 ordinary share of U.S.\$1	100 – indirectly held by the Bank	Trustee services
Deeright Limited.	British Virgin Islands	1 ordinary share of U.S.\$1	100 – indirectly held by the Bank	Trustee services
Eaglearn Limited	British Virgin Islands	1 ordinary share of U.S.\$1	100 – indirectly held by the Bank	Trustee services

* Liquidation process commenced in December 2020.

⁽¹⁾ As at 31 December 2021, the Bank directly held 97.95 per cent. of the shares issued by Wing Lung Opportunities Fund Limited (the “**Fund**”). Wing Lung Opportunities Master Fund Limited is wholly and directly held by the Fund.

The Bank’s associated companies (which are accounted for in the Bank’s consolidated financial statements under the equity method of accounting) engage in life insurance business and the provision of insurance agency services in Hong Kong and consumer finance services in the PRC. Details of the Bank’s associated companies and its effective equity interests in each of such companies, as at 31 December 2021, are set out below.

<u>Name of Associated Companies</u>	<u>Place of incorporation and operation</u>	<u>Particulars of issued shares held</u>	<u>Bank's interest</u> (%)	<u>Principal activities</u>
Professional Liability Underwriting Services Limited	Hong Kong	Unlisted ordinary shares	27.00	Insurance agency
Hong Kong Life Insurance Limited	Hong Kong	Unlisted ordinary shares	16.67	Life insurance business
Merchants Union Consumer Finance Company Limited (“ Merchants Union ”) [#]	PRC	Unlisted ordinary shares	n.a. (2020: 25.85)	Consumer finance service

[#] On 28 July 2021, the China Banking and Insurance Regulatory Commission (“**CBIRC**”) has approved the transfer of the Bank’s equity interest in Merchants Union to CMB. The transfer price of the 25.85 per cent. shares of Merchants Union held by the Bank was RMB3,235,216,000. The transaction was completed on 28 July 2021. Upon completion, Merchants Union ceased to be an associate company of the Bank.

Details of the Bank's jointly controlled entities and its effective equity interest in each such entity, as at 31 December 2021, are set out below.

<u>Name of jointly controlled entities</u>	<u>Place of incorporation and operation</u>	<u>Ownership interest</u>	<u>Proportion of voting power</u>	<u>Principal activities</u>
		(%)	(%)	
Bank Consortium Holding Limited	Hong Kong	13.33	14.29	Provision of trustee, administration and custodian services for retirement schemes
Joint Electronic Teller Services Limited	Hong Kong	(note ⁽²⁾)	(note ⁽²⁾)	Provision of ATM network services
BC Reinsurance Limited	Hong Kong	21.00	21.00	Reinsurance business

⁽²⁾ The Group is one of the five founding members which together have a controlling interest in the company. The Group holds 20 per cent of Class A ordinary shares issued by the company to its founding members. The company also has other class of ordinary shares. Class A ordinary shares carry the right to vote on the allocation of the company's asset upon the winding up of the company. As at 31 December 2021, the Group was entitled to 2.74 per cent. of dividends declared by the company.

PROTECTION OF DEPOSITORS

The Bank is a member of the Deposit Protection Scheme which protects eligible deposits (being all types of ordinary deposits such as current accounts, savings accounts, secured deposits and time deposits with a term not more than five years). The Deposit Protection Scheme compensates deposit holders with eligible deposits up to a limit of HK\$500,000. On 24 March 2016, the 2016 Amendment Ordinance came into effect. Amongst other things, a gross pay-out approach was adopted for the determination of compensation under the Deposit Protection Scheme in case the scheme is triggered. Under this approach, any compensation paid to depositors is determined on the basis of their aggregate protected deposits held with a failed bank (up to HK\$500,000 per depositor) without deducting the amount of liabilities owed by those depositors to the same bank.

SELECTED STATISTICAL AND OTHER INFORMATION

The selected statistical and other information set forth below relates only to the Group and has, except where otherwise indicated, been compiled as at and for each of the periods indicated below, and should be read in conjunction with the information contained elsewhere in this Offering Circular, including “Description of the Bank”.

ADVANCE PORTFOLIO

Overview

As at 31 December 2021, the Group’s total outstanding advances to customers were HK\$194.0 billion, which represented approximately 49.9 per cent. of its total assets.

A substantial amount of the Group’s advances are in respect of home mortgages and advances for property investment and development, which together amounted to approximately HK\$22,889.7 million as at 31 December 2021 and represented approximately 11.8 per cent. of the Group’s total advances to customers. Another substantial amount of the Group’s advances are in respect of financial concerns, which amounted to approximately HK\$21,400.7 million as at 31 December 2021 and represented approximately 11.0 per cent. of the Group’s total advances to customers.

The table below sets forth a summary of the Group’s gross advances to customers by industry sector as at the dates indicated⁽¹⁾.

	31 December 2019		31 December 2020		31 December 2021	
	HK\$’000	% of gross advances covered by collateral	HK\$’000	% of gross advances covered by collateral	HK\$’000	% of gross advances covered by collateral
Loans for use in Hong Kong						
Industrial, commercial and financial						
Property development	4,664,141	25.5	5,435,283	20.9	5,275,971	45.6
Property investment	7,984,797	75.0	5,521,101	91.0	5,784,597	77.0
Financial concerns	25,727,757	20.4	23,361,663	15.3	21,400,722	10.7
Stockbrokers	2,202,526	19.9	3,066,212	16.3	2,274,847	19.8
Wholesale and retail trade . . .	691,032	26.8	1,293,796	11.3	1,763,062	17.3
Manufacturing	434,088	22.3	1,370,382	9.5	440,316	8.1
Transport and transport equipment	100,599	20.2	633,430	2.4	389,301	3.7
Recreational activities	466	99.8	399	100.0	352	100.0
Information technology	782,712	0.3	974,711	0.1	673,861	0.2
Others	14,988,642	20.6	12,237,180	25.8	13,527,658	20.1

	31 December 2019		31 December 2020		31 December 2021	
	HK\$'000	% of gross advances covered by collateral	HK\$'000	% of gross advances covered by collateral	HK\$'000	% of gross advances covered by collateral
Individuals						
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes	342,824	100.0	308,676	100.0	282,446	100.0
Loans for the purchase of other residential properties	10,054,700	100.0	11,708,979	100.0	11,546,699	100.0
Credit card advances	197,710	–	150,809	–	142,213	–
Others	25,514,557	94.5	28,968,904	96.3	38,850,012	97.5
Trade finance	1,508,667	19.2	1,823,788	11.7	1,722,386	9.7
	95,195,218	53.7	96,855,313	55.6	104,074,443	60.1
Loans for use outside						
Hong Kong	79,224,692	17.0	90,609,137	19.0	89,925,405	22.7
	174,419,910	37.0	187,464,450	37.9	193,999,848	42.8

⁽¹⁾ This information has been extracted from the unaudited supplementary financial information in the published accounts of the Group.

Geographical Concentration

The table below sets forth a summary of the Group's gross advances to customers by geographical location as at the dates indicated.⁽¹⁾

	Gross advances to customers	Overdue advances for over three months	Impaired loans	Impairment allowance			
				Stage 1	Stage 2	Stage 3	
						Overdue advances for over three months	Impaired loans
HK\$'000							
As at 31 December 2021							
Hong Kong	109,716,967	161,607	635,625	235,897	69,373	138,704	406,638
Mainland China	71,130,906	493,352	1,037,946	137,251	66,272	481,234	614,581
Others	13,151,975	–	78,418	29,733	34,124	–	66,244
	193,999,848	654,959	1,751,989	402,881	169,769	619,938	1,087,463
As at 31 December 2020							
Hong Kong	91,569,858	189,198	498,494	136,907	68,523	121,929	290,216
Mainland China	79,493,637	8,749	480,608	167,784	35,893	8,614	480,473
Others	16,400,955	6,499	6,499	38,621	33,771	1	1
	187,464,450	204,446	985,601	343,312	138,187	130,544	770,690

	Gross advances to customers	Overdue advances for over three months	Impaired loans	Impairment allowance					
				Stage 1		Stage 2		Stage 3	
				Overdue advances for over three months	Impaired loans	Overdue advances for over three months	Impaired loans	Overdue advances for over three months	Impaired loans
HK\$'000									
As at 31 December 2019									
(Restated)									
Hong Kong	84,664,553	75,351	80,131	79,831	30,194	51,747	51,838		
Mainland China	75,303,298	406,238	888,882	64,943	39,996	328,691	835,454		
Others	14,452,059	104	104	10,020	1,886	3	3		
	<u>174,419,910</u>	<u>481,693</u>	<u>969,117</u>	<u>154,794</u>	<u>72,076</u>	<u>380,441</u>	<u>887,295</u>		

⁽¹⁾ The above geographical analysis has been classified by the location of the counterparties, after taking into account the transfer of risk.

Customer Advance Concentration

The Banking (Exposure Limits) Rules (the “**BELR**”) generally prohibits any bank incorporated in Hong Kong from maintaining a financial exposure to any single counterparty or linked counterparty group in excess of 25 per cent. of its Tier 1 capital. For a discussion of “financial exposure”, see “*Regulation and Supervision – Regulation and Supervision in Hong Kong – Principal Obligations of Licensed Banks – Financial Exposure to Any One Counterparty or Group of Linked Counterparties*”. As at 31 December 2021, the Group’s customer advances to its 10 largest non-bank borrowers (including groups of individuals and companies) amounted to approximately HK\$34,066.3 million, or approximately 17.6 per cent. of the Group’s gross advances, with the largest representing HK\$6,341.9 million, or approximately 3.3 per cent. of the Group’s gross advances.

Advance Analysis

As at 31 December 2021, approximately 8.9 per cent. of the Group’s advances (including trade bills and other accounts) had a remaining maturity of more than five years.

The table below sets forth a summary of the Group’s advances (including trade bills and other accounts) by remaining maturity as at the dates indicated.

Loan by remaining maturity

	Repayable							Undated	Total
	on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years			
(HK\$'000)									
As at 31 December 2021									
Advances to customers (including trade bills and other accounts)	26,837,121	24,187,775	20,846,852	47,845,745	67,616,944	18,471,930	1,974,556	207,780,923	
As at 31 December 2020									
Advances to customers (including trade bills and other accounts)	15,351,638	12,158,876	22,055,089	55,837,422	70,707,233	17,363,856	4,034,257	197,508,371	

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.

As at 31 December 2021, at least 42.8 per cent. of the Group's advances were secured by collateral. Home mortgages are secured by a first legal charge over the underlying property. Working capital advances for businesses are typically secured by fixed and floating charges over land, buildings, machinery, inventory, receivables and life insurance policies. Term advances for specific projects or developments are typically secured against the underlying project's assets and its receivables, while additional guarantees are typically provided by the sponsors or shareholders. The Group also receives guarantees in relation to certain of its other advances to cover, in the case of trade finance, any shortfall in security or, in the case of consumer advances to younger or less financially secure customers, to provide security on what are normally unsecured advances.

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

Asset Quality

Overview

The performance of the Hong Kong economy is heavily dependent on the property sector, and, as at 31 December 2021, property lending accounted for approximately 11.8 per cent. of the Group's total advances to customers. As a result, the Group's asset quality is vulnerable to deflation in property prices. The ability of borrowers, including homeowners, to make timely repayment of their advances may be adversely affected by rising interest rates or a slowdown in economic growth. As at 31 December 2021, home mortgage advances in Hong Kong amounted to HK\$11,829.1 million or approximately 6.1 per cent. of the Group's total advances to customers and was one of the most significant segments of the Group's total advances to customers. The Group's impaired loans amounted to HK\$1,752.0 million or approximately 0.9 per cent. of the Group's total advances to customers.

Advance Classification

The Group employs a loan classification system which complies with the Monetary Authority's guidelines. With internal data accumulated through years of experience, it is expected that the Group could make further use of statistics in the internal credit risk grading system, amongst other things, to profile and track down credit risk migration and to measure loan default probabilities. Set out below are the five categories graded in accordance with the Monetary Authority's guidelines.

Grade Loan		Description
1	“Pass”	The obligor is current in meeting its repayment obligations and full repayment of interest and principal is not in doubt.
2	“Special mention”	The obligor is experiencing difficulties which may threaten the Group's position. Ultimate loss is not expected at this stage but could occur if adverse conditions persist.
3	“Sub-standard”	The obligor is displaying a definable weakness that is likely to jeopardise repayment.
4	“Doubtful”	Collection in full is improbable and the Group expects to sustain a loss of principal and/or interest, taking into account the net realisable value of the collateral.
5	“Loss”	Considered uncollectable after all collection options (such as the realisation of collateral or the institution of legal proceedings) have been exhausted.

Grades 1 and 2 loans are considered to be performing loans, while grades 3 to 5 are classified. Individual impairment under ECL for Stage 3 financial assets under HKFRS 9 since 1 January 2018 is made for grade 3, 4 and 5 loans, with full impairment or write-off for grade 5 loans.

In grading loans, the Group considers relevant factors including: (a) the general economic outlook; (b) the borrower's cash flow and expected cash flow; (c) the borrower's financial condition; (d) the management and operation of the borrower's business; (e) the borrower's experience in his/her business and future business plans; (f) market conditions affecting the borrower's industry; and (g) the borrower's borrowing and repayment records with the Group and with other banks. Loans are reviewed on an ongoing basis and by periodic reviews when the appropriateness of the assigned loan grade and impairment level, if any, is re-examined.

The Group also considers relevant factors such as: (i) type of advance; (ii) seniority of the advance; and (iii) credit mitigation such as collateral and guarantee.

Recognition of Impaired Loans

The Group's impaired loans are assessed based on the ECL impairment model under HKFRS 9. When the repayment of an advance is uncertain (for example, there is a past-due record of more than 90 days), the Group considers downgrading the advance to sub-standard class depending on whether the collateral can fully cover the exposures and future interest. If full recovery of the advance is in doubt and the Group expects to sustain a loss of principal or interest, the Group may decide to classify the advance as doubtful class.

The ECL model requires an entity to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition.

At initial recognition, impairment allowance is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ("**12-month ECL**"). In the event of a significant increase in credit risk, impairment allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument ("**life-time ECL**").

The application of the ECL model will result in three stages of financial assets:

- A financial asset is classified under Stage 1 if it was not credit-impaired upon origination and there has not been a significant increase in its credit risk since inception. Recognition for 12-month ECL is required.
- A financial asset is classified under Stage 2 if it was not credit-impaired upon origination but has since suffered a significant increase in credit risk. Recognition for life-time ECL is required.
- A financial asset which has been credit-impaired with objective evidence of default is classified under Stage 3 and is assessed for life-time ECL.

In assessing whether the credit risk of a financial asset has significantly increased since origination, both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as change in credit rating, is considered.

Irrespective of the outcome of the above assessment, unless there is reasonable and supportable information that demonstrates otherwise, the Group presumes that there has been a significant increase in credit risk when contractual payments are 30 days past due or more, and default has occurred when contractual payments are more than 90 days past due.

The measurement of ECL is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate.

Where there is no realistic prospect of recovery, the loan and the related interest receivables are written off.

For the year ended 31 December 2021, HK\$4.7 million of bad debts had been recovered, which represents a decrease of HK\$32.5 million, as compared against the bad debts recovered in the previous year.

Impaired Loans That Have Been Restructured

The Group's classified advances/impaired loans are restructured on a case-by-case basis, subject to the approval of the appropriate lending parties for both the restructured limits and recovery measures. The Group believes that it maintains a prudent reclassification policy. For example, if payments under an advance are rescheduled, that advance will not be reclassified and will remain under adverse classification.

Details of the Group's impaired loans were as follows:

	<u>As at 31 December 2019 (Restated)</u>	<u>As at 31 December 2020 (HK\$'000)</u>	<u>As at 31 December 2021</u>
Impaired loans	969,117	985,601	1,751,989
Percentage of total advances to customers	0.56%	0.53%	0.90%
Impairment allowances			
– Stage 1	154,794	343,312	402,881
– Stage 2	72,076	138,187	169,769
– Stage 3			
Overdue advances for over three months	380,441	130,544	619,938
Impaired loans	887,295	770,690	1,087,463

Financial Assets at Fair Value through Profit or Loss and Investments in Securities

The Group's financial assets at fair value through profit or loss and investments in securities included listed and unlisted debt securities, listed and unlisted equity securities and unlisted equity investment fund. As at 31 December 2021, the amount of such debt securities, equity securities and equity investment fund were HK\$103,617.8 million, HK\$1,537.9 million and HK\$297.7 million, respectively, of which over 80 per cent. of the debt securities are with a credit rating of A- or above. These debt securities included Hong Kong dollar, U.S. dollar, Renminbi, Euro and AUD denominated bonds and notes.

The table below sets forth a breakdown of the Group's financial assets at fair value through profit or loss and investments in securities, categorised by the types of issuers as at the dates indicated:

	<u>As at</u> <u>31 December</u>	<u>As at</u> <u>31 December</u>	<u>As at</u> <u>31 December</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>
(expressed in percentages)			
Debt securities and equity securities issued by:			
Central governments and central banks	44.9	28.5	19.3
Banks and other financial institutions	35.2	52.4	64.0
Corporate entities	19.9	19.1	16.7
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

The following table is a breakdown by credit rating of debt securities held by the Group:

	<u>As at</u> <u>31 December</u>	<u>As at</u> <u>31 December</u>	<u>As at</u> <u>31 December</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>
(expressed in percentages)			
AA – to AAA	53.4	30.8	19.5
A- to A+	36.5	56.2	63.2
BBB- to BBB+	5.8	9.2	14.1
Lower than BBB-	0.0	0.5	0.1
Unrated	4.2	3.2	3.2
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

The following table is a breakdown of the Group's financial assets at fair value through profit or loss and investments in securities by remaining maturity:

	<u>As at</u> <u>31 December</u>	<u>As at</u> <u>31 December</u>	<u>As at</u> <u>31 December</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>
(expressed in percentages)			
Up to a month	4.4	4.7	7.5
1-3 months	19.4	21.0	9.3
3-12 months	34.3	21.3	21.6
1-5 years	39.8	48.0	48.7
Over 5 years	0.3	3.4	11.2
Undated	1.9	1.6	1.7
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Asset and Liability Management

The Group's objective on asset and liability management is to maximise its net interest income and return on assets and equity while providing for liquidity and effective risk management. Recommendations to management on liquidity, interest rate policy and other significant asset and liability management matters are made by the respective risk management departments.

One of the key components of the Group's asset and liability management is the management of market risk, interest rate risk, liquidity risk and strategic risk. The Group's policies regarding the management of these risks are formulated, and their implementation are co-ordinated, by the respective risk management departments. The Risk Management Division is responsible for the daily operating management of the discretionary portion of the Bank's assets and liabilities within the approved internal limits, including re-pricing gap limits. The derivative transactions entered into by the Group are substantially in response to customer demands, in addition to the banking book hedging, and no significant proprietary trading positions are maintained by the Group.

The Group measures the exposure of its assets and liabilities to fluctuations in interest rates primarily by way of gap analysis which provides the Group with a static view of the maturity and re-pricing characteristics of balance sheet positions. An interest rate gap report is prepared by classifying all assets and liabilities into various time period categories according to contracted maturities or anticipated re-pricing dates whichever is earlier. The difference in the amount of assets and liabilities maturing or being re-priced in any time period category would then give the Group an indication of the extent to which the Group is exposed to the risk of potential changes in the net interest income.

As at 31 December 2019, the Group's exposure to interest rate risks was as follows:

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
	HK\$'000						
At 31 December 2019							
Assets							
Cash, balances and placements with and loans and advances to banks	37,045,719	7,047,462	7,198,989	–	–	15,035,817	66,327,987
Derivative financial instruments	–	–	–	–	–	588,286	588,286
Financial assets at fair value through profit or loss	149,334	514,269	1,439,633	4,089,820	171,248	372,417	6,736,721
Investments in securities	8,678,385	23,824,860	24,218,553	14,275,553	–	1,133,296	72,130,647
Advances and other accounts	100,436,999	55,234,256	22,810,415	5,505,950	59,814	3,884,529	187,931,963
Other assets	–	–	–	–	–	8,127,734	8,127,734
Total assets	146,310,437	86,620,847	55,667,590	23,871,323	231,062	29,142,079	341,843,338

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
	HK\$'000						
Liabilities							
Deposits and balances							
from banks	11,094,800	4,086,552	4,490,770	–	–	7,566,310	27,238,432
Trading liabilities	–	–	–	309,136	–	–	309,136
Derivative financial instruments	–	–	–	–	–	393,553	393,553
Deposits from customers	128,896,888	65,288,913	33,645,677	2,635,793	–	12,668,672	243,135,943
Certificates of deposit issued	778,560	85,166	2,861,533	–	–	–	3,725,259
Subordinated debts issued	–	–	–	3,110,591	–	–	3,110,591
Other liabilities	178,382	–	–	–	–	17,008,905	17,187,287
Total liabilities	140,948,630	69,460,631	40,997,980	6,055,520	–	37,637,440	295,100,201
Total interest sensitivity gap (unadjusted)	5,361,807	17,160,216	14,669,610	17,815,803	231,062		
Effect of interest rate derivatives	(7,347,553)	6,072,009	3,543,948	(2,027,710)	–		
Total interest sensitivity gap (adjusted)	(1,985,746)	23,232,225	18,213,558	15,788,093	231,062		

As at 31 December 2020, the Group's exposure to interest rate risks was as follows:

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
	HK\$'000						
At 31 December 2020							
Assets							
Cash, balances and placements with and loans and advances to banks	30,373,908	13,756,357	9,356,579	–	–	31,730,166	85,217,010
Derivative financial instruments	–	–	–	–	–	1,620,404	1,620,404
Financial assets at fair value through profit or loss	–	–	1,165,600	2,643,430	265,114	286,339	4,360,483
Investments in securities	10,421,072	27,769,074	11,526,968	29,247,317	2,687,406	1,097,157	82,748,994
Advances and other accounts	120,094,022	42,772,187	24,239,405	5,737,319	99,403	4,566,035	197,508,371
Other assets	–	–	–	–	–	8,571,558	8,571,558
Total assets	160,889,002	84,297,618	46,288,552	37,628,066	3,051,923	47,871,659	380,026,820

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
HK\$'000							
Liabilities							
Deposits and balances							
from banks	6,099,553	6,622,070	11,656,141	–	–	15,496,648	39,874,412
Trading liabilities	–	–	–	–	154,331	–	154,331
Derivative financial instruments	–	–	–	–	–	1,284,107	1,284,107
Deposits from customers	152,388,081	56,345,812	43,443,952	4,017,365	–	13,926,648	270,121,858
Certificates of deposit issued	–	7,454,237	–	–	–	–	7,454,237
Subordinated debts issued	–	–	–	3,097,196	–	–	3,097,196
Other liabilities	896,440	–	–	–	–	7,435,316	8,331,756
Total liabilities	159,384,074	70,422,119	55,100,093	7,114,561	154,331	38,142,719	330,317,897
Total interest sensitivity gap (unadjusted)	1,504,928	13,875,499	(8,811,541)	30,513,505	2,897,592		
Effect of interest rate derivatives	762,624	1,178,536	(812,156)	(762,824)	–		
Total interest sensitivity gap (adjusted)	2,267,552	15,054,035	(9,623,697)	29,750,681	2,897,592		

As at 31 December 2021, the Group's exposure to interest rate risks was as follows:

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
HK\$'000							
At 31 December 2021							
Assets							
Cash, balances and placements with and loans and advances to banks	30,336,170	10,943,806	5,009,993	–	–	24,013,961	70,303,930
Derivative financial instruments	–	–	–	–	–	503,360	503,360
Financial assets at fair value through profit or loss	–	–	862,568	1,075,696	–	637,177	2,575,441
Investments in securities	11,062,574	14,703,884	18,510,082	45,542,977	11,859,985	1,198,408	102,877,910
Advances and other accounts	136,480,920	39,907,461	23,811,489	2,393,935	138,550	5,048,568	207,780,923
Other assets	–	–	–	–	–	5,033,152	5,033,152
Total assets	177,879,664	65,555,151	48,194,132	49,012,608	11,998,535	36,434,626	389,074,716

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
HK\$'000							
Liabilities							
Deposits and balances							
from banks	14,674,812	3,720,445	5,092,018	–	–	6,794,227	30,281,502
Trading liabilities	–	–	–	156,097	192,740	–	348,837
Derivative financial instruments	–	–	–	–	–	514,382	514,382
Deposits from customers	186,924,223	48,797,555	33,770,134	5,438,074	–	18,130,732	293,060,718
Certificates of deposit issued	–	270,000	–	–	–	–	270,000
Subordinated debts issued	–	–	3,115,586	–	–	–	3,115,586
Other liabilities	300,752	–	–	–	–	8,750,128	9,050,880
Total liabilities	201,899,787	52,788,000	41,977,738	5,594,171	192,740	34,189,469	336,641,905
Total interest sensitivity gap (unadjusted)	(24,020,123)	12,767,151	6,216,394	43,418,437	11,805,795		
Effect of interest rate derivatives	(861,488)	2,331,099	(666,656)	(779,828)	–		
Total interest sensitivity gap (adjusted)	(24,881,611)	15,098,250	5,549,738	42,638,609	11,805,795		

Liquidity risk is the risk that the Group cannot meet its current obligations. The management of the Group's liquidity risk is governed by the liquidity risk management policies and principles as approved by the Board. The Group measures its liquidity risk through liquidity coverage ratio, net stable fund ratio, loan-to-deposit ratio and the maturity profile.

The Group monitors its liquidity position on a daily basis to ensure the Group's funding needs can be met and the statutory liquidity ratio is complied with. The average liquidity coverage ratio for the fourth quarter in the year ended 31 December 2021 was 159.9 per cent., which was well above the statutory minimum level of 100 per cent.

The following table sets out the Group's average balances of interest-earning assets and interest-bearing liabilities, interest and related average interest rates for the years ended 31 December 2019, 2020 and 2021. Average balances of interest-earning assets and interest-bearing liabilities for these periods are based on the arithmetic mean of the respective balances at the beginning and the end of such period.

	Years ended 31 December								
	2019			2020			2021		
	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)
(expressed in thousands of Hong Kong dollars, except percentages)									
Assets									
Interest-earning assets									
Customer loans and credit									
Advances to customers (before impairment allowances)	166,089,745	5,991,920	3.61%	180,942,180	4,827,910	2.67%	190,732,149	3,905,974	2.05%
Trade bills (before impairment allowances)	7,721,433	218,470	2.83%	8,803,528	403,049	4.58%	8,641,601	341,847	3.96%
Total	173,811,178	6,210,390	3.57%	189,745,708	5,230,959	2.76%	199,373,750	4,247,821	2.13%

	Years ended 31 December								
	2019			2020			2021		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
(%)			(%)			(%)			
(expressed in thousands of Hong Kong dollars, except percentages)									
Interbank placements and loans									
Cash and balances with banks	52,983,832	1,027,869	1.94%	26,546,235	482,649	1.82%	34,422,828	286,087	0.83%
Placements with and loans and advances to banks	23,428,941	898,539	3.84%	49,229,953	652,586	1.33%	43,347,236	693,937	1.60%
Total	76,412,773	1,926,408	2.52%	75,776,188	1,135,235	1.50%	77,770,064	980,024	1.26%
Securities									
Debt securities	65,445,773	1,533,111	2.34%	81,652,137	1,366,968	1.67%	94,845,902	1,685,896	1.78%
Total interest-earning assets	315,669,724	9,669,909	3.06%	347,174,033	7,733,162	2.23%	371,989,716	6,913,741	1.86%
Liabilities									
Interest-bearing liabilities									
Deposits									
Deposits from customers	232,232,673	3,244,227	1.40%	256,628,901	2,629,022	1.02%	281,591,288	1,573,013	0.56%
Deposits and balance of banks	31,162,643	900,301	2.89%	33,192,500	937,308	2.82%	34,572,209	940,508	2.72%
Total deposits	263,395,316	4,144,528	1.57%	289,821,401	3,566,330	1.23%	316,163,497	2,513,521	0.80%
Other liabilities									
Certificates of deposit issued	5,674,646	187,545	3.30%	5,589,748	169,384	3.03%	3,862,119	39,314	1.02%
Subordinated debts issued	3,119,376	117,920	3.78%	3,103,894	116,749	3.76%	3,106,391	117,060	3.77%
Total interest-bearing liabilities	272,189,338	4,449,993	1.63%	298,515,043	3,852,463	1.29%	323,132,007	2,669,895	0.83%
Net Interest Spread			1.43%			0.94%			1.03%

Risk Management and Credit Policies

The Group's lending policies have been formulated on the basis of its own experience, the Banking Ordinance, Monetary Authority guidelines and policies issued by 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 Bank believes it has a history of, and reputation for, prudent lending practices.

Risk Management

The Group's activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Group recognises that taking risk is core to its financial business and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group has established policies and procedures for the identification, measurement, control and monitoring of the inherent risk of its operations. The most important risks are credit risk, market risk, liquidity risk and operational risk. Market risk includes currency risk, interest rate risk and other price risks. The adequacy and effectiveness of risk management policies and procedures are regularly reviewed by the Management Committee of the Board (the "Management Committee"). The Audit Department also performs regular audits to ensure compliance with policies and procedures.

(A) Credit risk

The Group takes on exposure to credit risk, which is the risk that an obligor (including a guarantor) or a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit exposures arise principally from loans and advances, debt securities, derivative financial instruments, treasury bills, and other on-balance sheet exposures to counterparties in the Group's asset portfolio. There is also credit risk in off-balance sheet financial arrangements such as loan commitments. Significant changes in the economy, or in the health of a particular industry segment, could result in losses that are different from those provided for at the end of the reporting period.

The Group has established credit policies that govern credit extension criteria, credit approval, review and monitoring processes, the internal credit rating system and impairment assessment processes. The Group's credit policies which are centralised in the Credit Execution Department and Risk Management Department have to be approved by the Management Committee and the Board. The Group's credit risk control is centralised in the Credit Execution Department which reports to the Credit Committee, Executive Credit Committee and Management Committee regularly. The Board has ultimate responsibility for the effectiveness of the Group's credit risk management processes. For further details on the Group's credit policies, please refer to the annual reports published by the Group from time to time.

Credit risk measurement

(i) Loans and advances

In assessing credit risk of loans and advances to customers and to banks and other counterparties, effective systems are adopted for measurement and monitoring of the credit risk as part of the credit assessment process. The Group's credit grading system, which in general, takes into account the underlying credit-worthiness of the counterparties, including the financial strengths of the guarantors (as the case may be), collateral pledged and the risk of specific transactions, allows differentiation and management of credit risk for asset portfolios of respective business units.

(ii) Debt securities and treasury bills

For debt securities, external ratings from recognised external credit assessment institutions are used for assessing and managing credit risk exposures. The investments in these securities allow the Group to achieve an appropriate level of returns commensurate with the risks and to maintain a readily available source of funding at the same time.

(iii) Credit related commitments

The Group has issued credit related commitments including guarantees and letters of credit. The primary purpose of these instruments is to ensure that funds are available to a customer as required. These instruments represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. These instruments carry a similar level of the same credit risk as loans.

Commitments to extend credit represent unused portions of authorised facility limits in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Risk limit control and mitigation policies

The Group manages and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparties and groups, and to industries and countries.

To avoid concentration risk, credit exposures to individual customers, counterparties and industry sectors are carefully managed and monitored by the use of limits. The Management Committee is responsible for the portfolio management of risk concentrations. Approval authorities are delegated to the Group's Executive Credit Committee, Credit Committee and other lending officers. The Executive Credit Committee is also responsible for the review and approval of the largest credit exposure. Actual credit exposures, including on- and off-balance sheet exposures, limits and asset quality are regularly monitored and controlled by the Credit Execution Department by keeping a central liability record for each group of related counterparties and are subject to checks by the internal audit function.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Collateral

The Group seeks to obtain collateral to mitigate credit risk to an acceptable level. All credit decisions, whether or not secured by collateral, are based on counterparties' repayment capacity. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal types of collateral in credit risk mitigation include:

- Mortgages over residential properties and other properties;
- Charges over business assets such as cash deposits, premises, machineries, inventory and accounts receivable; and
- Charges over financial instruments such as equities, debt securities and life insurance policies.

The Group has established policies to govern the determination of eligibility of assets taken as collateral for credit risk mitigation. In order for an asset to be considered as effective risk mitigation, the market value of the asset should be readily determinable or can be reasonably established. The asset is marketable and there exists a readily available secondary market for disposal of the asset. In addition, the Group is able to secure control over the asset if necessary. The collateral is revalued periodically ranging from daily to annually, depending on the type of collateral. As for those past due exposures, the main types of collateral held are cash deposits and properties.

Impairment allowance policies

Since 1 January 2018, the Group has adopted and implemented the ECL impairment model under HKFRS 9. The ECL model requires an entity to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition.

At initial recognition, impairment allowance is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) (“**12-month ECL**”). In the event of a significant increase in credit risk, impairment allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument (“**life-time ECL**”).

The application of the ECL model will result in three stages of financial assets:

- A financial asset is classified under Stage 1 if it was not credit-impaired upon origination and there has not been a significant increase in its credit risk since inception. Recognition for 12-month ECL is required.
- A financial asset is classified under Stage 2 if it was not credit-impaired upon origination but has since suffered a significant increase in credit risk. Recognition for life-time ECL is required.
- A financial asset which has been credit-impaired with objective evidence of default is classified under Stage 3 and is assessed for life-time ECL.

In assessing whether the credit risk of a financial asset has significantly increased since origination, both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as change in credit rating, is considered.

Irrespective of the outcome of the above assessment, unless there is reasonable and supportable information that demonstrates otherwise, the Group presumes that there has been a significant increase in credit risk when contractual payments are 30 days past due or more, and default has occurred when contractual payments are more than 90 days past due.

The measurement of ECL is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate.

(B) Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. The Group’s market risk primarily arises from its positions in foreign exchange, securities and derivatives in its trading and banking books.

Market risk measurement:

The Group's market risk exposures in different activities are managed by way of limits established by the Management Committee. Exposures are measured and monitored on the basis of contractual or notional amount and outstanding balances. Limits are set by portfolio, product and risk type, using a combination of risk measurement techniques, including position limits, sensitivity limits, value-at-risk limits as well as stop loss limits. All market risk trading positions are monitored and managed by the Global Financial Markets Department. Independent monitoring, checking, daily mark-to-market valuation and trade confirmation are undertaken by departments independent of the Global Financial Markets Department. Regular checking and reviews are also conducted by the Group's internal audit function to ensure compliance with risk limits. All exceptions are reviewed and approved by the appropriate level of management and the Management Committee. Regular reports are reviewed by the Risk Management Committee.

The Group also applies a wide range of stress testing to assess the financial impact of more extreme events on the market risk exposure of the Group. The results of the stress testing are reviewed by the Risk Management Committee.

Market risk sensitivity analysis:

(i) Currency risk

The Group's currency risk positions mainly arise from foreign exchange dealing, commercial banking operations and structural foreign currency exposures.

(ii) Interest rate risk

The Group's interest rate risk mainly arises from the timing differences in the repricing of interest bearing assets, liabilities and off-balance sheet positions. Any changes in interest rates would affect the value of those financial assets and liabilities carried at fair value. The Group enters into interest rate swaps to mitigate the interest rate risk associated with the fixed-rate financial assets and financial liabilities.

(iii) Equity risk

The Group's equity risk position mainly arises from the holdings of both equity securities listed and unlisted in Hong Kong. The majority of this position is held for long term investment purposes.

Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group's exposures mainly comprise foreign exchange dealing by the Global Financial Markets Department and currency exposures originated by its commercial banking businesses.

The Management Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions. All exposures are centrally managed by the Global Financial Markets Department and independently monitored by a separate department on a daily basis.

Foreign currency exposures arising from customer transactions, including currency options embedded in certain customer deposits, are normally offset against other customer transactions or transactions with the market. Foreign currency funding used to fund Hong Kong dollar assets is hedged using currency swaps or forward exchange contracts to mitigate the foreign exchange risk.

Interest rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates in respect of its fair value and cash flow interest rate risks. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest margin may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Group has established policies and systems to monitor its interest-sensitive positions and net repricing gap to ensure that they are all properly managed under the limits approved by the Management Committee. Actual positions are compared with the approved limits and independently monitored by a risk management department.

While the primary objective of interest rate risk management is to limit potential adverse effects of interest rate movements on net interest income, interest rate positions may be taken for yield enhancement within the risk limits.

Equity Risk

Equity risk is the financial risk involved in holding equity in a particular investment. Equity risk often refers to equity in companies through the purchase of stocks. The Group's equity risk position mainly arises from the holdings of both equity securities listed and unlisted in Hong Kong. The majority of this position is held for long term investment purposes.

(C) *Liquidity risk*

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, matured deposits, loan drawdowns and guarantees, and from margin and other calls on cash-settled derivatives.

Liquidity risk management process

The management of the Group's liquidity risk is governed by the liquidity risk management policies and principles as approved by the Board. The Asset and Liability Management Committee, which is delegated by the Management Committee on behalf of the Board, is responsible for monitoring the Group's overall liquidity management. The Asset and Liability Management Committee sets the strategy, policy and limits for managing liquidity risk for approval by the Board or the Management Committee, and the means for ensuring that such strategy and policy are implemented effectively. Regular meeting is held to review the compliance status of the monitoring matrix established and the needs of change in strategy and policy. Daily liquidity management is managed by the Treasury Management Team of the Asset and Liability Management Department. The limits, triggers or alerts are monitored by the Liquidity Risk Management Team of the Asset and Liability Management Department and reported to the Asset and Liability Management Committee on a regular basis. The Audit Department performs periodic reviews to make sure that the liquidity risk management functions are carried out effectively.

The primary responsibility for managing liquidity and funding of the mainland and overseas branches within the Group's framework and risk appetite resides with the mainland and overseas branches, which is monitored by the Asset and Liability Management Committee. Internally, intra-group funding transactions are transacted at arm's length and treated in a manner in line with other third party transactions, with regular monitoring and appropriate control.

The objective of liquidity management is to meet the obligations payable under normal and emergency circumstances, to fund asset growth and to comply with the statutory liquidity ratios. To achieve this, the following liquidity management processes are in place:

- (i) Projecting cash flows under normal and various stress scenarios regularly, using the net mismatch gap between assets and liabilities to estimate the prospective net funding requirement and formulate the corresponding actions.

The monitoring and reporting take the forms of cash flow measurements and projections for different time horizons, including next day, seven days and one month, which are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial assets and liabilities and off-balance sheet items as well as the expected maturity of these items based on historical observations and cash flow models.

Liquidity stress testing is a risk management tool for estimating risk exposure under stressed conditions arising from extreme but plausible market or macroeconomic movements.

Different stress testing scenarios, namely an institution specific crisis, a general market crisis and combined crisis, are performed on a regular basis in accordance with the principles stated in Supervisory Policy Manual "Sound Systems and Controls for Liquidity Risk Management" (LM-2).

The stress testing result is also one of the most important early warning indicators under contingency funding plan. With reference to the stress testing results, the Group identifies potential vulnerabilities on its liquidity position under stressed market conditions. If the impact is severe enough and triggers the plan, the Bank will deal with such liquidity problems in accordance with the formulated contingency funding plan that sets out remedial actions;

- (ii) Monitoring the liquidity coverage ratio, net stable funding ratio, loan to deposit ratio and maturity mismatch ratio against internal and/or regulatory requirements;
- (iii) Ensuring a sound and diversified range of funding sources, through monitoring the structure, the stability and the core level of the deposit portfolio;
- (iv) Projecting a high-level funding requirement and funding structure during the annual budget process to ensure sufficient funding and an appropriate funding mix;
- (v) Conducting liquidity risk assessment before launching a new product;
- (vi) Maintaining high-quality liquid assets ("HQLA") which can be sold or pledged as collateral to provide liquidity even under periods of stress. The Group invests in good credit quality investments with deep and liquid market to ensure short term funding requirements are covered within prudent limits. Level 1 assets comprise cash, balances with central bank and high quality central government and central bank securities, while Level 2 assets comprise corporate securities of investment grade;

- (vii) Maintaining access to the interbank money market to activate facilities;
- (viii) Maintaining a contingency funding plan. The Group will utilise early warning indicators (including both internal and market indicators), and integrate with the results of the scenarios and assumptions used in the stress test to monitor both internal and external factors. Should there be any signs of significant impact on the Group's liquidity position, the Crisis Management Team, which is chaired by the Group's Chief Executive Officer, will take charge to handle the crisis. Corresponding actions as laid down in the policy will be taken in the event of a stress crisis, so as to minimise adverse long-term implications for business. The plan is also subject to review and update on a regular basis.

(D) Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

The Group has established an operational risk management framework to identify, measure, monitor and control operational risk. The Policy on Operational Risk Management, approved by the Board, defines responsibilities of various committees, business units and supporting departments and encompasses various tools including control self-assessment, operational incident management and key risk indicators to facilitate measurement and assessment of operational risk. The Group also relies on internal control mechanisms within the business lines, supplemented by the internal audit function to manage and control operational risk.

The internal control system of the Group comprises a well-established organisational structure and comprehensive policies and standards. The Board's expectations regarding duty, responsibility and integrity are clearly spelled out in formal policy statements. The lines of authority and responsibilities of each business and operational unit have been clearly defined to ensure adequate checks and balances. Procedures including risk assessments, segregation of duties, use of limits, training and regular verification and reconciliation of transactions and accounts are used in the internal control mechanism.

Risk assessment will be conducted on the outsourcing services, new products and new systems implementation. Business continuity plans are in place to mitigate the impact and interruptions to business activities caused by system failure, social disorder or natural disaster. Adequate insurance is acquired to cover a reasonable extent of operational risk. The Group benchmarks practices against peers, and regulatory requirements.

The Risk Management Committee is responsible for regular review of the operational risk profile and the Group's internal audit function plays an important role in the Group's operational risk framework. It provides an objective assurance to the Board that a sound internal control system is maintained and operated in compliance with the established processes and standards through regular and comprehensive audits on all business and operational functions.

(E) Capital management

The Group's objectives when managing capital are as follows:

- To comply with the capital requirements under the Banking (Capital) Rules (Cap. 155L) of Hong Kong;
- 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;
- To support the Group's stability and growth; and
- To maintain a strong capital base to support the development of its business.

The Hong Kong Banking Ordinance requires each bank or banking group to maintain a prescribed ratio of regulatory capital to total risk-weighted assets. Subsidiaries of the Group are also subject to statutory capital requirements from other regulatory authorities, including the Securities and Futures Commission and Insurance Authority.

The risk-weighted assets are measured by means of a hierarchy of risk weights as defined in the Banking (Capital) Rules (Cap. 155L) of Hong Kong according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposures, with some adjustments to reflect the more contingent nature of the potential losses.

Capital adequacy and the use of capital are monitored on a regular basis by the Group's management. The Group applies an internal trigger capital adequacy ratio which is well above the minimum statutory requirement as an indicator for managing the capital adequacy. In addition, the Group will assess the impact on its capital adequacy ratio when there are new products, new investments or any significant transactions.

(F) Fair value of financial assets and liabilities

The fair value of financial instruments traded in an active market is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. They include net present value and discounted cash flow models, comparison to similar instruments for which market prices exist, Black-Scholes option pricing models and other valuation models. Inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other risk premiums used in estimating discount rates, foreign currency exchange rates, bond and equity prices, price volatilities and correlations.

The Group uses valuation models that use only observable market data for determining the fair value of debt securities and derivatives for which there is no active market. Observable prices and model inputs are usually available in the market for listed debt securities, exchange traded derivatives and over-the-counter derivatives. Availability of observable prices and model inputs is prone to changes as a result of specific events and general conditions in the financial markets.

When observable prices and model inputs are not available, the Group uses valuation models of which the inputs may not be observable in the market but are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include unlisted equity securities and investment fund for which there is no active market. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates.

Internal Audit

The Board is responsible for the Group's internal control system and for reviewing its effectiveness. The Group's internal audit function plays an important role in the Group's internal control framework. It provides objective assurance to the Board that a sound internal control system is maintained and operated in compliance with the established processes and standards through regular and comprehensive audits on all business and operational functions. The Audit Committee reviews the significant issues raised in the internal audit reports. Significant issues raised in the management letters from external auditors and reports from regulatory authorities will be brought to the attention of the Audit Committee to ensure that prompt remedial action is taken. All recommendations will be properly followed up to ensure they are implemented within a reasonable period of time. Pursuant to a risk based methodology, the Audit Department plans its internal audit schedules annually with audit resources prioritised towards higher risk areas. The Internal Audit Plan is submitted to the Audit Committee for approval. To preserve the audit independence, the Board has established the Audit Charter to set out the authorities and responsibilities of internal audit function. The Group Chief Auditor reports directly to the Audit Committee, Chief Executive Officer and ultimately reports to the Board.

Compliance

The Group's Legal and Compliance Department ("**LCD**") handles or supervises, as the case may be, all legal and compliance matters of the Group. Its major function is to ensure compliance with legal and regulatory requirements by the Group. LCD also conducts compliance checks (where necessary) and provides advisory services to other business units of the Group in relation to legal and compliance issues.

BOARD OF DIRECTORS AND EXECUTIVES

The Bank is devoted to maintaining high standards of corporate governance. To enhance the overall management quality of the Bank, the Board has put in place governance practices with special emphasis on an effective Board for leadership and control, sound business ethics and integrity in all business activities.

Throughout the year ended 31 December 2021, the Bank is committed to the guidelines set out in the “Corporate Governance of Locally Incorporated Authorised Institutions” issued by the Monetary Authority.

BOARD OF DIRECTORS

The Board is charged with leading the Bank in a responsible and effective manner. Its main responsibilities include, but are not limited to, approving and monitoring the Bank’s objectives, strategies, business plans and key policies; ensuring the establishment of effective risk management policies; appointing and overseeing the Executives as well as ensuring competent management; setting corporate values and standards; ensuring effective audit functions; ensuring prudent conduct of operations within the laws and approved policies; ensuring and monitoring integrity in the Bank’s conduct of affairs; and responsible for the risk management and internal control of the Group. Directors, as members of the Board, jointly share responsibility for the proper direction and management of the Bank.

The Board comprises ten members, including one executive director and nine non-executive directors, of whom four are independent non-executive directors. Currently, the Board comprised the following individuals:

Name	Title
Mr. LIU Yuan	Chairman and Non-executive Director
Professor CHEUNG Yan Leung Stephen	Vice-Chairman and Independent Non-executive Director
Dr. HONG Bo	Executive Director and Chief Executive Officer
Mr. ZHU Jiangtao	Non-executive Director
Ms. LI Li	Non-executive Director
Mr. ZHANG Cheng	Non-executive Director
Mr. ZHANG Dong	Non-executive Director
Mr. LIU Erh Fei	Independent Non-executive Director
Mr. KWOK Lam Kwong Larry	Independent Non-executive Director
Mr. WANG Qixin	Independent Non-executive Director

Mr. LIU Yuan, BEcon

Chairman and Non-executive Director

Mr. Liu has been the Chairman and Non-executive Director of the Bank since January 2022. Mr. Liu obtained a bachelor's degree in Global Economy from Renmin University of China, and is a senior economist. He served as the deputy section officer and section officer of the Management Office of Foreign Affairs Bureau of the People's Bank of China from August 1984 to October 1991. He was the Secretary (deputy division head level) of the Management Office and Deputy Chief of the Monetary Office of Foreign Exchange Affairs Division of State Administration of Foreign Exchange from October 1991 to February 1994. He consecutively served as the Secretary (division head level) of the General Office, researcher of the Regulatory Office I of the Banking Division, head of the Regulatory Office III of the Banking Regulatory Division II and head of the Regulatory Office VII of the Banking Regulatory Division II of the People's Bank of China from February 1994 to July 2003. He served as the deputy head of the Banking Supervision Department II of the China Banking Regulatory Commission ("CBRC"), director of CBRC Shanxi Bureau, director of CBRC Shenzhen Bureau, head of the Banking-related Case Audit Bureau of the CBRC and head of the Banking-related Consumer Protection Bureau of the CBRC from July 2003 to July 2014. He had been the Chairman of the Board of Supervisors of CMB from August 2014 to August 2021. Mr. Liu had been an Employee Supervisor of CMB from June 2016 to August 2021.

Professor CHEUNG Yan Leung Stephen, SBS, JP

Vice-Chairman and Independent Non-executive Director

Professor Cheung has been a Director of the Bank since September 2017 and Vice-Chairman of the Bank since 6 September 2019. He is President of The Education University of Hong Kong ("EdUHK"), holding the concurrent title of Chair Professor of Public Policy. Prior to joining the EdUHK, he was Dean and Chair Professor of Finance, School of Business at the Hong Kong Baptist University. He also held Advisory and Adjunct Professorships at Fudan University and Shanghai Jiao Tong University respectively. He is highly active in academic research, focusing on corporate governance, corporate social responsibility and financial market development, and publishes widely in international refereed journals. He has actively participated in a wide range of community services. He is Chairman of the Supervisory Committee of the Asian Bond Fund (ABF) Hong Kong Bond Index Fund of the Hong Kong Monetary Authority and the Transport Advisory Committee, and Member of the 13th Chinese People's Political Consultative Conference. He is also an Independent Non-executive Director of the Changsheng Fund Management Co. Ltd. In past years, he held a number of other public offices. He was the Chairman of the Social Innovation and Entrepreneurship Development Fund Task Force, the Hong Kong Committee for Pacific Economic Cooperation, the Consultation Panel of the West Kowloon Cultural District Authority and the Nursing and Midwifery Sub-Group of the Steering Committee on Strategic Review on Healthcare Manpower Planning and Professional Development. He also served as a member on the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority and the Commission on Poverty as well as Part-time Member of the Central Policy Unit. He was awarded the Silver Bauhinia Star in 2019 and Bronze Bauhinia Star in 2009 and was appointed as Justice of the Peace in 2007 by the Hong Kong Special Administrative Region Government. He was also bestowed the Distinction of "Officier dans l'Ordre des Palmes Académiques" by the French Government in 2017.

Dr. HONG Bo, PhD

Executive Director and Chief Executive Officer

Dr. Hong joined the Bank as the Executive Director and Chief Executive Officer in January 2020. He has obtained a doctorate's degree in Management. He is a senior economist. He joined CMB as the General Manager of Hefei Branch since October 2014. From July 1992 to October 2014, he served as General Manager of Corporate Business Department of Anhui Branch, Executive Assistant to General Manager and Deputy General Manager of Anhui Branch of Bank of China.

Mr. ZHU Jiangtao, MSc

Non-executive Director

Mr. Zhu has been a Director of the Bank since July 2016. He has been the Chief Risk Officer of CMB since July 2020. He has been an Executive Vice President of CMB since September 2021. He obtained a master's degree in Economics. He joined CMB in January 2003. He served as the Assistant General Manager of Guangzhou Branch, Deputy General Manager of Guangzhou Branch, General Manager of Chongqing Branch, General Manager of Credit Risk Management Department and General Manager of Risk Management Department of the Head Office of CMB from December 2007 to July 2020.

Ms. LI Li, MEcon

Non-executive Director

Ms. Li has been a Director of the Bank since May 2020. She obtained a master's degree in Economics from Beijing University. She is a senior accountant. She joined CMB in July 1994 and served as Deputy General Manager of Planning and Financial Department, Deputy General Manager of Asset and Liability Management Department, Deputy General Manager of Comprehensive Risk Management Office and General Manager of Operational Risk Management Department, Deputy General Manager of Risk Management Department and General Manager of Operational Risk Management Department and Deputy General Manager of Financial Accounting Department of the Head Office of CMB. She has been the General Manager of Financial Accounting Department of the Head Office of CMB since April 2019.

Mr. ZHANG Cheng, MBA

Non-executive Director

Mr. Zhang has been a Director of the Bank since September 2017. He graduated and obtained a master's degree in Business Administration from the Renmin University of China. From August 1993 to February 2014, he served as Deputy General Manager and General Manager of the departments of Shenzhen Branch and Beijing Branch of China Construction Bank Corporation. In April 2014, he joined CMB. He had been Deputy General Manager and General Manager of Human Resources Department of the Head Office of CMB. He is currently the General Manager of Beijing Branch of CMB.

Mr. ZHANG Dong, MSE

Non-executive Director

Mr. Zhang has been a Director of the Bank since May 2020. He obtained a bachelor's degree in Economics from Shanghai University of Finance and Economics and a master's degree in Software Engineering from Wuhan University. He is a senior economist. He joined CMB in June 1994 and served as the Deputy General Manager of Business Department and Deputy General Manager of Retail Banking Department of the Head Office of CMB from June 1994 to July 2011. He served as the Deputy General Manager of the Bank from July 2011 to July 2014. From July 2014 to November 2021, he served as the General Manager of Wealth Management Department, General Manager of Credit Card Center & General Manager of Consumer Finance Center, Director of Retail Finance Headquarters and General Manager of Wealth Platform of the Head Office of CMB. He has been the General Manager of Hangzhou Branch of CMB since November 2021.

Mr. LIU Erh Fei, MBA

Independent Non-executive Director

Mr. Liu has been a Director of the Bank since October 2013. He is a founding partner and CEO of Asia Investment Fund Management Ltd as well as a director of Cindat Capital Management Limited. He is also an independent non-executive director of 21Vianet Group, Inc., Jiangxi Copper Company Limited, Qingling Motors Co., Ltd, United Overseas Bank (China) Limited and Frontage Holdings Corporation. From 1999 to 2012, he worked at Merrill Lynch (later Bank of America Merrill Lynch) in various capacities including Chairman of the China Region, Chairman of Investment Banking for Asia and Head of Private Equity for Greater China. In 2006, he received the Investment Banker of the Year in Asia award from "Banker" magazine. From 1987 to 1999, he worked in a number of investment and commercial banks including Goldman Sachs, Morgan Stanley, Smith Barney and Credit Agricole Indosuez. He graduated from Harvard Business School in 1987 with a master's degree in Business Administration, from Brandeis University with a Bachelor of Arts degree in Economics in 1984 and from Beijing Foreign Languages University with a diploma in English in 1981.

Mr. KWOK Lam Kwong Larry, SBS, JP, LLM, FCPA

Independent Non-executive Director

Mr. Kwok has been a Director of the Bank since May 2015. He is currently a partner of Kwok Yih & Chan. Prior to this, he worked in a number of international law firms in Hong Kong, including Baker & McKenzie, Simmons & Simmons (Partner), Andersen Legal (Managing Partner, Greater China), Mallesons Stephen Jaques (Managing Partner, Mainland China and Hong Kong) and King & Wood Mallesons (Managing Partner, Asia Strategy & Markets). He graduated from the University of Sydney, Australia with double bachelor's degrees in accounting/economics and laws respectively as well as a master's degree in laws. He also obtained the Advanced Management Program diploma from the Harvard Business School. He is qualified to practise as a solicitor in Hong Kong, Australia, England and Wales and Singapore. He is also qualified as a Chartered Accountant in England and Wales and a CPA in Hong Kong and Australia. He has served regularly on Government boards and committees. He is currently Chairman of the Appeal Tribunal Panel under Section 45 of the Buildings Ordinance (Cap.123). Previously, he was Chairman of the Transport Advisory Committee, Chairman of the Independent Police Complaints Council, Vice-Chairman of the Consumer Council, Convenor of the Disciplinary Appeals Committee of the Hong Kong Stock Exchange, Chairman of the Traffic Accident Victims Assistance Advisory Committee and Chairman of the Appeal Board of the Criminal and Law Enforcement Injuries Compensation Boards.

Mr. WANG Qixin, MBA

Independent Non-executive Director

Mr. Wang has been a Director of the Bank since January 2017. He obtained a master's degree in Business Administration from National University of Singapore. He had worked in China Construction Bank Corporation from August 1983 to April 2015 and served as the Secretary of Duty Room of the Head Office, Deputy Head and Head of International Business Department of the Head Office, Deputy Chief Representative of Tokyo Representative Office, Chief Representative of Singapore Representative Office, Deputy General Manager of Singapore Branch, Deputy General Manager of International Business Department of the Head Office, Chief Representative of Sydney Representative Office and General Manager of Sydney Branch of China Construction Bank Corporation. He had been a Non-executive Director of China Construction Bank (New Zealand) Limited from November 2014 to August 2016.

EXECUTIVES

Mr. WANG Weiming, MEcon

Deputy General Manager and Alternate Chief Executive Officer

Mr. Wang joined the Bank as a Deputy General Manager in 2021. He is a senior accountant. He is primarily responsible for overall management of the Bank's operations, information technology, assets and liabilities, financial management as well as risk and compliance management. Before joining the Bank, he served as the Assistant General Manager and Deputy General Manager of Financial Accounting Department of the Head Office of CMB.

Mr. LI Qi, MEcon

Deputy General Manager and Alternate Chief Executive Officer

Mr. Li joined the Bank as a Deputy General Manager in 2020. He is primarily responsible for the Bank's retail banking, private banking and wealth management, digital banking, retail finance and credit card businesses. He is also responsible for the overall management of CMB Wing Lung Insurance Company Limited, CMB Wing Lung Agency Limited, CMB Wing Lung Insurance Brokers Limited and CMB Wing Lung (Trustee) Limited.

Mr. HE Xin, MBA

Deputy General Manager and Alternate Chief Executive Officer

Mr. He joined the Bank in 2014. He was promoted to Assistant General Manager in 2016 and to Deputy General Manager in 2021. He is primarily responsible for the Bank's wholesale banking, corporate banking and global financing businesses.

Mr. CHEUNG Chung Keung, MSc, MBA, FCCA, CPA, FRM

Chief Financial Officer

Mr. Cheung joined the Bank in 1991 and was appointed as an Assistant General Manager in 2007. He has been the Chief Financial Officer since 2010. He is a Certified Public Accountant. He is primarily responsible for the Bank's asset and liability management, financial management and information technology.

Ms. BIAN Lin, MEcon

Chief Business Officer

Ms. Bian joined the Bank as Chief Private Banking and Wealth Management Officer in 2020 and has been appointed as Chief Business Officer since 2021. She is primarily responsible for the overall management of the Bank's Executive Office (Board Office), human resources and general affairs. She is also responsible for the overall management of CMB Wing Lung Asset Management Limited.

Ms. SONG Lihua, MSc

Chief Business Officer and Alternate Chief Executive Officer

Ms. Song joined the Bank as an Assistant General Manager in 2011 and was promoted to Deputy General Manager in January 2021. She has been Chief Business Officer since February 2022. She is primarily responsible for the Bank's global financial market, asset custody and financial institutions businesses.

BOARD COMMITTEES

The Bank has established the Management Committee, Strategy Committee, Remuneration and Appraisal Committee, Nomination Committee, Audit Committee and Risk Committee to oversee particular aspects of the Bank's affairs. Each of the committees has defined terms of reference setting out its duties, powers and functions. The committees report to the Board and, where appropriate, make recommendations on matters discussed. The Board, in addition to its overall supervisory role, retains specific responsibilities such as approving specific executive appointments, approving financial accounts, recommending dividend payments and approving policies relating to the Board's compliance.

MANAGEMENT COMMITTEE

The Management Committee is a bank-wide decision-making body established by the Board. The Committee is given full authority to manage all the affairs of the Bank by the Board.

The Management Committee presents to the Board regularly by way of detailed business reports on management's business strategies and objectives, updates on different lines of business, action plans, etc. for discussion at each Board meeting. The Committee also provides appropriate and sufficient information to the other members of the Board in a timely manner to keep them apprised of the latest development of the Bank so as to enable them to discharge their duties.

STRATEGY COMMITTEE

The Strategy Committee consists of six members, all appointed by the Board. The current members are Mr. LIU Yuan (Chairman), Dr. HONG Bo, Mr. ZHANG Dong, Mr. LIU Erh Fei, Mr. KWOK Lam Kwong Larry and Mr. WANG Qixin. The duties of the Strategy Committee include the following:

- To establish strategic development goals, and to formulate medium to long term development strategies of the Bank;
- To implement and review the strategies of the Bank as well as strengthen the consistency and stability of the implementation of the strategies of the Bank;

- To approve significant investment and capital expenditure plan;
- To evaluate the Bank's key partnership with external organizations;
- To evaluate and approve the donations made to charitable organizations; and
- To put forward proposals and plans for important issues to be discussed and decided by the Board.

REMUNERATION AND APPRAISAL COMMITTEE

The Remuneration and Appraisal Committee consists of four members, all appointed by the Board. The current members are Mr. WANG Qixin (Chairman), Professor CHEUNG Yan Leung Stephen, Mr. ZHANG Cheng and Mr. KWOK Lam Kwong Larry. The Committee shall exercise such functions as shall be determined from time to time by the Board and unless otherwise determined shall include the following:

- To oversee, examine and evaluate the execution of the Bank's annual business plans and the Board's resolutions;
- To study the performance appraisal standards for the Directors and Executives, and to conduct appraisals and make recommendations annually;
- To study, review and approve the Bank's remuneration policy and packages for the Directors, Senior Management and Key Personnel;
- To evaluate and approve the employment or service agreements of the Bank's Directors and Executives;
- To evaluate and approve the Bank's remuneration strategies, the annual pay adjustment and benefits schemes for the staff of the Bank;
- To ensure that remuneration is appropriate and consistent with the Bank's culture, long-term business and risk appetite, performance and control environment as well as with any legal or regulatory requirements;
- To work closely with other relevant committees of the Bank's Board, such as the Risk Committee and the Audit Committee, and consult with the Bank's Legal and Compliance Department in evaluating incentives created by the remuneration system;
- To play a leading role in establishing the Bank's culture and behavioural standards that promote prudent risk-taking and fair treatment of customers;
- To introduce a regular process to review and confirm the effectiveness of the overall culture enhancement initiatives pursued by the Bank;
- To approve, review and assess, at least annually, the adequacy of any relevant statement which sets out the Bank's culture and behavioural standards and seek to ensure that such statement is translated into policies and procedures (including training) that are relevant to the day-to-day work of different levels of staff;
- To review the results from relevant assessment and feedback mechanisms at least annually and when warranted for monitoring Bank staff's adherence to culture and behavioural standards; and
- To execute other duties as may be delegated by the Board.

NOMINATION COMMITTEE

The Nomination Committee consists of five members, all appointed by the Board. The current members are Mr. LIU Erh Fei (Chairman), Professor CHEUNG Yan Leung Stephen, Mr. ZHANG Cheng, Mr. KWOK Lam Kwong Larry and Mr. WANG Qixin. The Committee shall exercise such functions as shall be determined from time to time by the Board and unless otherwise determined shall include the following:

- To identify individuals suitably qualified to become members of the Board and its committees or senior management, and selecting, or making recommendations to the Board on the selection of, individuals nominated for directorships and senior management positions (based on the role and its responsibilities and the knowledge, experience and competence which the role requires);
- To make recommendations to the Board on the appointment or re-appointment of directors and its committees as well as succession planning for directors, in particular the chairperson and the chief executive;
- To evaluate the efficiency and effectiveness of the functioning of the Board and its committees on an annual basis;
- To ensure objectivity and independence in the selection process for Board members and its committees as well as senior management;
- To ensure that the Board is not dominated by one individual or small group of individuals in a manner so as to protect the interests of the Bank as a whole;
- To assess the independence of the independent non-executive directors; and
- To execute other duties as may be delegated by the Board.

AUDIT COMMITTEE

The Audit Committee consists of five members, all appointed by the Board. The current members are Mr. KWOK Lam Kwong Larry (Chairman), Professor CHEUNG Yan Leung Stephen, Mr. ZHU Jiangtao, Ms. LI Li and Mr. LIU Erh Fei. They possess appropriate academic and professional qualifications or related financial management expertise, and are provided with sufficient resources to discharge their duties. The principal duties of the Audit Committee include the following:

- To draw up, review and update periodically the terms of reference for the Board's approval indicating the Committee's composition, authority and duties, as well as the manner of reporting to the Board;
- To monitor the Bank's financial reporting process and relevant output, including arrangements through which concerns about possible improprieties in matters of financial reporting can be raised;
- To oversee the establishment of the Bank's accounting policies and practices (including quality of accounting estimates and disclosures) and review significant judgements made in financial reporting within the Bank's financial statements;
- To review and recommend for the Board's approval of the audited annual financial statements together with the independent auditor's report and the interim financial disclosure statement;

- To recommend the Board's approval of the appointment of the Chief Auditor of the Bank;
- To recommend the Board's approval of the audit charter drawn up and updated periodically by the Audit Department;
- To approve, periodically, the audit plan as well as the related manpower and financial resources required after identifying the areas of risk within the Bank's operations to be covered;
- To review the performance of the Chief Auditor and the effectiveness of the Audit Department;
- To review reports and significant recommendations provided by Audit Department and management plans for their implementation;
- To make recommendations to the Board with regard to the appointment of the Bank's external auditors and related matters (including terms of engagement and remuneration) and oversee the work of the external auditors (such as considering their audit work plan and reviewing their audit conclusions and recommendations);
- To report to the Board regularly on the work performed by the Committee and its significant findings, and the progress in implementing any remedial actions to address deficiencies identified in the Bank's internal control systems (including those identified by internal and external auditors, the Committee or the Hong Kong Monetary Authority);
- To provide opportunities for external and internal auditors to meet and discuss their respective findings;
- To review/propose/recommend the approval of significant policies; and
- To execute other duties as may be delegated by the Board.

RISK COMMITTEE

The Risk Committee consists of four members, all appointed by the Board. The current members are Professor CHEUNG Yan Leung Stephen (Chairman), Mr. ZHU Jiangtao, Mr. LIU Erh Fei and Mr. KWOK Lam Kwong Larry. The members of the Committee collectively possess relevant technical expertise and experience in risk disciplines that are adequate to enable them to discharge their responsibilities effectively. The principal duties of the Risk Committee include the following:

- To review and recommend for the Board's approval of the Bank's risk management strategies, key risk policies and risk appetite, at least annually;
- To review and recommend for the Board's approval of specified types of risk management policies and procedures;
- To review and assess the adequacy of the Bank's risk management framework and policies in identifying, measuring, monitoring and controlling risks and the extent to which these are operating effectively;

- To monitor, review and conduct regular assessment of the internal control system of the Bank and to monitor the risk management of the Bank's exposures to credit risk, market risk, operational risk, interest rate risk, strategic risk, legal and compliance risk, reputation risk, liquidity risk, cyber security and technology risk by the Executives;
- To oversee the establishment and maintenance by senior management of appropriate infrastructure, resources and systems for risk management, particularly in relation to the Bank's adherence to the approved risk appetite and related policies;
- To oversee and discuss the strategies for capital and liquidity management, and those for all relevant risks (on both an aggregated basis and by type of risk) of the Bank, to ensure they are consistent with the stated risk appetite;
- To oversee and evaluate the design and execution of stress testing and scenario analyses;
- To review periodic reports provided by the senior management (including the Chief Risk Officer) on the state of the Bank's risk culture, risk exposure and risk management activities;
- To ensure that the staff members of the Bank responsible for implementing risk management systems and controls are sufficiently independent of the Bank's relevant risk-taking activities;
- To examine, without prejudice to the tasks of the Remuneration and Appraisal Committee, the incentives created by the remuneration system are aligned with the Bank's risk culture and risk appetite, and ensure remuneration awards appropriately reflect risk-taking and risk outcomes; and
- To execute other duties as may be delegated by the Board.

RELATIONSHIP WITH CMB

The Bank is a wholly-owned subsidiary of CMB. CMB was founded in 1987 as a joint-stock limited company in the PRC and mainly focuses on the Chinese domestic banking market. CMB was listed on the Shanghai Stock Exchange (Stock Code: 600036) and the HKSE (Stock Code: 3968) in April 2002 and September 2006, respectively.

CMB as the sole shareholder of the Bank provides support and guidance on matters concerning the Bank's strategy, management and operations.

As a member of CMB Group, the Bank receives extensive support from CMB in terms of funding, settlement, information technology and client resources. The significant collaboration between the Group and CMB enables the Group to better serve its customers, expand its customer base through client referrals, maximise cross selling efforts, achieve synergies in risk management and credit assessment, expand its product range and capture the emerging business opportunities in the PRC and overseas markets.

STRONG SUPPORT FROM AND SYNERGY WITH CMB

The Bank benefits from strong support from and synergy with CMB in various product lines, including retail and private banking, corporate banking, operation liquidity and funding and financial technology initiatives. As at 31 December 2021, 48.1 per cent. of the Bank's private banking customers were referred from CMB. In 2021, CMB ranked 14th in terms of tier 1 capital on the list of Top 1000 World Banks released by The Banker and is a leading conglomerate with a diversified overseas business coverage. The Bank offers a cross-border investment and financing platform (that includes tailored services such as onshore guarantees for offshore loans and offshore guarantees for onshore loans) as well as a cross-border clearing, settlement, dealing and trading platform (that provides additional services such as acting as an IPO receiving bank and an overseas institution import bills business). CMB was one of the top banks in China by net profit in 2021 with total assets of RMB9,249.0 billion as at 31 December 2021 and a net profit of RMB120.8 billion for the year ended 31 December 2021.

RETAIL BANKING

As at 31 December 2021, CMB had 173 million retail customers and 122,064 private banking customers and was named the "Overall Best National Private Bank", "Best Private Bank for Intergenerational Wealth Transfer", "Best Private Bank for Product Development" and "Best Private Bank for Family Offices" at the ceremony for the "Asia Private Banking Awards 2021 (China)" held by Asiamoney. The Bank saw an increase in its total number of high-end customers and total assets under management by 9.7 per cent. and 14.7 per cent., respectively, between 2020 and 2021. The majority of the Bank's private banking customers are from onshore markets and were largely referred from CMB, creating a strong link between both banks and their retail banking divisions. CMB has a clear advantage in retail banking and was named the "Best Bank in China" by Euromoney in 2021.

CORPORATE BANKING

Through corporate client referrals and cross-border services support from CMB, the Bank provided corporate loans of an aggregate of HK\$80.5 billion in 2021. The Bank also benefits from CMB's extensive network. Fintech has taken the number of CMB customers to a new level, with 2,317,100 corporate customers as at 31 December 2021, 381,600 of which were newly acquired in 2021. In addition, as a result of CMB's online migration of high-frequency businesses and increase in demand for online services from

corporate customers amidst the pandemic, the number of CMB's online corporate banking customers reached 2,122,400 as at 31 December 2021. The total number and value of CMB's online corporate banking transactions reached 283 million and RMB150.68 trillion for the year ended 31 December 2021, respectively, with year-on-year growth of 13.87 per cent and 19.59 per cent, respectively. As at 31 December 2021, the number of CMB Corporate APP enterprise mobile banking users was 1,234,800. The number and value of transactions made by customers through CMB Corporate APP reached 31,542,900 and RMB777,787 million, respectively, with year-on-year growth of 95.05 per cent. and 128.33 per cent., respectively. In 2021, there were 434 active corporate customers introduced by the mainland branches of CMB to the Bank.

OPERATION, LIQUIDITY AND FUNDING

CMB has a wealth of experience in all areas from long-term strategy planning to daily management of the business and provides additional support to the Bank by giving guidance to ensure that it maintains sufficient capital and liquidity levels to meet its obligations and regulatory requirements at all times. In addition, the Bank is able to rely on CMB's wide network of branches, client resources and research and development capabilities to continue to develop its business. CMB had total assets worth approximately RMB9,249.0 billion as at 31 December 2021.

FINANCIAL TECHNOLOGY INITIATIVES

The Bank has upgraded its IT systems to create an integrated platform for cross-border services and aims to provide fund trading services on a mobile platform in Hong Kong. The Bank can draw on the experience and infrastructure of CMB and its innovative products on the market such as the "All-in-one Card" (a multi-function debit card), "All-in-one Net" (a comprehensive online banking service platform), the "Sunflower Wealth Management" services and private banking services, the CMB Corporate APP, CMB Life APP and especially the CMB APP, which has recorded a total of 1.914 billion mobile app banking transactions for the year ended 31 December 2021 with a total transaction amount of RMB59.62 trillion. The Bank has launched the cutting-edge CMBWLB Wintech mobile app to provide a superior customer experience, a new online subscription channel for initial public mutual funds and online corporate banking initiatives.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or the Global Certificate representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplements. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are part of a Series (as defined below) of Notes issued by CMB Wing Lung Bank Limited (the “**Issuer**”) and are issued pursuant to an amended and restated fiscal agency agreement (as amended or supplemented as at the Issue Date, the “**Fiscal Agency Agreement**”) dated 22 April 2022 which has been entered into in relation to the Notes between the Issuer, The Hongkong and Shanghai Banking Corporation Limited as fiscal agent, CMU lodging and paying agent and the other agents named in it. The fiscal agent, the CMU lodging and paying agent, the other paying agents, the registrars, the transfer agent(s) and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Fiscal Agent**”, the “**CMU Lodging and Paying Agent**”, the “**Paying Agents**” (which expression shall include the Fiscal Agent and the CMU Lodging and Paying Agent), the “**Registrars**”, the “**Transfer Agents**” (which expression shall include the Registrars) and the “**Calculation Agent(s)**” (such Fiscal Agent, CMU Lodging and Paying Agent, Paying Agents, Registrars and Transfer Agent(s) being together referred to as the “**Agents**”). For the purposes of these terms and conditions (the “**Conditions**”), all references to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly. Copies of the Fiscal Agency Agreement are available for inspection during usual business hours at the specified offices of the Paying Agents, the Registrar and the Transfer Agents.

The Noteholders (as defined below), the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) and the holders of the receipts for the payment of instalments of principal (the “**Receipts**”) relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement.

As used in these Conditions, “**Tranche**” means Notes which are identical in all respects.

1. FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Senior Note, a Subordinated Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes, the expression “**Senior Noteholder**” shall be construed accordingly in relation to Senior Notes and the expression “**Subordinated Noteholder**” shall be construed accordingly in relation to Subordinated Notes.

2. NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES

- (a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.
- (b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

- (c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to a Registrar or any other Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or any other Transfer Agent (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Fiscal Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the relevant other Transfer Agent (as the case may be).
- (e) **Transfers Free of Charge:** Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant other Transfer Agent may require) in respect of taxes or charges.
- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption, (iv) during the period of seven days ending on (and including) any Record Date or (v) during the period commencing on the date of a Non-Viability Event Notice (as defined in Condition 6(k) below) and ending on the close of business in Hong Kong on the effective date of the related Write-off (as defined in Condition 6(k) below).

*So long as Notes are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream or any other clearing system, no holder may require the transfer of a Note to be registered during the period of five Clearing System Business Days (or such other period as the relevant clearing systems shall determine in accordance with their rules and procedures) commencing on the Clearing System Business Day immediately following the date on which the Non-Viability Event Notice has been received by the relevant clearing systems. "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive except 25 December and 1 January).*

- (g) **Partial Write-off in respect of Subordinated Notes in Definitive Form:** In the case of a partial Write-off of Subordinated Notes, and where a holding of the Subordinated Notes is represented by a single Certificate, a new Certificate shall be issued to the relevant holder of Subordinated Notes to reflect such partial Write-off, or in respect of the balance of the holding not Written-off. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or the Transfer Agent.

3. STATUS

- (a) **Status of Senior Notes:** The Senior Notes (being those Notes that specify their status as Senior) and the Receipts and the Coupons relating to them constitute direct, unconditional, unsubordinated and (subject to Condition 4(a)) 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 and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.
- (b) **Status of Subordinated Notes:** The Subordinated Notes (being those Notes that specify their status as Subordinated) and the Receipts and Coupons relating to them constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. Subject to the insolvency laws of Hong Kong and other applicable laws, in the event of the Winding-Up (as defined below) of the Issuer (other than pursuant to a Permitted Reorganisation (as defined below)), the rights of Noteholders, Receiptholders and Couponholders in respect of the Subordinated Notes to payment of principal and interest, and any other obligations in respect of the Subordinated Notes and the Receipts and Coupons relating to them, shall rank (A) subordinate and junior in right of payment to, and to all claims of, (x) all unsubordinated creditors of the Issuer (including its depositors), and (y) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Subordinated Notes or whose claims rank senior to the Subordinated Notes by operation of law or contract; (B) *pari passu* in right of payment to and of all claims of the holders of Parity Obligations; and (C) senior in right of payment to and of all claims of (x) the holders of Junior Obligations, and (y) holders of Tier 1 Capital Instruments of the Issuer.

In the event of a Winding-Up that requires the holders of Subordinated Notes to provide evidence of their claim to principal or interest under the Subordinated Notes, such claims of the holders of Subordinated Notes will only be satisfied after all senior ranking obligations of the Issuer have been satisfied in whole.

In the event that (A) the holders of Subordinated Notes do not receive payment in full of principal due and payable in respect of the Subordinated Notes plus interest thereon accrued to the date of repayment in any Winding-Up and (B) the winding-up order or resolution passed for the winding-up of the Issuer or the dissolution of the Issuer is subsequently stayed, discharged, rescinded, avoided, annulled or otherwise rendered inoperative, then to the extent that such Noteholders did not receive payment in full of such principal of and interest on such Subordinated Notes, such unpaid amounts shall remain payable in full; **provided that** payment of such unpaid amounts shall be subject to the provisions under this Condition 3, Condition 6(k) and Condition 10.

The subordination provisions set out in this Condition 3(b) are effective only upon the occurrence of any Winding-Up Proceeding (as defined in Condition 10(b)) of the Issuer. In the event that a Non-Viability Event occurs the rights of holders of Subordinated Notes shall be subject to Condition 6(k). This may not result in the same outcome for Subordinated Noteholders as would otherwise occur under this Condition 3(b) upon the occurrence of any Winding-Up Proceeding of the Issuer.

On a Winding-Up of the Issuer, there may be no surplus assets available to meet the claims of the holders of the Subordinated Notes after the claims of the parties ranking senior to the holders of the Subordinated Notes (as provided in this Condition 3) have been satisfied.

In these Conditions:

“**Authorised Institution**” has the meaning given to that term in the Capital Regulations;

“**Banking (Capital) Rules**” means the Banking (Capital) Rules (Cap. 155L), or any successor legislation, or any supervisory guidelines issued by the Monetary Authority;

“**Banking Ordinance**” means the Banking Ordinance (Cap. 155) of Hong Kong;

“**Capital Regulations**” means capital regulations applicable to the regulatory capital of Authorised Institutions in Hong Kong as published by the Monetary Authority;

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

“**Junior Obligation**” means the Shares, and any other class of the Issuer’s share capital and any instrument or other obligation issued, entered into or guaranteed by the Issuer that ranks or is expressed to rank junior to the Subordinated Notes by operation of law or contract;

“**Monetary Authority**” means the monetary authority appointed pursuant to Section 5A of the Exchange Fund Ordinance (Cap. 66) of Hong Kong or any successor thereto;

“**Parity Obligation**” means:

- (a) any instrument or other obligation issued (including, without limitation, the US\$400,000,000 Subordinated Notes due 2027 issued by the Issuer) and entered into by the Issuer that constitutes or qualifies as a Tier 2 Capital Instrument (or its equivalent) under the Capital Regulations; or
- (b) any instrument or other obligation guaranteed by the Issuer,

that ranks or is expressed to rank *pari passu* with the Subordinated Notes 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 Subordinated Notes;

“**Share**” 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, and for this purpose indebtedness shall include all liabilities, whether actual or contingent;

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

“**Tier 1 Capital Instruments**” means any instrument or other obligation issued by the Issuer that constitutes Tier 1 capital of (x) the Issuer, on an unconsolidated basis, or (y) the Group, on a consolidated basis, pursuant to the Capital Regulations. For the avoidance of doubt, Tier 1 Capital Instruments does not include Shares;

“**Tier 2 Capital Instruments**” means any instrument or other obligation issued by the Issuer that constitutes Tier 2 capital of (x) the Issuer, on an unconsolidated basis, or (y) the Group, on a consolidated basis, pursuant to the Capital Regulations; and

“**Winding-Up**” shall mean, with respect to the Issuer, a final and effective order or resolution for the bankruptcy, winding-up, liquidation, administrative receivership or similar proceeding in respect of the Issuer (as applicable).

(c) **Waiver of Set-off**

This Condition shall apply to Subordinated Notes.

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 related 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 Subordinated Notes, other than in accordance with this Condition 3, 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 of 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 AND NOTIFICATION TO NDRC

- (a) *Negative Pledge*: So long as any Senior Note or Coupon (in respect thereof) remains outstanding (as defined in the Fiscal Agency Agreement), the Issuer will not, and will ensure that none of its Subsidiaries will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Senior Notes and such Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Senior Noteholders.

In these Conditions:

“**Relevant Indebtedness**” means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market.

- (b) *Notification to NDRC*: The Issuer undertakes to file or cause to be filed with the NDRC the requisite information and documents within the prescribed timeframe after the Issue Date in accordance with the Circular on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (Fa Gai Wai Zi [2015] No. 2044) (國家發展改革委員會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, reports, certificates, approvals or guidelines as issued by the NDRC from time to time (the “**NDRC Post-issue Filing**”).

The Issuer shall complete the NDRC Post-issue Filing and provide such document(s) evidencing due filing with the NDRC within the prescribed timeframe and shall comply with all applicable PRC laws and regulations in connection with the Notes. The Issuer shall within seven PRC Business Days after submission of such NDRC Post-issue Filing (i) provide the Fiscal Agent with a certificate signed by two Directors of the Issuer confirming the submission of the NDRC Post-issue Filing and (ii) give notice to the Noteholders in accordance with Condition 15 of the same.

In these Conditions:

“**NDRC**” means the National Development and Reform Commission; and

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

5. INTEREST AND OTHER CALCULATIONS

- (a) **Interest on Fixed Rate Notes**: Each Fixed Rate Note bears interest on its prevailing nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**

- (i) **Interest Payment Dates:** Each Floating Rate Note and Index Linked Interest Note bears interest on its prevailing nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined by the Calculation Agent in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, “**Interest Payment Date**” shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (ii) **Business Day Convention:** If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) **Rate of Interest for Floating Rate Notes:** The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined by the Calculation Agent in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon
- (y) the Designated Maturity is a period specified hereon and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

(B) *Screen Rate Determination for Floating Rate Notes (other than Floating Rate Notes which specify the Reference Rate as SOFR)*

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) on the Interest Determination Date in question as determined by the Calculation 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 Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

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

(y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, or, if the Reference Rate is HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them,

at which such banks were offered, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR, the Hong Kong inter-bank market, as the case may be, **provided that**, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) *Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SOFR*

- (x) If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest applicable to the Floating Rate Notes for each Interest Accrual Period will, subject as provided below, be the SOFR Compounded Index plus or minus (as specified in the relevant Pricing Supplement) the Margin (if any), as calculated by the Calculation Agent on the relevant Interest Determination Date. The Rate of Interest applicable to the Notes for each Interest Period shall apply with effect from the first day of such Interest Accrual Period.
- (y) If the Notes become due and payable in accordance with Condition 10 (*Events of Default*), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the relevant Pricing Supplement, be deemed to be the date which is five U.S. Government Securities Business Days preceding the date on which the Notes become due and payable and the Rate of Interest on the Notes shall, for so long as the Notes remain outstanding, be that determined on such date and as if (solely for the purpose of such interest determination) the relevant Interest Period had been shortened accordingly.

For the purposes of this Condition 5(b)(iii)(C):

“**SOFR Compounded Index**” means, with respect to an Interest Accrual Period, the compounded average of daily Secured Overnight Financing Rate (“**SOFR**”) for each day during the relevant Observation Period and will be determined by the Calculation Agent on the relevant Interest Determination Date in accordance with the following formula, and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005% being rounded upwards (e.g., 9.876541% (or .09876541) being rounded down to 9.87654% (or .0987654) and 9.876545% (or .09876545) being rounded up to 9.87655% (or .0987655)):

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

where:

“**SOFR Index**”, with respect to any U.S. Government Securities Business Day, means:

- (a) the SOFR Index value as published on the SOFR Administrator’s Website on or about 3:00 p.m. (New York time) on such U.S. Government Securities Business Day (the “**SOFR Index Determination Time**”); provided that in the event that the value originally published by the SOFR Administrator on or about 3:00 p.m. (New York time) on any U.S. Government Securities Business Day is subsequently corrected and such corrected value is published by the SOFR Administrator on the original date of publication, then such corrected value, instead of the value that was originally published, shall be deemed the SOFR Index value as of the SOFR Index Determination Time in relation to such U.S. Government Securities Business Day; and
- (b) if a SOFR Index value does not so appear as specified in (a) above of this definition, then:
 - (i) if a Benchmark Event (as defined in Condition 5(k)) and its related Benchmark Replacement Date (as defined in Condition 5(k)) has not occurred with respect to SOFR, then SOFR Compounded Index shall be the rate determined pursuant to the “**SOFR Index Unavailable**” provisions in Condition 5(b)(iii)(D); or
 - (ii) if a Benchmark Event and its related Benchmark Replacement Date has occurred with respect to SOFR, then SOFR Compounded Index shall be the rate determined pursuant to Condition 5(k).

“**SOFR Index_{Start}**” means, in respect of an Interest Accrual Period, the SOFR Index value on the day which is five U.S. Government Securities Business Days preceding the first date of such Interest Accrual Period.

“**SOFR Index_{End}**” means, in respect of an Interest Accrual Period, the SOFR Index value on the day which is five U.S. Government Securities Business Days preceding the Interest Payment Date relating to such Interest Accrual Period (or in the final Interest Accrual Period, the Maturity Date).

“ d_c ” is the number of calendar days in the relevant Observation Period.

“**Observation Period**” means, in respect of an Interest Accrual Period, the period from (and including) the date which is five U.S. Government Securities Business Days preceding the first date of such Interest Accrual Period (and in respect of the first Interest Accrual Period, five U.S. Government Securities Business Days preceding the Issue Date) to, but excluding, the date which is five U.S. Government Securities Business Days preceding the Interest Period Date for such Interest Accrual Period (or in the final Interest Accrual Period, the Maturity Date).

“**SOFR Administrator**” means the Federal Reserve Bank of New York or any successor administrator of the SOFR Index value and Secured Overnight Financing Rate.

“**SOFR Administrator’s Website**” means the website of the SOFR Administrator (currently being, <https://apps.newyorkfed.org/markets/autorates/sofr-avg-ind>), or any successor source.

“**U.S. Government Securities Business Day**” means any day other than a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(D) *SOFR Index Unavailable*

If a SOFR Index value is not published on the relevant Interest Determination Date and a Benchmark Event (as defined in Condition 5(k)) and its related Benchmark Replacement Date (as defined in Condition 5(k)) has not occurred with respect to SOFR, then the SOFR Index shall be calculated in accordance with the Compounded SOFR formula and the related definitions as set out below in this Condition 5(b)(iii)(D):

“**Compounded SOFR**” means, for the applicable Interest Accrual Period for which the SOFR Index is not available, the rate of return on a daily compounded interest investment during the relevant Observation Period (with the daily SOFR reference rate as the reference rate for the calculation of interest) and calculated by the Calculation Agent in accordance with the following formula, and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005% being rounded upwards (e.g., 9.876541% (or .09876541) being rounded down to 9.87654% (or .0987654) and 9.876545% (or .09876545) being rounded up to 9.87655% (or .0987655)):

$$\left(\prod_{i=1}^{d_o} \left(1 + \frac{\text{SOFR}_i \times n_i}{360} \right) - 1 \right) \times \left(\frac{360}{d_c} \right)$$

where:

“ d_c ” means the number of calendar days in the relevant Observation Period.

“**d_o**” means the number of U.S. Government Securities Business Days in the relevant Observation Period.

“**i**” means a series of whole numbers from one to do, 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 Observation Period (each a “U.S. Government Securities Business Day(i)”).

“**n_i**” for any U.S. Government Securities Business Day(i) in the relevant Observation 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(i).

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

“**Bloomberg Screen SOFRRATE Page**” means the Bloomberg screen designated “**SOFRRATE**” or any successor page or service.

“**Observation Period**” means, in respect of each Interest Accrual Period, 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 in such Interest Accrual Period to (but excluding) the date falling a number of U.S. Government Securities Business Days equal to the number of Observation Shift Days preceding the Interest Period Date for such Interest Accrual Period.

“**Observation Shift Days**” means five U.S. Government Securities Business Days.

“**Reuters Page USDSOFR=**” means the Reuters page designated “**USDSOFR=**” or any successor page or service.

“**SOFR**” means, with respect to any U.S. Government Securities Business Day

- (a) the Secured Overnight Financing Rate published at the SOFR Determination Time, as such rate is reported on the Bloomberg Screen SOFRRATE Page, the Secured Overnight Financing Rate published at the SOFR Determination Time, as such rate is reported on the Reuters Page USDSOFR=, or the Secured Overnight Financing Rate that appears at the SOFR Determination Time on the SOFR Administrator’s Website; or
- (b) if the rate specified in a. above does not appear, the SOFR published on the SOFR Administrator’s Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator’s Website.

“**SOFR Administrator**” means the Federal Reserve Bank of New York or any successor administrator of the SOFR Index value and Secured Overnight Financing Rate.

“**SOFR Administrator’s Website**” means the website of the SOFR Administrator (currently being, <https://apps.newyorkfed.org/markets/autorates/sofr-avg-ind>), or any successor source.

“**SOFR Determination Time**” means on or about 3:00 p.m. (New York City time) on the SOFR Administrator’s Website on the immediately following U.S. Government Securities Business Day.

“**U.S. Government Securities Business Day**” means any day other than a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

- (iv) **Rate of Interest for Index Linked Interest Notes:** The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined by the Calculation Agent in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

- (d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined by the Calculation Agent in the manner specified hereon.

- (e) **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 hereon.

- (f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

- (g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**
 - (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

 - (ii) If any Maximum Rate of Interest or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the countries of such currency.
- (h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 5(i) but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties and the Noteholders.

(j) **Benchmark Discontinuation for Floating Rate Notes (other than Floating Rate Notes where the Reference Rate is specified as being SOFR)**

In addition to and notwithstanding the provisions above in Condition 5(b)(iii), if the Issuer determines that a Benchmark Event has occurred in relation to an Original Reference Rate when any Rate of Interest (or the relevant component part thereof) remains to be determined by reference to such Original Reference Rate, then the following provisions shall apply:

- (i) the Issuer shall use all reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine (acting in a reasonable manner), no later than five business days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the “**IA Determination Cut-off Date**”), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate, an Adjustment Spread and any Benchmark Amendments for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;
- (ii) if the Issuer (acting in a reasonable manner) is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in a reasonable manner) may determine (i) a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate and (ii) in either case an Adjustment Spread and/or any Benchmark Amendments in accordance with this Condition 5(j);
- (iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) and in either case, an Adjustment Spread, is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) and in either case, an Adjustment Spread, shall be the Reference Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(j)); provided, however, that if Condition 5(j)(ii) applies and the Issuer (acting in a reasonable manner) is unable to or does not determine a Successor Rate or an Alternative Reference Rate and, in either case, an Adjustment Spread, prior to the relevant Interest Determination 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 preceding Interest Period (or alternatively, if there has not been a first Interest Payment Date, the rate of interest shall be the initial Rate of Interest) (subject, where applicable, to substituting the Margin that applied to such preceding Interest Period for the Margin that is to be applied to the relevant Interest Period); for the avoidance of doubt, the proviso in this Condition 5(j)(iii) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(j);
- (iv) if the Independent Adviser or the Issuer (acting in a reasonable manner) determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable), and in either case, an Adjustment Spread, in accordance with the above provisions, the Independent Adviser or the Issuer (acting in good faith and in a commercially reasonable manner) (as applicable), may also specify changes to these Conditions, including but not limited 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 (such amendments, the “**Benchmark Amendments**”), if such changes are

necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (as applicable). The Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) shall determine an Adjustment Spread to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and agreed as operationally practicable by the Calculation Agent. For the avoidance of doubt, the Fiscal Agent shall, subject to receipt by the Fiscal Agent of a certificate signed by a duly authorised signatory of the Issuer, at the direction and expense of the Issuer and without consent or approval of the Noteholders, effect such consequential amendments to the Fiscal Agency Agreement and these Conditions as may be required in order to give effect to this Condition 5(j). Noteholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable), the Adjustment Spread or the Benchmark Amendments or such other changes, including for the execution of any documents or other steps by the Fiscal Agent (if required). The Fiscal Agent shall not be bound by or be obliged to give effect to any Benchmark Amendments, Successor Rate, Alternative Reference Rate, Adjustment Spread or such other changes, if in the reasonable opinion of the Fiscal Agent, the same would not be operable or would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend in an adverse manner the rights and/or the protective provisions afforded to it in these Conditions and/or the Fiscal Agency Agreement. In connection with any such variation in accordance with this Condition 5(j)(iv), 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; and

- (v) the Issuer shall with five Business Days, following the determination of any Successor Rate or Alternative Reference Rate (as applicable), Adjustment Spread or Benchmark Amendments, give notice thereof to the Fiscal Agent, the Calculation Agent and the Noteholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable), Adjustment Spread or Benchmark Amendments,

provided that the determination of any Successor Rate or Alternative Reference Rate, Adjustment Spread or Benchmark Amendments shall be made in accordance with applicable law. Neither the Agents nor the Calculation Agent shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Successor Rate, Alternative Reference Rate, Adjustment Spread, Benchmark Amendments or any other changes and shall be entitled to rely conclusively on any certifications provided to it in this regard.

(k) **Benchmark Discontinuation (SOFR)**

The following provisions shall apply if the Reference Rate is specified as SOFR in the relevant Pricing Supplement:

(i) ***Benchmark Replacement***

If the Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

(ii) ***Benchmark Replacement Conforming Changes***

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, any of the Agents shall, at the direction and expense of the Issuer, effect such consequential amendments to the Fiscal Agency Agreement and these Conditions as may be required to give effect to this Condition 5(k). Noteholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by any of the Agents (if required). Further, none of the Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Replacement, Benchmark Replacement Conforming Changes or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard. The Fiscal Agent shall not be bound by or be obliged to give effect to any Benchmark Replacement Conforming Changes, or such other amendments, if in the opinion of the Fiscal Agent, the same would not be operable or would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to it in these Conditions and/or the Fiscal Agency Agreement and/or any documents to which it is a party in any way.

(iii) ***Decisions and Determinations***

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 5(k), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (A) will be conclusive and binding absent manifest error, (B) will be made in the sole discretion of the Issuer or its designee, as applicable, and (C) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party. Neither the Agents nor the Calculation Agent shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee pursuant to this Condition 5(k) or any other changes and shall be entitled to rely conclusively on any certifications provided to it in this regard. The Issuer shall within 5 Business Days, following the determination made pursuant to this Condition 5(k), give notice thereof to the Fiscal Agent, the Calculation Agent and the Noteholders, which shall specify the effective date(s) for such determination.

For the purpose of this Condition 5(k):

“**Benchmark**” means, initially, SOFR Compounded Index; *provided that* if the Issuer or its designee determines on or prior to the Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to SOFR or the then-current Benchmark (including in each case any daily published component used in the calculation thereof), then “**Benchmark**” means the applicable Benchmark Replacement;

“**Benchmark Event**” means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

- (a) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

- (b) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (c) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

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

“Benchmark Replacement” means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

- (a) the sum of:
 - (i) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and
 - (ii) the Benchmark Replacement Adjustment;
- (b) the sum of:
 - (i) the ISDA Fallback Rate; and
 - (ii) the Benchmark Replacement Adjustment; or
- (c) the sum of:
 - (i) the alternate reference rate that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Floating Rate Notes at such time; and
 - (ii) the Benchmark Replacement Adjustment;

“Benchmark Replacement Adjustment” means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

- (a) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;
- (b) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or
- (c) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate Notes at such time;

“Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary);

“Benchmark Replacement Date” means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

- (a) in the case of sub-paragraph (a) or (b) of the definition of **“Benchmark Event”**, the later of:
 - (i) the date of the public statement or publication of information referenced therein; and
 - (ii) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or
- (b) in the case of sub-paragraph (c) of the definition of **“Benchmark Event”**, the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

“**designee**” means a designee as selected and separately appointed by the Issuer in writing;

“**ISDA Definitions**” means the 2006 ISDA 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;

“**ISDA Fallback Adjustment**” means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

“**ISDA Fallback Rate**” means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

“**Reference Time**” with respect to any determination of the Benchmark means (i) the SOFR Index Determination Time, or (ii) if the Benchmark is not SOFR Index, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes;

“**Relevant Governmental Body**” means 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 or any successor thereto; and

“**Unadjusted Benchmark Replacement**” means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

- (1) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Adjustment Spread**” means a spread (which may be positive, negative or zero) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable), determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original 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 in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions to produce an industry accepted replacement rate for the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

- (iii) if no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as the case may be);

“**Alternative Reference Rate**” means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period.

“**Benchmark Event**” means, in respect of a Reference Rate for Notes (other than Notes where the Reference Rate is specified as being SOFR):

- (i) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist;
- (ii) a public statement by the administrator of such Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate);
- (iii) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will be permanently or indefinitely discontinued;
- (iv) a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences; or
- (v) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or
- (vi) it has become unlawful for any Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate;

provided that in the case of (ii) and (iii) above, the Benchmark Event shall occur on the date of the cessation of publication of the Original Reference Rate, the discontinuation of the Original Reference Rate, in the case of (iv) above, the Benchmark Event shall occur on the date of the prohibition of use of the Original Reference Rate, and in the case of paragraph (v) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, and not the date of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Fiscal Agent and the Calculation Agent. For the avoidance of doubt, the Agents shall not have any responsibility for making such determination.

“**Business Day**” means:

- (i) in the case of Notes denominated in a currency other than euro and Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of Notes denominated in euro, a day on which the TARGET System is operating (a “**TARGET Business Day**”); and/or
- (iii) in the case of Notes denominated 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; and/or
- (iv) in the case of Notes denominated in a currency and/or one or more Business Centres a day (other than a Saturday, a Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the “**Calculation Period**”):

- (i) if “**Actual/Actual**” or “**Actual/Actual – ISDA**” is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)
- (ii) if “**Actual/365 (Fixed)**” is specified hereon, the actual number of days in the Calculation Period divided by 365
- (iii) if “**Actual/360**” is specified hereon, the actual number of days in the Calculation Period divided by 360
- (iv) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{([360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1))}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“ M_2 ” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“ D_1 ” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

“ D_2 ” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30

- (v) if “**30E/360**” or “**Eurobond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{([360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1))}{360}$$

where:

“ Y_1 ” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“ Y_2 ” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“ M_1 ” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“ M_2 ” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“ D_1 ” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

“ D_2 ” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30

- (vi) if “**30E/360 (ISDA)**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{([360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1))}{360}$$

where:

“ Y_1 ” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“ Y_2 ” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation 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 Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D₂** will be 30

(vii) if “**Actual/Actual-ICMA**” is specified hereon,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date.

“**Determination Date**” means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“**Independent Adviser**” means an independent financial institution of international repute or other independent financial adviser of recognised standing and with appropriate expertise, in each case appointed by the Issuer at its own expense under Condition 5(j)(i).

“Interest Accrual Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“Interest Amount” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“Interest Commencement Date” means the Issue Date or such other date as may be specified hereon.

“Interest Determination Date” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or Renminbi or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

“Interest Period” means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

“Interest Period Date” means each Interest Payment Date unless otherwise specified hereon.

“ISDA Definitions” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

“Original Reference Rate” means the originally-specified Reference Rate used to determine the Rate of Interest (or any component part thereof) on the Notes.

“Rate of Interest” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

“Reference Banks” means, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

“**Reference Rate**” means the rate specified as such hereon.

“**Relevant Nominating Body**” means, in respect of a reference rate:

- (i) the central bank for the currency to which the reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; 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 reference rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate, (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof.

“**Relevant Screen Page**” means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service).

“**Specified Currency**” means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

“**Successor Rate**” means the rate that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

- (m) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for it or them hereon and for so long as any Note is outstanding (as defined in the Fiscal Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or, if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. **REDEMPTION, PURCHASE, OPTIONS AND NON-VIABILITY EVENT AND HONG KONG RESOLUTION AUTHORITY POWER IN RESPECT OF SUBORDINATED NOTES**

(a) **Redemption by Instalments and Final Redemption:**

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The prevailing nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its prevailing nominal amount), or, in the case of a Note falling within Condition 6(a)(i), its final Instalment Amount.

(b) **Early Redemption:**

(i) *Zero Coupon Notes:*

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

- (ii) **Other Notes:** The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.
- (c) **Redemption for Taxation Reasons:** Subject to Condition 6(i) in the case of Subordinated Notes, the Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above), together with interest accrued to the date fixed for redemption, if (i) (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 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 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 agreement is reached to issue the first Tranche of the Notes, or (B) as a result of any change in, or amendment to, the laws or regulations of Hong Kong, (1) the Issuer would not, in respect of the payment of interest on the Notes, be entitled to claim a deduction in respect of computing its taxation liabilities in Hong Kong, or such entitlement is materially reduced or (2) the Issuer would not, to any material extent, be entitled to have such deduction set against its profits for applicable Hong Kong tax purposes; and (ii) such obligation will apply on the occasion of the next payment due in respect of the Notes and cannot be avoided by the Issuer taking reasonable measures available to it, **provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent 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 so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.
- (d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may (subject to Condition 6(i) in the case of Subordinated Notes), on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount, together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

- (e) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall (subject to Condition 6(i) in the case of Subordinated Notes), at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any other Transfer Agent at its specified office, together with a duly completed option exercise notice (an "**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any other Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Fiscal Agency Agreement) without the prior consent of the Issuer.

- (f) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 6 and the provisions specified hereon.
- (g) **Purchases:** The Issuer and its Subsidiaries may (subject to Condition 6(i) in the case of Subordinated Notes) may at any time purchase Notes (**provided that** all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.
- (h) **Cancellation:** All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may (in the case of Senior Notes) or shall (in the case of Subordinated Notes) be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.
- (i) **Conditions of Redemption of Subordinated Notes:** Notwithstanding any other provisions in these Conditions, the Subordinated Notes (subject as provided below) may not be redeemed or purchased and cancelled (other than pursuant to Condition 6(a)) without the prior consent of the Monetary Authority. Accordingly, the Issuer shall not redeem any of such Subordinated Notes other than pursuant to Condition 6(a) or purchase and cancel the Subordinated Notes 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 for any such Subordinated Notes to constitute Tier 2 capital (or equivalent) of the Issuer for the purposes of the Banking Ordinance, or any successor legislation, then the condition to the redemption or purchase and cancellation of the Subordinated Notes set out in this Condition 6(i) shall not apply for so long as such consent is not required.

- (j) **Redemption of Subordinated Notes upon occurrence of a Regulatory Redemption Event:** Subject to Condition 6(i), the Subordinated Notes 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 holders of the Subordinated Notes (which notice shall be irrevocable) at their Early Redemption Amount, together with interest accrued to the date fixed for redemption, following the occurrence of a Regulatory Redemption Event.

For the purposes of this Condition 6(j), a “**Regulatory Redemption Event**” occurs if immediately before the giving of the notice of redemption referred in this Condition 6(j) that the Subordinated Notes, after having qualified as such, will no longer qualify (in whole but not in part) as Tier 2 Capital Instruments (or the equivalent) of the Issuer (other than non-qualification solely as a result of any discounting or amortisation requirements as to the eligibility of the Subordinated Notes for such inclusion pursuant to the relevant legislation and supervisory guidelines in force from time to time), as a result of a change in, or amendment to, (or any change in the application or official interpretation of) the relevant provisions of the Banking Ordinance, the Banking (Capital) Rules, or any successor legislation or regulations made thereunder, or any supervisory guidance issued by the Monetary Authority in relation thereto, **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 6(j), the Issuer shall deliver to the Fiscal Agent (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 so to redeem have occurred, (ii) an opinion of independent legal advisers of recognised standing to the effect that a Regulatory Redemption Event has occurred and (iii) a copy of the written consent of the Monetary Authority; and the Fiscal Agent 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 holders of the Subordinated Notes, Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 6(j) 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.

- (k) **Non-Viability Event in respect of Subordinated Notes:**

Any Write-off of any Subordinated Notes under this Condition 6 with respect to the clearing and/or settlement of any Subordinated Notes is subject to the availability of procedures to effect any such Write-off in the relevant clearing system(s). For the avoidance of doubt, however, any Write-off of any Subordinated Notes with respect to the Issuer under this Condition 6 will be effective upon the date that the Issuer specifies in the Non-Viability Event Notice notwithstanding any inability to operationally effect any such Write-off in the relevant clearing system(s).

- (i) If this Condition 6(k) and “Write-off” is specified as applicable in the applicable Pricing Supplement for any Subordinated Notes, 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 holders of the Subordinated Notes) reduce the then prevailing principal amount and cancel any accrued but unpaid interest of each Subordinated Note (in each case in whole or in part) by an amount equal to the

Non-Viability Event Write-off Amount per Subordinated Note (such reduction and cancellation, and the reduction and cancellation or conversion of any other Subordinated Capital Instruments so reduced and cancelled or converted upon the occurrence of a Non-Viability Event, where applicable, being referred to in these Conditions as the “Write-off” and “Written-off” shall be construed accordingly). Once any principal amount of, and any accrued but unpaid interest in respect of the Subordinated Notes has been Written-off, it will not be restored in any circumstances, including where the relevant Non-Viability Event ceases to continue. Any Write-off pursuant to this Condition shall not constitute an Event of Default under the Subordinated Notes.

- (ii) No holder of the Subordinated Notes may exercise, claim or plead any right to any Non-Viability Event Write-off Amount, and each holder of the Subordinated Notes shall be deemed to have waived all such rights to such Non-Viability Event Write-off Amount.
- (iii) Any reference in the Conditions to principal in respect of the Subordinated Notes shall thereafter refer to the principal amount of the Subordinated Notes, subject to any applicable Write-off(s).
- (iv) Any Series of Subordinated Notes may be subject to one or more Write-offs in part (as the case may be), except where such Series of Subordinated Notes has been Written-off in its entirety.
- (v) Concurrently with the giving of any Non-Viability Event Notice, the Issuer shall undertake to, unless otherwise directed by the Monetary Authority, (i) issue a similar notice of Write-off in respect of other Subordinated Capital Instruments in accordance with their terms and (ii) procure a Write-off concurrently and rateably with the Write-off of the Subordinated Notes, in respect of the aggregate principal amount of such other Parity Capital Instruments on a *pro rata* basis with the Subordinated Notes.

In these Conditions:

“**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; and
- (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 referred to in this Condition 6(k), 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 holders of the Subordinated Notes and the Paying Agents, in accordance with Condition 15 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 Subordinated Note and (ii) each other Subordinated Capital Instrument in accordance with its terms.

“Non-Viability Event Write-off Amount” means the amount of 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:

- (a) the principal and interest amount of all Subordinated Notes then outstanding will be Written-off in full in the event that such amounts Written-off is not sufficient for the Non-Viability Event to cease to continue; and
- (b) in the case of an event falling within paragraph (b) of the definition of Non-Viability Event, the Write-off will be effected before any public sector injection of capital or equivalent support.

Further, the Non-Viability Event Write-off Amount in respect of each Subordinated Note will be calculated based on a percentage of the principal amount of that Subordinated Note.

“Parity Capital Instrument” means any Parity Obligation which contains provisions relating to a write-down or conversion into ordinary shares in respect of its 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.

“Subordinated Capital Instrument” means any Junior Obligation or Parity Obligation which contains provisions relating to a write-down or conversion into ordinary shares in respect of its 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.

- (l) **Hong Kong Resolution Authority Power:** Notwithstanding any other term of the Subordinated Notes, including without limitation Condition 6(k), or any other agreement or arrangement, each holder of such Subordinated Notes shall be subject, and shall be deemed to agree, be bound by and acknowledge that they are each subject, to having Subordinated Notes held by each being written off, cancelled, converted or modified, or to having its form 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:
 - (i) the reduction or cancellation of all or a part of the principal amount of, or interest on, the Subordinated Notes;
 - (ii) the conversion of all or a part of the principal amount of, or interest on, the Subordinated Notes 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 Subordinated Notes; and
 - (iii) the amendment or alteration of the maturity of the Subordinated Notes or amendment or alteration of the amount of interest payable on the Subordinated Notes, or the date on which the interest becomes payable, including by suspending payment for a temporary period, or any other amendment or alteration of these Conditions.

With respect to (i), (ii) and (iii) above, references to principal and interest shall include payments of principal and interest that have become due and payable (including principal that has become due and payable at the maturity date), but which have not been paid, prior to the exercise of any Hong Kong Resolution Authority Power. The rights of the holders of Subordinated Notes under the Subordinated Notes 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 principal amount of the Subordinated Notes or payment of interest on the Subordinated Notes 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 Subordinated Notes, the Issuer shall provide a written notice as soon as practicable regarding such exercise of the Hong Kong Resolution Authority Power to the holders of Subordinated Notes in accordance with Condition 15.

Neither the reduction or cancellation, in part or in full, of the principal amount of, or interest on the Subordinated Notes, the conversion thereof into another share, security or other obligation of the Issuer or another person, or any other amendment or alteration of these Conditions as a result of the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Issuer nor the exercise of the Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Subordinated Notes shall constitute an Event of Default under Condition 10.

*The Financial Institutions (Resolution) Ordinance (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 came into effect on 7 July 2017 and all licensed banks in Hong Kong are subject to the Ordinance.*

For the purposes of this Condition:

“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 from time to time.

7. PAYMENTS AND TALONS

(a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and **provided that** the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be:

- (i) in the case of a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank; and
- (ii) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

(b) **Registered Notes:**

- (i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
- (ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifth (in the case of Renminbi) and fifteenth (in the case of a currency other than Renminbi) day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made:
 - (x) in the case of a currency other than Renminbi, in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank; and
 - (y) in the case of Renminbi, by transfer to the registered account of the Noteholder.

In this Condition 7(b)(ii), “**registered account**” 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.

In this Condition 7, “**Bank**” means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.
- (d) **Payments subject to Fiscal Laws:** All payments are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 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 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Fiscal Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrars and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrars and the Transfer Agents appointed under the Fiscal Agency Agreement and any Calculation Agents appointed in respect of any Notes act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the CMU Lodging and Paying Agent, any other Paying Agent, any Registrar, any Transfer Agent or any Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, in each case in accordance with the Fiscal Agency Agreement, **provided that** the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where the Conditions so require, and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons:**

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index linked Notes), the Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
 - (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (iii) Upon the due date for redemption of any Bearer Note, any unexpired Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
 - (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (v) Where any Bearer Note that provides that the relative unexpired Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unexpired Coupons, and where any Bearer Note is presented for redemption without any unexpired Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
 - (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.
- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

- (h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, “**business day**” means a day (other than a Saturday, a Sunday or public holiday) on which banks and foreign exchange markets are open for business in the relevant place of presentation (if presentation and/or surrender of such Note, Receipt or Coupon is required) in such jurisdictions as shall be specified as “**Financial Centres**” hereon and:
- (i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
 - (ii) (in the case of a payment in euro) which is a TARGET Business Day; or
 - (iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8. TAXATION

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. If the Issuer is required to make a deduction or withholding by or within Hong Kong, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with Hong Kong other than the mere holding of the Note, Receipt or Coupon or
- (b) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day.

As used in these Conditions, “**Relevant Date**” in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with these Conditions, such payment will be made, **provided that** payment is in fact made upon such presentation. References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition 8.

9. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. EVENTS OF DEFAULT

- (a) **Senior Notes:** If any of the following events (in relation to Senior Notes, each such event an “**Event of Default**”) occurs, the holder of any Senior Note may give written notice to the Fiscal Agent at its specified office that such Senior Note is immediately repayable, whereupon the Early Redemption Amount of such Senior Note together with (if applicable) accrued interest to the date of payment shall become immediately due and payable:
- (i) **Payment Default:** default is made for more than five days (in the case of principal) or 14 days (in the case of interest) in the payment of any principal or interest due in respect of any of the Senior Notes; or
 - (ii) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations in the Senior Notes which default is incapable of remedy or, if capable of remedy, is not remedied within 21 days after notice of such default shall have been given to the Issuer by the Fiscal Agent at its specified office by any Noteholder; or
 - (iii) **Cross-Default:** (A) any other present or future indebtedness for monies borrowed or raised by the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) 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 (B) any such indebtedness is not paid when due, or (C) 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 Condition 10(a)(iii) have occurred equals or exceeds U.S.\$15,000,000 or its equivalent in any other currency; or
 - (iv) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Subsidiaries and is not discharged or stayed within 45 days; or
 - (v) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person); or
 - (vi) **Insolvency:** the Issuer or any of its Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or 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), 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 of a particular type of) the debts of the Issuer or any of its Subsidiaries; or

- (vii) **Winding-up of the Issuer:** an order is made or an effective resolution is passed for the winding-up or dissolution of the Issuer; or
 - (viii) **Winding-up of Subsidiaries:** an order is made or an effective resolution is passed for the winding-up or dissolution of any of the Issuer's Subsidiaries, or any of the Issuer's Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or ceases or threatens to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Noteholders or (ii) whereby the undertaking and assets of such Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries; or
 - (ix) **Nationalisation:** any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a substantial part of the assets of the Issuer or any of its Subsidiaries; or
 - (x) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, 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, (II) to ensure that those obligations are legally binding and enforceable and (III) to make the Senior Notes admissible in evidence in the courts of England is not taken, fulfilled or done; or
 - (xi) **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; or
 - (xii) **Analogous Events:** any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.
- (b) **Subordinated Notes:** If default is made for more than five days (in the case of principal) or 14 days (in the case of interest) in the payment of principal or interest due in respect of any of the Subordinated Notes (in relation to Subordinated Notes, each such event, an “**Event of Default**”), then any holder of a Subordinated Note may institute Winding-Up Proceedings in Hong Kong against the Issuer.

If an order is made or an effective resolution is passed for the Winding-Up of the Issuer in Hong Kong (except for the purposes of reconstruction, amalgamation or reorganisation the terms of which have previously been approved by an Extraordinary Resolution of the Subordinated Noteholders) (in relation to Subordinated Notes, such event also, an “**Event of Default**”), the holder of any Subordinated Note may give written notice to the Fiscal Agent at its specified office that such Subordinated Note is immediately repayable, whereupon the Early Redemption Amount of Subordinated Note together with (if applicable) accrued interest to the date of payment shall become immediately due and payable.

If a Write-off has occurred pursuant to, or otherwise in accordance with Condition 6, such event shall not constitute an Event of Default under these Conditions.

In these Conditions:

“**Winding-Up Proceeding**” shall mean, with respect to the Issuer, proceedings in Hong Kong for the bankruptcy, liquidation, winding-up, administrative receivership, or other similar proceeding of the Issuer (as applicable).

11. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

- (a) **Meetings of Noteholders:** The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in nominal 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 held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or 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, (iv) if a Minimum Rate of Interest and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum Rate of Interest and/or Maximum Rate of Interest, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum shall be one or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the Noteholders of not less than 90 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

- (b) **Modification of Fiscal Agency Agreement:** the Issuer shall only permit any modification of, or any waiver or authorisation of any breach of proposed breach of or any failure to comply with, the Fiscal Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

12. ENFORCEMENT

In respect of Subordinated Notes only, 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 10 or submitting claims in the Winding-Up of the Issuer will be available to the holders of Subordinated Notes. Each holder of a Subordinated Note shall be deemed to agree and acknowledge that the rights of such holders under the terms of the Subordinated Notes shall be subject to anything done in exercise of the powers of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority as set out in Condition 6(l).

13. REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates), in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

14. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities having the same terms and conditions as the Notes (save that for the avoidance of doubt, references in these Conditions to “**Issue Date**” shall be the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to “**Notes**” shall be construed accordingly.

15. NOTICES

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing and, so long as the Notes are listed on a stock exchange or admitted to trading by another relevant authority and the rules of that exchange or a relevant authority so require, published in a daily newspaper having general circulation in the place or places required by those rules. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Hong Kong and, so long as the Notes are listed on a stock exchange or admitted to trading by another relevant authority and the rules of that exchange or a relevant authority so require, published in a daily newspaper having general circulation in the place or places required by those rules. If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 15.

A Non-Viability Event Notice to the relevant Noteholders shall be deemed to have been validly given on the date on which such notice is published in a daily newspaper of general circulation in Hong Kong and, so long as relevant Subordinated Notes are listed on a stock exchange, published on the website of such stock exchange. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

So long as the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of Euroclear or Clearstream or the CMU or any other clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note.

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17. CURRENCY INDEMNITY

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer, as the case may be, to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

18. GOVERNING LAW AND JURISDICTION

- (a) **Governing Law:** The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law save that the provisions of Condition 3 relating to subordination of the Subordinated Notes are governed by, and shall be construed in accordance with, Hong Kong law.
- (b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons (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 them) and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons (“**Proceedings**”) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to the Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the holder of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- (c) **Service of Process:** The Issuer irrevocably appoints Law Debenture Corporate Services Limited of 8th Floor, 100 Bishopsgate, London, EC2N 4AG as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 15. Nothing shall affect the right to serve process in any manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

1. INITIAL ISSUE OF NOTES

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream (the “**Common Depositary**”) or a sub-custodian for the Monetary Authority as operator of the CMU.

Upon the initial deposit of a Global Note with the Common Depositary or with a sub-custodian for the Monetary Authority as operator of the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream or (ii) the Monetary Authority and delivery of the relative Global Certificate to the Common Depositary or the sub-custodian for the Monetary Authority as operator of the CMU (as the case may be), Euroclear or Clearstream or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

2. RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Save as provided in the following paragraph, each of the persons shown in the records of Euroclear, Clearstream or any other clearing system (an “**Alternative Clearing System**”) as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held with the CMU in accordance with the CMU Rules. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

3. EXCHANGE

3.1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “*Summary of the Programme – Selling Restrictions*”), in whole, but not in part, for the Definitive Notes defined and described below; and
- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

3.2 Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under “Partial Exchange of Permanent Global Notes” below, in part for Definitive Notes or, in the case of (i) below, Registered Notes:

- (i) if the permanent Global Note is held on behalf of Euroclear, Clearstream, the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or
- (ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

3.3 Global Certificates

If the relevant Pricing Supplement states that the Notes are to be represented by a Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream or the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2 may only be made in part:

- (i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so;

- (ii) if principal in respect of any Notes is not paid when due; or
- (iii) with the prior consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to (i) or (ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

3.4 Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

3.5 Delivery of Notes

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent). In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be. Global Notes and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

3.6 Exchange Date

"**Exchange Date**" means (i) in relation to an exchange of a temporary Global Note to a permanent Global Note, the day falling after the expiry of 40 days after its issue date; (ii) in relation to an exchange of a permanent Global Note to a Definitive Note, a day falling not more than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent; (iii) in relation to an exchange of a permanent Global Note to a Registered Note, a day falling not more than five days after the date of receipt of the first relevant notice by the Fiscal Agent; or (iv) in the case of failure to pay principal in respect of any Notes when due or an Event of Default has occurred and is continuing, a day falling 30 days after the date of receipt of the first relevant notice by the Fiscal Agent, provided if such date is not a day on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located, the immediately following day.

4. AMENDMENT TO CONDITIONS

The temporary Global Notes, permanent Global Notes and Global Notes contain provisions that apply to the Notes that they represent, some of which modify the effect of the Conditions set out in this Offering Circular. The following is a summary of certain of those provisions:

4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 7(f)(vi) will apply to the Definitive Notes only.

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate held through the CMU, 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 Global Note are credited (as set out in the records of the CMU) and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose.

So long as the Notes are represented by a Global Note or Global Certificate and the Global Note or Global Certificate is held on behalf of the Clearing Systems, the Issuer has promised, *inter alia*, to pay interest in respect of such Notes from the Interest Commencement Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Notes represented by the Global Note or Global Certificate.

4.2 Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

4.3 Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note or a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

4.4 Cancellation

Cancellation of any Note represented by a permanent Global Note or Global Certificate that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note or Global Certificate.

4.5 Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

4.6 The Option of the Issuer

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain, in the case of Bearer Notes, the certificate numbers of Notes drawn or, in the case of Registered Notes, the holder of the Notes in respect of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, the CMU or an Alternative Clearing System (as the case may be).

4.7 Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note (in accordance with the standard procedures of the relevant clearing system) giving notice to the Fiscal Agent or (in respect of Notes represented by a Global Certificate) the Registrar or Transfer Agent or (in respect of Notes lodged with the CMU) the CMU Lodging and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note or Global Certificate to the Fiscal Agent, the relevant Registrar, a Transfer Agent or the CMU Lodging and Paying Agent (or, in each case, to a Paying Agent acting on their behalf), as the case may be, for notation.

4.8 Notices

So long as any Notes are represented by a Global Note or Global Certificate and such Global Note or Global Certificate is held on behalf of Euroclear and/or Clearstream or the CMU or any other clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate.

5. PARTLY PAID NOTES

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes or Global Certificates. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

[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, “MiFID II”); 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”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to 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”) 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.]

[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, “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 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 (as amended, the “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 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 (the “UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “EUWA”); (ii) a customer within the meaning of the provisions of the

Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement 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.]

[Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (as modified or amended from time to time, the “SFA”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are [“prescribed capital markets products”]/[capital markets products other than “prescribed capital markets products”] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).]¹

[(Include when the Notes are to be listed on the HKSE) This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKSE”)) (the “Professional Investors”)] only.

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

HKSE 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 Programme and the Notes on HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer or the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and HKSE 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 together with the Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purposes of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this 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.]

Pricing Supplement dated [●]

¹ For prescribed capital markets products to be sold into Singapore

CMB WING LUNG BANK LIMITED

Issue of [Aggregate Nominal Amount of Tranche] [*Title of Notes*]
under the U.S.\$2,000,000,000 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 terms and conditions of the Notes (the “**Conditions**”) set forth in the offering circular dated 22 April 2022 (the “**Offering Circular**”) [and the supplemental offering circular dated [●] (the “**Supplemental Offering Circular**”). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Offering Circular[, the Supplemental Offering Circular] and this Pricing Supplement.

[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 terms and conditions (the “**Conditions**”) set forth in the offering circular dated 22 April 2022 (the “**Offering Circular**”). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular [and the supplemental offering circular dated [●] (the “**Supplemental Offering Circular**”), save in respect of the Conditions which are extracted from the Offering Circular and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Offering Circular[, the Supplemental Offering Circular] and this Pricing Supplement.]

[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.]

1. Issuer: CMB Wing Lung Bank Limited
2. [(i)] Series Number: [●]
[(ii)] Tranche Number: [●]

(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)]
3. Specified Currency or Currencies: [●]
4. Aggregate Nominal Amount:
 - (i) Series: [●]
 - [(ii)] Tranche: [●]

5. [(i)] Issue Price: [●] per cent., of the Aggregate Nominal Amount
- [plus accrued interest from *[insert date]* (*in the case of fungible issues only, if applicable*)]
- [(ii)] Net proceeds: [●] (*Required only for listed issues*)
6. (i) Specified Denominations: [●]^{(1),(2)}
- (ii) Calculation Amount⁽⁴⁾ [●]
7. (i) Issue Date: [●]
- (ii) Interest Commencement Date: [*Specify/Issue date/Not Applicable*]
8. Maturity Date: [*specify date (for Fixed Rate Notes) or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]⁽³⁾
- [*If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to “professional investors” or (ii) another applicable exemption from section 19 of the FSMA must be available.*]
9. Interest Basis: [[●] per cent. Fixed Rate]
- [*specify reference rate*] +/--[●] per cent.
- [Floating Rate]
- [Zero Coupon]
- [Index Linked Interest]
- [Other (*specify*)]
- (further particulars specified below)

10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (*specify*)]
11. Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12. Put/Call Options: [Put]
[Call]
(*NB: Monetary Authority approval will be required in the case of Subordinated Notes*)
[(further particulars specified below)]
13. Status of the Notes: [Senior Notes/Subordinated Notes]
14. Date of [Board] approval for issuance of Notes obtained: [●]
(*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)
15. Listing: [HKSE]/Other (*specify*)/None](*For Notes to be listed on the HKSE, insert the expected effective listing date of the Notes*)
16. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17. Fixed Rate Note Provisions [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Rate [(s)] of Interest: [●] per cent., per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]

- (ii) Interest Payment Date(s): [●] in each year⁽⁴⁾ [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of “Business Day”]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount⁽⁵⁾
- (iv) Broken Amount: [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]

[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)] and the Interest Payment Date(s) to which they relate]
- (v) Day Count Fraction (Condition 5(1)): [30/360/Actual/Actual

(ICMA/ISDA)/Other]

(Day count fraction should be Actual/Actual-ICMA for all fixed rate issues other than those denominated in US dollars or Hong Kong dollars, unless otherwise agreed)
- (vi) Determination Date(s) (Condition 5(1)): [●] in each year. [Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short, first or last coupon]⁽⁶⁾
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
18. Floating Rate Note Provisions [Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Interest Period(s): [●]
- (ii) Specified Interest Payment Dates: [●]
- (iii) Business Day Convention: [Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (give details)]
- (iv) Business Centre(s) (Condition 5(1)): [●]

- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/Screen Rate Determination (SOFR)/ISDA Determination/other (*give details*)]
- (vi) Interest Period Date(s): [Not Applicable/specify dates] (*Not applicable unless different from Interest Payment Date*)
- (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): [●]
- (viii) Screen Rate Determination (Condition 5(b)(iii)(B)):
- (1) Reference Rate: [●]
- (2) Interest Determination Date: [[●] [TARGET] Business Days in [specify city] for [specify currency] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]]
- (3) Relevant Screen Page: [●]
- (ix) Screen Rate Determination (SOFR) (Condition 5(b)(iii)(C)):
- (1) Reference Rate: SOFR Compounded Index
- (2) Interest Determination Date: The day falling five U.S. Government Securities Business Days prior to the end of each Interest Period
- (3) Relevant Screen Page: SOFR Administrator's Website
- (x) ISDA Determination (Condition 5(b)(iii)(A)):
- (1) Floating Rate Option: [●]
- (2) Designated Maturity: [●]
- (3) Reset Date: [●]
- (4) ISDA Definitions (if different from those set out in the Conditions) [2000/2006]
- (xi) Margin(s): [+/-] [●] per cent., per annum
- (xii) Minimum Rate of Interest: [●] per cent., per annum
- (xiii) Maximum Rate of Interest: [●] per cent., per annum

- (xiv) Day Count Fraction (Condition 5(1)): [●]
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [Benchmark Event/Benchmark Event (SOFR)/specify if fallback provisions different from those set out in the Conditions]
19. Zero Coupon Note Provisions [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Amortisation Yield (Condition 6(b)): [●] per cent., per annum
- (ii) Day Count Fraction (Condition 5(1)): [●]
- (iii) Any other formula/basis of determining amount payable: [●]
20. Index Linked Interest Note Provisions [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula: [Give or annex details]
- (ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]): [●]
- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [●]
- (iv) Interest Period(s): [●]
- (v) Specified Interest Payment Dates: [●]
- (vi) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
- (vii) Business Centre(s) (Condition 5(1)): [●]
- (viii) Minimum Rate of Interest: [●] per cent., per annum
- (ix) Maximum Rate of Interest: [●] per cent., per annum
- (x) Day Count Fraction (Condition 5(1)): [●]

21. Dual Currency Note Provisions [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/Method of calculating Rate of Exchange: [Give details]
- (ii) Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]): [●]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [●]
- (v) Day Count Fraction (Condition 5(1)): [●]

PROVISIONS RELATING TO REDEMPTION

[NB: Subject to the provisions of Condition 6(i), Call Options and Put Options for Subordinated Notes will not be permissible without the prior consent of the Monetary Authority.]

[NB: Specify the applicability of Write-off provisions pursuant to Condition 6(k)]

22. Call Option [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [●] per Calculation Amount
- (b) Maximum Redemption Amount: [●] per Calculation Amount
- (iv) Notice period: [●]
23. Put Option [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]

- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): per Calculation Amount
- (iii) Notice period:
24. Final Redemption Amount of each Note: per Calculation Amount
25. Early Redemption Amount
- (i) Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons (Condition 6(c)) or Regulatory Redemption Event (Condition 6(j)) or Event of Default (Condition 10(a) or 10(b)) and/or the method of calculating the same (if required or if different from that set out in the Conditions):

GENERAL PROVISIONS APPLICABLE TO THE NOTES

26. Form of Notes: [Bearer Notes/Registered Notes]
- [Delete as appropriate]*
- (i) [temporary Global Note exchangeable for a permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note] [temporary Global Note exchangeable for Definitive Notes on days' notice] [permanent Global Note/Certificate exchangeable for Definitive Notes/Certificates on days' notice/at any time/in the limited circumstances specified in the permanent Global Note/Certificate]⁽⁷⁾
27. Financial Centre(s) (Condition 7[(h)]) or other special provisions relating to payment dates: [Not Applicable/Give *details*. Note that this item relates to the date and place of payment, and not interest period end dates, to which item 17(ii), 18(iv) and 20(vii) relate]
28. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give *details*]

29. 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: [Yes/No. *If yes, give details*]
30. Details relating to Instalment Notes: [Not Applicable/*give details*]
- (i) Instalment Amount(s): [●]
- (ii) Instalment Date(s): [●]
- (iii) Minimum Instalment Amount: [●]
- (iv) Maximum Instalment Amount: [●]
31. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions annexed to this Pricing Supplement apply]
32. Consolidation provisions: [Not Applicable/The provisions annexed to this Pricing Supplement apply]
33. Other terms or special conditions: [Not Applicable/*give details*]⁽⁸⁾

DISTRIBUTION

34. (i) If syndicated, names of Managers: [Not Applicable/*give names*]
- (ii) Stabilising Manager (if any): [Not Applicable/*give name*]
35. If non-syndicated, name of Dealer: [Not Applicable/*give name*]
36. U.S. Selling Restrictions: Reg. S Category 1/2; TEFRA D/TEFRA C/TEFRA Not Applicable]
37. Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

(If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared in the EEA, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document 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 or the Notes do constitute “packaged” products and a key information document will be prepared in the UK, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)

39. Additional selling restrictions: [Not Applicable/give details]

40. Private Bank Rebate: [●]

OPERATIONAL INFORMATION

41. ISIN Code: [●]

42. Common Code: [●]

43. CMU Instrument Number: [●]

44. Legal Entity Identifier: [●]

45. Any clearing system(s) other than Euroclear, Clearstream and the CMU Service and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

46. Delivery: Delivery [against/free of] payment

47. Additional Paying Agents (if any): [●]

GENERAL

48. The aggregate principal amount of Notes issued has been translated into US dollars at the rate of [●], producing a sum of (for Notes not denominated in US dollars): [Not Applicable/U.S.\$[●]]

49. In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong: [Not Applicable/Luxembourg]

50. In the case of Bearer Notes, specify the location of the office of the Fiscal Agent if other than London: [Not Applicable/Hong Kong]

51. Ratings: The Notes to be issued have [not] been rated:
[S&P: [●]];
[Moody’s: [●]];
[Fitch: [●]];
[[Other: [●]]]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

52. [Date of regulatory approval for issuance of Notes obtained:

Pre-issuance registration certificate/NDRC approval dated [●] from the NDRC]

[USE OF PROCEEDS

Give details if different from the “Use of Proceeds” section in the Offering Circular.]

[STABILISATION

In connection with this issue, [*insert name of Stabilisation Manager(s)*] (the “**Stabilisation Manager(s)**”) (or persons acting on behalf of any Stabilisation Manager(s)) 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. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.]

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the HKSE of the Notes described herein pursuant to the U.S.\$2,000,000,000 Medium Term Note Programme of CMB Wing Lung Bank Limited.

[MATERIAL ADVERSE CHANGE STATEMENT

[Except as disclosed in this document, there/There]⁽⁹⁾ has been no significant change in the financial or trading position of the Issuer or of the Group since [*insert date of last audited accounts or interim accounts (if later)*] and no material adverse change in the financial position or prospects of the Issuer or of the Group since [*insert date of last published annual accounts*].]

RESPONSIBILITY

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

SIGNED

on behalf of the Issuer:

By: _____

Duly authorised

-
- (1) 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).

If the specified denomination is expressed to be EUR100,000 or its equivalent and multiples of a lower principal amount (for example EUR1,000), insert the additional wording as follows: EUR100,000 and integral multiples of EUR1,000 in excess thereof up to and including EUR199,000. No Notes in definitive form will be issued with a denomination above EUR199,000. In relation to any issue of the Notes which are a “Global Note exchangeable for Definitive Notes” in circumstances other than “in the limited circumstances specified in the Global Notes”, such Notes may only be issued in denominations equal to, or greater than, EUR100,000 (or equivalent) and multiples thereof.

- (2) For so long as any Notes are listed on The Stock Exchange of Hong Kong Limited (the “HKSE”) and the rules of the HKSE so require, such Notes will be traded on the HKSE in a minimum board lot size of not less than HK\$500,000 (or its equivalent in other currencies).
- (3) Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.
- (4) Note that for certain Renminbi or Hong Kong dollar 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.”
- (5) For Hong Kong dollar 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 CNY0.01, CNY0.05 in the case of Renminbi denominated Fixed Rate Notes or to the nearest HK\$0.01, HK\$0.005 in the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards.”
- (6) Only to be completed for an issue where the Day Count Fraction is Actual/Actual-ICMA.
- (7) If the temporary Global Note is exchangeable for definitives at the option of the holder, the Notes shall be tradeable only in amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided in paragraph 6 and multiples thereof.
- (8) If full terms and conditions are to be used, please add the following here:

“The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Offering Circular for the purposes of these Notes and such Conditions will prevail over any other provision to the contrary.”

The first set of bracketed words is to be deleted where there is a permanent global Note instead of Notes in definitive form. The full Conditions should be attached to and form part of the Pricing Supplement.

- (9) If any change is disclosed in the Pricing Supplement, it will require approval by the Stock Exchange(s). Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Offering Circular rather than in a Pricing Supplement.

REGULATION AND SUPERVISION

REGULATION AND SUPERVISION IN HONG KONG

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

Supervision of Licensed Banks in Hong Kong

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

- (1) each licensed bank must submit a monthly return to the Monetary Authority setting out the assets and liabilities of its operations in Hong Kong and a further comprehensive quarterly return relating to its principal place of business in Hong Kong and all local branches, although the Monetary Authority has the right to allow returns to be made at less frequent intervals;
- (2) the Monetary Authority may order a licensed bank, 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 licensed bank concerned. Such information shall be submitted within such period and in such manner as the Monetary Authority may require. The Monetary Authority may in certain circumstances also require such information or any return submitted to it to be accompanied by a certificate of the licensed bank’s auditors (approved by the Monetary Authority for the purpose of preparing the report) confirming compliance with certain matters;
- (3) licensed banks may be required to provide information to the Monetary Authority regarding companies in which they have an aggregate 20 per cent. or more direct or indirect shareholding or with which they have common directors or managers (as defined in the Banking Ordinance), the same controller, a common name or a concert party arrangement to promote the licensed bank’s business;
- (4) in addition, licensed banks are obliged to report to the Monetary Authority immediately of their likelihood of becoming unable to meet their obligations or of the commencement of material civil proceedings applicable only to licensed banks incorporated in Hong Kong;
- (5) the Monetary Authority may direct a licensed bank to appoint an auditor to report to the Monetary Authority on the state of affairs and/or profit and loss of the licensed bank or the adequacy of the systems of control of the licensed bank or other matters as the Monetary Authority may reasonably require;

- (6) the Monetary Authority may, at any time, with or without prior notice, examine the books, accounts and transactions of any licensed bank, and in the case of a licensed bank incorporated in Hong Kong, any local branch, overseas branch, overseas representative office or subsidiary, whether local or overseas, of such institution. Such inspections are carried out by the Monetary Authority on a regular basis; and
- (7) licensed banks are required to give written notice to the Monetary Authority immediately of any proposal to remove an auditor before the expiration of his term of office or replace an auditor at the expiration of his term of office.

Exercise of Powers over Licensed Banks

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

- (1) when a licensed bank informs the Monetary Authority that it is likely to become unable to meet its obligations, that it is insolvent, or that it is about to suspend payment;
- (2) when a licensed bank becomes unable to meet its obligations or suspends payment;
- (3) if, after an examination or investigation, the Monetary Authority is of the opinion that a licensed bank:
 - (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 license or certain conditions in the Banking Ordinance;
- (4) where the Monetary Authority's power under section 22(1) of the Banking Ordinance to revoke the authorisation of a licensed bank is exercisable (as discussed below); and
- (5) where the Financial Secretary advises the Monetary Authority that he considers it in the public interest to do so.

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

- (1) to require the licensed bank, by notice in writing served on it, forthwith to take any action or to do any act or thing whatsoever in relation to its business and property as the Monetary Authority may consider necessary;
- (2) to direct the licensed bank to seek advice on the management of its affairs, business and property from an adviser approved by the Monetary Authority;

- (3) to assume control of and carry on the business of the licensed bank, or direct some other person to assume control of and carry on the business of the licensed bank; 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 licensed bank).

Revocation and Suspension of Banking Licence

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

- (1) the licensed bank no longer fulfils the criteria for authorisation and the requirements for registration;
- (2) the licensed bank 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 licensed bank has failed to provide material information required under the Banking Ordinance or has provided false information;
- (4) the licensed bank 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 licensed bank after the Monetary Authority has made an objection;
- (6) the interests of the depositors require that the license be revoked; or
- (7) the licensed bank is engaging in practices likely to prejudice Hong Kong as an international financial centre or in practices (specified in the Monetary Authority guidelines) that should not be engaged in.

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

Principal Obligations of Licensed Banks

The obligations of a licensed bank under the Banking Ordinance, which are enforced by the Monetary Authority through the system described above, include, but are not limited to, the following:

Capital Adequacy

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

The capital base of a licensed bank 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 licensed bank and the amount by which the book value of reserves on revaluation of real property exceeds the book value of such reserves as at the period-end.

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

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% to 4.5% and the Tier 1 capital requirements rising from 4% to 6%. The total minimum capital requirement remains unchanged at 8%. The Basel Committee expects its member jurisdictions to have begun the implementation of Basel III from 1 January 2013, with full implementation by 1 January 2019. The Monetary Authority has taken steps to implement Basel III in Hong Kong in accordance with the timetable of the Basel Committee and to effect the first phase of Basel III implementation starting January 2013.

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

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

The Banking (Capital) (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 effective 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.

The Banking (Disclosure) Rules were amended on 30 June 2013 to implement Basel III capital and disclosure standards. The Monetary Authority is currently conducting further consultation on implementing the Basel III liquidity standards. For example, the Monetary Authority has issued a consultation paper to consult on the proposed approach to implementing the Basel III final reform package on 6 November 2020.

The Hong Kong “Resolution Regime”

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 includes the Bank as the issuer of the Notes. The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. In particular, subject to certain safeguards, the relevant resolution authority is 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 cancel, write off, modify, convert or replace all or a part of the Notes or the principal amount of, or interest on, the Notes, and powers to amend or alter the contractual provisions of the Notes, all of which may adversely affect the value of the Notes, and the holders thereof may suffer a loss of some or all of their investment as a result. Holders of Notes (whether senior or subordinated) will be subject to and bound by the FIRO.

Liquidity

The Bank also maintains a liquidity coverage ratio in accordance with the requirements under the Banking Liquidity Rules (the “**BLR**”), in accordance with section 97H(1) of the Banking Ordinance. Under the BLR, authorised institutions designated by the Monetary Authority as “category 1 institutions” are required to comply with the requirements relating to the liquidity coverage ratio and the net stable funding ratio. 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 liquidity coverage ratio not less than 100 per cent. and a net stable funding ratio 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 an LMR not less than 25 per cent., whereas Category 2A institutions are required to maintain an LMR not less than 25 per cent. and an CFR of not less than 75 per cent. In relation to a licensed bank with subsidiaries, the Monetary Authority may require that ratio to be calculated on a consolidated basis, or both on a consolidated basis and head office basis, or on a consolidated basis only in respect of such subsidiaries of the licensed bank as may be specified by the Monetary Authority. The ratio may be varied by the Monetary Authority. A licensed bank has a duty to inform the Monetary Authority if the ratio requirement is not fulfilled and provide it with such particulars of that contravention as it may require, and it is an indictable offence not to do so; the Monetary Authority is entitled to prescribe remedial action. For the purpose of the liquidity ratio, in the case of a licensed bank which has places of business in Hong Kong and elsewhere, its places of business in Hong Kong are collectively treated as a separate licensed bank to which the liquidity ratio provisions would apply.

High quality liquid assets are, broadly speaking, assets held in the form of currency and coins, withdrawable bank reserves and marketable debt securities issued by a sovereign or central bank.

Total net cash outflow means the institution’s total expected cash outflows, after deduction of its total expected cash inflows.

Financial Exposure to Any One Counterparty or Group of Linked Counterparties

Under the BELR, the financial exposure of a licensed bank incorporated in Hong Kong to any one single counterparty or linked counterparty group must not (subject to certain exceptions) exceed 25 per cent. of the Tier 1 capital of the licensed bank. Subject to certain exclusions, the licensed bank’s financial exposure to:

- (1) any one single counterparty is taken to be the aggregate of the sum of the value of all of the licensed bank’s counterparty credit risk exposures to the counterparty arising from derivative contracts and securities financing transactions and the sum of the value of all of the licensed bank’s non-counterparty credit risk exposures to the counterparty; and
- (2) any one linked counterparty group is taken to be the sum of the aggregate single counterparty exposures to all counterparties of the licensed bank in the group.

For these purposes, a counterparty is a linked counterparty of another where there is a control relationship (as provided under the BELR), including for example, when an entity is the subordinate entity of another, they have a common holding company, or one is economically dependent on the other.

The calculation of financial exposure does not include certain exposures, for example (without limitation), exposures to the Hong Kong government.

Other Financial Exposure Restrictions

The BELR also provides that:

- (1) the exposure to connected natural persons and connected parties (which include, without limitation, controllers, directors, certain employees, their relatives and certain associated persons) shall be subject to the restrictions set out therein;
- (2) licensed banks 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 Monetary Authority, that of their respective holding companies, subsidiaries or fellow subsidiaries of such holding companies); and
- (3) licensed banks may not, except with the written consent of the Monetary Authority, provide to any one of their employees any unsecured facility of an amount in excess of that employee's salary for one year.

Restrictions on Investments in Land

Under the BELR, an authorized institution must at all times maintain a land exposure ratio (as defined in the BELR) not exceeding 50 per cent. and an adjusted land exposure ratio (as defined in the BELR) not exceeding 25 per cent.. The Monetary Authority may, by written notice served on an authorized institution, vary any or both of the limits under the BELR for the authorized institution if the Monetary Authority, after taking into account the considerations, including the risks associated with the level or concentration of the authorized institution's holding of interests in land, any risk mitigation measures taken by the authorized institution to manage those risks and any other factors that the Monetary Authority considers relevant, is satisfied on reasonable grounds that it is prudent to make the variation.

Shareholding in Other Companies

A licensed bank incorporated in Hong Kong may not acquire or hold any part of the share capital of any other company or companies and certain instruments to an equity exposure ratio of 25% to the licensed bank's Tier 1 capital except for certain specified equity exposures, for example (without limitation):

- (1) equity exposure arising from the holding of any capital interest, as security for a financial facility provided by the bank or acquired by the bank in the course of the satisfaction of debts due to it (which must, however, be disposed of at the earliest suitable opportunity and not later than 18 months after their acquisition unless the Monetary Authority agrees to a longer period).
- (2) equity exposures arising from the holding of any capital interest acquired under an underwriting and sub-underwriting contract are, nevertheless, permitted provided the relevant equity exposures are disposed of within seven working days or such longer period as the Monetary Authority may agree.
- (3) there are other exemptions for any holding of equity exposure approved by the Monetary Authority in other banks and companies carrying on nominee, executor, trustee or other functions related to banking business, the business of deposit taking, insurance, investments or other financial services.

Charges

A licensed bank incorporated in Hong Kong is not permitted to create any charges over its assets if either the aggregate value of all charges existing over its total assets is 5 per cent. or more of the value of those total assets or creating that charge would cause the aggregate value of all charges over its total assets to be more than 5 per cent. of the value of those total assets.

Restrictions on Overseas Activities

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

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

Shareholders, Chief Executives and Directors

Limitations on Shareholders

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

- (1) 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 licensed bank 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 licensed bank 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 licensed bank 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 Monetary Authority to manage the licensed bank).

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

Within the three-month period, the Monetary Authority may object to the applicant's proposal, unless it is satisfied that the applicant is a fit and proper person to become a controller; that depositors' or potential depositors' interests will not be threatened by that person being such a controller; and having regard to the applicant's likely influence on that institution as a controller, the licensed bank is likely to continue to conduct its business prudently or that the applicant is likely to undertake adequate remedial action to ensure that the licensed bank will conduct its business prudently.

The Monetary Authority may also object to the continuation of a person as a controller on similar grounds as in respect of new controllers.

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

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

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

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

Limitations on Persons Becoming Chief Executives or Directors

All licensed banks must have a chief executive ordinarily resident in Hong Kong. A person requires the consent of the Monetary Authority before becoming a chief executive.

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

Supervision of Securities Business

The SFO, which came into operation in April 2003, introduced a substantial change to the conduct of securities business by banks. Banks are no longer exempted from the relevant regulations when they engage in securities business. Instead they are required to apply for registration with the SFC, which means they will have to meet the Fit and Proper Criteria set by the SFC. Likewise, staff engaged by banks in securities business will have to meet the Fit and Proper Criteria applicable to staff of brokerage firms. It is a statutory condition of registration for banks that each member of staff engaged by them in securities

business is a fit and proper person. Banks will also have to comply with the various regulatory requirements set by the SFC in relation to their securities business, including the subsidiary legislation and the business conduct codes. Under the SFO, banks and their securities staff will be subject to the same range of disciplinary actions that are applicable to brokers and their staff in case they are guilty of misconduct or otherwise not fit and proper.

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

REGULATION AND SUPERVISION IN THE PRC

The banking industry is heavily regulated in the PRC, with the Financing Stability and Development Commission of the State Council (國務院金融穩定發展委員會), the CBIRC and the PBOC acting as the principal regulatory authorities. The CBIRC is responsible for supervising and regulating banking institutions, and the PBOC, as the central bank of the PRC, is responsible for formulating and implementing monetary policies. PBOC performs the office responsibility of the Financing Stability and Development Commission of the State Council. The applicable laws and regulations governing activities in the PRC's banking industry consist principally of the PRC PBOC Law, the PRC Commercial Banking Law, PRC Banking Regulation and Supervision Law, and the rules and regulations promulgated thereunder.

The PRC's CEPA with Hong Kong and Macau allows banks from these jurisdictions to operate in Mainland China. Further, under Supplement VI to the CEPA, with effect from 1 October 2009, banks in Hong Kong that have established branch outlets in the province of Guangdong may now set up sub-branches within the province in any municipality without the need to first establish a branch in the same municipality. With this new provision, the capital requirement for setting up a sub-branch in Guangdong has been lowered.

PRINCIPAL REGULATORS

Prior to April 2003, the PBOC acted as both the PRC's central bank and the principal supervisor and regulator of the banking industry in the PRC. In April 2003, the CBRC was established to serve as the primary banking industry regulator and it assumed the majority of bank regulatory functions from the PBOC. The PBOC retained its role as the central bank but now has a smaller role in the regulation of banking institutions. In July 2017, the fifth National Financing Working Meeting of the PRC determines the establishment of the Financing Stability and Development Commission of the State Council for the strengthening of the macro-prudential management and systematic risk prevention responsibility of the PBOC.

Pursuant to the Institutional Reform Plan of the State Council (2018), which was promulgated by The National People's Congress on 18 March 2018, the duties of the CBRC and the China Insurance Regulatory Commission should be integrated to form the CBIRC as a public institution directly under the State Council.

The duties of the CBRC and the China Insurance Regulatory Commission in preparation of drafts of important laws and regulations in the banking industry and the insurance industry as well as the basic system of prudential regulation should be transferred to the PBOC. The CBRC and the China Insurance Regulatory Commission should be dismantled.

THE CBIRC

Functions and Powers

The CBIRC is the primary supervisory authority responsible for the regulation of banking institutions operating in the PRC, including branches and representative offices established by foreign financial institutions in the PRC.

According to the PRC Banking Regulations and Supervision Law, the main responsibilities of the CBIRC include:

- (1) setting and promulgating rules and regulations governing banking institutions and their business activities;
- (2) regulating the establishment, change, dissolution and business scope of banking institutions, as well as granting banking licences for commercial banks and their branches;
- (3) regulating the establishment, change, dissolution and business scope of foreign bank branches;
- (4) regulating the business activities of banking institutions, including the products and services they offer;
- (5) setting qualification requirements for, and approving or overseeing the nomination of, directors and senior management personnel of banking institutions;
- (6) setting guidelines and standards for internal controls, risk exposure and corporate governance of, and disclosure requirements for, banking institutions;
- (7) conducting on-site inspection and off-site surveillance of the business activities of banking institutions;
- (8) monitoring the financial condition of banking institutions, including establishing standards or requirements for capital adequacy, asset quality and other financial metrics;
- (9) imposing corrective and punitive measures for violations of applicable banking regulations; and
- (10) supervising bancassurance businesses.

Examination and Supervision

The CBIRC, through its head office in Beijing and offices in each province, provincial-level municipality and autonomous region, monitors the operations of commercial banks and their branches through on-site inspections and off-site surveillance. On-site inspections generally include visiting the banks' premises, interviewing bank employees and, for significant issues relating to banks' operations or risk management, senior management and directors, as well as reviewing documents and materials maintained by the banks. The CBIRC also conducts off-site surveillance by reviewing financial and other reports regularly submitted by the banks. Off-site surveillance generally includes the surveillance of banks' business activities and risk exposure status to evaluate and analyse the operational risk of the banks. If a banking institution is not in compliance with a regulation, the CBIRC has the power to issue corrective and punitive measures, including imposition of fines, suspension of certain business activities, restrictions on distributions of dividends and other income and asset transfers, closure of the institution and other penalties.

THE PBOC

As the central bank of the PRC, the PBOC is responsible for formulating and implementing monetary policies and maintaining the stability of the financial markets. According to the PRC PBOC Law, the PBOC is empowered to:

- (1) formulate and implement monetary policies by establishing benchmark interest rates, setting the deposit reserve ratios for commercial banks, extending loans to commercial banks, accepting discounted bills and conducting open market operations;
- (2) issue PRC treasury bills and other government bonds to financial institutions, as the agent of the MOF;
- (3) issue the currency of Renminbi and regulate the flow of Renminbi;
- (4) regulate the inter-bank lending market, inter-bank bond market and inter-bank foreign exchange market;
- (5) set foreign exchange rate policies and manage the PRC's foreign exchange reserves and gold reserves;
- (6) manage the state treasury;
- (7) maintain the normal operation of payment and settlement systems;
- (8) regulate and examine foreign exchange activities;
- (9) establish anti-money laundering guidelines and monitor fund transfers to ensure that such transfers are in compliance with anti-money laundering regulations;
- (10) act as the central bank of the PRC to conduct relevant international financial activities; and
- (11) prepare drafts of important laws and regulations in the banking industry and the insurance industry as well as the basic system of prudential regulation.

OTHER REGULATORY AUTHORITIES

In addition to the CBIRC and the PBOC, commercial banks in the PRC are also subject to the supervision and regulation by other regulatory authorities including, among others, the State Administration of Foreign Exchange (“SAFE”), the China Securities Regulatory Commission (“CSRC”) and the NDRC. For example, in conducting foreign exchange business, banks are subject to the regulation of the SAFE; in dealing with securities-related matters such as distributing securities investment funds or acting as the custodians of investment assets of securities institutional investors, banks are subject to the regulation of the CSRC and in issuing the debt securities overseas by domestic banks or their overseas subsidiaries, such domestic banks are subject to the regulation of the NDRC.

LICENSING REQUIREMENTS FOR A FOREIGN BANK TO INCORPORATE IN PRC

Basic Requirements

Under the Regulations, for a foreign bank to offer a full range of banking services, including Renminbi retail business, it has to be incorporated in PRC. To incorporate a banking subsidiary in the PRC, foreign banks must at least satisfy the following main criteria:

- (1) provide proof of international track record;
- (2) provide evidence of continual profit-making ability;
- (3) show effective internal policies and procedures, including anti-money laundering measures;
- (4) have approvals from home country regulators;
- (5) the registered capital of the proposed subsidiary must meet the applicable minimum requirement;
- (6) the principal persons-in-charge of the proposed subsidiary must possess the requisite qualifications;
- (7) execution of the power of attorney to the proposed principal persons-in-charge of the bank;
- (8) guarantee letter issued by the foreign bank establishing a subsidiary, stating that it shall be responsible for all the taxes and other indebtedness that the subsidiary may incur; and
- (9) the foreign banks' (as the controlling or major shareholders of their PRC subsidiaries) total assets at the end of the most recent year prior to the application for establishment of their PRC subsidiaries must meet the applicable minimum requirement.

Branches

A wholly-owned foreign bank intending to set up branches in the PRC should allocate certain level of working capital per branch. The total capital used for setting up these branches should not exceed a certain percentage of the wholly-owned foreign bank registered capital.

REGULATIONS REGARDING CAPITAL ADEQUACY

Capital Adequacy Guidelines

In March 2004, the CBRC implemented capital adequacy guidelines applicable to all commercial banks in the PRC. The guidelines, the Capital Adequacy Measures, provided for a phase-in period whereby all domestic banks must have met minimum capital adequacy ratios by 1 January 2007. On 3 July 2007, the CBRC amended the Capital Adequacy Measures issued in March 2004 to set forth new and more stringent capital adequacy guidelines which must be complied with from 3 July 2007.

While the 2004 guidelines did not change the previous requirements of an 8 per cent. capital adequacy ratio and a 4 per cent. core capital adequacy ratio, they amended the risk weighting for a variety of assets and required deductions from core capital for certain kinds of assets. In addition, the 2004 guidelines required commercial banks to make adequate allowances for various impairment losses, including for loans, before calculating their capital adequacy ratios. For Wholly Foreign Funded Banks, the capital adequacy ratios are calculated at head office level, as opposed to at branch level. The capital adequacy ratios and core capital adequacy ratio are calculated in accordance with the PRC GAAP as follows:

Capital Adequacy Ratio

$$= \frac{\text{capital - deductions from capital}}{(\text{risk weighted assets} + (12.5 \times \text{capital charge for market risk}))} \times 100\%$$

Core Capital Adequacy Ratio

$$= \frac{\text{core capital - deductions from core capital}}{(\text{risk weighted assets} + (12.5 \times \text{capital charge for market risk}))} \times 100\%$$

The Capital Adequacy Measures and the 2007 amendment to Measures together further raise the requirement on the capital adequacy ratios banks must reach and require that banks in the PRC more efficiently monitor risk and improve their operational safety and stability.

On 7 June 2012, the CBRC promulgated the Provisional Administrative Measures on Capital Management of Commercial Banks, which will be effective as of 1 January 2013, and the Capital Adequacy Measures shall be repealed simultaneously. This clarified and refined the categorisations and methods of measurement in respect of the capital instruments of commercial banks, and required commercial banks to maintain a capital adequacy ratio, a tier-one capital adequacy ratio and a core tier-one capital adequacy ratio of no less than 8 per cent., 6 per cent. and 5 per cent. respectively by the end of the year 2018.

LIQUIDITY RATIOS REQUIREMENTS

The Regulations provides that Wholly Foreign Funded Banks must have a liquidity ratio of its current assets to its current liabilities of no less than 25 per cent.

TAXATION

The statements herein regarding taxation are based on the laws and practice in force as at the date of this Offering Circular and are subject to any changes in law or practice 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 in securities or commodities) 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 authorized institution in Hong Kong (within the meaning of section 2 of the Banking Ordinance (Cap. 155) of Hong Kong) is exempt from the payment of Hong Kong profits tax. This exemption does not apply, however, to deposits that are used to secure or guarantee money borrowed in certain circumstances. Provided no prospectus involving the issue of the Notes is registered under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, the issue of the 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.

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 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.

EUROPEAN UNION

The Proposed Financial Transactions Tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s proposal**”) for a Directive for a common financial transactions tax (“FTT”) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Under the Commission’s proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

U.S. FOREIGN ACCOUNT TAX COMPLIANCE WITHHOLDING (“FATCA”)

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” (as defined by FATCA) may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Hong Kong) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the 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 published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under “*Terms and Conditions of the Notes – 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 item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. Since July 2009, the PRC has commenced a scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On 17 June 2010, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Program of Renminbi Settlement of Cross-Border Trades (Yin Fa (2010) No. 186) (the “**Circular**”), pursuant to which (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts was expanded to cover 20 provinces including Beijing, Shanghai, Tianjin, Chongqing, Guangdong, Jiangsu, Zhejiang, Liaoning, Shandong and Sichuan, and (iii) the restriction on designated offshore districts was lifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle any current account items between them (except in the case of payments for exports of goods from the PRC, such Renminbi remittance may only be effected by approved pilot enterprises in 16 provinces within the designated pilot districts in the PRC). In particular, any foreign invested enterprises located in the designated pilot districts may remit all lawful dividends and distribution payments in Renminbi to its foreign investors outside the PRC. Following progressive reforms, Renminbi settlement of imports and exports of goods and of services and other current account items became permissible nationwide in 2012, except that the key enterprises on a Supervision List determined by the PBOC and five other relevant authorities would be subject to enhanced scrutiny when banks process current account cross-border repatriations.

On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures (關於簡化跨境人民幣業務流程和完善有關政策的通知) (the “2013 PBOC Circular”) which simplified the procedures for cross-border Renminbi trade settlement under current account items. On 1 November 2014, PBOC introduced a cash pooling arrangement for qualified multinational enterprise group companies, 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. On 5 September 2015, PBOC promulgated the Circular on Further Facilitating the Cross-Border Bi-directional Renminbi Cash Pooling Business by Multinational Enterprise Groups (關於進一步便利跨國企業集團開展跨境雙向人民幣資金池業務的通知) (the “2015 PBOC Circular”), which, among others, have lowered the eligibility requirements for multinational enterprise groups and increased the cap for net cash inflow. The 2015 PBOC Circular also provides that enterprises in the China (Shanghai) Free Trade Pilot Zone (the “Shanghai FTZ”) may 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 pool. 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 cashed.

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.

Capital account items are generally required to be made in foreign currencies. Under progressive reforms by PBOC, the Ministry of Commerce of the PRC (“**MOFCOM**”) and the State Administration of Foreign Exchange of the PRC (“**SAFE**”), foreign investors are now permitted to make capital contribution, share transfer, profit allocation and liquidation and certain other transactions in Renminbi for their foreign direct investment within the PRC. Approval, registration and filing requirements for capital account payments in Renminbi are being removed gradually. In addition, the Circular on Reforming Foreign Exchange Capital Settlement for Foreign Invested Enterprises (關於改革外商投資企業外匯資金結匯管理方式的**通知**) which became effective on 1 June 2015, allows foreign-invested enterprises to settle 100 per cent. (subject to future adjustment at discretion of SAFE) of the foreign currency capital (which has been processed through the SAFE’s equity interest confirmation procedure for capital contribution in cash or registered by a bank on the SAFE’s system for account-crediting for such capital contribution) into Renminbi according to their actual operational needs. A negative list with respect to the usage of the capital and the Renminbi proceeds through the aforementioned settlement procedure is set forth under the Circular. In particular, a foreign invested enterprise with investment as its main business is permitted to use such Renminbi proceeds to make equity contribution to its invested enterprises directly, without further filings with SAFE.

Since January 2016, PBOC and SAFE have worked to set up the Macro Prudential Assessment (“**MPA**”) system in order to unify the management of foreign debt denominated in Renminbi and foreign currencies. The latest MPA system is established pursuant to the PBOC Notice. Under the MPA system, both non-financial enterprises and financial institutions are allowed to borrow foreign debt within the defined “cross-border financing risk weighted balance limit”. They can settle foreign debt proceeds in Renminbi on a voluntary basis, provided that the proceeds should not be used beyond their business scope or in violation of relevant laws and regulations.

According to the 2015 PBOC Circular, 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 stock, 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.

Recent reforms introduced were aimed at controlling the remittance of Renminbi for settlement 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.

CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream or the 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 believes to be reliable, but neither the Issuer nor any Dealer or the Arrangers 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.

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

THE CLEARING SYSTEMS

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by the Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system’s rules and procedures.

CMU

The CMU is a central depository service provided by the Central Moneymarkets Unit of the Monetary Authority 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 as “**CMU Instruments**”) which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Instruments 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 CMU is open to financial institutions regulated by Hong Kong Monetary Authority, 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 Instruments 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 through an account with either Euroclear or Clearstream in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU.

BOOK-ENTRY OWNERSHIP

Bearer Notes

The Issuer has made applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note will be deposited with a common depositary for Euroclear and Clearstream or a sub-custodian for the CMU. Transfers of interests in a temporary Global Note or a permanent Global Note will be made in accordance with the normal market debt securities operating procedures of the CMU, Euroclear and Clearstream.

Registered Notes

The Issuer may make applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Certificate. The Issuer may also apply to have Notes to be represented by a Global Certificate accepted for clearance through the CMU. Each Global Certificate will have an International Securities Identification Number (“**ISIN**”) and a Common Code. Investors in Notes of such Series may hold their interests in a Global Certificate through Euroclear, Clearstream or the CMU (if applicable).

Each Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under “*Subscription and Sale*”.

All Registered Notes will initially be in the form of a Global Certificate. Individual Certificates will be available, in the case of Notes initially represented by a Global Certificate, in amounts specified in the applicable Pricing Supplement.

SUBSCRIPTION AND SALE

DEALER AGREEMENT

Subject to the terms and on the conditions contained in a Dealer Agreement dated 18 October 2012 as amended and restated on 9 November 2017, 28 December 2018 and 22 April 2022 (the “**Dealer Agreement**”) between the Issuer, the Permanent Dealers and the Arrangers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arrangers for certain of its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Pricing Supplement.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The Arrangers, the Dealers or any of their respective affiliates may have performed certain banking and advisory services for the Issuer and/or its affiliates from time to time for which they have received customary fees and expenses 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 the Issuer’s or their business. The Dealers or certain of their respective affiliates may purchase the Notes and be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Arrangers, the Dealers or any of their respective affiliates may purchase the Notes for its or 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 associates at the same time as the offer and sale of the 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 the Notes).

Application has been made to the HKSE for the listing of the Programme under which Notes may be issued by way of debt issues to Professional Investor only during the 12-month period after the date of this Offering Circular on the HKSE. In connection with the offer and sale of each Series of Notes, the relevant Pricing Supplement will indicate whether or not and, if so, on which stock exchange(s) the Notes will be listed. No assurances can be given that the Programme will qualify for listing on a stock exchange. In addition, no assurances can be given that if the Programme qualifies for listing on a stock exchange and the relevant Pricing Supplement indicates that such Series of Notes will be listed on a stock exchange, that such Notes will trade from their date of issuance until maturity (or early redemption) and that such listing will be maintained.

SELLING RESTRICTIONS

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

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 neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or, if Category 2 is specified in the Pricing Supplement, to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form 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. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Pricing Supplement will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

If Category 2 is specified in the Pricing Supplement, 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 Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. 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 Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Accordingly, if Category 1 is specified in the Pricing Supplement, the Notes are being offered and sold only outside the United States in offshore transactions in reliance on, and in compliance with, Regulation S.

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 by any dealer (whether or 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.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

EUROPEAN ECONOMIC AREA

Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies “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 an “**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 for the Notes.

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 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 Member State except that it may make an offer of such Notes to the public in that Member State:

- (A) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that 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 Member State or, where appropriate, approved in another Member State and notified to the competent authority in that 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 the 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 23 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 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.

UNITED KINGDOM

Prohibition of sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies “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 European Union (Withdrawal) Act 2018 (“**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 the UK Prospectus Regulation; and
- (b) the expression an “**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 for the Notes.

If the Pricing Supplement in respect of any Notes specifies “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 specifies 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 the Pricing Supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or the 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 the UK Prospectus Regulation;
- (C) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the 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 the 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.

Other regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (1) in relation to any Notes which have a maturity of less than one year, (a) 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 (b) 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 FSMA by the Issuer;

- (2) 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
- (3) 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.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (1) 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 (a) to “professional investors” as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (2) 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 of Hong Kong (except if permitted to do so under the securities laws of 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.

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 and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant 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 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 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:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

PRC

Each Dealer has represented, warranted and agreed that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

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 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.

GENERAL INFORMATION

1. **Clearing Systems:** The Legal Entity Identifier (LEI) Code of the Issuer is 54930008T6I5A7FBMN18. The Notes have been accepted for clearance through the Euroclear and Clearstream systems (which are the entities in charge of keeping the records). The Issuer may also apply to have Notes accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. The relevant ISIN, the Common Code and (where applicable) the identification number for any other relevant clearing system for each series of Notes 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 set out in the relevant Pricing Supplement.

The address of Euroclear is 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium and the address of Clearstream is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the relevant Pricing Supplement.

2. **Litigation:** None of the Issuer nor any of its subsidiaries is involved in any material litigation or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the Notes, nor is the Issuer or any of its subsidiaries aware that any such proceedings are pending or threatened.
3. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations as may be required in connection with the establishment and the update of the Programme. The establishment of the Programme has been duly authorised by resolutions of the Board of the Issuer dated 18 October 2012. The update of the Programme and the issue of Notes thereunder have been duly authorised by resolutions of the Board of the Issuer, dated 16 November 2021 and 31 March 2022. The Issuer has obtained and has agreed to obtain from time to time all necessary consents, approvals and authorisations for the issue of Notes under the Programme, including, but not limited to, approval from the Monetary Authority.
4. **No Material Adverse Change:** Except as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Issuer or of the Group since 31 December 2021 and no material adverse change in the financial position or prospects of the Issuer or of the Group since 31 December 2021.
5. **Available Documents:** For so long as Notes may be issued pursuant to this Offering Circular, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the offices of the Issuer and/or the Fiscal Agent:
 - (a) the Memorandum and Articles of Association of the Issuer;
 - (b) the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2020 and 2021 and a copy of the auditors' report of Deloitte Touche Tohmatsu, the Issuer's external auditors;
 - (c) copies of the most recent annual and interim reports (including the financial statements) published by the Issuer;
 - (d) the Fiscal Agency Agreement (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons) and the Deed of Covenant;

- (e) the Dealer Agreement;
 - (f) a copy of this Offering Circular together with any Supplement to this Offering Circular or further Offering Circular;
 - (g) a copy of the subscription agreement for Notes issued on a syndicated basis that are listed on any stock exchange, where the rules of such stock exchange so require; and
 - (h) each Pricing Supplement (save that Pricing Supplement relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area or the United Kingdom nor offered in the European Economic Area or the United Kingdom in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Notes and identity).
6. **Auditors:** The consolidated financial statements of the Issuer as at and for the years ended 31 December 2020 and 2021 which are included elsewhere in this Offering Circular have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, as stated in the auditors' report appearing herein.
7. Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend: "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".
8. The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Pricing Supplement of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.
9. **National Development and Reform Commission filings:** Where applicable for a relevant Tranche of Notes, the Notes will be issued within the relevant annual or otherwise general foreign debt issuance quota granted indirectly to the Issuer, or separate pre-issuance registration will be completed on behalf of the Issuer, in each case pursuant to the Circular on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (Fa Gai Wai Zi [2015] No. 2044) (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC which came into effect on 14 September 2015 and the applicable implementation rules, regulations, certificates, circulars or notices in connection therewith as issued by the NDRC from time to time. After the issuance of such relevant Tranche of Notes, the Issuer will file or cause to be filed the requisite information on the issuance of such Notes to the NDRC within the time period prescribed by the NDRC Circular.

On 11 January 2017, the PBOC promulgated the PBOC Notice on Relevant Matters about Macro-Prudential Management of Cross-Border Financing in Full Aperture (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》), which came into effect on the same date (the "**PBOC Notice**"), and which imposes certain filing, reporting and other requirements on PRC companies and financial institutions that engage in cross-border financing activities. After consultation with PBOC regarding the relevant filing and reporting requirements under the PBOC Notice, CMB has confirmed to the Issuer that its offshore branches should not be considered to be PRC residents and, therefore, the relevant filing and reporting requirements under the PBOC Notice should not be applicable to issues of notes by the Issuer under the Programme. However, the PBOC Notice remains relatively new and the implementation rules have not yet been published. Therefore, following the date of this Offering Circular, the Issuer and/or CMB may be required to make reporting, or take other, steps to comply with the PBOC Notice.

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獨立核數師報告書 Independent Auditor's Report

致招商永隆銀行有限公司成員
(於香港註冊成立的有限公司)

意見

本核數師(以下簡稱「我們」)已審核第47至第204頁所載致招商永隆銀行有限公司(「貴公司」)及其附屬公司(統稱「貴集團」)之綜合財務報表，當中包括於二〇二一年十二月三十一日之綜合財務狀況表，及截至該日止年度之綜合收益表、綜合全面收益表、綜合權益變動表及綜合現金流量表，以及綜合財務報表註釋，包括主要會計政策概要。

我們認為，綜合財務報表已根據香港會計師公會(「香港會計師公會」)頒佈的香港財務報告準則(「香港財務報告準則」)真實而中肯地反映 貴集團於二〇二一年十二月三十一日的綜合財務狀況及 貴集團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。

意見的基礎

我們已根據香港會計師公會頒佈的香港審計準則(「香港審計準則」)進行審核。我們於該等準則項下的責任乃於我們之報告「核數師就審核綜合財務報表須承擔的責任」一節中進一步詳述。我們根據香港會計師公會頒佈之專業會計師職業道德守則(「守則」)獨立於 貴集團，我們亦已根據守則履行其他道德責任。我們相信，我們所獲得的審核憑證充足及適當地為我們的意見提供基準。

關鍵審核事項

就我們的專業判斷而言，關鍵審核事項乃指對我們審核本期綜合財務報表最為重要的事項。該等事項是在我們審核整體綜合財務報表及就此達成我們的意見時進行處理，而我們不會對此等事項單獨發表意見。

To the Sole Member of CMB Wing Lung Bank Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of CMB Wing Lung Bank Limited (the “Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 47 to 204, which comprise the consolidated statement of financial position as at 31 December 2021, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flow for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional 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.

第3階段客戶貸款及墊款的預期信貸損失計算

我們將第3階段客戶貸款及墊款的預期信貸損失計算評為關鍵審核事項，因為該事項涉及重大管理層判斷。

如綜合財務報表註釋4.1披露，貴集團按分部設定減值評估規則以按個別或採用基於規則的方法估計未來現金流量。第3階段的企業分部和敞口大於港幣1,000萬元的第3階段零售貸款的預期信貸損失採用折現現金流量法按個別確定。於報告日根據信用風險估計結果對預計未來現金流量進行估計。該信用風險估計反映了對未來收款和預計收到利息的情況的合理和可支援的假設和預測。如果收回的未償還金額很可能包含抵押物的變現金額（抵押物於預期變現日的估計公允價值減去取得和出售該抵押物產生的費用的餘額），則會考慮抵押物。現金流量以實際利率的合理近似值折現。

截至二〇二一年十二月三十一日，如綜合財務報表註釋4.1(h)所載，客戶貸款及墊款總額主要包括企業和個人貸款港幣194,000百萬元。其中，貴集團已將港幣1,752百萬元分類為第3階段貸款。貴集團已就該等貸款確認預期信貸損失港幣1,087百萬元。

貴集團對相關重大會計政策，相關金融風險管理，以及相關主要會計估計及判斷的披露載列於綜合財務報表註釋1.7，2.1及4.1(c)。

Calculation of expected credit loss (“ECL”) on loans and advances to customers in Stage 3

We identified the calculation of ECL on loans and advances to customers in Stage 3 as a key audit matter due to the involvement of significant management judgement.

As set out in note 4.1 to the consolidated financial statements, the Group defines the impairment assessment rules by segment to estimate future cash flows individually or by the Rule-based Approach. The ECL for non-retail segment at Stage 3 and the ECL for retail segment with exposure at default not less than HK\$10 million at Stage 3 are determined on an individual basis using a discounted cashflow methodology. The expected future cash flows are based on the credit risk estimates as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest. Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on its estimated fair value of collateral at the time of expected realisation, less costs for obtaining and selling the collateral. The cash flows are discounted at a reasonable approximation of the effective interest rate.

As at 31 December 2021, as set out in note 4.1(h) to the consolidated financial statements, gross loans and advances to customers mainly comprised of corporate and individual loans amounting to HK\$194,000 million. HK\$1,752 million out of the gross loans and advances to customers balance has been classified as Stage 3 loans. An ECL of HK\$1,087 million has been recognised in relation to these loans.

The Group’s disclosures with regards to the relevant significant accounting policies, the related financial risk management as well as the relevant critical accounting estimates and judgements are contained in notes 1.7, 2.1 and 4.1(c) respectively to the consolidated financial statements.

獨立核數師報告書 Independent Auditor's Report

我們的審核如何處理關鍵審核事項

我們就第3階段客戶貸款及墊款預期信貸損失計算相關審計包括以下程序：

- 瞭解 貴集團確定預期信貸損失的政策和方法；
- 評估就信貸審批、審查及監測程序，內部信用評級制度，減值評估程序及抵押估值設立之關鍵控制；
- 通過審閱相關貸款檔案，評估管理層對所抽取的良好貸款的內部信用評級的合理性；
- 通過審閱相關貸款檔案，評估管理層對所抽取的發生信用減值的貸款的分類的合理性；
- 檢查管理層提供的抵押物估值報告和其他證據，並質疑管理層在確定抵押物於預期變現日的估計公允價值以及取得和出售抵押物所需成本時作出的假設的合理性；
- 評估和質疑與管理層的信用風險估計、未來收款情況預測、預計未來利息收款和實際利率近似值估計相關的關鍵假設；及
- 抽取第3階段客戶貸款及墊款的樣本，測試其減值準備計算的準確性。

How our audit addressed the key audit matter

Our procedures in relation to the calculation of ECL on loans and advances to customers in Stage 3 included the following:

- Understanding the Group's policies and methodology for the determination of ECL;
- Assessing the key controls over credit approval, review and monitoring processes, the internal credit rating system, impairment assessment processes and collateral valuation;
- Assessing the reasonableness of management's internal credit rating for a selection of performing loans by reviewing the corresponding loan files;
- Assessing the reasonableness of management's classification of a selection of the credit-impaired loans by reviewing the corresponding loan files;
- Examining the collateral valuation reports and other evidence provided by management and challenging the reasonableness of management's assumptions in determining the estimated fair value of the collateral at the time of expected realisation and the cost for obtaining and selling the collateral;
- Evaluating and challenging key assumptions underlying the management's credit risk estimates, projection of future recoveries, expected future receipts of interest and approximation of effective interest rate estimation; and
- Testing the arithmetic accuracy of the calculation of the impairment provision for a sample of loans and advances to customers in Stage 3.

其他資訊

貴公司董事須對其他資訊負責。其他資訊包括載入年報內的資訊，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資訊，我們亦不對該等其他資訊發表任何形式的鑒證結論。

結合我們對綜合財務報表的審核，我們的責任是閱讀其他資訊，在此過程中，考慮其他資訊是否與綜合財務報表或我們在審核過程中所瞭解的情況存在重大不符或者似乎存在重大錯誤陳述。基於我們已執行的工作，倘若我們認為該其他資訊存在重大錯誤陳述，我們需要報告該事實。在這方面，我們並無任何報告。

董事及管治人員就綜合財務報表須承擔的責任

貴公司董事負責根據香港會計師公會頒佈的香港財務報告準則及香港公司條例的披露規定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。

在編製綜合財務報表時，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，惟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則另作別論。

管治人員須負責監督貴集團的財務報告過程。

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

獨立核數師報告書 Independent Auditor's Report

核數師就審核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（根據香港公司條例第405節僅向閣下整體報告）的核數師報告，而不作其他目的。我們不會就本報告的內容向任何其他人士負上或承擔責任。合理保證是高水準的保證，但不能保證按照香港審計準則進行的審核，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，倘合理預期其單獨或匯總可能影響使用者依賴該等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核的過程中，我們運用專業判斷，保持專業懷疑態度。我們亦：

- 識別及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，設計及執行審核程序以應對有關風險，以及獲取充足適當的審核憑證，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。
- 瞭解與審核相關的內部控制，以設計適當的審核程序，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所作出會計估計和相關披露的合理性。

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 solely to you in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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.

- 對董事採用持續經營會計基礎的恰當性作出結論。根據所獲取的審核憑證，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。假若有關披露不足，則我們應當修改意見。我們的結論是基於核數師報告日期止所取得的審核憑證。然而，未來事項或情況可能導致貴集團停止持續經營。
 - 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列報方式反映相關交易和事項。
 - 就貴集團內實體或業務活動的財務資訊獲取充足、適當的審計憑證，以便對綜合財務報表發表意見。我們負責貴集團審核的方向、監督和執行。我們為審核意見承擔全部責任。
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

我們與有關管治人員溝通（其中包括）審核的計劃範圍、時間安排、重大審核發現等，包括我們在審核中識別出內部控制的任何重大缺陷。

我們亦向管治人員提交聲明，說明我們已符合有關獨立性的相關專業道德要求，並與彼等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相關的防範措施（如適用），為消除威脅或採取的保障措施而採取的行動。

We communicate with those charged with governance 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 those charged with governance 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.

獨立核數師報告書 Independent Auditor's Report

從與管治人員溝通的事項中，我們確定哪些事項對本期綜合財務報表的審核最為重要，因而構成關鍵審核事項。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的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核項目合夥人是夏康耀。

德勤•關黃陳方會計師行
執業會計師
香港

二〇二二年三月十五日

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ha Hong Yiu, Vico.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

15 March 2022

綜合收益表

Consolidated Income Statement

截至二〇二一年十二月三十一日止之年度 For the year ended 31 December 2021

		註釋 Note	二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
利息收入	Interest income	5	6,969,693	7,966,964
利息支出	Interest expense	6	(2,779,493)	(4,109,301)
淨利息收入	Net interest income		4,190,200	3,857,663
服務費及佣金收入	Fees and commission income		1,453,820	1,304,359
服務費及佣金支出	Fees and commission expense		(238,556)	(215,633)
服務費及佣金淨收入	Net fees and commission income	7	1,215,264	1,088,726
保險營業收入	Insurance operating income	8	826,309	684,266
淨交易收益	Net trading gain	9	239,019	370,295
出售以公平價值誌入其他 全面收益之金融資產之淨收益	Net gain on disposal of financial assets at fair value through other comprehensive income		148,770	123,620
其他營業收入	Other operating income	10	219,945	220,822
營業收入	Operating income		6,839,507	6,345,392
淨保險索償	Net insurance claims	8	(374,426)	(340,845)
提取保險索償後之營業收入	Operating income net of insurance claims		6,465,081	6,004,547
營業支出	Operating expenses	11	(2,630,423)	(2,532,559)
提取減值準備前之營業溢利	Operating profit before impairment charge		3,834,658	3,471,988
減值損失	Impairment losses	12	(477,369)	(439,809)
營業溢利	Operating profit		3,357,289	3,032,179
投資物業之公平價值虧損	Fair value losses on investment properties	25	(85,680)	(196,810)
出售其他物業及設備之 淨收益／(虧損)	Net gain/(loss) on disposal of other properties and equipment		2,502	(82)
贖回按攤銷成本列賬之 金融工具之淨虧損	Net loss on redemption of financial instruments at amortised cost	13	(12,530)	(214)
出售聯營公司之淨虧損	Net loss on disposal of an associate		(199,145)	–
應佔共同控制實體之淨溢利	Share of net profit of jointly controlled entities		44,835	44,444
應佔聯營公司之淨溢利	Share of net profit of associates		496,327	512,882
除稅前溢利	Profit before taxation		3,603,598	3,392,399
所得稅	Income tax	16	(571,704)	(520,402)
本年度溢利	Profit for the year		3,031,894	2,871,997
歸屬於：	Attributable to:			
本行股東	Equity shareholders of the Bank		3,031,505	2,872,237
非控制的股東權益	Non-controlling interests		389	(240)

載於第52頁至第204頁之註釋為此等綜合財務報表之一部份。

The notes on pages 52 to 204 form part of these consolidated financial statements.

綜合全面收益表

Consolidated Statement of Comprehensive Income

截至二〇二一年十二月三十一日止之年度 For the year ended 31 December 2021

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
本年度溢利	Profit for the year	3,031,894	2,871,997
本年度其他全面 收益／(支出)	Other comprehensive income/(expense) for the year		
其後可能重新分類至 收益表之項目：	Items that may be reclassified subsequently to the income statement:		
以公平價值誌入其他全面 收益之金融資產	Financial assets at fair value through other comprehensive income		
－公平價值改變	－ Changes in fair value	174,773	35,199
－於出售時轉入收益表	－ Transfer to income statement on disposal	(148,770)	(123,620)
－於減值時轉入收益表	－ Transfer to income statement on impairment	55,702	63,218
應佔聯營公司之儲備	Share of associates' reserves	(5,756)	(3,976)
應佔共同控制實體儲備	Share of jointly controlled entities' reserves	(272)	–
因折算海外機構的財務報表 產生的匯兌差額	Exchange difference on translation of financial statements of overseas operations	116,232	381,570
其他全面收益項目對 遞延稅項之影響	Effect of deferred taxation on other comprehensive income items	(14,451)	5,552
其後不會重新分類至收益表 之項目：	Items that will not be reclassified subsequently to the income statement:		
以公平價值誌入其他全面 收益之股權證券	Equity securities at fair value through other comprehensive income		
－公平價值改變	－ Changes in fair value	(68,138)	131,089
界定福利計劃之精算收益	Actuarial gains on defined benefit schemes	21,523	59,296
其他全面收益項目對 遞延稅項之影響	Effect of deferred taxation on other comprehensive income items	(3,392)	(6,719)
本年度其他全面收益	Other comprehensive income for the year	127,451	541,609
本年度全面收益總額	Total comprehensive income for the year	3,159,345	3,413,606
歸屬於：	Attributable to:		
本行股東	Equity shareholders of the Bank	3,158,956	3,413,846
非控制的股東權益	Non-controlling interests	389	(240)

載於第52頁至第204頁之註釋為此等綜合財務報表之一部份。

The notes on pages 52 to 204 form part of these consolidated financial statements.

綜合財務狀況表
Consolidated Statement of Financial Position
二〇二一年十二月三十一日 As at 31 December 2021

		二〇二一 2021	二〇二〇 2020
	註釋 Note	港幣千元 HK\$'000	港幣千元 HK\$'000
資產	Assets		
庫存現金、同業存放及貸款	Cash, balances and placements with and loans and advances to banks	17 70,303,930	85,217,010
衍生金融工具	Derivative financial instruments	18 503,360	1,620,404
以公平價值誌入損益賬之 金融資產	Financial assets at fair value through profit or loss	19 2,575,441	4,360,483
證券投資	Investments in securities	20 102,877,910	82,748,994
貸款及其他賬項	Advances and other accounts	21 207,780,923	197,508,371
共同控制實體權益	Interests in jointly controlled entities	23 237,468	221,380
聯營公司權益	Interests in associates	24 248,833	3,633,892
投資物業	Investment properties	25 2,695,310	2,832,290
租賃土地權益	Interests in leasehold land	26 150,167	153,921
其他物業及設備	Other properties and equipment	27 1,637,470	1,668,373
可回收稅項	Tax recoverable	12,429	14,956
遞延稅項資產	Deferred tax assets	30 51,475	46,746
總資產	Total assets	389,074,716	380,026,820
負債	Liabilities		
同業存款	Deposits and balances from banks	30,281,502	39,874,412
交易賬項下之負債	Trading liabilities	348,837	154,331
衍生金融工具	Derivative financial instruments	18 514,382	1,284,107
客戶存款	Deposits from customers	28 293,060,718	270,121,858
發行之存款證	Certificates of deposit issued	270,000	7,454,237
發行之後償債項	Subordinated debts issued	29 3,115,586	3,097,196
當期稅項	Current taxation	440,696	679,510
遞延稅項負債	Deferred tax liabilities	30 2,237	32,425
其他賬項及預提	Other accounts and accruals	31 8,607,947	7,619,821
總負債	Total liabilities	336,641,905	330,317,897
權益	Equity		
股本	Share capital	32 1,160,951	1,160,951
儲備	Reserves	33 43,686,589	40,962,985
歸屬於本行股東權益合計	Total equity attributable to shareholders of the Bank	44,847,540	42,123,936
額外權益工具	Additional equity instruments	29 7,574,573	7,574,573
非控制的股東權益	Non-controlling interests	10,698	10,414
權益總額	Total equity	52,432,811	49,708,923
權益及負債總額	Total equity and liabilities	389,074,716	380,026,820

經已於二〇二二年三月十五日由董事會通過及授權發佈。

Approved and authorised for issue by the Board of Directors on 15 March 2022.

劉元 董事長
洪波 董事兼行政總裁

LIU Yuan Chairman
HONG Bo Director and Chief Executive Officer

載於第52頁至第204頁之註釋為此等綜合財務報表之一部份。

The notes on pages 52 to 204 form part of these consolidated financial statements.

綜合權益變動表

Consolidated Statement of Changes in Equity

截至二〇二一年十二月三十一日止之年度 For the year ended 31 December 2021

		股本 Share capital 港幣千元 HK\$'000	資本儲備 Capital reserve 港幣千元 HK\$'000	重估 房產儲備 Bank premises revaluation reserve 港幣千元 HK\$'000	重估金融 資產儲備 Financial asset revaluation reserve 港幣千元 HK\$'000	其他儲備 Other reserves 港幣千元 HK\$'000	保留溢利 Retained earnings 港幣千元 HK\$'000	小計 Sub-total 港幣千元 HK\$'000	額外權益 工具 Additional equity instruments 港幣千元 HK\$'000	非控制的 股東權益 Non- controlling interests 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
於二〇二〇年一月一日	At 1 January 2020	1,160,951	57,500	592,798	(158,109)	661,759	36,708,762	39,023,661	7,708,361	11,115	46,743,137
二〇二〇年權益總額的改變：	Changes in equity for 2020:										
本年度溢利	Net profit for the year	-	-	-	-	-	2,872,237	2,872,237	-	(240)	2,871,997
本年度其他全面 （支出）/ 收益	Other comprehensive (expense)/income for the year	-	-	(10,011)	120,537	381,743	49,340	541,609	-	-	541,609
本年度全面（支出）/ 收益總額	Total comprehensive (expense)/ income for the year	-	-	(10,011)	120,537	381,743	2,921,577	3,413,846	-	(240)	3,413,606
於出售以公平價值計入 其他全面收益之股權證券時 轉入保留溢利	Transfer to retained earnings on disposal of equity securities at fair value through other comprehensive income	-	-	-	39,386	-	(39,386)	-	-	-	-
償還額外權益工具	Redemption of additional equity instruments	-	-	-	-	-	121,600	121,600	(1,236,600)	-	(1,115,000)
發行額外權益工具	Issue of additional equity instruments	-	-	-	-	-	-	-	1,102,812	-	1,102,812
非控制的股東權益的減少	Amount decrease in non-controlling interests	-	-	-	-	-	-	-	-	(461)	(461)
額外權益工具分配	Distribution for additional equity instruments	-	-	-	-	-	(435,171)	(435,171)	-	-	(435,171)
於二〇二〇年十二月三十一日 及二〇二一年一月一日	At 31 December 2020 and 1 January 2021	1,160,951	57,500	582,787	1,814	1,043,502	39,277,382	42,123,936	7,574,573	10,414	49,708,923
二〇二一年權益總額的改變：	Changes in equity for 2021:										
本年度溢利	Net profit for the year	-	-	-	-	-	3,031,505	3,031,505	-	389	3,031,894
本年度其他全面 收益/（支出）	Other comprehensive income/(expense) for the year	-	-	3,380	(10,133)	37,367	96,837	127,451	-	-	127,451
本年度全面收益/ （支出）總額	Total comprehensive income/ (expense) for the year	-	-	3,380	(10,133)	37,367	3,128,342	3,158,956	-	389	3,159,345
轉入應變儲備	Transfer to contingency reserve	-	-	-	-	234	(234)	-	-	-	-
於出售以公平價值計入 其他全面收益之股權證券時 轉入保留溢利	Transfer to retained earnings on disposal of equity securities at fair value through other comprehensive income	-	-	-	1,373	-	(1,373)	-	-	-	-
非控制的股東權益的減少	Amount decrease in non-controlling interests	-	-	-	-	-	-	-	-	(105)	(105)
額外權益工具分配	Distribution for additional equity instruments	-	-	-	-	-	(435,352)	(435,352)	-	-	(435,352)
於二〇二一年十二月三十一日	At 31 December 2021	1,160,951	57,500	586,167	(6,946)	1,081,103	41,968,765	44,847,540	7,574,573	10,698	52,432,811

本行於二〇二〇年內發行被界定為本行的額外一級資本的永續型非累積後償資本證券合共人民幣1,000,000,000元（等同港幣1,103,000,000元）。直接發行成本港幣188,000元已從權益工具中扣除入賬。

載於第52頁至第204頁之註釋為此等綜合財務報表之一部份。

During the year of 2020, the Bank issued undated non-cumulative subordinated capital securities which qualified as additional Tier 1 capital of the Bank totalling RMB1,000,000,000 (equivalent to HK\$1,103,000,000). Direct issuance costs of HK\$188,000 are accounted for as a deduction from the equity instruments.

The notes on pages 52 to 204 form part of these consolidated financial statements.

綜合現金流量表
Consolidated Cash Flow Statement

截至二〇二一年十二月三十一日止之年度 For the year ended 31 December 2021

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
	註釋 Note		
營業活動之現金流入淨額	Cash generated from operations	37(a) 7,703,501	29,222,576
支付香港利得稅	Hong Kong profits tax paid	(672,692)	(427,475)
支付海外稅項	Overseas tax paid	(187,707)	(175,913)
營業活動之現金流入淨額	Net cash generated from operating activities	6,843,102	28,619,188
投資活動	Investing activities		
購入證券投資	Purchase of investment in securities	(100,369,607)	(71,056,246)
出售及贖回證券投資 所得之款項	Proceeds from sale and redemption of investment in securities	80,276,323	51,814,244
出售聯營公司所得之款項	Proceeds from disposal of an associate	3,624,272	–
收取共同控制實體及 聯營公司之股息	Dividends received from jointly controlled entities and associates	29,488	27,148
增置其他物業及設備	Payment for additions of other properties and equipment	(120,610)	(270,015)
出售其他物業及 設備所得之款項	Proceeds from disposal of other properties and equipment	5,037	541
投資活動之現金流出淨額	Net cash used in investing activities	(16,555,097)	(19,484,328)
融資活動	Financing activities		
額外權益工具分配	Distribution for additional equity instruments	(435,352)	(435,171)
發行額外權益工具	Issue of additional equity instruments	–	1,102,812
贖回額外權益工具	Redemption of additional equity instruments	–	(1,236,600)
支付租賃負債	Payment of lease liabilities	(117,645)	(117,321)
非控制的股東權益的減少	Amount decrease in non-controlling interests	(105)	(461)
融資活動之現金流出淨額	Net cash used in financing activities	(553,102)	(686,741)
現金及等同現金項目之 淨(減少)/增加	Net (decrease)/increase in cash and cash equivalents	(10,265,097)	8,448,119
於一月一日現金及 等同現金項目	Cash and cash equivalents at 1 January	54,762,820	45,654,718
外幣匯率變動之影響	Effects of foreign exchange rate changes	400,835	659,983
於十二月三十一日現金及 等同現金項目	Cash and cash equivalents at 31 December	37(b) 44,898,558	54,762,820
營業活動之現金流量包括：	Cash flows from operating activities include:		
利息收入	Interest received	6,524,285	7,872,248
利息支出	Interest paid	2,786,190	4,287,265
股息收入	Dividends received	105,459	76,852

載於第52頁至第204頁之註釋為此等綜合財務報表之一部份。

The notes on pages 52 to 204 form part of these consolidated financial statements.

財務報表註釋

Notes to the Financial Statements

1 主要會計政策

1.1 編製基礎

本綜合財務報表乃根據適用之香港財務報告準則，即所有由香港會計師公會頒佈並且適用之個別香港財務報告準則、香港會計準則及詮釋、香港普遍採納之會計準則。本綜合財務報表同時符合香港《公司條例》之要求。

本綜合財務報表以歷史成本常規法編製，並就以公平價值誌入損益賬之金融資產及負債（包括衍生金融工具），以公平價值誌入其他全面收益之金融資產及投資物業之重估作出修訂。

編製符合香港財務報告準則之財務報表須使用多項重要之會計估計，亦須管理層在應用本集團會計政策之過程中作出判斷。涉及較大幅度之判斷及較高複雜性、或其假設及估計對本綜合財務報表有重大影響之範疇，已詳列於註釋2。

香港會計師公會已頒佈多項香港財務報告準則之修訂，並於二〇二一年一月一日或之後之會計年度開始生效。本集團已採納下列與其業務相關之經修訂之香港財務報告準則：

- 香港財務報告準則第9號、香港會計準則第39號、香港財務報告準則第7號、香港財務報告準則第4號及香港財務報告準則第16號之修訂「基準利率改革 – 第二階段」解決了由基準利率改革而導致公司用替代基準利率取代舊有基準利率時可能對財務報告帶來影響的問題。該修訂對二〇一九年十一月發出的修訂作補充，並與合約現金流的變動有關：公司無需為基準利率改革所需的變動而終止確認或調整金融工具的賬面值，而是透過更新實際利率以反映轉用替代基準利率的變化。採納此修訂對本集團之財務報表並無重大影響。有關基準利率改革過渡的更多詳情，請參閱註釋42。

1 Significant accounting policies

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments), financial assets at fair value through other comprehensive income and investment properties.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.

The HKICPA has issued a number of amendments to HKFRSs, which are effective for accounting periods beginning on or after 1 January 2021. The Group adopted the following revised HKFRSs which are relevant to its operations:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2, address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform. The amendments complement those issued in November 2019 and relate to changes to contractual cash flows: a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the interest rate benchmark reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate. The adoption of these amendments has not had a material impact on the Group's financial statements. For more details of the Interest Rate Benchmark Reform transition, please refer to Note 42.

1 主要會計政策 (續)

1.1 編製基礎 (續)

截至本綜合財務報表發佈日止，香港會計師公會公佈了若干新增／經修訂之香港財務報告準則，該等準則尚未於二〇二一年一月一日開始之會計年度生效，本集團並未有提早採納此等準則。本集團正評估此等新增／經修訂之香港財務報告準則在首個應用期產生的影響。下列新增／經修訂之香港財務報告準則與本集團業務相關：

- 香港財務報告準則第3號之修訂「財務報告概念框架的引用」，於二〇二二年一月一日或之後之會計年度開始生效。
- 香港會計準則第16號之修訂「物業、器材及設備達到預定用途前所獲收入」，於二〇二二年一月一日或之後之會計年度開始生效。
- 香港會計準則第37號之修訂「虧損合同－履行合同的成本」，於二〇二二年一月一日或之後之會計年度開始生效。
- 香港財務報告準則第17號「保險合同」，於二〇二三年一月一日或之後之會計年度開始生效。

香港財務報告準則第3號之修訂更新了香港財務報告準則第3號內一個對於2018年公佈的財務報告概念框架的引用。該修訂亦在香港財務報告準則第3號內加入了一個對企業需參考財務報告概念框架中構成資產或負債的要求的豁免，指明採用香港財務報告準則第3號的企業就若干種類的負債或或然負債應改為參考香港會計準則第37號。該豁免被加入後避免了更新對財務報告概念框架的引用後帶來的計劃以外的後果。預計採納此修訂對本集團之財務報表沒有重大影響。

1 Significant accounting policies (Continued)

1.1 Basis of preparation (Continued)

Up to the date of issue of these consolidated financial statements, the HKICPA has also issued certain new/revised HKFRSs which are not yet effective for the accounting period beginning on 1 January 2021 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 new/revised HKFRSs is expected to be in the period of initial application. The following new/revised HKFRSs are relevant to the Group's operations:

- Amendments to HKFRS 3, Reference to the Conceptual Framework, which is effective for annual periods beginning on or after 1 January 2022.
- Amendments to HKAS 16, Property, Plant and Equipment – Proceeds before Intended Use, which is effective for annual periods beginning on or after 1 January 2022.
- Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract, which is effective for annual periods beginning on or after 1 January 2022.
- HKFRS 17, Insurance Contracts, which is effective for annual periods beginning on or after 1 January 2023.

Amendments to HKFRS 3 update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability, that for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference to the Conceptual Framework. The application of these amendments will not have a material impact on the Group's financial statements.

財務報表註釋

Notes to the Financial Statements

1 主要會計政策 (續)

1.1 編製基礎 (續)

香港會計準則第16號之修訂禁止企業將物業、器材及設備達到其預定用途前產出的產品的銷售收入沖減其成本，相關產出銷售收入應與其按香港會計準則第2號計量的生產成本一併計入損益。該修訂會被追溯性採用，但僅適用於在首次採用該修訂的財務報表所列報的最早期間的期初或之後才達到可使用狀態的物業、器材及設備項目。預計採納此修訂對本集團之財務報表沒有重大影響。

香港會計準則第37號之修訂澄清了企業在評估合同是否構成虧損合同時，履行合同的成本需包括履行合同的增量成本及其他履行合同的直接成本的分攤金額。該修訂會應用於企業在首次採用該修訂時已存在的合同，在首次採用日，企業應將採用該修訂的累積影響確認為對留存收益或權益的其他組成部分（如適用）的期初餘額調整。比較訊息不予重列。預計採納此修訂對本集團之財務報表沒有重大影響。

香港財務報告準則第17號取代現有的保險合同準則，香港財務報告準則第4號。新準則建立了有關保險合同的確認、計量、列示和披露的原則，確保企業提供能真確表述保險合同的相關資料。本集團正就其影響進行評估。

1.2 綜合財務報表

截至二〇二一年十二月三十一日止之綜合財務報表包含本行、其子公司及本集團的共同控制實體權益及聯營公司權益。

附屬公司為本集團所控制之實體。當本集團承擔或有權從參與該實體的活動而獲取可變的回報，並有能力行使權力影響該回報，控制權則被確認。附屬公司包括本行直接或間接地控制其董事會之組成、控制其多於半數投票權或擁有多於半數其已發行股本之公司。

附屬公司權益自控制權轉移予本集團當日起於財務報表作綜合計算，並自該控制權終止之日起不再綜合計算。

1 Significant accounting policies (Continued)

1.1 Basis of preparation (Continued)

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The related sales proceeds together with the costs of providing these items as determined by HKAS 2, should be included in profit and loss. The amendments are applied retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The application of these amendments will not have a material impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendments are applied to contracts for which exist at the date when the amendments are first applied, with the cumulative effect of applying the amendments to be recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. The application of these amendments will not have a material impact on the Group's financial statements.

HKFRS 17 supersedes the current insurance contracts standard HKFRS 4. The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts, with an objective to ensure that an entity provides relevant information that faithfully represents insurance contracts. The Group is in the process of considering its impact.

1.2 Consolidation

The consolidated financial statements for the year ended 31 December 2021 comprise the Bank and its subsidiaries and the Group's interests in associates and jointly controlled entities.

Subsidiaries are entities controlled by the Group. Control exists when the Group 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. They include entities in which the Bank, directly or indirectly, controls the composition of the Board of Directors, controls more than half of the voting power or holds more than half of the issued share capital.

Interests in subsidiaries are consolidated into the financial statements from the date on which control commences until the date that control ceases.

1 主要會計政策 (續)

1.2 綜合財務報表 (續)

集團內公司間之交易、結餘及未變現交易收益已於綜合財務報表內完全抵銷。集團內公司間之交易產生之未變現虧損也同時會被抵銷，除非有證據顯示該等資產出現減值。

本集團於若干未作綜合計算的結構性實體的權益包括(i)由本集團設立及管理的投資基金，為投資者管理資產以賺取費用；及(ii)本集團購入由第三方管理的投資基金。

本集團未作綜合計算的結構性實體權益的最高風險承擔為所持資產的賬面值，並見於註釋19及20。於二〇二一年十二月三十一日，無對未作綜合計算的結構性實體作財務支持(二〇二〇年：無)。

1.3 共同控制實體

共同控制實體指本集團與其他人士以合約協議方式共同進行經濟活動，該活動受雙方共同控制，任何一方均沒有單獨控制權。

共同控制實體是指本集團與其他人士以合約協議方式共同控制該公司並擁有其淨資產的權利。

本集團之共同控制實體權益是以權益法在綜合財務報表內記賬，記賬方法是先以成本另按本集團於購入後應佔該共同控制實體淨資產及任何相關投資減值損失的轉變而調整。本集團應佔年內共同控制實體的購入後、除稅後業績及任何減值損失在綜合收益表內確認，而本集團應佔共同控制實體之其他全面收益的購入後、除稅後項目亦在綜合全面收益表內確認。

1 Significant accounting policies (Continued)

1.2 Consolidation (Continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from inter-company transactions are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group has interests in certain unconsolidated structured entities which include (i) investment funds established and managed by the Group to generate fees from managing assets on behalf of investors; and (ii) third-party managed investment funds purchased by the Group.

The maximum exposure to loss from the Group's interests in unconsolidated structured entities is the carrying amount of the assets held and is included in Notes 19 and 20. As at 31 December 2021, no financial support was given to the unconsolidated structured entities (2020: Nil).

1.3 Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

A jointly controlled entity is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

The Group's interests in jointly controlled entities are accounted for in the consolidated financial statements under the equity method and are initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the jointly controlled entities' net assets and any impairment losses relating to the investment. The Group's share of the post-acquisition, post-tax results of the jointly controlled entities and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the jointly controlled entities' other comprehensive income is recognised in the consolidated statement of comprehensive income.

財務報表註釋

Notes to the Financial Statements

1 主要會計政策 (續)

1.4 聯營公司

聯營公司是指本集團可對其管理發揮重大影響力，包括制定其財務及經營政策，但不能控制或共同控制其管理層之公司，一般是指持有20%至50%股本投票權者。

本集團之聯營公司權益是以權益法在綜合財務報表內記賬，記賬方法是先以成本另按本集團於購入後應佔該聯營公司淨資產及任何相關投資減值損失的轉變而調整。本集團應佔年內聯營公司的購入後、除稅後業績及任何減值損失在綜合收益表內確認，而本集團應佔聯營公司之其他全面收益的購入後、除稅後項目亦在綜合全面收益表內確認。

1.5 收入認算

收入是按已收或應收報酬的公平價值計算。假設經濟利益有可能流向本集團及收入和支出(如適用)屬可靠計量的，收入在綜合收益表內確認如下：

(a) 利息收入及支出

所有金融工具之利息收入及支出乃採用實際利息方法於綜合收益表內以應計基準確認。

實際利息方法乃是一種用以計算金融資產或金融負債之攤銷成本及於其相關期內攤分利息收入或利息支出之方法。實際利率指能將預計未來之現金付賬或收入，從相關金融工具之預計年期(或較短之年期，如適用)折算至與金融資產或金融負債之賬面值之利率。在計算實際利率時，本集團乃按金融工具之所有合約條款(如提早清還之行使權)而估計其現金流量，但不考慮未發生之信貸損失。此計算包括所有合約內交易雙方所收取或支付之金額；包括能構成整體實際利息之住宅按揭貸款之現金回贈、交易成本及所有其他溢價或折讓。

1 Significant accounting policies (Continued)

1.4 Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decision. This is generally accompanied by a shareholding of between 20% and 50% of the voting rights.

The Group's interests in associates are accounted for in the consolidated financial statements under the equity method and are initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associates' net assets and any impairment losses relating to the investment. The Group's share of the post-acquisition, post-tax results of the associates and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the associates' other comprehensive income is recognised in the consolidated statement of comprehensive income.

1.5 Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Provided it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statement as follows:

(a) Interest income and expense

Interest income and expense for all financial instruments are recognised in the consolidated income statement on an accruals basis using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense 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 or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all amounts paid or received between parties to the contract, including cash rebates granted in relation to residential mortgage loans, that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

1 主要會計政策 (續)

1.5 收入認算 (續)

(a) 利息收入及支出 (續)

若金融資產價值因減值損失被調低，其利息收入則以計算有關減值損失時所採用來折算未來現金流量之利率來確認。因時間推移以致減值資產的現值增加，將確認為利息收入。

(b) 服務費及佣金收入

由金融服務而產生之服務費及佣金收入，在有關服務提供時確認，但如服務費是為彌補持續為客戶提供一項服務的成本或承受風險而收取或費用性質為利息則除外。在這些情況下，服務費在成本發生或承受風險的會計期確認或視作利息收入。

(c) 融資租賃及租購合約之利息收入

融資租賃及租購合約隱含財務收入按租賃年期確認為利息收入，以令每個會計年度期間剩餘的淨租賃投資回報大致相同。或有租金以該收入產生的會計期間列作收入。收購融資租賃或租購合約之經紀佣金包括於該等資產之賬面值內並根據其可使用年期於綜合損益賬內攤銷作為利息收入調整。

(d) 經營租賃之租金收入

除非有更具代表性的基準衡量從使用租賃資產獲取利益的模式，經營租賃之租金收入按該租期所涵蓋的年期以等額分期確認為其他經營收入。經營租賃協議所涉及的激勵措施均在綜合收益表中確認為租賃淨收款總額的組成部份。或有租金以該收入產生的會計期間列作收入。

(e) 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。

1 Significant accounting policies (Continued)

1.5 Revenue recognition (Continued)

(a) Interest income and expense (Continued)

Once a financial asset has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Subsequent increase of such net present value of impaired assets due to the passage of time is recognised as interest income.

(b) Fee and commission income

Fee and commission income arises on financial services provided by the Group and 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.

(c) Finance income from finance lease and hire purchase contract

Finance income implicit in 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. Contingent rentals receivable are recognised as income in the accounting period in which they are earned. Commission paid to dealers for acquisition of finance lease loans or hire purchase contracts is included in the carrying value of the assets and amortised to the consolidated income statement over the expected life of the lease as an adjustment to interest income.

(d) Rental income for operating lease

Rental income receivable under operating leases is recognised as other operating income in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the consolidated income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals receivable are recognised as income in the accounting period in which they are earned.

(e) 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 goes ex-dividend.

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1 主要會計政策 (續)

1.6 金融資產

本集團之金融資產分為以下類別：按攤銷成本列賬之金融資產、以公平價值誌入其他全面收益之金融資產及以公平價值誌入損益賬之金融資產。此等分類取決於金融資產的商業模式及現金流特徵，或對公平價值選擇權的選擇，並由管理層在初次確認時決定。

(a) 按攤銷成本列賬之金融資產

以收取合約現金流為目標的商業模式中持有之金融資產，並其現金流僅為支付本金與利息款項，均按攤銷成本列賬。

此等金融資產以公平價值加上交易成本進行初始確認，並於往後採用實際利息方法計算的攤銷成本列賬。減值準備於損益確認，並透過減值準備賬的調整削減該等資產的賬面值。若減值準備金額於往後期間減少，則減值損失透過損益撥回。

此類別包括大部份同業存放及貸款、客戶貸款、若干商業票據及債務證券。

1 Significant accounting policies (Continued)

1.6 Financial assets

The Group classifies its financial assets under the following categories: financial assets at amortised cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss. The classification depends on the business model and the contractual cash flow characteristics of the financial assets, or the election of fair value option. Management determines the classification at initial recognition.

(a) *Financial assets at amortised cost*

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at amortised cost.

These financial assets are initially recognised at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest method. Impairment allowances are recognised in profit or loss with corresponding adjustment to an allowance account which reduces the carrying amounts of these assets. If the amount of impairment allowances decreases in subsequent periods, the impairment loss is reversed through profit or loss.

This category includes most of the balances and placements with and loans and advances to banks, advances to customers, certain trade bills and debt securities.

1 主要會計政策 (續)

1.6 金融資產 (續)

(b) 以公平價值誌入其他全面收益之金融資產

以收取合約現金流及出售為目標的商業模式中持有之金融資產，並其現金流僅為支付本金與利息款項，均以公平價值誌入其他全面收益計量。

此等金融資產以公平價值加上交易成本進行初始確認，並於往後以公平價值計量。此等資產往後之公平價值變動(除相關利息收入及減值外)均於其他全面收益確認。減值準備於損益確認，並相應調整其他全面收益而不會削減該等資產的賬面值。如此等資產按攤銷成本列賬，其在損益中確認的金額均相同。若減值準備金額於往後期間減少，則減值損失透過損益撥回。在賬項被終止確認時，過往已在其他全面收益確認之累計損益將轉撥至損益確認。

此類別包括大部份商業票據、債務證券、若干同業存放及貸款及客戶貸款。

本集團亦選擇將某些非交易性的股權投資指定以公平價值誌入其他全面收益計量。此等股權投資往後之公平價值變動均於其他全面收益確認，只有其股息收入於損益確認。與上述提及的金融資產不同，此等股權投資不需要進行減值評估。在賬項被終止確認時，過往已在其他全面收益確認之累計損益將不會轉撥至損益，而是轉撥至保留溢利確認。

1 Significant accounting policies (Continued)

1.6 Financial assets (Continued)

(b) *Financial assets at fair value through other comprehensive income*

Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income.

These financial assets are initially recognised at fair value plus transaction costs, and are subsequently measured at fair value. The subsequent changes in the fair value of these assets (except those relating to interest income and impairment) are recognised in other comprehensive income. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these assets. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these assets have been measured at amortised cost. If the amount of impairment allowances decreases in subsequent periods, the impairment loss is reversed through profit or loss. Upon derecognition, the cumulative gain or loss previously recognised in other comprehensive income shall be transferred to profit or loss.

This category includes most of the trade bills, debt securities, certain balances and placements with and loans and advances to banks, and advances to customers.

The Group has also elected to designate some equity investments (that is not held for trading) at fair value through other comprehensive income. The subsequent changes in the fair value of these equity investments are recognised in other comprehensive income, with only dividend income recognised in profit or loss. Unlike the financial assets mentioned above, these equity investments are not subject to impairment assessment. Upon derecognition, the cumulative gain or loss previously recognised in other comprehensive income shall not be transferred to profit or loss, and shall be transferred to retained earnings.

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Notes to the Financial Statements

1 主要會計政策 (續)

1.6 金融資產 (續)

(c) 以公平價值誌入損益賬之金融資產

此類別包括兩個細項：規定以公平價值誌入損益賬之金融資產及指定以公平價值誌入損益賬之金融資產。

(i) 規定以公平價值誌入損益賬之金融資產

金融資產：

- 並非以收取合約現金流或以收取合約現金流及出售為目標的商業模式中持有，或
- 其現金流並非僅為支付本金與利息款項，或
- 並非指定以公平價值誌入損益賬

均規定以公平價值誌入損益賬計量。

此等金融資產以公平價值進行初始確認，其交易成本直接列入收益表內，並於往後以公平價值計量。此等資產往後之公平價值變動將於綜合收益表內確認為「規定以公平價值誌入損益賬之金融工具淨收益／虧損」。此等金融資產不需要進行減值評估。

此類別主要由債務及股權投資組成。

1 Significant accounting policies (Continued)

1.6 Financial assets (Continued)

(c) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets mandatorily measured at fair value through profit or loss and financial assets designated at fair value through profit or loss.

(i) Financial assets mandatorily measured at fair value through profit or loss

Financial assets that:

- are held in a business model whose objective is neither hold to collect contractual cash flows nor hold to collect contractual cash flows and sell, or
- have contractual cash flows that are not solely payments of principal and interest, or
- are not designated at fair value through profit or loss

are mandatorily measured at fair value through profit or loss.

These financial assets are initially recognised at fair value, with transaction costs taken directly to the income statement, and are subsequently measured at fair value. The subsequent changes in the fair value of these assets are recognised as “Net gain/loss arising from financial instruments mandatorily measured at fair value through profit or loss” in the consolidated income statement. These financial assets are not subject to impairment assessment.

This category mainly composed of debt and equity investments.

1 主要會計政策 (續)**1.6 金融資產 (續)****(c) 以公平價值誌入損益賬之金融資產 (續)****(ii) 指定以公平價值誌入損益賬之金融資產**

符合按攤銷成本列賬或以公平價值誌入其他全面收益計量條件的金融資產，如符合下列條件，可由管理層於初次歸類時，指定以公平價值誌入損益賬計量（「公平價值選擇權」）：

- 該指定能消除或主要地減低以不同基礎上計量金融資產或確認其損益而出現不一致之計量或確認之情況（或稱為「會計錯配」）；或
- 根據列明之風險管理或投資策略管理的一組金融資產，並以公平價值為基礎評估其表現，及按相同基準向管理層提供有關資產的內部資訊。

此等金融資產以公平價值進行初始確認，其交易成本直接列入收益表內，並於往後以公平價值計量。此等資產往後之公平價值變動將於綜合收益表內確認為「指定以公平價值誌入損益賬之金融工具淨收益／虧損」。此等金融資產不需要進行減值評估。

此類別主要為債務證券。

證券之購入與出售，按其交易日期，即本集團成為金融工具合約其中一方時列賬。貸款則在有關現金貸予借款人時列賬。

1 Significant accounting policies (Continued)**1.6 Financial assets (Continued)****(c) Financial assets at fair value through profit or loss (Continued)****(ii) Financial assets designated at fair value through profit or loss**

Financial assets that meet the amortised cost or fair value through other comprehensive income criteria may be designated by management to be measured at fair value through profit or loss (“fair value option”) at inception if they meet the following criteria:

- The designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”) that would otherwise arise from measuring the financial assets or recognising the gains and losses on them on different bases; or
- A group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about these assets is provided internally to the management.

These financial assets are initially recognised at fair value, with transaction costs taken directly to the income statement, and are subsequently measured at fair value. The subsequent changes in the fair value of these assets are recognised as “Net gain/loss arising from financial instruments designated at fair value through profit or loss” in the consolidated income statement. These financial assets are not subject to impairment assessment.

This category mainly composed of debt securities.

Purchases and sales of securities are recognised on trade-date – the date on which the Group becomes a party to the contractual provision of the instrument. Loans and advances are recognised when cash is advanced to the borrowers.

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Notes to the Financial Statements

1 主要會計政策 (續)

1.7 金融資產減值

本集團就下列不以公平價值誌入損益賬計量之金融資產確認預期信貸損失：

- 同業存放及貸款
- 債務證券
- 客戶貸款及商業票據
- 若干貸款承諾及金融擔保合約

股權投資不需確認減值損失。

於初次確認時，需對可能於未來十二個月內（當剩餘年限少於十二個月時或就更短期內）發生的違約事件所產生的預期信貸損失（「十二個月預期信貸損失」）作出減值準備。

若有關金融工具之信貸風險大幅上升，需對其全期年限內所有可能發生的違約事件而產生的預期信貸損失（「全期預期信貸損失」）作出減值準備。

應用預期信貸損失模型將導致金融資產有三階段分級：

- 若金融資產由初始確認起並無信貸減值及沒有出現信貸風險大幅上升的情況，將分類為第一階段並需確認十二個月預期信貸損失。
- 若金融資產由初始確認起並無信貸減值，但已出現信貸風險大幅上升的情況，將分類為第二階段並需確認全期預期信貸損失。
- 若金融資產存在客觀違約證據而已信貸減值，將分類為第三階段並需評估全期預期信貸損失。

1 Significant accounting policies (Continued)

1.7 Impairment of financial assets

The Group recognises expected credit loss (“ECL”) on the following financial assets that are not measured at fair value through profit or loss:

- Balances and placements with and loans and advances to banks
- Debt securities
- Advances to customers and trade bills
- Certain loan commitments and financial guarantee contracts

No impairment loss is recognised on equity investments.

At initial recognition, impairment allowance is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) (“12-month ECL”).

In the event of a significant increase in credit risk, impairment allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument (“life-time ECL”).

The application of the ECL model will result in three stages of financial assets:

- A financial asset is classified under Stage 1 if it was not credit-impaired upon origination and there has not been a significant increase in its credit risk since inception. Recognition for 12-month ECL is required.
- A financial asset is classified under Stage 2 if it was not credit-impaired upon origination but has since suffered a significant increase in credit risk. Recognition for life-time ECL is required.
- A financial asset which has been credit-impaired with objective evidence of default is classified under Stage 3 and is assessed for life-time ECL.

1 主要會計政策 (續)

1.7 金融資產減值 (續)

預期信貸損失的計量

預期信貸損失的計量是違約或然率、違約損失率和違約風險承擔的函數。違約或然率及違約損失率的評估是基於以前瞻性資料調整的歷史數據。

一般而言，預期信貸損失會根據合約應付本集團的所有合約現金流與本集團預期收取的所有現金流的差額，按實際利率折算估計。

就貸款承諾而言，預期信貸損失為如果承諾持有人提取貸款而應付本集團的合約現金流量與本集團預期在提取貸款時會收到的現金流量之間的現值差額。

就金融擔保合約而言，預期信貸損失為預期償還擔保合約持有人金額減去本集團預期從持有人，債務人或任何其他方獲得的任何金額的現值。

信貸減值金融資產 (第三階段資產)

本集團會於各個結算日評估某項金融資產是否已出現信貸減值情況。當一宗或多宗事件對金融資產的估計未來現金流量造成不利影響時，有關金融資產就會出現信貸減值。信貸減值金融資產稱為第三階段資產，其利息收入按扣除減值準備後的淨值計提。金融資產出現信貸減值的證據包括但不限於以下可觀察數據：

- (i) 發行人或承擔人出現重大財政困難；
- (ii) 違反合約如逾期交付或拖欠利息或本金；
- (iii) 本集團就借款人因經濟或法律理由而出現的財政困難給予借款人在一般情況下放款人不予考慮的優惠條件；
- (iv) 借款人有可能破產或進行其他財務重組；或
- (v) 因財政困難而導致某項金融資產失去活躍市場。

1 Significant accounting policies (Continued)

1.7 Impairment of financial assets (Continued)

Measurement of ECL

The measurement of ECL is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate.

For loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down.

For financial guarantee contracts, the ECL is the present value of the expected payments to reimburse the holder of the guarantee contract less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Credit-impaired financial assets (Stage 3 assets)

The Group assesses at the end of each reporting period whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets and interest income is accrued net of the impairment amounts. Evidence that a financial asset is credit-impaired includes, but is not limited to, the following observable data:

- (i) significant financial difficulty of the issuer or obligor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- (iv) it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- (v) the disappearance of an active market for that financial asset because of financial difficulties.

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Notes to the Financial Statements

1 主要會計政策 (續)

1.7 金融資產減值 (續)

信貸減值金融資產 (第三階段資產) (續)

除非有證據證明無法收取合約現金流量的風險已大幅降低且並無其他減值跡象，否則因借款人的財政狀況惡化而重組的貸款通常會被視為已信貸減值。

違約定義

本集團認為當合約已逾期還款超過90日，則違約已發生。

信貸風險大幅上升

在評估金融資產的信貸風險是否由初始確認起大幅上升，需考慮合理和可支持的定量和定性資料，包括過往經驗和前瞻性資料。

有關釐定信貸風險是否大幅上升的詳情載於註釋4.1。

無論上述評估結果如何，除非有合理和可支持的資料證明，本集團假設當合約已逾期還款30日或以上，則信貸風險已大幅上升。

修改

當管轄金融資產現金流量的合約條款在金融資產初次確認和到期期間被修改時，則金融資產已被修改。

若現有協議被註銷並按大致不同之條款訂立新協議或若現有協議之條款被大幅修改以致已修改金融資產大致成為不同之金融工具，則已修改金融資產會被終止確認。

若已修改金融資產被終止確認，其預期信貸損失需於終止確認日重新計量，以確定該資產於該日的賬面淨值。該修訂後的眼面值與新金融資產的公平價值差額將導致終止確認收益／虧損。

新金融資產一般將根據十二個月預期信貸損失計量減值準備。

1 Significant accounting policies (Continued)

1.7 Impairment of financial assets (Continued)

Credit-impaired financial assets (Stage 3 assets) (Continued)

A loan that has been rescheduled due to a deterioration in the borrower's financial condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Definition of default

The Group considers that default has occurred when contractual payments are more than 90 days past due.

Significant increase in credit risk

In assessing whether the credit risk of a financial asset has significantly increased since origination, both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information is considered.

More details on the determination of a significant increase in credit risk are set out in Note 4.1.

Irrespective of the outcome of the above assessment, unless there is reasonable and supportable information that demonstrates otherwise, the Group presumes that there has been a significant increase in credit risk when contractual payments are 30 days past due or more.

Modification

A financial asset is modified when the contractual terms governing the cash flows of a financial asset are modified between initial recognition and maturity of the financial asset.

The modified financial asset is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms or if the terms of an existing agreement are modified such that the modified financial asset is a substantially different financial instrument.

In the case where the modified financial asset is derecognised, the ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset will lead to a gain/loss on derecognition.

The new financial asset will generally has an impairment allowance measured based on 12-month ECL.

1 主要會計政策 (續)

1.7 金融資產減值 (續)

修改 (續)

若修改未導致終止確認，則本集團會比較修改前及修改後的賬面總額 (不包括預期信貸損失準備) 以計算由修改產生之收益／虧損。

本集團透過比較報告日發生的違約風險 (基於修改後的合約條款) 及初次確認時的違約風險 (基於原始，未修改的合約條款) 以釐定已修改金融資產的信貸風險是否自初次確認後大幅上升。

如信貸風險仍顯著高於初次確認時所預期，則減值準備將繼續以全期預期信貸損失計量。只有當有證據證明借款人在修改後的還款行為有所改善而導致早前信貸風險大幅上升的情況逆轉時，減值準備才會以十二個月預期信貸損失計量。

撇除

當貸款及債務證券無實際可收回的前景時，將與其相關之減值準備撇除 (部份或全部)。當本集團判斷借款人並無資產或收入來源可產生足夠的現金流量以償還應撇除的金額時，一般會如此處理。該等貸款及債務證券會在完成所有必須程序及能在確定損失金額後才撇除。然而，本集團對已撇除的金融資產會繼續進行追收債務的工作，以遵守本集團收回應收金額的程序。如日後收回過往已撇除之款項，將會用作減低收益表內的減值撥備。

1 Significant accounting policies (Continued)

1.7 Impairment of financial assets (Continued)

Modification (Continued)

Where a modification does not lead to derecognition, the Group calculates the modification gain/loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance).

The Group determines if the credit risk of the modified financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and that at initial recognition (based on the original, unmodified contractual terms).

If the credit risk remains significantly higher than what was expected at initial recognition, the impairment allowance will continue to be measured at an amount equal to lifetime ECL. The impairment allowance will only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Write-off

Loans and debt securities are written off with related impairment allowances (either partially or in full) when there is no realistic prospect of recovery. This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Such loans and debt securities are written off after all the necessary procedures have been completed and the amount of the loss has been determined. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Subsequent recoveries of amounts previously written off decrease the impairment charge to income statement.

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Notes to the Financial Statements

1 主要會計政策 (續)

1.7 金融資產減值 (續)

在財務狀況表中列示的預期信貸損失

預期信貸損失的減值準備在財務狀況表中按以下方式列示：

- 按攤銷成本列賬之金融資產：從資產的賬面總額中扣除；
- 以公平價值誌入其他全面收益之金融資產：因該等資產的賬面值為其公平價值，故並無於財務狀況表中列示其減值準備。然而，減值準備會於重估金融資產儲備中確認；及
- 貸款承諾及金融擔保合約：一般作為負債方面的撥備。

1.8 金融負債及權益工具

本集團之金融負債分為以下類別：以公平價值誌入損益賬之金融負債、存款、發行之存款證、發行之後償債項及其他負債。所有金融負債均於開始時歸類，並初步以公平價值確認。

(a) 以公平價值誌入損益賬之金融負債

此類別包括兩個細項：交易賬項下之負債及指定以公平價值誌入損益賬之金融負債

(i) 交易賬項下之負債

交易賬項下之負債為主要旨在於短期內購回而產生的金融負債。此分類之負債按公平價值列示，而其公平價值之變動將於綜合收益表內確認為「規定以公平價值誌入損益賬之金融工具淨收益／虧損」。

1 Significant accounting policies (Continued)

1.7 Impairment of financial assets (Continued)

Presentation of allowance for ECL in the statement of financial position

Impairment allowances for ECL are presented in the statement of financial position as follows:

- financial assets at amortised cost: as a deduction from the gross carrying amount of the assets;
- financial assets at fair value through other comprehensive income: no impairment allowance is presented in the statement of financial position as the carrying amount of these assets is their fair value. However, the impairment allowance is recognised in the financial asset revaluation reserve; and
- loan commitments and financial guarantee contracts: generally, as a provision on the liabilities side.

1.8 Financial liabilities and equity instruments

The Group classifies its financial liabilities under the following categories: financial liabilities at fair value through profit or loss, deposits, certificates of deposit issued, subordinated debts issued and other liabilities. All financial liabilities are classified at inception and recognised initially at fair value.

(a) Financial liabilities at fair value through profit or loss

This category has two sub-categories: trading liabilities and financial liabilities designated at fair value through profit or loss.

(i) Trading liabilities

Trading liabilities are financial liabilities that are incurred principally for the purpose of repurchasing in the short term. It is carried at fair value and any changes in fair value are recognised as “Net gain/loss arising from financial instruments mandatorily measured at fair value through profit or loss” in the consolidated income statement.

1 主要會計政策 (續)**1.8 金融負債及權益工具 (續)****(a) 以公平價值誌入損益賬之金融負債 (續)****(ii) 指定以公平價值誌入損益賬之金融負債**

金融負債可於交易時被指定歸類為以公平價值誌入損益賬之金融負債。以公平價值誌入損益賬之金融負債，包括若干已發行之存款證及包含衍生工具之客戶存款。符合下列條件之金融負債一般在產生時歸類為以公平價值誌入損益賬之類別入賬：

- 該指定能消除或主要地減低以不同基礎上計量金融負債或確認其損益而出現不一致之計量或確認之情況 (或稱為「會計錯配」)；
- 根據列明之風險管理或投資策略管理一組金融負債，並以公平價值為基礎評估其表現，及按相同基準向管理層提供有關負債的內部資訊；或
- 一些包含固有衍生工具之金融工具，因其衍生工具可重大調整由金融工具於合約上產生之現金流量。

此等金融負債以公平價值列賬。任何因公平價值變動而產生之收益或虧損會列入綜合收益表作為「指定以公平價值誌入損益賬之金融工具淨收益／虧損」，除了因自身信貸風險產生的公平價值變動會被計入其他全面收益及往後被終止確認時被重新分類至保留溢利。

1 Significant accounting policies (Continued)**1.8 Financial liabilities and equity instruments (Continued)****(a) Financial liabilities at fair value through profit or loss (Continued)****(ii) Financial liabilities designated at fair value through profit or loss**

A financial liability is designated as fair value through profit or loss if it is so designated at inception. Financial liabilities so designated include certain certificates of deposit issued and certain deposits received from customers that are embedded with derivatives. A financial liability is typically so designated if it meets the following criteria:

- The designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”) that would otherwise arise from measuring the financial liabilities or recognising the gains and losses on them on different bases;
- A group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about these liabilities is provided internally to the management; or
- It relates to those financial instruments embedded with derivatives which significantly modify the cash flows that would otherwise be required under the contract.

Financial liabilities designated at fair value through profit or loss are carried at fair value and any gains and losses arising from changes in fair value are recognised as “Net gain/loss arising from financial instruments designated at fair value through profit or loss” in the consolidated income statement, except for fair value changes arising from own credit risks are recognised as other comprehensive income and subsequently reclassified to the retained earnings upon derecognition.

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Notes to the Financial Statements

1 主要會計政策 (續)

1.8 金融負債及權益工具 (續)

(b) 存款、發行之存款證、發行之後償債項及其他負債

除該等以公平價值誌入損益賬之金融負債外，存款、發行之存款證及發行之後償債項，及其他負債均按攤銷成本列賬。扣除交易費用後所得款項與贖回價值兩者之差額，均按實際利息方法於其他金融負債年期內於綜合收益表確認。

權益工具為以合約訂明於扣除機構所有負債後之剩餘資產權益。本集團所發行的權益工具是以發行所得款項扣除直接發行成本予以確認。

1.9 回購及反向回購

售出予交易對手之證券及票據，如根據回購協議，附有按預定價格並於將來指定時間回購之責任稱為「回購」。而向交易對手購入之證券及票據，如根據回售協議，附有按預定價格並於將來指定時間再出售予交易對手之責任則稱為「反向回購」。

「回購」於初始時按已向交易對手所取得之實際現金額，列賬於同業存款。用作抵押回購協議之金融資產不會被終止確認。「反向回購」則於初始時按已付予交易對手之實際現金額，列賬於同業存放。於反向回購協議下所收到用作抵押之金融資產將不會被確認於財務狀況表內。出售價與回購價之差額則以實際利息方法於協議年期內分期確認為利息收入或利息支出。

1 Significant accounting policies (Continued)

1.8 Financial liabilities and equity instruments (Continued)

(b) Deposits, certificates of deposit issued, subordinated debts issued and other liabilities

Deposits, certificates of deposit issued and subordinated debts issued, other than those classified as financial liabilities at fair value through profit or loss, together with other financial liabilities are carried at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the consolidated income statement over the period of the other financial liabilities using the effective interest method.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received from issuance, net of direct issue costs.

1.9 Repos and reverse repos

Securities and bills sold to a counterparty with an obligation to repurchase at a pre-determined price on a specified future date under a repurchase agreement are referred to as repos. Securities and bills purchased from a counterparty with an obligation to re-sell to the counterparty at a pre-determined price on a specified future date under a resale agreement are referred to as reverse repos.

Repos are initially recorded as deposits and balances from banks at the actual amount of cash received from the counterparty. Financial assets given as collateral for repurchase agreements are not derecognised. Reverse repos are initially recorded as balances and placements with banks at the actual amount of cash paid to the counterparty. Financial assets received as collateral under reverse repurchase agreements are not recognised in the statement of financial position. The difference between sale and repurchase price is recognised as interest income or interest expense over the life of the agreements using the effective interest method.

1 主要會計政策 (續)

1.10 衍生金融工具

衍生工具先按其合約生效日期之公平價值確認，其後以公平價值重新計算。隱含於金融負債內之固有衍生工具，如其經濟特質及風險與主合約工具之特質及風險並非密切連繫，而主合約工具亦非以公平價值誌入損益賬，此等衍生工具則會與主合約分開列賬。若衍生工具之公平價值為正數值，均以資產列賬，若為負數值，則確認為負債。其後公平價值之變動於收益表內確認。

若本集團擁有具法律約束力之行使權去抵銷已確認之金額，及有意向就該等交易作淨額結算，或本集團能同時變現資產及償付負債，衍生工具交易將互相抵銷並以淨額列於綜合財務狀況表內。

1.11 證券及衍生工具之估值

金融工具之公平價值乃根據於估值日之市場價格並未計及扣除將來估計之銷售成本計算。金融資產以當時之買盤價釐定，而金融負債則以當時之賣盤價釐定。若是非上市證券或金融工具於市場內不活躍，本集團會以估值方法釐定公平價值，包括運用當時之公平市場交易、參考其他類似之金融工具當時之公平價值、折算現金流量分析及期權定價模式並作適當調整以反映發行者之特定情況。

1 Significant accounting policies (Continued)

1.10 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Certain derivatives embedded in financial liabilities are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Subsequent changes in fair value are recognised in income statement.

Derivative transactions are offset and the net amount is reported in the consolidated 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.

1.11 Valuation of securities and derivatives

The fair value of financial instruments is based on their quoted market prices at the valuation date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices while financial liabilities are priced at current ask prices. For unlisted securities and where the market for a financial instrument is not active, the Group estimates fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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1 主要會計政策 (續)

1.12 投資物業

投資物業乃指在租賃權益下擁有及／或持有作長期租金收益及／或作資本增值用途之土地及／或房屋，而該等土地及／或房屋並非由本集團之公司所佔用。本集團以營業租約形式而持有用作租金收益及／或資本增值的物業權益乃按個別物業基準分類為投資物業。此等投資物業以融資租賃方式列賬，相同之會計政策亦適用於融資租賃下之其他投資物業。

投資物業最先以成本價包括交易費用列賬。經初次確認後，投資物業以公平價值列賬。任何因公平價值之變更或出售投資物業而產生之收益或虧損會於綜合收益表內確認。

當物業因其用途改變而須轉作投資物業時，該物業於轉賬日前的賬面值與公平價值之差額會根據香港會計準則第16條《物業、廠房及設備》在其他全面收益確認並獨立地累計於權益內之重估房產儲備。若重估增值用作抵銷同一資產因過去重估減值而被確認為支出的數額，則會被列作收入。減值則由先前同一資產的估值盈餘首先抵銷，尚餘部份則於綜合收益表內扣除。在出售房產時，有關物業之重估儲備會由重估房產儲備撥入保留溢利內。

若投資物業被轉作自用，該物業須重新歸類為房產，以重新歸類日的公平價值作為成本值。

1 Significant accounting policies (Continued)

1.12 Investment properties

Land and/or buildings which are owned and/or held under a leasehold interest for long-term rental yields and/or for capital appreciation, and that are not occupied by the companies in the Group, are classified as investment property. 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, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried 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 consolidated income statement.

When a property is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the property immediately prior to the transfer and its fair value is recognised in other comprehensive income and accumulated separately in equity in the bank premises revaluation reserve in accordance with HKAS 16 "Property, plant and equipment". However, a revaluation increase is recognised as income only to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense. Decreases are first set off against increases on previous valuations of the same asset and thereafter are debited to the consolidated income statement. Upon disposal of the property, the relevant portion of the bank premises revaluation reserve is released and transferred from the bank premises revaluation reserve to retained earnings.

When an investment property becomes owner-occupied, it is reclassified as premises and its fair value at the date of reclassification becomes its cost.

1 主要會計政策 (續)

1.13 其他物業及設備

(a) 房產

房產乃指持有之自用物業，按成本值減除累積折舊及減值損失後列示。以租賃持有之自用物業，若能可靠地以其租約開始當日分攤土地及房屋之價值，而該租賃向承租人轉讓等同擁有權的絕大部份風險及回報，則土地部份視作融資租約，所攤分之租賃地價或其他租賃費用，將按其租約年期以直線法從綜合收益表內扣除。若物業出現減值，此減值亦會在收益表內扣除。任何位於此租賃土地上之房屋均被視為房產的一部份。若未能可靠地以其租約開始當日分攤土地及房屋之價值，則整體將繼續視為融資租賃並以房產列賬。

房產折舊乃按照資產之估計可用年期以直線折舊法計算如下：

- 租約土地按租約尚餘年期予以折舊。
- 樓宇及其改良部份乃按40年或估計尚餘可用年期之較短者予以折舊。

(b) 傢俬及設備

傢俬及設備均按照成本值減除折舊及減值損失後列示，計算方法乃按照其估計可用年期，以餘額遞減法用年率10%至30%計算。

資產之剩餘價值及使用年期均會在每年結算日被評估，並在合適之情況下作出調整。

如資產之賬面值超過其估計可收回價值時，其賬面值將即時被減值至其可收回價值。

(c) 使用權資產

有關使用權資產的詳情載於註釋1.22。

1 Significant accounting policies (Continued)

1.13 Other properties and equipment

(a) Premises

Premises represent those properties held for own use and are stated at cost less accumulated depreciation and impairment losses. Where the land and building elements of the leasehold properties held for own use can be allocated reliably at the inception of the lease, the land element is accounted for as finance lease if the lease transfers substantially all the risks and rewards incidental to ownership to the lessee. As such, any leasehold land premiums for acquiring the land leases, or other lease payments, are charged to the consolidated income statement on a straight line basis over the period of the lease or where there is impairment, the impairment is charged to the income statement. Any buildings which are situated on such land leases are presented as part of premises. Where the land and building elements of the leasehold properties cannot be allocated reliably at the inception of the lease, the land and building elements are treated as a finance lease and classified as premises.

Depreciation of premises is calculated on a straight line basis to write off the assets over their estimated useful lives as follows:

- Leasehold land is depreciated over the unexpired terms of the leases.
- Building and improvements thereto are depreciated over the lesser of 40 years or the remaining estimated useful life.

(b) Furniture and equipment

Furniture and equipment is stated at cost less depreciation and impairment losses. Depreciation is calculated on a reducing balance basis to write off the assets over their estimated useful lives, at annual rates ranging from 10% to 30%.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(c) Right of use assets

Details on right of use assets are set out in Note 1.22.

財務報表註釋

Notes to the Financial Statements

1 主要會計政策 (續)

1.14 其他資產的減值

未能確定可使用年期的資產將不會予以攤銷，而於每年檢視其減值，如因某些事故或情況改變而顯示該等資產之賬面值未能收回，須評估其減值。如因某些事故或情況改變而顯示賬面值未能收回，予以攤銷之資產亦須評估其減值。若資產之賬面值超過其可收回價值，其部份將被確認為減值損失。可收回價值指該資產之公平價值減去變賣成本及其使用價值之較高者。

1.15 收回資產

收回抵押品之資產被列於「貸款及其他賬項」內之「其他賬項」，而相關之貸款已被終止確認。已收回抵押資產按有關貸款的金額、賬面值及可變現淨值最低者列賬。

1.16 外幣換算

本集團旗下各機構之財務報表中所載項目乃採用該機構營運之主要經濟環境所使用之貨幣（「運作貨幣」）計量。綜合財務報表乃以港幣呈列。港幣乃本行之運作及呈列貨幣。

外幣交易按交易日現行之匯率換算為運作貨幣。該等交易結算及以外幣結算之貨幣性資產或負債按年結日之匯率換算所產生之匯兌收益及虧損，乃於綜合收益表內確認。

以原值成本值列賬但以外幣為單位的非貨幣性資產及負債按交易日的匯率折算為港幣。以公平價值列賬的非貨幣性資產及負債按釐定其公平價值日的匯率折算。

1 Significant accounting policies (Continued)

1.14 Impairment of other assets

Assets that have an indefinite useful life are not subject to amortisation, but are tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.15 Repossessed assets

Reposessed collateral assets are reported as "Other accounts" under "Advances and other accounts" and the relevant loans are derecognised. The reposessed assets are measured at the minimum of the amount of the related loans and advances, carrying amount and net realisable value.

1.16 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Bank's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

1 主要會計政策 (續)

1.16 外幣換算 (續)

非貨幣性項目，如以公平價值誌入損益賬之股權證券，其換算差額將作為公平價值收益或虧損之一部份於綜合收益表內確認。非貨幣性項目，如以公平價值誌入其他全面收益之股權證券，其換算差額則於其他全面收益確認並獨立地累計於權益內。

海外業務之業績按交易日相約的匯率折算為港幣。資產及負債按報告期末的匯率折算為港幣。收入和支出按期內平均匯率折算。產生的匯兌差額於其他全面收益內確認，並在股東權益之匯兌儲備內分開累計。

1.17 所得稅

本年度所得稅包括本期及遞延稅項資產和負債的變動。除該等應在其他全面收益或直接於權益中確認入賬而分別列入其他全面收益或直接為權益的數額外，本期稅項及遞延稅項資產和負債的變動於綜合收益表內確認。

本期稅項為是年度對應課稅收入按結算日已生效或基本上已生效的稅率計算的預計應付稅項，並已包括以往年度的應付稅項的任何調整。

遞延稅項資產及負債是因財務報表之資產及負債之賬面值與其納稅基礎值之間的差異而分別產生的可扣稅及應課稅的暫時性差異。遞延稅項資產也包括未使用的稅項虧損及稅項抵免。

1 Significant accounting policies (Continued)

1.16 Foreign currency translation (Continued)

Translation differences on non-monetary items such as equity securities at fair value through profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary items such as equity securities at fair value through other comprehensive income are included in other comprehensive income and accumulated separately in equity.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Assets and liabilities are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. Income and expenses are translated at the average exchange rates for the period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

1.17 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 consolidated 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.

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.

財務報表註釋

Notes to the Financial Statements

1 主要會計政策 (續)

1.17 所得稅 (續)

所有遞延稅項負債及未來可能有應課稅溢利予以抵銷的遞延稅項資產均予確認。可支持由可扣稅之暫時性差異引致遞延稅項資產之確認的未來應課稅溢利，包括現存之應課稅暫時性差異的轉回，但該等差異須屬於同一稅務機關及應課稅實體，以及預計在該可扣稅之暫時性差異之同期內轉回或在由該遞延稅項資產產生的稅項虧損可以收回或留存之期限內轉回。相同標準應用在判斷現時可扣稅暫時性差異能否支持由未使用的稅項虧損或稅項抵免所產生的遞延稅項資產之確認，即如果是屬於同一稅務機關及應課稅實體，以及預計在某期間內因該稅項虧損或稅項抵免可使用而轉回時，會計入該等差異。

確認遞延稅項的金額是根據該資產及負債的賬面值之預期收回及結算的方式，按在結算日已生效或基本上已生效的稅率計算。遞延稅項資產及負債不作折讓。

於結算日，本行須重新檢視有關的遞延稅項資產的賬面金額，對預期不再有足夠的應課稅溢利以實現相關稅務利益予以扣減。被扣減的遞延稅項資產若於預期將來出現足夠的應課稅溢利時，應予轉回。

由派發股息引起的額外所得稅在有關股息的支付責任獲確立時確認。

本期稅項與遞延稅項結餘及其變動之數額會分別列示而不會相互抵銷。本集團只有在有合法權利對本期稅項資產及負債抵銷及符合以下附帶條件的情況下，才對本期及遞延稅項資產及負債作出抵銷：

- 就本期稅項資產及負債而言，本集團計劃支付淨額或同時收回資產及償還負債；或

1 Significant accounting policies (Continued)

1.17 Income tax (Continued)

All deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing deductible temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The 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.

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.

Additional income taxes that arise from the distribution of dividends are 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 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

1 主要會計政策 (續)

1.17 所得稅 (續)

- 有關的遞延稅項資產及負債為同一稅務機關對以下機構徵收所得稅所產生：
 - 同一個應課稅實體；或
 - 不同的應課稅實體：在未來每一個預計實現重大遞延稅項的期間，該實體計劃以淨額形式結算本期稅項資產及負債或兩者同時收回及償還。

1.18 保險合約

本集團發行轉移保險風險之合約。保險合約乃指轉移重大保險風險之合約。作為一般指引，本集團界定重大保險風險為有可能須於受保事件發生時支付的賠償，較並無發生受保事件時須支付的賠償高最少10%。

(a) 認算及量度

本集團發行不同種類之保險合約，包括意外及健康、汽車、輪船、貨物交收、樓宇損毀、僱員賠償、一般責任及金錢損失等。此等保險單之風險覆蓋一般為一年。

此等合約之保費(期滿保費)根據其承保期間按比例確認為收入。於結算日已收到的有效保單保費，其未到期風險相關的保費收入部份則被列為遞延保費負債。保費以扣除佣金前及徵收稅項後之保費列示。

當索償及損失支出調整產生時將直接支取綜合收益賬。此支出包括截至結算日已發生但未呈報之直接及非直接索償。未索償之負債以業務種類分開分析。該負債以已呈報本集團之個別事件評估及以統計技巧估計已發生但未呈報之索償。

1 Significant accounting policies (Continued)

1.17 Income tax (Continued)

- 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.

1.18 Insurance contracts

The Group issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk. As a general guideline, the Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

(a) Recognition and measurement

The Group issues various classes of insurance contract including accident and health, motor vehicles, ships, goods in transit, property damage, employees' compensation, general liability and pecuniary loss. Risks under these insurance policies usually cover one year duration.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability. Premiums are shown before deduction of commission and are net of duties levied on premiums.

Claims and loss adjustment expenses are charged to the consolidated income statement as incurred. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group. Liabilities for unpaid claims are separately analysed by class of business. They are estimated using the input of assessments for individual cases reported to the Group and statistical techniques for the claims incurred but not reported.

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1 主要會計政策 (續)

1.18 保險合約 (續)

(b) 未決索償

未決索償是根據個別索償審查及包括於報告期末已發生但未呈報的索償預計而評估。雖然此索償準備不可以精確地評估，但此索償準備已考慮現有資料及同時考慮直接索償處理支出及從其他人士之收回。有關索償的一般行政間接支出並不包括在未決索償內。

於報告期末已發生但未呈報的索償準備是根據過往經驗而作出準備。

收回再投保之索償於報告期末時作為資產反映。

(c) 遞延收購成本

有關保障新合約及為現有合約續期而產生及變更的佣金及折扣資本化作遞延收購成本。其他所有成本於產生時以支出入賬。遞延收購成本其後隨著保險單的年期當保費賺取時予以攤銷。

(d) 負債充足性測試

於各結算日，本集團均會進行負債充足性測試，以確保具備充足的能力以履行保險合約負債（除去遞延收購成本資產）。在進行此測試時，會採用對未來合約現金流量、索償的處理及行政費用，以及支持該等負債的相關資產所產生投資收益的最佳預測來進行。任何不足之金額須即時計入收益賬，並將負債充足性測試中產生之損失提撥準備金（未到期風險準備）。

1 Significant accounting policies (Continued)

1.18 Insurance contracts (Continued)

(b) Outstanding claims

Outstanding claims are assessed by reviewing individual claims and include an estimate for claims incurred but not reported at the end of reporting date. This provision, although not capable of precise assessment, has been made in the light of available information and after taking into account direct claims handling expenses and possible recoveries from other parties. Indirect expenses relating to the general administration of claims are not included as part of outstanding claims.

The provision for claims incurred but not reported at the end of reporting date is made based on historical experience.

Claims recoverable from reinsurers are included as an asset at the end of reporting date.

(c) Deferred acquisition costs (“DAC”)

Commissions and discounts that vary with and are related to securing new contracts and renewing existing contracts are capitalised as DAC. All other costs are recognised as expenses when insured. The DAC is subsequently amortised over the terms of the insurance policies as premium is earned.

(d) Liability adequacy test

At the end of each reporting period, a liability adequacy test is performed to ensure the unearned premium reserves net of related DAC assets are sufficient to cover the contract liabilities. In performing this test, the current best estimates of future contractual cash flows and claims handling and maintenance (administration) expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the income statement and a provision for losses arising from liability adequacy tests (the unexpired risk provision) is established.

1 主要會計政策 (續)

1.18 保險合約 (續)

(e) 持有再投保合約

持有再投保合約乃指本集團與再投保人訂下之合約，而本集團所發行之符合分類要求的保險合約之損失將會得到補償。本集團與另一投保人訂下之保險合約（向內再投保）會包括在保險合約內。

本集團持有再投保合約之得益被列為再投保人應佔保險合約。該資產包括與再投保人之短期結存，以及再投保合約所產生的較長期應收預期申索及得益。與再投保人之結存金額，會與再投保合約相關之金額一致地衡量以及按照再投保合約之條款量度。轉予再投保人之保費及由再投保人收回之索償以總額形式列示。

本集團每年評估再投保人應佔保險合約之減值。如有客觀證據證明再投保人應佔保險合約已減值，本集團會減低保險合約的賬面值至其可收回金額，並將減值損失列入綜合收益表內。

(f) 保險合約相關之應收及應付款

應收及應付款於到期時確認，包括對代理、經紀及保險合約持有人之應收及應付金額。

若出現保險合約已減值的客觀證據，本集團相應扣除保險合約之賬面值，並於綜合收益表內確認減值損失。

1 Significant accounting policies (Continued)

1.18 Insurance contracts (Continued)

(e) Reinsurance contracts held

Contracts held by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurers' share of insurance contracts. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Premiums ceded and claims reimbursed are presented on a gross basis.

The Group assesses the reinsurers' share of insurance contracts for impairment on an annual basis. If there is objective evidence that the reinsurers' share of insurance contracts is impaired, the Group reduces the carrying amount of the insurance contracts to its recoverable amount and recognises that impairment loss in the consolidated income statement.

(f) Receivables and payables related insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the consolidated income statement.

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Notes to the Financial Statements

1 主要會計政策 (續)

1.19 撥備

倘本集團因過往事件而產生現時法律或推定責任，可能須就解除責任而導致經濟資源流失之可能性高於不會導致資源流失之可能性；及可就責任之款額作出可靠估計時，則須確認責任索償之撥備。對於將來的營運損失，則不會確認為撥備。

如有多項同類責任時，其需要在償付中流出資源的可能性，乃根據責任的類別作整體釐定。即使在同一責任類別內所包含的任何一個項目相關的資源流出的可能性很低，仍須就此確認撥備。

撥備乃按履行責任所需開支之現值計算，該現值是以能反映市場對時間價值之評估及該責任之特定風險之稅前利率折算。因時間推移而增加之撥備，則確認為利息支出。

1.20 金融擔保合約

金融擔保合約是指擔保合約受益人（合約持有人）可因某特定債務人未能根據債務工具條款在到期日作出支付產生損失而可向合約發行人要求作出補償之合約。

擔保之公平價值（即擔保費用收入）於最初在擔保給予當日在財務報表內確認為遞延收入。其後，本集團對此等擔保之負債是根據註釋1.19所確定之價值及已確認之擔保額減除已確認之累計攤銷，兩者較高者計算。金融擔保負債之變動於收益表內確認。

1 Significant accounting policies (Continued)

1.19 Provisions

Provisions for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

1.20 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the beneficiary of the guarantee (“the holder”) for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

The fair value of the guarantee (being the guarantee fees received) is initially recognised as deferred income in the financial statements on the date that the guarantee was given. Subsequent to initial recognition, the Group’s liabilities under such guarantees are measured at the higher of the amount determined in accordance with Note 1.19 and the amount initially recognised less cumulative amortisation recognised. Any changes in the liability relating to financial guarantees are recognised in the income statement.

1 主要會計政策 (續)

1.21 僱員福利

僱員福利包括以下短期僱員應享假期及長期僱員退休福利：

(a) 僱員應享假期

僱員在年假和長期服務休假之權利在僱員應享有時確認。本集團為截至結算日止僱員已提供之服務而產生之年假及長期服務休假之估計負債作出撥備。

僱員之病假及產假不作確認，直至僱員正式休假為止。

(b) 退休福利

本集團設有六項職員退休福利計劃，其資產均與本集團之資產分開，由獨立信託基金管理。

本集團含有界定供款安排之退休福利計劃及強制性公積金（簡稱「強積金」）計劃之供款作為費用支銷。

含有界定福利安排之退休福利計劃每年之供款，是由精算師定期評估該等計劃之資產負債而釐定。含有界定福利安排之退休福利計劃是採用預計單位貸記法評估。根據精算師的建議，將有關退休福利成本在綜合收益表扣除，令定期成本分攤至僱員服務年期。退休界定福利責任為估計未來現金流出量之現值，利用到期日與相關條款類似之政府債券之息率計算。

界定福利計劃的精算盈虧於其他綜合收益內確認，並立即在保留溢利中反映。

1 Significant accounting policies (Continued)

1.21 Employee benefits

Employee benefits include short-term leave entitlements and long-term staff retirement benefits as follows:

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are recognised when the absences occur.

(b) Retirement benefits

The Group operates six staff retirement schemes. The assets of these schemes are all held separately from those of the Group in independently administered funds.

The Group's contributions to schemes with defined contribution arrangements and the mandatory provident fund ("MPF") schemes are expensed as incurred.

Annual contributions to the retirement benefit schemes with defined benefit arrangements are determined based on periodic valuations of the assets and liabilities of such schemes by qualified actuaries using the projected unit credit method. Under this method, the cost of providing retirement benefits is charged to the consolidated income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries. The defined benefit obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liabilities.

Actuarial gains and losses on defined benefit schemes are recognised in other comprehensive income and reflected immediately in retained earnings.

財務報表註釋

Notes to the Financial Statements

1 主要會計政策 (續)

1.22 租約

若本集團為承租人，租賃資產主要包括物業及設備。當租賃資產可供使用時，使用權資產及相應租賃負債會被確認於財務狀況表內。

使用權資產及租賃負債將分別以「其他物業及設備」及「其他賬項及預提」列入財務狀況表。

租賃負債為租約內租賃付款的未來現金流，以承租人於租賃開始日期的增量借款利率折現的現值，而現金流包含合理確認會被行使的續租權所延展的續租期間的付款。

使用權資產大致上以租賃負債為基礎，並調整加上初始直接費用、估算的清拆或復原費用及已預付的租賃付款來計量。使用權資產後續以成本扣除累計折舊及減值損失計量，並於租賃負債被重新計量時作出調整。

在租賃開始日期後，租賃負債的賬面值會增加以反映通過利息支出釋出之貼現額，及會減少以反映租賃付款。如租約出現任何變更，租賃負債也會被重新計量。使用權資產由租賃開始日期起至租期完結的年期內以直線法予以折舊。在租賃包含合理確認會行使的購買選項時，使用權資產會折舊至資產可使用年限完結時。

與短期租約相關的款項以直線法於收益表內確認為租金支出。短期租約為租約期限為十二個月或以下的租約。

任何租約，如因其擁有權之絕大部份風險及回報仍保留在出租人內，該等租約以營業租約列賬。

若本集團為營業租約之出租人，有關出租資產主要包括物業及設備，除投資物業外，其他資產乃根據本集團之折舊政策予以折舊。租金收入（扣除向承租人支付之任何優惠）以直線法在租期內入賬。或有租金以該收入產生的會計期間列作收入。

1 Significant accounting policies (Continued)

1.22 Leases

Where the Group is a lessee, leased assets mainly include properties and equipment. A right of use asset and a corresponding lease liability are recognised on the statement of financial position when the leased asset is available for use.

The right of use asset and the lease liability are to be included in the statement of financial position as “Other properties and equipment” and “Other accounts and accruals” respectively.

Lease liability is the discounted present value of the future cash flow of the lease payments of a lease contract, after taking into account payment to be made in optional period if the extension option is reasonably certain to be exercised, using the lessees’ incremental borrowing rate at the commencement date of the lease as discount rate.

Right of use asset is generally measured at the amount of the lease liability plus initial direct costs, estimated dismantling or restoring cost and adjusted by prepaid lease payments. The right of use asset is subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability.

After the commencement date, the carrying value of lease liability will be increased to reflect the unwinding of discount through interest expense and will be reduced to reflect the lease payments made. The lease liability will also be remeasured if there is any modification to the lease contract. A right of use asset is depreciated by straight line method from commencement date to the end of lease term. In case there is a purchase option that is expected to be exercised, then the right of use asset will be depreciated to the end of the useful life of the underlying asset.

Payments associated with short-term leases are recognised on a straight line basis as rental expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

Leases where substantially all of the risks and rewards of ownership of the asset remain with the lessor are accounted for as operating leases.

Where the Group is a lessor under operating leases, assets leased out mainly include properties and equipment and are depreciated in accordance with the Group’s depreciation policies except where the asset is classified as investment property. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term. Contingent rentals receivable are recognised as income in the accounting period in which they are earned.

1 主要會計政策 (續)

1.23 租購合約及融資租賃

任何租約，如將其擁有權之絕大部份風險及回報轉移至承租人，該等租約均列為融資租約。

凡本集團根據融資租約為出租人時，相當於租約中投資淨額之款項列入綜合財務狀況表內之「貸款及其他賬項」內。該投資淨額包括租購合約及融資租賃之應收租金總額減去未賺取之財務收入。減值損失根據註釋1.7所載之會計政策列賬。應收租金隱含之財務收入於租賃期間列入綜合收益表內，使每個會計期間為投資結欠淨額取得近乎穩定之收益率。

1.24 分部報告

營運分部（以及在綜合財務報表內所列報的每一分部項目金額），是從財務資料中辨識出來的，並定期地提供予本集團的最高行政管理層用作對本集團各業務條線和區域所在地的資源分配以及評核其表現。有關提供予本集團之最高行政管理層用作決定營運分部內的資源分配及評核其表現的資料，乃根據香港財務報告準則的基礎計量。

除非分部有類似經濟特性及在產品和服務之性質、生產程序之性質、客戶類別或等級、用作銷售產品和提供服務之方法、及監管環境之性質是類似的，個別重大的營運分部不會在財務報表內合計。如分部擁有以上大部份的標準，而且並非個別重大的營運分部可作合計。

1.25 現金及等同現金項目

就編製現金流量表而言，現金及等同現金項目包括由購入日起計，其原到期日在三個月內的結餘包括庫存現金、存放同業及其他受較低風險影響及隨時可轉換成預知金額的國庫券及存款證。同業存款作為本集團現金管理一部份亦包括於現金及等同現金項目。

1 Significant accounting policies (Continued)

1.23 Hire purchase contracts and finance leases

Leases which transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases.

Where the Group is a lessor under finance leases, an amount representing the net investment in the lease is included in the consolidated statement of financial position as “Advances and other accounts”. The net investment represents the total rentals receivable under hire purchase contracts and finance leases less unearned finance income. Impairment losses are accounted for in accordance with the accounting policy as set out in Note 1.7. Finance income implicit in the rental receivable is credited to the consolidated income statement over the lease period or hire period so as to produce an approximately constant periodic rate of return on the net investment outstanding for each accounting period.

1.24 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group’s most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group’s various lines of business and geographical locations. Information provided to the Group’s most senior executive management to make decisions about allocating resources and assessing performance of operating segments is measured in accordance with HKFRSs.

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.

1.25 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with original maturity within three months from the date of acquisition including cash, balances with banks, treasury bills and certificates of deposit that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Balances from banks, which form an integral part of the Group’s cash management, are also included as a component of cash and cash equivalents.

財務報表註釋

Notes to the Financial Statements

1 主要會計政策 (續)

1.26 關連人士

就本財務報表而言，關連人士為與本集團有關連之人士或實體。

- (a) 該人士或其近親家庭成員與本集團有關連，如該人士：
- (i) 能控制或共同控制本集團；
 - (ii) 能發揮重大影響力影響本集團；或
 - (iii) 屬本集團或本集團之母公司之主要行政人員的成員。
- (b) 該實體為與本集團有關連，倘符合下列任何條件：
- (i) 該實體及本集團為同一集團之成員（即母公司，子公司及同一集團的子公司是彼此關連）。
 - (ii) 其一實體屬另一實體的聯營公司或共同控制實體（或另一實體的集團成員的聯營公司或共同控制實體）。
 - (iii) 該實體及本集團均為同一第三者的共同控制實體。
 - (iv) 其一實體為第三者實體的共同控制實體，而另一實體為該第三者實體的聯營公司。
 - (v) 該實體屬提供福利予本集團或與本集團有關連的實體的僱員的離職後福利計劃。
 - (vi) 該實體由(a)所指人士控制或共同控制。

1 Significant accounting policies (Continued)

1.26 Related parties

For the purposes of these financial statements, a related party is a person or entity that is related to the Group.

- (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 of a parent of the Group.
- (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 the entity and the Group 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).

1 主要會計政策 (續)

1.26 關連人士 (續)

- (vii) 於(a)(i)所指人士可對該實體發揮重大影響力或是該實體(或該實體之母公司)之主要行政人員的成員。
- (viii) 該實體或其歸屬集團內任何成員，向本集團或本集團之母公司提供主要行政人員服務。

個人的近親家庭成員指可影響，或受該個人影響，他們與該實體交易的家庭成員。

1.27 列作出售資產及負債

如果一項非流動資產(或處置組合)的賬面值很可能通過出售交易而不是持續使用下收回，並且可以在現狀下出售，該非流動資產(或處置組合)便會分類為列作出售。處置組合是指在一項單一交易中一併處置的一組資產，以及直接與將在交易中轉移的該等資產相關的負債。

在緊接其分類為列作出售類別前，非流動資產(和處置組合中所有個別資產與負債)的計量按照分類前的會計政策作出更新。其後，由初始分類為列作出售至處置為止，非流動資產(下文所述的若干資產除外)或處置組合按其賬面值及其公平價值減去出售成本後所得數額兩者中的較低者予以確認。該計量政策原則上並非適用於本集團的綜合財務報表中的遞延稅項資產、僱員福利所產生的資產、金融資產(除了於附屬公司、聯營公司及共同控制實體的權益)及投資物業。該資產(雖然列作出售資產)仍按照註釋1所列明的政策計量。

初始分類為列作出售和其後在列作出售時重新計量而產生的減值損失均在綜合收益表內確認。只要非流動資產一直分類為列作出售或包括在已分類為列作出售的處置組合中，該非流動資產便不會計提折舊或攤銷。

1 Significant accounting policies (Continued)

1.26 Related parties (Continued)

- (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 family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

1.27 Assets and liabilities classified as 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.

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 consolidated financial statements of the Group are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than interests 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 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in the consolidated 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.

財務報表註釋

Notes to the Financial Statements

1 主要會計政策 (續)

1.28 政府補貼

只有在合理保證本集團將遵守其附帶條件且將收到政府補貼的情況下，政府補貼才會被確認。

政府補貼於本集團確認補貼擬補償的相關成本作為支出的期間內，有系統地於損益確認。

與補償支出有關的政府補貼會從相關支出中扣除。

2 主要會計估計及判斷

本集團作出估計及假設，會於下一財政年度內影響資產及負債已列報之金額。本集團會根據過往經驗及其他因素，包括在此等情況下，對未來事項作出相信是合理的預期，持續地評估所作出之估計及判斷。

2.1 金融資產減值

本集團至少每季檢視其信貸組合以評估其減值。計量不同類別信貸資產的減值損失均涉及判斷，特別是在估計未來現金流量的金額及時間，以及評估信貸風險大幅上升之情況。這些估計受多項因素影響，此等因素的改變會導致不同水平的準備金額。

2.2 金融工具之公平價值

在活躍市場沒有報價的金融工具以估值方法去評定其公平價值。當採用估值方法（例如模型）去評定公平價值時，該等方法須由獨立於交易部門並具有相關資格的人去確認及定期檢視，使能反映出真實數據及相對市場價格。在可行之範圍內，模型只會採用可觀察之數據，但某些範疇如信貸風險（包括自己及交易對手），波幅及相互關係，管理層必須作出一些估計。改變關於這些因素之假設會影響所列報的金融工具之公平價值。

1 Significant accounting policies (Continued)

1.28 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them; and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to compensation of expenses are deducted from the related expenses.

2 Critical accounting estimates and judgments in applying accounting policy

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.1 Impairment of financial assets

The Group reviews its credit portfolios to assess impairment at least on a quarterly basis. The measurement of impairment losses across all categories of credit asset requires judgment, in particular, the estimation of the amount and timing of future cash flows and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

2.2 Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the department that created them to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors would affect the reported fair value of financial instruments.

2 主要會計估計及判斷 (續)

2.3 投資物業公平價值之估計

投資物業之公平價值乃根據獨立專業估值師按公開市場情況作基準而估計。該估值已考慮一個市場參與者從使用該資產或將該資產售予另一市場參與者，而該市場參與者將以最高及最好地使用此資產而產生的經濟效益。此公平價值之估計乃採用投資估值方法，將物業之淨收入資本化而計算。合約租金及預計未來的市場租金收入，扣除開支及維修成本後，均以就觀察所得之市場回報率予以資本化。估計市值時所採用之主要假設包括：所收到的合約租金、對未來市值租金之預測、空置期、維修保養需要、及就觀察所得之市場回報率。

此外，估值師亦會以相關市場上相若地區之類似市場實際交易報告作參考，並就該等物業相關的因素，如地點的差別、樓齡、交易的時間、商舖的座向及人流等作出適當的調整。

任何用於估值上的假設如有所改變均會影響投資物業的公平價值。

2.4 所得稅

日常業務過程中若干交易及業務的最終稅項釐定並不確定。倘有關事項的最終稅項結果有別於初始估計的金額，則該等差異會影響釐定期間的當期所得稅及遞延所得稅。

遞延稅項資產能否變現主要取決於未來是否有充足的利潤或應課稅暫時性差異。

倘預期產生充足利潤或應課稅暫時性差異或其他事實情況轉變，則期內於損益確認遞延稅項資產。反之，若預期不會產生充足利潤或應課稅暫時性差異，則期內於損益轉回遞延稅項資產。

2 Critical accounting estimates and judgments in applying accounting policy (Continued)

2.3 Estimate of fair value of investment properties

The fair values of investment properties are estimated based on the valuation made by an independent professional valuer on an open market basis. The valuation has considered a market participant's ability to generate economic benefit by using the asset or by selling it to another market participant who will use the asset in its highest and best use. The fair values are assessed based on the capitalisation of the net income for the properties using Investment Method of Valuation. The contractual rental income and the expected future market rental income after allowing for outgoings and maintenance requirements are capitalised at observed market yields. The principal assumptions underlying the estimation of market value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and observed market yields.

In addition, the valuations are also assessed by reference to comparable market transactions as reported in the relevant market at similar locations. Appropriate adjustments have been made on the values of the subject properties for relevant factors, such as location difference, building age, time of transaction, shop frontage and pedestrian flow, etc.

Changes in the assumptions used in the valuation would affect the fair value of investment properties.

2.4 Income tax

There are certain transactions and activities for which the ultimate tax consequence is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such difference will impact the current income tax and deferred income tax in the period during which such a determination is made.

The realisability of a deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

財務報表註釋

Notes to the Financial Statements

2 主要會計估計及判斷 (續)

2.5 保險合約申索之最終負債

就保險合約下索償所產生最終負債的估計，是本集團其中一項關鍵會計估計。估計和判斷是根據過往經驗和其他因素持續評估，包括對在結算日已發生但未向本集團呈報（「已發生但未呈報」）的虧損事件的預計。對已發生但未呈報索償的估計，在一般情況下比已向本集團呈報的索償賠付成本的估計（有關索償事項的資料可與取得）受較大不明朗因素所影響。受保人可能會不察覺已發生但未呈報的索償，直至多年後引致索償的事件發生後才得知。

對某些索償負債的最終成本進行估計，是一項十分複雜的過程。在估計本集團最終需要支付有關索償的負債時，須要考慮眾多的不確定因素。僱員賠償和其他負債保單所引起的索償或會比較漫長和難以估計。本集團已聘請獨立精算師，利用既定的精算方法估計索償負債。有關方法屬於統計性質，並可能會受多項不同因素所影響。可能會影響負債估計準確性的較重要因素包括法理上可擴寬本集團發出的保險合約所提供保障的意向和保障範圍，實際索償結果與過往經驗的分歧程度，以及事件的出現與向本集團呈報索償兩者的時差。

2.6 職員退休福利計劃

本集團於註釋15中所述之退休計劃之責任在估值時需作出精算假設。此等假設於未來是否適用是存在不確定性的，該等假設需要作定期審查，如有需要會作出更新。

2 Critical accounting estimates and judgments in applying accounting policy (Continued)

2.5 Ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is one of the Group's critical accounting estimates. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of loss events that have been incurred but not reported ("IBNR") to the Group at the end of the reporting period. The estimation of IBNR claims is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim events is available. IBNR claims may not be apparent to the insured until many years after the event that gives rise to the claim has happened.

Estimation of the ultimate cost of certain liability claims can be a complex process. There are several sources of uncertainty that need to be considered in the estimating of the liability that the Group will ultimately pay for such claims. In particular, the claims arising from the employees' compensation and other liability policies can be longer in tail and difficult to estimate. The Group has appointed an independent actuary to estimate the claim liabilities using established actuarial methodologies. The methodologies are statistical in nature and can be affected by various factors. The more significant factors that can affect the reliability of the liability estimation include jurisprudence that can broaden the intent and scope coverage of the protections offered in the insurance contracts issued by the Group, the extent to which actual claim results differ from historical experience and the time lag between the occurrence of the event and the report of such claim to the Group.

2.6 Staff retirement scheme

Actuarial assumptions are made in valuing future pension obligations as set out in Note 15. There is uncertainty that these assumptions will hold true in the future. They are reviewed periodically and are updated where necessary.

3 銀行層面之財務狀況表

3 Bank Level Statement of Financial Position

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
	註釋 Note		
資產	Assets		
庫存現金、同業存放及貸款	Cash, balances and placements with and loans and advances to banks	69,690,879	84,461,050
衍生金融工具	Derivative financial instruments	503,360	1,620,404
以公平價值誌入損益賬之金融資產	Financial assets at fair value through profit or loss	1,939,586	4,015,204
證券投資	Investments in securities	101,732,459	81,863,665
貸款及其他賬項	Advances and other accounts	207,175,724	197,019,986
附屬公司權益	Interests in subsidiaries	22 579,203	579,203
共同控制實體權益	Interests in jointly controlled entities	22,000	22,000
聯營公司權益	Interests in associates	–	1,236,600
投資物業	Investment properties	2,749,710	2,886,690
租賃土地權益	Interests in leasehold land	106,316	109,546
其他物業及設備	Other properties and equipment	1,578,117	1,630,731
可回收稅項	Tax recoverable	12,429	804
遞延稅項資產	Deferred tax assets	51,381	46,652
總資產	Total assets	386,141,164	375,492,535
負債	Liabilities		
同業存款	Deposits and balances from banks	30,222,584	39,874,412
交易賬項下之負債	Trading liabilities	348,837	154,331
衍生金融工具	Derivative financial instruments	514,382	1,284,107
客戶存款	Deposits from customers	294,669,373	271,692,576
發行之存款證	Certificates of deposit issued	270,000	7,454,237
發行之後償債項	Subordinated debts issued	3,115,586	3,097,196
當期稅項	Current taxation	432,420	673,330
遞延稅項負債	Deferred tax liabilities	–	27,931
其他賬項及預提	Other accounts and accruals	6,046,386	5,220,305
總負債	Total liabilities	335,619,568	329,478,425
權益	Equity		
股本	Share capital	1,160,951	1,160,951
儲備	Reserves	33 41,786,072	37,278,586
歸屬於本行股東權益合計	Total equity attributable to shareholders of the Bank	42,947,023	38,439,537
額外權益工具	Additional equity instruments	7,574,573	7,574,573
權益總額	Total equity	50,521,596	46,014,110
權益及負債總額	Total equity and liabilities	386,141,164	375,492,535

經已於二〇二二年三月十五日由董事會通過及授權發佈。

Approved and authorised for issue by the Board of Directors on 15 March 2022.

劉元 董事長
洪波 董事兼行政總裁

LIU Yuan Chairman
HONG Bo Director and Chief Executive Officer

財務報表註釋

Notes to the Financial Statements

4 金融風險管理

本集團的經營活動面對著各類金融風險，這些活動亦包括分析、評估、採納及管理各類風險的部份或風險之組合。本集團了解承擔風險乃金融業務的核心部份，而營運風險乃從業務務不可避免的後果。因此本集團之目標是將風險與回報達至適當的平衡及將其對本集團財務表現的可能影響減至最低。

本集團已制定政策及程序，用以識別、量度、控制及監管營運的內在風險。這些風險主要包括信貸風險、市場風險、流動性風險及營運風險。市場風險包括外匯、利率及其他價格風險。管理委員會就此等風險管理政策及程序之充分性及果效而作定期檢視；而稽核部門亦會進行定期稽核及檢查，以確保該等政策及程序得以落實及被遵從。

4.1 信貸風險

本集團承擔著信貸風險，該風險乃指債務人（包括擔保人）或交易對手未能履行責任而引致本集團財務上之損失。信貸風險主要從本集團資產組合內之貸款、債務證券、衍生金融工具、國庫券及資產負債表內給予交易對手的信貸金額而產生。此外，資產負債表外的財務安排（如貸款承諾）亦會帶來信貸風險。經濟上有重大轉變或個別行業呈現衰退，可導致損失與結算日已提之減值準備產生偏差。

本集團已制定信貸政策確定授出信貸之標準、信貸批核、審閱及監控程序，以及內部信貸評級系統及減值準備之評估程序。本集團信貸政策制定集中於授信執行部及風險管理部，並經管理委員會及董事會審批。本集團信貸風險控制集中於授信執行部，並定時向授信審核委員會、執行審貸委員會及管理委員會匯報。董事會對本集團信貸風險管理程序的有效性負有最終責任。

4 Financial risk management

The Group's activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Group recognises that taking risk is core to its financial business and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group has established policies and procedures for the identification, measurement, control and monitoring of the inherent risk of its operations. The most important risks are credit risk, market risk, liquidity risk and operational risk. Market risk includes currency risk, interest rate risk and other price risks. The adequacy and effectiveness of risk management policies and procedures are regularly reviewed by the Management Committee of the Board of Directors (the "Management Committee"). The Internal Audit Department also performs regular audits to ensure compliance with policies and procedures.

4.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that an obligor (including guarantor) or a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit exposures arise principally from loans and advances, debt securities, derivative financial instruments, treasury bills, and other on-balance sheet exposures to counterparties in the Group's asset portfolio. There is also credit risk in off-balance sheet financial arrangements such as loan commitments. Significant changes in the economy, or in the health of a particular industry segment, could result in losses that are different from those provided for at the end of the reporting period.

The Group has established credit policies that govern credit extension criteria, credit approval, review and monitoring processes, the internal credit rating system and impairment assessment processes. The Group's credit policies which are centralised in the Credit Execution Department and Risk Management Department have to be approved by the Management Committee and Board of Directors. The Group's credit risk control is centralised in the Credit Execution Department which reports to the Credit Committee, Executive Credit Committee and Management Committee regularly. The Board of Directors has ultimate responsibility for the effectiveness of the Group's credit risk management processes.

4 金融風險管理 (續)

4.1 信貸風險 (續)

(a) 信貸風險量度

(i) 貸款

在評估客戶、同業及其他交易對手貸款之信貸風險時，會採用有效之系統來量度及監控信貸風險作為信貸評估程序的一部份。本集團之信貸評級系統會考慮交易對手之信譽，包括保證人(如適用)之財政能力，抵押品及特別交易的風險，並就相關業務單位的資產組合之信貸風險作出區分及管理。

(ii) 債務證券及國庫券

於評估債務證券之風險時，主要採用認可的外部信貸評級機構之評級來評估及管理信貸風險。投資於此等證券使本集團於相關的風險下達到合理回報水平，並同時保持有效的資金來源。

(iii) 與信貸相關的承諾

本集團提供信貸承諾，包括發出擔保書及信用證。該等工具之主要目的是確保在有需要時有資金供應給客戶。該等工具乃不可撤銷的保證，表示本集團將會在客戶未能向第三者履行責任時作出償付。該等工具帶有與貸款相同之信貸風險。

作出信貸承諾乃代表以放款、擔保書及信用證等形式授權未使用部份的信貸額度。有關作出信貸承諾之信貸風險，本集團等同擁有一項與未使用承擔相同的潛在損失。由於大部份作出信貸承諾乃客戶擬維持其特定信貸水平，是或然的，因此，此等可能出現的虧損應少於未使用之承擔總額。本集團會控制信貸承擔之期限，因長期承擔一般會比短期承擔存在較大程度的信貸風險。

4 Financial risk management (Continued)

4.1 Credit risk (Continued)

(a) Credit risk measurement

(i) Loans and advances

In assessing credit risk of loans and advances to customers and to banks and other counterparties, effective systems are adopted for measurement and monitoring of the credit risk as part of the credit assessment process. The Group's credit grading system, which in general, takes into account the underlying credit-worthiness of the counterparties, including the financial strengths of the guarantors (as the case may be), collateral pledged and the risk of specific transactions, allows differentiation and management of credit risk for asset portfolios of respective business units.

(ii) Debt securities and treasury bills

For debt securities, external ratings from recognised external credit assessment institutions are used for assessing and managing credit risk exposures. The investments in these securities allow the Group to achieve an appropriate level of returns commensurate with the risks and to maintain a readily available source of funding at the same time.

(iii) Credit related commitments

The Group has issued credit related commitments including guarantees and letters of credit. The primary purpose of these instruments is to ensure that funds are available to a customer as required. These instruments represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. These instruments carry a similar level of the same credit risk as loans.

Commitments to extend credit represent unused portions of authorised facility limits in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

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Notes to the Financial Statements

4 金融風險管理 (續)

4.1 信貸風險 (續)

(b) 信貸限額控制及緩和政策

當本集團發現信貸風險，特別是過分集中於個別交易對手、集團、行業或國家時，便會作出管理及控制。

為避免過於集中而引致風險，各個客戶、交易對手及行業之信貸風險均按規定限額小心管理及監控。管理委員會負責管理組合集中度風險。信貸批核授權執行審貸委員會、授信審核委員會及其他信貸業務管理人員負責。執行審貸委員會同時負責檢討及批核最大額度之授信。授信執行部存有以每一相關集團的中央負債記錄，對實際信貸風險（包括資產負債表以內及以外之風險）、限額及資產質素均作出定期監管及控制，並受內部稽核之審查。

任何單一借款人（包括銀行）之信貸風險，已制定分級限額以限制資產負債表以內及以外之風險，及制定每日交易風險限額以限制有關作為買賣用途之項目如遠期外匯合約。而每日會將實際授信與限額對照，藉以監察風險水平。

一些特定控制及風險緩和措施概述如下：

(i) 抵押品

本集團會嘗試取得抵押品以將信貸風險減低至可接受水平。對於所有信貸的批核，無論是否有抵押保證，均基於交易對手之償還能力而決定。本集團履行既有之指引以區分不同類別抵押品之可接受性及信貸風險轉移能力。主要抵押品分類為：

- 住宅物業及其他物業之按揭；
- 商業資產之抵押，如現金存款、物業、機器、存貨及應收賬款；及
- 金融工具之抵押，如股權證券、債務證券及人壽保單。

4 Financial risk management (Continued)

4.1 Credit risk (Continued)

(b) Risk limit control and mitigation policies

The Group manages and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparties and groups, and to industries and countries.

To avoid concentration risk, credit exposures to individual customers, counterparties and industry sectors are carefully managed and monitored by the use of limits. The Management Committee is responsible for the portfolio management of risk concentrations. Approval authorities are delegated to the Group's Executive Credit Committee, Credit Committee and other lending officers. The Executive Credit Committee is also responsible for the review and approval of the largest credit exposure. Actual credit exposures, including on- and off-balance sheet exposures, limits and asset quality are regularly monitored and controlled by the Credit Execution Department by keeping a central liability record for each group of related counterparties and are subject to checks by the internal audit function.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Some specific control and risk mitigation measures are outlined below:

(i) Collateral

The Group seeks to obtain collateral to mitigate credit risk to an acceptable level. All credit decisions, whether or not secured by collateral, are based on counterparties' repayment capacity. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal types of collateral in credit risk mitigation include:

- Mortgages over residential properties and other properties;
- Charges over business assets such as cash deposits, premises, machineries, inventory and accounts receivable; and
- Charges over financial instruments such as equities, debt securities and life insurance policies.

4 金融風險管理 (續)

4.1 信貸風險 (續)

(b) 信貸限額控制及緩和政策 (續)

(i) 抵押品 (續)

於二〇二一年十二月三十一日，貸款總額港幣193,999,848,000元(二〇二〇年：港幣187,464,450,000元)由估計公平價值港幣82,999,800,000元(二〇二〇年：重列港幣71,021,390,000元)的抵押品或改善信貸條件覆蓋。信貸減值貸款總額港幣1,751,989,000元(二〇二〇年：港幣985,601,000元)由估計公平價值港幣38,444,000元(二〇二〇年：重列港幣78,808,000元)的抵押品或改善信貸條件覆蓋。

本集團訂有政策以管理確定合格資產作為抵押品以減低信貸風險。資產的市場價值須要能夠確定或合理地建立，才能考慮為有效的風險轉移。該資產還須要有市場銷路並有既存的二手市場作出售。此外，於有需要時，本集團能取得該資產的控制權。根據抵押品的類別，其價值將會作每日至每年不等的定時重估。已逾期貸款所持抵押品主要類別為現金存款及物業。

(ii) 總淨額結算安排

本集團會與進行大量交易的對手訂立總淨額結算安排，藉以進一步限制信貸風險。總淨額結算安排不一定會導致財務狀況表上資產及債務的對銷，原因是交易通常按總額結算。然而，關於有利合約之信貸風險會在出現不能償還情況時藉著總淨額結算安排而減少，所有與該交易對手之款項會終止及以淨額結算。

4 Financial risk management (Continued)

4.1 Credit risk (Continued)

(b) Risk limit control and mitigation policies (Continued)

(i) Collateral (Continued)

At 31 December 2021, the gross loan balance of HK\$193,999,848,000 (2020: HK\$187,464,450,000) is covered by an estimated fair value of collateral or credit enhancement of HK\$82,999,800,000 (2020: restate as HK\$71,021,390,000). The gross credit impaired loan balance of HK\$1,751,989,000 (2020: HK\$985,601,000) is covered by an estimated fair value of collateral or credit enhancement of HK\$38,444,000 (2020: restate as HK\$78,808,000).

The Group has established policies to govern the determination of eligibility of assets taken as collateral for credit risk mitigation. In order for an asset to be considered as effective risk mitigation, the market value of the asset should be readily determinable or can be reasonably established. The asset is marketable and there exists a readily available secondary market for disposal of the asset. In addition, the Group is able to secure control over the asset if necessary. The collateral is revalued periodically ranging from daily to annually, depending on the type of collateral. As for those past due exposures, the main types of collateral held are cash deposits and properties.

(ii) Master netting agreements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of the assets and liabilities in the statement of financial position, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis.

財務報表註釋

Notes to the Financial Statements

4 金融風險管理 (續)

4.1 信貸風險 (續)

(b) 信貸限額控制及緩和政策 (續)

(iii) 衍生工具

本集團所採用的衍生工具主要為利率及外幣匯率相關之合約，大部份為通過櫃檯交易之衍生工具。而本集團之衍生工具持倉盤，大部份是為應客戶需求並作為對沖該等客戶盤及其他買賣持倉盤而持有。管理委員會制定交易限額包括隔夜及即日市場限額。除指定對沖安排外，有關外匯及利率風險之衍生工具乃用作日常業務上對沖持倉盤，藉此控制流動資金水平以應付市場需求。基於此等衍生工具交易的性質，除本集團要求交易對手繳付保證金存款外，抵押品及其他抵押品並不常用於此等信貸風險。

根據衍生工具合約下現有抵押品債務的條款，估計按照二〇二一年十二月三十一日的持倉，倘本集團的信貸評級被下調一級或兩級，本集團不需要提供額外的抵押品(二〇二〇年：無)。

(c) 減值準備政策

資產的預期信貸損失會根據合約應付本集團的所有合約現金流與本集團預期收取的所有現金流的差額，按實際利率折算計算。預期信貸損失的計算考慮了階段、現金流量類型和其他風險參數，通過評估包含預測宏觀經濟條件的一系列可能結果，使其成為無偏倚和概率加權平均值。

本集團按分部界定減值評估規則，以個別基礎或按基於規則的方法估計未來現金流量。

資產分為幾個部份，包括公司、非按揭零售貸款、信用卡、按揭貸款、銀行、官方實體和專門性借貸。每個分部都有其風險參數(即違約或然率、違約損失率、預期提款、提前還款和風險暴露期)。

4 Financial risk management (Continued)

4.1 Credit risk (Continued)

(b) Risk limit control and mitigation policies (Continued)

(iii) Derivatives

The principal derivatives used by the Group are interest and foreign exchange rate related contracts, which are primarily over-the-counter derivatives. Most of the Group's derivative positions have been entered into to meet customer demand and to hedge these and other trading positions. The Management Committee places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions. Given the purpose for entering into such derivative transaction, collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

Under the terms of the Group's current collateral obligations under derivative contracts, it is estimated the Group would not be required to post additional collateral in the event of one or two notch downgrade in the Group's credit rating based on the positions as at 31 December 2021 (2020: Nil).

(c) Impairment allowance policies

ECL for assets are calculated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate. The calculation of ECL takes into account the stages, the cash flow types and other risk parameters to make it an unbiased and probability weighted average by evaluating a range of possible outcomes incorporating forecasted macroeconomic conditions.

The Group defines the impairment assessment rules by segment to estimate future cash flows individually or by the Rule-based Approach.

Assets are divided into several segments, including Corporate, Non-Mortgage Retail, Credit Card, Mortgage Loans, Bank, Sovereign and Specialised Lending. Each segment would have their risk parameters (i.e. probability of default "PD", loss given default "LGD", expected drawdown, prepayment and period of exposure).

4 金融風險管理 (續)

4.1 信貸風險 (續)

(c) 減值準備政策 (續)

非零售分部第三階段及風險暴露不少於港幣1,000萬元之零售分部第三階段的預期信貸損失使用折現現金流量方法以個別基礎計量。預期未來現金流量乃根據報告日的信貸風險估計，反映合理及可支持的假設及預測未來收回及預期未來收取的利息。如果預期未償還金額的收回可能包括抵押品的變現，則會考慮預期變現時抵押品的估計公平價值減去獲得及變賣抵押品成本。該現金流量以實際利率的合理近似值折現。

其他分部將通過按基於規則的方法評估，計算本集團根據合約應付的合約現金流與本集團預期收取的所有現金流的差額折現值。除個人卡分部外，預期信貸損失將以賬戶層面計算，而個人卡分部下的賬戶將根據類似的風險特徵（即當前評級、原始評級、逾期天數）分組。合約現金流和預期現金流均按實際利率折現為折現值。對於每個預期現金流，均會評估其違約或然率、違約損失率和違約風險承擔。

資產分為三個階段以反映預期信貸損失。每個階段的減值準備是根據違約或然率、違約損失率和違約風險承擔的乘積計算。當金融工具初始確認時，本集團將其未來十二個月內的預期信貸損失計入第一階段；並且在初始確認後出現信貸風險大幅上升時，將其全期預期信貸損失確認為第二階段。當出現減值客觀證據時，會將其全期預期信貸損失確認為第三階段。其應計利息將扣除相關第三階段金融資產的減值金額。

信貸風險大幅上升的第二階段資產乃由分部、信貸風險評級、初次確認日期、拖欠及信貸資產級別釐定。

4 Financial risk management (Continued)

4.1 Credit risk (Continued)

(c) Impairment allowance policies (Continued)

The ECL for non-retail segment at Stage 3 and the ECL for retail segment with exposure at default not less than HK\$10 million at Stage 3 are determined on an individual basis using a discounted cashflow methodology. The expected future cash flows are based on the credit risk estimates as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest. Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on its estimated fair value of collateral at the time of expected realisation, less costs for obtaining and selling the collateral. The cashflows are discounted at a reasonable approximation of the effective interest rate.

Other segments would be assessed by Rule-based Approach by computing the present value of the difference between the contractual cash flow due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. Except individual card segment, ECL would be calculated at the account level, while accounts under individual card segment would be grouped based on similar risk characteristic (i.e. current rating, original rating, day past due). Both the contractual cash flow and expected cash flow would be discounted by effective interest rate to present value. For each expected cash flow, the probability of default, loss given default and exposure at default would be assessed.

Assets are classified into three Stages to reflect the expected credit loss. Impairment allowance of each stage is calculated based on the product of probability of default, loss given default and exposure at default. The Group will account for expected credit losses within the next 12 months as Stage 1 when those financial instruments are first recognised; and to recognise full lifetime expected credit losses as Stage 2 when there have been significant increases in credit risk since initial recognition. Full lifetime expected credit losses will also be recognised as Stage 3 if objective evidence of impairment occurred and interest accrual will then be net of the impairment amount of associated Stage 3 financial assets.

Significant increases in credit risk for Stage 2 assets is determined by segment, credit risk ratings, date of initial recognition, delinquency and credit asset classification.

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Notes to the Financial Statements

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.1 信貸風險 (續)

4.1 Credit risk (Continued)

(c) 減值準備政策 (續)

(c) Impairment allowance policies (Continued)

下表列出本集團內部信貸評級與信貸資產級別之間的關係。

The table below shows the relationship between the Group's internal credit rating and credit asset classification.

內部信貸評級 Internal credit rating

信貸資產級別 Credit asset classification

級別 1-23
Grades 1-23

合格
Pass

級別 24
Grade 24

需要關注
Special Mention

級別 25
Grade 25

次級
Substandard

級別 26
Grade 26

呆滯
Doubtful

級別 27
Grade 27

虧損
Loss

「合格」是指債務人目前有履行還款責任的信貸資產，同時全數償還利息及本金的機會也不成疑問。

“Pass” represents credit assets where the obligor is current in meeting its repayment obligations and full repayment of interest and principal is not in doubt.

「需要關注」是指債務人正面對困難，可能影響本集團的利益。現時並未預期出現最終損失，但如不利情況持續，有可能出現最終損失。

“Special Mention” represents credit assets where the obligor is experiencing difficulties which may threaten the Group's position. Ultimate loss is not expected at this stage but could occur if adverse conditions persist.

「次級」是指債務人正出現明顯問題，以致可能影響還款的信貸資產。

“Substandard” represents credit assets where the obligor displays a definable weakness that is likely to jeopardise repayment.

「呆滯」是指不大可能全數收回，而本集團在扣除抵押品的可變現淨值後預計會承受本金和／或利息虧損的信貸資產。

“Doubtful” represents credit assets where collection in full is improbable and the Group expects to sustain a loss of principal and/or interest, taking into account the net realisable value of the collateral.

「虧損」是指用盡所有追討欠款方法後（如變賣抵押品、提出法律訴訟等）仍被視為無法收回的信貸資產。

“Loss” represents credit assets which are considered uncollectible after all collection options (such as the realisation of collateral or the institution of legal proceedings) have been exhausted.

4 金融風險管理 (續)**4 Financial risk management (Continued)****4.1 信貸風險 (續)****4.1 Credit risk (Continued)***(c) 減值準備政策 (續)**(c) Impairment allowance policies (Continued)*

階段分配的決定規則如下：

The decision rules for stage allocation are as follows:

階段**決定規則****Stage****Decision Rules**

第一階段

- 具有需要關注狀態的新賬戶；或
- 信貸資產級別為合格；和
- 當前的內部信貸評級於1至7之間；或
- 當前內部信貸評級於8至23之間且自初始確認以來下降少於3級；和
- 逾期還款少於30日

Stage 1

- New accounts with Special Mention status; or
- Credit asset classification is Pass; and
- Current internal credit rating is between 1 to 7; or
- Current internal credit rating is between 8 to 23 with less than 3 notches downgrade since origination; and
- Less than 30 days past due

第二階段

- 當前的內部信貸評級為24；或
- 當前內部信貸評級於8至23之間且自初始確認以來下降3級或以上；或
- 逾期還款30至90日；或
- 信貸資產級別下調至需要關注

Stage 2

- Current internal credit rating is 24; or
- Current internal credit rating is between 8 to 23 with 3 or more notches downgrade since origination; or
- 30 to 90 days past due; or
- Credit asset classification is downgraded to Special Mention

第三階段

- 當前內部信貸評級於25至27之間；或
- 逾期還款超過90日；或
- 信貸資產級別下調至次級、呆滯或虧損

Stage 3

- Current internal credit rating is between 25 to 27; or
- More than 90 days past due; or
- Credit asset classification is downgraded to Substandard, Doubtful or Loss

根據統計方法，本集團訂立了一系列與本集團內部違約率和抵押品價值顯著相關的宏觀經濟因素。本集團利用這些宏觀經濟因素設計了三種情景，即樂觀、基礎和悲觀。風險管理委員會成員就發生的可能性提出了最全面的觀點，使本集團能夠產生對宏觀經濟因素的預測及前瞻性違約或然率和違約損失率。這些前瞻性違約或然率和違約損失率將用作預期信貸損失模型的輸入參數。

Based on statistical approaches, the Group has come up with a series of macroeconomic factors that exhibit significant correlation with the Group's internal default rates and collateral value. The Group designs three scenarios with these macroeconomic factors, namely optimistic, base and pessimistic. The Risk Management Committee members put forth their most holistic view on the likelihood of occurrence, enabling the Group to generate forecasts of macroeconomic factors and the forward-looking PD and LGD. These forward-looking PD and LGD are then used as input parameters in the expected credit loss model.

財務報表註釋

Notes to the Financial Statements

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.1 信貸風險 (續)

4.1 Credit risk (Continued)

(d) 考慮抵押品及其他信貸風險管理前之最高信貸風險

(d) Maximum exposure to credit risk before collateral held or other credit enhancements

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
同業存放及貸款	Balances and placements with and loans and advances to banks	69,569,049	84,461,545
衍生金融工具	Derivative financial instruments	503,360	1,620,404
以公平價值誌入損益賬之金融資產	Financial assets at fair value through profit or loss	1,938,264	4,091,000
證券投資	Investment in securities	101,679,502	81,660,265
貸款及其他賬項	Advances and other accounts	204,324,794	194,353,197
信貸承擔	Credit commitments	45,716,057	42,909,827
		423,731,026	409,096,238

(e) 已應用香港財務報告準則第9號之減值規定的金融資產概要

(e) Summary of financial assets to which the impairment requirements of HKFRS 9 are applied

(i) 賬面 / 名義總額

(i) Gross carrying/notional amount

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二一年	2021				
同業存放及貸款	Balances and placements with and loans and advances to banks				
— 按攤銷成本列賬 (註釋17)	— at amortised cost (Note 17)	67,245,514	—	—	67,245,514
— 以公平價值誌入其他全面收益*	— at fair value through other comprehensive income*	2,337,748	—	—	2,337,748
債務證券	Debt securities				
— 按攤銷成本列賬 (註釋20)	— at amortised cost (Note 20)	929,896	—	152,033	1,081,929
— 以公平價值誌入其他全面收益*	— at fair value through other comprehensive income*	100,655,192	123,268	743,011	101,521,471
貸款及其他賬項	Advances and other accounts				
— 按攤銷成本列賬#	— at amortised cost#	162,166,537	31,547,813	1,811,860	195,526,210
— 以公平價值誌入其他全面收益**	— at fair value through other comprehensive income**	10,491,351	—	14,388	10,505,739
貸款承諾及金融擔保合約#	Loan commitments and financial guarantee contracts#	14,553,992	1,139,865	1,940	15,695,797
		358,380,230	32,810,946	2,723,232	393,914,408

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.1 信貸風險 (續)

4.1 Credit risk (Continued)

(e) 已應用香港財務報告準則第9號之減值規定的金融資產概要 (續)

(e) Summary of financial assets to which the impairment requirements of HKFRS 9 are applied (Continued)

(i) 賬面／名義總額 (續)

(i) Gross carrying/notional amount (Continued)

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二〇年	2020				
同業存放及貸款	Balances and placements with and loans and advances to banks				
– 按攤銷成本列賬 (註釋17)	– at amortised cost (Note 17)	80,607,952	–	–	80,607,952
– 以公平價值誌入其他全面收益*	– at fair value through other comprehensive income*	3,904,416	–	–	3,904,416
債務證券	Debt securities				
– 按攤銷成本列賬 (註釋20)	– at amortised cost (Note 20)	1,719,990	–	172,419	1,892,409
– 以公平價值誌入其他全面收益*	– at fair value through other comprehensive income*	79,951,072	–	738,732	80,689,804
貸款及其他賬項	Advances and other accounts				
– 按攤銷成本列賬#	– at amortised cost#	170,444,206	17,282,952	1,034,244	188,761,402
– 以公平價值誌入其他全面收益**	– at fair value through other comprehensive income**	6,862,651	–	14,305	6,876,956
貸款承諾及金融擔保合約#	Loan commitments and financial guarantee contracts#	9,847,730	791,715	2,192	10,641,637
		353,338,017	18,074,667	1,961,892	373,374,576

* 就此披露而言，賬面總額為未就任何減值準備及公平價值改變作調整的金融資產攤銷成本，因此與財務報表註釋中列示的金額或有不同。

* For the purposes of this disclosure, the gross carrying amounts represent the amortised cost of financial assets, before adjusting for any impairment allowances and changes in fair value, and therefore may not agree with those shown in notes to the financial statements.

有關金額為須遵守香港財務報告準則第9號減值規定的項目，因此與財務報表註釋21及35中列示的金額有所不同。

The amounts represent those items that are subject to impairment requirements under HKFRS 9 and therefore do not agree with those shown in Notes 21 and 35 to the financial statements.

財務報表註釋

Notes to the Financial Statements

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.1 信貸風險 (續)

4.1 Credit risk (Continued)

(e) 已應用香港財務報告準則第9號之減值規定的金融資產概要 (續)

(e) Summary of financial assets to which the impairment requirements of HKFRS 9 are applied (Continued)

(ii) 減值準備

(ii) Impairment allowances

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二一年	2021				
同業存放及貸款	Balances and placements with and loans and advances to banks				
– 按攤銷成本列賬 (註釋17)	– at amortised cost (Note 17)	(11,810)	–	–	(11,810)
– 以公平價值誌入其他全面收益 [^]	– at fair value through other comprehensive income [^]	(205)	–	–	(205)
債務證券	Debt securities				
– 按攤銷成本列賬 (註釋20)	– at amortised cost (Note 20)	(4,023)	–	(152,033)	(156,056)
– 以公平價值誌入其他全面收益 [^]	– at fair value through other comprehensive income [^]	(104,355)	(6,747)	(743,011)	(854,113)
貸款及其他賬項	Advances and other accounts				
– 按攤銷成本列賬 (註釋21)	– at amortised cost (Note 21)	(406,960)	(171,786)	(1,144,600)	(1,723,346)
– 以公平價值誌入其他全面收益 [^]	– at fair value through other comprehensive income [^]	(7,408)	–	(14,388)	(21,796)
貸款承諾及金融擔保合約 (註釋31)	Loan commitments and financial guarantee contracts (Note 31)	(41,434)	(8,538)	(1,535)	(51,507)
		(576,195)	(187,071)	(2,055,567)	(2,818,833)
二〇二〇年	2020				
同業存放及貸款	Balances and placements with and loans and advances to banks				
– 按攤銷成本列賬 (註釋17)	– at amortised cost (Note 17)	(7,378)	–	–	(7,378)
– 以公平價值誌入其他全面收益 [^]	– at fair value through other comprehensive income [^]	(273)	–	–	(273)
債務證券	Debt securities				
– 按攤銷成本列賬 (註釋20)	– at amortised cost (Note 20)	(2,725)	–	(163,990)	(166,715)
– 以公平價值誌入其他全面收益 [^]	– at fair value through other comprehensive income [^]	(64,118)	–	(738,732)	(802,850)
貸款及其他賬項	Advances and other accounts				
– 按攤銷成本列賬 (註釋21)	– at amortised cost (Note 21)	(375,652)	(138,324)	(816,409)	(1,330,385)
– 以公平價值誌入其他全面收益 [^]	– at fair value through other comprehensive income [^]	(3,083)	–	(14,206)	(17,289)
貸款承諾及金融擔保合約 (註釋31)	Loan commitments and financial guarantee contracts (Note 31)	(23,265)	(6,547)	(1,764)	(31,576)
		(476,494)	(144,871)	(1,735,101)	(2,356,466)

[^] 該等金融資產在財務狀況表內以公平價值列賬。其減值準備於重估金融資產儲備確認而不會削減該等資產的眼面值。

[^] These financial assets are measured at fair value on the statement of financial position. The corresponding impairment allowances are recognised in financial asset revaluation reserve without reducing the carrying amounts of these assets.

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.1 信貸風險 (續)

4.1 Credit risk (Continued)

(e) 已應用香港財務報告準則第9號之減值規定的金融資產概要 (續)

(e) Summary of financial assets to which the impairment requirements of HKFRS 9 are applied (Continued)

(iii) 賬面／名義總額及減值準備於年內之變動

(iii) Movements of gross carrying/notional amount and impairment allowances during the year

— 按攤銷成本列賬之同業存放及貸款

— Balances and placements with and loans and advances to banks at amortised cost

		非信貸減值 Non credit-impaired				信貸減值 Credit-impaired		合計 Total	
		第一階段 Stage 1		第二階段 Stage 2		第三階段 Stage 3			
		賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000		
於二〇二一年一月一日	At 1 January 2021	80,607,952	(7,378)	-	-	-	-	80,607,952	(7,378)
階段間轉撥：	Transfers between Stages:								
— 由第一階段轉撥	- Transfers from Stage 1	-	-	-	-	-	-	-	-
— 由第二階段轉撥	- Transfers from Stage 2	-	-	-	-	-	-	-	-
— 由第三階段轉撥	- Transfers from Stage 3	-	-	-	-	-	-	-	-
信貸風險變動	Changes in credit risk	-	(148)	-	-	-	-	-	(148)
淨資產確認／(終止確認)	Net assets recognised/ (derecognised)	(13,654,539)	(10,071)	-	-	-	-	(13,654,539)	(10,071)
模型／風險參數變動	Changes in models/ risk parameters	-	5,787	-	-	-	-	-	5,787
匯兌差額	Exchange difference	292,101	-	-	-	-	-	292,101	-
於二〇二一年十二月三十一日	At 31 December 2021	67,245,514	(11,810)	-	-	-	-	67,245,514	(11,810)
於收益表淨撥備 (不包括收回已撇除賬項)	Net charge to income statement (excluding recoveries)		(4,432)		-		-		(4,432)
收回已撇除賬項	Recoveries		-		-		-		-
於收益表淨撥備 (註釋12)	Net charge to income statement (Note 12)		(4,432)		-		-		(4,432)
於二〇二〇年一月一日	At 1 January 2020	64,055,004	(2,217)	-	-	-	-	64,055,004	(2,217)
階段間轉撥：	Transfers between Stages:								
— 由第一階段轉撥	- Transfers from Stage 1	-	-	-	-	-	-	-	-
— 由第二階段轉撥	- Transfers from Stage 2	-	-	-	-	-	-	-	-
— 由第三階段轉撥	- Transfers from Stage 3	-	-	-	-	-	-	-	-
信貸風險變動	Changes in credit risk	-	211	-	-	-	-	-	211
淨資產確認／(終止確認)	Net assets recognised/ (derecognised)	15,482,516	705	-	-	-	-	15,482,516	705
模型／風險參數變動	Changes in models/risk parameters	-	(6,077)	-	-	-	-	-	(6,077)
匯兌差額	Exchange difference	1,070,432	-	-	-	-	-	1,070,432	-
於二〇二〇年十二月三十一日	At 31 December 2020	80,607,952	(7,378)	-	-	-	-	80,607,952	(7,378)
於收益表淨撥備 (不包括收回已撇除賬項)	Net charge to income statement (excluding recoveries)		(5,161)		-		-		(5,161)
收回已撇除賬項	Recoveries		-		-		-		-
於收益表淨撥備 (註釋12)	Net charge to income statement (Note 12)		(5,161)		-		-		(5,161)

財務報表註釋

Notes to the Financial Statements

4 金融風險管理 (續)

4.1 信貸風險 (續)

(e) 已應用香港財務報告準則第9號之減值規定的金融資產概要 (續)

(iii) 賬面／名義總額及減值準備於年內之變動 (續)

— 按攤銷成本列賬之債務證券

4 Financial risk management (Continued)

4.1 Credit risk (Continued)

(e) Summary of financial assets to which the impairment requirements of HKFRS 9 are applied (Continued)

(iii) Movements of gross carrying/notional amount and impairment allowances during the year (Continued)

— Debt securities at amortised cost

		非信貸減值 Non credit-impaired				信貸減值 Credit-impaired		合計 Total	
		第一階段 Stage 1		第二階段 Stage 2		第三階段 Stage 3			
		賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000
於二〇二一年一月一日	At 1 January 2021	1,719,990	(2,725)	-	-	172,419	(163,990)	1,892,409	(166,715)
階段間轉撥：	Transfers between Stages:								
— 由第一階段轉撥	— Transfers from Stage 1	-	-	-	-	-	-	-	-
— 由第二階段轉撥	— Transfers from Stage 2	-	-	-	-	-	-	-	-
— 由第三階段轉撥	— Transfers from Stage 3	-	-	-	-	-	-	-	-
信貸風險變動	Changes in credit risk	-	395	-	-	-	(1,156)	-	(761)
淨資產確認／(終止確認)	Net assets recognised/ (derecognised)	(800,940)	(1,593)	-	-	(21,289)	12,888	(822,229)	11,295
模型／風險參數變動	Changes in models/ risk parameters	-	(100)	-	-	-	-	-	(100)
攤銷折讓或溢價	Amortisation of discount/ premium	1,071	-	-	-	-	-	1,071	-
減值準備的折現值回撥 (註釋5)	Unwind of discount on impairment allowances (Note 5)	-	-	-	-	-	225	-	225
匯兌差額	Exchange difference	9,775	-	-	-	903	-	10,678	-
於二〇二一年十二月三十一日	At 31 December 2021	929,896	(4,023)	-	-	152,033	(152,033)	1,081,929	(156,056)
於收益表淨(撥備)/撥回 (不包括收回已撇除賬項)	Net (charge)/reversal to income statement (excluding recoveries)		(1,298)		-		11,732		10,434
收回已撇除賬項	Recoveries		-		-		55		55
於收益表淨(撥備)/撥回 (註釋12)	Net (charge)/reversal to income statement (Note 12)		(1,298)		-		11,787		10,489
於二〇二〇年一月一日	At 1 January 2020	719,389	(1,315)	-	-	173,188	(165,407)	892,577	(166,722)
階段間轉撥：	Transfers between Stages:								
— 由第一階段轉撥	— Transfers from Stage 1	-	-	-	-	-	-	-	-
— 由第二階段轉撥	— Transfers from Stage 2	-	-	-	-	-	-	-	-
— 由第三階段轉撥	— Transfers from Stage 3	-	-	-	-	-	-	-	-
信貸風險變動	Changes in credit risk	-	1,252	-	-	-	919	-	2,171
淨資產確認／(終止確認)	Net assets recognised/ (derecognised)	992,991	(354)	-	-	-	-	992,991	(354)
模型／風險參數變動	Changes in models/risk parameters	-	(2,308)	-	-	-	-	-	(2,308)
攤銷折讓或溢價	Amortisation of discount/premium	1,180	-	-	-	-	-	1,180	-
減值準備的折現值回撥 (註釋5)	Unwind of discount on impairment allowances (Note 5)	-	-	-	-	-	498	-	498
匯兌差額	Exchange difference	6,430	-	-	-	(769)	-	5,661	-
於二〇二〇年十二月三十一日	At 31 December 2020	1,719,990	(2,725)	-	-	172,419	(163,990)	1,892,409	(166,715)
於收益表淨(撥備)/撥回 (不包括收回已撇除賬項)	Net (charge)/reversal to income statement (excluding recoveries)		(1,410)		-		919		(491)
收回已撇除賬項	Recoveries		-		-		-		-
於收益表淨(撥備)/撥回 (註釋12)	Net (charge)/reversal to income statement (Note 12)		(1,410)		-		919		(491)

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.1 信貸風險 (續)

4.1 Credit risk (Continued)

(e) 已應用香港財務報告準則第9號之減值規定的金融資產概要 (續)

(e) Summary of financial assets to which the impairment requirements of HKFRS 9 are applied (Continued)

(iii) 賬面／名義總額及減值準備於年內之變動 (續)

(iii) Movements of gross carrying/notional amount and impairment allowances during the year (Continued)

— 按攤銷成本列賬之貸款及其他賬項

— Advances and other accounts at amortised cost

		非信貸減值 Non credit-impaired				信貸減值 Credit-impaired		合計 Total	
		第一階段 Stage 1		第二階段 Stage 2		第三階段 Stage 3			
		賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000		
於二〇二一年一月一日	At 1 January 2021	170,444,206	(375,652)	17,282,952	(138,324)	1,034,244	(816,409)	188,761,402	(1,330,385)
階段間轉撥：	Transfers between Stages:								
— 由第一階段轉撥	– Transfers from Stage 1	(17,341,811)	19,706	16,779,466	(19,195)	562,345	(511)	–	–
— 由第二階段轉撥	– Transfers from Stage 2	3,302,229	(38,216)	(3,352,480)	49,934	50,251	(11,718)	–	–
— 由第三階段轉撥	– Transfers from Stage 3	25,925	(243)	4,035	(1)	(29,960)	244	–	–
信貸風險變動	Changes in credit risk	–	29,041	–	(28,024)	–	(136,680)	–	(135,663)
淨資產確認／(終止確認)	Net assets recognised/ (derecognised)	4,893,481	(31,787)	730,739	(32,277)	206,471	(179,994)	5,830,691	(244,058)
模型／風險參數變動	Changes in models/ risk parameters	–	(9,809)	–	(3,899)	–	(19,063)	–	(32,771)
年內撇除	Amounts written off	–	–	–	–	(13,802)	13,802	(13,802)	13,802
減值準備的折現值回撥 (註釋5)	Unwind of discount on impairment allowances (Note 5)	–	–	–	–	–	5,729	–	5,729
匯兌差額	Exchange difference	842,507	–	103,101	–	2,311	–	947,919	–
於二〇二一年十二月三十一日	At 31 December 2021	162,166,537	(406,960)	31,547,813	(171,786)	1,811,860	(1,144,600)	195,526,210	(1,723,346)
於收益表淨撥備 (不包括收回已撇除賬項)	Net charge to income statement (excluding recoveries)		(12,555)		(64,200)		(335,737)		(412,492)
收回已撇除賬項	Recoveries		–		–		4,699		4,699
於收益表淨撥備 (註釋12)	Net charge to income statement (Note 12)		(12,555)		(64,200)		(331,038)		(407,793)
於二〇二〇年一月一日	At 1 January 2020	168,481,059	(158,466)	8,083,595	(72,076)	1,020,748	(887,295)	177,585,402	(1,117,837)
階段間轉撥：	Transfers between Stages:								
— 由第一階段轉撥	– Transfers from Stage 1	(6,536,019)	5,901	6,133,937	(5,429)	402,082	(472)	–	–
— 由第二階段轉撥	– Transfers from Stage 2	1,993,546	(13,460)	(2,025,023)	13,583	31,477	(123)	–	–
— 由第三階段轉撥	– Transfers from Stage 3	3,447	(45)	–	–	(3,447)	45	–	–
信貸風險變動	Changes in credit risk	–	55,981	–	(6,116)	–	(124,250)	–	(74,385)
淨資產確認／(終止確認)	Net assets recognised/ (derecognised)	4,562,074	928	4,861,349	(6,158)	(225,660)	(11,730)	9,197,763	(16,960)
模型／風險參數變動	Changes in models/risk parameters	–	(266,491)	–	(62,128)	–	(8,586)	–	(337,205)
年內撇除	Amounts written off	–	–	–	–	(211,020)	211,020	(211,020)	211,020
減值準備的折現值回撥 (註釋5)	Unwind of discount on impairment allowances (Note 5)	–	–	–	–	–	4,982	–	4,982
匯兌差額	Exchange difference	1,940,099	–	229,094	–	20,064	–	2,189,257	–
於二〇二〇年十二月三十一日	At 31 December 2020	170,444,206	(375,652)	17,282,952	(138,324)	1,034,244	(816,409)	188,761,402	(1,330,385)
於收益表淨撥備 (不包括收回已撇除賬項)	Net charge to income statement (excluding recoveries)		(209,582)		(74,402)		(144,566)		(428,550)
收回已撇除賬項	Recoveries		–		–		37,247		37,247
於收益表淨撥備 (註釋12)	Net charge to income statement (Note 12)		(209,582)		(74,402)		(107,319)		(391,303)

財務報表註釋

Notes to the Financial Statements

4 金融風險管理 (續)

4.1 信貸風險 (續)

(e) 已應用香港財務報告準則第9號之減值規定的金融資產概要 (續)

(iii) 賬面／名義總額及減值準備於年內之變動 (續)

— 債務證券及其他以公平價值誌入其他全面收益之金融資產

4 Financial risk management (Continued)

4.1 Credit risk (Continued)

(e) Summary of financial assets to which the impairment requirements of HKFRS 9 are applied (Continued)

(iii) Movements of gross carrying/notional amount and impairment allowances during the year (Continued)

— Debt securities and other financial assets at fair value through other comprehensive income

		非信貸減值 Non credit-impaired				信貸減值 Credit-impaired		合計 Total	
		第一階段 Stage 1		第二階段 Stage 2		第三階段 Stage 3		賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000
		賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000		
於二〇二一年一月一日	At 1 January 2021	90,718,139	(67,474)	-	-	753,037	(752,938)	91,471,176	(820,412)
階段間轉撥：	Transfers between Stages:								
— 由第一階段轉撥	- Transfers from Stage 1	(31,186)	14	31,186	(14)	-	-	-	-
— 由第二階段轉撥	- Transfers from Stage 2	-	-	-	-	-	-	-	-
— 由第三階段轉撥	- Transfers from Stage 3	-	-	-	-	-	-	-	-
信貸風險變動	Changes in credit risk	-	(4,978)	-	(497)	-	(4,461)	-	(9,936)
淨資產確認／(終止確認)	Net assets recognised/ (derecognised)	22,474,713	(37,002)	92,082	(6,166)	-	-	22,566,795	(43,168)
模型／風險參數變動	Changes in models/risk parameters	-	(2,528)	-	(70)	-	-	-	(2,598)
攤銷折讓或溢價	Amortisation of discount/premium	91,447	-	-	-	-	-	91,447	-
匯兌差額	Exchange difference	231,178	-	-	-	4,362	-	235,540	-
於二〇二一年十二月三十一日	At 31 December 2021	113,484,291	(111,968)	123,268	(6,747)	757,399	(757,399)	114,364,958	(876,114)
於收益表淨撥備 (不包括收回已撇除賬項)	Net charge to income statement (excluding recoveries)		(44,508)		(6,733)		(4,461)		(55,702)
收回已撇除賬項	Recoveries		-		-		-		-
於收益表淨撥備 (註釋12)	Net charge to income statement (Note 12)		(44,508)		(6,733)		(4,461)		(55,702)
於二〇二〇年一月一日	At 1 January 2020	80,243,400	(14,354)	-	-	742,025	(742,840)	80,985,425	(757,194)
階段間轉撥：	Transfers between Stages:								
— 由第一階段轉撥	- Transfers from Stage 1	(14,326)	-	-	-	14,326	-	-	-
— 由第二階段轉撥	- Transfers from Stage 2	-	-	-	-	-	-	-	-
— 由第三階段轉撥	- Transfers from Stage 3	-	-	-	-	-	-	-	-
信貸風險變動	Changes in credit risk	-	36,232	-	-	-	(10,098)	-	26,134
淨資產確認／(終止確認)	Net assets recognised/ (derecognised)	8,325,107	(32,101)	-	-	43	-	8,325,150	(32,101)
模型／風險參數變動	Changes in models/risk parameters	-	(57,251)	-	-	-	-	-	(57,251)
攤銷折讓或溢價	Amortisation of discount/premium	255,217	-	-	-	-	-	255,217	-
匯兌差額	Exchange difference	1,908,741	-	-	-	(3,357)	-	1,905,384	-
於二〇二〇年十二月三十一日	At 31 December 2020	90,718,139	(67,474)	-	-	753,037	(752,938)	91,471,176	(820,412)
於收益表淨撥備 (不包括收回已撇除賬項)	Net charge to income statement (excluding recoveries)		(53,120)		-		(10,098)		(63,218)
收回已撇除賬項	Recoveries		-		-		-		-
於收益表淨撥備 (註釋12)	Net charge to income statement (Note 12)		(53,120)		-		(10,098)		(63,218)

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.1 信貸風險 (續)

4.1 Credit risk (Continued)

(e) 已應用香港財務報告準則第9號之減值規定的金融資產概要 (續)

(e) Summary of financial assets to which the impairment requirements of HKFRS 9 are applied (Continued)

(iii) 賬面／名義總額及減值準備於年內之變動 (續)

(iii) Movements of gross carrying/notional amount and impairment allowances during the year (Continued)

— 貸款承諾及金融擔保合約

— Loan commitments and financial guarantee contracts

		非信貸減值 Non credit-impaired				信貸減值 Credit-impaired		合計 Total	
		第一階段 Stage 1		第二階段 Stage 2		第三階段 Stage 3		名義總額 Notional amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000
		名義總額 Notional amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	名義總額 Notional amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	名義總額 Notional amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000		
於二〇二一年一月一日	At 1 January 2021	9,847,730	(23,265)	791,715	(6,547)	2,192	(1,764)	10,641,637	(31,576)
階段間轉移：	Transfers between Stages:								
— 由第一階段轉移	– Transfers from Stage 1	(374,186)	21	374,186	(21)	–	–	–	–
— 由第二階段轉移	– Transfers from Stage 2	152,192	(413)	(152,192)	413	–	–	–	–
— 由第三階段轉移	– Transfers from Stage 3	–	–	–	–	–	–	–	–
信貸風險變動	Changes in credit risk	–	(12,313)	–	(191)	–	183	–	(12,321)
淨資產確認／(終止確認)	Net assets recognised/ (derecognised)	4,903,465	(4,806)	121,776	(2,212)	(256)	46	5,024,985	(6,972)
模型／風險參數變動	Changes in models/risk parameters	–	(658)	–	20	–	–	–	(638)
匯兌差額	Exchange difference	24,791	–	4,380	–	4	–	29,175	–
於二〇二一年十二月三十一日	At 31 December 2021	14,553,992	(41,434)	1,139,865	(8,538)	1,940	(1,535)	15,695,797	(51,507)
於收益表淨(撥備)/撥回 (不包括收回已撇除賬項)	Net (charge)/reversal to income statement (excluding recoveries)		(17,777)		(2,383)		229		(19,931)
收回已撇除賬項	Recoveries		–		–		–		–
於收益表淨(撥備)/撥回 (註釋12)	Net (charge)/reversal to income statement (Note 12)		(17,777)		(2,383)		229		(19,931)
於二〇二〇年一月一日	At 1 January 2020	10,565,876	(15,424)	166,956	(4,742)	62,189	(31,774)	10,795,021	(51,940)
階段間轉移：	Transfers between Stages:								
— 由第一階段轉移	– Transfers from Stage 1	(831,832)	6,685	830,075	(5,752)	1,757	(933)	–	–
— 由第二階段轉移	– Transfers from Stage 2	10,776	(97)	(10,776)	97	–	–	–	–
— 由第三階段轉移	– Transfers from Stage 3	80	(60)	–	–	(80)	60	–	–
信貸風險變動	Changes in credit risk	–	19,751	–	9,100	–	30,551	–	59,402
淨資產確認／(終止確認)	Net assets recognised/ (derecognised)	214,711	(9,376)	(406,203)	(2,644)	(128,776)	277	(320,268)	(11,743)
模型／風險參數變動	Changes in models/risk parameters	–	(24,744)	–	(2,606)	–	55	–	(27,295)
匯兌差額	Exchange difference	(111,881)	–	211,663	–	67,102	–	166,884	–
於二〇二〇年十二月三十一日	At 31 December 2020	9,847,730	(23,265)	791,715	(6,547)	2,192	(1,764)	10,641,637	(31,576)
於收益表淨(撥備)/撥回 (不包括收回已撇除賬項)	Net (charge)/reversal to income statement (excluding recoveries)		(14,369)		3,850		30,883		20,364
收回已撇除賬項	Recoveries		–		–		–		–
於收益表淨(撥備)/撥回 (註釋12)	Net (charge)/reversal to income statement (Note 12)		(14,369)		3,850		30,883		20,364

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Notes to the Financial Statements

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.1 信貸風險 (續)

4.1 Credit risk (Continued)

(f) 同業存放及貸款總額信貸質素

(f) Gross balances and placements with and loans and advances to banks by credit quality

同業存放及貸款總額按信貸資產級別分析如下：

The gross balances and placements with and loans and advances to banks are analysed by credit asset classification as follows:

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二一年					
按攤銷成本列賬					
	2021				
	At amortised cost				
合格	Pass	67,245,514	–	–	67,245,514
需要關注	Special Mention	–	–	–	–
次級	Substandard	–	–	–	–
呆滯	Doubtful	–	–	–	–
虧損	Loss	–	–	–	–
賬面總額	Gross carrying amount	67,245,514	–	–	67,245,514
以公平價值誌入其他					
全面收益					
	At fair value through other				
	comprehensive income				
合格	Pass	2,337,748	–	–	2,337,748
需要關注	Special Mention	–	–	–	–
次級	Substandard	–	–	–	–
呆滯	Doubtful	–	–	–	–
虧損	Loss	–	–	–	–
賬面總額	Gross carrying amount	2,337,748	–	–	2,337,748
二〇二〇年					
按攤銷成本列賬					
	2020				
	At amortised cost				
合格	Pass	80,607,952	–	–	80,607,952
需要關注	Special Mention	–	–	–	–
次級	Substandard	–	–	–	–
呆滯	Doubtful	–	–	–	–
虧損	Loss	–	–	–	–
賬面總額	Gross carrying amount	80,607,952	–	–	80,607,952
以公平價值誌入其他					
全面收益					
	At fair value through other				
	comprehensive income				
合格	Pass	3,904,416	–	–	3,904,416
需要關注	Special Mention	–	–	–	–
次級	Substandard	–	–	–	–
呆滯	Doubtful	–	–	–	–
虧損	Loss	–	–	–	–
賬面總額	Gross carrying amount	3,904,416	–	–	3,904,416

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.1 信貸風險 (續)

4.1 Credit risk (Continued)

(g) 債務證券總額信貸質素

(g) Gross debt securities by credit quality

按攤銷成本列賬及以公平價值誌入其他全面收益之債務證券總額按信貸資產級別分析如下：

The gross debt securities at amortised cost and at fair value through other comprehensive income are analysed by credit asset classification as follows:

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二一年 按攤銷成本列賬	2021 At amortised cost				
合格	Pass	929,896	–	–	929,896
需要關注	Special Mention	–	–	–	–
次級	Substandard	–	–	–	–
呆滯	Doubtful	–	–	–	–
虧損	Loss	–	–	152,033	152,033
賬面總額	Gross carrying amount	929,896	–	152,033	1,081,929
以公平價值誌入其他 全面收益	At fair value through other comprehensive income				
合格	Pass	100,655,192	123,268	–	100,778,460
需要關注	Special Mention	–	–	–	–
次級	Substandard	–	–	–	–
呆滯	Doubtful	–	–	–	–
虧損	Loss	–	–	743,011	743,011
賬面總額	Gross carrying amount	100,655,192	123,268	743,011	101,521,471
二〇二〇年 按攤銷成本列賬	2020 At amortised cost				
合格	Pass	1,719,990	–	–	1,719,990
需要關注	Special Mention	–	–	–	–
次級	Substandard	–	–	–	–
呆滯	Doubtful	–	–	21,262	21,262
虧損	Loss	–	–	151,157	151,157
賬面總額	Gross carrying amount	1,719,990	–	172,419	1,892,409
以公平價值誌入其他 全面收益	At fair value through other comprehensive income				
合格	Pass	79,951,072	–	–	79,951,072
需要關注	Special Mention	–	–	–	–
次級	Substandard	–	–	–	–
呆滯	Doubtful	–	–	–	–
虧損	Loss	–	–	738,732	738,732
賬面總額	Gross carrying amount	79,951,072	–	738,732	80,689,804

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Notes to the Financial Statements

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.1 信貸風險 (續)

4.1 Credit risk (Continued)

(g) 債務證券總額信貸質素 (續)

(g) Gross debt securities by credit quality (Continued)

債務證券按外在信貸評級機構之評級分析如下：

The debt securities are analysed by external credit assessment institutions' ratings as follows:

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
AA-至 AAA	AA- to AAA	20,182,446	26,390,057
A-至 A+	A- to A+	65,486,661	48,195,236
BBB-至 BBB+	BBB- to BBB+	14,620,056	7,930,538
低於 BBB-	Lower than BBB-	63,953	463,773
無評級	Unrated	3,264,650	2,771,661
		103,617,766	85,751,265

(h) 貸款及其他賬項總額信貸質素

(h) Gross advances and other accounts by credit quality

貸款及其他賬項總額按信貸資產級別分析如下：

The gross advances and other accounts are analysed by credit asset classification as follows:

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二一年 按攤銷成本列賬	2021 At amortised cost				
合格	Pass	162,160,442	31,028,085	5,860	193,194,387
需要關注	Special Mention	6,095	519,728	480,459	1,006,282
次級	Substandard	–	–	636,590	636,590
呆滯	Doubtful	–	–	14,289	14,289
虧損	Loss	–	–	674,662	674,662
賬面總額	Gross carrying amount	162,166,537	31,547,813	1,811,860	195,526,210
以公平價值誌入其他 全面收益	At fair value through other comprehensive income				
合格	Pass	10,491,351	–	–	10,491,351
需要關注	Special Mention	–	–	–	–
次級	Substandard	–	–	–	–
呆滯	Doubtful	–	–	14,388	14,388
虧損	Loss	–	–	–	–
賬面總額	Gross carrying amount	10,491,351	–	14,388	10,505,739

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.1 信貸風險 (續)

4.1 Credit risk (Continued)

(h) 貸款及其他賬項總額信貸質素 (續)

(h) Gross advances and other accounts by credit quality (Continued)

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二〇年 按攤銷成本列賬	2020 At amortised cost				
合格	Pass	170,444,206	17,048,565	–	187,492,771
需要關注	Special Mention	–	234,387	58,430	292,817
次級	Substandard	–	–	321,409	321,409
呆滯	Doubtful	–	–	91,481	91,481
虧損	Loss	–	–	562,924	562,924
賬面總額	Gross carrying amount	170,444,206	17,282,952	1,034,244	188,761,402
以公平價值誌入其他 全面收益	At fair value through other comprehensive income				
合格	Pass	6,862,651	–	–	6,862,651
需要關注	Special Mention	–	–	–	–
次級	Substandard	–	–	–	–
呆滯	Doubtful	–	–	14,305	14,305
虧損	Loss	–	–	–	–
賬面總額	Gross carrying amount	6,862,651	–	14,305	6,876,956
客戶貸款分析如下：	The advances to customers are analysed as follows:				
		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二一年 賬面總額	2021 Gross carrying amount	160,758,168	31,489,690	1,751,990	193,999,848
減值準備	Impairment allowances	(402,881)	(169,769)	(1,087,463)	(1,660,113)
賬面值	Carrying amount	160,355,287	31,319,921	664,527	192,339,735
二〇二〇年 賬面總額	2020 Gross carrying amount	169,238,517	17,240,331	985,602	187,464,450
減值準備	Impairment allowances	(343,312)	(138,187)	(770,690)	(1,252,189)
賬面值	Carrying amount	168,895,205	17,102,144	214,912	186,212,261

財務報表註釋

Notes to the Financial Statements

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.1 信貸風險 (續)

4.1 Credit risk (Continued)

(i) 貸款承諾及金融擔保合約總額信貸質素

(i) Gross loan commitments and financial guarantee contracts by credit quality

貸款承諾及金融擔保合約總額按信貸資產級別分析如下：

The gross loan commitments and financial guarantee contracts are analysed by credit asset classification as follows:

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二一年	2021				
合格	Pass	14,553,992	1,133,635	–	15,687,627
需要關注	Special Mention	–	6,230	–	6,230
次級	Substandard	–	–	1,940	1,940
呆滯	Doubtful	–	–	–	–
虧損	Loss	–	–	–	–
名義總額	Gross notional amount	14,553,992	1,139,865	1,940	15,695,797
二〇二〇年	2020				
合格	Pass	9,847,730	790,131	–	10,637,861
需要關注	Special Mention	–	1,584	–	1,584
次級	Substandard	–	–	2,192	2,192
呆滯	Doubtful	–	–	–	–
虧損	Loss	–	–	–	–
名義總額	Gross notional amount	9,847,730	791,715	2,192	10,641,637

(j) 已修改金融資產

(j) Modified financial assets

截至二〇二一年十二月三十一日止年度，並無已修改而未終止確認之金融資產（二〇二〇年：無）。

There were no modified financial assets not derecognised for the year ended 31 December 2021 (2020: Nil).

(k) 收回資產

(k) Repossessed assets

是年度本集團收回屬擔保之抵押品如下：

During the year, the Group obtained assets by taking possession of collateral held as security, as follows:

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
住宅物業	Residential properties	33,100	20,100
其他	Others	9,300	1,700
		42,400	21,800

4 金融風險管理 (續)

4.1 信貸風險 (續)

(k) 收回資產 (續)

於二〇二一年十二月三十一日，本集團之收回資產為港幣4,500,000元(二〇二〇年：港幣21,800,000元)。

收回物業會在可行的情況下盡快出售，所收款項將用以減低債務結欠。

4.2 市場風險

本集團所承擔之市場風險，乃指由於市場價格變動而引致金融工具之公平價值或未來現金流量改變的風險。市場風險主要源自其對息率、外幣及股權產品等的持倉淨盤，全部都面對一般及特定之市場變更及市場息率或價格如利率、匯率及股票價格等波幅的改變而影響。本集團之市場風險主要源自其持作買賣用途及在銀行賬內之外匯持倉、證券及衍生工具。

(a) 市場風險量度

管理委員會透過制定各項交易限額以管理本集團從不同活動而面對之市場風險。風險乃以合約或名義數值及未償還結餘之基準衡量及監察。該等限額由組合、產品及風險種類，以綜合風險衡量法，包括持倉限額、敏感度限額、風險價值限額及止蝕限額而制定。環球金融市場部監察及管理所有與市場風險有關之交易持倉。獨立監察、檢查、每日按市價估值及確認交易均由其他獨立部門進行。而本集團之稽核部門亦會定時進行審核及檢查，以確保能遵照既定之風險限額進行交易。所有超越限額之項目須由相關之管理階層及管理委員會審核及批准。定期報告由風險管理委員會審核。

本集團亦運用廣泛之壓力測試以極端化之事件來評估市場風險對本集團財務狀況之影響。壓力測試之結果由風險管理委員會審核。

4 Financial risk management (Continued)

4.1 Credit risk (Continued)

(k) Repossessed assets (Continued)

As at 31 December 2021, the repossessed assets of the Group amounted to HK\$4,500,000 (2020: HK\$21,800,000).

Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness.

4.2 Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. The Group's market risk primarily arises from its positions in foreign exchange, securities and derivatives in its trading and banking books.

(a) Market risk measurement

The Group's market risk exposures in different activities are managed by way of limits established by the Management Committee. Exposures are measured and monitored on the basis of contractual or notional amount and outstanding balances. Limits are set by portfolio, product and risk type, using a combination of risk measurement techniques, including position limits, sensitivity limits, VaR limits as well as stop loss limits. All market risk trading positions are monitored and managed by the Global Financial Markets Department. Independent monitoring, checking, daily mark-to-market valuation and trade confirmation are undertaken by departments independent of the Global Financial Markets Department. Regular checking and reviews are also conducted by the Group's internal audit function to ensure compliance with risk limits. All exceptions are reviewed and approved by the appropriate level of management and the Management Committee. Regular reports are reviewed by the Risk Management Committee.

The Group also applies a wide range of stress testing to assess the financial impact of more extreme events on the market risk exposure of the Group. The results of the stress testing are reviewed by the Risk Management Committee.

財務報表註釋

Notes to the Financial Statements

4 金融風險管理 (續)

4.2 市場風險 (續)

(b) 市場風險敏感度分析

(i) 貨幣風險

本集團之貨幣風險主要源自外匯買賣、商業銀行運作及結構性外匯持倉。

於二〇二一年十二月三十一日，如港元兌美元在固定聯繫匯率範圍內下跌／上升0.64% (二〇二〇年：0.64%)，在其他因素不變下，本集團之除稅後溢利將相對地增加／減少港幣29,542,000元 (二〇二〇年：港幣33,851,000元)。與二〇二〇年比較，本集團二〇二一年除稅後溢利之影響有所減少，主要原因是美元持倉淨額有所減少。

如港元兌美元以外的其他貨幣下跌／上升1% (二〇二〇年：1%)，在其他因素不變下，本集團之除稅後溢利將相對地增加／減少港幣81,399,000元 (二〇二〇年：港幣69,361,000元)。與二〇二〇年比較，本集團二〇二一年除稅後溢利之影響有所增加，主要原因是外幣 (除美元外) 持倉淨額有所增加。

(ii) 利率風險

本集團之利率風險主要源自因持有附息資產、負債及資產負債表以外項目在重訂息率時有時間差異而引起。任何利率改變會影響以公平價值誌入損益賬之金融資產及金融負債之價值。本集團使用利率掉期合約以減低定息金融資產及金融負債之利率風險。

於二〇二一年十二月三十一日，如利率於當日上升100點子 (二〇二〇年：100點子)，在其他因素不變下，本集團之除稅後溢利將相對地減少港幣5,953,000元 (二〇二〇年：港幣61,817,000元)，主要由以公平價值誌入損益賬之金融資產及利率合約之公平價值重估所引致。本集團於其他全面收益將相對地減少港幣2,033,225,000元 (二〇二〇年：港幣528,010,000元)，主要由重估以公平價值誌入其他全面收益之金融投資所引致。

4 Financial risk management (Continued)

4.2 Market risk (Continued)

(b) Market risk sensitivity analysis

(i) Currency risk

The Group's currency risk positions mainly arise from foreign exchange dealing, commercial banking operations and structural foreign currency exposures.

At 31 December 2021, if HKD had weakened/strengthened within the pegged range of 0.64% (2020: 0.64%) against USD with all other variables held constant, the Group's profit after taxation for the year would have been HK\$29,542,000 (2020: HK\$33,851,000) higher/lower. The impact on the Group's profit after taxation in 2021 was lower than that in 2020 due to the decrease of net USD positions.

If HKD had weakened/strengthened 1% (2020: 1%) against other currencies except USD with all other variables held constant, the Group's profit after taxation for the year would have been HK\$81,399,000 (2020: HK\$69,361,000) higher/lower. The impact on the Group's profit after taxation in 2021 was higher than that in 2020 due to the increase of net foreign currencies (excluding USD) positions.

(ii) Interest rate risk

The Group's interest rate risk mainly arises from the timing differences in the repricing of interest bearing assets, liabilities and off-balance sheet positions. Any changes in interest rates would affect the value of those financial assets and liabilities carried at fair value. The Group enters into interest rate swaps to mitigate the interest rate risk associated with the fixed-rate financial assets and financial liabilities.

At 31 December 2021, if interest rates at that date had been 100 basis points (2020: 100 basis points) higher with all other variables held constant, the Group's profit after taxation for the year would have been HK\$5,953,000 (2020: HK\$61,817,000) lower, mainly as a result of revaluation of financial assets at fair value through profit or loss and interest rate contracts. The Group's other comprehensive income would have been HK\$2,033,225,000 (2020: HK\$528,010,000) lower due to the revaluation of those financial investments at fair value through other comprehensive income.

4 金融風險管理 (續)

4.2 市場風險 (續)

(b) 市場風險敏感度分析 (續)

(ii) 利率風險 (續)

於二〇二一年十二月三十一日，如利率於當日下跌100點子（二〇二〇年：100點子），在其他因素不變下，本集團之除稅後溢利將相對地增加港幣3,380,000元（二〇二〇年：港幣63,706,000元），主要由以公平價值誌入損益賬之金融資產及利率合約之公平價值重估所引致。本集團於其他全面收益將相對地增加港幣2,024,119,000元（二〇二〇年：港幣512,017,000元），主要由重估以公平價值誌入其他全面收益之金融投資所引致。

本集團就浮息、金融資產及金融負債之現金流量利率風險承擔並不重大。

(iii) 股權風險

本集團之股權風險主要源自持有本港上市及非上市之股權證券。其主要部份乃持作長期投資用途。

於二〇二一年十二月三十一日，如環球股票指數於當日下跌／上升10%（二〇二〇年：10%），在其他因素不變及所有股本工具根據與指數之歷史掛鈎關係變動下，本集團之除稅後溢利將減少／增加港幣1,611,000元（二〇二〇年：港幣5,469,000元）。本集團之其他全面收益將減少／增加港幣26,475,000元（二〇二〇年：港幣17,819,000元）。與二〇二〇年比較，上述變動對本集團二〇二一年除稅後溢利的影響有所減少及其他全面收益的影響有所增加，主要由於所持以公平價值誌入損益賬之證券股權減少及以公平價值誌入其他全面收益之證券股權增加。

(iv) 市場風險收入每日分佈情況

本集團及圍內數間附屬公司於二〇二一年內，從事與市場風險有關活動所賺取之每日平均收入（包括與買賣有關之淨利息收入或其他收入）為港幣915,000元（二〇二〇年：港幣1,746,000元）。該等每日平均收入之標準差為港幣11,232,000元（二〇二〇年：港幣8,656,000元）。

4 Financial risk management (Continued)

4.2 Market risk (Continued)

(b) Market risk sensitivity analysis (Continued)

(ii) Interest rate risk (Continued)

At 31 December 2021, if interest rates at that date had been 100 basis points (2020: 100 basis points) lower with all other variables held constant, the Group's profit after taxation for the year would have been HK\$3,380,000 (2020: HK\$63,706,000) higher, mainly as a result of revaluation of financial assets at fair value through profit or loss and interest rate contracts. The Group's other comprehensive income would have been HK\$2,024,119,000 (2020: HK\$512,017,000) higher due to the revaluation of those financial investments at fair value through other comprehensive income.

The Group's exposures to cash flow interest rate risk arising from variable-rate financial assets and liabilities is insignificant.

(iii) Equity risk

The Group's equity risk position mainly arises from the holdings of both equity securities listed and unlisted in Hong Kong. The majority of this position is held for long term investment purposes.

At 31 December 2021, if the Global equity index at that date had been 10% (2020:10%) lower/higher with all other variables held constant and all the equity instruments had moved according to their historical correlation with the index, the Group's profit after taxation for the year would have been HK\$1,611,000 (2020: HK\$5,469,000) lower/higher, and the Group's other comprehensive income would have been HK\$26,475,000 (2020: HK\$17,819,000) lower/higher. The lower impact on the Group's profit after tax and higher impact on other comprehensive income in 2021 compared with 2020 was mainly attributable to the decrease in holdings of the Group's fair value through profit or loss portfolios and increase in fair value through other comprehensive income portfolios.

(iv) Daily distribution of market risk revenue

The average daily revenue in 2021 earned from market risk-related activities by the Bank and certain subsidiaries, including trading-related net interest income and other revenue was HK\$915,000 (2020: HK\$1,746,000). The standard deviation of this daily revenue was HK\$11,232,000 (2020: HK\$8,656,000).

財務報表註釋

Notes to the Financial Statements

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.2 市場風險 (續)

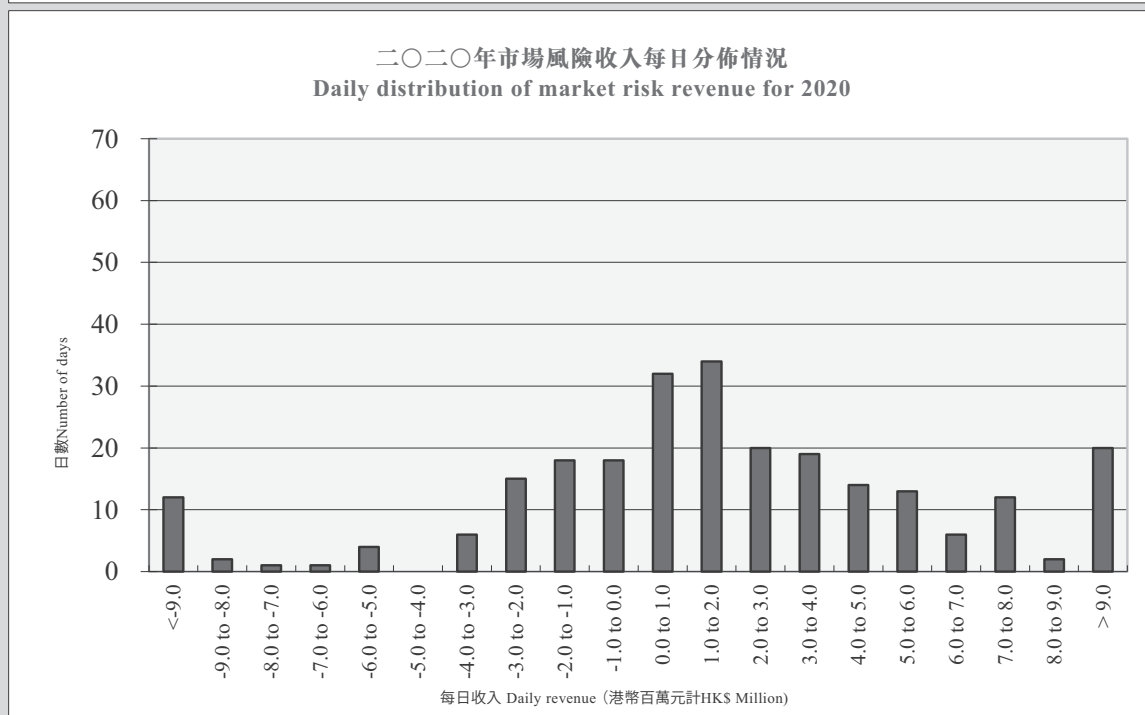
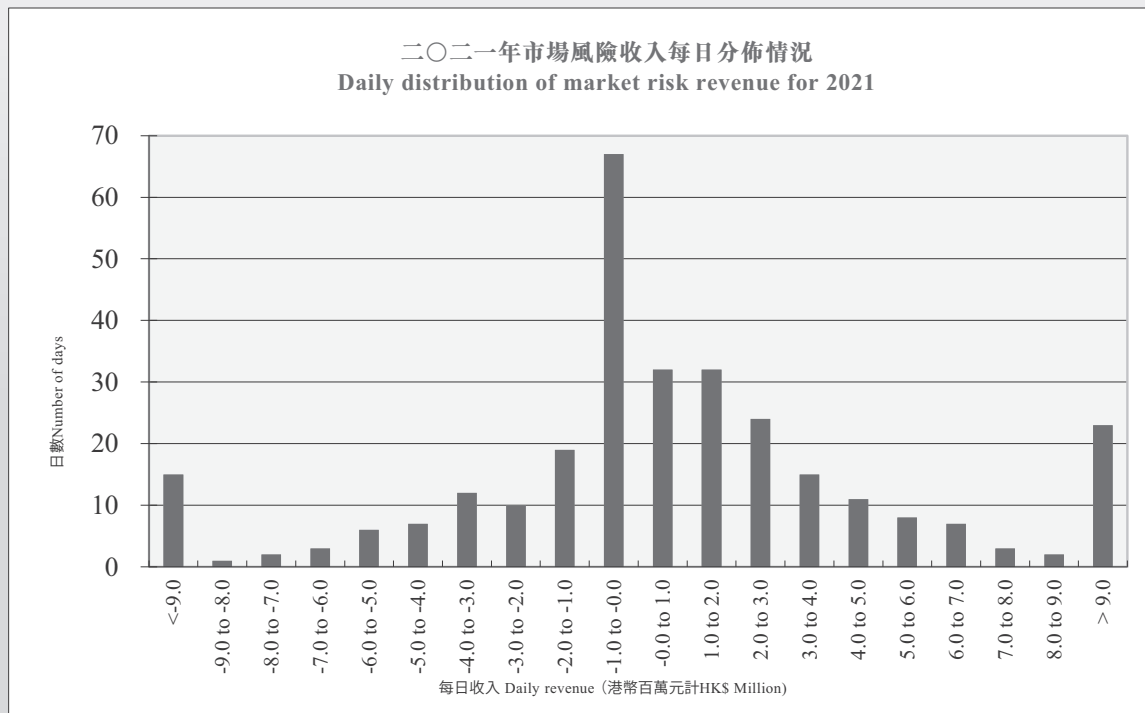
4.2 Market risk (Continued)

(b) 市場風險敏感度分析 (續)

(b) Market risk sensitivity analysis (Continued)

(iv) 市場風險收入每日分佈情況 (續)

(iv) Daily distribution of market risk revenue (Continued)



4 金融風險管理 (續)

4.2 市場風險 (續)

(c) 貨幣風險

現行市場外幣匯率的波動會影響本集團的財務狀況和現金流量。本集團之外匯風險主要包括環球金融市場部之外匯買賣及源自商業銀行業務之外幣持倉風險。

管理委員會以貨幣及總額為基礎，制定隔夜及即日之持倉限額。此等風險每日均由環球金融市場部按管理委員會核定之外匯持倉限額集中管理，並由另一部門獨立監察。

由客戶交易而產生之外匯風險(包括附設在某些客戶存款內之貨幣期權)，一般會與其他客戶交易或市場交易對銷。用以購買港元資產之外匯資金均會採用掉期或遠期貨幣兌換合約對沖外匯風險。

下頁表格概述本集團於十二月三十一日之外幣匯率風險。本集團的資產及負債以貨幣作分類並按其賬面值呈列。資產負債表外之差距乃主要用作管理本集團因市場變動的貨幣風險之外幣衍生金融工具的名義金額淨額。

4 Financial risk management (Continued)

4.2 Market risk (Continued)

(c) Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group's exposures mainly comprise foreign exchange dealing by the Global Financial Markets Department and currency exposures originated by its commercial banking businesses.

The Management Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions. All exposures are centrally managed by the Global Financial Markets Department and independently monitored by a separate department on a daily basis.

Foreign currency exposures arising from customer transactions, including currency options embedded in certain customer deposits, are normally offset against other customer transactions or transactions with the market. Foreign currency funding used to fund Hong Kong dollar assets is hedged using currency swaps or forward exchange contracts to mitigate the foreign exchange risk.

The tables on the following pages summarise the Group's exposure to foreign currency exchange rate risk at 31 December. Included in the tables are the Group's assets and liabilities at carrying amounts, categorised by currency. The off-balance sheet gap represents the net notional amounts of foreign currency derivative financial instruments, which are principally used to manage the Group's exposure to currency movements.

財務報表註釋

Notes to the Financial Statements

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.2 市場風險 (續)

4.2 Market risk (Continued)

(c) 貨幣風險 (續)

(c) Currency risk (Continued)

資產、負債及資產負債表外項目的分佈

Concentration of assets, liabilities and off-balance sheet items

		港元 HKD 港幣千元 HK\$'000	美元 USD 港幣千元 HK\$'000	澳元 AUD 港幣千元 HK\$'000	人民幣 RMB 港幣千元 HK\$'000	其他 Others 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
於二〇二一年十二月三十一日 At 31 December 2021							
資產	Assets						
庫存現金、同業存放及貸款	Cash, balances and placements with and loans and advances to banks	14,397,269	36,710,531	534,594	17,802,618	858,918	70,303,930
衍生金融工具	Derivative financial instruments	503,360	-	-	-	-	503,360
以公平價值計入損益賬之金融資產	Financial assets at fair value through profit or loss	1,370	1,617,930	-	234,742	721,399	2,575,441
證券投資	Investments in securities	19,221,876	33,419,381	4,416,662	44,133,611	1,686,380	102,877,910
貸款及其他賬項	Advances and other accounts	122,604,917	36,320,068	17,794	44,514,165	4,323,979	207,780,923
其他資產	Other assets	4,636,607	73,256	-	285,192	38,097	5,033,152
總資產	Total assets	161,365,399	108,141,166	4,969,050	106,970,328	7,628,773	389,074,716
負債	Liabilities						
同業存款	Deposits and balances from banks	4,258,161	10,722,725	5,064	15,212,083	83,469	30,281,502
交易賬項下之負債	Trading liabilities	-	348,837	-	-	-	348,837
衍生金融工具	Derivative financial instruments	514,382	-	-	-	-	514,382
客戶存款	Deposits from customers	111,338,936	84,884,111	6,748,539	80,539,096	9,550,036	293,060,718
發行之存款證	Certificates of deposit issued	270,000	-	-	-	-	270,000
發行之後償債項	Subordinated debts issued	-	3,115,586	-	-	-	3,115,586
其他負債	Other liabilities	4,828,296	3,182,981	16,768	916,343	106,492	9,050,880
總負債	Total liabilities	121,209,775	102,254,240	6,770,371	96,667,522	9,739,997	336,641,905
資產負債表內持倉淨額	Net on-balance sheet position	40,155,624	5,886,926	(1,801,321)	10,302,806	(2,111,224)	52,432,811
資產負債表外名義持倉淨額	Off-balance sheet net notional position	(2,976,094)	(358,839)	1,832,172	(729,976)	2,255,871	23,134
信貸承擔	Credit commitments	30,671,909	7,737,578	-	6,501,026	805,544	45,716,057

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.2 市場風險 (續)

4.2 Market risk (Continued)

(c) 貨幣風險 (續)

(c) Currency risk (Continued)

資產、負債及資產負債表外項目的分佈
(續)Concentration of assets, liabilities and off-balance sheet items
(Continued)

		港元 HKD 港幣千元 HK\$'000	美元 USD 港幣千元 HK\$'000	澳元 AUD 港幣千元 HK\$'000	人民幣 RMB 港幣千元 HK\$'000	其他 Others 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
於二〇二〇年十二月三十一日 At 31 December 2020							
資產	Assets						
庫存現金、同業存放 及貸款	Cash, balances and placements with and loans and advances to banks	36,199,703	29,032,746	761,139	17,205,945	2,017,477	85,217,010
衍生金融工具	Derivative financial instruments	1,620,404	–	–	–	–	1,620,404
以公平價值計入損益賬之 金融資產	Financial assets at fair value through profit or loss	13,313	2,464,396	–	1,103,594	779,180	4,360,483
證券投資	Investments in securities	23,888,867	27,461,507	5,283,626	23,822,816	2,292,178	82,748,994
貸款及其他賬項	Advances and other accounts	106,590,839	49,967,357	287,345	36,783,305	3,879,525	197,508,371
其他資產	Other assets	4,725,828	84,266	–	3,713,031	48,433	8,571,558
總資產	Total assets	173,038,954	109,010,272	6,332,110	82,628,691	9,016,793	380,026,820
負債	Liabilities						
同業存款	Deposits and balances from banks	6,247,674	15,677,672	382	17,777,735	170,949	39,874,412
交易賬項下之負債	Trading liabilities	154,331	–	–	–	–	154,331
衍生金融工具	Derivative financial instruments	1,284,107	–	–	–	–	1,284,107
客戶存款	Deposits from customers	136,502,844	58,028,456	8,244,759	58,734,075	8,611,724	270,121,858
發行之存款證	Certificates of deposit issued	499,350	6,954,887	–	–	–	7,454,237
發行之後償債項	Subordinated debts issued	–	3,097,196	–	–	–	3,097,196
其他負債	Other liabilities	5,082,674	2,304,669	31,457	794,888	118,068	8,331,756
總負債	Total liabilities	149,770,980	86,062,880	8,276,598	77,306,698	8,900,741	330,317,897
資產負債表內持倉淨額	Net on-balance sheet position	23,267,974	22,947,392	(1,944,488)	5,321,993	116,052	49,708,923
資產負債表外名義持倉淨額	Off-balance sheet net notional position	12,188,294	(16,613,058)	2,020,622	2,875,288	(82,819)	388,327
信貸承擔	Credit commitments	25,894,477	7,906,924	–	8,859,915	248,511	42,909,827

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4 金融風險管理 (續)

4.2 市場風險 (續)

(d) 利率風險

現行市場利率的波動會影響本集團的公平價值利率風險及現金流量利率風險。公平價值利率風險乃指金融工具之價值將隨著市場利率改變而波動的風險。現金流量利率風險乃指金融工具之將來現金流量將隨著市場利率改變而波動的風險。

由於利率變動，息差可能會增加，但若利率出現不可預計的波動，則息差可能會減少或引致虧損。本集團已制定政策及制度以監察其較易受利率影響之倉盤及重定息率淨差距，以確保其在管理委員會所核定之限額以內獲妥善管理。實際持倉額會按月與核定限額作比較並由另一風險管理部門獨立監察。

儘管利率風險管理之主要目的在於限制利率變動對淨利息收入之潛在不利影響，亦可在風險限額內增持利率倉盤以提高收益。

下頁表格概述了本集團的利率風險，並按賬面值列示了本集團的資產及負債，而資產及負債則按重定息日或到期日(以較早者為準)分類。

4 Financial risk management (Continued)

4.2 Market risk (Continued)

(d) Interest rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates in respect of its fair value and cash flow interest rate risks. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest margin may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Group has established policies and systems to monitor its interest-sensitive positions and net repricing gap to ensure that they are all properly managed under the limits approved by the Management Committee. Actual positions are compared with the approved limits and independently monitored by a risk management department.

While the primary objective of interest rate risk management is to limit potential adverse effects of interest rate movements on net interest income, interest rate positions may be taken for yield enhancement within the risk limits.

The tables on the following pages summarise the Group's exposure to interest rate risks. Included in the tables are the Group's assets and liabilities at carrying amount categorised by the earlier of contractual repricing or maturity dates.

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.2 市場風險 (續)

4.2 Market risk (Continued)

(d) 利率風險 (續)

(d) Interest rate risk (Continued)

資產及負債之利率敏感度－重定息率分析

Interest sensitivity of assets and liabilities – repricing analysis

		一個月 或以下 Up to 1 month 港幣千元 HK\$'000	一個月以上 至三個月 1-3 months 港幣千元 HK\$'000	三個月以上 至一年 3-12 months 港幣千元 HK\$'000	一年以上 至五年 1-5 years 港幣千元 HK\$'000	五年以上 Over 5 years 港幣千元 HK\$'000	不計息 Non-interest bearing 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
於二〇二一年十二月三十一日 At 31 December 2021								
資產	Assets							
庫存現金、同業存放 及貸款	Cash, balances and placements with and loans and advances to banks	30,336,170	10,943,806	5,009,993	-	-	24,013,961	70,303,930
衍生金融工具	Derivative financial instruments	-	-	-	-	-	503,360	503,360
以公平價值誌入損益賬之 金融資產	Financial assets at fair value through profit or loss	-	-	862,568	1,075,696	-	637,177	2,575,441
證券投資	Investments in securities	11,062,574	14,703,884	18,510,082	45,542,977	11,859,985	1,198,408	102,877,910
貸款及其他賬項	Advances and other accounts	136,480,920	39,907,461	23,811,489	2,393,935	138,550	5,048,568	207,780,923
其他資產	Other assets	-	-	-	-	-	5,033,152	5,033,152
總資產	Total assets	177,879,664	65,555,151	48,194,132	49,012,608	11,998,535	36,434,626	389,074,716
負債	Liabilities							
同業存款	Deposits and balances from banks	14,674,812	3,720,445	5,092,018	-	-	6,794,227	30,281,502
交易賬項下之負債	Trading liabilities	-	-	-	156,097	192,740	-	348,837
衍生金融工具	Derivative financial instruments	-	-	-	-	-	514,382	514,382
客戶存款	Deposits from customers	186,924,223	48,797,555	33,770,134	5,438,074	-	18,130,732	293,060,718
發行之存款證	Certificates of deposit issued	-	270,000	-	-	-	-	270,000
發行之後償債項	Subordinated debts issued	-	-	3,115,586	-	-	-	3,115,586
其他負債	Other liabilities	300,752	-	-	-	-	8,750,128	9,050,880
總負債	Total liabilities	201,899,787	52,788,000	41,977,738	5,594,171	192,740	34,189,469	336,641,905
利息敏感度差距總額 (未經調整)	Total interest sensitivity gap (unadjusted)	(24,020,123)	12,767,151	6,216,394	43,418,437	11,805,795		
利率衍生工具合約之影響	Effect of interest rate derivatives	(861,488)	2,331,099	(666,656)	(779,828)	-		
利息敏感度差距總額 (經調整)	Total interest sensitivity gap (adjusted)	(24,881,611)	15,098,250	5,549,738	42,638,609	11,805,795		

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Notes to the Financial Statements

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.2 市場風險 (續)

4.2 Market risk (Continued)

(d) 利率風險 (續)

(d) Interest rate risk (Continued)

資產及負債之利率敏感度－重定息率分析 (續)

Interest sensitivity of assets and liabilities – repricing analysis (Continued)

		一個月 或以下 Up to 1 month 港幣千元 HK\$'000	一個月以上 至三個月 1-3 months 港幣千元 HK\$'000	三個月以上 至一年 3-12 months 港幣千元 HK\$'000	一年以上 至五年 1-5 years 港幣千元 HK\$'000	五年以上 Over 5 years 港幣千元 HK\$'000	不計息 Non-interest bearing 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
於二〇二〇年十二月三十一日 At 31 December 2020								
資產	Assets							
庫存現金、同業存放 及貸款	Cash, balances and placements with and loans and advances to banks	30,373,908	13,756,357	9,356,579	–	–	31,730,166	85,217,010
衍生金融工具	Derivative financial instruments	–	–	–	–	–	1,620,404	1,620,404
以公平價值誌入損益賬之 金融資產	Financial assets at fair value through profit or loss	–	–	1,165,600	2,643,430	265,114	286,339	4,360,483
證券投資	Investments in securities	10,421,072	27,769,074	11,526,968	29,247,317	2,687,406	1,097,157	82,748,994
貸款及其他賬項	Advances and other accounts	120,094,022	42,772,187	24,239,405	5,737,319	99,403	4,566,035	197,508,371
其他資產	Other assets	–	–	–	–	–	8,571,558	8,571,558
總資產	Total assets	160,889,002	84,297,618	46,288,552	37,628,066	3,051,923	47,871,659	380,026,820
負債	Liabilities							
同業存款	Deposits and balances from banks	6,099,553	6,622,070	11,656,141	–	–	15,496,648	39,874,412
交易賬項下之負債	Trading liabilities	–	–	–	–	154,331	–	154,331
衍生金融工具	Derivative financial instruments	–	–	–	–	–	1,284,107	1,284,107
客戶存款	Deposits from customers	152,388,081	56,345,812	43,443,952	4,017,365	–	13,926,648	270,121,858
發行之存款證	Certificates of deposit issued	–	7,454,237	–	–	–	–	7,454,237
發行之後償債項	Subordinated debts issued	–	–	–	3,097,196	–	–	3,097,196
其他負債	Other liabilities	896,440	–	–	–	–	7,435,316	8,331,756
總負債	Total liabilities	159,384,074	70,422,119	55,100,093	7,114,561	154,331	38,142,719	330,317,897
利息敏感度差距總額 (未經調整)	Total interest sensitivity gap (unadjusted)	1,504,928	13,875,499	(8,811,541)	30,513,505	2,897,592		
利率衍生工具合約之影響	Effect of interest rate derivatives	762,624	1,178,536	(812,156)	(762,824)	–		
利息敏感度差距總額 (經調整)	Total interest sensitivity gap (adjusted)	2,267,552	15,054,035	(9,623,697)	29,750,681	2,897,592		

4 金融風險管理 (續)

4.3 流動性風險

流動性風險乃指本集團未能於金融負債到期日履行其償還責任，或是客戶提取資金後未能補充資金。此可能會引致資金未能應付存戶提取的需求或貸款未能按承諾發放。本集團每天運用可動用的現金資源，以應付來自隔夜存款、活期賬戶、到期存款、貸款支付、與保證書的需求，以及來自保證金及其他現金結算衍生工具的需求。

(a) 流動性風險管理程序

本集團的流動性風險管理受董事會批准的流動性風險管理政策及原則監管。資產負債管理委員會獲代表董事會的管理委員會授權，負責監察本集團整體的流動性風險管理。資產負債管理委員會制訂管理流動性風險的策略、政策及限額予董事會或管理委員會審批，以及確保有效執行有關策略與政策的措施。資產負債管理委員會定期舉行會議，檢討各方面是否符合所設立的監管架構，以及是否有需要改變策略及政策。資產負債管理部司庫管理團隊負責日常流動資金管理。資產負債管理部流動性風險管理團隊定期監察限額或警報及定期向資產負債管理委員會報告。稽核部會定期作出檢查，確保流動性風險管理功能得以有效執行。

在符合集團的流動性風險管理原則及風險承受能力範圍內，國內及海外分行主責管理當地業務所產生的流動性風險，並由集團的資產負債管理委員會監察。至於內部，集團內融資交易按一般正常交易原則進行，處理方式與其他第三方交易一致，並接受定期監督及適當控制。

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符合法定之流動性比率。為此，本集團有以下之流動資金管理程序：

4 Financial risk management (Continued)

4.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, matured deposits, loan drawdowns and guarantees, and from margin and other calls on cash-settled derivatives.

(a) Liquidity risk management process

The management of the Group's liquidity risk is governed by the liquidity risk management policies and principles as approved by the Board of Directors. The Asset and Liability Management Committee, which is delegated by the Management Committee on behalf of the Board of Directors, is responsible for monitoring the Group's overall liquidity management. The Asset and Liability Management Committee sets the strategy, policy and limits for managing liquidity risk for approval by the Board of Directors or the Management Committee, and the means for ensuring that such strategy and policy are implemented effectively. Regular meeting is held to review the compliance status of the monitoring matrix established and the needs of change in strategy and policy. Daily liquidity management is managed by the Treasury Management Team of Asset and Liability Management Department. The limits, triggers or alerts are monitored by the Liquidity Risk Management Team of Asset and Liability Management Department and reported to the Asset and Liability Management Committee on a regular basis. The Internal Audit Department performs periodic reviews to make sure that the liquidity risk management functions are carried out effectively.

The primary responsibility of managing the mainland and overseas branches liquidity and funding within the Group's framework and risk appetite resides with the mainland and overseas branches, which is monitored by the Asset and Liability Management Committee. Internally, intra-group funding transactions are transacted at arm's length and treated in a manner in line with other third party transactions, with regular monitoring and appropriate control.

The objective of liquidity management is to meet the obligations payable under normal and emergency circumstances, to fund asset growth and to comply with the statutory liquidity ratios. To achieve this, the following liquidity management processes are in place:

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4 金融風險管理 (續)

4.3 流動性風險 (續)

(a) 流動性風險管理程序 (續)

- (i) 定期在正常及壓力情景下估算現金流，利用資產負債錯配淨缺口評估資金需求及作出相應措施。

監控及報告是以計量及估算不同時限之現金流方式進行。時限按一般流動性管理之主要區間劃分，包括翌日、七日及一個月。首先估算金融資產及負債和資產負債表外項目之合約到期日，並且依據過往觀察和利用現金流模型估算該等項目預期到期日。

流動性壓力測試是一種風險管理工具，用以評估當市場或宏觀經濟因素急劇但合理的變化所產生的流動性壓力情況下，銀行可能出現風險暴露的情況。

本行定期進行的壓力測試情景包括個別銀行危機、整體市場危機及綜合危機。各情景均按照監管政策手冊「穩健的流動性風險管理系統及管控措施」(LM-2)內的原則建構。

流動性壓力測試結果是應急融資計劃內其中一個重要的預警指標。本集團會參照流動性壓力測試結果，評估在受壓之市場環境下的流動資金狀況，如情況嚴重，應急融資計劃會因此而被觸發啟動，銀行將按既定計劃執行相應的補救行動；

- (ii) 按照內部及／或監管機構的規定，監控流動性覆蓋比率、穩定資金淨額比率、貸存比率及期限錯配；
- (iii) 藉監控存款組合之結構、穩定性及核心水平，以確保穩健及多元化之資金來源；
- (iv) 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；

4 Financial risk management (Continued)

4.3 Liquidity risk (Continued)

(a) Liquidity risk management process (Continued)

- (i) Projecting cash flows under normal and various stress scenarios regularly, using the net mismatch gap between assets and liabilities to estimate the prospective net funding requirement and formulate the corresponding actions.

The monitoring and reporting take the forms of cash flow measurements and projections for different time horizons, including next day, seven days and one month, which are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial assets and liabilities and off-balance sheet items as well as the expected maturity of these items based on historical observations and cash flow models.

Liquidity stress testing is a risk management tool for estimating risk exposure under stressed conditions arising from extreme but plausible market or macroeconomic movements.

Different stress testing scenarios, namely an institution specific crisis, a general market crisis and combined crisis, are performed on a regular basis in accordance with the principles stated in Supervisory Policy Manual “Sound Systems and Controls for Liquidity Risk Management” (LM-2).

The stress testing result is also one of the most important early warning indicators under contingency funding plan. With reference to the stress testing results, the Group identifies potential vulnerabilities on its liquidity position under stressed market conditions. If the impact is severe enough and triggers the plan, the Bank will deal with such liquidity problems in accordance with the formulated contingency funding plan that sets out remedial actions;

- (ii) Monitoring the liquidity coverage ratio, net stable funding ratio, loan to deposit ratio and maturity mismatch ratio against internal and/or regulatory requirements;
- (iii) Ensuring a sound and diversified range of funding sources, through monitoring the structure, the stability and the core level of the deposit portfolio;
- (iv) Projecting a high-level funding requirement and funding structure during the annual budget process to ensure sufficient funding and an appropriate funding mix;

4 金融風險管理 (續)**4 Financial risk management (Continued)****4.3 流動性風險 (續)****4.3 Liquidity risk (Continued)****(a) 流動性風險管理程序 (續)****(a) Liquidity risk management process (Continued)**

- (v) 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；
- (vi) 為應付無法預測之資金需求，本集團持有即使在受壓期間仍可以隨時出售或作抵押的優質流動資產。該等投資信貸質素良好，具備足夠市場深度及高流動性，以確保能在經審慎釐定的限額內符合短期資金需要。第一級優質流動資產包括現金、存放於中央銀行及高質素中央政府及中央銀行之債務證券，第二級優質流動資產則包括其他具投資評級之公司債務證券。

- (v) Conducting liquidity risk assessment before launching a new product;
- (vi) Maintaining high-quality liquid assets (“HQLA”) which can be sold or pledged as collateral to provide liquidity even under periods of stress. The Group invests in good credit quality investments with deep and liquid market to ensure short term funding requirements are covered within prudent limits. Level 1 assets comprise cash, balances with central bank and high quality central government and central bank securities, while Level 2 assets comprise corporate securities of investment grade.

下表列出本集團的優質流動資產 (未經扣減前) 金額：

The table below shows the balances (before assumed haircuts) of HQLA of the Group:

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
第一級	Level 1	67,213,161	63,122,072
第二級	Level 2	4,916,568	5,669,199
		72,129,729	68,791,271

優質流動資產組合中所持有的全部資產均無產權負擔；

All assets held as HQLA are unencumbered;

- (vii) 持續維持進入資金市場進行籌資的能力；
- (viii) 維持應急融資計劃。集團運用預警指標 (包括內部及市場指標)，配合壓力測試的情景和假設的結果，以監察內部及外部因素。假如有任何跡象顯示本集團流動資金狀況出現重大影響，由集團行政總裁主持的危機管理委員會將負責處理危機。按政策描述採取相應行動，盡量將業務受到的不利影響減至最低。本集團亦會定期檢討及更新該計劃內容。

- (vii) Maintaining access to the interbank money market to activate facilities;
- (viii) Maintaining a contingency funding plan. The Group will utilise early warning indicators (including both internal and market indicators), and integrate with the results of the scenarios and assumptions used in the stress test to monitor both internal and external factors. Should there be any signs of significant impact on the Group’s liquidity position, the Crisis Management Team, which is chaired by the Group’s Chief Executive Officer, will take charge to handle the crisis. Corresponding actions as laid down in the policy will be taken in the event of a stress crisis, so as to minimise adverse long-term implications for business. The plan is also subject to review and update on a regular basis.

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4 金融風險管理 (續)

4.3 流動性風險 (續)

(b) 到期分析

下列表格按結算日至合約到期日餘下期間分析本集團之資產與負債。分析內之保險負債乃根據於結算日已確認之保險負債估計淨現金流出日分類。

4 Financial risk management (Continued)

4.3 Liquidity risk (Continued)

(b) Maturity analysis

The tables below analyse the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The analysis in respect of insurance liabilities is based on the estimated timing of net cash outflows resulting from recognised insurance liabilities at the end of the reporting period.

		即時償還 Repayable on demand 港幣千元 HK\$'000	一個月 或以下 Up to 1 month 港幣千元 HK\$'000	一個月以上 至三個月 1-3 months 港幣千元 HK\$'000	三個月以上 至一年 3-12 months 港幣千元 HK\$'000	一年以上 至五年 1-5 years 港幣千元 HK\$'000	五年以上 Over 5 years 港幣千元 HK\$'000	無註明 日期 Undated 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
於二〇二一年 十二月三十一日	At 31 December 2021								
資產	Assets								
庫存現金、同業存放 及貸款	Cash, balances and placements with and loans and advances to banks	33,390,163	20,259,190	10,956,482	5,011,030	-	-	687,065	70,303,930
衍生金融工具	Derivative financial instruments	503,360	-	-	-	-	-	-	503,360
以公平價值計入損益賬之 金融資產	Financial assets at fair value through profit or loss	-	-	-	862,568	1,075,696	-	637,177	2,575,441
證券投資	Investments in securities	-	7,911,996	9,790,801	21,880,497	50,236,223	11,859,985	1,198,408	102,877,910
貸款及其他賬項	Advances and other accounts	26,837,121	24,187,775	20,846,852	47,845,745	67,616,944	18,471,930	1,974,556	207,780,923
其他資產	Other assets	-	-	-	12,429	-	51,475	4,969,248	5,033,152
總資產	Total assets	60,730,644	52,358,961	41,594,135	75,612,269	118,928,863	30,383,390	9,466,454	389,074,716
負債	Liabilities								
同業存款	Deposits and balances from banks	6,794,227	14,674,812	3,720,445	5,092,018	-	-	-	30,281,502
交易賬項下之負債	Trading liabilities	-	-	-	-	156,097	192,740	-	348,837
衍生金融工具	Derivative financial instruments	514,382	-	-	-	-	-	-	514,382
客戶存款	Deposits from customers	170,471,545	34,290,099	49,090,862	33,770,138	5,438,074	-	-	293,060,718
發行之存款證	Certificates of deposit issued	-	-	270,000	-	-	-	-	270,000
發行之後償債項	Subordinated debts issued	-	-	-	-	-	3,115,586	-	3,115,586
其他負債	Other liabilities	3,835,994	1,166,611	646,830	1,759,490	1,625,398	11,099	5,458	9,050,880
- 其中：租賃負債	- of which: Lease liabilities	-	10,065	20,025	71,988	175,613	-	-	277,691
總負債	Total liabilities	181,616,148	50,131,522	53,728,137	40,621,646	7,219,569	3,319,425	5,458	336,641,905
流動資金差距淨額	Net liquidity gap	(120,885,504)	2,227,439	(12,134,002)	34,990,623	111,709,294	27,063,965	9,460,996	52,432,811

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.3 流動性風險 (續)

4.3 Liquidity risk (Continued)

(b) 到期分析 (續)

(b) Maturity analysis (Continued)

		即時償還 Repayable on demand 港幣千元 HK\$'000	一個月 或以下 Up to 1 month 港幣千元 HK\$'000	一個月以上 至三個月 1-3 months 港幣千元 HK\$'000	三個月以上 至一年 3-12 months 港幣千元 HK\$'000	一年以上 至五年 1-5 years 港幣千元 HK\$'000	五年以上 Over 5 years 港幣千元 HK\$'000	無註明 日期 Undated 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
於二〇二〇年 十二月三十一日	At 31 December 2020								
資產	Assets								
庫存現金、同業存放 及貸款	Cash, balances and placements with and loans and advances to banks	49,394,508	12,231,806	13,756,144	9,356,828	–	–	477,724	85,217,010
衍生金融工具	Derivative financial instruments	1,620,404	–	–	–	–	–	–	1,620,404
以公平價值誌入損益賬之 金融資產	Financial assets at fair value through profit or loss	–	–	–	1,165,600	2,643,430	265,114	286,339	4,360,483
證券投資	Investments in securities	–	4,123,419	18,276,654	17,363,656	39,200,702	2,687,406	1,097,157	82,748,994
貸款及其他賬項	Advances and other accounts	15,351,638	12,158,876	22,053,089	55,837,422	70,707,233	17,363,856	4,034,257	197,508,371
其他資產	Other assets	–	–	–	14,956	–	46,746	8,509,856	8,571,558
總資產	Total assets	66,366,550	28,514,101	54,087,887	83,738,462	112,551,365	20,363,122	14,405,333	380,026,820
負債	Liabilities								
同業存款	Deposits and balances from banks	15,575,031	6,021,171	6,622,069	11,656,141	–	–	–	39,874,412
交易賬項下之負債	Trading liabilities	–	–	–	–	–	154,331	–	154,331
衍生金融工具	Derivative financial instruments	1,284,107	–	–	–	–	–	–	1,284,107
客戶存款	Deposits from customers	124,120,947	42,193,782	56,345,812	43,443,952	4,017,365	–	–	270,121,858
發行之存款證	Certificates of deposit issued	–	–	7,454,237	–	–	–	–	7,454,237
發行之後償債項	Subordinated debts issued	–	–	–	–	–	3,097,196	–	3,097,196
其他負債	Other liabilities	988,364	2,412,483	706,258	2,516,969	1,299,664	12,091	395,927	8,331,756
– 其中：租賃負債	– of which: Lease liabilities	–	10,397	20,954	78,216	168,242	4,151	–	281,960
總負債	Total liabilities	141,968,449	50,627,436	71,128,376	57,617,062	5,317,029	3,263,618	395,927	330,317,897
流動資金差距淨額	Net liquidity gap	(75,601,899)	(22,113,335)	(17,040,489)	26,121,400	107,234,336	17,099,504	14,009,406	49,708,923

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Notes to the Financial Statements

4 金融風險管理 (續)

4.3 流動性風險 (續)

(b) 到期分析 (續)

資產與負債的到期日和利率的匹配和受控下的錯配對本集團的管理至關重要。由於所敝做的業務期限經常不確定，且類型也不盡相同，因此要達到完全匹配情況並不普遍。不匹配的情況既可能提高盈利能力，也可能增加虧損風險。

資產與負債的到期日匹配和以可接受的成本獲得資金，取代到期計息負債的能力，是評估本集團流動資金狀況及其利率和外匯變動風險的重要因素。

應付保證書和信用證項下所需款項的流動資金需求遠少於承諾的金額，因此本集團一般不預期第三者會根據該等協議動用有關資金。由於很多信貸承諾在毋須動用資金下已告屆滿或終止，因此提供信貸承擔的尚未償付合同總金額未必等同日後的現金需求。

(c) 合約到期日之未折現現金流量

下頁表格分析本集團於結算日至合約到期日的非衍生金融負債和衍生金融負債按剩餘到期日的現金流出金額，而保險負債則按淨現金流出的估計日期分類。鑑於本集團乃根據預測的未經折現現金流量來管理內在流動性風險，在表格內所披露之數據為協定之未經折現的現金流量。

4 Financial risk management (Continued)

4.3 Liquidity risk (Continued)

(b) Maturity analysis (Continued)

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Group. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and currency risks.

Liquidity requirements to support calls under guarantees and standby letters of credit are generally less than the amount of the commitment. In this regard, the Group does not expect the third party would fully draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

(c) Undiscounted cash flows by contractual maturities

The tables on the following pages analyse the cash flow payable by the Group in respect of non-derivative financial liabilities and derivative financial instruments by remaining contractual maturities, and by estimated timing of net cash outflow for insurance liabilities at the end of the reporting period. The amounts disclosed in the tables are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash flows.

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.3 流動性風險 (續)

4.3 Liquidity risk (Continued)

(c) 合約到期日之未折現現金流量 (續)

(c) Undiscounted cash flows by contractual maturities (Continued)

		即時償還	一個月 或以下	一個月以上 至三個月	三個月以上 至一年	一年以上 至五年	五年以上	無註明 日期	合計
		Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於二〇二一年 十二月三十一日	At 31 December 2021								
非衍生現金流量負債	Non-derivative cash flow liabilities								
同業存款	Deposits and balances from banks	6,794,228	14,694,824	3,794,273	5,216,808	-	-	-	30,500,133
交易賬項下之負債	Trading liabilities	-	-	-	4,629	174,448	208,314	-	387,391
客戶存款	Deposits from customers	170,482,677	34,394,060	49,448,390	34,266,733	5,659,694	-	-	294,251,554
發行之存款證	Certificates of deposit issued	-	-	271,148	-	-	-	-	271,148
發行之後償債項	Subordinated debts issued	-	-	-	116,948	467,793	3,235,568	-	3,820,309
其他負債	Other liabilities	3,835,994	1,166,634	646,943	1,760,796	1,612,708	11,099	5,458	9,039,632
– 其中：租賃負債	– of which: Lease liabilities	-	10,087	20,139	73,294	162,923	-	-	266,443
衍生現金流量	Derivative cash flow								
衍生金融工具	Derivative financial instruments	-	21,422,562	10,726,424	22,039,069	8,492	-	-	54,196,547
		181,112,899	71,678,080	64,887,178	63,404,983	7,923,135	3,454,981	5,458	392,466,714
於二〇二〇年 十二月三十一日	At 31 December 2020								
非衍生現金流量負債	Non-derivative cash flow liabilities								
同業存款	Deposits and balances from banks	15,575,032	6,072,036	6,709,444	11,906,308	-	-	-	40,262,820
交易賬項下之負債	Trading liabilities	-	-	-	1,356	5,426	161,816	-	168,598
客戶存款	Deposits from customers	124,121,933	42,351,878	56,718,887	43,941,182	4,143,060	-	-	271,276,940
發行之存款證	Certificates of deposit issued	-	-	7,482,335	-	-	-	-	7,482,335
發行之後償債項	Subordinated debts issued	-	-	-	116,275	465,099	3,333,210	-	3,914,584
其他負債	Other liabilities	988,364	2,412,510	706,393	2,518,561	1,315,022	12,650	395,927	8,349,427
– 其中：租賃負債	– of which: Lease liabilities	-	10,424	21,089	79,808	183,600	4,710	-	299,631
衍生現金流量	Derivative cash flow								
衍生金融工具	Derivative financial instruments	-	12,873,690	13,078,391	37,852,655	36,399	-	-	63,841,135
		140,685,329	63,710,114	84,695,450	96,336,337	5,965,006	3,507,676	395,927	395,295,839

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Notes to the Financial Statements

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.3 流動性風險 (續)

4.3 Liquidity risk (Continued)

(d) 資產負債表以外項目

(d) Off-balance sheet items

		一年或以下 Not later than 1 year 港幣千元 HK\$'000	一年以上 至五年 1-5 years 港幣千元 HK\$'000	五年以上 Over 5 years 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
於二〇二一年 十二月三十一日	At 31 December 2021				
放款承擔	Loan commitments	40,825,066	–	–	40,825,066
擔保書及其他 金融額度	Guarantees and other financial facilities				
– 擔保書及備用 信用狀	– Guarantees and standby letters of credit	3,213,934	–	–	3,213,934
– 跟單及商業 信用狀	– Documentary and commercial letters of credit	1,677,057	–	–	1,677,057
資本承擔	Capital commitments	203,323	–	–	203,323
		45,919,380	–	–	45,919,380
於二〇二〇年 十二月三十一日	At 31 December 2020				
放款承擔	Loan commitments	38,501,621	–	–	38,501,621
擔保書及其他 金融額度	Guarantees and other financial facilities				
– 擔保書及備用 信用狀	– Guarantees and standby letters of credit	3,067,790	–	–	3,067,790
– 跟單及商業 信用狀	– Documentary and commercial letters of credit	1,340,416	–	–	1,340,416
資本承擔	Capital commitments	144,221	–	–	144,221
		43,054,048	–	–	43,054,048

4 金融風險管理 (續)

4.4 營運風險管理

營運風險指因內部程序不完善或失效、人為過失、系統故障或由外來事故引致損失的風險。

本集團訂立營運風險管理架構以識別、量度、監控及控制營運風險。由董事會核准之營運風險管理政策，已界定各委員會、業務單位及支援部門的職責，以多樣工具包括自我控制評估、營運事件管理及以主要風險指標來促進對營運風險的量度及評估。本集團亦依靠各營業單位的內部監控機制，加上內部審核環節管理及控制營運風險。

本集團之內部監控系統乃由建立完善之組織架構、詳盡的政策及標準所組成。董事會所期望之職能、責任及誠信已清楚地列明於政策文件上。每個業務及操作單位的權限及責任亦清楚列明，確保有足夠之查核及平衡。內部監控機程序包括風險評估、職能分工、使用權限、培訓及定期核實以及核對交易及賬戶之資料。

風險評估範圍亦包括外判、新產品及新系統之履行。持續業務計劃之訂立，減低系統故障、社會動亂或自然災害對業務運作之影響及干擾。此外，本集團已購有足夠的保險以覆蓋合理程度的營運風險。本集團以同業做法及監管要求為作法標準。

風險管理委員會負責定期對營運風險情況進行檢討，本集團之內部稽核功能在營運風險架構裏亦十分重要。透過對所有業務及操作功能的定期及深入的審核，為董事會提供客觀證據，確保穩健內部監控系統的維持及操作已依從既定的程序及準則。

4 Financial risk management (Continued)

4.4 Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

The Group has established an operational risk management framework to identify, measure, monitor and control operational risk. The Policy on Operational Risk Management, approved by the Board of Directors, defines responsibilities of various committees, business units and supporting departments and encompasses various tools including control self-assessment, operational incident management and key risk indicators to facilitate measurement and assessment of operational risk. The Group also relies on internal control mechanisms within the business lines, supplemented by the internal audit function to manage and control operational risk.

The internal control system of the Group comprises a well-established organisational structure and comprehensive policies and standards. The Board's expectations regarding duty, responsibility and integrity are clearly spelled out in formal policy statements. The lines of authority and responsibilities of each business and operational unit have been clearly defined to ensure adequate checks and balances. Procedures including risk assessments, segregation of duties, use of limits, training and regular verification and reconciliation of transactions and accounts are used in the internal control mechanism.

Risk assessment will be conducted on the outsourcing services, new products and new systems implementation. Business continuity plans are in place to mitigate the impact and interruptions to business activities caused by system failure, social disorder or natural disaster. Adequate insurance is acquired to cover a reasonable extent of operational risk. The Group benchmarks practices against peers, and regulatory requirements.

The Risk Management Committee is responsible for regular review of the operational risk profile and the Group's internal audit function plays an important role in the Group's operational risk framework. It provides an objective assurance to the Board that a sound internal control system is maintained and operated in compliance with the established processes and standards through regular and comprehensive audits on all business and operational functions.

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4 金融風險管理 (續)

4.5 資本管理

本集團對資本管理之目的如下：

- 遵從《銀行業(資本)規則》的資本要求；
- 保證本集團之持續營運能力可以持續提供股東之回報及其他外在關係者之利益；
- 維持本集團之穩定及發展；及
- 維持強大資本基礎以支持業務發展。

香港《銀行業條例》要求各銀行或銀行集團維持法定資本對風險比重資產的比率在一定的水平。本集團之附屬公司亦需符合其他法定機構包括證券及期貨事務監察委員會和保險業監管局之法定資本要求。

風險比重資產乃根據《銀行業(資本)規則》所規定的風險比重等級制度而計算，是根據每一資產及交易對手之性質及其聯繫著的估計信貸、市場及其他風險，並已考慮合格的抵押品及擔保在內。資產負債表以外之風險計算類同，再加上一些調整以反映其為或然之損失。

本集團之管理層須定期監控資本足夠與否及資本的用途。本集團引用內部訂立的資本充足觸發比率作為資本充足管理之指標，該比率較最低法定資本充足比率為高。除此之外，本集團亦會對新產品、新投資及其他重要交易評估其對資本充足比率之影響。

截至二〇二一年及二〇二〇年十二月三十一日之年度內，本集團及其個別受其他法定機構監管之附屬公司已符合所有外界資本要求及較香港金融管理局所訂定之最低資本要求比率為高。

4 Financial risk management (Continued)

4.5 Capital management

The Group's objectives when managing capital are as follows:

- To comply with the capital requirements under the Banking (Capital) Rules;
- 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;
- To support the Group's stability and growth; and
- To maintain a strong capital base to support the development of its business.

The Hong Kong Banking Ordinance requires each bank or banking group to maintain a prescribed ratio of regulatory capital to total risk-weighted assets. Subsidiaries of the Group are also subject to statutory capital requirements from other regulatory authorities, including the Securities and Futures Commission and Insurance Authority.

The risk-weighted assets are measured by means of a hierarchy of risk weights as defined in the Banking (Capital) Rules according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposures, with some adjustments to reflect the more contingent nature of the potential losses.

Capital adequacy and the use of capital are monitored on a regular basis by the Group's management. The Group applies an internal trigger capital adequacy ratio which is well above the minimum statutory requirement as an indicator for managing the capital adequacy. In addition, the Group will assess the impact on its capital adequacy ratio when there are new products, new investments or any significant transactions.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the years ended 31 December 2021 and 2020 and are well above the minimum required ratios set by the Hong Kong Monetary Authority.

4 金融風險管理 (續)

4.6 金融資產及負債之公平價值

在市場上交易活躍的金融工具，其公平價值乃根據結算當日市場價格而計算。本集團持有之金融資產以市場買價為市值報價；而金融負債則以市場賣價作為合適之市值報價。

未有在活躍市場上交易的金融工具，其公平價值乃透過運用估值方法來決定。該等方法包括淨現值及折算現金流量模型、對比類似工具的市場價值、Black-Scholes期權定價模型及其他估值模型。估值方法運用的投入數據包括無風險及參照利率、信用利差及其他用以估算折現率的風險差價、外幣匯率、債券及股票價格、價格波動及相互關係。

對缺乏活躍市場的債券及衍生工具進行估值時，本集團僅運用可觀察的市場數據。上市的債券、交易所買賣衍生工具及場外衍生工具的可觀察價格及投入數據通常可在市場獲取，但其可用程度受金融市場的特定事件及整體情況導致的變化所影響。

當未能獲取可觀察價格或投入數據，本集團運用未可觀察但以市場價格、利率或假設推導的數據進行估值。涉及以重大無法觀察數據估值的金融工具包括非上市的股權證券及缺乏活躍市場之股權投資基金。選用適當的估值模型、預期金融工具帶來的未來現金流量及決定適用的折現率均須管理層的判斷及估計。

4 Financial risk management (Continued)

4.6 Fair value of financial assets and liabilities

The fair value of financial instruments traded in an active market is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. They include net present value and discounted cash flow models, comparison to similar instruments for which market prices exist, Black-Scholes option pricing models and other valuation models. Inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other risk premiums used in estimating discount rates, foreign currency exchange rates, bond and equity prices, price volatilities and correlations.

The Group uses valuation models that use only observable market data for determining the fair value of debt securities and derivatives for which there is no active market. Observable prices and model inputs are usually available in the market for listed debt securities, exchange traded derivatives and over-the-counter derivatives. Availability of observable prices and model inputs is prone to changes as a result of specific events and general conditions in the financial markets.

When observable prices and model inputs are not available, the Group uses valuation models of which the inputs may not be observable in the market but are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include unlisted equity securities and investment fund for which there is no active market. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates.

財務報表註釋

Notes to the Financial Statements

4 金融風險管理 (續)

4.6 金融資產及負債之公平價值 (續)

未於本集團財務狀況表內按公平價值呈列之金融資產及負債之公平價值估計如下：

(a) 同業存放及貸款

存放同業的浮息存款和隔夜錢存款的公平價值即其賬面值。固定利率存款(存款期通常少於一年)的估計公平價值,是基於貼現現金流量按具同類信貸風險和剩餘到期日債務的通行貨幣市場利率計算。因此,公平價值約等於其賬面值。

(b) 貸款及其他賬項

貸款及其他賬項在扣除減值撥備後列賬。除小部份外,絕大部份客戶貸款均以浮動利率計息。本集團計算客戶貸款及商業票據之公平價值時已考慮相關之市場利率,並注意到公平價值總額與賬面值總額並無重大差別。

(c) 同業存款及客戶存款

同業存款及客戶存款(未註明到期日,包括不帶利息之存款)的估計公平價值為即時償還的金額。該等浮息結餘的公平價值即其賬面值。

定息同業存款及客戶存款而無市場報價,其估計公平價值是基於貼現現金流量按具同類剩餘到期日的新債務利率計算。由於該等結餘期限通常少於一年,其公平價值約等於其賬面值。

(d) 發行之存款證及資本工具

發行之存款證及資本工具公平價值乃根據市場上公開報價。若未能得到公開報價,以類似其尚餘年期之近期交易所用的息率以貼現現金模式計算其公平價值。本集團計算發行之存款證及資本工具之公平價值時已考慮相關之市場利率,並注意到公平價值總額與賬面值總額並無重大差別。

4 Financial risk management (Continued)

4.6 Fair value of financial assets and liabilities (Continued)

The fair values of financial assets and liabilities not presented at fair value in the Group's statement of financial position are estimated as follows:

(a) Balances and placements with and loans and advances to banks

The fair value of floating rate placements and overnight deposits is their carrying amounts. The estimated fair value of fixed interest bearing deposits, which is normally less than one year, is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity. Therefore the fair value is approximately equal to its carrying value.

(b) Advances and other accounts

Advances and other accounts are net of allowances for impairment. All except a very insignificant portion of loans and advances to customers bear interest at a floating rate. The Group has assessed the fair value of advances to customers and trade bills, after taking into account the relevant market interest rates and noted that the total fair value is not materially different from the total carrying value.

(c) Deposits and balances from banks and customers

The estimated fair value of deposits and balances with no stated maturity, which include non-interest bearing deposits, is the amount repayable on demand. The fair value of those balances bearing interest at a floating rate is their carrying value.

The estimated fair value of fixed interest-bearing deposits from banks and deposits from customers without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. As they are normally less than one year, their fair values are approximately equal to their carrying values.

(d) Certificates of deposit and capital instruments

The fair value of certificates of deposit and capital instruments issued is based on quoted market prices. For those where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity. The Group has assessed the fair value of certificates of deposit and capital instruments issued after taking into account the relevant yield curve and noted that the total fair value is not materially different from the total carrying value.

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.6 金融資產及負債之公平價值 (續)

4.6 Fair value of financial assets and liabilities (Continued)

(e) 其他賬項及預提

(e) Other accounts and accruals

其他賬項及預提一般為不帶有利息之結餘。因此，其公平價值為其賬面值。

The estimated fair value of other accounts and accruals, which are normally non-interest bearing balances, is their carrying value.

除上述綜合財務狀況表項目外，下表概述未於本集團綜合財務狀況表內按公平價值呈列的有關金融資產和負債的賬面值和概約公平價值。

Except for the above consolidated statement of financial position items, the following table summarises the carrying amounts and fair values of other financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair value.

管理層認為在綜合財務報表中確認的金融資產及負債的賬面值與其公平價值相若。

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

		賬面值		公平價值	
		Carrying value		Fair value	
		二〇二一	二〇二〇	二〇二一	二〇二〇
		2021	2020	2021	2020
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
金融資產	Financial assets				
按攤銷成本列賬之	Financial investments at				
金融投資	amortised cost	925,873	1,725,694	915,492	1,731,240

下列表格對期末非以公平價值列賬的金融工具，按其身處公平價值的層次作出分析：

The tables below analyse financial instruments not carried at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value treatment is categorised:

		金融資產	
		Financial assets	
		按攤銷成本列賬之金融投資	
		Financial investments at amortised cost	
		二〇二一	二〇二〇
		2021	2020
		港幣千元	港幣千元
		HK\$'000	HK\$'000
第一層	Level 1	651,812	1,294,193
第二層	Level 2	274,061	423,073
第三層	Level 3	-	8,428
		925,873	1,725,694

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Notes to the Financial Statements

4 金融風險管理 (續)

4.6 金融資產及負債之公平價值 (續)

香港財務報告準則第13號規定了估值方法的層級制度是根據估價方法之投入數據是可觀察到或無法觀察到。可觀察的投入數據反映市場資訊從獨立的來源獲得；不可觀察的投入數據反映了本集團對市場的預期。這兩種投入數據產生了下列公平價值的層級：

- 第1層 – 參考同一工具於活躍市場取得的市場報價 (未經調整)。
- 第2層 – 根據可觀察的直接 (如報價) 或間接 (如由報價所推算) 投入數據之估值模式。此層次估值的工具包括以下方式：就相若工具在活躍市場所取得的市場報價；就同一或相若工具在非活躍市場取得的市場報價；或其他估值模式，而該等估值模式所用的投入數據，是可直接或間接從市場觀察所得的數據。
- 第3層 – 根據重要但非可觀察得到的投入數據之估值模式。此層次估值的工具，其估值模式所投入之數據並非根據可觀察的數據，惟該等非可觀察的數據可以對估值產生重大影響。此層次估值的工具，也包括在活躍市場所取得的相若金融工具之市場報價，惟當中需要作出重要的非可觀察之調整或假設，以反映不同金融工具之間的差別。

這層次制度須應用到可觀察的市場數據。本集團在許可的情況下考慮有關及可觀察的市場價格用於估值上。

由於特定證券的投資市場環境變化，在活躍市場中無法再查到該證券的公開報價。但根據可觀察的市場參數，有足夠的信息來衡量這些證券的公平價值。本集團於二〇二一年十二月三十一日將港幣3,859,577,000元 (二〇二〇年：港幣1,753,472,000元) 證券從公平價值層級的第一層轉入第二層。

由於特定證券的投資市場環境變化，在活躍市場中查到該證券的公開報價。本集團於二〇二一年十二月三十一日將港幣4,425,852,000元 (二〇二〇年：港幣731,312,000元) 證券從公平價值層級的第二層轉入第一層。

4 Financial risk management (Continued)

4.6 Fair value of financial assets and liabilities (Continued)

HKFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2 – Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

Due to changes in market conditions for certain securities, quoted prices in active markets were not available to reflect all appropriate risks for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities were transferred from Level 1 to Level 2 of the fair value hierarchy and amounted to HK\$3,859,577,000 at 31 December 2021 (2020: HK\$1,753,472,000).

Due to changes in market conditions for certain securities, quoted prices in active market became available for these securities. Therefore, these securities were transferred from Level 2 to Level 1 of the fair value hierarchy and amounted to HK\$4,425,852,000 at 31 December 2021 (2020: HK\$731,312,000).

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.6 金融資產及負債之公平價值 (續)

4.6 Fair value of financial assets and liabilities (Continued)

本集團於公平價值層級間之轉移在其發生的報告期末予以確認。

The Group recognises transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

下列表格對期末以公平價值進行經常性計量的金融工具，按其身處公平價值的層次作出分析：

The tables below analyse financial instruments, measured at fair value on a recurring basis at the end of the reporting period, by the level in the fair value hierarchy into which the fair value treatment is categorised:

		第一層 Level 1 港幣千元 HK\$'000	第二層 Level 2 港幣千元 HK\$'000	第三層 Level 3 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二一年	2021				
資產	Assets				
衍生金融工具	Derivative financial instruments	–	503,360	–	503,360
規定以公平價值誌入損益賬之金融資產：	Financial assets mandatorily measured at fair value through profit or loss:				
– 債務證券	– Debt securities	1,019,274	211,677	–	1,230,951
– 股權證券及投資基金	– Equity securities and investment fund	477,187	140,288	19,702	637,177
指定以公平價值誌入損益賬之金融資產：	Financial assets designated at fair value through profit or loss:				
– 債務證券	– Debt securities	707,313	–	–	707,313
以公平價值誌入其他全面收益之金融資產	Financial assets at fair value through other comprehensive income				
– 同業存放及貸款	– Balances and placements with and loans and advances to banks	2,335,345	–	–	2,335,345
– 金融投資	– Financial investments				
– 債務證券	– Debt securities	76,526,966	24,226,663	–	100,753,629
– 股權證券及投資基金	– Equity securities and investment fund	386,256	–	812,152	1,198,408
– 貸款及其他賬項	– Advances and other accounts	–	10,505,739	–	10,505,739
		81,452,341	35,587,727	831,854	117,871,922
負債	Liabilities				
交易賬項下之負債	Trading liabilities	348,837	–	–	348,837
衍生金融工具	Derivative financial instruments	–	514,382	–	514,382
		348,837	514,382	–	863,219

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4 金融風險管理 (續)

4 Financial risk management (Continued)

4.6 金融資產及負債之公平價值 (續)

4.6 Fair value of financial assets and liabilities (Continued)

		第一層 Level 1 港幣千元 HK\$'000	第二層 Level 2 港幣千元 HK\$'000	第三層 Level 3 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二〇年	2020				
資產	Assets				
衍生金融工具	Derivative financial instruments	–	1,620,404	–	1,620,404
規定以公平價值誌入損益賬之金融資產：	Financial assets mandatorily measured at fair value through profit or loss:				
– 債務證券	– Debt securities	2,103,154	118,346	–	2,221,500
– 股權證券及投資基金	– Equity securities and investment fund	180,114	60,529	28,840	269,483
指定以公平價值誌入損益賬之金融資產：	Financial assets designated at fair value through profit or loss:				
– 債務證券	– Debt securities	1,743,967	108,677	16,856	1,869,500
以公平價值誌入其他全面收益之金融資產	Financial assets at fair value through other comprehensive income				
– 同業存放及貸款	– Balances and placements with and loans and advances to banks	3,860,970	–	–	3,860,970
– 金融投資	– Financial investments				
– 債務證券	– Debt securities	60,296,446	19,638,125	–	79,934,571
– 股權證券及投資基金	– Equity securities and investment fund	209,500	–	879,229	1,088,729
– 貸款及其他賬項	– Advances and other accounts	–	6,862,342	–	6,862,342
		68,394,151	28,408,423	924,925	97,727,499
負債	Liabilities				
交易賬項下之負債	Trading liabilities	154,331	–	–	154,331
衍生金融工具	Derivative financial instruments	–	1,284,107	–	1,284,107
		154,331	1,284,107	–	1,438,438

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.6 金融資產及負債之公平價值 (續)

4.6 Fair value of financial assets and liabilities (Continued)

第三層公平價值計量的結餘於年內之變動如下：

The movement during the year in the balance of Level 3 fair value measurements is as follows:

		資產 Assets		
		以公平價值誌入 其他全面收益 之金融資產 Financial assets at fair value through other comprehensive income	規定以公平價值 誌入損益賬之 金融資產 Financial assets mandatorily measured at fair value through profit or loss	指定以公平價值 誌入損益賬之 金融資產 Financial assets designated at fair value through profit or loss
		金融投資 Financial investments	股權證券及投資基金 Equity securities and investment fund	債務證券 Debt securities
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於二〇二一年一月一日	At 1 January 2021	879,229	28,840	16,856
虧損總額確認於	Total losses recognised in			
– 其他全面收益	– Other comprehensive income	(67,077)	–	–
– 損益賬	– Profit or loss	–	(563)	–
結算	Settlements	–	(8,575)	(16,856)
於二〇二一年 十二月三十一日	At 31 December 2021	812,152	19,702	–
於二〇二一年十二月三十一 日所持有的資產，其包括 在是年度其他全面收益內 之虧損總額	Total losses for the year included in other comprehensive income for assets held at 31 December 2021	(67,077)	–	–
於二〇二一年十二月三十一 日所持有的資產，其包括 在是年度損益賬內之虧損 總額	Total losses for the year included in profit or loss for assets held at 31 December 2021	–	(563)	–

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4 金融風險管理 (續)

4 Financial risk management (Continued)

4.6 金融資產及負債之公平價值 (續)

4.6 Fair value of financial assets and liabilities (Continued)

		資產 Assets		
		以公平價值 計入損益賬之 金融資產 Financial assets mandatorily measured at fair value through other comprehensive income	規定以公平價值 計入損益賬之 金融資產 Financial assets mandatorily measured at fair value through profit or loss	指定以公平價值 計入損益賬之 金融資產 Financial assets designated at fair value through profit or loss
		金融投資 Financial investments	股權證券及投資基金 Equity securities and investment fund	債務證券 Debt securities
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於二〇二〇年一月一日	At 1 January 2020	707,961	48,197	16,859
收益／(虧損) 總額確認於	Total gains/(losses) recognised in			
– 其他全面收益	– Other comprehensive income	171,268	–	–
– 損益賬	– Profit or loss	–	65,204	(3)
結算	Settlements	–	(84,561)	–
於二〇二〇年 十二月三十一日	At 31 December 2020	879,229	28,840	16,856
於二〇二〇年十二月三十一 日所持有的資產，其包括 在是年度其他全面收益內 之收益總額	Total gains for the year included in other comprehensive income for assets held at 31 December 2020	171,268	–	–
於二〇二〇年十二月三十一 日所持有的資產，其包 括在是年度損益賬內之收 益／(虧損) 總額	Total gains/(losses) for the year included in profit or loss for assets held at 31 December 2020	–	65,204	(3)

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.6 金融資產及負債之公平價值 (續)

4.6 Fair value of financial assets and liabilities (Continued)

以下表格列出於年末時用以計量被分類為公平價值層級第3層的財務工具之重大不可觀察的投入數據資料。

The table below sets out information about significant unobservable inputs used at year end in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

	估值技巧 Valuation techniques	重大不可觀察的投入數據 Significant unobservable inputs	範圍 Range	加權平均 Weighted average	不可觀察的投入數據對公平價值計量的敏感度 Fair value measurement sensitivity to unobservable inputs	
以公平價值誌入其他全面收益之金融投資：股權證券及投資基金	Financial investments at fair value through other comprehensive income: Equity securities and investment fund	折算現金流量 Discounted cash flow	風險調整折現率 Risk-adjusted discount rate	6.12%-18.60% (2020: 6.12%-16.24%)	15.73% (2020: 13.55%)	風險調整折現率的重大上升將引致公平價值的下跌 Significant increase in risk-adjusted discount rate would result in a lower fair value
		市場可類比方法 Market comparable approach	市賬率倍數 P/B ratio	0.45-0.92 (2020: 0.54-0.92)	0.61 (2020: 0.77)	市賬率的重大上升將引致公平價值的上升 Significant increase in P/B ratio would result in a higher fair value

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Notes to the Financial Statements

4 金融風險管理 (續)

4.6 金融資產及負債之公平價值 (續)

重大不可觀察假設出現變動對合理可行替代假設的影響

金融工具的公平價值於若干情況下採用估值模型計量，該等模型依據的假設，並無相同工具的可觀察現行市場交易價格支持，亦不是以可觀察市場數據為基礎。下表列示在公平價值上下波幅10%下，公平價值對於合理可行替代假設的敏感度分析。

4 Financial risk management (Continued)

4.6 Fair value of financial assets and liabilities (Continued)

Effect of changes in significant non-observable assumptions to reasonably possibly alternatives

The fair value of financial instruments are, in certain circumstances, measured using valuation models that incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair values to reasonable possible alternative assumptions due to parallel movement of plus or minus 10% of the fair value.

		其他全面收益及收益表的影響			
		Effect on other comprehensive income and income statement			
		有利變動	不利變動	有利變動	不利變動
		Favourable	Unfavourable	Favourable	Unfavourable
		二〇二一	二〇二一	二〇二〇	二〇二〇
		2021	2021	2020	2020
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
資產	Assets				
以公平價值誌入其他全面收益之金融投資	Financial investments at fair value through other comprehensive income	81,215	(81,215)	87,923	(87,923)
規定以公平價值誌入損益賬之金融資產	Financial assets mandatorily measured at fair value through profit or loss	1,970	(1,970)	2,884	(2,884)
指定以公平價值誌入損益賬之金融資產	Financial assets designated at fair value through profit or loss	-	-	1,686	(1,686)

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.7 抵銷金融資產及金融負債

4.7 Offsetting financial assets and liabilities

下列金融資產受抵銷、可執行主淨額結算安排或類似協議的規限。

The following financial assets are subject to offsetting, enforceable master netting arrangements or similar agreements.

		已確認金融 資產總額 Gross amounts of recognized financial assets 港幣千元 HK\$'000	在財務狀況表 抵銷的已確認 金融負債總額 Gross amounts of recognized financial liabilities set off in the statement of financial position 港幣千元 HK\$'000	在財務狀況表 呈報的金融 資產淨額 Net amounts of financial assets presented in the statement of financial position 港幣千元 HK\$'000	不在財務狀況表中 抵銷的相關數額 Related amounts not set off in the statement of financial position		淨額 Net amount 港幣千元 HK\$'000
					金融工具 Financial instruments 港幣千元 HK\$'000	收取的現金 抵押品 Cash collateral received 港幣千元 HK\$'000	
二〇二一年	2021						
衍生金融資產	Derivative financial assets	474,152	-	474,152	(107,813)	(295,119)	71,220
二〇二〇年	2020						
衍生金融資產	Derivative financial assets	1,383,425	-	1,383,425	(313,315)	(890,657)	179,453

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Notes to the Financial Statements

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.7 抵銷金融資產及金融負債 (續)

4.7 Offsetting financial assets and liabilities (Continued)

下列金融負債受抵銷、可執行主淨額結算安排和類似協議的規限。

The following financial liabilities are subject to offsetting, enforceable master netting arrangements or similar agreements.

		已確認金融 負債總額 Gross amounts of recognized financial liabilities 港幣千元 HK\$'000	在財務狀況表 抵銷的已確認 金融資產總額 Gross amounts of recognized financial assets set off in the statement of financial position 港幣千元 HK\$'000	在財務狀況表 呈報的金融 負債淨額 Net amounts of financial liabilities presented in the statement of financial position 港幣千元 HK\$'000	不在財務狀況表中 抵銷的相關數額 Related amounts not set off in the statement of financial position		淨額 Net amount 港幣千元 HK\$'000
					金融工具 Financial instruments 港幣千元 HK\$'000	提供的現金 抵押品 Cash collateral pledged 港幣千元 HK\$'000	
二〇二一年	2021						
衍生金融負債	Derivative financial liabilities	461,427	-	461,427	(107,813)	(41,264)	312,350
回購協議	Repurchase agreements	303,480	-	303,480	(303,480)	-	-
二〇二〇年	2020						
衍生金融負債	Derivative financial liabilities	1,224,546	-	1,224,546	(313,315)	(11,834)	899,397
回購協議	Repurchase agreements	708,016	-	708,016	(708,016)	-	-

4.8 金融資產轉移

4.8 Transfers of financial assets

以下為本集團不符合終止確認條件之已轉移金融資產，包括交易對手持有作為售後回購協議抵押品的債務證券及票據。

The transferred financial assets of the Group below that do not qualify for derecognition are debt securities and bills held by counterparties as collateral under sale and repurchase agreements.

		已轉移 資產賬面值 Carrying amount of transferred assets 二〇二一 2021 港幣千元 HK\$'000	相關負債 賬面值 Carrying amount of associated liabilities 二〇二一 2021 港幣千元 HK\$'000	已轉移 資產賬面值 Carrying amount of transferred assets 二〇二〇 2020 港幣千元 HK\$'000	相關負債 賬面值 Carrying amount of associated liabilities 二〇二〇 2020 港幣千元 HK\$'000
		回購協議	Repurchase agreements	303,393	303,480

5 利息收入

5 Interest income

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
同業存放及貸款	Balances and placements with and loans and advances to banks	1,157,348	1,367,731
債務證券	Debt securities		
— 上市公司	— listed	1,364,594	767,762
— 非上市公司	— unlisted	321,302	599,206
客戶貸款	Advances to customers	4,070,498	4,998,462
其他	Others	55,951	233,803
		6,969,693	7,966,964

包括在利息收入內計有按攤銷成本列賬之金融資產之利息收入港幣4,916,335,000元(二〇二〇年:港幣5,990,948,000元)、以公平價值誌入其他全面收益之金融資產之利息收入港幣1,909,176,000元(二〇二〇年:港幣1,621,236,000元)及減值資產折扣轉回利息收入港幣5,954,000元(二〇二〇年:港幣5,480,000元)。

Included in interest income is interest income from financial assets at amortised cost of HK\$4,916,335,000 (2020: HK\$5,990,948,000), interest income from financial assets at fair value through other comprehensive income of HK\$1,909,176,000 (2020: HK\$1,621,236,000) and unwinding of discount on impaired assets of HK\$5,954,000 (2020: HK\$5,480,000).

6 利息支出

6 Interest expense

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
同業存款及客戶存款	Deposits and balances from banks and deposits from customers	2,513,522	3,566,329
發行之存款證	Certificates of deposit issued	39,314	169,384
發行之後償債項	Subordinated debts issued	117,060	116,749
租賃負債	Lease liabilities	7,884	10,054
其他	Others	101,713	246,785
		2,779,493	4,109,301

包括在利息支出內計有未以公平價值誌入損益賬之金融負債之利息支出港幣2,704,972,000元(二〇二〇年:港幣3,888,690,000元)。

Included in interest expense is interest expense on financial liabilities that are not at fair value through profit or loss of HK\$2,704,972,000 (2020: HK\$3,888,690,000).

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7 服務費及佣金淨收入

7 Net fees and commission income

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
服務費及佣金收入	Fees and commission income		
證券經紀及投資服務	Securities brokerage and investment services	700,150	629,400
信用卡業務	Credit cards	113,011	103,827
信貸業務	Credit related	357,868	328,266
貿易融資	Trade finance	124,797	97,443
其他零售銀行業務	Other retail banking services	30,266	31,863
其他服務費收入	Other fee income	127,728	113,560
		1,453,820	1,304,359
服務費及佣金支出	Fees and commission expenses		
信用卡業務	Credit cards	(99,221)	(88,863)
證券經紀及投資服務	Securities brokerage and investment services	(107,514)	(89,469)
其他服務費支出	Other fee expenses	(31,821)	(37,301)
		(238,556)	(215,633)
服務費及佣金淨收入	Net fees and commission income	1,215,264	1,088,726
其中：	Of which:		
由非以公平價值誌入損益賬之金融資產或負債所產生之服務費及佣金淨收入（不包括用作計算實際利率之金額）	Net fees and commission income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not at fair value through profit or loss		
— 服務費及佣金收入	— fees and commission income	497,657	439,977
— 服務費及佣金支出	— fees and commission expenses	(91,880)	(86,358)
本集團代表客戶持有或投資之託管或其他受託業務所產生之服務費及佣金淨收入	Net fees and commission income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers		
— 服務費及佣金收入	— fees and commission income	35,333	30,901
— 服務費及佣金支出	— fees and commission expenses	(2,881)	(2,669)

8 保險營業收入及保險索償準備

8 Insurance operating income and charge for insurance claims

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
保險營業收入	Insurance operating income		
總額	Gross		
承保費總額	Gross insurance premium written	857,390	738,132
未期滿保費準備之改變	Change in unearned premium provision	(75,980)	(28,124)
已發行之保險合約所產生之保費收入	Premium revenue arising from insurance contracts issued	781,410	710,008
再投保	Reinsurance		
分出之再投保費	Reinsurance premium outward	(169,650)	(122,253)
未期滿保費準備之改變	Change in unearned premium provision	36,409	3,829
已發行之保險合約之保費收入轉予再投保人	Premium revenue ceded to reinsurers arising from insurance contracts issued	(133,241)	(118,424)
保險費淨收入	Net premium earned	648,169	591,584
佣金收入	Commission income	281,090	189,220
其他收入	Other income	1,697	958
佣金支出	Commission expenses	(104,647)	(97,496)
		826,309	684,266
保險索償準備(註釋)	Charge for insurance claims (Note)		
總額	Gross		
已承付索償	Gross claims paid	(299,088)	(266,330)
已呈報之索償、已發生但未呈報之索償及其他保險準備之改變	Change in reported claims, IBNR and other insurance provision	(106,712)	(110,667)
		(405,800)	(376,997)
再投保	Reinsurance		
收回再投保之索償	Claims recovered from reinsurers	28,837	26,393
已呈報之索償、已發生但未呈報之索償及其他保險準備之改變	Change in reported claims, IBNR and other insurance provision	2,537	9,759
		31,374	36,152
淨保險索償	Net insurance claims	(374,426)	(340,845)
保險營業淨收入	Net insurance operating income	451,883	343,421

註釋：保險索償準備乃本集團之保險業務所承擔之賠償淨額及其有關索賠的開支。

Note: Charge for insurance claims represents net claims incurred on the Group's insurance business and the related claims settlement expenses.

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9 淨交易收益

9 Net trading gain

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
規定以公平價值誌入 損益賬之金融工具淨 (虧損)/收益	Net (loss)/gain arising from financial instruments mandatorily measured at fair value through profit or loss	(25,133)	14,043
指定以公平價值誌入損益賬 之金融工具淨收益	Net gain arising from financial instruments designated at fair value through profit or loss	14,211	5,204
衍生金融工具淨 收益/(虧損)	Net gain/(loss) arising from derivative financial instruments	36,599	(11,544)
外匯買賣淨收益	Net gain from foreign exchange trading	213,342	362,592
		239,019	370,295

10 其他營業收入

10 Other operating income

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
股息收入	Dividend income		
– 上市股權證券	– Listed equity securities	27,636	26,468
– 非上市股權證券	– Unlisted equity securities	77,823	50,384
投資物業之租金收入減除 直接開支港幣25,834,000元 (二〇二〇年： 港幣28,256,000元)	Rental income from investment properties less direct outgoings of HK\$25,834,000 (2020: HK\$28,256,000)	65,060	95,064
保管箱租金淨收益	Net rental income on safe deposit boxes	35,146	35,713
出售按攤銷成本列賬之 金融資產之淨收益/ (虧損)(註釋)	Net gain/(loss) on disposal of financial assets at amortised cost (Note)	2,350	(887)
其他	Others	11,930	14,080
		219,945	220,822

註釋：本集團於年內出售部份按攤銷成本列賬之金融資產，主要為風險監控手段。

Note: During the year, the Group sold some of the financial assets at amortised cost mainly as risk monitoring and control measures.

11 營業支出

11 Operating expenses

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
人事費用	Staff costs		
– 薪金及其他人事費用 (註釋)	– Salaries and other costs (Note)	1,378,221	1,333,778
– 退休福利支出	– Retirement benefit costs	80,168	75,249
房產及設備支出， 不包括折舊	Premises and equipment expenses, excluding depreciation		
– 短期租約租金	– Rental of short-term leases	1,059	1,463
– 其他	– Others	202,921	162,795
折舊	Depreciation		
– 其他物業及設備 (註釋 27)	– Other properties and equipment (Note 27)	305,812	314,380
– 租賃土地(註釋 26)	– Leasehold land (Note 26)	3,754	3,753
廣告及業務推廣	Advertising and business promotion	52,777	15,603
電子數據處理	Electronic data processing	80,759	94,306
郵遞及通訊	Postage and communications	87,237	69,780
文具及印刷	Printing and stationery	11,208	9,863
核數師酬金	Auditors' remuneration	6,906	5,513
水電費	Water and electricity	20,428	18,273
法律及專業費用	Legal and professional fee	177,301	212,006
營業、代繳稅金及附加費	Business, withholding tax and surcharges	26,989	27,436
保險費	Insurance	16,206	25,648
證券相關費用	Securities related expenses	8,613	8,009
其他	Others	170,064	154,704
		2,630,423	2,532,559

註釋：於二〇二〇年收取的香港特別行政區政府「保就業」計劃補貼港幣47,055,000元已從薪金及其他人事費用中扣除。

Note: The HKSAR Government grant of HK\$47,055,000 under the Employment Support Scheme received in 2020 was deducted from Salaries and other costs.

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12 減值損失

12 Impairment losses

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
減值損失／(回撥)：	Impairment losses/(written back) on:		
– 同業存放及貸款	– Balances and placements with and loans and advances to banks		
– 按攤銷成本列賬	– at amortised cost	4,432	5,161
– 以公平價值誌入其他 全面收益	– at fair value through other comprehensive income	(68)	140
– 債務證券	– Debt securities		
– 按攤銷成本列賬	– at amortised cost	(10,489)	491
– 以公平價值誌入其他 全面收益	– at fair value through other comprehensive income	51,263	46,611
– 貸款及其他賬項	– Advances and other accounts		
– 按攤銷成本列賬	– at amortised cost	407,793	391,303
– 以公平價值誌入其他 全面收益	– at fair value through other comprehensive income	4,507	16,467
– 貸款承諾及金融擔保合約	– Loan commitments and financial guarantee contracts	19,931	(20,364)
於收益表淨撥備	Net charge to income statement	477,369	439,809

13 贖回按攤銷成本列賬之金融工
具之淨虧損13 Net loss on redemption of financial instruments at
amortised cost

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
贖回按攤銷成本列賬之 金融資產之淨虧損	Net loss on redemption of financial assets at amortised cost	12,530	214
		12,530	214

14 董事酬金

按照香港《公司條例》第383(1)條及《公司(披露董事利益資料)規例》第2部規定所披露之董事酬金如下：

14 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
袍金	Directors' fees	1,830	2,014
薪金、花紅、津貼及 實然福利	Salaries, bonus, allowances and benefits in kind	18,367	18,622
退休計劃供款	Retirement scheme contributions	880	1,073
		21,077	21,709

是年度內，本行並無向本行的任何董事支付解僱補償。是年度內，本行並無就獲取董事的服務向第三方支付任何款項。

During the year, no termination benefits were paid by the Bank to any of the Bank's directors. During the year, the Bank did not incur any payment to third parties for making available directors' services.

是年度內及至是年終結日止，本行或其任何附屬公司、母公司集團之附屬公司或其控股公司並無訂立任何與本行業務有關而董事直接或間接享有重大權益或與董事有關連的實體之其他重要交易、安排或合約。

No transactions, arrangement or contracts of significance in relation to the Bank's business to which the Bank, or any of its subsidiaries, fellow subsidiaries or its holding company was a party and in which a director of the Bank or an entity connected with a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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15 職員退休福利計劃

本集團為本行之職員設有五項職員退休福利計劃，另為本行一間附屬公司之職員設有一項強積金計劃。該五項職員退休福利計劃，其中主要的計劃（簡稱為「該計劃」）包括一個界定福利計劃部份及一個界定供款計劃部份，其他計有一項為界定福利退休計劃、兩項為海外僱員而設之界定供款計劃及一項為強積金計劃。凡新入職之在港受聘成員均可作一次性的選擇，參加該計劃的界定供款部份或參加強積金計劃。

在該計劃的界定供款部份中，本集團每月需按選擇此計劃之成員的月薪10%作出供款。本集團對該計劃界定供款部份之供款額可能因員工於獲得全數供款前離開該計劃而放棄其既有利益而減少。本年度已使用之放棄供款總額為港幣13,552,000元（二〇二〇年：港幣7,822,000元）。於年結日，未使用之放棄供款可作為減低將來之供款總額為港幣3,350,000元（二〇二〇年：港幣1,810,000元）。於年結日，並無應付供款（二〇二〇年：無）。

本集團對強積金計劃之供款乃按照香港《強制性公積金計劃條例》，根據每位成員每月之有關入息之5%計算，而有關入息則以港幣30,000元為上限。

於年內對該等有界定供款成份之計劃及強積金計劃之供款共為港幣67,829,000元（二〇二〇年：港幣62,236,000元）。

該計劃的界定福利部份及另一界定福利退休計劃（共同參照為「該等退休計劃」）之供款，是由獨立合資格精算師定期評估該等退休計劃之資產負債而釐定。該等退休計劃根據成員之最後薪金作為計算福利之基準，由本集團承擔所有成本。

15 Staff retirement schemes

The Group operates five staff retirement schemes for the staff of the Bank and an MPF scheme for the staff of a subsidiary of the Bank. The five staff retirement schemes comprise a principal scheme (the "Scheme") which includes a defined benefit ("DB") section and a defined contribution ("DC") section, a defined benefit pension scheme, two defined contribution schemes for overseas employees and an MPF scheme. All new Hong Kong employed staff members who join the Bank are offered a one-off choice between the DC section of the Scheme and the MPF scheme.

Under the DC section of the Scheme, the Group is required to contribute 10% of the monthly salary of the members who opted for the DC arrangement. The Group's contributions to the DC section of this Scheme may be reduced by contributions forfeited by those employees who leave the Scheme prior to vesting fully in the contributions. Forfeited contributions totaling HK\$13,552,000 (2020: HK\$7,822,000) were utilised during the year. The unutilised forfeited contributions at the year end amounted to HK\$3,350,000 (2020: HK\$1,810,000) which are available to reduce future contributions. No contributions were payable at the year end (2020: Nil).

The Group's contributions to the MPF schemes are based on 5% of the monthly relevant income of each employee up to a maximum monthly relevant income of HK\$30,000 in accordance with the Hong Kong Mandatory Provident Fund Schemes Ordinance.

The contributions to schemes with defined contribution arrangements and the MPF schemes during the year amounted to HK\$67,829,000 (2020: HK\$62,236,000) in aggregate.

For the DB section of the Scheme and the defined benefit pension scheme (collectively referred to as the "Plan"), the contributions are determined based on periodic valuations by independent qualified actuaries of the assets and liabilities of the Plan. The Plan provides benefits based on members' final salary. The costs are solely funded by the Group.

15 職員退休福利計劃 (續)

該等退休計劃按照《職業退休計劃條例》進行登記，並已獲強制性公積金計劃管理局之強積金豁免。本集團對該等退休計劃的盈餘具有無條件的擁有權，資產上限及最低注資要求不適用於該等退休計劃。

該等退休計劃以信託安排成立。信託人的主要責任為確保該等退休計劃按照信託契約管理，並以公正、審慎和真誠為全體成員代行。

本集團為該等退休計劃承擔以下主要風險：

投資風險

正投資回報增加該等退休計劃資產的公平價值，改善該等退休計劃的財務狀況，負投資回報則減弱狀況。

該等退休計劃投資於多元化的資產組合，包括股權證券、債務證券及現金，分佈於世界主要地區。資產類別和地域多元化降低了該計劃投資的風險集中度。

利率風險

界定福利義務應用到參照市場債券收益率的折現率計算。債券收益率下降將增加義務金額。

薪酬風險

較估值假設為高的薪酬升幅將增加界定福利義務。

通脹風險

界定福利退休計劃下之退休金付款可因應本港的生活水平並按本集團意願上調。較假設為高的退休金將增加界定福利義務。

15 Staff retirement schemes (Continued)

The Plan is registered under the Occupational Retirement Schemes Ordinance, and has been granted with MPF Exemption by the Mandatory Provident Fund Schemes Authority. The Group has an unconditional right to the surplus of the Plan. Asset ceiling and minimum funding requirements do not apply to the Plan.

The Plan was established under a trust arrangement. The key responsibilities of the trustees are to ensure that the Plan is administered in accordance with the trust deed and to act on behalf of all members impartially, prudently and in good faith.

The Plan exposes the Group to the following key risks:

Investment risk

Positive investment returns tend to increase the fair value of the Plan assets and therefore improve the Plan's financial position, whilst negative investment returns tend to weaken the position.

The assets of the Plan are invested in a diversified portfolio of equities, bonds and cash, covering major geographical locations around the world. The diversification of asset classes and geographical location reduces the concentration of risk associated with the Plan's investments.

Interest rate risk

The defined benefit obligation is calculated using a discount rate based on market bond yields. A decrease in the bond yields will increase the amount of obligation.

Salary risk

Salary increases that are higher than assumed at the valuation will increase the defined benefit obligation.

Inflation risk

Pension in payment under the defined benefit pension scheme may be increased, at the discretion of the Group, to reflect all or part of the cost-of-living increase in Hong Kong. The higher-than-assumed increases in pensions will increase the defined benefit obligation.

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15 職員退休福利計劃 (續)

身故風險

因較長的預期壽命而致的延長退休金發放期間將增加界定福利義務。

該等退休計劃最近期一次之精算估值於二〇二一年十二月三十一日，由獨立專業精算師韜睿惠悅香港有限公司，其僱員具香港精算學會之會士資歷，根據香港會計師公會所頒佈之香港會計準則第19號(2011)作評估，該等退休計劃之界定福利義務的現值及服務成本均以預計單位貸記法計算。於估值日，該等退休計劃之注資水平達123% (二〇二〇年：118%)。

於二〇二一年十二月三十一日止之年度綜合財務狀況表內確認之金額分析如下：

15 Staff retirement schemes (Continued)

Mortality risk

A prolonged pension in payment due to longer life expectancy of the pensioners will increase the defined benefit obligation.

The latest actuarial valuation of the Plan was performed in accordance with HKAS 19 (2011) issued by the HKICPA at 31 December 2021 by Towers Watson Hong Kong Limited, an independent professional actuarial firm, who have among their staff Fellows of the Actuarial Society of Hong Kong. The present values of the defined benefit obligation and current service cost of the Plan are calculated based on the projected unit credit method. At the valuation date, the Plan had a funding level of 123% (2020: 118%).

The amounts recognised in the consolidated statement of financial position as at 31 December 2021 are analysed as follows:

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
該等退休計劃資產 之公平價值	Fair value of the Plan assets	426,641	474,893
已累積界定福利 義務之現值	Present value of the funded defined benefit obligation	(346,802)	(404,148)
於綜合財務狀況表內確認 之資產淨額	Net asset recognised in the consolidated statement of financial position	79,839	70,745

以上部份之資產預期在多於一年後才收回。此項金額亦不適宜與未來十二個月內應收賬款之金額分隔開，原因是未來之供款涉及到未來的服務提供以及未來的精算估計和市場變化。預期於二〇二二年不會為界定退休福利計劃作出供款。

截至二〇二一年及二〇二〇年十二月三十一日止之年度，退休計劃並無受調整、削減或結算之影響。

A portion of the above asset is expected to be recovered after more than one year. However, it is not practicable to segregate this amount from the amounts receivable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. No contribution to the Plan is expected to be paid in 2022.

There was no plan amendment, curtailment or settlement impact for the years ended 31 December 2021 and 2020.

15 職員退休福利計劃 (續)

15 Staff retirement schemes (Continued)

於綜合收益表內確認之金額如下：

The amounts recognised in the consolidated income statement are as follows:

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
服務成本	Current service cost	(12,591)	(13,414)
淨利息收入	Net interest income	252	401
包括在年內退休福利 成本之支出淨額	Net expense for the year included in retirement benefit costs	(12,339)	(13,013)

截至二〇二一年十二月三十一日止年度，該等退休計劃資產之實際回報為港幣2,805,000元（二〇二〇年：港幣73,794,000元）。

The actual return on Plan assets for the year ended 31 December 2021 was HK\$2,805,000 (2020: HK\$73,794,000).

年內界定福利義務之變動如下：

The movements in the defined benefit obligation during the year are as follows:

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
於一月一日之界定 福利義務現值	Present value of obligation at 1 January	404,148	405,593
服務成本	Current service cost	12,591	13,414
利息成本	Interest cost	1,527	6,251
實際福利支出	Actual benefits paid	(51,057)	(28,956)
負債經驗所致的精算 (收益)／虧損	Actuarial (gains)/losses due to liability experience	(6,682)	2,563
財務假設變動所致的 精算(收益)／虧損	Actuarial (gains)/losses due to financial assumption changes	(25,196)	5,307
人口假設變動所致的 精算虧損／(收益)	Actuarial losses/(gains) due to demographic assumption changes	11,471	(24)
於十二月三十一日之 實際界定福利義務	Actual obligation at 31 December	346,802	404,148

於二〇二一年十二月三十一日，該計劃之界定福利部份及界定福利退休計劃的界定福利義務之加權平均存續期間分別為6.8年（二〇二〇年：6.2年）及1.3年（二〇二〇年：1.5年）。

The weighted average duration of the defined benefit obligation as at 31 December 2021 is 6.8 years (2020: 6.2 years) and 1.3 years (2020: 1.5 years) for the DB section of the Scheme and the defined benefit pension scheme respectively.

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15 職員退休福利計劃 (續)

年內該等退休計劃資產公平價值之變動如下：

15 Staff retirement schemes (Continued)

The movements in the fair value of the Plan assets during the year are as follows:

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
於一月一日該等退休計劃資產之公平價值	Fair value of the Plan assets at 1 January	474,893	430,055
利息收入	Interest income	1,779	6,652
預期該等退休計劃資產利息收入以外之回報	Return on the Plan assets other than interest income	1,026	67,142
實際福利支出	Actual benefits paid	(51,057)	(28,956)
於十二月三十一日該等退休計劃資產之公平價值	Fair value of the Plan assets at 31 December	426,641	474,893

該等退休計劃資產主要分類如下：

The major categories of the Plan assets are as follows:

		二〇二一 2021 港幣千元 HK\$'000		二〇二〇 2020 港幣千元 HK\$'000	
			%		%
股權證券	Equities	202,818	58.1	306,630	64.6
債券證券	Bonds	71,024	20.4	76,499	16.1
現金	Cash	74,908	21.5	91,764	19.3
總額	Total	348,750	100.0	474,893	100.0

於二〇二一年十二月三十一日，該等退休計劃之資產包括存放在本行之存款總值港幣64,524,000元(二〇二〇年：港幣65,322,000元)。

At 31 December 2021, the amount of the Plan assets includes deposits with the Bank of HK\$64,524,000 (2020: HK\$65,322,000).

在評估時所採用之主要精算假設如下：

The principal actuarial assumptions adopted in the valuation are as follows:

		二〇二一 2021 %	二〇二〇 2020 %
折算率	Discount rate		
— 該計劃之界定福利部份	— DB section of the Scheme	1.4	0.4
— 界定福利退休計劃	— Defined benefit pension scheme	0.4	0.1
該計劃之界定福利部份之長期平均薪酬升幅	Long-term average rate of salary increase for the DB section of the Scheme	5.0	5.0
界定福利退休計劃之長期退休金增長幅度	Long-term pension increase rate for the defined benefit pension scheme	—	—

15 職員退休福利計劃 (續)

以下為主要精算假設的合理可能變動對於十二月三十一日的界定福利義務的影響分析：

15 Staff retirement schemes (Continued)

The below analysis shows the effect on the defined benefit obligation as at 31 December as a result of reasonably possible changes in the significant actuarial assumptions:

		增加 25 個基點 Increase of 25 basis points		減少 25 個基點 Decrease of 25 basis points	
		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000	二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
折算率	Discount rate				
— 該計劃之界定福利部份	— DB section of the Scheme	(5,861)	(6,356)	6,029	6,540
— 界定福利退休計劃	— Defined benefit pension scheme	(3)	(5)	3	4
該計劃之界定福利部份之長期平均薪酬升幅	Long-term average rate of salary increase for the DB section of the Scheme	5,963	6,456	(5,827)	(6,312)
界定福利退休計劃之長期退休金增長幅度	Long-term pension increase rate for the defined benefit pension scheme	2	3	—	—

上述的敏感度分析假定精算假設的變動無掛鈎關係，亦不考慮該變動掛鈎關係。

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

下表列出該等退休計劃以已採用的精算假設計算的預計福利支付金額 (包括估計未來員工服務及薪酬歸屬之福利)：

The following table sets out the expected benefit payments (including benefits attributable to estimated future employee service and salary) from the Plan based on the adopted actuarial assumptions:

估值日後的年數	Number of years after valuation date	預計福利支付金額 Expected benefit payments	
		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
1 年	1 year	28,756	43,685
2 年	2 years	41,540	48,419
3 年	3 years	37,293	44,689
4 年	4 years	19,226	46,165
5 年	5 years	13,014	22,038
6 至 10 年	6 to 10 years	140,800	132,060
超過 10 年	Over 10 years	202,361	176,364

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16 所得稅

16 Income tax

(a) 於綜合收益表支銷之稅項如下：

(a) Taxation charged in the consolidated income statement represents:

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
本期稅項：	Current taxation:		
— 香港利得稅	— Hong Kong profits tax	455,145	383,007
— 往年度準備剩餘	— Over-provision of taxation in respect of prior years	(7,582)	(2,878)
		447,563	380,129
— 海外稅項	— Overseas taxation	176,901	159,237
遞延稅項：	Deferred taxation:		
— 有關短暫差額之 產生及轉回(註釋30)	— Relating to the origination and reversal of temporary differences (Note 30)	(52,760)	(18,964)
		571,704	520,402

香港利得稅已按本年度估計應評稅溢利以稅率16.5%(二〇二〇年：16.5%)計算。海外稅項已按本年度估計應評稅溢利以本集團業務所在地現行適用之稅率計算。

The provision for Hong Kong profits tax for the year is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

(b) 本集團有關除稅前溢利之稅項與假若採用香港之稅率而計算之理論稅額之差額如下：

(b) The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
除稅前溢利	Profit before taxation	3,603,598	3,392,399
以稅率16.5% (二〇二〇年：16.5%)計算	Calculated at a taxation rate of 16.5% (2020: 16.5%)	594,594	559,746
不可扣稅之支出 對稅項之影響	Tax effect of expenses not deductible for taxation purposes	51,822	38,614
無需課稅之收入 對稅項之影響	Tax effect of income not subject to taxation	(136,523)	(104,823)
與其他國家不同 稅率之影響	Effect of different taxation rates in other tax jurisdictions	68,669	28,657
往年度準備剩餘	Over-provision of taxation in respect of prior years	(7,582)	(2,878)
未確認稅項虧損之影響	Effect of unrecognised tax losses	(8)	394
其他	Others	732	692
所得稅	Income tax	571,704	520,402

16 所得稅(續)

16 Income tax (Continued)

(c) 其他全面收益的各組成部份的所得稅影響：

(c) The income tax effects relating to components of other comprehensive income are as follows:

		二〇二一 2021			二〇二〇 2020		
		稅前金額 Before-tax amount 港幣千元 HK\$'000	所得稅 Income tax 港幣千元 HK\$'000	稅後金額 Net-of- tax amount 港幣千元 HK\$'000	稅前金額 Before- tax amount 港幣千元 HK\$'000	所得稅 Income tax 港幣千元 HK\$'000	稅後金額 Net-of- tax amount 港幣千元 HK\$'000
以公平價值誌入其他 全面收益之金融資產	Financial assets at fair value through other comprehensive income						
— 公平價值改變	— Changes in fair value	174,773	(14,451)	160,322	35,199	5,552	40,751
— 於出售時轉入 收益表	— Transfer to income statement on disposal	(148,770)	—	(148,770)	(123,620)	—	(123,620)
— 於減值時轉入 收益表	— Transfer to income statement on impairment	55,702	—	55,702	63,218	—	63,218
應佔聯營公司之儲備	Share of associates' reserves	(5,756)	—	(5,756)	(3,976)	—	(3,976)
應佔共同控制 實體儲備	Share of jointly controlled entities' reserves	(272)	—	(272)	—	—	—
因折算海外機構的 財務報表產生的 匯兌差額	Exchange difference on translation of financial statements of overseas operations	116,232	—	116,232	381,570	—	381,570
以公平價值誌入其他 全面收益之股權證券	Equity securities at fair value through other comprehensive income						
— 公平價值改變	— Changes in fair value	(68,138)	159	(67,979)	131,089	3,064	134,153
界定福利計劃之精算 收益	Actuarial gains on defined benefit scheme	21,523	(3,551)	17,972	59,296	(9,783)	49,513
年內其他全面收益	Other comprehensive income for the year	145,294	(17,843)	127,451	542,776	(1,167)	541,609

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17 庫存現金、同業存放及貸款 17 Cash, balances and placements with and loans and advances to banks

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
按攤銷成本列賬	At amortised cost		
庫存現金	Cash	734,881	755,465
存放同業	Balances with banks	19,813,162	15,623,612
存放中央銀行	Balances with central banks	12,041,514	19,877,021
同業定期存放	Placements with banks		
— 於一個月內到期	— maturing within one month	18,975,254	23,681,240
— 於一至十二個月內到期	— maturing between one and twelve months	12,585,256	18,436,689
		31,560,510	42,117,929
同業貸款	Gross loans and advances to banks	3,830,328	2,989,391
減值準備	Impairment allowances		
— 第一階段	— Stage 1	(11,810)	(7,378)
		67,968,585	81,356,040
以公平價值誌入 其他全面收益	At fair value through other comprehensive income		
同業貸款	Gross loans and advances to banks	2,335,345	3,860,970
		2,335,345	3,860,970
		70,303,930	85,217,010

於二〇二一年十二月三十一日，本集團受外匯監管及法定限制的存放中央銀行結存為港幣687,065,000元（二〇二〇年：港幣477,806,000元）。

The Group's balances with central banks that are subject to exchange control and regulatory restrictions amounted to HK\$687,065,000 at 31 December 2021 (2020: HK\$477,806,000).

18 衍生金融工具

下列為各項重大衍生金融工具之未經雙邊淨額結算安排之名義或合約金額、公平價值及信貸風險比重金額：

18 Derivative financial instruments

The following is a summary of the notional or contractual amounts, fair values and credit risk weighted amounts of each significant type of derivatives, without taking into account the effects of bilateral netting arrangements:

		名義／ 合約金額	公平價值		名義／ 合約金額	公平價值	
		Notional/ contractual amount	資產 Assets	負債 Liabilities	Notional/ contractual amount	資產 Assets	負債 Liabilities
		二〇二一 2021	二〇二一 2021	二〇二一 2021	二〇二〇 2020	二〇二〇 2020	二〇二〇 2020
		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
外匯合約	Exchange rate contracts						
遠期合約	Forward contracts	22,434,456	352,829	341,134	30,691,170	1,044,827	1,005,001
貨幣掉期	Currency swaps	31,697,033	147,515	151,288	33,290,539	558,285	219,088
沽出期權	Options written	309,494	–	2,789	239,868	–	2,572
購入期權	Options purchased	358,852	2,788	–	305,126	3,552	–
		54,799,835	503,132	495,211	64,526,703	1,606,664	1,226,661
利率合約	Interest rate contracts						
利率掉期	Interest rate swaps	2,985,476	–	18,943	21,410,897	13,740	57,446
股權合約	Equity contracts						
沽出期權	Options written	97,351	–	228	–	–	–
購入期權	Options purchased	97,351	228	–	–	–	–
		194,702	228	228	–	–	–
		57,980,013	503,360	514,382	85,937,600	1,620,404	1,284,107

此等工具之合約金額只顯示於結算日未完成之交易量，並不代表風險大小。由於市場利率、匯率或股權價格波動，衍生工具可能形成有利（資產）或不利（負債）。衍生金融資產及負債之公平價值總額可隨時有重大的波動。

The contractual amounts of these instruments indicate the volume of transactions outstanding as at the end of the reporting period and they do not represent amounts at risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or equity prices relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

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18 衍生金融工具 (續)

18 Derivative financial instruments (Continued)

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
信貸風險比重金額	Credit risk weighted amount		
外匯合約	Exchange rate contracts	584,787	1,031,449
利率合約	Interest rate contracts	716	3,565
股權合約	Equity contracts	2,299	—
		587,802	1,035,014

信貸風險比重金額是根據香港《銀行業(資本)規則》而計算，此等金額亦須視乎交易對手之現況及該等金融工具之到期特點而計算。所採用之風險比重為0%至150%。

Credit risk weighted amount refers to the amount as computed in accordance with the Banking (Capital) Rules. The amount depends on the status of the counterparties and the maturity characteristics of the instruments. The risk weights used range from 0% to 150%.

19 以公平價值誌入損益賬之金融資產 19 Financial assets at fair value through profit or loss

		金融資產 Financial assets		
		規定以公平價值誌入損益賬 Mandatorily measured at fair value through profit or loss 港幣千元 HK\$'000	指定以公平價值誌入損益賬 Designated at fair value through profit or loss 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二一年	2021			
債務證券	Debt securities			
– 香港上市	– Listed in Hong Kong	799,858	–	799,858
– 海外上市	– Listed outside Hong Kong	361,236	707,313	1,068,549
– 非上市	– Unlisted	69,857	–	69,857
		1,230,951	707,313	1,938,264
股權證券	Equity securities			
– 香港上市	– Listed in Hong Kong	293,661	–	293,661
– 海外上市	– Listed outside Hong Kong	31,751	–	31,751
– 非上市	– Unlisted	14,086	–	14,086
		339,498	–	339,498
股權投資基金	Equity investment fund			
– 非上市	– Unlisted	297,679	–	297,679
		1,868,128	707,313	2,575,441
其發行人為：	Of which issued by:			
– 銀行及其他金融機構	– Banks and other financial institutions	260,286	–	260,286
– 企業	– Corporate entities	1,607,842	707,313	2,315,155
		1,868,128	707,313	2,575,441

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19 以公平價值誌入損益賬之金融資產(續) 19 Financial assets at fair value through profit or loss
(Continued)

		金融資產 Financial assets		
		規定以公平價 值誌入損益賬 Mandatorily measured at fair value through profit or loss 港幣千元 HK\$'000	指定以公平價 值誌入損益賬 Designated at fair value through profit or loss 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二〇年	2020			
債務證券	Debt securities			
– 香港上市	– Listed in Hong Kong	828,571	1,082,324	1,910,895
– 海外上市	– Listed outside Hong Kong	1,309,653	770,320	2,079,973
– 非上市	– Unlisted	83,276	16,856	100,132
		2,221,500	1,869,500	4,091,000
股權證券	Equity securities			
– 香港上市	– Listed in Hong Kong	131,653	–	131,653
– 非上市	– Unlisted	8,860	–	8,860
		140,513	–	140,513
股權投資基金	Equity investment fund			
– 非上市	– Unlisted	128,970	–	128,970
		2,490,983	1,869,500	4,360,483
其發行人為：	Of which issued by:			
– 中央政府及 中央銀行	– Central governments and central banks	740,238	–	740,238
– 銀行及其他 金融機構	– Banks and other financial institutions	232,501	–	232,501
– 企業	– Corporate entities	1,518,244	1,869,500	3,387,744
		2,490,983	1,869,500	4,360,483

20 證券投資

20 Investments in securities

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
以公平價值誌入其他 全面收益之金融投資	Financial investments at fair value through other comprehensive income		
債務證券	Debt securities	100,753,629	79,934,571
股權證券	Equity securities	1,198,408	1,088,729
		101,952,037	81,023,300
按攤銷成本列賬之金融投資	Financial investments at amortised cost		
債務證券	Debt securities	1,081,929	1,892,409
減值準備	Impairment allowances		
– 第一階段	– Stage 1	(4,023)	(2,725)
– 第三階段	– Stage 3	(152,033)	(163,990)
		925,873	1,725,694
		102,877,910	82,748,994

基於業務策略原因，本集團將某些股權投資指定以公平價值誌入其他全面收益計量，惟仍需遵守內部止損限額控制機制。其已確認股息收入如下：

The Group has designated some equity investments at fair value through other comprehensive income for business strategic reasons subjected to internal stop loss limit control mechanism. The dividend income recognised from these equity investments are as follows:

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
已確認股息收入	Dividend income recognised		
於年末仍持有之股權證券	Equity securities held at year end		
– 香港上市	– Listed in Hong Kong	15,366	6,759
– 海外上市	– Listed outside Hong Kong	2,914	2,910
– 非上市	– Unlisted	72,814	47,486
於年內已出售之股權證券	Equity securities sold during the year		
– 香港上市	– Listed in Hong Kong	–	7,356
		91,094	64,511

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20 證券投資 (續)

本集團於年內出售部份上述股權投資，因其已到達內部止損限額。詳情如下：

20 Investments in securities (Continued)

During the year, the Group sold some of these equity investments as they have reached the internal stop loss limits. The details are as follows:

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
於出售時之公平價值	Fair value at disposal	9,614	245,355
於出售時由重估金融資產 儲備轉入保留溢利之 出售淨虧損	Loss on disposal transferred from financial asset revaluation reserve to retained earnings	(1,644)	(42,738)

20 證券投資 (續)

20 Investments in securities (Continued)

		金融投資 Financial investments		
		以公平價值 誌入其他 全面收益 At fair value through other comprehensive income 港幣千元 HK\$'000	按攤銷成本 列賬 At amortised cost 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二一年	2021			
債務證券	Debt securities			
– 香港上市	– Listed in Hong Kong	17,074,517	744,547	17,819,064
– 海外上市	– Listed outside Hong Kong	54,544,732	48,794	54,593,526
– 非上市	– Unlisted	29,134,380	132,532	29,266,912
		100,753,629	925,873	101,679,502
股權證券	Equity securities			
– 香港上市	– Listed in Hong Kong	337,765	–	337,765
– 海外上市	– Listed outside Hong Kong	48,491	–	48,491
– 非上市	– Unlisted	812,152	–	812,152
		1,198,408	–	1,198,408
		101,952,037	925,873	102,877,910
按攤銷成本列賬之上市 證券公平價值	Fair value of listed securities at amortised cost		782,956	
其發行人為：	Of which issued by:			
– 中央政府及 中央銀行	– Central governments and central banks	20,335,551	–	20,335,551
– 銀行及其他 金融機構	– Banks and other financial institutions	67,071,900	181,326	67,253,226
– 企業	– Corporate entities	14,544,586	744,547	15,289,133
		101,952,037	925,873	102,877,910
債務證券包括：	Included within debt securities are:			
– 持有之存款證	– Certificates of deposit held	15,133,464	181,326	15,314,790
– 國庫券 (包括外匯基金票據)	– Treasury bills (including Exchange Fund Bills)	13,245,368	–	13,245,368
– 其他債券	– Other debt securities	72,374,797	744,547	73,119,344
		100,753,629	925,873	101,679,502

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20 證券投資 (續)

20 Investments in securities (Continued)

		金融投資 Financial investments		
		以公平價值 誌入其他 全面收益 At fair value through other comprehensive income 港幣千元 HK\$'000	按攤銷成本 列賬 At amortised cost 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二〇年	2020			
債務證券	Debt securities			
– 香港上市	– Listed in Hong Kong	11,128,728	661,758	11,790,486
– 海外上市	– Listed outside Hong Kong	32,383,235	881,124	33,264,359
– 非上市	– Unlisted	36,422,608	182,812	36,605,420
		79,934,571	1,725,694	81,660,265
股權證券	Equity securities			
– 香港上市	– Listed in Hong Kong	160,959	–	160,959
– 海外上市	– Listed outside Hong Kong	48,541	–	48,541
– 非上市	– Unlisted	879,229	–	879,229
		1,088,729	–	1,088,729
		81,023,300	1,725,694	82,748,994
按攤銷成本列賬之 上市證券公平價值	Fair value of listed securities at amortised cost		1,548,416	
其發行人為：	Of which issued by:			
– 中央政府及 中央銀行	– Central governments and central banks	23,402,841	678,606	24,081,447
– 銀行及其他 金融機構	– Banks and other financial institutions	45,053,156	376,901	45,430,057
– 企業	– Corporate entities	12,567,303	670,187	13,237,490
		81,023,300	1,725,694	82,748,994
債務證券包括：	Included within debt securities are:			
– 持有之存款證	– Certificates of deposit held	11,312,179	174,384	11,486,563
– 國庫券 (包括外匯基金票據)	– Treasury bills (including Exchange Fund Bills)	17,261,370	356,937	17,618,307
– 其他債券	– Other debt securities	51,361,022	1,194,373	52,555,395
		79,934,571	1,725,694	81,660,265

21 貸款及其他賬項

21 Advances and other accounts

(a) 貸款及其他賬項

(a) Advances and other accounts

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
按攤銷成本列賬	At amortised cost		
客戶貸款	Advances to customers	193,643,499	187,069,677
商業票據	Trade bills	263,322	402,921
應計利息	Accrued interest	1,394,807	1,047,871
其他賬項	Other accounts		
– 應收保費	– Insurance premium receivable	165,478	177,669
– 於再投保人收回 (註釋31)	– Recoverable from reinsurers (Note 31)	317,082	278,136
– 應收及其他賬項	– Accounts and other receivable	3,214,342	3,000,140
		3,696,902	3,455,945
減值準備	Impairment allowances		
– 第一階段	– Stage 1	(406,960)	(375,652)
– 第二階段	– Stage 2	(171,786)	(138,324)
– 第三階段	– Stage 3	(1,144,600)	(816,409)
		(1,723,346)	(1,330,385)
		197,275,184	190,646,029
以公平價值誌入 其他全面收益	At fair value through other comprehensive income		
客戶貸款	Advances to customers	356,349	394,773
商業票據	Trade bills	10,149,390	6,467,569
		10,505,739	6,862,342
		207,780,923	197,508,371

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21 貸款及其他賬項(續)

(b) 融資租賃及租購合約

客戶貸款內包括融資租賃及租購合約之投資，其分析如下：

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
應收投資總額	Gross investment, receivable		
– 一年內	– Within one year	6,150	10,707
– 一年以上至五年	– After one year but within five years	7,787	14,358
– 五年以上	– After five years	1,375	1,500
		15,312	26,565
未賺取之財務收入	Unearned finance income	(61)	(213)
投資淨額	Net investment	15,251	26,352

融資租賃及租購合約之投資淨額分析如下：

21 Advances and other accounts (Continued)

(b) Finance leases and hire purchase contracts

Advances to customers include investments in finance lease receivables and hire purchase contracts, analysed as follows:

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
融資租賃及租購合約之投資淨額分析如下：	The net investment in finance lease receivables and hire purchase contracts is analysed as follows:		
一年內	Within one year	6,098	10,532
一年以上至五年	After one year but within five years	7,778	14,320
五年以上	After five years	1,375	1,500
		15,251	26,352

本集團之融資租賃及租購合約之投資總額並無包括不受保證之剩餘價值(二〇二〇年：無)。

於二〇二一年十二月三十一日，本集團之不可收回融資租賃及租購合約之減值準備金總額為港幣8,000元(二〇二〇年：港幣260,000元)。

No unguaranteed residual values were included in the gross investment in finance lease receivables and hire purchase contracts of the Group (2020: Nil).

As at 31 December 2021, the impairment allowances for uncollectible finance lease receivables and hire purchase contracts of the Group included in the impairment allowances for the receivables amounted to HK\$8,000 (2020: HK\$260,000).

22 附屬公司權益

22 Interests in subsidiaries

下列為本行於二〇二一年十二月三十一日，擁有之附屬公司：

The following is a list of the subsidiaries owned by the Bank at 31 December 2021:

名稱	Name	註冊及 營業地點	Place of incorporation and operation	股數 Number of shares	已發行及 已繳足之股本 Issued and paid up share capital	每股面值 Nominal value per share	主要業務	Principal activities
招商永隆保險有限公司 [#]	CMB Wing Lung Insurance Company Limited [#]	香港	Hong Kong	29,000,000	不適用/ n.a.	不適用/ n.a.	保險業務	Insurance underwriting
招商永隆融資有限公司 [#]	CMB Wing Lung Capital Limited [#]	香港	Hong Kong	7,000,000	不適用/ n.a.	不適用/ n.a.	財務諮詢 服務	Financial consultancy services
招商永隆財務有限公司 [#]	CMB Wing Lung Finance Limited [#]	香港	Hong Kong	2,500,000	不適用/ n.a.	不適用/ n.a.	提供財務 服務	Provision of financial services
招商永隆資產管理有限公司 [#]	CMB Wing Lung Asset Management Limited [#]	香港	Hong Kong	2,565,450	不適用/ n.a.	不適用/ n.a.	資產管理	Asset management
招商永隆信託有限公司 [#]	CMB Wing Lung (Trustee) Limited [#]	香港	Hong Kong	300,000	不適用/ n.a.	不適用/ n.a.	信託業務	Trustee services
招商永隆保險顧問有限公司 [#]	CMB Wing Lung Insurance Brokers Limited [#]	香港	Hong Kong	250,000	不適用/ n.a.	不適用/ n.a.	保險顧問	Insurance broking
招商永隆代理有限公司 [#]	CMB Wing Lung Agency Limited [#]	香港	Hong Kong	50,000	不適用/ n.a.	不適用/ n.a.	保險代理	Insurance agency
招商永隆受託代管有限公司 [#]	CMB Wing Lung (Nominees) Limited [#]	香港	Hong Kong	1,000	不適用/ n.a.	不適用/ n.a.	受託代管 服務	Nominee services
招商永隆管業有限公司 [#]	CMB Wing Lung Property Management Limited [#]	香港	Hong Kong	1,000	不適用/ n.a.	不適用/ n.a.	物業管理	Property management
康令有限公司**	Hongnet Limited**	香港	Hong Kong	1,000	不適用/ n.a.	不適用/ n.a.	投資業務	Investment holding
Wingspan Incorporated [#]	Wingspan Incorporated [#]	美國	U.S.A.	1,500,000	US\$1	US\$1	物業持有	Property holding
Wing Lung Opportunities Fund Limited [@]	Wing Lung Opportunities Fund Limited [@]	開曼群島	Cayman Islands	36,211	US\$1,000	US\$1,000	投資業務	Investment holding
Wing Lung Opportunities Master Fund Limited [@]	Wing Lung Opportunities Master Fund Limited [@]	開曼群島	Cayman Islands	23,890	US\$1,000	US\$1,000	投資業務	Investment holding
Wing Lung Growth Fund III Segregated Portfolio [#]	Wing Lung Growth Fund III Segregated Portfolio [#]	開曼群島	Cayman Islands	433,200	HK\$1,000	HK\$1,000	投資業務	Investment holding

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22 附屬公司權益 (續)

22 Interests in subsidiaries (Continued)

名稱	Name	註冊及 營業地點	Place of incorporation and operation	股數 Number of shares	已發行及 已繳足之股本	每股面值 Nominal value per share	主要業務	Principal activities
					Issued and paid up share capital			
時永投資有限公司 [^]	Sea Wing Investments Limited [^]	香港	Hong Kong	1,000	不適用/ n.a.		物業持有	Property holding
招商永隆股權投資管理 (深圳) 有限公司 [^]	CMB Wing Lung Equity Investment Management (Shenzhen) Limited [^]	中華人民 共和國	People's Republic of China	(註釋 a) (Note a)	(註釋 a) (Note a)		股權投資 管理	Equity investment management
安碧有限公司 [^]	Antopex Limited [^]	英屬 處女島	British Virgin Islands	1	US\$1		信託業務	Trustee services
保亞有限公司 [^]	Bulleria Limited [^]	英屬 處女島	British Virgin Islands	1	US\$1		信託業務	Trustee services
錦嶺有限公司 [^]	Cameland Limited [^]	英屬 處女島	British Virgin Islands	1	US\$1		信託業務	Trustee services
德衛有限公司 [^]	Deeright Limited [^]	英屬 處女島	British Virgin Islands	1	US\$1		信託業務	Trustee services
億聯有限公司 [^]	Eaglearn Limited [^]	英屬 處女島	British Virgin Islands	1	US\$1		信託業務	Trustee services

由本行全資直接持有之附屬公司。

Wholly and directly held by the Bank.

[^] 由本行全資間接持有之附屬公司。

[^] Wholly and indirectly held by the Bank.

@ 於二〇二一年十二月三十一日，本行持有Wing Lung Opportunities Fund Limited (「該基金」) 發行股數之97.95% (二〇二〇年：96.65%)。Wing Lung Opportunities Master Fund Limited由該基金全資直接持有。

@ At 31 December 2021, the Bank directly holds 97.95% (2020: 96.65%) of the shares issued by Wing Lung Opportunities Fund Limited (the "Fund"). Wing Lung Opportunities Master Fund Limited is wholly and directly held by the Fund.

* 於二〇二〇年十二月開始進行清算。

* Liquidation process commenced in December 2020.

註釋：(a) 註冊資本為人民幣13,000,000元

Note: (a) Registered capital was RMB13,000,000.

23 共同控制實體權益

23 Interests in jointly controlled entities

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
應佔資產淨額	Share of net assets	237,468	221,380

本集團之共同控制實體之資料如下：

The particulars of the Group's jointly controlled entities are as follows:

名稱	Name	註冊 及營業 地點	Place of incorporation and operation	擁有權益 Ownership interest	投票權之 百分比 Proportion of voting power	主要業務	Principal activities
銀聯控股 有限公司*	Bank Consortium Holding Limited*	香港	Hong Kong	13.33%	14.29%	提供退休計劃之信託、行政及保管服務	Provision of trustee, administration and custodian services for retirement schemes
銀聯通寶 有限公司*	Joint Electronic Teller Services Limited*	香港	Hong Kong	(註釋 a) (Note a)	(註釋 a) (Note a)	提供自動櫃員機之網絡服務	Provision of ATM network services
銀和再保險 有限公司	BC Reinsurance Limited	香港	Hong Kong	21.00%	21.00%	再保險業務	Reinsurance business

以上共同控制實體是本集團的策略夥伴，以拓闊本集團提供予客戶的服務種類。

The above jointly controlled entities are strategic partners for the Group to widen the service types to be provided to the Group's customers.

* 由本行直接持有之共同控制實體

* Directly held by the Bank

註釋：(a) 本集團乃五位創辦成員之一，並共同擁有該公司之控制權益。本集團持有該公司發行予其創辦成員普通股「A」股之20%。該公司有其他普通股級別。在公司清盤時，「A」股擁有分配公司資產的投票權。於二〇二一年十二月三十一日，本集團擁有該公司宣派股息之2.74% (二〇二〇年：2.67%) 權益。

Note: (a) The Group is one of the five founding members which together have a controlling interest in the company. The Group holds 20% of the 'A' ordinary shares issued by the company to its founding members. The company also has other class of ordinary shares. Class A ordinary shares have the right to vote on the allocation of the company's asset upon the winding up of the company. As at 31 December 2021, the Group is entitled to 2.74% (2020: 2.67%) of dividends declared by the company.

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23 共同控制實體權益 (續)

個別不重大共同控制實體之總和資料：

23 Interests in jointly controlled entities (Continued)

Aggregate information of jointly controlled entities that are not individually material:

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
本集團佔該等共同控制實體的總額	Aggregate amounts of the Group's share of those jointly controlled entities		
源自持續營運溢利	Profit from continuing operations	44,835	44,444
其他全面支出	Other comprehensive expense	(272)	-
全面收益總額	Total comprehensive income	44,563	44,444

24 聯營公司權益

24 Interests in associates

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
應佔資產淨額	Share of net assets	248,833	3,633,892

本集團之聯營公司之資料如下：

The particulars of the Group's associates are as follows:

名稱	Name	註冊及營業地點	Place of incorporation and operation	主要業務	Principal activities	持有之已發行股份詳情	Particulars of issued shares held	間接持有權益	Interest held indirectly
專業責任保險代理有限公司	Professional Liability Underwriting Services Limited	香港	Hong Kong	保險代理	Insurance agency	非上市之普通股	Unlisted ordinary shares	27.00%	27.00%
香港人壽保險有限公司	Hong Kong Life Insurance Limited	香港	Hong Kong	人壽保險業務	Life insurance business	非上市之普通股	Unlisted ordinary shares	16.67%	16.67%
招聯消費金融有限公司 (「招聯消費」)*	Merchants Union Consumer Finance Company Limited (“Merchants Union”)**	中華人民共和國	People's Republic of China	消費金融服務	Consumer finance service	非上市之普通股	Unlisted ordinary shares	不適用/n.a. (2020: 25.85%)	不適用/n.a. (2020: 25.85%)

以上聯營公司是本集團的策略夥伴。

The above associates are strategic partners for the Group.

* 由本行直接持有之聯營公司

* Directly held by the Bank

於二〇二一年七月二十八日，中國銀行保險監督管理委員會已批覆同意本行轉讓招聯消費股權予招商銀行股份有限公司。本行持有招聯消費的25.85%股份的轉讓價為人民幣3,235,216,000元。有關交易已於二〇二一年七月二十八日完成交割。交割完成後，招聯消費不再為本行的聯營公司。

On 28 July 2021, the China Banking and Insurance Regulatory Commission has approved the transfer of the Bank's equity interest in Merchants Union to China Merchants Bank Co., Ltd.. The transfer price of the 25.85% shares of Merchants Union held by the Bank was RMB3,235,216,000. The transaction was completed on 28 July 2021. Upon completion, Merchants Union ceased to be an associate company of the Bank.

24 聯營公司權益(續)

對本集團有重大影響的聯營公司之財務資料概括如下：

以下的財務資料乃按照《香港財務報告準則》編製的聯營公司財務報表所列示的金額。

二〇二一年的金額為截至股權轉讓日的經營成果。

招聯消費金融有限公司：

24 Interests in associates (Continued)

Summarised financial information in respect of the Group's material associate is set out below:

The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

For the year of 2021, the amounts represent the operation results up to the date of equity transfer.

Merchants Union Consumer Finance Company Limited:

		二〇二一 2021	二〇二〇 2020
		港幣千元 HK\$'000	港幣千元 HK\$'000
聯營公司的總額	Gross amounts of associate		
資產	Assets	156,253,478	129,731,892
負債	Liabilities	141,190,613	116,598,037
權益	Equity	15,062,865	13,133,855
總收益	Gross income	11,869,234	19,853,051
淨溢利	Net profit	1,851,315	1,981,765
全面收益總額	Total comprehensive income	1,851,315	1,981,765
與本集團聯營公司的對賬	Reconciled to the Group's interest in associate		
聯營公司淨資產總額	Gross amounts of net assets of associate	15,062,865	13,133,855
本集團對聯營公司淨資產之 實際權益	Group's share of net assets of associate	3,893,260	3,394,673

個別不重大聯營公司之總和資料：

Aggregate information of associates that are not individually material:

		二〇二一 2021	二〇二〇 2020
		港幣千元 HK\$'000	港幣千元 HK\$'000
本集團佔該等聯營公司 的總額	Aggregate amounts of the Group's share of associates		
源自持續營運溢利	Profit from continuing operations	16,382	660
其他全面支出	Other comprehensive expense	(5,756)	(3,976)
全面收益／(支出)總額	Total comprehensive income/(expense)	10,626	(3,316)

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24 聯營公司權益 (續)

處置前，本集團持有招聯消費金融有限公司的25.85%股份。於二〇二一年七月，本集團以港幣3,893,260,000元（已於二〇二一年八月收取）轉讓招聯消費股權全部25.85%之權益予招商銀行股份有限公司。因有關交易而錄得虧損如下。

處置收到的價款
減：因本次處置而被境內代扣代繳的
 所得稅
減：處置應佔資產淨額
加：累計外幣報表折算匯兌儲備重新
 分類至損益表
已確認虧損

本次處置已確認虧損主要是因本次處置而被境內代扣代繳的所得稅港幣268,986,000元及累計外幣報表折算匯兌儲備重新分類至損益表之港幣69,841,000元的實現。

24 Interests in associates (Continued)

Before the disposal, the Group held a 25.85% interest in Merchants Union Consumer Finance Company Limited and accounted for the investment as an associate. In July 2021, the Group disposed of a 25.85% interest in Merchants Union Consumer Finance Company Limited to China Merchants Bank Co., Ltd for proceeds of HK\$3,893,260,000 (received in August 2021). This transaction has resulted in the recognition of a loss in profit or loss, calculated as follows.

	港幣千元 HK\$'000
Proceeds of disposal	3,893,260
Less: Taxation incurred in connection with the disposal	(268,986)
Less: Net assets disposed	(3,893,260)
Plus: Cumulative exchange reserve reclassified to income statement	69,841
Loss recognised	(199,145)

The loss recognised in the current year comprised with income tax expense of HK\$268,986,000 arose in connection with the disposal, and the cumulative exchange reserve of HK\$69,841,000 reclassified to income statement.

25 投資物業

25 Investment properties

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
於一月一日	At 1 January	2,832,290	3,171,350
房產與投資物業重分類 重估公平價值虧損	Net reclassification between premises and investment properties Fair value losses on revaluation	(51,300) (85,680)	(142,250) (196,810)
於十二月三十一日 (經專業估值列賬)	At 31 December (professional valuation)	2,695,310	2,832,290
		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
位於香港之租約物業：	Leasehold properties in Hong Kong:		
– 長期租約 (五十年以上)	– Long-term leases (over 50 years)	378,330	390,750
– 中期租約 (十至五十年)	– Medium-term leases (between 10 to 50 years)	2,316,980	2,441,540
		2,695,310	2,832,290

所有投資物業於二〇二一年十二月三十一日之估值，以投資估值方法將淨租金收入資本化釐定。是次重估經由獨立測量公司韋堅信測量師行有限公司進行，其僱員具香港測量師學會會士資歷及對估值物業的所在地點及類別有近期估值經驗。

All investment properties were revalued as at 31 December 2021 by capitalising the net rental income using the Investment Method of Valuation. The valuations were carried out by an independent firm of surveyors, A.G. Wilkinson & Associates (Surveyors) Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

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25 投資物業 (續)

下表呈列本集團以經常性計量的投資物業公平價值，並按香港財務報告準則第13號定義的公平價值層級分類。公平價值以估值所用的投入數據可觀察性劃分層級。可觀察的投入數據反映市場資訊從獨立的來源獲得；不可觀察的投入數據反映了本集團對市場的預期。這兩種投入數據產生了下列公平價值的層級：

- 第1層 – 參考同一工具於活躍市場取得的市場報價 (未經調整)。
- 第2層 – 根據可觀察的直接 (如報價) 或間接 (如由報價所推算) 投入數據之估值模式。
- 第3層 – 根據重要但不可觀察得到的投入數據之估值模式。

25 Investment properties (Continued)

The table below presents the fair value of the Group's investment properties measured on a recurring basis, categorised into the fair value hierarchy as defined in HKFRS 13. The level into which a fair value measurement is classified is based on whether the inputs used in the valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2 – Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Valuation techniques using significant unobservable inputs.

		第三層 Level 3	
		二〇二一 2021	二〇二〇 2020
		港幣千元 HK\$'000	港幣千元 HK\$'000
經常性公平價值計量：	Recurring fair value measurement:		
位於香港之租約物業	Leasehold properties in Hong Kong	2,695,310	2,832,290

截至二〇二一年十二月三十一日及二〇二〇年十二月三十一日止之財政年度，並無公平價值層級內第一層與第二層間之轉移，亦無轉入或從第三層轉出。本集團於公平價值層級間的轉移發生的報告期末予以確認。

During the years ended 31 December 2021 and 31 December 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 within the fair value hierarchy. The Group recognises transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

25 投資物業 (續)

以下表格列出於年末時用以計量被分類為公平價值層級第3層的投资物業之重大不可觀察的投入數據資料。

25 Investment properties (Continued)

The table below sets out information about significant unobservable inputs used at year end in measuring investment properties categorised as level 3 in the fair value hierarchy.

估值技巧	Valuation techniques	賬面值		不可觀察的投入數據對公平價值計量的敏感度
		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000	
投資估值方法	Investment method			
		2,695,310	2,832,290	
估值技巧	重大不可觀察的投入數據	範圍 Range		不可觀察的投入數據對公平價值計量的敏感度
Valuation techniques	Significant unobservable inputs	二〇二一 2021	二〇二〇 2020	Fair value measurement sensitivity to unobservable inputs
投資估值方法	市場收益率	2.95%-7.65%	2.73%-8.57%	市場收益率的重大上升將引致公平價值的下跌 Significant increase in market yield would result in a lower fair value
Investment method	Market yield			
	市場租金	每平方尺 港幣15元至 港幣900元 HK\$15 to HK\$900 per square foot	每平方尺 港幣15元至 港幣945元 HK\$15 to HK\$945 per square feet	市場租金的重大上升將引致公平價值的上升 Significant increase in market rent would result in a higher fair value
	Market rent			

註釋：因可供比較的交易數量有限，所有投資物業於二〇二一年十二月三十一日及二〇二〇年十二月三十一日均以投資估值方法計量。

Note: Due to the limited number of comparable transactions, all investment properties are measured using investment method as at 31 December 2021 and 31 December 2020.

本集團以經營租賃形式租出投資物業。租賃年期通常不長於四年。截至二〇二一年十二月三十一日止年度，並無包括在租約內之或有租金（二〇二〇年：無）。

The Group leases out investment properties under operating leases. The leases typically run for an initial period of up to 4 years. There were no contingent rentals included in leases for the year ended 31 December 2021 (2020: Nil).

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25 投資物業 (續)

於十二月三十一日，不可撤銷之營業租賃之未來最低應收租賃款項總額如下：

25 Investment properties (Continued)

At 31 December, the total future minimum lease payments receivable under non-cancellable operating leases are as follows:

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
土地及樓宇	Land and buildings		
– 一年以內	– Within one year	141,938	64,562
– 一年以後至兩年內	– After one year but within two years	110,894	16,295
– 兩年以後至三年內	– After two years but within three years	4,315	1,717
		257,147	82,574

26 租賃土地權益

本集團之租賃土地權益為預繳土地溢價，其賬面淨值分析如下：

26 Interests in leasehold land

The Group's interests in leasehold land represent prepaid land lease premium and their net book values are analysed as follows:

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
於一月一日	At 1 January	153,921	157,674
租賃土地折舊 (註釋11)	Depreciation of leasehold land (Note 11)	(3,754)	(3,753)
於十二月三十一日	At 31 December	150,167	153,921
在香港持有：	In Hong Kong held on:		
– 長期租約 (五十年以上)	– Long-term leases (over 50 years)	62,114	64,834
– 中期租約 (十至五十年)	– Medium-term leases (between 10 to 50 years)	88,053	89,087
		150,167	153,921

27 其他物業及設備

27 Other properties and equipment

		使用權資產 Right of use assets				合計 Total 港幣千元 HK\$'000
		傢俬及設備 Furniture and Premises 港幣千元 HK\$'000	傢俬及設備 Furniture and Premises 港幣千元 HK\$'000	傢俬及設備 Furniture and Premises 港幣千元 HK\$'000	傢俬及設備 Furniture and Premises 港幣千元 HK\$'000	
成本	Cost					
於二〇二一年一月一日	At 1 January 2021	1,078,569	2,150,000	437,873	444	3,666,886
匯兌差額	Exchange difference	196	2,125	3,858	2	6,181
租賃修訂	Lease modifications	–	–	(3,239)	–	(3,239)
增置	Additions	–	120,610	106,056	–	226,666
出售	Disposals	(1,654)	(18,179)	(87,197)	–	(107,030)
	Net reclassification between premises and investment properties	51,300	–	–	–	51,300
於二〇二一年十二月三十一日	At 31 December 2021	1,128,411	2,254,556	457,351	446	3,840,764
累積折舊	Accumulated depreciation					
於二〇二一年一月一日	At 1 January 2021	284,035	1,533,629	180,763	86	1,998,513
匯兌差額	Exchange difference	72	1,604	1,775	13	3,464
本年度折舊(註釋11)	Charge for the year (Note 11)	24,232	165,601	115,847	132	305,812
出售回撥	Written back on disposal	(781)	(16,517)	(87,197)	–	(104,495)
於二〇二一年十二月三十一日	At 31 December 2021	307,558	1,684,317	211,188	231	2,203,294
賬面淨值	Net book value					
於二〇二一年十二月三十一日	At 31 December 2021	820,853	570,239	246,163	215	1,637,470

財務報表註釋

Notes to the Financial Statements

27 其他物業及設備 (續)

27 Other properties and equipment (Continued)

		使用權資產				合計 Total 港幣千元 HK\$'000
		傢俬及設備		傢俬及設備		
		房產 Premises 港幣千元 HK\$'000	傢俬及設備 Furniture and equipment 港幣千元 HK\$'000	房產 Premises 港幣千元 HK\$'000	傢俬及設備 Furniture and equipment 港幣千元 HK\$'000	
成本	Cost					
於二〇二〇年一月一日	At 1 January 2020	936,763	1,889,019	395,356	204	3,221,342
匯兌差額	Exchange difference	(151)	4,182	5,150	(1)	9,180
租賃修訂	Lease modifications	–	–	(4,356)	–	(4,356)
增置	Additions	–	270,015	80,569	444	351,028
出售	Disposals	(293)	(13,216)	(38,846)	(203)	(52,558)
	Net reclassification between premises and investment properties	142,250	–	–	–	142,250
於二〇二〇年十二月三十一日	At 31 December 2020	1,078,569	2,150,000	437,873	444	3,666,886
累積折舊	Accumulated depreciation					
於二〇二〇年一月一日	At 1 January 2020	261,388	1,374,527	92,565	153	1,728,633
匯兌差額	Exchange difference	(52)	3,514	3,961	12	7,435
本年度折舊 (註釋11)	Charge for the year (Note 11)	22,803	168,370	123,083	124	314,380
出售回撥	Written back on disposal	(104)	(12,782)	(38,846)	(203)	(51,935)
於二〇二〇年十二月三十一日	At 31 December 2020	284,035	1,533,629	180,763	86	1,998,513
賬面淨值	Net book value					
於二〇二〇年十二月三十一日	At 31 December 2020	794,534	616,371	257,110	358	1,668,373

27 其他物業及設備(續)

27 Other properties and equipment (Continued)

房產之賬面淨值包括：

The net book value of premises comprises:

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
位於香港之租約物業：	Leasehold properties in Hong Kong:		
– 長期租約(五十年以上)	– Long-term leases (over 50 years)	335,805	340,889
– 中期租約(十至五十年)	– Medium-term leases (between 10 to 50 years)	461,457	428,270
		797,262	769,159
位於海外之租約物業：	Leasehold properties outside Hong Kong:		
– 永久	– Freehold	20,745	21,497
– 中期租約(十至五十年)	– Medium-term leases (between 10 to 50 years)	2,846	3,878
		23,591	25,375
		820,853	794,534

28 客戶存款

28 Deposits from customers

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
活期存款及往來賬戶	Demand deposits and current accounts	49,349,558	36,844,979
儲蓄存款	Savings deposits	117,952,231	86,211,771
定期存款及通知存款	Time, call and notice deposits	125,758,929	147,065,108
		293,060,718	270,121,858

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Notes to the Financial Statements

29 資本工具

29 Capital instruments

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
發行之後償債項	Subordinated debts issued		
美元 400,000,000 元按攤銷成本 列賬的定息後償票據 (註釋a)	US\$400,000,000 subordinated fixed rate notes, measured at amortised cost (Note a)	3,115,586	3,097,196
		3,115,586	3,097,196
額外權益工具	Additional equity instruments		
美元170,000,000元永續型 非累積後償資本證券 (註釋b)	US\$170,000,000 undated non-cumulative subordinated capital securities (Note b)	1,321,240	1,321,240
美元400,000,000元永續型 非累積後償資本證券 (註釋c)	US\$400,000,000 undated non-cumulative subordinated capital securities (Note c)	3,126,740	3,126,740
美元260,000,000元永續型 非累積後償資本證券 (註釋d)	US\$260,000,000 undated non-cumulative subordinated capital securities (Note d)	2,023,781	2,023,781
人民幣1,000,000,000元永續型 非累積後償資本證券 (註釋e)	RMB1,000,000,000 undated non-cumulative subordinated capital securities (Note e)	1,102,812	1,102,812
		7,574,573	7,574,573

註釋：(a) 此美元400,000,000元定息後償票據於二〇一七年十一月二十二日發行，並被界定為本集團之附加資本。此票據將於二〇二七年十一月二十二日到期。選擇性贖還日為二〇二二年十一月二十二日。由發行日至選擇性贖還日之首五年，此票據的利息按年利率3.75%計算，按半年度支付。其後，倘票據未在選擇性贖還日贖回，往後的利息會重訂為當日的美國五年期國庫債券息率加175點子。此票據之本金將於導致無法繼續經營事件發生時撤銷。

Note: (a) This represents US\$400,000,000 subordinated fixed rate notes qualifying as supplementary capital of the Group issued on 22 November 2017. The notes will mature on 22 November 2027 with an optional redemption date falling on 22 November 2022. Interest at 3.75% per annum is payable on a semi-annual basis for the first 5 years from the date of issue to the optional redemption date. Thereafter, if the notes are not redeemed, the interest rate will reset and the notes will bear interest at 5 year US Treasury Rate on that date plus 175 basis points. The principal of the notes will be written down if a non-viability event occurs.

29 資本工具 (續)

- (b) 此美元170,000,000元永續型非累積後償資本證券被界定為本集團之額外一級資本。此證券於二〇一七年四月二十七日發行，首個提前回購日為二〇二二年四月二十八日。由發行日至首個提前回購日之首五年，此證券的年息率為5.20%。其後，若屆時未行使回購權，息率將每5年按當時美國五年期國庫債券息率加3.13%重新釐訂。
- (c) 此美元400,000,000元永續型非累積後償資本證券被界定為本集團之額外一級資本。此證券於二〇一九年一月二十四日發行，首個提前回購日為二〇二四年一月二十四日。由發行日至首個提前回購日之首五年，此證券的年息率為6.50%。其後，若屆時未行使回購權，息率將每5年按當時美國五年期國庫債券息率加3.948%重新釐訂。
- (d) 此美元260,000,000元永續型非累積後償資本證券被界定為本集團之額外一級資本。此證券於二〇一九年十二月二十七日發行予本行之控股公司，首個提前回購日為二〇二四年十二月二十七日。由發行日至首個提前回購日之首五年，此證券的年息率為5.23%。其後，若屆時未行使回購權，息率將每5年按當時美國五年期國庫債券息率加3.50%重新釐訂。
- (e) 此人民幣1,000,000,000元永續型非累積後償資本證券被界定為本集團之額外一級資本。此證券於二〇二〇年二月二十七日發行予本行之控股公司，首個提前回購日為二〇二五年二月二十七日。由發行日至首個提前回購日之首五年，此證券的年息率為4.78%。其後，若屆時未行使回購權，息率將每5年按當時五年期中國國債息率加2.12%重新釐訂。

額外權益工具之本金將於導致無法繼續經營事件發生時撇銷。票息每半年支付，而本行有權自行決定取消票息支付。已取消之票息不會累積。

29 Capital instruments (Continued)

- (b) This represents US\$170,000,000 undated non-cumulative subordinated capital securities qualifying as additional Tier 1 capital of the Group. The securities were issued on 27 April 2017 with the first call date falling on 28 April 2022. Distribution rate for the securities is set at 5.20% per annum for the first 5 years from the date of issue to the first call date. Distribution rate will be reset thereafter every 5 years at the then prevailing 5 year U.S. Treasury Rate plus 3.13% per annum if the capital securities are not called.
- (c) This represents US\$400,000,000 undated non-cumulative subordinated capital securities qualifying as additional Tier 1 capital of the Group. The securities were issued on 24 January 2019 with the first call date falling on 24 January 2024. Distribution rate for the securities is set at 6.50% per annum for the first 5 years from the date of issue to the first call date. Distribution rate will be reset thereafter every 5 years at the then prevailing 5 year U.S. Treasury Rate plus 3.948% per annum if the capital securities are not called.
- (d) This represents US\$260,000,000 undated non-cumulative subordinated capital securities qualifying as additional Tier 1 capital of the Group. The securities were issued to the Bank's holding company on 27 December 2019 with the first call date falling on 27 December 2024. Distribution rate for the securities is set at 5.23% per annum for the first 5 years from the date of issue to the first call date. Distribution rate will be reset thereafter every 5 years at the then prevailing 5 year U.S. Treasury Rate plus 3.50% per annum if the capital securities are not called.
- (e) This represents RMB1,000,000,000 undated non-cumulative subordinated capital securities qualifying as additional Tier 1 capital of the Group. The securities were issued to the Bank's holding company on 27 February 2020 with the first call date falling on 27 February 2025. Distribution rate for the securities is set at 4.78% per annum for the first 5 years from the date of issue to the first call date. Distribution rate will be reset thereafter every 5 years at the then prevailing rate of five-year Chinese government notes plus 2.12% per annum if the capital securities are not called.

The principal of the additional equity instruments will be written down if a non-viability event occurs. Distribution is payable semi-annually, and may be cancelled at the sole discretion of the Bank. Cancelled distribution is not cumulative.

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30 遞延稅項

已於綜合財務狀況表內確認之遞延稅項資產／(負債)之組成部份，及年內之變動如下：

30 Deferred taxation

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

		加速 稅項折舊 Accelerated tax depreciation 港幣千元 HK\$'000	退休 福利義務 Retirement benefit obligation 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	其他 Others 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
於二〇二一年一月一日	At 1 January 2021	(93,769)	(11,658)	115,052	4,696	14,321
在收益表記賬 (註釋16(a))	Credited to income statement (Note 16(a))	13,611	2,036	32,055	5,058	52,760
在其他全面收益 (扣除)／記賬(註釋33)	(Charged)/credited to other comprehensive income (Note 33)	-	(3,551)	(20,231)	5,939	(17,843)
於二〇二一年 十二月三十一日	At 31 December 2021	(80,158)	(13,173)	126,876	15,693	49,238
於二〇二〇年一月一日	At 1 January 2020	(74,574)	(5,237)	78,595	(2,260)	(3,476)
在收益表(扣除)／記賬 (註釋16(a))	(Charged)/credited to income statement (Note 16(a))	(19,195)	3,362	36,457	(1,660)	18,964
在其他全面收益 (扣除)／記賬(註釋33)	(Charged)/credited to other comprehensive income (Note 33)	-	(9,783)	-	8,616	(1,167)
於二〇二〇年 十二月三十一日	At 31 December 2020	(93,769)	(11,658)	115,052	4,696	14,321
					二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
於綜合財務狀況表內確認之 遞延稅項資產淨額	Net deferred tax assets recognised in the consolidated statement of financial position				51,475	46,746
於綜合財務狀況表內確認之 遞延稅項負債淨額	Net deferred tax liabilities recognised in the consolidated statement of financial position				(2,237)	(32,425)
					49,238	14,321

遞延稅項資產乃因應相關稅務利益可透過未來應課稅溢利變現而就所結轉之稅項虧損予以確認。於二〇二一年十二月三十一日，本集團並無未確認之稅項虧損(二〇二〇年：無)，可結轉以抵銷未來應課稅收入。

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the deferred tax benefit through future profits is probable. At 31 December 2021, the Group had no unrecognised tax losses (2020: Nil) to be carried forward to set off against future taxable profits.

31 其他賬項及預提

31 Other accounts and accruals

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
應付利息	Interest payable	825,473	864,368
保費負債	Insurance liabilities	2,514,746	2,389,612
租賃負債	Lease liabilities	277,691	281,960
應付及其他賬項	Accounts and other payable	4,938,530	4,052,305
貸款承諾及金融擔保合約 減值準備	Impairment allowances on loan commitments and financial guarantee contracts	51,507	31,576
		8,607,947	7,619,821

保費負債分析如下：

Insurance liabilities are analysed as follows:

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
總額	Gross		
已呈報之索償及損失 支出調整	Claims reported and loss adjustment expenses	989,898	889,715
已發生但未呈報之索償	Claims incurred but not reported	723,390	712,904
未期滿保費	Unearned premiums	453,801	377,821
未到期風險準備	Provision for unexpired risk	96,508	100,465
其他	Others	251,149	308,707
保險負債總額	Total insurance liabilities, gross	2,514,746	2,389,612
於再投保人收回	Recoverable from reinsurers		
已呈報之索償及損失 支出調整	Claims reported and loss adjustment expenses	161,371	147,355
已發生但未呈報之索償	Claims incurred but not reported	66,053	77,532
未期滿保費	Unearned premiums	89,658	53,249
再投保人所佔保險負債總額 (註釋21(a))	Total reinsurers' share of insurance liabilities (Note 21(a))	317,082	278,136
淨額	Net		
已呈報之索償及損失 支出調整	Claims reported and loss adjustment expenses	828,527	742,360
已發生但未呈報之索償	Claims incurred but not reported	657,337	635,372
未期滿保費	Unearned premiums	364,143	324,572
未到期風險準備	Provision for unexpired risk	96,508	100,465
其他	Others	251,149	308,707
保險負債淨額	Total insurance liabilities, net	2,197,664	2,111,476

已呈報之索償總額、調整損失支出負債及已承付索償但未呈報之負債為除去預期於可挽救及轉移中收回之淨額。於二〇二一年十二月三十一日及二〇二〇年十二月三十一日之可挽救及轉移之金額並不重大，因此無獨立披露。

The gross claims reported, the loss adjustment expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The amounts for salvage and subrogation at 31 December 2021 and 31 December 2020 are not separately disclosed as they are not material.

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32 股本

32 Share capital

		二〇二一 2021		二〇二〇 2020	
		股數 No. of shares	港幣千元 HK\$'000	股數 No. of shares	港幣千元 HK\$'000
已發行及已繳足股本：	Issued and fully paid:				
普通股	Ordinary shares	232,190,115	1,160,951	232,190,115	1,160,951

普通股持有人有權收取不時宣派之股息，亦有權於本行之會議上以每股一票的方式投票。所有普通股對本行之剩餘淨資產享有同等地位。

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual net assets.

33 儲備

33 Reserves

本集團

The Group

		資本儲備 Capital reserve 港幣千元 HK\$'000	重估 房地產儲備 Bank premiaes reserve 港幣千元 HK\$'000	重估 金融資產 儲備 Financial asset revaluation reserve 港幣千元 HK\$'000	其他儲備 Other reserves 港幣千元 HK\$'000	保留溢利 Retained earnings 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
於二〇二一年一月一日	At 1 January 2021	57,500	582,787	1,814	1,043,502	39,277,382	40,962,985
以公平價值誌入其他全面 收益之金融資產	Financial assets at fair value through other comprehensive income						
– 公平價值改變	– Changes in fair value	–	–	174,773	–	–	174,773
– 於出售時轉入收益表	– Transfer to income statement on disposal	–	–	(148,770)	–	–	(148,770)
– 於減值時轉入收益表	– Transfer to income statement on impairment	–	–	55,702	–	–	55,702
以公平價值誌入其他全面 收益之股權證券	Equity securities at fair value through other comprehensive income						
– 公平價值改變	– Changes in fair value	–	–	(68,138)	–	–	(68,138)
– 於出售時轉入保留溢利	– Transfer to retained earnings on disposal	–	–	1,373	–	(1,373)	–
應佔聯營公司儲備	Share of associates' reserves	–	3,380	(9,136)	(79,070)	79,070	(5,756)
應佔共同控制實體儲備	Share of jointly controlled entities' reserves	–	–	(272)	205	(205)	(272)
是年度溢利	Profit for the year	–	–	–	–	3,031,505	3,031,505
轉入應變儲備	Transfer to contingency reserve	–	–	–	234	(234)	–
匯兌差額	Exchange difference	–	–	–	116,232	–	116,232
界定福利計劃之精算收益	Actuarial gains on defined benefit scheme	–	–	–	–	21,523	21,523
其他全面收益項目對遞延稅項 之影響 (註釋30)	Effect of deferred taxation on other comprehensive income items (Note 30)	–	–	(14,292)	–	(3,551)	(17,843)
額外權益工具分配	Distribution for additional equity instruments	–	–	–	–	(435,352)	(435,352)
於二〇二一年 十二月三十一日	At 31 December 2021	57,500	586,167	(6,946)	1,081,103	41,968,765	43,686,589

33 儲備 (續)

33 Reserves (Continued)

本行

The Bank

		重估 房產儲備 Bank premises revaluation reserve 港幣千元 HK\$'000	重估 金融資產 儲備 Financial asset revaluation reserve 港幣千元 HK\$'000	其他儲備 Other reserves 港幣千元 HK\$'000	保留溢利 Retained earnings 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
於二〇二一年一月一日	At 1 January 2021	396,557	(27,642)	911,546	35,998,125	37,278,586
以公平價值誌入其他全面 收益之金融資產	Financial assets at fair value through other comprehensive income					
– 公平價值改變	– Changes in fair value	–	174,773	–	–	174,773
– 於出售時轉入收益表	– Transfer to income statement on disposal	–	(148,770)	–	–	(148,770)
– 於減值時轉入收益表	– Transfer to income statement on impairment	–	55,702	–	–	55,702
以公平價值誌入其他全面 收益之股權證券	Equity securities at fair value through other comprehensive income					
– 公平價值改變	– Changes in fair value	–	(67,654)	–	–	(67,654)
是年度溢利	Profit for the year	–	–	–	4,758,400	4,758,400
匯兌差額	Exchange difference	–	–	166,866	–	166,866
界定福利計劃之精算收益	Actuarial gains on defined benefit scheme	–	–	–	21,523	21,523
其他全面收益項目對遞延 稅項之影響	Effect of deferred taxation on other comprehensive income items	–	(14,451)	–	(3,551)	(18,002)
額外權益工具分配	Distribution for additional equity instruments	–	–	–	(435,352)	(435,352)
於二〇二一年十二月三十一日	At 31 December 2021	396,557	(28,042)	1,078,412	40,339,145	41,786,072

財務報表註釋

Notes to the Financial Statements

33 儲備 (續)

33 Reserves (Continued)

本集團

The Group

		資本儲備 Capital reserve 港幣千元 HK\$'000	重估 房產儲備 Bank premises revaluation reserve 港幣千元 HK\$'000	重估 金融資產 儲備 Financial asset revaluation reserve 港幣千元 HK\$'000	其他儲備 Other reserves 港幣千元 HK\$'000	保留溢利 Retained earnings 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
於二〇二〇年一月一日	At 1 January 2020	57,500	592,798	(158,109)	661,759	36,708,762	37,862,710
以公平價值誌入其他全面 收益之金融資產	Financial assets at fair value through other comprehensive income						
– 公平價值改變	– Changes in fair value	–	–	35,199	–	–	35,199
– 於出售時轉入 收益表	– Transfer to income statement on disposal	–	–	(123,620)	–	–	(123,620)
– 於減值時轉入 收益表	– Transfer to income statement on impairment	–	–	63,218	–	–	63,218
以公平價值誌入其他全面 收益之股權證券	Equity securities at fair value through other comprehensive income						
– 公平價值改變	– Changes in fair value	–	–	131,089	–	–	131,089
– 於出售時轉入 保留溢利	– Transfer to retained earnings on disposal	–	–	39,386	–	(39,386)	–
應佔聯營公司儲備	Share of associates' reserves	–	(10,011)	6,035	–	–	(3,976)
應佔共同控制實體儲備	Share of jointly controlled entities' reserves	–	–	–	173	(173)	–
是年度溢利	Profit for the year	–	–	–	–	2,872,237	2,872,237
匯兌差額	Exchange difference	–	–	–	381,570	–	381,570
界定福利計劃之精算收益	Actuarial gains on defined benefit scheme	–	–	–	–	59,296	59,296
其他全面收益項目對遞延 稅項之影響 (註釋30)	Effect of deferred taxation on other comprehensive income items (Note 30)	–	–	8,616	–	(9,783)	(1,167)
償還額外權益工具	Redemption of additional equity instruments	–	–	–	–	121,600	121,600
額外權益工具分配	Distribution for additional equity instruments	–	–	–	–	(435,171)	(435,171)
於二〇二〇年 十二月三十一日	At 31 December 2020	57,500	582,787	1,814	1,043,502	39,277,382	40,962,985

33 儲備 (續)

33 Reserves (Continued)

本行

The Bank

		重估 房產儲備 Bank premises revaluation reserve 港幣千元 HK\$'000	重估 金融資產 儲備 Financial asset revaluation reserve 港幣千元 HK\$'000	其他儲備 Other reserves 港幣千元 HK\$'000	保留溢利 Retained earnings 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
於二〇二〇年一月一日	At 1 January 2020	396,557	(180,553)	582,302	34,324,454	35,122,760
以公平價值誌入其他全面 收益之金融資產	Financial assets at fair value through other comprehensive income					
— 公平價值改變	— Changes in fair value	—	35,199	—	—	35,199
— 於出售時轉入收益表	— Transfer to income statement on disposal	—	(123,620)	—	—	(123,620)
— 於減值時轉入收益表	— Transfer to income statement on impairment	—	63,218	—	—	63,218
以公平價值誌入其他全面 收益之股權證券	Equity securities at fair value through other comprehensive income					
— 公平價值改變	— Changes in fair value	—	150,139	—	—	150,139
— 於出售時轉入保留溢利	— Transfer to retained earnings on disposal	—	22,423	—	(22,423)	—
是年度溢利	Profit for the year	—	—	—	1,960,152	1,960,152
匯兌差額	Exchange difference	—	—	329,244	—	329,244
界定福利計劃之精算收益	Actuarial gains on defined benefit scheme	—	—	—	59,296	59,296
其他全面收益項目對遞延稅項之影響	Effect of deferred taxation on other comprehensive income items	—	5,552	—	(9,783)	(4,231)
償還額外權益工具	Redemption of additional equity instruments	—	—	—	121,600	121,600
額外權益工具分配	Distribution for additional equity instruments	—	—	—	(435,171)	(435,171)
於二〇二〇年十二月三十一日	At 31 December 2020	396,557	(27,642)	911,546	35,998,125	37,278,586

(a) 本集團之資本儲備是由若干附屬公司將其保留溢利資本化並發行新股予本行時所成立。

(a) The Group's capital reserve was set up in relation to the capitalisation by certain subsidiaries of their retained earnings for the issue of new shares to the Bank.

(b) 重估房產儲備乃根據載於註釋1.13的會計政策而成立。

(b) Bank premises revaluation reserve has been set up and is dealt with in accordance with the accounting policies set out in Note 1.13.

(c) 重估金融資產儲備乃以公平價值誌入其他全面收益之金融資產在出售或減值前之公平價值變動之累計淨差額並根據載於註釋1.6及1.7的會計政策確認。

(c) Financial asset revaluation reserve comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income until the financial assets are derecognised or impaired and is dealt with in accordance with the accounting policies set out in Notes 1.6 and 1.7.

財務報表註釋

Notes to the Financial Statements

33 儲備 (續)

- (d) 本集團的其他儲備包括普通儲備、匯兌儲備、應變儲備及法定盈餘儲備。本行的其他儲備包括普通儲備及匯兌儲備。

普通儲備是往年度從保留溢利轉撥之金額。

匯兌儲備是因折算海外機構的財務報表產生的匯兌差額。

應變儲備代表按照由保險業監管局頒佈之按揭擔保保險業務儲備金指引以應付經濟嚴重逆轉時累積的風險而建立之儲備。

法定盈餘儲備的款項是以本行於中華人民共和國成立之聯營公司之經審計後淨利潤的10%列賬，直至盈餘儲備之累計額相等於其註冊股本的50%。盈餘儲備經股東批准後可用於彌補累計虧損或轉化為實收股本。

- (e) 本集團已於二〇二一年十二月三十一日之保留溢利中保留港幣605,363,000元(二〇二〇年：港幣675,738,000元)作為法定儲備。法定儲備乃為審慎監督目的按照香港《銀行業條例》之條款保留，而是項儲備之變動直接記於保留溢利內，並須諮詢香港金融管理局。
- (f) 董事會並無擬派末期股息(二〇二〇年：無)。

33 Reserves (Continued)

- (d) The Group's other reserves comprise general reserve, exchange reserve, contingency reserve and statutory surplus reserve. The Bank's other reserves comprise general reserve and exchange reserve.

General reserve comprises previous years' transfers from retained earnings.

Exchange reserve comprises all foreign exchange differences arising from the translation of financial statements of overseas operations.

Contingency reserve represents a reserve established for contingency of accumulation of risks in times of severe economic downturn in accordance with Guideline on Reserving for Mortgage Guarantee Business issued by the Insurance Authority.

Statutory surplus reserve is provided at 10% of the audited profit after tax of an associate of the Bank which is incorporated in the People's Republic of China, until the reserve balance is equal to 50% of its registered share capital. Surplus reserve can be used to offset accumulated losses or capitalised as paid-up capital with the approval of shareholders.

- (e) At 31 December 2021, included in retained earnings is an amount of HK\$605,363,000 (2020: HK\$675,738,000) which was earmarked as regulatory reserve. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. Movements in the reserve are made directly through retained earnings and in consultation with the Hong Kong Monetary Authority.
- (f) The directors did not propose any final dividend (2020: Nil) after the year end.

34 分部報告

(a) 按業務劃分

本集團主要從事商業銀行業務，其中可分為四類。零售銀行業務包括提供接受零售存款、按揭及私人貸款、理財、證券經紀、人壽保險代理及顧問服務。公司及商業銀行業務包括提供接受企業存款、工商業貸款、貿易融資、租購及租賃。財資及金融機構業務包括外匯、金融市場、同業市場及資本市場等活動，同時亦包括接受非銀行金融機構之存款及對該等機構之貸款。中國內地、澳門及海外業務包括中國境內分行、澳門分行及海外分行之業務。其他業務主要包括一般保險承保及物業投資。適用於可匯報分部之會計政策與註釋1所述適用於本集團之會計政策相同。

未分類項目主要包括中央管理層及其他共同分享服務之資產及負債、稅項、以及其他未能合理分配予特定業務分部的項目。

是年度內，本集團對間接流動成本計算方式，以及對澳門分行及海外分行之資金轉移定價方式作出了調整，以便更好地反映其資金價值，故此相關業務的貢獻度可能難以與去年作出比較。

34 Segment reporting

(a) Business segments

The Group operates predominantly in commercial banking which comprises four business segments. Retail banking includes acceptance of retail deposits, mortgage and personal lending, wealth management, securities brokerage, life insurance agency and brokerage services. Corporate and commercial banking includes acceptance of corporate deposits, advance of commercial and industrial loans, trade financing, hire purchase and leasing. Treasury and financial institution activities include foreign exchange, money market, interbank market and capital market activities as well as acceptance of deposits from and lending to non-bank financial institutions. Mainland China, Macau and overseas operations activities include the business operated by branches within the territory of China, Macau and overseas branches. Other activities mainly comprise general insurance underwriting and investment properties holding. The accounting policies applicable to the reportable segments are the same as those applicable to the Group as stated in Note 1.

Unallocated items mainly comprise assets and liabilities of the central management unit and other shared services, taxation and any items which cannot be reasonably allocated to specific business segments.

During the year, the Group has revised the calculation method of indirect liquidity cost as well as the fund transfer pricing method for Macau and overseas branches to better reflect their funding value so that comparison for the contribution between two years may not be applicable for corresponding business.

財務報表註釋

Notes to the Financial Statements

34 分部報告 (續)

(a) 按業務劃分 (續)

34 Segment reporting (Continued)

(a) Business segments (Continued)

		零售銀行 Retail banking 港幣千元 HK\$'000	公司及 商業銀行 Corporate and commercial banking 港幣千元 HK\$'000	財資及 金融機構 Treasury and financial institution 港幣千元 HK\$'000	中國內地、 澳門及 海外業務 Mainland China, Macau and overseas operations 港幣千元 HK\$'000	可匯報 分部合計 Total reportable segments 港幣千元 HK\$'000	其他 Others 港幣千元 HK\$'000	未分類業務 及分部間之 交易抵銷 Unallocated and inter- segment elimination 港幣千元 HK\$'000	本集團 Group 港幣千元 HK\$'000
二〇二一年	2021								
淨利息收入/(支出)	Net interest income/(expense)								
- 外部	- External	(65,357)	1,140,770	2,073,102	1,019,372	4,167,887	22,313	-	4,190,200
- 內部分部	- Inter-segment	1,090,652	(10,108)	(861,471)	(218,403)	670	(670)	-	-
		1,025,295	1,130,662	1,211,631	800,969	4,168,557	21,643	-	4,190,200
服務費及佣金淨 收入/(支出)	Net fees and commission income/(expense)	731,457	210,253	181,941	175,665	1,299,316	7,116	(91,168)	1,215,264
其他營業收入/(支出)	Other operating income/ (expense)								
- 外部	- External	382,598	2,795	359,573	59,954	804,920	356,471	(101,774)	1,059,617
- 內部分部	- Inter-segment	-	-	-	154,135	154,135	168,274	(322,409)	-
分部營業收入	Segment operating income	2,139,350	1,343,710	1,753,145	1,190,723	6,426,928	553,504	(515,351)	6,465,081
營業支出	Operating expenses								
- 外部	- External	(1,002,142)	(189,868)	(149,083)	(447,281)	(1,788,374)	(181,956)	(660,093)	(2,630,423)
- 內部分部	- Inter-segment	(282,102)	(23,057)	(10,383)	(4,816)	(320,358)	(4,150)	324,508	-
		(1,284,244)	(212,925)	(159,466)	(452,097)	(2,108,732)	(186,106)	(335,585)	(2,630,423)
減值損失	Impairment losses	(10,922)	(339,471)	(40,642)	(84,041)	(475,076)	(2,293)	-	(477,369)
分部營業溢利/(虧損)	Segment operating profit/(loss)	844,184	791,314	1,553,037	654,585	3,843,120	365,105	(850,936)	3,357,289
投資物業之公平價值虧損	Fair value losses on investment properties								(85,680)
其他非營業活動之淨虧損	Net loss on other non-operating activities								(209,173)
應佔共同控制實體 及聯營公司之淨溢利	Share of net profits of jointly controlled entities and associates								541,162
除稅前溢利	Profit before taxation								3,603,598
資本開支	Capital expenditure	67,825	786	655	6,276	75,542	30,965	120,159	226,666
折舊	Depreciation	132,371	4,804	4,134	74,178	215,487	54,050	40,029	309,566
分部資產	Segment assets	61,468,658	89,843,127	190,181,614	67,419,540	408,912,939	8,383,608	779,775	418,076,322
內部分部交易	Inter-segment transactions								(29,487,907)
共同控制實體及聯營公司權益	Interests in jointly controlled entities and associates								486,301
總資產	Total assets								389,074,716
分部負債	Segment liabilities	168,727,976	75,148,545	51,460,746	66,748,290	362,085,557	3,682,374	361,881	366,129,812
內部分部交易	Inter-segment transactions								(29,487,907)
總負債	Total liabilities								336,641,905

34 分部報告 (續)

34 Segment reporting (Continued)

(a) 按業務劃分 (續)

(a) Business segments (Continued)

		零售銀行 Retail banking 港幣千元 HK\$'000	公司及 商業銀行 Corporate and commercial banking 港幣千元 HK\$'000	財資及 金融機構 Treasury and financial institution 港幣千元 HK\$'000	中國內地、 澳門及 海外業務 Mainland China, Macau and overseas operations 港幣千元 HK\$'000	可匯報 分部合計 Total reportable segments 港幣千元 HK\$'000	其他 Others 港幣千元 HK\$'000	未分類業務 及分部間之 交易抵銷 Unallocated and inter- segment elimination 港幣千元 HK\$'000	本集團 Group 港幣千元 HK\$'000
二〇二〇年	2020								
淨利息收入/(支出)	Net interest income/(expense)								
– 外部	– External	(786,639)	1,600,284	2,028,888	981,934	3,824,467	33,196	–	3,857,663
– 內部分部	– Inter-segment	1,852,866	(499,267)	(1,194,951)	(164,518)	(5,870)	5,870	–	–
		1,066,227	1,101,017	833,937	817,416	3,818,597	39,066	–	3,857,663
服務費及佣金淨收入/(支出)	Net fees and commission income/(expense)	626,817	236,138	187,838	131,807	1,182,600	18,126	(112,000)	1,088,726
其他營業收入/(支出)	Other operating income/ (expense)								
– 外部	– External	306,619	156	449,825	103,791	860,391	300,254	(102,487)	1,058,158
– 內部分部	– Inter-segment	(25,001)	(56,756)	91,727	189,924	199,894	179,585	(379,479)	–
分部營業收入	Segment operating income	1,974,662	1,280,555	1,563,327	1,242,938	6,061,482	537,031	(593,966)	6,004,547
營業支出	Operating expenses								
– 外部	– External	(932,047)	(165,718)	(154,885)	(484,598)	(1,737,248)	(183,659)	(611,652)	(2,532,559)
– 內部分部	– Inter-segment	(283,086)	(22,374)	(9,625)	(4,605)	(319,690)	(5,085)	324,775	–
		(1,215,133)	(188,092)	(164,510)	(489,203)	(2,056,938)	(188,744)	(286,877)	(2,532,559)
減值回撥/(損失)	Impairment written back/(losses)	80,463	(374,346)	(53,390)	(92,035)	(439,308)	(501)	–	(439,809)
分部營業溢利/(虧損)	Segment operating profit/(loss)	839,992	718,117	1,345,427	661,700	3,565,236	347,786	(880,843)	3,032,179
投資物業之公平價值虧損	Fair value losses on investment properties								(196,810)
其他非營業活動之淨虧損	Net loss on other non-operating activities								(296)
應佔共同控制實體 及聯營公司之淨溢利	Share of net profits of jointly controlled entities and associates								557,326
除稅前溢利	Profit before taxation								3,392,399
資本開支	Capital expenditure	105,523	1,151	4,750	80,530	191,954	5,056	154,018	351,028
折舊	Depreciation	153,481	5,294	4,774	77,024	240,573	44,745	32,815	318,133
分部資產	Segment assets	52,449,092	90,627,399	191,134,599	62,962,274	397,173,364	4,316,393	783,318	402,273,075
內部分部交易	Inter-segment transactions								(26,101,527)
共同控制實體及聯營公司權益	Interests in jointly controlled entities and associates								3,855,272
總資產	Total assets								380,026,820
分部負債	Segment liabilities	184,340,917	54,717,421	53,264,850	62,324,079	354,647,267	1,030,766	741,391	356,419,424
內部分部交易	Inter-segment transactions								(26,101,527)
總負債	Total liabilities								330,317,897

財務報表註釋

Notes to the Financial Statements

34 分部報告 (續)

(b) 按地域劃分

34 Segment reporting (Continued)

(b) Geographical area

		營業收入	除稅前溢利	總資產	總負債	信貸承擔	年度資本 開支
		Operating	Profit	Total assets	Total	Credit	Capital
		income	before	港幣千元	liabilities	commitments	expenditure
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	during the
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	year
							港幣千元
							HK\$'000
二〇二一年	2021						
香港	Hong Kong	5,428,493	2,949,013	340,124,696	296,895,482	39,395,996	220,390
中國內地	Mainland China	1,004,386	590,346	55,944,271	48,679,484	4,638,202	5,380
其他	Others	186,337	64,239	10,801,763	8,862,953	1,681,859	896
分部互相抵銷	Inter-segment elimination	(154,135)	–	(17,796,014)	(17,796,014)	–	–
綜合總額	Consolidated	6,465,081	3,603,598	389,074,716	336,641,905	45,716,057	226,666
二〇二〇年	2020						
香港	Hong Kong	4,961,503	2,730,699	335,965,836	293,984,102	34,652,187	270,498
中國內地	Mainland China	1,077,115	593,003	53,039,838	47,190,255	7,069,867	78,641
其他	Others	165,823	68,697	9,293,226	7,415,620	1,187,773	1,889
分部互相抵銷	Inter-segment elimination	(199,894)	–	(18,272,080)	(18,272,080)	–	–
綜合總額	Consolidated	6,004,547	3,392,399	380,026,820	330,317,897	42,909,827	351,028

35 或有債務及承擔

下列為或有債務及承擔之每個主要類別之合約金額，及信貸風險比重金額總計：

35 Contingent liabilities and commitments

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments, and the aggregate credit risk weighted amounts:

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
直接信貸替代品	Direct credit substitutes	1,237,904	1,153,292
交易項目有關之或有債務	Transaction-related contingencies	1,976,030	1,914,498
商業項目有關之或有債務	Trade-related contingencies	1,677,057	1,340,416
可以無條件取消之其他承擔	Other commitments which are unconditionally cancellable	23,319,426	24,924,459
原本年期為一年或以下之其他承擔	Other commitments with an original maturity of one year or less	4,963,521	5,962,516
原本年期為一年以上之其他承擔	Other commitments with an original maturity of over one year	12,542,119	7,614,646
		45,716,057	42,909,827
信貸風險比重金額	Credit risk weighted amount	8,518,512	6,027,131

用以計算信貸風險比重金額之風險比重為0%至150%。

The risk weights used in the computation of credit risk weighted amounts range from 0% to 150%.

財務報表註釋

Notes to the Financial Statements

36 資本及租約承擔

(a) 於十二月三十一日，不包括於財務報表內之資本承擔如下：

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
已簽約但未作準備	Contracted but not provided for	203,323	144,221
已授權但未簽約	Authorised but not contracted for	4,200	18,502

(b) 本集團以營業租賃租用一些物業。租約基本年期為一至六年。

於十二月三十一日，已承諾但尚未開始租賃之未來最低應付租賃款項總額如下：

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
土地及樓宇	Land and buildings		
– 第一年內	– Within one year	–	543
– 第二至第五年內	– After one year but within five years	17,278	1,344
		17,278	1,887

此等租約並不包括或有租金收入。

36 Capital and lease commitments

(a) Capital commitments outstanding at 31 December not provided for in the financial statements are as follows:

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
已簽約但未作準備	Contracted but not provided for	203,323	144,221
已授權但未簽約	Authorised but not contracted for	4,200	18,502

(b) The Group leases certain properties under operating leases. The leases typically run for an initial period of 1 to 6 years.

At 31 December, the total future minimum lease payments payable for leases committed but not yet commenced are as follows:

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
土地及樓宇	Land and buildings		
– 第一年內	– Within one year	–	543
– 第二至第五年內	– After one year but within five years	17,278	1,344
		17,278	1,887

None of the leases include contingent rentals.

37 綜合現金流量表註釋

37 Notes to consolidated cash flow statement

(a) 除稅前溢利與營業活動之現金流入
淨額對賬表(a) Reconciliation of profit before taxation to cash generated from
operations

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
除稅前溢利	Profit before taxation	3,603,598	3,392,399
調整項目：	Adjustments for:		
應佔共同控制實體之淨溢利	Share of net profit of jointly controlled entities	(44,835)	(44,444)
應佔聯營公司之淨溢利	Share of net profit of associates	(496,327)	(512,882)
出售以公平價值誌入其他 全面收益之金融資產之 淨收益	Net gain on disposal of financial assets at fair value through other comprehensive income	(148,770)	(123,620)
贖回按攤銷成本列賬之金融 工具之淨虧損	Net loss on redemption of financial instruments at amortised cost	12,530	214
出售聯營公司之淨虧損	Net loss on disposal of an associate	199,145	–
出售其他物業及設備之淨 (收益)/虧損	Net (gain)/loss on disposal of other properties and equipment	(2,502)	82
投資物業之公平價值虧損	Fair value losses on investment properties	85,680	196,810
減值損失	Impairment losses	477,369	439,809
折舊	Depreciation	309,566	318,133
減值準備的折現值回撥	Unwinding of discount on impairment allowances	(5,954)	(5,480)
攤銷證券投資之折讓	Amortisation of discount on investment in securities	(92,518)	(256,397)
	Amortisation of discount on certificates of deposit issued	31,750	142,504
攤銷發行之存款證之折讓	Amortisation of discount on subordinated debts issued	449	408
營運資金變動前之營業溢利	Operating profit before changes in working capital	3,929,181	3,547,536
營運資產減少/(增加)：	Decrease/(increase) in operating assets:		
同業定期存放及貸款 (三個月以後到期)	Placements with and loans and advances to banks maturing beyond three months	3,522,514	331,491
以公平價值誌入損益賬之 金融資產	Financial assets at fair value through profit or loss	1,785,042	2,376,238
貸款及其他賬項	Advances and other accounts	(10,634,688)	(9,222,308)
衍生金融工具資產	Derivative financial assets	1,117,044	(1,032,118)
營運負債(減少)/增加：	(Decrease)/increase in operating liabilities:		
衍生金融工具負債	Derivative financial liabilities	(769,725)	890,554
同業存款 (三個月以後到期)	Deposits and balances from banks maturing beyond three months	(8,127,487)	11,275,059
客戶存款	Deposits from customers	22,938,860	26,985,915
發行之存款證	Certificates of deposit issued	(7,232,431)	3,625,874
交易賬項下之負債	Trading liabilities	194,506	(154,805)
其他賬項及預提	Other accounts and accruals	980,685	(9,400,860)
營業活動之現金流入淨額	Cash generated from operations	7,703,501	29,222,576

註釋：若干比較數字已再分類以配合本年度
之表述。

Note: Certain comparative amounts have been reclassified to conform with
current year's presentation.

財務報表註釋

Notes to the Financial Statements

37 綜合現金流量表註釋 (續)

37 Notes to consolidated cash flow statement (Continued)

(b) 現金及等同現金項目之結餘分析

(b) Analysis of the balance of cash and cash equivalents

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
庫存現金及存放同業	Cash and balances with banks	31,902,492	35,778,292
同業定期存放及貸款 (原到期日在三個月內)	Placements with and loans and advances to banks with original maturity within three months	25,804,830	33,081,423
國庫券 (原到期日在三個月內)	Treasury bills with original maturity within three months	7,885,025	7,499,753
持有之存款證 (原到期日在三個月內)	Certificates of deposit held with original maturity within three months	132,532	638,516
同業存款 (原到期日在三個月內)	Deposits and balances from banks with original maturity within three months	(20,826,321)	(22,235,164)
		44,898,558	54,762,820

(c) 融資活動產生的負債對賬表

(c) Reconciliation of liabilities arising from financing activities

下表詳述本集團來自融資活動的負債變動，包括現金及非現金變動。融資活動產生的負債是現金流量或未來現金流量的負債，將在本集團綜合現金流量表中分類為融資活動的現金流量。

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

		發行之後償債項 Subordinated debts issued	
		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
於一月一日	At 1 January	3,097,196	3,110,591
攤銷發行之後償債項 之折讓	Amortisation of discount on subordinated debts issued	449	408
匯兌差額	Exchange difference	17,941	(13,803)
於十二月三十一日	At 31 December	3,115,586	3,097,196

37 綜合現金流量表註釋(續)

37 Notes to consolidated cash flow statement (Continued)

(c) 融資活動產生的負債對賬表(續)

(c) Reconciliation of liabilities arising from financing activities (Continued)

		租賃負債	
		Lease Liabilities	
		二〇二一	二〇二〇
		2021	2020
		港幣千元	港幣千元
		HKS'000	HKS'000
於一月一日	At 1 January	281,960	311,064
匯兌差額	Exchange difference	2,338	1,506
租賃修訂	Lease modifications	(3,239)	(4,356)
增置	Additions	106,056	81,013
利息支出	Interest expense	8,221	10,054
支付	Payment	(117,645)	(117,321)
於十二月三十一日	At 31 December	277,691	281,960

38 已作抵押品之資產

38 Assets pledged as security

於報告期結束日，以下資產經已用作抵押品。

The following assets have been pledged as collateral at the end of the reporting period.

		二〇二一	二〇二〇
		2021	2020
		港幣千元	港幣千元
		HKS'000	HKS'000
有抵押負債	Secured liabilities	303,480	708,016
抵押資產：	Assets pledged:		
庫存現金、同業存放及貸款 (註釋a)	Cash, balances and placements with and loans and advances to banks (Note a)	244,475	708,218
按攤銷成本列賬之金融投資及 同業貸款用作抵押擔保法定 存款(註釋b)	Financial investments at amortised cost, and money market placement pledged for statutory deposits (Note b)	175,422	174,412
以公平價值誌入損益賬之 金融資產(註釋c)	Financial assets at fair value through profit or loss (Note c)	58,918	-
		478,815	882,630

註釋：

Note:

(a) 票據貼現已為本行之借貸活動作抵押。

(a) Discounted bills have been pledged to secure the Group's borrowing activity.

(b) 已抵押予美國貨幣審計部的資產，為本行洛杉磯分行及三藩市分行之法定存款。

(b) The assets have been pledged to the Office of the Comptroller of Currency of the United States of America as statutory deposits for the Bank's branches in Los Angeles and San Francisco.

(c) 債務證券已為本集團 Wing Lung Opportunities Fund之借貸活動作抵押。

(c) Debt securities have been pledged to secure the Group's borrowing activity for the Wing Lung Opportunities Fund's business.

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39 高級人員貸款

按照香港《公司條例》第383(1)(d)條及《公司(披露董事利益資料)規例》第3部規定所披露之貸款予董事及其關連實體總額如下：

	於十二月三十一日之結欠額		全年最高結欠額		
	Balance outstanding at 31 December		Maximum balance during the year		
	二〇二一	二〇二〇	二〇二一	二〇二〇	
	2021	2020	2021	2020	
	港幣千元	港幣千元	港幣千元	港幣千元	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
本金及利息之結欠總額	Aggregate amount outstanding in respect of principal and interest	3,209	3,326	3,632	3,474

39 Loans to officers

The aggregate of loans to directors of the Bank and entities connected with directors disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

40 重大有關連人士之交易

是年度內，本集團在正常商業活動下與有關連人士進行之銀行交易，包括放款、存款、保險及其他金融相關交易。該等有關連人士為可控制本集團的公司、本行之主要行政人員及其近親家庭成員，並包括受本集團及該等人士所控制或可對其行使重大影響力之公司。該等交易以進行各交易時之相關市場費率定價，並按與本集團可提供予其他交易對手及客戶之相同條款進行。董事認為，該等交易乃按一般商業條款訂立。除在本財務報表其他地方所披露之交易及結餘外，本集團所參與的一切其他重大有關連人士之交易詳列於下頁。

40 Material related party transactions

During the year, the Group entered into certain banking transactions with related parties in the normal course of business, which include loans, deposits, insurance and other financial related transactions. These related parties are those companies which have control over the Group, key management personnel of the Bank, close members of their families and companies controlled or significantly influenced by the Group or by them. The transactions were priced at the relevant market rates at the time of each transaction, and were on 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. In addition to the transactions and balances disclosed elsewhere in the financial statements, other material related party transactions entered into by the Group are set out on the following pages.

40 重大有關連人士之交易 (續)

40 Material related party transactions (Continued)

		控股公司 Holding company 港幣千元 HK\$'000	共同 控制實體 Jointly controlled entities 港幣千元 HK\$'000	聯營公司 Associates 港幣千元 HK\$'000	主要 行政人員 Key management personnel 港幣千元 HK\$'000	其他 有關連人士 Other related parties 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二一年	2021						
於年結日結餘總額	Aggregate amounts outstanding at the year end						
– 貸款及其他應收賬項	– Loans and other receivables	1,125,229	81	572	10,863	1,620	1,138,365
– 拆放存款	– Placement of deposits	316,780	–	–	–	–	316,780
– 客戶存款	– Deposits from customers	9,904,343	640,357	108,241	75,480	1,003,438	11,731,859
– 以公平價值誌入 其他全面收益之 金融投資	– Financial investments at fair value through other comprehensive income	1,542,992	–	–	–	1,138,721	2,681,713
資產負債表外結餘	Off-balance sheet outstanding						
– 外匯合約 (名義金額)	– Exchange rate contracts (notional amounts)	9,651,211	–	–	–	–	9,651,211
– 其他承擔	– Other commitments	–	919	73	4,996	2,069	8,057
– 收取擔保	– Guarantee received	7,042,176	–	–	–	–	7,042,176
是年度收取有關連人士 之收入	Income for the year received from related parties						
– 利息收入	– Interest income	41,386	–	–	188	14,510	56,084
– 其他營業收入	– Other operating income	1,519	8,291	269	34	3,280	13,393
– 保險營業淨收入	– Net insurance operating income	–	5,476	4,347	–	–	9,823
		42,905	13,767	4,616	222	17,790	79,300
是年度支付予有關連 人士之費用	Expenses for the year paid to related parties						
– 利息支出	– Interest expenses	203,355	1,725	5	506	714	206,305
– 服務費及佣金支出	– Fees and commission expenses	7	–	1	1	65,531	65,540
– 營業支出	– Operating expenses	–	2,161	–	–	103,198	105,359
– 保險營業淨支出	– Net insurance operating expenses	–	7,107	3,323	–	–	10,430
		203,362	10,993	3,329	507	169,443	387,634

財務報表註釋

Notes to the Financial Statements

40 重大有關連人士之交易 (續)

40 Material related party transactions (Continued)

	控股公司 Holding company 港幣千元 HK\$'000	共同 控制實體 Jointly controlled entities 港幣千元 HK\$'000	聯營公司 Associates 港幣千元 HK\$'000	主要 行政人員 Key management personnel 港幣千元 HK\$'000	其他 有關連人士 Other related parties 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二〇年	2020					
於年結日結餘總額	Aggregate amounts outstanding at the year end					
– 貸款及其他應收賬項	160,768	163	681	14,431	1,244	177,287
– 拆放存款	1,130,540	–	–	–	–	1,130,540
– 客戶存款	13,462,382	734,691	59,462	70,009	978,255	15,304,799
– 以公平價值誌入 其他全面收益之 金融投資	962,657	–	–	–	742,579	1,705,236
– 其他賬項及預提	–	–	–	9	–	9
資產負債表外結餘	Off-balance sheet outstanding					
– 外匯合約 (名義金額)	13,395,636	–	–	–	–	13,395,636
– 其他承擔	–	837	102	5,921	2,444	9,304
– 收取擔保	12,614,316	–	–	–	–	12,614,316
是年度收取有關連人士 之收入	Income for the year received from related parties					
– 利息收入	14,105	38	–	256	11,752	26,151
– 其他營業收入	5,039	7,626	259	219	512	13,655
– 保險營業淨收入	–	344	15,677	1,950	1,800	19,771
	19,144	8,008	15,936	2,425	14,064	59,577
是年度支付予有關連 人士之費用	Expenses for the year paid to related parties					
– 利息支出	102,723	13,225	2	1,214	5,321	122,485
– 服務費及佣金支出	8	–	1	39	64,721	64,769
– 營業支出	–	2,251	–	–	–	2,251
– 保險營業淨支出	–	6,771	1,585	–	–	8,356
	102,731	22,247	1,588	1,253	70,042	197,861

40 重大有關連人士之交易 (續)

於二〇二一年十二月三十一日，本行在日常業務過程中按一般商業條款進行交易產生的應收及應付附屬公司款項總額分別為港幣57,503,000元(二〇二〇年：港幣67,794,000元)及港幣1,644,870,000元(二〇二〇年：港幣1,594,996,000元)。

於二〇二一年十二月三十一日，本集團為上述授予有關連人士之貸款確認第一階段減值準備港幣7,859,000元(二〇二〇年：港幣3,787,000元)。

主要行政人員報酬

本集團內主要行政人員，包括支付予本行董事或其應收之報酬分析如下：

40 Material related party transactions (Continued)

As at 31 December 2021, the aggregate sums of amounts due from subsidiaries and amounts due to subsidiaries of the Bank arising from transactions entered into during the normal course of business at commercial terms are HK\$57,503,000 (2020: HK\$67,794,000) and HK\$1,644,870,000 (2020: HK\$1,594,996,000) respectively.

As at 31 December 2021, the Group has recognised Stage 1 impairment allowances of HK\$7,859,000 in respect of loans granted to related parties (2020: HK\$3,787,000).

Key management personnel remuneration

Remuneration for key management personnel of the Group including amounts paid to or receivable by the Bank's directors is as follows:

		二〇二一 2021 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000
薪酬、花紅及其他短期福利	Salaries, bonus and other short-term benefits	55,257	49,212
退休福利	Retirement benefits	2,883	2,888
		58,140	52,100

41 母公司及最終控股公司

本集團之母公司及最終控股公司為於中華人民共和國註冊之招商銀行股份有限公司。

41 Immediate and ultimate holding company

The directors consider that the immediate and ultimate holding company of the Group to be China Merchants Bank Co., Ltd., which is incorporated in the People's Republic of China.

財務報表註釋

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42 基準利率改革過渡

銀行同業拆借利率過渡

倫敦銀行同業拆借利率是現時被廣泛用於金融合約的參考利率，以五種貨幣：英鎊、美元、歐元、日圓和瑞士法郎發佈。

英國金融行為監管局在二〇一七年七月宣佈，於二〇二一年十二月三十一日後將不再要求銀行為倫敦銀行同業拆借利率提供報價。英國金融行為監管局隨後亦於二〇二一年三月五日宣佈，除隔夜、1、3、6和12個月的美元倫敦銀行同業拆借利率將從二〇二三年六月三十日起停止使用外，其餘倫敦銀行同業拆借利率設置將從二〇二二年一月一日起停止使用。

因此，英國金融行為監管局和其他監管機構鼓勵銀行因應倫敦銀行同業拆借利率的終止作準備，並為此制定過渡到替代參考利率的方案。

過渡準備

本集團一直密切關注倫敦銀行同業拆借利率過渡的最新市場發展以及監管工作組的更新。為確保平穩過渡，本集團已設立了一個項目團隊（「項目團隊」）來規劃和執行過渡工作，為倫敦銀行同業拆借利率的結束作準備。項目團隊會定期向相關部門（每兩周）及管理層（每季）匯報最新資訊。隨著更多交易以替代參考利率報價，預計倫敦銀行同業拆借利率敞口將逐步減少。本集團也於二〇二一年一直在提升系統運行能力，開展提供替代參考利率產品的必要工作，同時制定計劃開展存量合同的更新工作。詳細的計劃以及流程和程序已經到位，以支持整個二〇二一年的過渡。

42 Interest rate benchmark reform transition

Interbank Offered Rate (“IBOR”) transition

London Interbank Offered Rate (“LIBOR”) is a widely used benchmark rate for a variety of financial contracts and is published in GBP (British Pound), USD (US Dollar), EUR (Euro), JPY (Japanese Yen) and CHF (Swiss Franc).

In July 2017, the UK’s Financial Conduct Authority (“FCA”) declared that it will no longer compel banks to submit rates used for the calculation of LIBOR after 31 December 2021. On 5 March 2021, the FCA made an announcement that most of the LIBOR settings will be discontinued starting from 1 January 2022, with the exception of overnight, 1-, 3-, 6-, 12-months USD LIBOR which will cease on 30 June 2023.

As a result, FCA and other regulators have encouraged banks to prepare for the cessation of LIBOR and start transiting to alternative reference rates (“ARR”).

Preparation for the transition

The Group has been constantly keeping track of the latest market developments on LIBOR transition as well as industry updates from regulatory working groups. To ensure a smooth transition from LIBOR to ARRs, the Group has established an IBOR transition project team (“project team”) to plan and execute the measurements in preparation for the cessation of LIBOR. The project team provides bi-weekly updates to the stakeholders and quarterly updates to senior management. As it is expected that LIBOR exposure will be reduced as a result of more transactions referencing ARRs, the Group has been enhancing the capabilities of system operation, developing necessary work to offer ARR products and formulating a plan to carry out contract negotiation work for legacy contracts during 2021. The detailed plans as well as the processes and procedures have been in place to support the transition throughout 2021.

42 基準利率改革過渡 (續)

過渡風險

項目團隊正在密切管理和監控銀行同業拆借利率改革為本集團帶來的風險，這些風險包括但不限於以下內容：

- **行為風險** — 由需要為現有合同作出修改而與客戶和市場交易對手進行討論而產生的風險。
- **財務風險** — 由銀行同業拆借利率改革引起市場混亂而導致本集團及其客戶潛在財務損失的風險。
- **定價風險** — 因銀行同業拆借利率的流動性減少且替代參考利率缺乏流動性及不可觀察而產生的風險。
- **操作風險** — 因本集團資訊科技系統和流程的變化以及支付中斷而引起的風險。
- **會計風險** — 當金融工具過渡到替代參考利率時，可能會導致本集團對沖關係失敗，以及對非代表性收益表引起波動而產生的風險。

緩解措施

- 本集團開展了關於銀行同業拆借利率過渡、客戶溝通和產品特點的持續培訓，以支持從倫敦銀行同業拆借利率到替代參考利率產品的開發和過渡。
- 本集團已制定計劃，以促進企業和客戶有序地過渡到替代參考利率產品。
- 本集團現正執行資訊科技系統的增強工作和操作變更，以過渡到可處理替代參考利率交易。
- 本集團已經達到了監管當局在提供替代參考利率產品、在新的倫敦銀行同業拆借利率合約中納入足夠的後備條款和於二〇二一年後停止發行新的倫敦銀行同業拆借利率合約方面而設定的監管里程碑。
- 本集團一直在實施必要的緩解控制措施，以評估和監控本集團面臨的各種風險。

42 Interest rate benchmark reform transition (Continued)

Risks for the transition

IBOR reform exposes the Group to various risks, which the project team is managing and monitoring closely. These risks include but not limited to the following:

- **Conduct risk** arising from discussions with clients and market counterparties due to the amendments required for existing contracts.
- **Financial risk** to the Group and its clients due to market disruption caused by IBOR reform resulting in potential financial loss.
- **Pricing risk** arising from the potential lack of market information if the liquidity in IBOR reduces and ARR's are illiquid and unobservable.
- **Operational risk** arising from the changes to the Group's IT systems and processes, as well as the risk of payments being disrupted.
- **Accounting risk** arising from the failure of the Group's hedging relationships and the volatility of unrepresentative income statement as financial instruments transit to ARR's.

Mitigating actions

- The Group has carried out continuing training on IBOR transition, client communication and product features to support the development and transition from LIBOR to ARR products.
- The Group has formulated a plan to facilitate the transition to ARR's for business and client in an orderly manner.
- The Group is in the process of executing the enhancement works for IT system and operational changes for the transition to handle ARR transactions.
- The Group has met the regulatory milestones set by the local authority regarding the offering of ARR products, incorporation of adequate fallback provisions in new LIBOR contracts and cessation of issuing new LIBOR contracts after 2021.
- The Group has been implementing necessary mitigating controls to assess and monitor the various risks that the Group exposed.

財務報表註釋

Notes to the Financial Statements

42 基準利率改革過渡 (續)

緩解措施 (續)

下表列出本集團於二〇二一年十二月三十一日尚未過渡至替代參考利率的重大銀行同業拆借利率敞口。這些敞口將一直存在，直至銀行同業拆借利率停用而過渡。此表不包括將在銀行同業拆借利率終止前到期的銀行同業拆借利率敞口。

42 Interest rate benchmark reform transition (Continued)

Mitigating actions (Continued)

The table below shows the Group's exposures at 31 December 2021 to significant IBORs that have yet to transit to alternative reference rates. These exposures will remain outstanding until the IBOR ceases and will therefore transit subsequently. The table excludes exposures to IBOR that will expire before the cessation of IBOR.

	非衍生 金融資產*	非衍生 金融負債*	衍生工具 名義/合約金額
	Non-derivative financial assets*	Non-derivative financial liabilities*	Derivative notional/ contractual amount
	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於二〇二一年十二月三十一日	At 31 December 2021		
美元倫敦銀行同業拆借利率	USD LIBOR	9,044,905	—

* 賬面總額。

* Gross carrying amount.

獨立核數師報告書 Independent Auditor's Report

致招商永隆銀行有限公司成員
(於香港註冊成立的有限公司)

意見

本核數師(以下簡稱「我們」)已審核第46至第200頁所載致招商永隆銀行有限公司(「貴公司」)及其附屬公司(統稱「貴集團」)之綜合財務報表,當中包括於二〇二〇年十二月三十一日之綜合財務狀況表,及截至該日止年度之綜合收益表,綜合全面收益表、綜合權益變動表及綜合現金流量表,以及綜合財務報表註釋,包括主要會計政策概要。

我們認為,綜合財務報表已根據香港會計師公會(「香港會計師公會」)頒佈的香港財務報告準則(「香港財務報告準則」)真實而中肯地反映 貴集團於二〇二〇年十二月三十一日的綜合財務狀況及 貴集團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。

意見的基礎

我們已根據香港會計師公會頒佈的香港審計準則(「香港審計準則」)進行審核。我們於該等準則項下的責任乃於我們之報告「核數師就審核綜合財務報表須承擔的責任」一節中進一步詳述。我們根據香港會計師公會頒佈之專業會計師職業道德守則(「守則」)獨立於 貴集團,我們亦已根據守則履行其他道德責任。我們相信,我們所獲得的審核憑證充足及適當地為我們的意見提供基準。

關鍵審核事項

就我們的專業判斷而言,關鍵審核事項乃指對我們審核本期綜合財務報表最為重要的事項。該等事項是在我們審核整體綜合財務報表及就此達成我們的意見時進行處理,而我們不會對此等事項單獨發表意見。

To the Sole Member of CMB Wing Lung Bank Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of CMB Wing Lung Bank Limited (the “Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 46 to 200, which comprise the consolidated statement of financial position as at 31 December 2020, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flow for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional 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.

第3階段客戶貸款及墊款的預期信貸損失計算

我們將第3階段客戶貸款及墊款的預期信貸損失計算評為關鍵審核事項，因為該事項涉及重大管理層判斷。

如綜合財務報表註釋4.1披露，貴集團按分部設定減值評估規則以按個別或採用基於規則的方法估計未來現金流量。第3階段的企業分部和敞口大於港幣5,000萬元的第3階段零售貸款的預期信貸損失採用折現現金流量法按個別確定。於報告日根據信用風險估計結果對預計未來現金流量進行估計。該信用風險估計反映了對未來收款和預計收到利息的情況的合理和可支援的假設和預測。如果收回的未償還金額很可能包含抵押物的變現金額（抵押物於預期變現日的估計公允價值減去取得和出售該抵押物產生的費用的餘額），則會考慮抵押物。現金流量以實際利率的合理近似值折現。

截至二〇二〇年十二月三十一日，如綜合財務報表註釋4.1(h)所載，客戶貸款及墊款總額主要包括企業和個人貸款港幣187,464百萬元。其中，本集團已將港幣986百萬元分類為第3階段貸款。本集團已就該等貸款確認預期信貸損失港幣771百萬元。

本集團對相關重大會計政策，相關金融風險管理，以及相關主要會計估計及判斷的披露載列於綜合財務報表註釋1.7，2.1及4.1(c)。

Calculation of expected credit loss (“ECL”) on loans and advances to customers in Stage 3

We identified the calculation of ECL on loans and advances to customers in Stage 3 as a key audit matter due to the involvement of significant management judgement.

As set out in note 4.1 to the consolidated financial statements, the Group defines the impairment assessment rules by segment to estimate future cash flows individually or by the Rule-based Approach. The ECL for non-retail segment at Stage 3 and the ECL for retail segment with exposure at default not less than HK\$50 million at Stage 3 are determined on an individual basis using a discounted cashflow methodology. The expected future cash flows are based on the credit risk estimates as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest. Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on its estimated fair value of collateral at the time of expected realisation, less costs for obtaining and selling the collateral. The cash flows are discounted at a reasonable approximation of the effective interest rate.

As at 31 December 2020, as set out in note 4.1(h) to the consolidated financial statements, gross loans and advances to customers mainly comprised of corporate and individual loans amounting to HK\$187,464 million. HK\$986 million out of the gross loans and advances to customers balance has been classified as Stage 3 loans. An ECL of HK\$771 million has been recognised in relation to these loans.

The Group’s disclosures with regards to the relevant significant accounting policies, the related financial risk management as well as the relevant critical accounting estimates and judgements are contained in notes 1.7, 2.1 and 4.1(c) respectively to the consolidated financial statements.

獨立核數師報告書 Independent Auditor's Report

我們的審核如何處理關鍵審核事項

我們就第三階段客戶貸款及墊款預期信貸損失計算相關審計包括以下程序：

- 瞭解 貴集團確定預期信貸損失的政策和方法；
- 評估就信貸審批、審查及監控程序，內部信用評級制度，減值評估程序及抵押估值設立之關鍵控制；
- 通過審閱相關貸款檔案，評估管理層對所抽取的良好貸款的內部信用評級的合理性；
- 通過審閱相關貸款檔案，評估管理層對所抽取的發生信用減值的貸款的分類的合理性；
- 檢查管理層提供的抵押物估值報告和其他證據，並質疑管理層在確定抵押物於預期變現日的估計公允價值以及取得和出售抵押物所需成本時作出的假設的合理性；
- 評估和質疑管理層的信用風險估計、未來收款情況預測和預計未來利息收款；及
- 抽取第3階段客戶貸款及墊款的樣本，測試其減值準備計算的準確性。

How our audit addressed the key audit matter

Our procedures in relation to the calculation of ECL on loans and advances to customers in Stage 3 included the following:

- Understanding the Group's policies and methodology for the determination of ECL;
- Assessing the key controls over credit approval, review and monitoring processes, the internal credit rating system, impairment assessment processes and collateral valuation;
- Assessing the reasonableness of management's internal credit rating for a selection of performing loans by reviewing the corresponding loan files;
- Assessing the reasonableness of management's classification of a selection of the credit-impaired loans by reviewing the corresponding loan files;
- Examining the collateral valuation reports and other evidence provided by management and challenging the reasonableness of management's assumptions in determining the estimated fair value of the collateral at the time of expected realisation and the cost for obtaining and selling the collateral;
- Evaluating and challenging key assumptions underlying management's credit risk estimates, projection of future recoveries and expected future receipts of interest; and
- Testing the arithmetic accuracy of the calculation of the impairment provision for a sample of loans and advances to customers in Stage 3.

其他資訊

貴公司董事須對其他資訊負責。其他資訊包括載入年報內的資訊，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資訊，我們亦不對該等其他資訊發表任何形式的鑒證結論。

結合我們對綜合財務報表的審核，我們的責任是閱讀其他資訊，在此過程中，考慮其他資訊是否與綜合財務報表或我們在審核過程中所瞭解的情況存在重大不符或者似乎存在重大錯誤陳述。基於我們已執行的工作，倘若我們認為該其他資訊存在重大錯誤陳述，我們需要報告該事實。在這方面，我們並無任何報告。

董事及管治人員就綜合財務報表須承擔的責任

貴公司董事負責根據香港會計師公會頒佈的香港財務報告準則及香港公司條例的披露規定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。

在編製綜合財務報表時，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，惟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則另作別論。

管治人員須負責監督貴集團的財務報告過程。

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

獨立核數師報告書 Independent Auditor's Report

核數師就審核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，並出具包括我們的意見（根據香港公司條例第405節僅向閣下整體報告）的核數師報告，而不作其他目的。我們不會就本報告的內容向任何其他人士負上或承擔責任。合理保證是高水準的保證，但不能保證按照香港審計準則進行的審核，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，倘合理預期其單獨或匯總可能影響使用者依賴該等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核的過程中，我們運用專業判斷，保持專業懷疑態度。我們亦：

- 識別及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，設計及執行審核程序以應對有關風險，以及獲取充足適當的審核憑證，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。
- 瞭解與審核相關的內部控制，以設計適當的審核程序，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所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。根據所獲取的審核憑證，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。假若有關披露不足，則我們應當修改意見。我們的結論是基於核數師報告日期止所取得的審核憑證。然而，未來事項或情況可能導致貴集團停止持續經營。

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 solely to you in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism 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.

- 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列報方式反映相關交易和事項。
- 就 貴集團內實體或業務活動的財務資訊獲取充足、適當的審計憑證，以便對綜合財務報表發表意見。我們負責 貴集團審核的方向、監督和執行。我們為審核意見承擔全部責任。
- 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.

我們與有關管治人員溝通(其中包括)審核的計劃範圍、時間安排、重大審核發現等，包括我們在審核中識別出內部控制的任何重大缺陷。

We communicate with those charged with governance 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.

我們亦向管治人員提交聲明，說明我們已符合有關獨立性的相關專業道德要求，並與彼等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相關的防範措施(如適用)。

We also provide those charged with governance 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, related safeguards.

從與管治人員溝通的事項中，我們確定哪些事項對本期綜合財務報表的審核最為重要，因而構成關鍵審核事項。我們在核數師報告中描述這些事項，除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的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。

From the matters communicated with those charged with governance, 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.

出具本獨立核數師報告的審核項目合夥人是夏康耀。

The engagement partner on the audit resulting in the independent auditor's report is Ha Hong Yiu, Vico.

德勤•關黃陳方會計師行
執業會計師
香港

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

二〇二一年三月十八日

18 March 2021

綜合收益表

Consolidated Income Statement

截至二〇二〇年十二月三十一日止之年度 For the year ended 31 December 2020

		註釋 Note	二〇二〇 2020 港幣千元 HK\$' 000	二〇一九 2019 港幣千元 HK\$' 000
利息收入	Interest income	5	7,966,964	10,074,579
利息支出	Interest expense	6	(4,109,301)	(4,854,348)
淨利息收入	Net interest income		3,857,663	5,220,231
服務費及佣金收入	Fees and commission income		1,304,359	1,075,403
服務費及佣金支出	Fees and commission expense		(215,633)	(206,337)
服務費及佣金淨收入	Net fees and commission income	7	1,088,726	869,066
保險營業收入	Insurance operating income	8	684,266	747,888
淨交易收益	Net trading gain	9	370,295	241,787
出售以公平價值誌入其他全面 收益之金融資產之淨收益	Net gain on disposal of financial assets at fair value through other comprehensive income		123,620	79,142
其他營業收入	Other operating income	10	220,822	242,153
營業收入	Operating income		6,345,392	7,400,267
淨保險索償	Net insurance claims	8	(340,845)	(276,308)
提取保險索償後之營業收入	Operating income net of insurance claims		6,004,547	7,123,959
營業支出	Operating expenses	11	(2,532,559)	(2,333,384)
提取減值準備前之營業溢利	Operating profit before impairment charge		3,471,988	4,790,575
減值損失	Impairment losses	12	(439,809)	(500,234)
營業溢利	Operating profit		3,032,179	4,290,341
投資物業之公平價值虧損	Fair value losses on investment properties	25	(196,810)	(64,367)
出售其他物業及設備之淨 (虧損)/收益	Net (loss)/gain on disposal of other properties and equipment		(82)	50,848
贖回按攤銷成本列賬之 金融工具之淨(虧損)/收益	Net (loss)/gain on redemption of financial instruments at amortised cost	13	(214)	586
應佔共同控制實體之淨溢利	Share of net profit of jointly controlled entities		44,444	36,462
應佔聯營公司之淨溢利	Share of net profit of associates		512,882	422,068
除稅前溢利	Profit before taxation		3,392,399	4,735,938
所得稅	Income tax	16	(520,402)	(748,646)
本年度溢利	Profit for the year		2,871,997	3,987,292
歸屬於：	Attributable to:			
本行股東	Equity shareholders of the Bank		2,872,237	3,986,589
非控制的股東權益	Non-controlling interests		(240)	703

載於第51頁至第200頁之註釋為此等綜合財務報表之一部份。

The notes on pages 51 to 200 form part of these consolidated financial statements.

綜合全面收益表

Consolidated Statement of Comprehensive Income
截至二〇二〇年十二月三十一日止之年度 For the year ended 31 December 2020

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
本年度溢利	Profit for the year	2,871,997	3,987,292
本年度其他全面 收益／(支出)	Other comprehensive income/(expense) for the year		
其後可能重新分類至 收益表之項目：	Items that may be reclassified subsequently to the income statement:		
以公平價值誌入其他全面 收益之金融資產	Financial assets at fair value through other comprehensive income		
－公平價值改變	－ Changes in fair value	35,199	144,777
－於出售時轉入收益表	－ Transfer to income statement on disposal	(123,620)	(79,142)
－於減值時轉入收益表	－ Transfer to income statement on impairment	63,218	116,375
應佔聯營公司之儲備	Share of associates' reserves	(3,976)	28,015
因折算海外機構的財務報表 產生的匯兌差額	Exchange difference on translation of financial statements of overseas operations	381,570	(128,530)
其他全面收益項目對 遞延稅項之影響	Effect of deferred taxation on other comprehensive income items	5,552	(53,304)
其後不會重新分類至收益表 之項目：	Items that will not be reclassified subsequently to the income statement:		
以公平價值誌入其他全面 收益之股權證券	Equity securities at fair value through other comprehensive income		
－公平價值改變	－ Changes in fair value	131,089	(52,480)
重估房產之盈餘	Surplus on revaluation of bank premises	–	393
界定福利計劃之精算收益	Actuarial gains on defined benefit schemes	59,296	1,768
其他全面收益項目對 遞延稅項之影響	Effect of deferred taxation on other comprehensive income items	(6,719)	1,692
本年度其他全面 收益／(支出)	Other comprehensive income/(expense) for the year	541,609	(20,436)
本年度全面收益總額	Total comprehensive income for the year	3,413,606	3,966,856
歸屬於：	Attributable to:		
本行股東	Equity shareholders of the Bank	3,413,846	3,966,153
非控制的股東權益	Non-controlling interests	(240)	703

載於第51頁至第200頁之註釋為此等綜合財務報表之一部份。

The notes on pages 51 to 200 form part of these consolidated financial statements.

綜合財務狀況表

Consolidated Statement of Financial Position

二〇二〇年十二月三十一日 As at 31 December 2020

		註釋 Note	二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
資產	Assets			
庫存現金、同業存放及 貸款	Cash, balances and placements with and loans and advances to banks	17	85,217,010	66,327,987
衍生金融工具	Derivative financial instruments	18	1,620,404	588,286
以公平價值誌入損益賬之 金融資產	Financial assets at fair value through profit or loss	19	4,360,483	6,736,721
證券投資	Investments in securities	20	82,748,994	72,130,647
貸款及其他賬項	Advances and other accounts	21	197,508,371	187,931,963
共同控制實體權益	Interests in jointly controlled entities	23	221,380	203,071
聯營公司權益	Interests in associates	24	3,633,892	3,074,800
投資物業	Investment properties	25	2,832,290	3,171,350
租賃土地權益	Interests in leasehold land	26	153,921	157,674
其他物業及設備	Other properties and equipment	27	1,668,373	1,492,709
可回收稅項	Tax recoverable		14,956	783
遞延稅項資產	Deferred tax assets	30	46,746	27,347
總資產	Total assets		380,026,820	341,843,338
負債	Liabilities			
同業存款	Deposits and balances from banks		39,874,412	27,238,432
交易賬項下之負債	Trading liabilities		154,331	309,136
衍生金融工具	Derivative financial instruments	18	1,284,107	393,553
客戶存款	Deposits from customers	28	270,121,858	243,135,943
發行之存款證	Certificates of deposit issued		7,454,237	3,725,259
發行之後償債項	Subordinated debts issued	29	3,097,196	3,110,591
當期稅項	Current taxation		679,510	738,707
遞延稅項負債	Deferred tax liabilities	30	32,425	30,823
其他賬項及預提	Other accounts and accruals	31	7,619,821	16,417,757
總負債	Total liabilities		330,317,897	295,100,201
權益	Equity			
股本	Share capital	32	1,160,951	1,160,951
儲備	Reserves	33	40,962,985	37,862,710
歸屬於本行股東權益 合計	Total equity attributable to shareholders of the Bank		42,123,936	39,023,661
額外權益工具	Additional equity instruments	29	7,574,573	7,708,361
非控制的股東權益	Non-controlling interests		10,414	11,115
權益總額	Total equity		49,708,923	46,743,137
權益及負債總額	Total equity and liabilities		380,026,820	341,843,338

經已於二〇二一年三月十八日由董事會
通過及授權發佈。Approved and authorised for issue by the Board of Directors on 18
March 2021.朱琦 董事長
洪波 董事兼行政總裁ZHU Qi Chairman
HONG Bo Director and Chief Executive Officer載於第51頁至第200頁之註釋為此等綜
合財務報表之一部份。The notes on pages 51 to 200 form part of these consolidated financial
statements.

綜合權益變動表

Consolidated Statement of Changes in Equity

截至二〇二〇年十二月三十一日止之年度 For the year ended 31 December 2020

		股本 Share capital 港幣千元 HK\$'000	資本儲備 Capital reserve 港幣千元 HK\$'000	重估 房產儲備 Bank premises revaluation reserve 港幣千元 HK\$'000	重估金融 資產儲備 Financial asset revaluation reserve 港幣千元 HK\$'000	其他儲備 Other reserves 港幣千元 HK\$'000	保留溢利 Retained earnings 港幣千元 HK\$'000	小計 Sub-total 港幣千元 HK\$'000	額外權益 工具 Additional equity instruments 港幣千元 HK\$'000	非控制的 股東權益 Non- controlling interests 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
於二〇一九年一月一日	At 1 January 2019	1,160,951	57,500	582,418	(272,492)	772,440	33,130,693	35,431,510	4,573,230	10,691	40,015,431
二〇一九年權益總額的改變：	Changes in equity for 2019:										
本年度溢利	Net profit for the year	-	-	-	-	-	3,986,589	3,986,589	-	703	3,987,292
本年度其他全面收益／ (支出)	Other comprehensive income/ (expense) for the year	-	-	10,380	96,225	(110,681)	(16,360)	(20,436)	-	-	(20,436)
本年度全面收益／ (支出)總額	Total comprehensive income/ (expense) for the year	-	-	10,380	96,225	(110,681)	3,970,229	3,966,153	-	703	3,966,856
於出售以公平價值計入 其他全面收益之股權證券時 轉入保留溢利	Transfer to retained earnings on disposal of equity securities at fair value through other comprehensive income	-	-	-	18,158	-	(18,158)	-	-	-	-
償還額外權益工具	Redemption of additional equity instruments	-	-	-	-	-	(18,330)	(18,330)	(2,015,390)	-	(2,033,720)
發行額外權益工具	Issue of additional equity instruments	-	-	-	-	-	-	-	5,150,521	-	5,150,521
非控制的股東權益的減少	Amount decrease in non-controlling interests	-	-	-	-	-	-	-	-	(279)	(279)
額外權益工具分配	Distribution for additional equity instruments	-	-	-	-	-	(355,672)	(355,672)	-	-	(355,672)
於二〇一九年十二月三十一日 及二〇二〇年一月一日	At 31 December 2019 and 1 January 2020	1,160,951	57,500	592,798	(158,109)	661,759	36,708,762	39,023,661	7,708,361	11,115	46,743,137
二〇二〇年權益總額的改變：	Changes in equity for 2020:										
本年度溢利	Net profit for the year	-	-	-	-	-	2,872,237	2,872,237	-	(240)	2,871,997
本年度其他全面 (支出)／收益	Other comprehensive (expense)/ income for the year	-	-	(10,011)	120,537	381,743	49,340	541,609	-	-	541,609
本年度全面(支出)／ 收益總額	Total comprehensive (expense)/ income for the year	-	-	(10,011)	120,537	381,743	2,921,577	3,413,846	-	(240)	3,413,606
於出售以公平價值計入 其他全面收益之股權證券時 轉入保留溢利	Transfer to retained earnings on disposal of equity securities at fair value through other comprehensive income	-	-	-	39,386	-	(39,386)	-	-	-	-
償還額外權益工具	Redemption of additional equity instruments	-	-	-	-	-	121,600	121,600	(1,236,600)	-	(1,115,000)
發行額外權益工具	Issue of additional equity instruments	-	-	-	-	-	-	-	1,102,812	-	1,102,812
非控制的股東權益的減少	Amount decrease in non-controlling interests	-	-	-	-	-	-	-	-	(461)	(461)
額外權益工具分配	Distribution for additional equity instruments	-	-	-	-	-	(435,171)	(435,171)	-	-	(435,171)
於二〇二〇年十二月三十一日	At 31 December 2020	1,160,951	57,500	582,787	1,814	1,043,502	39,277,382	42,123,936	7,574,573	10,414	49,708,923

本行於二〇二〇年內發行被界定為本行的額外一級資本的永續型非累積後償資本證券合共人民幣1,000,000,000元(等同港幣1,103,000,000元)。直接發行成本港幣188,000元已從權益工具中扣除入賬。

During the year of 2020, the Bank issued undated non-cumulative subordinated capital securities which qualified as additional Tier 1 capital of the Bank totalling RMB1,000,000,000 (equivalent to HK\$1,103,000,000). Direct issuance costs of HK\$188,000 are accounted for as a deduction from the equity instruments.

本行於二〇一九年內發行被界定為本行的額外一級資本的永續型非累積後償資本證券合共美元660,000,000元(等同港幣5,162,530,000元)。直接發行成本港幣12,009,000元已從權益工具中扣除入賬。

During the year of 2019, the Bank issued undated non-cumulative subordinated capital securities which qualified as additional Tier 1 capital of the Bank totalling US\$660,000,000 (equivalent to HK\$5,162,530,000). Direct issuance costs of HK\$12,009,000 are accounted for as a deduction from the equity instruments.

載於第51頁至第200頁之註釋為此等綜合財務報表之一部份。

The notes on pages 51 to 200 form part of these consolidated financial statements.

綜合現金流量表

Consolidated Cash Flow Statement

截至二〇二〇年十二月三十一日止之年度 For the year ended 31 December 2020

		註釋 Note	二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
營業活動之現金流入淨額	Cash generated from operations	37(a)	29,222,576	12,991,373
支付香港利得稅	Hong Kong profits tax paid		(427,475)	(112,727)
支付海外稅項	Overseas tax paid		(175,913)	(107,263)
營業活動之現金流入淨額	Net cash generated from operating activities		28,619,188	12,771,383
投資活動	Investing activities			
購入證券投資	Purchase of investment in securities		(71,056,246)	(59,120,771)
出售及贖回證券投資所得之款項	Proceeds from sale and redemption of investment in securities		51,814,244	50,357,748
收取共同控制實體及聯營公司之股息	Dividends received from jointly controlled entities and associates		27,148	26,630
增置其他物業及設備	Payment for additions of other properties and equipment		(270,015)	(49,301)
出售其他物業及設備所得之款項	Proceeds from disposal of other properties and equipment		541	53,253
投資活動之現金流出淨額	Net cash used in investing activities		(19,484,328)	(8,732,441)
融資活動	Financing activities			
額外權益工具分配	Distribution for additional equity instruments		(435,171)	(355,672)
發行額外權益工具	Issue of additional equity instruments		1,102,812	5,150,521
贖回額外權益工具	Redemption of additional equity instruments		(1,236,600)	(2,015,390)
支付租賃負債	Payment of lease liabilities		(117,321)	(93,835)
非控制的股東權益的減少	Amount decrease in non-controlling interests		(461)	(279)
融資活動之現金(流出)/流入淨額	Net cash (used in)/generated from financing activities		(686,741)	2,685,345
現金及等同現金項目之淨增加	Net increase in cash and cash equivalents		8,448,119	6,724,287
於一月一日現金及等同現金項目	Cash and cash equivalents at 1 January		45,654,718	38,711,292
外幣匯率變動之影響	Effects of foreign exchange rate changes		659,983	219,139
於十二月三十一日現金及等同現金項目	Cash and cash equivalents at 31 December	37(b)	54,762,820	45,654,718
營業活動之現金流量包括：	Cash flows from operating activities include:			
利息收入	Interest received		7,872,248	9,879,900
利息支出	Interest paid		4,287,265	4,920,476
股息收入	Dividends received		76,852	62,411

載於第51頁至第200頁之註釋為此等綜合財務報表之一部份。 The notes on pages 51 to 200 form part of these consolidated financial statements.

財務報表註釋 Notes to the Financial Statements

1 主要會計政策

1.1 編製基礎

本綜合財務報表乃根據適用之香港財務報告準則，即所有由香港會計師公會頒佈並且適用之個別香港財務報告準則、香港會計準則及詮釋、香港普遍採納之會計準則。本綜合財務報表同時符合香港《公司條例》之要求。

本綜合財務報表以歷史成本常規法編製，並就以公平價值誌入損益賬之金融資產及負債（包括衍生金融工具），以公平價值誌入其他全面收益之金融資產及投資物業之重估作出修訂。

編製符合香港財務報告準則之財務報表須使用多項重要之會計估計，亦須管理層在應用本集團會計政策之過程中作出判斷。涉及較大程度之判斷及較高複雜性、或其假設及估計對本綜合財務報表有重大影響之範疇，已詳列於註釋2。

香港會計師公會已頒佈多項香港財務報告準則之修訂，並於二〇二〇年一月一日或之後之會計年度開始生效。本集團已採納下列與其業務相關之經修訂之香港財務報告準則：

- 香港會計準則第1號及香港會計準則第8號之修訂「對重大性的定義」涉及對重大性之定義的修訂，並使各會計準則中使用的定義一致。採納此修訂對本集團之財務報表並無重大影響。
- 香港財務報告準則第3號之修訂「對企業的定義」旨在澄清企業的定義，目的是協助企業評估企業合併交易是否應作為企業合併或資產收購入賬。採納此修訂對本集團之財務報表並無重大影響。

1 Significant accounting policies

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments), financial assets at fair value through other comprehensive income and investment properties.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.

The HKICPA has issued a number of amendments to HKFRSs, which are effective for accounting periods beginning on or after 1 January 2020. The Group adopted the following revised HKFRSs which are relevant to its operations:

- Amendments to HKAS 1 and HKAS 8, "Definition of Material", clarify the definition of materiality of information and align the definition used across other accounting standards. The adoption of these amendments has no material impacts on the Group's financial statements.
- Amendments to HKFRS 3, "Definition of a Business", clarify the definition of a business, with the objective of assisting entities to determine whether a business combination transaction should be accounted for as a business combination or as an asset acquisition. The adoption of these amendments has no material impacts on the Group's financial statements.

財務報表註釋

Notes to the Financial Statements

1 主要會計政策 (續)

1.1 編製基礎 (續)

截至本綜合財務報表發佈日止，香港會計師公會公佈了若干新增／經修訂之香港財務報告準則，該等準則尚未於二〇二〇年一月一日開始之會計年度生效，本集團並未有提早採納此等準則。本集團正評估此等新增／經修訂之香港財務報告準則在首個應用期產生的影響。下列新增／經修訂之香港財務報告準則與本集團業務相關：

- 香港財務報告準則第9號、香港會計準則第39號、香港財務報告準則第7號、香港財務報告準則第4號及香港財務報告準則第16號之修訂「基準利率改革 – 第二階段」，於二〇二一年一月一日或之後之會計年度開始生效。
- 香港財務報告準則第3號之修訂「財務報告概念框架的引用」，於二〇二二年一月一日或之後之會計年度開始生效。
- 香港會計準則第16號之修訂「物業、器材及設備達到預定用途前所獲收入」，於二〇二二年一月一日或之後之會計年度開始生效。
- 香港會計準則第37號之修訂「虧損合同 – 履行合同的成本」，於二〇二二年一月一日或之後之會計年度開始生效。
- 香港財務報告準則第17號「保險合同」，於二〇二三年一月一日或之後之會計年度開始生效。

香港財務報告準則第9號、香港會計準則第39號、香港財務報告準則第7號、香港財務報告準則第4號及香港財務報告準則第16號之修訂解決了由基準利率改革而導致公司用替代基準利率取代舊有基準利率時可能對財務報告帶來影響的問題。該修訂對二〇一九年十一月發出的修訂作補充，並與合約現金流的變動有關：公司無需為基準利率改革所需的變動而終止確認或調整金融工具的眼面值，而是透過更新實際利率以反映轉用替代基準利率的變化。預計採納此修訂對本集團之財務報表沒有重大影響。

1 Significant accounting policies (Continued)

1.1 Basis of preparation (Continued)

Up to the date of issue of these consolidated financial statements, the HKICPA has also issued certain new/revised HKFRSs which are not yet effective for accounting period beginning on 1 January 2020 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 new/revised HKFRSs is expected to be in the period of initial application. The following new/revised HKFRSs are relevant to the Group's operations:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2, which is effective for annual periods beginning on or after 1 January 2021.
- Amendments to HKFRS 3, Reference to the Conceptual Framework, which is effective for annual periods beginning on or after 1 January 2022.
- Amendments to HKAS 16, Property, Plant and Equipment – Proceeds before Intended Use, which is effective for annual periods beginning on or after 1 January 2022.
- Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract, which is effective for annual periods beginning on or after 1 January 2022.
- HKFRS 17, Insurance Contracts, which is effective for annual periods beginning on or after 1 January 2023.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform. The amendments complement those issued in November 2019 and relate to changes to contractual cash flows: a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the interest rate benchmark reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate. The application of these amendments will not have a material impact on the Group's financial statements.

1 主要會計政策 (續)

1.1 編製基礎 (續)

香港財務報告準則第3號之修訂更新了香港財務報告準則第3號內一個對於2018年公佈的財務報告概念框架的引用。該修訂亦在香港財務報告準則第3號內加入了一個對企業需參考財務報告概念框架中構成資產或負債的要求的豁免，指明採用香港財務報告準則第3號的企業就若干種類的負債或或然負債應改為參考香港會計準則第37號。該豁免被加入後避免了更新對財務報告概念框架的引用後帶來的計劃以外的後果。預計採納此修訂對本集團之財務報表沒有重大影響。

香港會計準則第16號之修訂禁止企業將物業、器材及設備達到其預定用途前產出的產品的銷售收入沖減其成本，相關產出銷售收入應與其按香港會計準則第2號計量的生產成本一併計入損益。該修訂會被追溯性採用，但僅適用於在首次採用該修訂的財務報表所列報的最早期間的期初或之後才達到可使用狀態的物業、器材及設備項目。預計採納此修訂對本集團之財務報表沒有重大影響。

香港會計準則第37號之修訂澄清了企業在評估合同是否構成虧損合同時，履行合同的成本需包括履行合同的增量成本及其他履行合同的直接成本的分攤金額。該修訂會應用於企業在首次採用該修訂時已存在的合同，在首次採用日，企業應將採用該修訂的累積影響確認為對留存收益或權益的其他組成部份（如適用）的期初餘額調整。比較訊息不予重列。預計採納此修訂對本集團之財務報表沒有重大影響。

香港財務報告準則第17號取代現有的保險合同準則，香港財務報告準則第4號。新準則建立了有關保險合同的確認、計量、列示和披露的原則，確保企業提供能真確表述保險合同的相關資料。本集團正就其影響進行評估。

1 Significant accounting policies (Continued)

1.1 Basis of preparation (Continued)

Amendments to HKFRS 3 update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability, that for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference to the Conceptual Framework. The application of these amendments will not have a material impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The related sales proceeds together with the costs of providing these items as determined by HKAS 2, should be included in profit and loss. The amendments are applied retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The application of these amendments will not have a material impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendments are applied to contracts for which exist at the date when the amendments are first applied, with the cumulative effect of applying the amendments to be recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. The application of these amendments will not have a material impact on the Group's financial statements.

HKFRS 17 supersedes the current insurance contracts standard HKFRS 4. The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts, with an objective to ensure that an entity provides relevant information that faithfully represents insurance contracts. The Group is in the process of considering its impact.

財務報表註釋

Notes to the Financial Statements

1 主要會計政策 (續)

1.2 綜合財務報表

截至二〇二〇年十二月三十一日止之綜合財務報表包含本行、其子公司及本集團的共同控制實體權益及聯營公司權益。

附屬公司為本集團所控制之實體。當本集團承擔或有權從參與該實體的活動而獲取可變的回報，並有能力行使權力影響該回報，控制權則被確認。附屬公司包括本行直接或間接地控制其董事會之組成、控制其多於半數投票權或擁有多於半數其已發行股本之公司。

附屬公司權益自控制權轉移予本集團當日起於財務報表作綜合計算，並自該控制權終止之日起不再綜合計算。

集團內公司間之交易、結餘及未變現交易收益已於綜合財務報表內完全抵銷。集團內公司間之交易產生之未變現虧損也同時會被抵銷，除非有證據顯示該等資產出現減值。

本集團於若干未作綜合計算的結構性實體的權益包括(i)由本集團設立及管理的投資基金，為投資者管理資產以賺取費用；及(ii)本集團購入由第三方管理的投資基金。

本集團未作綜合計算的結構性實體權益的最高風險承擔為所持資產的賬面值，並見於註釋19及20。於二〇二〇年十二月三十一日，無對未作綜合計算的結構性實體作財務支持(二〇一九年：無)。

1 Significant accounting policies (Continued)

1.2 Consolidation

The consolidated financial statements for the year ended 31 December 2020 comprise the Bank and its subsidiaries and the Group's interests in associates and jointly controlled entities.

Subsidiaries are entities controlled by the Group. Control exists when the Group 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. They include entities in which the Bank, directly or indirectly, controls the composition of the Board of Directors, controls more than half of the voting power or holds more than half of the issued share capital.

Interests in subsidiaries are consolidated into the financial statements from the date on which control commences until the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from inter-company transactions are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group has interests in certain unconsolidated structured entities which include (i) investment funds established and managed by the Group to generate fees from managing assets on behalf of investors; and (ii) third-party managed investment funds purchased by the Group.

The maximum exposure to loss from the Group's interests in unconsolidated structured entities is the carrying amount of the assets held and is included in Notes 19 and 20. As at 31 December 2020, no financial support was given to the unconsolidated structured entities (2019: Nil).

1 主要會計政策 (續)

1.3 共同控制實體

共同控制實體指本集團與其他人士以合約協議方式共同進行經濟活動，該活動受雙方共同控制，任何一方均沒有單獨控制權。

共同控制實體是指本集團與其他人士以合約協議方式共同控制該公司並擁有其淨資產的權利。

本集團之共同控制實體權益是以權益法在綜合財務報表內記賬，記賬方法是先以成本另按本集團於購入後應佔該共同控制實體淨資產及任何相關投資減值損失的轉變而調整。本集團應佔年內共同控制實體的購入後、除稅後業績及任何減值損失在綜合收益表內確認，而本集團應佔共同控制實體之其他全面收益的購入後、除稅後項目亦在綜合全面收益表內確認。

1.4 聯營公司

聯營公司是指本集團可對其管理發揮重大影響力，包括制定其財務及經營政策，但不能控制或共同控制其管理層之公司，一般是指持有20%至50%股本投票權者。

本集團之聯營公司權益是以權益法在綜合財務報表內記賬，記賬方法是先以成本另按本集團於購入後應佔該聯營公司淨資產及任何相關投資減值損失的轉變而調整。本集團應佔年內聯營公司的購入後、除稅後業績及任何減值損失在綜合收益表內確認，而本集團應佔聯營公司之其他全面收益的購入後、除稅後項目亦在綜合全面收益表內確認。

1 Significant accounting policies (Continued)

1.3 Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

A jointly controlled entity is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

The Group's interests in jointly controlled entities are accounted for in the consolidated financial statements under the equity method and are initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the jointly controlled entities' net assets and any impairment losses relating to the investment. The Group's share of the post-acquisition, post-tax results of the jointly controlled entities and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the jointly controlled entities' other comprehensive income is recognised in the consolidated statement of comprehensive income.

1.4 Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decision. This is generally accompanied by a shareholding of between 20% and 50% of the voting rights.

The Group's interests in associates are accounted for in the consolidated financial statements under the equity method and are initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associates' net assets and any impairment losses relating to the investment. The Group's share of the post-acquisition, post-tax results of the associates and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the associates' other comprehensive income is recognised in the consolidated statement of comprehensive income.

財務報表註釋

Notes to the Financial Statements

1 主要會計政策 (續)

1.5 收入認算

收入是按已收或應收報酬的公平價值計算。假設經濟利益有可能流向本集團及收入和支出(如適用)屬可靠計量的,收入在綜合收益表內確認如下:

(a) 利息收入及支出

所有金融工具之利息收入及支出乃採用實際利息方法於綜合收益表內以應計基準確認。

實際利息方法乃是一種用以計算金融資產或金融負債之攤銷成本及於其相關期內攤分利息收入或利息支出之方法。實際利率指能將預計未來之現金付賬或收入,從相關金融工具之預計年期(或較短之年期,如適用)折算至與金融資產或金融負債之賬面值之利率。在計算實際利率時,本集團乃按金融工具之所有合約條款(如提早清還之行使權)而估計其現金流量,但不考慮未發生之信貸損失。此計算包括所有合約內交易雙方所收取或支付之金額;包括能構成整體實際利息之住宅按揭貸款之現金回贈、交易成本及所有其他溢價或折讓。

若金融資產價值因減值損失被調低,其利息收入則以計算有關減值損失時所採用來折算未來現金流量之利率來確認。因時間推移以致減值資產的現值增加,將確認為利息收入。

(b) 服務費及佣金收入

由金融服務而產生之服務費及佣金收入,在有關服務提供時確認,但如服務費是為彌補持續為客戶提供一項服務的成本或承受風險而收取或費用性質為利息則除外。在這些情況下,服務費在成本發生或承受風險的會計期確認或視作利息收入。

1 Significant accounting policies (Continued)

1.5 Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Provided it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statement as follows:

(a) Interest income and expense

Interest income and expense for all financial instruments are recognised in the consolidated income statement on an accruals basis using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense 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 or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all amounts paid or received between parties to the contract, including cash rebates granted in relation to residential mortgage loans, that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Subsequent increase of such net present value of impaired assets due to the passage of time is recognised as interest income.

(b) Fee and commission income

Fee and commission income arises on financial services provided by the Group and 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.

1 主要會計政策 (續)

1.5 收入認算 (續)

(c) 融資租賃及租購合約之利息收入

融資租賃及租購合約隱含財務收入按租賃年期確認為利息收入，以令每個會計年度期間剩餘的淨租賃投資回報大致相同。或有租金以該收入產生的會計期間列作收入。收購融資租賃或租購合約之經紀佣金包括於該等資產之賬面值內並根據其可使用年期於綜合損益賬內攤銷作為利息收入調整。

(d) 經營租賃之租金收入

除非有更具代表性的基準衡量從使用租賃資產獲取利益的模式，經營租賃之租金收入按該租期所涵蓋的年期以等額分期確認為其他經營收入。經營租賃協議所涉及的激勵措施均在綜合收益表中確認為租賃淨收款總額的組成部份。或有租金以該收入產生的會計期間列作收入。

(e) 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。

1.6 金融資產

本集團之金融資產分為以下類別：按攤銷成本列賬之金融資產、以公平價值誌入其他全面收益之金融資產及以公平價值誌入損益賬之金融資產。此等分類取決於金融資產的商業模式及現金流特徵，或對公平價值選擇權的選擇，並由管理層在初次確認時決定。

1 Significant accounting policies (Continued)

1.5 Revenue recognition (Continued)

(c) Finance income from finance lease and hire purchase contract

Finance income implicit in 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. Contingent rentals receivable are recognised as income in the accounting period in which they are earned. Commission paid to dealers for acquisition of finance lease loans or hire purchase contracts is included in the carrying value of the assets and amortised to the consolidated income statement over the expected life of the lease as an adjustment to interest income.

(d) Rental income for operating lease

Rental income receivable under operating leases is recognised as other operating income in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the consolidated income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals receivable are recognised as income in the accounting period in which they are earned.

(e) 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 goes ex-dividend.

1.6 Financial assets

The Group classifies its financial assets under the following categories: financial assets at amortised cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss. The classification depends on the business model and the contractual cash flow characteristics of the financial assets, or the election of fair value option. Management determines the classification at initial recognition.

財務報表註釋

Notes to the Financial Statements

1 主要會計政策 (續)

1.6 金融資產 (續)

(a) 按攤銷成本列賬之金融資產

以收取合約現金流為目標的商業模式中持有之金融資產，並其現金流僅為本金與利息款項，均按攤銷成本列賬。

此等金融資產以公平價值加上交易成本進行初始確認，並於往後採用實際利息方法計算的攤銷成本列賬。減值準備於損益確認，並透過減值準備賬的調整削減該等資產的賬面值。若減值準備金額於往後期間減少，則減值損失透過損益撥回。

此類別包括大部份同業存放及貸款、客戶貸款、若干商業票據及債務證券。

(b) 以公平價值誌入其他全面收益之金融資產

以收取合約現金流及出售為目標的商業模式中持有之金融資產，並其現金流僅為本金與利息款項，均以公平價值誌入其他全面收益計量。

此等金融資產以公平價值加上交易成本進行初始確認，並於往後以公平價值計量。此等資產往後之公平價值變動（除相關利息收入及減值外）均於其他全面收益確認。減值準備於損益確認，並相應調整其他全面收益而不會削減該等資產的賬面值。如此等資產按攤銷成本列賬，其在損益中確認的金額均相同。若減值準備金額於往後期間減少，則減值損失透過損益撥回。在賬項中被沖銷時，過往已在其他全面收益確認之累計損益將轉撥至損益確認。

1 Significant accounting policies (Continued)

1.6 Financial assets (Continued)

(a) Financial assets at amortised cost

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at amortised cost.

These financial assets are initially recognised at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest method. Impairment allowances are recognised in profit or loss with corresponding adjustment to an allowance account which reduces the carrying amounts of these assets. If the amount of impairment allowances decreases in subsequent periods, the impairment loss is reversed through profit or loss.

This category includes most of the balances and placements with and loans and advances to banks, advances to customers, certain trade bills and debt securities.

(b) Financial assets at fair value through other comprehensive income

Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income.

These financial assets are initially recognised at fair value plus transaction costs, and are subsequently measured at fair value. The subsequent changes in the fair value of these assets (except those relating to interest income and impairment) are recognised in other comprehensive income. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these assets. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these assets have been measured at amortised cost. If the amount of impairment allowances decreases in subsequent periods, the impairment loss is reversed through profit or loss. Upon derecognition, the cumulative gain or loss previously recognised in other comprehensive income shall be transferred to profit or loss.

1 主要會計政策 (續)**1.6 金融資產 (續)****(b) 以公平價值誌入其他全面收益之金融資產 (續)**

此類別包括大部份商業票據、債務證券、若干同業存放及貸款及客戶貸款。

本集團亦選擇將某些非交易性的股權投資指定以公平價值誌入其他全面收益計量。此等股權投資往後之公平價值變動均於其他全面收益確認，只有其股息收入於損益確認。與上述提及的金融資產不同，此等股權投資不需要進行減值評估。在賬項中被沖銷時，過往已在其他全面收益確認之累計損益將不會轉撥至損益，而是轉撥至保留溢利確認。

(c) 以公平價值誌入損益賬之金融資產

此類別包括兩個細項：規定以公平價值誌入損益賬之金融資產及指定以公平價值誌入損益賬之金融資產。

(i) 規定以公平價值誌入損益賬之金融資產

金融資產：

- 並非以收取合約現金流或以收取合約現金流及出售為目標的商業模式中持有，或
- 其現金流並非僅為本金與利息款項，或
- 並非指定以公平價值誌入損益賬

均規定以公平價值誌入損益賬計量。

1 Significant accounting policies (Continued)**1.6 Financial assets (Continued)****(b) Financial assets at fair value through other comprehensive income (Continued)**

This category includes most of the trade bills, debt securities, certain balances and placements with and loans and advances to banks, and advances to customers.

The Group has also elected to designate some equity investments (that is not held for trading) at fair value through other comprehensive income. The subsequent changes in the fair value of these equity investments are recognised in other comprehensive income, with only dividend income recognised in profit or loss. Unlike the financial assets mentioned above, these equity investments are not subject to impairment assessment. Upon derecognition, the cumulative gain or loss previously recognised in other comprehensive income shall not be transferred to profit or loss, and shall be transferred to retained earnings.

(c) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets mandatorily measured at fair value through profit or loss and financial assets designated at fair value through profit or loss.

(i) Financial assets mandatorily measured at fair value through profit or loss

Financial assets that:

- are held in a business model whose objective is neither hold to collect contractual cash flows nor hold to collect contractual cash flows and sell, or
- have contractual cash flows that are not solely payments of principal and interest, or
- are not designated at fair value through profit or loss

are mandatorily measured at fair value through profit or loss.

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Notes to the Financial Statements

1 主要會計政策 (續)

1.6 金融資產 (續)

(c) 以公平價值誌入損益賬之金融資產 (續)

(i) 規定以公平價值誌入損益賬之金融資產 (續)

此等金融資產以公平價值進行初始確認，其交易成本直接列入收益表內，並於往後以公平價值計量。此等資產往後之公平價值變動將於綜合收益表內確認為「規定以公平價值誌入損益賬之金融工具淨收益／虧損」。此等金融資產不需要進行減值評估。

此類別主要由債務及股權投資組成。

(ii) 指定以公平價值誌入損益賬之金融資產

符合按攤銷成本列賬或以公平價值誌入其他全面收益計量條件的金融資產，如符合下列條件，可由管理層於初次歸類時，指定以公平價值誌入損益賬計量（「公平價值選擇權」）：

- 該指定能消除或主要地減低以不同基礎上計量金融資產或確認其損益而出現不一致之計量或確認之情況（或稱為「會計錯配」）；或
- 根據列明之風險管理或投資策略管理的一組金融資產，並以公平價值為基礎評估其表現，及按相同基準向管理層提供有關資產的內部資訊。

此等金融資產以公平價值進行初始確認，其交易成本直接列入收益表內，並於往後以公平價值計量。此等資產往後之公平價值變動將於綜合收益表內確認為「指定以公平價值誌入損益賬之金融工具淨收益／虧損」。此等金融資產不需要進行減值評估。

此類別主要為債務證券。

1 Significant accounting policies (Continued)

1.6 Financial assets (Continued)

(c) Financial assets at fair value through profit or loss (Continued)

(i) Financial assets mandatorily measured at fair value through profit or loss (Continued)

These financial assets are initially recognised at fair value, with transaction costs taken directly to the income statement, and are subsequently measured at fair value. The subsequent changes in the fair value of these assets are recognised as “Net gain/loss arising from financial instruments mandatorily measured at fair value through profit or loss” in the consolidated income statement. These financial assets are not subject to impairment assessment.

This category mainly composed of debt and equity investments.

(ii) Financial assets designated at fair value through profit or loss

Financial assets that meet the amortised cost or fair value through other comprehensive income criteria may be designated by management to be measured at fair value through profit or loss (“fair value option”) at inception if they meet the following criteria:

- The designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”) that would otherwise arise from measuring the financial assets or recognising the gains and losses on them on different bases; or
- A group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about these assets is provided internally to the management.

These financial assets are initially recognised at fair value, with transaction costs taken directly to the income statement, and are subsequently measured at fair value. The subsequent changes in the fair value of these assets are recognised as “Net gain/loss arising from financial instruments designated at fair value through profit or loss” in the consolidated income statement. These financial assets are not subject to impairment assessment.

This category mainly composed of debt securities.

1 主要會計政策 (續)

1.6 金融資產 (續)

證券之購入與出售，按其交易日期，即本集團成為金融工具合約其中一方時列賬。貸款則在有關現金貸予借款人時列賬。

1.7 金融資產減值

本集團就下列不以公平價值誌入損益賬計量之金融資產確認預期信貸損失：

- 同業存放及貸款
- 債務證券
- 客戶貸款及商業票據
- 若干貸款承諾及金融擔保合約

股權投資不需確認減值損失。

於初次確認時，需對可能於未來十二個月內（當剩餘年限少於十二個月時或就更短期內）發生的違約事件所產生的預期信貸損失（「十二個月預期信貸損失」）作出減值準備。

若有關金融工具之信貸風險大幅上升，需對其全期年限內所有可能發生的違約事件而產生的預期信貸損失（「全期預期信貸損失」）作出減值準備。

1 Significant accounting policies (Continued)

1.6 Financial assets (Continued)

Purchases and sales of securities are recognised on trade-date – the date on which the Group becomes a party to the contractual provision of the instrument. Loans and advances are recognised when cash is advanced to the borrowers.

1.7 Impairment of financial assets

The Group recognises expected credit loss (“ECL”) on the following financial assets that are not measured at fair value through profit or loss:

- Balances and placements with and loans and advances to banks
- Debt securities
- Advances to customers and trade bills
- Certain loan commitments and financial guarantee contracts

No impairment loss is recognised on equity investments.

At initial recognition, impairment allowance is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) (“12-month ECL”).

In the event of a significant increase in credit risk, impairment allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument (“life-time ECL”).

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Notes to the Financial Statements

1 主要會計政策 (續)

1.7 金融資產減值 (續)

應用預期信貸損失模型將導致金融資產有三階段分級：

- 若金融資產由初始確認起並無信貸減值及沒有出現信貸風險大幅上升的情況，將分類為第一階段並需確認十二個月預期信貸損失。
- 若金融資產由初始確認起並無信貸減值，但已出現信貸風險大幅上升的情況，將分類為第二階段並需確認全期預期信貸損失。
- 若金融資產存在客觀違約證據而已信貸減值，將分類為第三階段並需評估全期預期信貸損失。

預期信貸損失的計量

預期信貸損失的計量是違約或然率、違約損失率和違約風險承擔的函數。違約或然率及違約損失率的評估是基於以前瞻性資料調整的歷史數據。

一般而言，預期信貸損失會根據合約應付本集團的所有合約現金流與本集團預期收取的所有現金流的差額，按實際利率折算估計。

就貸款承諾而言，預期信貸損失為如果承諾持有人提取貸款而應付本集團的合約現金流量與本集團預期在提取貸款時會收到的現金流量之間的現值差額。

就金融擔保合約而言，預期信貸損失為預期償還擔保合約持有人金額減去本集團預期從持有人，債務人或任何其他方獲得的任何金額的現值。

1 Significant accounting policies (Continued)

1.7 Impairment of financial assets (Continued)

The application of the ECL model will result in three stages of financial assets:

- A financial asset is classified under Stage 1 if it was not credit-impaired upon origination and there has not been a significant increase in its credit risk since inception. Recognition for 12-month ECL is required.
- A financial asset is classified under Stage 2 if it was not credit-impaired upon origination but has since suffered a significant increase in credit risk. Recognition for life-time ECL is required.
- A financial asset which has been credit-impaired with objective evidence of default is classified under Stage 3 and is assessed for life-time ECL.

Measurement of ECL

The measurement of ECL is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate.

For loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down.

For financial guarantee contracts, the ECL is the present value of the expected payments to reimburse the holder of the guarantee contract less any amounts that the Group expects to receive from the holder, the debtor or any other party.

1 主要會計政策 (續)

1.7 金融資產減值 (續)

信貸減值金融資產 (第三階段資產)

本集團會於各個結算日評估某項金融資產是否已出現信貸減值情況。當一宗或多宗事件對金融資產的估計未來現金流量造成不利影響時，有關金融資產就會出現信貸減值。信貸減值金融資產稱為第三階段資產，其利息收入按扣除減值準備後的淨值計提。金融資產出現信貸減值的證據包括但不限於以下可觀察數據：

- (i) 發行人或承擔人出現重大財政困難；
- (ii) 違反合約如逾期交付或拖欠利息或本金；
- (iii) 本集團就借款人因經濟或法律理由而出現的財政困難給予借款人在一般情況下放款人不予考慮的優惠條件；
- (iv) 借款人有可能破產或進行其他財務重組；或
- (v) 因財政困難而導致某項金融資產失去活躍市場。

除非有證據證明無法收取合約現金流量的風險已大幅降低且並無其他減值跡象，否則因借款人的財政狀況惡化而重組的貸款通常會被視為已信貸減值。

違約定義

本集團認為當合約已逾期還款超過90日，則違約已發生。

1 Significant accounting policies (Continued)

1.7 Impairment of financial assets (Continued)

Credit-impaired financial assets (Stage 3 assets)

The Group assesses at the end of each reporting period whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets and their interests are accrued net of the impairment amounts. Evidence that a financial asset is credit-impaired includes but not limited to the following observable data:

- (i) significant financial difficulty of the issuer or obligor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- (iv) it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- (v) the disappearance of an active market for that financial asset because of financial difficulties.

A loan that has been rescheduled due to a deterioration in the borrower's financial condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Definition of default

The Group considers that default has occurred when contractual payment are more than 90 days past due.

財務報表註釋

Notes to the Financial Statements

1 主要會計政策 (續)

1.7 金融資產減值 (續)

信貸風險大幅上升

在評估金融資產的信貸風險是否由初始確認起大幅上升，需考慮合理和可支持的定量和定性資料，包括過往經驗和前瞻性資料。

有關釐定信貸風險是否大幅上升的詳情載於註釋4.1。

無論上述評估結果如何，除非有合理和可支持的資料證明，本集團假設當合約已逾期還款30日或以上，則信貸風險已大幅上升。

修改

當管轄金融資產現金流量的合約條款在金融資產初次確認和到期期間被修改時，則金融資產已被修改。

若現有協議被註銷並按大致不同之條款訂立新協議或若現有協議之條款被大幅修改以致已修改金融資產大致成為不同之金融工具，則已修改金融資產會被終止確認。

若已修改金融資產被終止確認，其預期信貸損失需於終止確認日重新計量，以確定該資產於該日的賬面淨值。該修訂後的賬面值與新金融資產的公平價值差額將導致終止確認收益／虧損。

新金融資產一般將根據十二個月預期信貸損失計量減值準備。

若修改未導致終止確認，則本集團會比較修改前及修改後的賬面總額（不包括預期信貸損失準備）以計算由修改產生之收益／虧損。

1 Significant accounting policies (Continued)

1.7 Impairment of financial assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk of a financial asset has significantly increased since origination, both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information is considered.

More details on the determination of a significant increase in credit risk are set out in Note 4.1.

Irrespective of the outcome of the above assessment, unless there is reasonable and supportable information that demonstrates otherwise, the Group presumes that there has been a significant increase in credit risk when contractual payments are 30 days past due or more.

Modification

A financial asset is modified when the contractual terms governing the cash flows of a financial asset are modified between initial recognition and maturity of the financial asset.

The modified financial asset is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms or if the terms of an existing agreement are modified such that the modified financial asset is a substantially different financial instrument.

In the case where the modified financial asset is derecognised, the ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset will lead to a gain/loss on derecognition.

The new financial asset will generally has an impairment allowance measured based on 12-month ECL.

Where a modification does not lead to derecognition, the Group calculates the modification gain/loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance).

1 主要會計政策 (續)

1.7 金融資產減值 (續)

修改 (續)

本集團透過比較報告日發生的違約風險 (基於修改後的合約條款) 及初次確認時的違約風險 (基於原始, 未修改的合約條款) 以釐定已修改金融資產的信貸風險是否自初次確認後大幅上升。

如信貸風險仍顯著高於初次確認時所預期, 則減值準備將繼續以全期預期信貸損失計量。只有當有證據證明借款人在修改後的還款行為有所改善而導致早前信貸風險大幅上升的情況逆轉時, 減值準備才會以十二個月預期信貸損失計量。

撇除

當貸款及債務證券無實際可收回的前景時, 將與其相關之減值準備撇除 (部份或全部)。當本集團判斷借款人並無資產或收入來源可產生足夠的現金流量以償還應撇除的金額時, 一般會如此處理。該等貸款及債務證券會在完成所有必須程序及能在確定損失金額後才撇除。然而, 本集團對已撇除的金融資產會繼續進行追收債務的工作, 以遵守本集團收回應收金額的程序。如日後收回過往已撇除之款項, 將會用作減低收益表內的減值撥備。

在財務狀況表中列示的預期信貸損失

預期信貸損失的減值準備在財務狀況表中按以下方式列示:

- 按攤銷成本列賬之金融資產: 從資產的賬面總額中扣除;
- 以公平價值誌入其他全面收益之金融資產: 因該等資產的賬面值為其公平價值, 故並無於財務狀況表中列示其減值準備。然而, 減值準備會於重估金融資產儲備中確認; 及
- 貸款承諾及金融擔保合約: 一般作為負債方面的撥備。

1 Significant accounting policies (Continued)

1.7 Impairment of financial assets (Continued)

Modification (Continued)

The Group determines if the credit risk of the modified financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and that at initial recognition (based on the original, unmodified contractual terms).

If the credit risk remains significantly higher than what was expected at initial recognition, the impairment allowance will continue to be measured at an amount equal to lifetime ECL. The impairment allowance will only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Write-off

Loans and debt securities are written off with related impairment allowances (either partially or in full) when there is no realistic prospect of recovery. This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Such loans and debt securities are written off after all the necessary procedures have been completed and the amount of the loss has been determined. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Subsequent recoveries of amounts previously written off decrease the impairment charge to income statement.

Presentation of allowance for ECL in the statement of financial position

Impairment allowances for ECL are presented in the statement of financial position as follows:

- financial assets at amortised cost: as a deduction from the gross carrying amount of the assets;
- financial assets at fair value through other comprehensive income: no impairment allowance is presented in the statement of financial position as the carrying amount of these assets is their fair value. However, the impairment allowance is recognised in the financial asset revaluation reserve; and
- loan commitments and financial guarantee contracts: generally, as a provision on the liabilities side.

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1 主要會計政策 (續)

1.8 金融負債及權益工具

本集團之金融負債分為以下類別：以公平價值誌入損益賬之金融負債、存款、發行之存款證、發行之後償債項及其他負債。所有金融負債均於開始時歸類，並初步以公平價值確認。

(a) 以公平價值誌入損益賬之金融負債

此類別包括兩個細項：交易賬項下之負債及指定以公平價值誌入損益賬之金融負債

(i) 交易賬項下之負債

交易賬項下之負債為主要旨在於短期內購回而產生的金融負債。此分類之負債按公平價值列示，而其公平價值之變動將於綜合收益表內確認為「規定以公平價值誌入損益賬之金融工具淨收益／虧損」。

(ii) 指定以公平價值誌入損益賬之金融負債

金融負債可於交易時被指定歸類為以公平價值誌入損益賬之金融負債。以公平價值誌入損益賬之金融負債，包括若干已發行之存款證及包含衍生工具之客戶存款。符合下列條件之金融負債一般在產生時歸類為以公平價值誌入損益賬之類別入賬：

- 該指定能消除或主要地減低以不同基礎上計量金融負債或確認其損益而出現不一致之計量或確認之情況（或稱為「會計錯配」）；
- 根據列明之風險管理或投資策略管理一組金融負債，並以公平價值為基礎評估其表現，及按相同基準向管理層提供有關負債的內部資訊；或

1 Significant accounting policies (Continued)

1.8 Financial liabilities and equity instruments

The Group classifies its financial liabilities under the following categories: financial liabilities at fair value through profit or loss, deposits, certificates of deposit issued, subordinated debts issued and other liabilities. All financial liabilities are classified at inception and recognised initially at fair value.

(a) Financial liabilities at fair value through profit or loss

This category has two sub-categories: trading liabilities and financial liabilities designated at fair value through profit or loss.

(i) Trading liabilities

Trading liabilities are financial liabilities that are incurred principally for the purpose of repurchasing in the short term. It is carried at fair value and any changes in fair value are recognised as “Net gain/loss arising from financial instruments mandatorily measured at fair value through profit or loss” in the consolidated income statement.

(ii) Financial liabilities designated at fair value through profit or loss

A financial liability is designated as fair value through profit or loss if it is so designated at inception. Financial liabilities so designated include certain certificates of deposit issued and certain deposits received from customers that are embedded with derivatives. A financial liability is typically so designated if it meets the following criteria:

- The designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”) that would otherwise arise from measuring the financial liabilities or recognising the gains and losses on them on different bases;
- A group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about these liabilities is provided internally to the management; or

1 主要會計政策 (續)**1.8 金融負債及權益工具 (續)****(a) 以公平價值誌入損益賬之金融負債 (續)****(ii) 指定以公平價值誌入損益賬之金融負債 (續)**

- 一些包含固有衍生工具之金融工具，因其衍生工具可重大調整由金融工具於合約上產生之現金流量。

此等金融負債以公平價值列賬。任何因公平價值變動而產生之收益或虧損會列入綜合收益表作為「指定以公平價值誌入損益賬之金融工具淨收益／虧損」，除了因自身信貸風險產生的公平價值變動會被計入其他全面收益及往後被終止確認時被重新分類至保留溢利。

(b) 存款、發行之存款證、發行之後償債項及其他負債

除該等以公平價值誌入損益賬之金融負債外，存款、發行之存款證及發行之後償債項，及其他負債均按攤銷成本列賬。扣除交易費用後所得款項與贖回價值兩者之差額，均按實際利息方法於其他負債年期內於綜合收益表確認。

權益工具為以合約訂明於扣除機構所有負債後之剩餘資產權益。本集團所發行的權益工具是以發行所得款項扣除直接發行成本予以確認。

1.9 回購及反向回購

售出予交易對手之證券及票據，如根據回購協議，附有按預定價格並於將來指定時間回購之責任稱為「回購」。而向交易對手購入之證券及票據，如根據回售協議，附有按預定價格並於將來指定時間再出售予交易對手之責任則稱為「反向回購」。

1 Significant accounting policies (Continued)**1.8 Financial liabilities and equity instruments (Continued)****(a) Financial liabilities at fair value through profit or loss (Continued)****(ii) Financial liabilities designated at fair value through profit or loss (Continued)**

- It relates to those financial instruments embedded with derivatives which significantly modify the cash flows that would otherwise be required under the contract.

Financial liabilities designated at fair value through profit or loss are carried at fair value and any gains and losses arising from changes in fair value are recognised as “Net gain/loss arising from financial instruments designated at fair value through profit or loss” in the consolidated income statement, except for fair value changes arising from own credit risks are recognised as other comprehensive income and subsequently reclassified to the retained earnings upon derecognition.

(b) Deposits, certificates of deposit issued, subordinated debts issued and other liabilities

Deposits, certificates of deposit issued and subordinated debts issued, other than those classified as financial liabilities at fair value through profit or loss, together with other financial liabilities are carried at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the consolidated income statement over the period of the other financial liabilities using the effective interest method.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received from issuance, net of direct issue costs.

1.9 Repos and reverse repos

Securities and bills sold to a counterparty with an obligation to repurchase at a pre-determined price on a specified future date under a repurchase agreement are referred to as repos. Securities and bills purchased from a counterparty with an obligation to re-sell to the counterparty at a pre-determined price on a specified future date under a resale agreement are referred to as reverse repos.

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1 主要會計政策 (續)

1.9 回購及反向回購 (續)

「回購」於初始時按已向交易對手所取得之實際現金額，列賬於同業存款。用作抵押回購協議之金融資產不會被終止確認。「反向回購」則於初始時按已付予交易對手之實際現金額，列賬於同業存放。於反向回購協議下所收到用作抵押之金融資產將不會被確認於財務狀況表內。出售價與回購價之差額則以實際利息方法於協議年內分期確認為利息收入或利息支出。

1.10 衍生金融工具

衍生工具先按其合約生效日期之公平價值確認，其後以公平價值重新計算。隱含於金融負債內之固有衍生工具，如其經濟特質及風險與主合約工具之特質及風險並非密切連繫，而主合約工具亦非以公平價值誌入損益賬，此等衍生工具則會與主合約分開列賬。若衍生工具之公平價值為正數值，均以資產列賬，若為負數值，則確認為負債。其後公平價值之變動於收益表內確認。

若本集團擁有具法律約束力之行使權去抵銷已確認之金額，及有意向就該等交易作淨額結算，或本集團能同時變現資產及償付負債，衍生工具交易將互相抵銷並以淨額列於綜合財務狀況表內。

1.11 證券及衍生工具之估值

金融工具之公平價值乃根據於估值日之市場價格並未計及扣除將來估計之銷售成本計算。金融資產以當時之買盤價釐定，而金融負債則以當時之賣盤價釐定。若是非上市證券或金融工具於市場內不活躍，本集團會以估值方法釐定公平價值，包括運用當時之公平市場交易、參考其他類似之金融工具當時之公平價值、折算現金流量分析及期權定價模式並作適當調整以反映發行者之特定情況。

1 Significant accounting policies (Continued)

1.9 Repos and reverse repos (Continued)

Repos are initially recorded as deposits and balances from banks at the actual amount of cash received from the counterparty. Financial assets given as collateral for repurchase agreements are not derecognised. Reverse repos are initially recorded as balances and placements with banks at the actual amount of cash paid to the counterparty. Financial assets received as collateral under reverse repurchase agreements are not recognised in the statement of financial position. The difference between sale and repurchase price is recognised as interest income or interest expense over the life of the agreements using the effective interest method.

1.10 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Certain derivatives embedded in financial liabilities are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Subsequent changes in fair value are recognised in income statement.

Derivative transactions are offset and the net amount is reported in the consolidated 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.

1.11 Valuation of securities and derivatives

The fair value of financial instruments is based on their quoted market prices at the valuation date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices while financial liabilities are priced at current ask prices. For unlisted securities and where the market for a financial instrument is not active, the Group estimates fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

1 主要會計政策(續)

1.12 投資物業

投資物業乃指在租賃權益下擁有及／或持有作長期租金收益及／或作資本升值用途之土地及／或房屋，而該等土地及／或房屋並非由本集團之公司所佔用。本集團以營業租約形式而持有用作租金收益及／或資本增值的物業權益乃按個別物業基準分類為投資物業。此等投資物業以融資租賃方式列賬，相同之會計政策亦適用於融資租賃下之其他投資物業。

投資物業最先以成本價包括交易費用列賬。經初次確認後，投資物業以公平價值列賬。任何因公平價值之變更或出售投資物業而產生之收益或虧損會於綜合收益表內確認。

當物業因其用途改變而須轉作投資物業時，該物業於轉賬日前的賬面值與公平價值之差額會根據香港會計準則第16條《物業、廠房及設備》在其他全面收益確認並獨立地累計於權益內之重估房產儲備。若重估增值用作抵銷同一資產因過去重估減值而被確認為支出的數額，則會被列作收入。減值則由先前同一資產的估值盈餘首先抵銷，尚餘部份則於綜合收益表內扣除。在出售房產時，有關物業之重估儲備會由重估房產儲備撥入保留溢利內。

若投資物業被轉作自用，該物業須重新歸類為房產，以重新歸類日的公平價值作為成本值。

1 Significant accounting policies (Continued)

1.12 Investment properties

Land and/or buildings which are owned and/or held under a leasehold interest for long-term rental yields and/or for capital appreciation, and that are not occupied by the companies in the Group, are classified as investment property. 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, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried 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 consolidated income statement.

When a property is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the property immediately prior to the transfer and its fair value is recognised in other comprehensive income and accumulated separately in equity in the bank premises revaluation reserve in accordance with HKAS 16 "Property, plant and equipment". However, a revaluation increase is recognised as income only to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense. Decreases are first set off against increases on previous valuations of the same asset and thereafter are debited to the consolidated income statement. Upon disposal of the property, the relevant portion of the bank premises revaluation reserve is released and transferred from the bank premises revaluation reserve to retained earnings.

When an investment property becomes owner-occupied, it is reclassified as premises and its fair value at the date of reclassification becomes its cost.

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1 主要會計政策 (續)

1.13 其他物業及設備

(a) 房產

房產乃指持有之自用物業，按成本值減除累積折舊及減值損失後列示。以租賃持有之自用物業，若能可靠地以其租約開始當日分攤土地及房屋之價值，而該租賃向承租人轉讓等同擁有權的絕大部份風險及回報，則土地部份視作融資租約，所攤分之租賃地價或其他租賃費用，將按其租約年期以直線法從綜合收益表內扣除。若物業出現減值，此減值亦會在收益表內扣除。任何位於此租賃土地上之房屋均被視為房產的一部份。若未能可靠地以其租約開始當日分攤土地及房屋之價值，則整體將繼續視為融資租賃並以房產列賬。

房產折舊乃按照資產之估計可用年期以直線折舊法計算如下：

- 租約土地按租約尚餘年期予以折舊。
- 樓宇及其改良部份乃按40年或估計尚餘可用年期之較短者予以折舊。

(b) 傢俬及設備

傢俬及設備均按照成本值減除折舊及減值損失後列示，計算方法乃按照其估計可用年期，以餘額遞減法用年率10%至30%計算。

資產之剩餘價值及使用年期均會在每年結算日被評估，並在合適之情況下作出調整。

如資產之賬面值超過其估計可收回價值時，其賬面值將即時被減值至其可收回價值。

1 Significant accounting policies (Continued)

1.13 Other properties and equipment

(a) Premises

Premises represent those properties held for own use and are stated at cost less accumulated depreciation and impairment losses. Where the land and building elements of the leasehold properties held for own use can be allocated reliably at the inception of the lease, the land element is accounted for as finance lease if the lease transfers substantially all the risks and rewards incidental to ownership to the lessee. As such, any leasehold land premiums for acquiring the land leases, or other lease payments, are charged to the consolidated income statement on a straight line basis over the period of the lease or where there is impairment, the impairment is charged to the income statement. Any buildings which are situated on such land leases are presented as part of premises. Where the land and building elements of the leasehold properties cannot be allocated reliably at the inception of the lease, the land and building elements are treated as a finance lease and classified as premises.

Depreciation of premises is calculated on a straight line basis to write off the assets over their estimated useful lives as follows:

- Leasehold land is depreciated over the unexpired terms of the leases.
- Building and improvements thereto are depreciated over the lesser of 40 years or the remaining estimated useful life.

(b) Furniture and equipment

Furniture and equipment is stated at cost less depreciation and impairment losses. Depreciation is calculated on a reducing balance basis to write off the assets over their estimated useful lives, at annual rates ranging from 10% to 30%.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1 主要會計政策 (續)

1.13 其他物業及設備 (續)

(c) 使用權資產

有關使用權資產的詳情載於註釋 1.22。

1.14 其他資產的減值

未能確定可使用年期的資產將不會予以攤銷，而於每年檢視其減值，如因某些事故或情況改變而顯示該等資產之賬面值未能收回，須評估其減值。如因某些事故或情況改變而顯示賬面值未能收回，予以攤銷之資產亦須評估其減值。若資產之賬面值超過其可收回價值，其部份將被確認為減值損失。可收回價值指該資產之公平價值減去變賣成本及其使用價值之較高者。

1.15 收回資產

收回抵押品之資產被列於「貸款及其他賬項」內之「其他賬項」，而相關之貸款已被終止確認。已收回抵押資產按有關貸款的金額、賬面值及可變現淨值最低者列賬。

1.16 外幣換算

本集團旗下各機構之財務報表中所載項目乃採用該機構營運之主要經濟環境所使用之貨幣（「運作貨幣」）計量。綜合財務報表乃以港幣呈列。港幣乃本行之運作及呈列貨幣。

外幣交易按交易日現行之匯率換算為運作貨幣。該等交易結算及以外幣結算之貨幣性資產或負債按年結日之匯率換算所產生之匯兌收益及虧損，乃於綜合收益表內確認。

1 Significant accounting policies (Continued)

1.13 Other properties and equipment (Continued)

(c) Right of use assets

Details on right of use assets are set out in Note 1.22.

1.14 Impairment of other assets

Assets that have an indefinite useful life are not subject to amortisation, but are tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.15 Repossessed assets

Reposessed collateral assets are reported as "Other accounts" under "Advances and other accounts" and the relevant loans are derecognised. The reposessed assets are measured at the minimum of the amount of the related loans and advances, carrying amount and net realisable value.

1.16 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Bank's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

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1 主要會計政策 (續)

1.16 外幣換算 (續)

以原值成本值列賬但以外幣為單位的非貨幣性資產及負債按交易日的匯率折算為港幣。以公平價值列賬的非貨幣性資產及負債按釐定其公平價值日的匯率折算。

非貨幣性項目，如以公平價值誌入損益賬之股權證券，其換算差額將作為公平價值收益或虧損之一部份於綜合收益表內確認。非貨幣性項目，如以公平價值誌入其他全面收益之股權證券，其換算差額則於其他全面收益確認並獨立地累計於權益內。

海外業務之業績按交易日相約的匯率折算為港幣。資產及負債按報告期末的匯率折算為港幣。收入和支出按期內平均匯率折算。產生的匯兌差額於其他全面收益內確認，並在股東權益之匯兌儲備內分開累計。

1.17 所得稅

本年度所得稅包括本期及遞延稅項資產和負債的變動。除該等應在其他全面收益或直接於權益中確認入賬而分別列入其他全面收益或直接為權益的數額外，本期稅項及遞延稅項資產和負債的變動於綜合收益表內確認。

本期稅項為是年度對應課稅收入按結算日已生效或基本上已生效的稅率計算的預計應付稅項，並已包括以往年度的應付稅項的任何調整。

遞延稅項資產及負債是因財務報表之資產及負債之賬面值與其納稅基礎值之間的差異而分別產生的可扣稅及應課稅的暫時性差異。遞延稅項資產也包括未使用的稅項虧損及稅項抵免。

1 Significant accounting policies (Continued)

1.16 Foreign currency translation (Continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

Translation differences on non-monetary items such as equity securities at fair value through profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary items such as equity securities at fair value through other comprehensive income are included in other comprehensive income and accumulated separately in equity.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Assets and liabilities are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. Income and expenses are translated at the average exchange rates for the period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

1.17 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 consolidated 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.

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.

1 主要會計政策 (續)

1.17 所得稅 (續)

所有遞延稅項負債及未來可能有應課稅溢利予以抵銷的遞延稅項資產均予確認。可支持由可扣稅之暫時性差異引致遞延稅項資產之確認的未來應課稅溢利，包括現存之應課稅暫時性差異的轉回，但該等差異須屬於同一稅務機關及應課稅實體，以及預計在該可扣稅之暫時性差異之同期內轉回或在由該遞延稅項資產產生的稅項虧損可以收回或留存之期限內轉回。相同標準應用在判斷現時可扣稅暫時性差異能否支持由未使用的稅項虧損或稅項抵免所產生的遞延稅項資產之確認，即如果是屬於同一稅務機關及應課稅實體，以及預計在某期間內因該稅項虧損或稅項抵免可使用而轉回時，會計入該等差異。

確認遞延稅項的金額是根據該資產及負債的賬面值之預期收回及結算的方式，按在結算日已生效或基本上已生效的稅率計算。遞延稅項資產及負債不作折讓。

於結算日，本行須重新檢視有關的遞延稅項資產的賬面金額，對預期不再有足夠的應課稅溢利以實現相關稅務利益予以扣減。被扣減的遞延稅項資產若於預期將來出現足夠的應課稅溢利時，應予轉回。

由派發股息引起的額外所得稅在有關股息的支付責任獲確立時確認。

本期稅項與遞延稅項結餘及其變動之數額會分別列示而不會相互抵銷。本集團只有在有合法權利對本期稅項資產及負債抵銷及符合以下附帶條件的情況下，才對本期及遞延稅項資產及負債作出抵銷：

- 就本期稅項資產及負債而言，本集團計劃支付淨額或同時收回資產及償還負債；或

1 Significant accounting policies (Continued)

1.17 Income tax (Continued)

All deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing deductible temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The 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.

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.

Additional income taxes that arise from the distribution of dividends are 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 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

財務報表註釋

Notes to the Financial Statements

1 主要會計政策 (續)

1.17 所得稅 (續)

- 有關的遞延稅項資產及負債為同一稅務機關對以下機構徵收所得稅所產生：
 - 同一個應課稅實體；或
 - 不同的應課稅實體：在未來每一個預計實現重大遞延稅項的期間，該實體計劃以淨額形式結算本期稅項資產及負債或兩者同時收回及償還。

1.18 保險合約

本集團發行轉移保險風險之合約。保險合約乃指轉移重大保險風險之合約。作為一般指引，本集團界定重大保險風險為有可能須於受保事件發生時支付的賠償，較並無發生受保事件時須支付的賠償高最少10%。

(a) 認算及量度

本集團發行不同種類之保險合約，包括意外及健康、汽車、輪船、貨物交收、樓宇損毀、僱員賠償、一般責任及金錢損失等。此等保險單之風險覆蓋一般為一年。

此等合約之保費(期滿保費)根據其承保期間按比例確認為收入。於結算日已收到的有效保單保費，其未到期風險相關的保費收入部份則被列為遞延保費負債。保費以扣除佣金前及徵收稅項後之保費列示。

當索償及損失支出調整產生時將直接支取綜合收益賬。此支出包括截至結算日已發生但未呈報之直接及非直接索償。未索償之負債以業務種類分開分析。該負債以已呈報本集團之個別事件評估及以統計技巧估計已發生但未呈報之索償。

1 Significant accounting policies (Continued)

1.17 Income tax (Continued)

- 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.

1.18 Insurance contracts

The Group issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk. As a general guideline, the Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

(a) Recognition and measurement

The Group issues various classes of insurance contract including accident and health, motor vehicles, ships, goods in transit, property damage, employees' compensation, general liability and pecuniary loss. Risks under these insurance policies usually cover one year duration.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability. Premiums are shown before deduction of commission and are net of duties levied on premiums.

Claims and loss adjustment expenses are charged to the consolidated income statement as incurred. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group. Liabilities for unpaid claims are separately analysed by class of business. They are estimated using the input of assessments for individual cases reported to the Group and statistical techniques for the claims incurred but not reported.

1 主要會計政策 (續)

1.18 保險合約 (續)

(b) 未決索償

未決索償是根據個別索償審查及包括於報告期末已發生但未呈報的索償預計而評估。雖然此索償準備不可以精確地評估，但此索償準備已考慮現有資料及同時考慮直接索償處理支出及從其他人士之收回。有關索償的一般行政間接支出並不包括在未決索償內。

於報告期末已發生但未呈報的索償準備是根據過往經驗而作出準備。

收回再投保之索償於報告期末時作為資產反映。

(c) 遞延收購成本

有關保障新合約及為現有合約續期而產生及變更的佣金及折扣資本化作遞延收購成本。其他所有成本於產生時以支出入賬。遞延收購成本其後隨著保險單的年期當保費賺取時予以攤銷。

(d) 負債充足性測試

於各結算日，本集團均會進行負債充足性測試，以確保具備充足的能力以履行保險合約負債（除去遞延收購成本資產）。在進行此測試時，會採用對未來合約現金流量、索償的處理及行政費用，以及支持該等負債的相關資產所產生投資收益的最佳預測來進行。任何不足之金額須即時計入收益賬，並將負債充足性測試中產生之損失提撥準備金（未到期風險準備）。

1 Significant accounting policies (Continued)

1.18 Insurance contracts (Continued)

(b) Outstanding claims

Outstanding claims are assessed by reviewing individual claims and include an estimate for claims incurred but not reported at the end of reporting date. This provision, although not capable of precise assessment, has been made in the light of available information and after taking into account direct claims handling expenses and possible recoveries from other parties. Indirect expenses relating to the general administration of claims are not included as part of outstanding claims.

The provision for claims incurred but not reported at the end of reporting date is made based on historical experience.

Claims recoverable from reinsurers are included as an asset at the end of reporting date.

(c) Deferred acquisition costs ("DAC")

Commissions and discounts that vary with and are related to securing new contracts and renewing existing contracts are capitalised as DAC. All other costs are recognised as expenses when insured. The DAC is subsequently amortised over the terms of the insurance policies as premium is earned.

(d) Liability adequacy test

At the end of each reporting period, liability adequacy test is performed to ensure the unearned premium reserves net of related DAC assets are sufficient to cover the contract liabilities. In performing this test, current best estimates of future contractual cash flows and claims handling and maintenance (administration) expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the income statement and a provision for losses arising from liability adequacy tests (the unexpired risk provision) is established.

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Notes to the Financial Statements

1 主要會計政策 (續)

1.18 保險合約 (續)

(e) 持有再投保合約

持有再投保合約乃指本集團與再投保人訂下之合約，而本集團所發行之符合分類要求的保險合約之損失將會得到補償。本集團與另一投保人訂下之保險合約（向內再投保）會包括在保險合約內。

本集團持有再投保合約之得益被列為再投保人應佔保險合約。該資產包括與再投保人之短期結存，以及再投保合約所產生的較長期應收預期申索及得益。與再投保人之結存金額，會與再投保合約相關之金額一致地衡量以及按照再投保合約之條款量度。轉予再投保人之保費及由再投保人收回之索償以總額形式列示。

本集團每年評估再投保人應佔保險合約之減值。如有客觀證據證明再投保人應佔保險合約已減值，本集團會減低保險合約的賬面值至其可收回金額，並將減值損失列入綜合收益表內。

(f) 保險合約相關之應收及應付款

應收及應付款於到期時確認，包括對代理、經紀及保險合約持有人之應收及應付金額。

若出現保險合約已減值的客觀證據，本集團相應扣除保險合約之賬面值，並於綜合收益表內確認減值損失。

1 Significant accounting policies (Continued)

1.18 Insurance contracts (Continued)

(e) Reinsurance contracts held

Contracts held by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurers' share of insurance contracts. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Premiums ceded and claims reimbursed are presented on a gross basis.

The Group assesses the reinsurers' share of insurance contracts for impairment on an annual basis. If there is objective evidence that the reinsurers' share of insurance contracts is impaired, the Group reduces the carrying amount of the insurance contracts to its recoverable amount and recognises that impairment loss in the consolidated income statement.

(f) Receivables and payables related insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the consolidated income statement.

1 主要會計政策 (續)

1.19 撥備

倘本集團因過往事件而產生現時法律或推定責任，可能須就解除責任而導致經濟資源流失之可能性高於不會導致資源流失之可能性；及可就責任之款額作出可靠估計時，則須確認責任索償之撥備。對於將來的營運損失，則不會確認為撥備。

如有多項同類責任時，其需要在償付中流出資源的可能性，乃根據責任的類別作整體釐定。即使在同一責任類別內所包含的任何一個項目相關的資源流出的可能性很低，仍須就此確認撥備。

撥備乃按履行責任所需開支之現值計算，該現值是以能反映市場對時間價值之評估及該責任之特定風險之稅前利率折算。因時間推移而增加之撥備，則確認為利息支出。

1.20 金融擔保合約

金融擔保合約是指擔保合約受益人（合約持有人）可因某特定債務人未能根據債務工具條款在到期日作出支付產生損失而可向合約發行人要求作出補償之合約。

擔保之公平價值（即擔保費用收入）於最初在擔保給予當日在財務報表內確認為遞延收入。其後，本集團對此等擔保之負債是根據註釋1.19所確定之價值及已確認之擔保額減除已確認之累計攤銷，兩者較高者計算。金融擔保負債之變動於收益表內確認。

1 Significant accounting policies (Continued)

1.19 Provisions

Provisions for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

1.20 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the beneficiary of the guarantee (“the holder”) for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

The fair value of the guarantee (being the guarantee fees received) is initially recognised as deferred income in the financial statements on the date that the guarantee was given. Subsequent to initial recognition, the Group’s liabilities under such guarantees are measured at the higher of the amount determined in accordance with Note 1.19 and the amount initially recognised less cumulative amortisation recognised. Any changes in the liability relating to financial guarantees are recognised in the income statement.

財務報表註釋

Notes to the Financial Statements

1 主要會計政策 (續)

1.21 僱員福利

僱員福利包括以下短期僱員應享假期及長期僱員退休福利：

(a) 僱員應享假期

僱員在年假和長期服務休假之權利在僱員應享有時確認。本集團為截至結算日止僱員已提供之服務而產生之年假及長期服務休假之估計負債作出撥備。

僱員之病假及產假不作確認，直至僱員正式休假為止。

(b) 退休福利

本集團設有六項職員退休福利計劃，其資產均與本集團之資產分開，由獨立信託基金管理。

本集團含有界定供款安排之退休福利計劃及強制性公積金（簡稱「強積金」）計劃之供款作為費用支銷。

含有界定福利安排之退休福利計劃每年之供款，是由精算師定期評估該等計劃之資產負債而釐定。含有界定福利安排之退休福利計劃是採用預計單位貸記法評估。根據精算師的建議，將有關退休福利成本在綜合收益表扣除，令定期成本分攤至僱員服務年期。退休界定福利責任為估計未來現金流出量之現值，利用到期日與相關條款類似之政府債券之息率計算。

界定福利計劃的精算盈虧於其他綜合收益內確認，並立即在保留溢利中反映。

1 Significant accounting policies (Continued)

1.21 Employee benefits

Employee benefits include short-term leave entitlements and long-term staff retirement benefits as follows:

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are recognised when the absences occur.

(b) Retirement benefits

The Group operates six staff retirement schemes. The assets of these schemes are all held separately from those of the Group in independently administered funds.

The Group's contributions to schemes with defined contribution arrangements and the mandatory provident fund ("MPF") schemes are expensed as incurred.

Annual contributions to the retirement benefit schemes with defined benefit arrangements are determined based on periodic valuations of the assets and liabilities of such schemes by qualified actuaries using the projected unit credit method. Under this method, the cost of providing retirement benefits is charged to the consolidated income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries. The defined benefit obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liabilities.

Actuarial gains and losses on defined benefit schemes are recognised in other comprehensive income and reflected immediately in retained earnings.

1 主要會計政策 (續)

1.22 營業租約

任何租約，如其擁有權之絕大部份風險及回報仍保留在出租人內，該等租約以營業租約列賬。

若本集團為營業租約之承租人，租賃資產主要包括物業及設備。當租賃資產可供使用時，使用權資產及相應租賃負債會被確認於財務狀況表內。

使用權資產及租賃負債將分別以「其他物業及設備」及「其他賬項及預提」列入財務狀況表。

租賃負債為租約內租賃付款的未來現金流，以承租人於租賃開始日期的增量借款利率折現的現值，而現金流包含合理確認會被行使的續租權所延展的續租期間的付款。

使用權資產大致上以租賃負債為基礎，並調整加上初始直接費用、估算的清拆或復原費用及已預付的租賃付款來計量。使用權資產後續以成本扣除累計折舊及減值損失計量，並於租賃負債被重新計量時作出調整。

在租賃開始日期後，租賃負債的眼面值會增加以反映通過利息支出釋出之貼現額，及會減少以反映租賃付款。如租約出現任何變更，租賃負債也會被重新計量。使用權資產由租賃開始日期起至租期完結的年期內以直線法予以折舊。在租賃包含合理確認會行使的購買選項時，使用權資產會折舊至資產可使用年限完結時。

與短期租約相關的款項以直線法於收益表內確認為租金支出。短期租約為租約期限為十二個月或以下的租約。

若本集團為營業租約之出租人，有關出租資產主要包括物業及設備，除投資物業外，其他資產乃根據本集團之折舊政策予以折舊。租金收入（扣除向承租人支付之任何優惠）以直線法在租期內入賬。或有租金以該收入產生的會計期間列作收入。

1 Significant accounting policies (Continued)

1.22 Operating leases

Leases where substantially all of the risks and rewards of ownership of the asset remain with the lessor are accounted for as operating leases.

Where the Group is a lessee under operating leases, leased assets mainly include properties and equipment. A right of use asset and a corresponding lease liability are recognised on the statement of financial position when the leased asset is available for use.

The right of use asset and the lease liability are to be included in the statement of financial position as “Other properties and equipment” and “Other accounts and accruals” respectively.

Lease liability is the discounted present value of the future cash flow of the lease payments of a lease contract, after taking into account payment to be made in optional period if the extension option is reasonably certain to be exercised, using the lessees’ incremental borrowing rate at the commencement date of the lease as discount rate.

Right of use asset is generally measured at the amount of the lease liability plus initial direct costs, estimated dismantling or restoring cost and adjusted by prepaid lease payments. The right of use asset is subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability.

After the commencement date, the carrying value of lease liability will be increased to reflect the unwinding of discount through interest expense and will be reduced to reflect the lease payments made. The lease liability will also be remeasured if there is any modification to the lease contract. A right of use asset is depreciated by straight line method from commencement date to the end of lease term. In case there is a purchase option that is expected to be exercised, then the right of use asset will be depreciated to the end of the useful life of the underlying asset.

Payments associated with short-term leases are recognised on a straight line basis as rental expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

Where the Group is a lessor under operating leases, assets leased out mainly include properties and equipment and are depreciated in accordance with the Group’s depreciation policies except where the asset is classified as investment property. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term. Contingent rentals receivable are recognised as income in the accounting period in which they are earned.

財務報表註釋

Notes to the Financial Statements

1 主要會計政策 (續)

1.23 租購合約及融資租賃

任何租約，如將其擁有權之絕大部份風險及回報轉移至承租人，該等租約均列為融資租約。

凡本集團根據融資租約為出租人時，相當於租約中投資淨額之款項列入綜合財務狀況表內之「貸款及其他賬項」內。該投資淨額包括租購合約及融資租賃之應收租金總額減去未賺取之財務收入。減值損失根據註釋1.7所載之會計政策列賬。應收租金隱含之財務收入於租賃期間列入綜合收益表內，使每個會計期間為投資結欠淨額取得近乎穩定之收益率。

1.24 分部報告

營運分部（以及在綜合財務報表內所列報的每一分部項目金額），是從財務資料中辨識出來的，並定期地提供予本集團的最高行政管理層用作對本集團各業務條線和區域所在地的資源分配以及評核其表現。有關提供予本集團之最高行政管理層用作決定營運分部內的資源分配及評核其表現的資料，乃根據香港財務報告準則的基礎計量。

除非分部有類似經濟特性及在產品和服務之性質、生產程序之性質、客戶類別或等級、用作銷售產品和提供服務之方法、及監管環境之性質是類似的，個別重大的營運分部不會在財務報表內合計。如分部擁有以上大部份的標準，而且並非個別重大的營運分部可作合計。

1.25 現金及等同現金項目

就編製現金流量表而言，現金及等同現金項目包括由購入日起計，其原到期日在三個月內的結餘包括庫存現金、存放同業及其他受較低風險影響及隨時可轉換成預知金額的國庫券及存款證。同業存款作為本集團現金管理一部份亦包括於現金及等同現金項目。

1 Significant accounting policies (Continued)

1.23 Hire purchase contracts and finance leases

Leases which transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases.

Where the Group is a lessor under finance leases, an amount representing the net investment in the lease is included in the consolidated statement of financial position as “Advances and other accounts”. The net investment represents the total rentals receivable under hire purchase contracts and finance leases less unearned finance income. Impairment losses are accounted for in accordance with the accounting policy as set out in Note 1.7. Finance income implicit in the rental receivable is credited to the consolidated income statement over the lease period or hire period so as to produce an approximately constant periodic rate of return on the net investment outstanding for each accounting period.

1.24 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group’s most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group’s various lines of business and geographical locations. Information provided to the Group’s most senior executive management to make decisions about allocating resources and assessing performance of operating segments is measured in accordance with HKFRSs.

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.

1.25 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with original maturity within three months from the date of acquisition including cash, balances with banks, treasury bills and certificates of deposit that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Balances from banks, which form an integral part of the Group’s cash management, are also included as a component of cash and cash equivalents.

1 主要會計政策 (續)

1.26 關連人士

就本財務報表而言，關連人士為與本集團有關連之人士或實體。

- (a) 該人士或其近親家庭成員與本集團有關連，如該人士：
 - (i) 能控制或共同控制本集團；
 - (ii) 能發揮重大影響力影響本集團；或
 - (iii) 屬本集團或本集團之母公司之主要行政人員的成員。
- (b) 該實體為與本集團有關連，倘符合下列任何條件：
 - (i) 該實體及本集團為同一集團之成員 (即母公司，子公司及同一集團的子公司是彼此關連)。
 - (ii) 其一實體屬另一實體的聯營公司或共同控制實體 (或另一實體的集團成員的聯營公司或共同控制實體)。
 - (iii) 該實體及本集團均為同一第三者的共同控制實體。
 - (iv) 其一實體為第三者實體的共同控制實體，而另一實體為該第三者實體的聯營公司。
 - (v) 該實體屬提供福利予本集團或與本集團關連的實體的僱員的離職後福利計劃。
 - (vi) 該實體由(a)所指人士控制或共同控制。

1 Significant accounting policies (Continued)

1.26 Related parties

For the purposes of these financial statements, a related party is a person or entity that is related to the Group.

- (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 of a parent of the Group.
- (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 the entity and the Group 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).

財務報表註釋

Notes to the Financial Statements

1 主要會計政策 (續)

1.26 關連人士 (續)

(vii) 於(a)(i)所指人士可對該實體發揮重大影響力或是該實體(或該實體之母公司)之主要行政人員的成員。

(viii) 該實體或其歸屬集團內任何成員，向本集團或本集團之母公司提供主要行政人員服務。

個人的近親家庭成員指可影響，或受該個人影響，他們與該實體交易的家庭成員。

1.27 列作出售資產及負債

如果一項非流動資產(或處置組合)的賬面值很可能通過出售交易而不是持續使用下收回，並且可以在現狀下出售，該非流動資產(或處置組合)便會分類為列作出售。處置組合是指在一項單一交易中一併處置的一組資產，以及直接與將在交易中轉移的該等資產相關的負債。

在緊接其分類為列作出售類別前，非流動資產(和處置組合中所有個別資產與負債)的計量按照分類前的會計政策作出更新。其後，由初始分類為列作出售至處置為止，非流動資產(下文所述的若干資產除外)或處置組合按其賬面值及其公平價值減去出售成本後所得數額兩者中的較低者予以確認。該計量政策原則上並非適用於本集團的綜合財務報表中的遞延稅項資產、僱員福利所產生的資產、金融資產(除了於附屬公司、聯營公司及共同控制實體的權益)及投資物業。該資產(雖然列作出售資產)仍按照註釋1所列明的政策計量。

初始分類為列作出售和其後在列作出售時重新計量而產生的減值損失均在綜合收益表內確認。只要非流動資產一直分類為列作出售或包括在已分類為列作出售的處置組合中，該非流動資產便不會計提折舊或攤銷。

1 Significant accounting policies (Continued)

1.26 Related parties (Continued)

(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 family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

1.27 Assets and liabilities classified as 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.

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 consolidated financial statements of the Group are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than interests 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 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in the consolidated 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.

1 主要會計政策 (續)

1.28 政府補貼

只有在合理保證本集團將遵守其附帶條件且將收到政府補貼的情況下，政府補貼才會被確認。

政府補貼於本集團確認補貼擬補償的相關成本作為支出的期間內，有系統地於損益確認。

與補償支出有關的政府補貼會從相關支出中扣除。

2 主要會計估計及判斷

本集團作出估計及假設，會於下一財政年度內影響資產及負債已列報之金額。本集團會根據過往經驗及其他因素，包括在此等情況下，對未來事項作出相信是合理的預期，持續地評估所作出之估計及判斷。

2.1 金融資產減值

本集團至少每季檢視其信貸組合以評估其減值。計量不同類別信貸資產的減值損失均涉及判斷，特別是在估計未來現金流量的金額及時間，以及評估信貸風險大幅上升之情況。這些估計受多項因素影響，此等因素的改變會導致不同水平的準備金額。

2.2 金融工具之公平價值

在活躍市場沒有報價的金融工具以估值方法去評定其公平價值。當採用估值方法（例如模型）去評定公平價值時，該等方法須由獨立於交易部門並具有相關資格的人去確認及定期檢視，使能反映出真實數據及相對市場價格。在可行之範圍內，模型只會採用可觀察之數據，但某些範疇如信貸風險（包括自己及交易對手），波幅及相互關係，管理層必須作出一些估計。改變關於這些因素之假設會影響所列報的金融工具之公平價值。

1 Significant accounting policies (Continued)

1.28 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them; and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to compensation of expenses are deducted from the related expenses.

2 Critical accounting estimates and judgments in applying accounting policy

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.1 Impairment of financial assets

The Group reviews its credit portfolios to assess impairment at least on a quarterly basis. The measurement of impairment losses across all categories of credit asset requires judgment, in particular, the estimation of the amount and timing of future cash flows and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

2.2 Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the department that created them to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors would affect the reported fair value of financial instruments.

財務報表註釋

Notes to the Financial Statements

2 主要會計估計及判斷 (續)

2.3 投資物業公平價值之估計

投資物業之公平價值乃根據獨立專業估值師按公開市場情況作基準而估計。該估值已考慮一個市場參與者從使用該資產或將該資產售予另一市場參與者，而該市場參與者將以最高及最好地使用此資產而產生的經濟效益。此公平價值之估計乃採用投資估值方法，將物業之淨收入資本化而計算。合約租金及預計未來的市場租金收入，扣除開支及維修成本後，均以就觀察所得之市場回報率予以資本化。估計市值時所採用之主要假設包括：所收到的合約租金、對未來市值租金之預測、空置期、維修保養需要、及就觀察所得之市場回報率。

此外，估值師亦會以相關市場上相若地區之類似市場實際交易報告作參考，並就該等物業相關的因素，如地點的差別、樓齡、交易的時間、商舖的座向及人流等作出適當的調整。

任何用於估值上的假設如有所改變均會影響投資物業的公平價值。

2.4 所得稅

日常業務過程中若干交易及業務的最終稅項釐定並不確定。倘有關事項的最終稅項結果有別於初始估計的金額，則該等差異會影響釐定期間的當期所得稅及遞延所得稅。

遞延稅項資產能否變現主要取決於未來是否有充足的利潤或應課稅暫時性差異。

倘預期產生充足利潤或應課稅暫時性差異，則期內於損益確認遞延稅項資產。反之，若預期不會產生充足利潤或應課稅暫時性差異，則期內於損益轉回遞延稅項資產。

2 Critical accounting estimates and judgments in applying accounting policy (Continued)

2.3 Estimate of fair value of investment properties

The fair values of investment properties are estimated based on the valuation made by an independent professional valuer on an open market basis. The valuation has considered a market participant's ability to generate economic benefit by using the asset or by selling it to another market participant who will use the asset in its highest and best use. The fair values are assessed based on the capitalisation of the net income for the properties using Investment Method of Valuation. The contractual rental income and the expected future market rental income after allowing for outgoings and maintenance requirements are capitalised at observed market yields. The principal assumptions underlying the estimation of market value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and observed market yields.

In addition, the valuations are also assessed by reference to comparable market transactions as reported in the relevant market at similar locations. Appropriate adjustments have been made on the values of the subject properties for relevant factors, such as location difference, building age, time of transaction, shop frontage and pedestrian flow, etc.

Changes in the assumptions used in the valuation would affect the fair value of investment properties.

2.4 Income tax

There are certain transactions and activities for which the ultimate tax destination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such difference will impact the current income tax and deferred income tax in the period during which such a determination is made.

The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

2 主要會計估計及判斷 (續)

2.5 保險合約申索之最終負債

就保險合約下索償所產生最終負債的估計，是本集團其中一項關鍵會計估計。估計和判斷是根據過往經驗和其他因素持續評估，包括對在結算日已發生但未向本集團呈報（「已發生但未呈報」）的虧損事件的預計。對已發生但未呈報索償的估計，在一般情況下比已向本集團呈報的索償賠付成本的估計（有關索償事項的資料可與取得）受較大不明朗因素所影響。受保人可能會不察覺已發生但未呈報的索償，直至多年後引致索償的事件發生後才得知。

對某些索償負債的最終成本進行估計，是一項十分複雜的過程。在估計本集團最終需要支付有關索償的負債時，須要考慮眾多的不確定因素。僱員賠償和其他負債保單所引起的索償或會比較漫長和難以估計。本集團已聘請獨立精算師，利用既定的精算方法估計索償負債。有關方法屬於統計性質，並可能會受多項不同因素所影響。可能會影響負債估計準確性的較重要因素包括法理上可擴寬本集團發出的保險合約所提供保障的意向和保障範圍，實際索償結果與過往經驗的分歧程度，以及事件的出現與向本集團呈報索償兩者的時差。

2.6 職員退休福利計劃

本集團於註釋15中所述之退休計劃之責任在估值時需作出精算假設。此等假設於未來是否適用是存在不確定性的，該等假設需要作定期審查，如有需要會作出更新。

2 Critical accounting estimates and judgments in applying accounting policy (Continued)

2.5 Ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is one of the Group's critical accounting estimates. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of loss events that have been incurred but not reported ("IBNR") to the Group at the end of the reporting period. The estimation of IBNR claims is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim events is available. IBNR claims may not be apparent to the insured until many years after the event that gives rise to the claim has happened.

Estimation of the ultimate cost of certain liability claims can be a complex process. There are several sources of uncertainty that need to be considered in the estimating of the liability that the Group will ultimately pay for such claims. In particular, the claims arising from the employees' compensation and other liability policies can be longer in tail and difficult to estimate. The Group has appointed an independent actuary to estimate the claim liabilities using established actuarial methodologies. The methodologies are statistical in nature and can be affected by various factors. The more significant factors that can affect the reliability of the liability estimation include jurisprudence that can broaden the intent and scope coverage of the protections offered in the insurance contracts issued by the Group, the extent to which actual claim results differ from historical experience and the time lag between the occurrence of the event and the report of such claim to the Group.

2.6 Staff retirement scheme

Actuarial assumptions are made in valuing future pension obligations as set out in Note 15. There is uncertainty that these assumptions will hold true in the future. They are reviewed periodically and are updated where necessary.

財務報表註釋

Notes to the Financial Statements

3 銀行層面之財務狀況表

3 Bank Level Statement of Financial Position

		二〇二〇 2020 港幣千元 HK\$' 000	二〇一九 2019 港幣千元 HK\$' 000
	註釋 Note		
資產	Assets		
庫存現金、同業存放及貸款	Cash, balances and placements with and loans and advances to banks	84,461,050	65,579,411
衍生金融工具	Derivative financial instruments	1,620,404	588,286
以公平價值誌入損益賬之 金融資產	Financial assets at fair value through profit or loss	4,015,204	6,401,863
證券投資	Investments in securities	81,863,665	71,301,044
貸款及其他賬項	Advances and other accounts	197,019,986	187,555,735
附屬公司權益	Interests in subsidiaries	579,203	923,147
共同控制實體權益	Interests in jointly controlled entities	22,000	22,000
聯營公司權益	Interests in associates	1,236,600	1,236,600
投資物業	Investment properties	2,886,690	3,227,950
租賃土地權益	Interests in leasehold land	109,546	112,776
其他物業及設備	Other properties and equipment	1,630,731	1,466,316
可回收稅項	Tax recoverable	804	783
遞延稅項資產	Deferred tax assets	46,652	27,247
總資產	Total assets	375,492,535	338,443,158
負債	Liabilities		
同業存款	Deposits and balances from banks	39,874,412	27,238,432
交易賬項下之負債	Trading liabilities	154,331	309,136
衍生金融工具	Derivative financial instruments	1,284,107	393,553
客戶存款	Deposits from customers	271,692,576	244,711,860
發行之存款證	Certificates of deposit issued	7,454,237	3,725,259
發行之後償債項	Subordinated debts issued	3,097,196	3,110,591
當期稅項	Current taxation	673,330	673,054
遞延稅項負債	Deferred tax liabilities	27,931	27,620
其他賬項及預提	Other accounts and accruals	5,220,305	14,261,581
總負債	Total liabilities	329,478,425	294,451,086
權益	Equity		
股本	Share capital	1,160,951	1,160,951
儲備	Reserves	37,278,586	35,122,760
歸屬於本行股東權益合計	Total equity attributable to shareholders of the Bank	38,439,537	36,283,711
額外權益工具	Additional equity instruments	7,574,573	7,708,361
權益總額	Total equity	46,014,110	43,992,072
權益及負債總額	Total equity and liabilities	375,492,535	338,443,158

經已於二〇二一年三月十八日由董事會
通過及授權發佈。

Approved and authorised for issue by the Board of Directors on 18
March 2021.

朱琦 董事長
洪波 董事兼行政總裁

ZHU Qi Chairman
HONG Bo Director and Chief Executive Officer

4 金融風險管理

本集團的經營活動面對着各類金融風險，這些活動亦包括分析、評估、採納及管理各類風險的部份或風險之組合。本集團了解承擔風險乃金融業務的核心部份，而營運風險乃從業務務不可避免的後果。因此本集團之目標是將風險與回報達至適當的平衡及將其對本集團財務表現的可能影響減至最低。

本集團已制定政策及程序，用以識別、量度、控制及監管營運的內在風險。這些風險主要包括信貸風險、市場風險、流動性風險及營運風險。市場風險包括外匯、利率及其他價格風險。管理委員會就此等風險管理政策及程序之充分性及果效而作定期檢視；而稽核部門亦會進行定期稽核及檢查，以確保該等政策及程序得以落實及被遵從。

4.1 信貸風險

本集團承擔著信貸風險，該風險乃指債務人（包括擔保人）或交易對手未能履行責任而引致本集團財務上之損失。信貸風險主要從本集團資產組合內之貸款、債務證券、衍生金融工具、國庫券及資產負債表內給予交易對手的信貸金額而產生。此外，資產負債表外的財務安排（如貸款承諾）亦會帶來信貸風險。經濟上有重大轉變或個別行業呈現衰退，可導致損失與結算日已提之減值準備產生偏差。

本集團已制定信貸政策確定授出信貸之標準、信貸批核、審閱及監控程序，以及內部信貸評級系統及減值準備之評估程序。本集團信貸政策制定集中於信貸管理部及綜合風險管理部，並經管理委員會及董事會審批。本集團信貸風險控制集中於信貸管理部，並定時向授信審核委員會、執行審貸委員會及管理委員會匯報。董事會對信貸風險管理程序的有效性負有最終責任。

4 Financial risk management

The Group's activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Group recognises that taking risk is core to its financial business and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group has established policies and procedures for the identification, measurement, control and monitoring of the inherent risk of the operations. The most important risks are credit risk, market risk, liquidity risk and operational risk. Market risk includes currency risk, interest rate risk and other price risks. The adequacy and effectiveness of risk management policies and procedures are regularly reviewed by the Management Committee of the Board of Directors (the "Management Committee"). The Internal Audit Department also performs regular audits to ensure compliance with policies and procedures.

4.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that an obligor (including guarantor) or a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit exposures arise principally from loans and advances, debt securities, derivative financial instruments, treasury bills, and other on-balance sheet exposures to counterparties in the Group's asset portfolio. There is also credit risk in off-balance sheet financial arrangements such as loan commitments. Significant changes in the economy, or in the health of a particular industry segment, could result in losses that are different from those provided for at the end of the reporting period.

The Group has established credit policies that govern credit extension criteria, credit approval, review and monitoring processes, the internal credit rating system and impairment assessment processes. The Group's credit policies which are centralised in Credit Management Department and Integrated Risk Management Department have to be approved by the Management Committee and Board of Directors. The Group's credit risk control is centralised in Credit Management Department which reports to the Credit Committee, Executive Credit Committee and Management Committee regularly. The Board of Directors has ultimate responsibility for the effectiveness of credit risk management processes.

財務報表註釋

Notes to the Financial Statements

4 金融風險管理 (續)

4.1 信貸風險 (續)

(a) 信貸風險量度

(i) 貸款

在評估客戶、同業及其他交易對手貸款之信貸風險時，會採用有效之系統來量度及監控信貸風險作為信貸評估程序的一部份。本集團之信貸評級系統會考慮交易對手之信譽，包括保證人(如適用)之財政能力，抵押品及特別交易的風險，並就相關業務單位的資產組合之信貸風險作出區分及管理。

(ii) 債務證券及國庫券

於評估債務證券之風險時，主要採用認可的外部信貸評級機構之評級來評估及管理信貸風險。投資於此等證券使本集團於相關的風險下達到合理回報水平，並同時保持有效的資金來源。

(iii) 與信貸相關的承諾

本集團提供信貸承諾，包括發出擔保書及信用證。該等工具之主要目的是確保在有需要時有資金供應給客戶。該等工具乃不可撤銷的保證，表示本集團將會在客戶未能向第三者履行責任時作出償付。該等工具帶有與貸款相同之信貸風險。

作出信貸承諾乃代表以放款、擔保書及信用證等形式授權未使用部份的信貸額度。有關作出信貸承諾之信貸風險，本集團等同擁有一項與未使用承擔相同的潛在損失。由於大部份作出信貸承諾乃客戶擬維持其特定信貸水平，是或然的，因此，此等可能出現的虧損應少於未使用之承擔總額。本集團會控制信貸承擔之期限，因長期承擔一般會比短期承擔存在較大程度的信貸風險。

4 Financial risk management (Continued)

4.1 Credit risk (Continued)

(a) Credit risk measurement

(i) Loans and advances

In assessing credit risk of loans and advances to customers and to banks and other counterparties, effective systems are adopted for measurement and monitoring of the credit risk as part of the credit assessment process. The Group's credit grading system, which in general, takes into account the underlying credit-worthiness of the counterparties, including the financial strengths of the guarantors (as the case may be), collateral pledged and the risk of specific transactions, allows differentiation and management of credit risk for asset portfolios of respective business units.

(ii) Debt securities and treasury bills

For debt securities, external ratings from recognised external credit assessment institutions are used for assessing and managing credit risk exposures. The investments in these securities allow the Group to achieve an appropriate level of returns commensurate with the risks and to maintain a readily available source of funding at the same time.

(iii) Credit related commitments

The Group has issued credit related commitments including guarantees and letters of credit. The primary purpose of these instruments is to ensure that funds are available to a customer as required. These instruments represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. These instruments carry similar level of the same credit risk as loans.

Commitments to extend credit represent unused portions of authorised facility limits in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

4 金融風險管理 (續)

4.1 信貸風險 (續)

(b) 信貸限額控制及緩和政策

當本集團發現信貸風險，特別是過分集中於個別交易對手、集團、行業或國家時，便會作出管理及控制。

為避免過於集中而引致風險，各個客戶、交易對手及行業之信貸風險均按規定限額小心管理及監控。管理委員會管理較高之集中風險。信貸批核授權執行審貸委員會、授信審核委員會及其他信貸業務管理人員負責。執行審貸委員會同時負責檢討及批核最大額度之授信。信貸管理部存有以每一相關集團的中央負債記錄，對實際信貸風險(包括資產負債表以內及以外之風險)、限額及資產質素均作出定期監管及控制，並受內部稽核之審查。

任何單一借款人(包括銀行)之信貸風險，已制定分級限額以限制資產負債表以內及以外之風險，及制定每日交易風險限額以限制持作買賣用途之項目如遠期外匯合約。而每日會將實際授信與限額對照，藉以監察風險水平。

一些特定控制及風險緩和措施概述如下：

(i) 抵押品

本集團會嘗試取得抵押品以將信貸風險減低至可接受水平。對於所有信貸的批核，無論是否有抵押保證，均基於交易對手之償還能力而決定。本集團履行既有之指引以區分不同類別抵押品之可接受性及信貸風險轉移能力。主要抵押品分類為：

- 住宅物業及其他物業之按揭；
- 商業資產之抵押，如現金存款、物業、機器、存貨及應收賬款；及
- 金融工具之抵押，如股權證券、債務證券及人壽保單。

4 Financial risk management (Continued)

4.1 Credit risk (Continued)

(b) Risk limit control and mitigation policies

The Group manages and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparties and groups, and to industries and countries.

To avoid concentration risk, credit exposures to individual customers, counterparties and industry sectors are carefully managed and monitored by the use of limits. The Management Committee is responsible for the portfolio management of risk concentrations. Approval authorities are delegated to the Group's Executive Credit Committee, Credit Committee and other lending officers. The Executive Credit Committee is also responsible for the review and approval of the largest credit exposure. Actual credit exposures, including on- and off-balance sheet exposures, limits and asset quality are regularly monitored and controlled by the Credit Management Department by keeping a central liability record for each group of related counterparties and are subject to checks by the internal audit function.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Some specific control and risk mitigation measures are outlined below:

(i) Collateral

The Group seeks to obtain collateral to mitigate credit risk to an acceptable level. All credit decisions, whether or not secured by collateral, are based on counterparties' repayment capacity. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal types of collateral in credit risk mitigation include:

- Mortgages over residential properties and other properties;
- Charges over business assets such as cash deposits, premises, machineries, inventory and accounts receivable; and
- Charges over financial instruments such as equities, debt securities and life insurance policies.

財務報表註釋

Notes to the Financial Statements

4 金融風險管理 (續)

4.1 信貸風險 (續)

(b) 信貸限額控制及緩和政策 (續)

(i) 抵押品 (續)

於二〇二〇年十二月三十一日，貸款總額與就其而持有的抵押品及其他改善信貸條件的估計公平價值兩者較低金額為港幣77,488,959,000元(二〇一九年：港幣73,313,125,000元)。

於二〇二〇年十二月三十一日，信貸減值貸款總額與就其而持有的抵押品及其他改善信貸條件的估計公平價值兩者較低金額為港幣93,113,000元(二〇一九年：港幣143,497,000元)。

本集團訂有政策以管理確定合格資產作為抵押品以減低信貸風險。資產的市場價值須要能夠確定或合理地建立，才能考慮為有效的風險轉移。該資產還須要有市場銷路並有既存的二手市場作出售。此外，於有需要時，本集團能取得該資產的控制權。根據抵押品的類別，其價值將會作每日至每年不等的定時重估。已逾期貸款所持抵押品主要類別為現金存款及物業。

(ii) 總淨額結算安排

本集團會與進行大量交易的對手訂立總淨額結算安排，藉以進一步限制信貸風險。總淨額結算安排不一定會導致財務狀況表上資產及債務的對銷，原因是交易通常按總額結算。然而，關於有利合約之信貸風險會在出現不能償還情況時藉著總淨額結算安排而減少，所有與該交易對手之款項會終止及以淨額結算。

4 Financial risk management (Continued)

4.1 Credit risk (Continued)

(b) Risk limit control and mitigation policies (Continued)

(i) Collateral (Continued)

At 31 December 2020, the lower of gross loan amount and the estimated fair value of the collateral and other credit enhancements held against it amounted to HK\$77,488,959,000 (2019: HK\$73,313,125,000).

At 31 December 2020, the lower of gross credit-impaired loan amount and the estimated fair value of the collateral and other credit enhancements held against it amounted to HK\$93,113,000 (2019: HK\$143,497,000).

The Group has established policies to govern the determination of eligibility of assets taken as collateral for credit risk mitigation. In order for an asset to be considered as effective risk mitigation, the market value of the asset should be readily determinable or can be reasonably established. The asset is marketable and there exists a readily available secondary market for disposal of the asset. In addition, the Group is able to secure control over the asset if necessary. The collateral is revalued periodically ranging from daily to annually, depending on the type of collateral. As for those past due exposures, the main types of collateral held are cash deposits and properties.

(ii) Master netting agreements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of the assets and liabilities in the statement of financial position, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis.

4 金融風險管理 (續)

4.1 信貸風險 (續)

(b) 信貸限額控制及緩和政策 (續)

(iii) 衍生工具

本集團所採用的衍生工具主要為利率及外幣匯率相關之合約，大部分為通過櫃檯交易之衍生工具。而本集團之衍生工具持倉盤，大部份是為應客戶需求並作為對沖該等客戶盤及其他買賣持倉盤而持有。管理委員會制定交易限額包括隔夜及即日市場限額。除指定對沖安排外，有關外匯及利率風險之衍生工具乃用作日常業務上對沖持倉盤，藉此控制流動資金水平以應付市場需求。基於此等衍生工具交易的性質，除本集團要求交易對手繳付保證金存款外，抵押品及其他抵押品並不常用於此等信貸風險。

根據衍生工具合約下現有抵押品債務的條款，估計按照二〇二〇年十二月三十一日的持倉，倘本集團的信貸評級被下調一級或兩級，本集團不需要提供額外的抵押品(二〇一九年：無)。

(c) 減值準備政策

資產的預期信貸損失會根據合約應付本集團的所有合約現金流與本集團預期收取的所有現金流的差額，按實際利率折算計算。預期信貸損失的計算考慮了階段、現金流量類型和其他風險參數，通過評估包含預測宏觀經濟條件的一系列可能結果，使其成為無偏倚和概率加權平均值。

本集團按分部界定減值評估規則，以個別基礎或按基於規則的方法估計未來現金流量。

資產分為幾個部份，包括公司、非按揭零售貸款、信用卡、按揭貸款、銀行、官方實體和專門性借貸。每個分部都有其風險參數(即違約或然率、違約損失率、預期提款、提前還款和風險暴露期)。

4 Financial risk management (Continued)

4.1 Credit risk (Continued)

(b) Risk limit control and mitigation policies (Continued)

(iii) Derivatives

The principal derivatives used by the Group are interest and foreign exchange rate related contracts, which are primarily over-the-counter derivatives. Most of the Group's derivative positions have been entered into to meet customer demand and to hedge these and other trading positions. The Management Committee places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions. Given the purpose for entering into such derivative transaction, collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

Under the terms of the Group's current collateral obligations under derivative contracts, it is estimated the Group would not be required to post additional collateral in the event of one or two notch downgrade in the Group's credit rating based on the positions as at 31 December 2020 (2019: Nil).

(c) Impairment allowance policies

ECL for assets are calculated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate. The calculation of ECL takes into account the stages, the cash flow types and other risk parameters to make it an unbiased and probability weighted average by evaluating a range of possible outcomes incorporating forecasted macroeconomic conditions.

The Group defines the impairment assessment rules by segment to estimate future cash flows individually or by the Rule-based Approach.

Assets are divided into several segment, including Corporate, Non-Mortgage Retail, Credit Card, Mortgage Loans, Bank, Sovereign and Specialised Lending. Each segment would have their risk parameters (i.e. probability of default "PD", loss given default "LGD", expected drawdown, prepayment and period of exposure).

財務報表註釋

Notes to the Financial Statements

4 金融風險管理 (續)

4.1 信貸風險 (續)

(c) 減值準備政策 (續)

非零售分部第三階段及風險暴露不少於港幣5,000萬元之零售分部第三階段的預期信貸損失使用折現現金流量方法以個別基礎計量。預期未來現金流量乃根據報告日的信貸風險估計，反映合理及可支持的假設及預測未來收回及預期未來收取的利息。如果預期未償還金額的收回可能包括抵押品的變現，則會考慮預期變現時抵押品的估計公平價值減去獲得及變賣抵押品成本。該現金流量以實際利率的合理近似值折現。

其他分部將通過按基於規則的方法評估，計算本集團根據合約應付的合約現金流與本集團預期收取的所有現金流的差額折現值。除個人卡分部外，預期信貸損失將以帳戶層面計算，而個人卡分部下的帳戶將根據類似的風險特徵（即當前評級、原始評級、逾期天數）分組。合約現金流和預期現金流均按實際利率折現為折現值。對於每個預期現金流，均會評估其違約或然率、違約損失率和違約風險承擔。

資產分為三個階段以反映預期信貸損失。每個階段的減值準備是根據違約或然率、違約損失率和違約風險承擔的乘積計算。當金融工具初始確認時，本集團將其未來十二個月內的預期信貸損失計入第一階段；並且在初始確認後出現信貸風險大幅上升時，將其全期預期信貸損失確認為第二階段。當出現減值客觀證據時，會將其全期預期信貸損失確認為第三階段。其應計利息將扣除相關第三階段金融資產的減值金額。

信貸風險大幅上升的第二階段資產乃由分部、信貸風險評級、初次確認日期、拖欠及信貸資產級別釐定。

4 Financial risk management (Continued)

4.1 Credit risk (Continued)

(c) Impairment allowance policies (Continued)

The ECL for non-retail segment at Stage 3 and the ECL for retail segment with exposure at default not less than HK\$50 million at Stage 3 are determined on an individual basis using a discounted cashflow methodology. The expected future cash flows are based on the credit risk estimates as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest. Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on its estimated fair value of collateral at the time of expected realisation, less costs for obtaining and selling the collateral. The cashflows are discounted at a reasonable approximation of the effective interest rate.

Other segments would be assessed by Rule-based Approach by computing the present value of difference between the contractual cash flow due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. Except individual card segment, ECL would be calculated in account level, while accounts under individual card segment would be grouped based on similar risk characteristic (i.e. current rating, original rating, day past due). Both the contractual cash flow and expected cash flow would be discounted by effective interest rate to present value. For each expected cash flow, the probability of default, loss given default and exposure at default would be assessed.

Assets are classified into three Stages to reflect the expected credit loss. Impairment allowance of each stage is calculated based on the product of probability of default, loss given default and exposure at default. The Group will account for expected credit losses within the next 12 months as Stage 1 when those financial instruments are first recognised; and to recognise full lifetime expected credit losses as Stage 2 when there have been significant increases in credit risk since initial recognition. Full lifetime expected credit losses will also be recognised as Stage 3 if objective evidence of impairment occurred and interest accrual will then be net of the impairment amount of associated Stage 3 financial assets.

Significant increases in credit risk for Stage 2 assets is determined by segment, credit risk ratings, date of initial recognition, delinquency and credit asset classification.

4 金融風險管理 (續)**4 Financial risk management (Continued)****4.1 信貸風險 (續)****4.1 Credit risk (Continued)***(c) 減值準備政策 (續)**(c) Impairment allowance policies (Continued)*

下表列出本集團內部信貸評級與信貸資產級別之間的關係。

The table below shows the relationship between the Group's internal credit rating and credit asset classification.

內部信貸評級**信貸資產級別****Internal credit rating****Credit asset classification**

級別 1-23
Grades 1-23

合格
Pass

級別 24
Grade 24

需要關注
Special Mention

級別 25
Grade 25

次級
Substandard

級別 26
Grade 26

呆滯
Doubtful

級別 27
Grade 27

虧損
Loss

「合格」是指債務人目前有履行還款責任的信貸資產，同時全數償還利息及本金的機會也不成疑問。

“Pass” represents credit assets where the obligor is current in meeting its repayment obligations and full repayment of interest and principal is not in doubt.

「需要關注」是指債務人正面對困難，可能影響本集團的利益。現時並未預期出現最終損失，但如不利情況持續，有可能出現最終損失。

“Special Mention” represents credit assets where the obligor is experiencing difficulties which may threaten the Group's position. Ultimate loss is not expected at this stage but could occur if adverse conditions persist.

「次級」是指債務人正出現明顯問題，以致可能影響還款的信貸資產。

“Substandard” represents credit assets where the obligor displays a definable weakness that is likely to jeopardise repayment.

「呆滯」是指不大可能全數收回，而本集團在扣除抵押品的可變現淨值後預計會承受本金和／或利息虧損的信貸資產。

“Doubtful” represents credit assets where collection in full is improbable and the Group expects to sustain a loss of principal and/or interest, taking into account the net realisable value of the collateral.

「虧損」是指用盡所有追討欠款方法後（如變賣抵押品、提出法律訴訟等）仍被視為無法收回的信貸資產。

“Loss” represents credit assets which are considered uncollectible after all collection options (such as the realisation of collateral or the institution of legal proceedings) have been exhausted.

財務報表註釋

Notes to the Financial Statements

4 金融風險管理 (續)

4.1 信貸風險 (續)

(c) 減值準備政策 (續)

階段分配的決定規則如下：

階段 Stage

第一階段

Stage 1

第二階段

Stage 2

第三階段

Stage 3

根據統計方法，本集團訂立了一系列與本集團內部違約率和抵押品價值顯著相關的宏觀經濟因素。本集團利用這些宏觀經濟因素設計了三種情景，即樂觀，基礎和悲觀。風險管理委員會成員就發生的可能性提出了最全面的觀點，使本集團能夠產生對宏觀經濟因素的預測及前瞻性違約或然率和違約損失率。這些前瞻性違約或然率和違約損失率將用作預期信貸損失模型的輸入參數。

4 Financial risk management (Continued)

4.1 Credit risk (Continued)

(c) Impairment allowance policies (Continued)

The decision rules for stage allocation are as follows:

決定規則

Decision Rules

- 具有需要關注狀態的新帳戶；或
- 信貸資產級別為合格；和
- 當前的內部信貸評級於1至7之間；或
- 當前內部信貸評級於8至23之間且自初始確認以來下降少於3級；和
- 逾期還款少於30日
- New accounts with Special Mention status; or
- Credit asset classification is Pass; and
- Current internal credit rating is between 1 to 7; or
- Current internal credit rating is between 8 to 23 with less than 3 notches downgrade since origination; and
- Less than 30 days past due
- 當前的內部信貸評級為24；或
- 當前內部信貸評級於8至23之間且自初始確認以來下降3級或以上；或
- 逾期還款30至90日；或
- 信貸資產級別下調至需要關注
- Current internal credit rating is 24; or
- Current internal credit rating is between 8 to 23 with 3 or more notches downgrade since origination; or
- 30 to 90 days past due; or
- Credit asset classification is downgraded to Special Mention
- 當前內部信貸評級於25至27之間；或
- 逾期還款超過90日；或
- 信貸資產級別下調至次級、呆滯或虧損
- Current internal credit rating is between 25 to 27; or
- More than 90 days past due; or
- Credit asset classification is downgraded to Substandard, Doubtful or Loss

Based on statistical approaches, the Group has come up with a series of macroeconomic factors that exhibit significant correlation with the Group's internal default rates and collateral value. The Group designs three scenarios with these macroeconomic factors, namely optimistic, base and pessimistic. The Risk Management Committee members put forth their most holistic view on the likelihood of occurrence, enabling the Group to generate forecasts of macroeconomic factors and the forward-looking PD and LGD. These forward-looking PD and LGD are then used as input parameters in the expected credit loss model.

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.1 信貸風險 (續)

4.1 Credit risk (Continued)

(d) 考慮抵押品及其他信貸風險管理前
之最高信貸風險(d) Maximum exposure to credit risk before collateral held or other
credit enhancements

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
同業存放及貸款	Balances and placements with and loans and advances to banks	84,461,545	65,173,679
衍生金融工具	Derivative financial instruments	1,620,404	588,286
以公平價值誌入損益賬之 金融資產	Financial assets at fair value through profit or loss	4,091,000	6,381,163
證券投資	Investment in securities	81,660,265	71,005,131
貸款及其他賬項	Advances and other accounts	194,353,197	186,531,994
信貸承擔	Credit commitments	42,909,827	39,704,324
		409,096,238	369,384,577

(e) 已應用香港財務報告準則第9號之
減值規定的金融資產概要(e) Summary of financial assets to which the impairment requirements
of HKFRS 9 are applied

(i) 賬面/名義總額

(i) Gross carrying/notional amount

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二〇年	2020				
同業存放及貸款	Balances and placements with and loans and advances to banks				
— 按攤銷成本列賬 (註釋17)	— at amortised cost (Note 17)	80,607,952	—	—	80,607,952
— 以公平價值誌入其他全面 收益*	— at fair value through other comprehensive income*	3,904,416	—	—	3,904,416
債務證券	Debt securities				
— 按攤銷成本列賬 (註釋20)	— at amortised cost (Note 20)	1,719,990	—	172,419	1,892,409
— 以公平價值誌入其他全面 收益*	— at fair value through other comprehensive income*	79,951,072	—	738,732	80,689,804
貸款及其他賬項	Advances and other accounts				
— 按攤銷成本列賬#	— at amortised cost#	170,444,206	17,282,952	1,034,244	188,761,402
— 以公平價值誌入其他全面 收益**	— at fair value through other comprehensive income**	6,862,651	—	14,305	6,876,956
貸款承諾及金融擔保合約#	Loan commitments and financial guarantee contracts#	9,847,730	791,715	2,192	10,641,637
		353,338,017	18,074,667	1,961,892	373,374,576

財務報表註釋

Notes to the Financial Statements

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.1 信貸風險 (續)

4.1 Credit risk (Continued)

(e) 已應用香港財務報告準則第9號之減值規定的金融資產概要 (續)

(e) Summary of financial assets to which the impairment requirements of HKFRS 9 are applied (Continued)

(i) 賬面/名義總額 (續)

(i) Gross carrying/notional amount (Continued)

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇一九年	2019				
	Balances and placements with and loans and advances to banks				
同業存放及貸款					
— 按攤銷成本列賬 (註釋17)	— at amortised cost (Note 17)	64,055,004	—	—	64,055,004
— 以公平價值誌入其他全面 收益*	— at fair value through other comprehensive income*	1,120,892	—	—	1,120,892
債務證券	Debt securities				
— 按攤銷成本列賬 (註釋20)	— at amortised cost (Note 20)	719,389	—	173,188	892,577
— 以公平價值誌入其他全面 收益*	— at fair value through other comprehensive income*	70,262,123	—	742,025	71,004,148
貸款及其他賬項	Advances and other accounts				
— 按攤銷成本列賬#	— at amortised cost#	168,481,059	8,083,595	1,020,748	177,585,402
— 以公平價值誌入其他全面 收益**	— at fair value through other comprehensive income**	8,860,385	—	—	8,860,385
貸款承諾及金融擔保合約#	Loan commitments and financial guarantee contracts#	10,565,876	166,956	62,189	10,795,021
		324,064,728	8,250,551	1,998,150	334,313,429

* 就此披露而言，賬面總額為未就任何減值準備及公平價值改變作調整的金融資產攤銷成本，因此與財務報表註釋中列示的金額或有不同。

* For the purposes of this disclosure, the gross carrying amounts represent the amortised cost of financial assets, before adjusting for any impairment allowances and changes in fair value, and therefore may not agree with those shown in notes to the financial statements.

有關金額為須遵守香港財務報告準則第9號減值規定的項目，因此與財務報表註釋21及35中列示的金額有所不同。

The amounts represent those items that are subject to impairment requirements under HKFRS 9 and therefore do not agree with those shown in Notes 21 and 35 to the financial statements.

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.1 信貸風險 (續)

4.1 Credit risk (Continued)

(e) 已應用香港財務報告準則第9號之減值規定的金融資產概要 (續)

(e) Summary of financial assets to which the impairment requirements of HKFRS 9 are applied (Continued)

(ii) 減值準備

(ii) Impairment allowances

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二〇年	2020				
同業存放及貸款	Balances and placements with and loans and advances to banks				
— 按攤銷成本列賬 (註釋17)	— at amortised cost (Note 17)	(7,378)	—	—	(7,378)
— 以公平價值誌入其他全面收益 [^]	— at fair value through other comprehensive income [^]	(273)	—	—	(273)
債務證券	Debt securities				
— 按攤銷成本列賬 (註釋20)	— at amortised cost (Note 20)	(2,725)	—	(163,990)	(166,715)
— 以公平價值誌入其他全面收益 [^]	— at fair value through other comprehensive income [^]	(64,118)	—	(738,732)	(802,850)
貸款及其他賬項	Advances and other accounts				
— 按攤銷成本列賬 (註釋21)	— at amortised cost (Note 21)	(375,652)	(138,324)	(816,409)	(1,330,385)
— 以公平價值誌入其他全面收益 [^]	— at fair value through other comprehensive income [^]	(3,083)	—	(14,206)	(17,289)
貸款承諾及金融擔保合約 (註釋31)	Loan commitments and financial guarantee contracts (Note 31)	(23,265)	(6,547)	(1,764)	(31,576)
		(476,494)	(144,871)	(1,735,101)	(2,356,466)
二〇一九年	2019				
同業存放及貸款	Balances and placements with and loans and advances to banks				
— 按攤銷成本列賬 (註釋17)	— at amortised cost (Note 17)	(2,217)	—	—	(2,217)
— 以公平價值誌入其他全面收益 [^]	— at fair value through other comprehensive income [^]	(133)	—	—	(133)
債務證券	Debt securities				
— 按攤銷成本列賬 (註釋20)	— at amortised cost (Note 20)	(1,315)	—	(165,407)	(166,722)
— 以公平價值誌入其他全面收益 [^]	— at fair value through other comprehensive income [^]	(13,399)	—	(742,840)	(756,239)
貸款及其他賬項	Advances and other accounts				
— 按攤銷成本列賬 (註釋21)	— at amortised cost (Note 21)	(158,466)	(72,076)	(887,295)	(1,117,837)
— 以公平價值誌入其他全面收益 [^]	— at fair value through other comprehensive income [^]	(822)	—	—	(822)
貸款承諾及金融擔保合約 (註釋31)	Loan commitments and financial guarantee contracts (Note 31)	(15,424)	(4,742)	(31,774)	(51,940)
		(191,776)	(76,818)	(1,827,316)	(2,095,910)

[^] 該等金融資產在財務狀況表內以公平價值列賬。其減值準備於重估金融資產儲備確認而不會削減該等資產的賬面值。[^] These financial assets are measured at fair value on the statement of financial position. The corresponding impairment allowances are recognised in financial asset revaluation reserve without reducing the carrying amounts of these assets.

財務報表註釋

Notes to the Financial Statements

4 金融風險管理 (續)

4.1 信貸風險 (續)

(e) 已應用香港財務報告準則第9號之減值規定的金融資產概要 (續)

(iii) 賬面/名義總額及減值準備於年內之變動

— 按攤銷成本列賬之同業存放及貸款

4 Financial risk management (Continued)

4.1 Credit risk (Continued)

(e) Summary of financial assets to which the impairment requirements of HKFRS 9 are applied (Continued)

(iii) Movements of gross carrying/notional amount and impairment allowances during the year

— Balances and placements with and loans and advances to banks at amortised cost

		非信貸減值 Non credit-impaired				信貸減值 Credit-impaired		合計 Total	
		第一階段 Stage 1		第二階段 Stage 2		第三階段 Stage 3		賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000
		賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000		
於二〇二〇年一月一日	At 1 January 2020	64,055,004	(2,217)	-	-	-	-	64,055,004	(2,217)
階段間轉撥:	Transfers between Stages:								
— 由第一階段轉撥	— Transfers from Stage 1	-	-	-	-	-	-	-	-
— 由第二階段轉撥	— Transfers from Stage 2	-	-	-	-	-	-	-	-
— 由第三階段轉撥	— Transfers from Stage 3	-	-	-	-	-	-	-	-
信貸風險變動	Changes in credit risk	-	211	-	-	-	-	-	211
淨資產確認/ (終止確認)	Net assets recognised/ (derecognised)	15,482,516	705	-	-	-	-	15,482,516	705
模型/風險參數變動	Changes in models/risk parameters	-	(6,077)	-	-	-	-	-	(6,077)
匯兌差額	Exchange difference	1,070,432	-	-	-	-	-	1,070,432	-
於二〇二〇年十二月三十一日	At 31 December 2020	80,607,952	(7,378)	-	-	-	-	80,607,952	(7,378)
於收益表淨撥備(不包括收回已 撇除賬項)	Net charge to income statement (excluding recoveries)		(5,161)		-		-		(5,161)
收回已撇除賬項	Recoveries		-		-		-		-
於收益表淨撥備 (註釋12)	Net charge to income statement (Note 12)		(5,161)		-		-		(5,161)
於二〇一九年一月一日	At 1 January 2019	69,575,202	(31,648)	-	-	-	-	69,575,202	(31,648)
階段間轉撥:	Transfers between Stages:								
— 由第一階段轉撥	— Transfers from Stage 1	-	-	-	-	-	-	-	-
— 由第二階段轉撥	— Transfers from Stage 2	-	-	-	-	-	-	-	-
— 由第三階段轉撥	— Transfers from Stage 3	-	-	-	-	-	-	-	-
信貸風險變動	Changes in credit risk	-	19,401	-	-	-	-	-	19,401
淨資產確認/ (終止確認)	Net assets recognised/ (derecognised)	(5,500,387)	8,758	-	-	-	-	(5,500,387)	8,758
模型/風險參數變動	Changes in models/risk parameters	-	1,272	-	-	-	-	-	1,272
匯兌差額	Exchange difference	(19,811)	-	-	-	-	-	(19,811)	-
於二〇一九年十二月三十一日	At 31 December 2019	64,055,004	(2,217)	-	-	-	-	64,055,004	(2,217)
於收益表淨撥回(不包括收回已 撇除賬項)	Net reversal to income statement (excluding recoveries)		29,431		-		-		29,431
收回已撇除賬項	Recoveries		-		-		-		-
於收益表淨撥回 (註釋12)	Net reversal to income statement (Note 12)		29,431		-		-		29,431

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.1 信貸風險 (續)

4.1 Credit risk (Continued)

(e) 已應用香港財務報告準則第9號之減值規定的金融資產概要 (續)

(e) Summary of financial assets to which the impairment requirements of HKFRS 9 are applied (Continued)

(iii) 賬面/名義總額及減值準備於年內之變動 (續)

(iii) Movements of gross carrying/notional amount and impairment allowances during the year (Continued)

— 按攤銷成本列賬之債務證券

— Debt securities at amortised cost

		非信貸減值 Non credit-impaired				信貸減值 Credit-impaired		合計 Total	
		第一階段 Stage 1		第二階段 Stage 2		第三階段 Stage 3			
		賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000		
於二〇二〇年一月一日	At 1 January 2020								
階段間轉撥：	Transfers between Stages:	719,389	(1,315)	-	-	173,188	(165,407)	892,577	(166,722)
— 由第一階段轉撥	- Transfers from Stage 1	-	-	-	-	-	-	-	-
— 由第二階段轉撥	- Transfers from Stage 2	-	-	-	-	-	-	-	-
— 由第三階段轉撥	- Transfers from Stage 3	-	-	-	-	-	-	-	-
信貸風險變動	Changes in credit risk	-	1,252	-	-	-	919	-	2,171
淨資產確認/ (終止確認)	Net assets recognised/ (derecognised)	992,991	(354)	-	-	-	-	992,991	(354)
模型/風險參數變動	Changes in models/risk parameters	-	(2,308)	-	-	-	-	-	(2,308)
攤銷折讓或溢價	Amortisation of discount/premium	1,180	-	-	-	-	-	1,180	-
減值準備的折現值回撥 (註釋5)	Unwind of discount on impairment allowances (Note 5)	-	-	-	-	-	498	-	498
匯兌差額	Exchange difference	6,430	-	-	-	(769)	-	5,661	-
於二〇二〇年十二月三十一日	At 31 December 2020	1,719,990	(2,725)	-	-	172,419	(163,990)	1,892,409	(166,715)
於收益表淨(撥備)/ 撥回(不包括收回已撤除賬項) 收回已撤除賬項	Net (charge)/reversal to income statement (excluding recoveries) Recoveries		(1,410)		-		919		(491)
於收益表淨(撥備)/ 撥回(註釋12)	Net (charge)/reversal to income statement (Note 12)		(1,410)		-		919		(491)
於二〇一九年一月一日	At 1 January 2019	624,271	(864)	-	-	197,624	(141,540)	821,895	(142,404)
階段間轉撥：	Transfers between Stages:								
— 由第一階段轉撥	- Transfers from Stage 1	-	-	-	-	-	-	-	-
— 由第二階段轉撥	- Transfers from Stage 2	-	-	-	-	-	-	-	-
— 由第三階段轉撥	- Transfers from Stage 3	-	-	-	-	-	-	-	-
信貸風險變動	Changes in credit risk	-	397	-	-	-	(34,109)	-	(33,712)
淨資產確認/ (終止確認)	Net assets recognised/ (derecognised)	102,367	(92)	-	-	(23,424)	8,512	78,943	8,420
模型/風險參數變動	Changes in models/risk parameters	-	(756)	-	-	-	-	-	(756)
攤銷折讓或溢價	Amortisation of discount/premium	(342)	-	-	-	-	-	(342)	-
減值準備的折現值回撥 (註釋5)	Unwind of discount on impairment allowances (Note 5)	-	-	-	-	-	1,730	-	1,730
匯兌差額	Exchange difference	(6,907)	-	-	-	(1,012)	-	(7,919)	-
於二〇一九年十二月三十一日	At 31 December 2019	719,389	(1,315)	-	-	173,188	(165,407)	892,577	(166,722)
於收益表淨撥備(不包括收回已 撤除賬項)	Net charge to income statement (excluding recoveries)		(451)		-		(25,597)		(26,048)
收回已撤除賬項	Recoveries		-		-		4,167		4,167
於收益表淨撥備 (註釋12)	Net charge to income statement (Note 12)		(451)		-		(21,430)		(21,881)

財務報表註釋

Notes to the Financial Statements

4 金融風險管理 (續)

4.1 信貸風險 (續)

(e) 已應用香港財務報告準則第9號之減值規定的金融資產概要 (續)

(iii) 賬面/名義總額及減值準備於年內之變動 (續)

— 按攤銷成本列賬之貸款及其他賬項

4 Financial risk management (Continued)

4.1 Credit risk (Continued)

(e) Summary of financial assets to which the impairment requirements of HKFRS 9 are applied (Continued)

(iii) Movements of gross carrying/notional amount and impairment allowances during the year (Continued)

— Advances and other accounts at amortised cost

		非信貸減值 Non credit-impaired				信貸減值 Credit-impaired		合計 Total	
		第一階段 Stage 1		第二階段 Stage 2		第三階段 Stage 3		賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000
		賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000		
於二〇二〇年一月一日	At 1 January 2020	168,481,059	(158,466)	8,083,595	(72,076)	1,020,748	(887,295)	177,585,402	(1,117,837)
階段間轉撥：	Transfers between Stages:								
— 由第一階段轉撥	– Transfers from Stage 1	(6,536,019)	5,901	6,133,937	(5,429)	402,082	(472)	–	–
— 由第二階段轉撥	– Transfers from Stage 2	1,993,546	(13,460)	(2,025,023)	13,583	31,477	(123)	–	–
— 由第三階段轉撥	– Transfers from Stage 3	3,447	(45)	–	–	(3,447)	45	–	–
信貸風險變動	Changes in credit risk								
淨資產確認/ (終止確認)	Net assets recognised/ (derecognised)	–	55,981	–	(6,116)	–	(124,250)	–	(74,385)
模型/風險參數變動	Changes in models/risk parameters	4,562,074	928	4,861,349	(6,158)	(225,660)	(11,730)	9,197,763	(16,960)
年內撇除	Amounts written off	–	(266,491)	–	(62,128)	–	(8,586)	–	(337,205)
減值準備的折現值回撥 (註釋5)	Unwind of discount on impairment allowances (Note 5)	–	–	–	–	(211,020)	211,020	(211,020)	211,020
匯兌差額	Exchange difference	1,940,099	–	229,094	–	20,064	–	2,189,257	–
於二〇二〇年十二月三十一日	At 31 December 2020	170,444,206	(375,652)	17,282,952	(138,324)	1,034,244	(816,409)	188,761,402	(1,330,385)
於收益表淨撥備 (不包括收回已 撇除賬項)	Net charge to income statement (excluding recoveries)		(209,582)		(74,402)		(144,566)		(428,550)
收回已撇除賬項	Recoveries		–		–		37,247		37,247
於收益表淨撥備 (註釋12)	Net charge to income statement (Note 12)		(209,582)		(74,402)		(107,319)		(391,303)
於二〇一九年一月一日	At 1 January 2019	148,136,606	(122,171)	7,093,751	(55,691)	917,516	(550,701)	156,147,873	(728,563)
階段間轉撥：	Transfers between Stages:								
— 由第一階段轉撥	– Transfers from Stage 1	(2,971,222)	5,997	2,813,990	(5,365)	157,232	(632)	–	–
— 由第二階段轉撥	– Transfers from Stage 2	2,753,283	(9,467)	(2,768,952)	12,460	15,669	(2,993)	–	–
— 由第三階段轉撥	– Transfers from Stage 3	3,222	(93)	181	(2)	(3,403)	95	–	–
信貸風險變動	Changes in credit risk								
淨資產確認/ (終止確認)	Net assets recognised/ (derecognised)	–	13,709	–	(15,815)	–	(357,695)	–	(359,801)
模型/風險參數變動	Changes in models/risk parameters	21,173,367	(47,550)	964,556	(7,664)	(53,794)	1,941	22,084,129	(53,273)
年內撇除	Amounts written off	–	1,109	–	1	–	(2,637)	–	(1,527)
減值準備的折現值回撥 (註釋5)	Unwind of discount on impairment allowances (Note 5)	–	–	–	–	(5,546)	5,546	(5,546)	5,546
匯兌差額	Exchange difference	(614,197)	–	(19,931)	–	(6,926)	–	(641,054)	–
於二〇一九年十二月三十一日	At 31 December 2019	168,481,059	(158,466)	8,083,595	(72,076)	1,020,748	(887,295)	177,585,402	(1,117,837)
於收益表淨撥備 (不包括收回已 撇除賬項)	Net charge to income statement (excluding recoveries)		(32,732)		(23,478)		(358,391)		(414,601)
收回已撇除賬項	Recoveries		–		–		44,306		44,306
於收益表淨撥備 (註釋12)	Net charge to income statement (Note 12)		(32,732)		(23,478)		(314,085)		(370,295)

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.1 信貸風險 (續)

4.1 Credit risk (Continued)

(e) 已應用香港財務報告準則第9號之減值規定的金融資產概要 (續)

(e) Summary of financial assets to which the impairment requirements of HKFRS 9 are applied (Continued)

(iii) 賬面/名義總額及減值準備於年內之變動 (續)

(iii) Movements of gross carrying/notional amount and impairment allowances during the year (Continued)

— 債務證券及其他以公平價值記入其他全面收益之金融資產

— Debt securities and other financial assets at fair value through other comprehensive income

		非信貸減值 Non credit-impaired				信貸減值 Credit-impaired		合計 Total	
		第一階段 Stage 1		第二階段 Stage 2		第三階段 Stage 3			
		賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	賬面總額 Gross carrying amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000
於二〇二〇年一月一日	At 1 January 2020	80,243,400	(14,354)	-	-	742,025	(742,840)	80,985,425	(757,194)
階段間轉撥:	Transfers between Stages:								
— 由第一階段轉撥	- Transfers from Stage 1	(14,326)	-	-	-	14,326	-	-	-
— 由第二階段轉撥	- Transfers from Stage 2	-	-	-	-	-	-	-	-
— 由第三階段轉撥	- Transfers from Stage 3	-	-	-	-	-	-	-	-
信貸風險變動	Changes in credit risk	-	36,232	-	-	-	(10,098)	-	26,134
淨資產確認/ (終止確認)	Net assets recognised/ (derecognised)	8,325,107	(32,101)	-	-	43	-	8,325,150	(32,101)
模型/風險參數變動	Changes in models/risk parameters	-	(57,251)	-	-	-	-	-	(57,251)
攤銷折讓或溢價	Amortisation of discount/premium	255,217	-	-	-	-	-	255,217	-
減值準備的折現值回撥 (註釋5)	Unwind of discount on impairment allowances (Note 5)	-	-	-	-	-	-	-	-
匯兌差額	Exchange difference	1,908,741	-	-	-	(3,357)	-	1,905,384	-
於二〇二〇年十二月三十一日	At 31 December 2020	90,718,139	(67,474)	-	-	753,037	(752,938)	91,471,176	(820,412)
於收益表淨撥備(不包括收回已 撇除賬項)	Net charge to income statement (excluding recoveries)	-	(53,120)	-	-	-	(10,098)	-	(63,218)
收回已撇除賬項	Recoveries	-	-	-	-	-	-	-	-
於收益表淨撥備 (註釋12)	Net charge to income statement (Note 12)	-	(53,120)	-	-	-	(10,098)	-	(63,218)
於二〇一九年一月一日	At 1 January 2019	67,643,231	(17,557)	2,556,201	(42,287)	746,287	(580,975)	70,945,719	(640,819)
階段間轉撥:	Transfers between Stages:								
— 由第一階段轉撥	- Transfers from Stage 1	-	-	-	-	-	-	-	-
— 由第二階段轉撥	- Transfers from Stage 2	-	-	-	-	-	-	-	-
— 由第三階段轉撥	- Transfers from Stage 3	-	-	-	-	-	-	-	-
信貸風險變動	Changes in credit risk	-	12,306	-	-	-	(165,989)	-	(153,683)
淨資產確認/ (終止確認)	Net assets recognised/ (derecognised)	13,409,178	(1,488)	(2,556,201)	42,287	-	-	10,852,977	40,799
模型/風險參數變動	Changes in models/risk parameters	-	(7,615)	-	-	-	-	-	(7,615)
攤銷折讓或溢價	Amortisation of discount/premium	335,508	-	-	-	-	-	335,508	-
減值準備的折現值回撥 (註釋5)	Unwind of discount on impairment allowances (Note 5)	-	-	-	-	-	4,124	-	4,124
匯兌差額	Exchange difference	(1,144,517)	-	-	-	(4,262)	-	(1,148,779)	-
於二〇一九年十二月三十一日	At 31 December 2019	80,243,400	(14,354)	-	-	742,025	(742,840)	80,985,425	(757,194)
於收益表淨撥回/(撥備) (不包括收回已撇除賬項)	Net reversal/(charge) to income statement (excluding recoveries)	-	3,203	-	42,287	-	(165,989)	-	(120,499)
收回已撇除賬項	Recoveries	-	-	-	-	-	-	-	-
於收益表淨撥回/(撥備) (註釋12)	Net reversal/(charge) to income statement (Note 12)	-	3,203	-	42,287	-	(165,989)	-	(120,499)

財務報表註釋

Notes to the Financial Statements

4 金融風險管理 (續)

4.1 信貸風險 (續)

(e) 已應用香港財務報告準則第9號之減值規定的金融資產概要 (續)

(iii) 賬面/名義總額及減值準備於年內之變動 (續)

— 貸款承諾及金融擔保合約

4 Financial risk management (Continued)

4.1 Credit risk (Continued)

(e) Summary of financial assets to which the impairment requirements of HKFRS 9 are applied (Continued)

(iii) Movements of gross carrying/notional amount and impairment allowances during the year (Continued)

— Loan commitments and financial guarantee contracts

		非信貸減值 Non credit-impaired				信貸減值 Credit-impaired		合計 Total	
		第一階段 Stage 1		第二階段 Stage 2		第三階段 Stage 3			
		名義總額 Notional amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	名義總額 Notional amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	名義總額 Notional amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000	名義總額 Notional amount 港幣千元 HK\$'000	減值準備 Impairment allowances 港幣千元 HK\$'000
於二〇二〇年一月一日	At 1 January 2020	10,565,876	(15,424)	166,956	(4,742)	62,189	(31,774)	10,795,021	(51,940)
階段間轉撥：	Transfers between Stages:								
— 由第一階段轉撥	– Transfers from Stage 1	(831,832)	6,685	830,075	(5,752)	1,757	(933)	–	–
— 由第二階段轉撥	– Transfers from Stage 2	10,776	(97)	(10,776)	97	–	–	–	–
— 由第三階段轉撥	– Transfers from Stage 3	80	(60)	–	–	(80)	60	–	–
信貸風險變動	Changes in credit risk	–	19,751	–	9,100	–	30,551	–	59,402
淨資產確認/ (終止確認)	Net assets recognised/ (derecognised)	214,711	(9,376)	(406,203)	(2,644)	(128,776)	277	(320,268)	(11,743)
模型/風險參數變動	Changes in models/risk parameters	–	(24,744)	–	(2,606)	–	55	–	(27,295)
匯兌差額	Exchange difference	(111,881)	–	211,663	–	67,102	–	166,884	–
於二〇二〇年十二月三十一日	At 31 December 2020	9,847,730	(23,265)	791,715	(6,547)	2,192	(1,764)	10,641,637	(31,576)
於收益表淨(撥備)/撥回 (不包括收回已撇除賬項)	Net (charge)/reversal to income statement (excluding recoveries)		(14,369)		3,850		30,883		20,364
收回已撇除賬項	Recoveries		–		–		–		–
於收益表淨(撥備)/撥回 (註釋12)	Net (charge)/reversal to income statement (Note 12)		(14,369)		3,850		30,883		20,364
於二〇一九年一月一日	At 1 January 2019	9,383,765	(12,906)	219,863	(6,084)	22,923	(15,960)	9,626,551	(34,950)
階段間轉撥：	Transfers between Stages:								
— 由第一階段轉撥	– Transfers from Stage 1	(70,261)	212	70,261	(212)	–	–	–	–
— 由第二階段轉撥	– Transfers from Stage 2	62,665	(1,654)	(62,665)	1,654	–	–	–	–
— 由第三階段轉撥	– Transfers from Stage 3	–	–	72	–	(72)	–	–	–
信貸風險變動	Changes in credit risk	–	41,626	–	773	–	2,452	–	44,851
淨資產確認/ (終止確認)	Net assets recognised/ (derecognised)	1,283,125	(33,784)	(65,103)	14	37,776	(18,266)	1,255,798	(52,036)
模型/風險參數變動	Changes in models/risk parameters	–	(8,918)	–	(887)	–	–	–	(9,805)
匯兌差額	Exchange difference	(93,418)	–	4,528	–	1,562	–	(87,328)	–
於二〇一九年十二月三十一日	At 31 December 2019	10,565,876	(15,424)	166,956	(4,742)	62,189	(31,774)	10,795,021	(51,940)
於收益表淨撥備(不包括收回已 撇除賬項)	Net charge to income statement (excluding recoveries)		(1,076)		(100)		(15,814)		(16,990)
收回已撇除賬項	Recoveries		–		–		–		–
於收益表淨撥備 (註釋12)	Net charge to income statement (Note 12)		(1,076)		(100)		(15,814)		(16,990)

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.1 信貸風險 (續)

4.1 Credit risk (Continued)

(f) 同業存放及貸款總額信貸質素

(f) Gross balances and placements with and loans and advances to banks by credit quality

同業存放及貸款總額按信貸資產級別分析如下：

The gross balances and placements with and loans and advances to banks are analysed by credit asset classification as follows:

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二〇年 按攤銷成本列賬	2020 At amortised cost				
合格	Pass	80,607,952	–	–	80,607,952
需要關注	Special Mention	–	–	–	–
次級	Substandard	–	–	–	–
呆滯	Doubtful	–	–	–	–
虧損	Loss	–	–	–	–
賬面總額	Gross carrying amount	80,607,952	–	–	80,607,952
以公平價值誌入其他 全面收益	At fair value through other comprehensive income				
合格	Pass	3,904,416	–	–	3,904,416
需要關注	Special Mention	–	–	–	–
次級	Substandard	–	–	–	–
呆滯	Doubtful	–	–	–	–
虧損	Loss	–	–	–	–
賬面總額	Gross carrying amount	3,904,416	–	–	3,904,416
二〇一九年 按攤銷成本列賬	2019 At amortised cost				
合格	Pass	64,055,004	–	–	64,055,004
需要關注	Special Mention	–	–	–	–
次級	Substandard	–	–	–	–
呆滯	Doubtful	–	–	–	–
虧損	Loss	–	–	–	–
賬面總額	Gross carrying amount	64,055,004	–	–	64,055,004
以公平價值誌入其他 全面收益	At fair value through other comprehensive income				
合格	Pass	1,120,892	–	–	1,120,892
需要關注	Special Mention	–	–	–	–
次級	Substandard	–	–	–	–
呆滯	Doubtful	–	–	–	–
虧損	Loss	–	–	–	–
賬面總額	Gross carrying amount	1,120,892	–	–	1,120,892

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4 金融風險管理 (續)

4.1 信貸風險 (續)

(g) 債務證券總額信貸質素

按攤銷成本列賬及以公平價值誌入其他全面收益之債務證券總額按信貸資產級別分析如下：

4 Financial risk management (Continued)

4.1 Credit risk (Continued)

(g) Gross debt securities by credit quality

The gross debt securities at amortised cost and at fair value through other comprehensive income are analysed by credit asset classification as follows:

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二〇年 按攤銷成本列賬	2020 At amortised cost				
合格	Pass	1,719,990	–	–	1,719,990
需要關注	Special Mention	–	–	–	–
次級	Substandard	–	–	–	–
呆滯	Doubtful	–	–	21,262	21,262
虧損	Loss	–	–	151,157	151,157
賬面總額	Gross carrying amount	1,719,990	–	172,419	1,892,409
以公平價值誌入其他 全面收益	At fair value through other comprehensive income				
合格	Pass	79,951,072	–	–	79,951,072
需要關注	Special Mention	–	–	–	–
次級	Substandard	–	–	–	–
呆滯	Doubtful	–	–	–	–
虧損	Loss	–	–	738,732	738,732
賬面總額	Gross carrying amount	79,951,072	–	738,732	80,689,804
二〇一九年 按攤銷成本列賬	2019 At amortised cost				
合格	Pass	719,389	–	–	719,389
需要關注	Special Mention	–	–	–	–
次級	Substandard	–	–	–	–
呆滯	Doubtful	–	–	21,357	21,357
虧損	Loss	–	–	151,831	151,831
賬面總額	Gross carrying amount	719,389	–	173,188	892,577
以公平價值誌入其他 全面收益	At fair value through other comprehensive income				
合格	Pass	70,262,123	–	–	70,262,123
需要關注	Special Mention	–	–	–	–
次級	Substandard	–	–	–	–
呆滯	Doubtful	–	–	–	–
虧損	Loss	–	–	742,025	742,025
賬面總額	Gross carrying amount	70,262,123	–	742,025	71,004,148

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.1 信貸風險 (續)

4.1 Credit risk (Continued)

(g) 債務證券總額信貸質素 (續)

(g) Gross debt securities by credit quality (Continued)

債務證券按外在信貸評級機構之評級分析如下：

The debt securities are analysed by external credit assessment institutions' ratings as follows:

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
AA-至AAA	AA- to AAA	26,390,057	41,361,195
A-至A+	A- to A+	48,195,236	28,260,283
BBB-至BBB+	BBB- to BBB+	7,930,538	4,487,928
低於BBB-	Lower than BBB-	463,773	23,897
無評級	Unrated	2,771,661	3,252,991
		85,751,265	77,386,294

(h) 貸款及其他賬項總額信貸質素

(h) Gross advances and other accounts by credit quality

貸款及其他賬項總額按信貸資產級別分析如下：

The gross advances and other accounts are analysed by credit asset classification as follows:

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二〇年 按攤銷成本列賬	2020 At amortised cost				
合格	Pass	170,444,206	17,048,565	–	187,492,771
需要關注	Special Mention	–	234,387	58,430	292,817
次級	Substandard	–	–	321,409	321,409
呆滯	Doubtful	–	–	91,481	91,481
虧損	Loss	–	–	562,924	562,924
賬面總額	Gross carrying amount	170,444,206	17,282,952	1,034,244	188,761,402
以公平價值誌入其他 全面收益	At fair value through other comprehensive income				
合格	Pass	6,862,651	–	–	6,862,651
需要關注	Special Mention	–	–	–	–
次級	Substandard	–	–	–	–
呆滯	Doubtful	–	–	14,305	14,305
虧損	Loss	–	–	–	–
賬面總額	Gross carrying amount	6,862,651	–	14,305	6,876,956

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4 金融風險管理 (續)

4 Financial risk management (Continued)

4.1 信貸風險 (續)

4.1 Credit risk (Continued)

(h) 貸款及其他賬項總額信貸質素 (續)

(h) Gross advances and other accounts by credit quality (Continued)

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇一九年 按攤銷成本列賬	2019 At amortised cost				
合格	Pass	168,473,548	7,862,600	5,691	176,341,839
需要關注	Special Mention	7,511	220,995	18,383	246,889
次級	Substandard	–	–	91,040	91,040
呆滯	Doubtful	–	–	150,140	150,140
虧損	Loss	–	–	755,494	755,494
賬面總額	Gross carrying amount	168,481,059	8,083,595	1,020,748	177,585,402
以公平價值誌入其他 全面收益	At fair value through other comprehensive income				
合格	Pass	8,860,385	–	–	8,860,385
需要關注	Special Mention	–	–	–	–
次級	Substandard	–	–	–	–
呆滯	Doubtful	–	–	–	–
虧損	Loss	–	–	–	–
賬面總額	Gross carrying amount	8,860,385	–	–	8,860,385
客戶貸款分析如下：		The advances to customers are analysed as follows:			
		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二〇年	2020				
賬面總額	Gross carrying amount	169,238,517	17,240,331	985,602	187,464,450
減值準備	Impairment allowances	(343,312)	(138,187)	(770,690)	(1,252,189)
賬面值	Carrying amount	168,895,205	17,102,144	214,912	186,212,261
二〇一九年	2019				
賬面總額	Gross carrying amount	165,377,641	8,073,152	969,117	174,419,910
減值準備	Impairment allowances	(154,794)	(72,076)	(887,295)	(1,114,165)
賬面值	Carrying amount	165,222,847	8,001,076	81,822	173,305,745

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.1 信貸風險 (續)

4.1 Credit risk (Continued)

(i) 貸款承諾及金融擔保合約總額信貸質素

(i) Gross loan commitments and financial guarantee contracts by credit quality

貸款承諾及金融擔保合約總額按信貸資產級別分析如下：

The gross loan commitments and financial guarantee contracts are analysed by credit asset classification as follows:

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二〇年	2020				
合格	Pass	9,847,730	790,131	–	10,637,861
需要關注	Special Mention	–	1,584	–	1,584
次級	Substandard	–	–	2,192	2,192
呆滯	Doubtful	–	–	–	–
虧損	Loss	–	–	–	–
名義總額	Gross notional amount	9,847,730	791,715	2,192	10,641,637
二〇一九年	2019				
合格	Pass	10,565,876	162,410	–	10,728,286
需要關注	Special Mention	–	4,546	–	4,546
次級	Substandard	–	–	62,189	62,189
呆滯	Doubtful	–	–	–	–
虧損	Loss	–	–	–	–
名義總額	Gross notional amount	10,565,876	166,956	62,189	10,795,021

(j) 已修改金融資產

(j) Modified financial assets

截至二〇二〇年十二月三十一日止年度，並無已修改而未終止確認之金融資產(二〇一九年：無)。

There were no modified financial assets not derecognised for the year ended 31 December 2020 (2019: Nil).

(k) 收回資產

(k) Repossessed assets

是年度本集團收回屬擔保之抵押品如下：

During the year, the Group obtained assets by taking possession of collateral held as security, as follows:

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
住宅物業	Residential properties	20,100	–
其他	Others	1,700	–
		21,800	–

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Notes to the Financial Statements

4 金融風險管理 (續)

4.1 信貸風險 (續)

(k) 收回資產 (續)

於二〇二〇年十二月三十一日，本集團之收回資產為港幣21,800,000元(二〇一九年：無)。

收回物業會在可行的情況下盡快出售，所收款項將用以減低債務結欠。

4.2 市場風險

本集團所承擔之市場風險，乃指由於市場價格變動而引致金融工具之公平價值或未來現金流量改變的風險。市場風險主要源自其對息率、外幣及股權產品等的持倉淨盤，全部都面對一般及特定之市場變更及市場息率或價格如利率、匯率及股票價格等波幅的改變而影響。本集團之市場風險主要源自其持作買賣用途及在銀行賬內之外匯持倉、證券及衍生工具。

(a) 市場風險量度

管理委員會透過制定各項交易限額以管理本集團從不同活動而面對之市場風險。風險乃以合約或名義數值及未償還結餘之基準衡量及監察。該等限額由組合、產品及風險種類，以綜合風險衡量法，包括持倉限額、敏感度限額、風險價值限額及止蝕限額而制定。財資部監察及管理所有與市場風險有關之交易持倉。獨立監察、檢查、每日按市價估值及確認交易均由其他獨立部門進行。而本集團之稽核部門亦會定時進行審核及檢查，以確保能遵照既定之風險限額進行交易。所有超越限額之項目須由相關之管理階層及管理委員會審核及批准。定期報告由風險管理委員會審核。

本集團亦運用廣泛之壓力測試以極端化之事件來評估市場風險對本集團財務狀況之影響。壓力測試之結果由風險管理委員會審核。

4 Financial risk management (Continued)

4.1 Credit risk (Continued)

(k) Repossessed assets (Continued)

As at 31 December 2020, the repossessed assets of the Group amounted to HK\$21,800,000 (2019: Nil).

Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness.

4.2 Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. The Group's market risk primarily arises from its positions in foreign exchange, securities and derivatives in its trading and banking books.

(a) Market risk measurement

The Group's market risk exposures in different activities are managed by way of limits established by the Management Committee. Exposures are measured and monitored on the basis of contractual or notional amount and outstanding balances. Limits are set by portfolio, product and risk type, using a combination of risk measurement techniques, including position limits, sensitivity limits, VaR limits as well as stop loss limits. All market risk trading positions are monitored and managed by the Treasury Department. Independent monitoring, checking, daily mark-to-market valuation and trade confirmation are undertaken by departments independent of the Treasury Department. Regular checking and reviews are also conducted by the Group's internal audit function to ensure compliance with risk limits. All exceptions are reviewed and approved by the appropriate level of management and the Management Committee. Regular reports are reviewed by the Risk Management Committee.

The Group also applies a wide range of stress testing to assess the financial impact of more extreme events on the market risk exposure of the Group. The results of the stress testing are reviewed by the Risk Management Committee.

4 金融風險管理 (續)

4.2 市場風險 (續)

(b) 市場風險敏感度分析

(i) 貨幣風險

本集團之貨幣風險主要源自外匯買賣、商業銀行運作及結構性外匯持倉。

於二〇二〇年十二月三十一日，如港元兌美元在固定聯繫匯率範圍內下跌／上升0.64% (二〇一九年：0.64%)，在其他因素不變下，本集團之除稅後溢利將相對地增加／減少港幣33,851,000元 (二〇一九年：港幣29,815,000元)。與二〇一九年比較，本集團二〇二〇年除稅後溢利之影響有所增加，主要原因是美元持倉淨額有所增加。

如港元兌美元以外的其他貨幣下跌／上升1% (二〇一九年：1%)，在其他因素不變下，本集團之除稅後溢利將相對地增加／減少港幣69,361,000元 (二〇一九年：港幣64,487,000元)。與二〇一九年比較，本集團二〇二〇年除稅後溢利之影響有所增加，主要原因是外幣 (除美元外) 持倉淨額有所增加。

(ii) 利率風險

本集團之利率風險主要源自因持有附息資產、負債及資產負債表以外項目在重訂息率時有時間差異而引起。任何利率改變會影響以公平價值誌入損益賬之金融資產及金融負債之價值。本集團使用利率掉期合約以減低定息金融資產及金融負債之利率風險。

於二〇二〇年十二月三十一日，如利率於當日上升100點子 (二〇一九年：100點子)，在其他因素不變下，本集團之除稅後溢利將相對地減少港幣61,817,000元 (二〇一九年：港幣58,547,000元)，主要由以公平價值誌入損益賬之金融資產及利率合約之公平價值重估所引致。本集團於其他全面收益將相對地減少港幣528,010,000元 (二〇一九年：港幣489,866,000元)，主要由重估以公平價值誌入其他全面收益之金融投資所引致。

4 Financial risk management (Continued)

4.2 Market risk (Continued)

(b) Market risk sensitivity analysis

(i) Currency risk

The Group's currency risk positions mainly arise from foreign exchange dealing, commercial banking operations and structural foreign currency exposures.

At 31 December 2020, if HKD had weakened/strengthened within the pegged range of 0.64% (2019: 0.64%) against USD with all other variables held constant, the Group's profit after taxation for the year would have been HK\$33,851,000 (2019: HK\$29,815,000) higher/lower. The impact on the Group's profit after taxation in 2020 was higher than that in 2019 due to the increase of net USD positions.

If HKD had weakened/strengthened 1% (2019: 1%) against other currencies except USD with all other variables held constant, the Group's profit after taxation for the year would have been HK\$69,361,000 (2019: HK\$64,487,000) higher/lower. The impact on the Group's profit after taxation in 2020 was higher than that in 2019 due to the increase of net foreign currencies (excluding USD) positions.

(ii) Interest rate risk

The Group's interest rate risk mainly arises from the timing differences in the repricing of interest bearing assets, liabilities and off-balance sheet positions. Any changes in interest rates would affect the value of those financial assets and liabilities carried at fair value. The Group enters into interest rate swaps to mitigate the interest rate risk associated with the fixed-rate financial assets and financial liabilities.

At 31 December 2020, if interest rates at that date had been 100 basis points (2019: 100 basis points) higher with all other variables held constant, the Group's profit after taxation for the year would have been HK\$61,817,000 (2019: HK\$58,547,000) lower, mainly as a result of revaluation of financial assets at fair value through profit or loss and interest rate contracts. The Group's other comprehensive income would have been HK\$528,010,000 (2019: HK\$489,866,000) lower due to the revaluation of those financial investments at fair value through other comprehensive income.

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4 金融風險管理 (續)

4.2 市場風險 (續)

(b) 市場風險敏感度分析 (續)

(ii) 利率風險 (續)

於二〇二〇年十二月三十一日，如利率於當日下跌100點子(二〇一九年：100點子)，在其他因素不變下，本集團之除稅後溢利將相對地增加港幣63,706,000元(二〇一九年：港幣61,204,000元)，主要由以公平價值誌入損益賬之金融資產及利率合約之公平價值重估所引致。本集團於其他全面收益將相對地增加港幣512,017,000元(二〇一九年：港幣476,621,000元)，主要由重估以公平價值誌入其他全面收益之金融投資所引致。

本集團就浮息、金融資產及金融負債之現金流量利率風險承擔並不重大。

(iii) 股權風險

本集團之股權風險主要源自持有若干本港上市之股權證券。其主要部份乃持作長期投資用途。

於二〇二〇年十二月三十一日，如環球股票指數於當日下跌/上升10%(二〇一九年：10%)，在其他因素不變及所有股本工具根據與指數之歷史掛鉤關係變動下，本集團之除稅後溢利將減少/增加港幣5,469,000元(二〇一九年：港幣6,342,000元)。本集團之其他全面收益將減少/增加港幣17,819,000元(二〇一九年：港幣36,206,000元)。與二〇一九年比較，上述變動對本集團二〇二〇年除稅後溢利的影響有所減少及其他全面收益的影響有所減少，主要由於所持以公平價值誌入損益賬之證券股權減少及以公平價值誌入其他全面收益之證券股權減少。

(iv) 市場風險收入每日分佈情況

本集團及圍內數間附屬公司於二〇二〇年內，從事與市場風險有關活動所賺取之每日平均收入(包括與買賣有關之淨利息收入或其他收入)為港幣1,746,000元(二〇一九年：港幣685,000元)。該等每日平均收入之標準差為港幣8,656,000元(二〇一九年：港幣8,027,000元)。

4 Financial risk management (Continued)

4.2 Market risk (Continued)

(b) Market risk sensitivity analysis (Continued)

(ii) Interest rate risk (Continued)

At 31 December 2020, if interest rates at that date had been 100 basis points (2019: 100 basis points) lower with all other variables held constant, the Group's profit after taxation for the year would have been HK\$63,706,000 (2019: HK\$61,204,000) higher, mainly as a result of revaluation of financial assets at fair value through profit or loss and interest rate contracts. The Group's other comprehensive income would have been HK\$512,017,000 (2019: HK\$476,621,000) higher due to the revaluation of those financial investments at fair value through other comprehensive income.

The Group's exposures to cash flow interest rate risk arising from variable-rate financial assets and liabilities is insignificant.

(iii) Equity risk

The Group's equity risk position mainly arises from the holdings of certain equity securities listed in Hong Kong. The majority of this position is held for long term investment purposes.

At 31 December 2020, if the Global equity index at that date had been 10% (2019:10%) lower/higher with all other variables held constant and all the equity instruments had moved according to their historical correlation with the index, the Group's profit after taxation for the year would have been HK\$5,469,000 (2019: HK\$6,342,000) lower/higher, and the Group's other comprehensive income would have been HK\$17,819,000 (2019: HK\$36,206,000) lower/higher. The lower impact on the Group's profit after tax and lower impact on other comprehensive income in 2020 compared with 2019 was mainly attributable to the decrease in holdings of the Group's fair value through profit or loss portfolios and decrease in fair value through other comprehensive income portfolios.

(iv) Daily distribution of market risk revenue

The average daily revenue in 2020 earned from market risk-related activities by the Bank and certain subsidiaries, including trading-related net interest income and other revenue was HK\$1,746,000 (2019: HK\$685,000). The standard deviation of this daily revenue was HK\$8,656,000 (2019: HK\$8,027,000).

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.2 市場風險 (續)

4.2 Market risk (Continued)

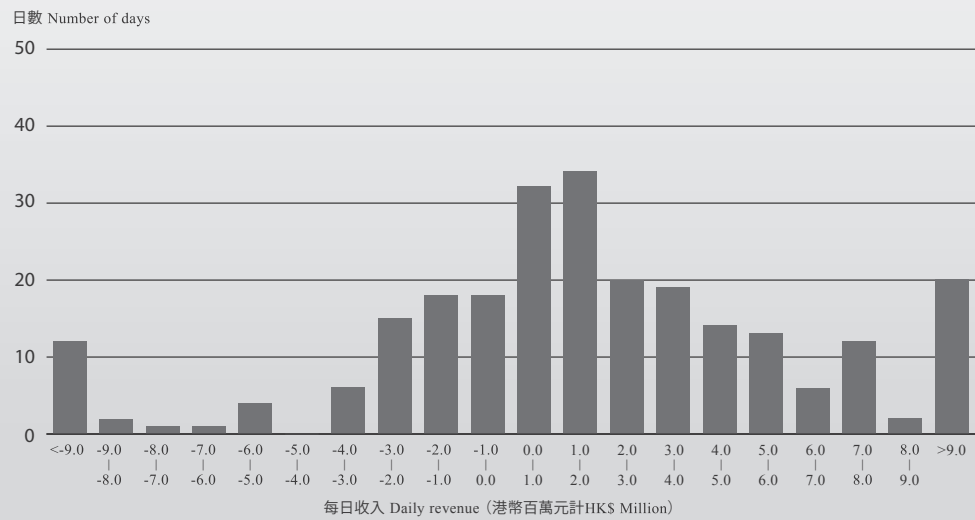
(b) 市場風險敏感度分析 (續)

(b) Market risk sensitivity analysis (Continued)

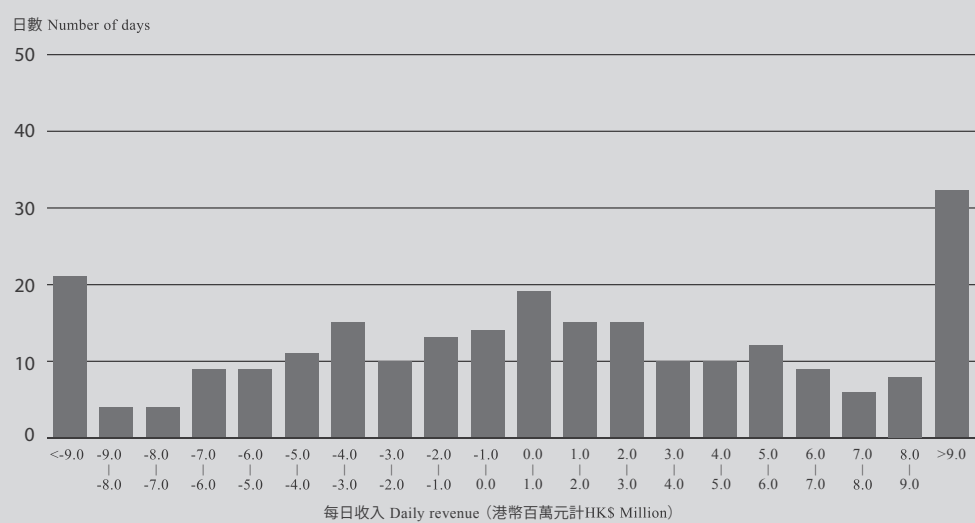
(iv) 市場風險收入每日分佈情況 (續)

(iv) Daily distribution of market risk revenue (Continued)

二〇二〇年
市場風險收入
每日分佈情況
Daily
distribution
of market risk
revenue for 2020



二〇一九年
市場風險收入
每日分佈情況
Daily
distribution
of market risk
revenue for 2019



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Notes to the Financial Statements

4 金融風險管理 (續)

4.2 市場風險 (續)

(c) 貨幣風險

現行市場外幣匯率的波動會影響本集團的財務狀況和現金流量。本集團之外匯風險主要包括財資部之外匯買賣及源自商業銀行業務之外幣持倉風險。

管理委員會以貨幣及總額為基礎，制定隔夜及即日之持倉限額。此等風險每日均由財資部按管理委員會核定之外匯持倉限額集中管理，並由另一部門獨立監察。

由客戶交易而產生之外匯風險(包括附設在某些客戶存款內之貨幣期權)，一般會與其他客戶交易或市場交易對銷。用以購買港元資產之外匯資金均會採用掉期或遠期貨幣兌換合約對沖外匯風險。

下頁表格概述本集團於十二月三十一日之外幣匯率風險。本集團的資產及負債以貨幣作分類並按其賬面值呈列。資產負債表外之差距乃主要用作管理本集團因市場變動的貨幣風險之外幣衍生金融工具的名義金額淨額。

4 Financial risk management (Continued)

4.2 Market risk (Continued)

(c) Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group's exposures mainly comprise foreign exchange dealing by the Treasury Department and currency exposures originated by its commercial banking businesses.

The Management Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions. All exposures are centrally managed by the Treasury Department and independently monitored by a separate department on a daily basis.

Foreign currency exposures arising from customer transactions, including currency options embedded in certain customer deposits, are normally offset against other customer transactions or transactions with the market. Foreign currency funding used to fund Hong Kong dollar assets is hedged using currency swaps or forward exchange contracts to mitigate the foreign exchange risk.

The tables on the following pages summarise the Group's exposure to foreign currency exchange rate risk at 31 December. Included in the tables are the Group's assets and liabilities at carrying amounts, categorised by currency. The off-balance sheet gap represents the net notional amounts of foreign currency derivative financial instruments, which are principally used to manage the Group's exposure to currency movements.

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.2 市場風險 (續)

4.2 Market risk (Continued)

(c) 貨幣風險 (續)

(c) Currency risk (Continued)

資產、負債及資產負債表外項目的分佈

Concentration of assets, liabilities and off-balance sheet items

		港元 HKD 港幣千元 HK\$'000	美元 USD 港幣千元 HK\$'000	澳元 AUD 港幣千元 HK\$'000	人民幣 RMB 港幣千元 HK\$'000	其他 Others 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
於二〇二〇年十二月三十一日 At 31 December 2020							
資產	Assets						
庫存現金、同業存放及貸款	Cash, balances and placements with and loans and advances to banks	36,199,703	29,032,746	761,139	17,205,945	2,017,477	85,217,010
衍生金融工具	Derivative financial instruments	1,620,404	-	-	-	-	1,620,404
以公平價值計入損益賬之金融資產	Financial assets at fair value through profit or loss	13,313	2,464,396	-	1,103,594	779,180	4,360,483
證券投資	Investments in securities	23,888,867	27,461,507	5,283,626	23,822,816	2,292,178	82,748,994
貸款及其他賬項	Advances and other accounts	106,590,839	49,967,357	287,345	36,783,305	3,879,525	197,508,371
其他資產	Other assets	4,725,828	84,266	-	3,713,031	48,433	8,571,558
總資產	Total assets	173,038,954	109,010,272	6,332,110	82,628,691	9,016,793	380,026,820
負債	Liabilities						
同業存款	Deposits and balances from banks	6,247,674	15,677,672	382	17,777,735	170,949	39,874,412
交易賬項下之負債	Trading liabilities	154,331	-	-	-	-	154,331
衍生金融工具	Derivative financial instruments	1,284,107	-	-	-	-	1,284,107
客戶存款	Deposits from customers	136,502,844	58,028,456	8,244,759	58,734,075	8,611,724	270,121,858
發行之存款證	Certificates of deposit issued	499,350	6,954,887	-	-	-	7,454,237
發行之後償債項	Subordinated debts issued	-	3,097,196	-	-	-	3,097,196
其他負債	Other liabilities	5,082,674	2,304,669	31,457	794,888	118,068	8,331,756
總負債	Total liabilities	149,770,980	86,062,880	8,276,598	77,306,698	8,900,741	330,317,897
資產負債表內持倉淨額	Net on-balance sheet position	23,267,974	22,947,392	(1,944,488)	5,321,993	116,052	49,708,923
資產負債表外名義持倉淨額	Off-balance sheet net notional position	12,188,294	(16,613,058)	2,020,622	2,875,288	(82,819)	388,327
信貸承擔	Credit commitments	25,894,477	7,906,924	-	8,859,915	248,511	42,909,827

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Notes to the Financial Statements

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.2 市場風險 (續)

4.2 Market risk (Continued)

(c) 貨幣風險 (續)

(c) Currency risk (Continued)

資產、負債及資產負債表外項目的分佈
(續)

Concentration of assets, liabilities and off-balance sheet items
(Continued)

		港元 HKD 港幣千元 HK\$'000	美元 USD 港幣千元 HK\$'000	澳元 AUD 港幣千元 HK\$'000	人民幣 RMB 港幣千元 HK\$'000	其他 Others 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
於二〇一九年十二月三十一日 At 31 December 2019							
資產	Assets						
庫存現金、同業存放 及貸款	Cash, balances and placements with and loans and advances to banks	9,123,953	34,860,907	1,711,065	17,227,749	3,404,313	66,327,987
衍生金融工具	Derivative financial instruments	588,286	–	–	–	–	588,286
以公平價值計入損益賬之 金融資產	Financial assets at fair value through profit or loss	3,944	3,847,395	109,259	1,883,425	892,698	6,736,721
證券投資	Investments in securities	42,655,195	17,370,847	4,249,618	6,190,580	1,664,407	72,130,647
貸款及其他賬項	Advances and other accounts	101,604,917	51,047,062	26,632	30,228,640	5,024,712	187,931,963
其他資產	Other assets	5,038,673	124,801	–	2,905,446	58,814	8,127,734
總資產	Total assets	159,014,968	107,251,012	6,096,574	58,435,840	11,044,944	341,843,338
負債	Liabilities						
同業存款	Deposits and balances from banks	4,514,398	7,792,927	13,203	14,707,283	210,621	27,238,432
交易賬項下之負債	Trading liabilities	–	309,136	–	–	–	309,136
衍生金融工具	Derivative financial instruments	393,553	–	–	–	–	393,553
客戶存款	Deposits from customers	132,852,356	55,558,813	7,400,285	40,203,506	7,120,983	243,135,943
發行之存款證	Certificates of deposit issued	699,074	3,026,185	–	–	–	3,725,259
發行之後償債項	Subordinated debts issued	–	3,110,591	–	–	–	3,110,591
其他負債	Other liabilities	15,137,844	1,382,684	31,869	560,189	74,701	17,187,287
總負債	Total liabilities	153,597,225	71,180,336	7,445,357	55,470,978	7,406,305	295,100,201
資產負債表內持倉淨額	Net on-balance sheet position	5,417,743	36,070,676	(1,348,783)	2,964,862	3,638,639	46,743,137
資產負債表外名義持倉淨額	Off-balance sheet net notional position	28,274,828	(30,491,599)	1,396,015	3,413,435	(2,341,146)	251,533
信貸承擔	Credit commitments	23,277,069	6,866,697	–	9,525,301	35,257	39,704,324

4 金融風險管理 (續)

4.2 市場風險 (續)

(d) 利率風險

現行市場利率的波動會影響本集團的公平價值利率風險及現金流量利率風險。公平價值利率風險乃指金融工具之價值將隨著市場利率改變而波動的風險。現金流量利率風險乃指金融工具之將來現金流量將隨著市場利率改變而波動的風險。

由於利率變動，息差可能會增加，但若利率出現不可預計的波動，則息差可能會減少或引致虧損。本集團已制定政策及制度以監察其較易受利率影響之倉盤及重定息率淨差距，以確保其在管理委員會所核定之限額以內獲妥善管理。實際持倉額會按月與核定限額作比較並由另一風險管理部門獨立監察。

儘管利率風險管理之主要目的在於限制利率變動對淨利息收入之潛在不利影響，亦可在風險限額內增持利率倉盤以提高收益。

下頁表格概述了本集團的利率風險，並按賬面值列示了本集團的資產及負債，而資產及負債則按重定息日或到期日(以較早者為準)分類。

4 Financial risk management (Continued)

4.2 Market risk (Continued)

(d) Interest rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates in respect of its fair value and cash flow interest rate risks. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest margin may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Group has established policies and systems to monitor its interest-sensitive positions and net repricing gap to ensure that they are all properly managed under the limits approved by the Management Committee. Actual positions are compared with the approved limits and independently monitored by a risk management department.

While the primary objective of interest rate risk management is to limit potential adverse effects of interest rate movements on net interest income, interest rate positions may be taken for yield enhancement within the risk limits.

The tables on the following pages summarise the Group's exposure to interest rate risks. Included in the tables are the Group's assets and liabilities at carrying amount categorised by the earlier of contractual repricing or maturity dates.

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Notes to the Financial Statements

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.2 市場風險 (續)

4.2 Market risk (Continued)

(d) 利率風險 (續)

(d) Interest rate risk (Continued)

資產及負債之利率敏感度－重定息率分析

Interest sensitivity of assets and liabilities – repricing analysis

		一個月 或以下 Up to 1 month 港幣千元 HK\$'000	一個月以上 至三個月 1-3 months 港幣千元 HK\$'000	三個月以上 至一年 3-12 months 港幣千元 HK\$'000	一年以上 至五年 1-5 years 港幣千元 HK\$'000	五年以上 Over 5 years 港幣千元 HK\$'000	不計息 Non-interest bearing 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
於二〇二〇年十二月三十一日 At 31 December 2020								
資產	Assets							
庫存現金、同業存放 及貸款	Cash, balances and placements with and loans and advances to banks	30,373,908	13,756,357	9,356,579	-	-	31,730,166	85,217,010
衍生金融工具	Derivative financial instruments	-	-	-	-	-	1,620,404	1,620,404
以公平價值計入損益賬之 金融資產	Financial assets at fair value through profit or loss	-	-	1,165,600	2,643,430	265,114	286,339	4,360,483
證券投資	Investments in securities	10,421,072	27,769,074	11,526,968	29,247,317	2,687,406	1,097,157	82,748,994
貸款及其他賬項	Advances and other accounts	120,094,022	42,772,187	24,239,405	5,737,319	99,403	4,566,035	197,508,371
其他資產	Other assets	-	-	-	-	-	8,571,558	8,571,558
總資產	Total assets	160,889,002	84,297,618	46,288,552	37,628,066	3,051,923	47,871,659	380,026,820
負債	Liabilities							
同業存款	Deposits and balances from banks	6,099,553	6,622,070	11,656,141	-	-	15,496,648	39,874,412
交易賬項下之負債	Trading liabilities	-	-	-	-	154,331	-	154,331
衍生金融工具	Derivative financial instruments	-	-	-	-	-	1,284,107	1,284,107
客戶存款	Deposits from customers	152,388,081	56,345,812	43,443,952	4,017,365	-	13,926,648	270,121,858
發行之存款證	Certificates of deposit issued	-	7,454,237	-	-	-	-	7,454,237
發行之後償債項	Subordinated debts issued	-	-	-	3,097,196	-	-	3,097,196
其他負債	Other liabilities	896,440	-	-	-	-	7,435,316	8,331,756
總負債	Total liabilities	159,384,074	70,422,119	55,100,093	7,114,561	154,331	38,142,719	330,317,897
利息敏感度差距總額 (未經調整)	Total interest sensitivity gap (unadjusted)	1,504,928	13,875,499	(8,811,541)	30,513,505	2,897,592		
利率衍生工具合約之 影響	Effect of interest rate derivatives	762,624	1,178,536	(812,156)	(762,824)	-		
利息敏感度差距總額 (經調整)	Total interest sensitivity gap (adjusted)	2,267,552	15,054,035	(9,623,697)	29,750,681	2,897,592		

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.2 市場風險 (續)

4.2 Market risk (Continued)

(d) 利率風險 (續)

(d) Interest rate risk (Continued)

資產及負債之利率敏感度－重定息率分析 (續)

Interest sensitivity of assets and liabilities – repricing analysis (Continued)

		一個月 或以下 Up to 1 month 港幣千元 HK\$'000	一個月以上 至三個月 1-3 months 港幣千元 HK\$'000	三個月以上 至一年 3-12 months 港幣千元 HK\$'000	一年以上 至五年 1-5 years 港幣千元 HK\$'000	五年以上 Over 5 years 港幣千元 HK\$'000	不計息 Non-interest bearing 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
於二〇一九年十二月三十一日 At 31 December 2019								
資產	Assets							
庫存現金、同業存放 及貸款	Cash, balances and placements with and loans and advances to banks	37,045,719	7,047,462	7,198,989	–	–	15,035,817	66,327,987
衍生金融工具	Derivative financial instruments	–	–	–	–	–	588,286	588,286
以公平價值計入損益賬之 金融資產	Financial assets at fair value through profit or loss	149,334	514,269	1,439,633	4,089,820	171,248	372,417	6,736,721
證券投資	Investments in securities	8,678,385	23,824,860	24,218,553	14,275,553	–	1,133,296	72,130,647
貸款及其他賬項	Advances and other accounts	100,436,999	55,234,256	22,810,415	5,505,950	59,814	3,884,529	187,931,963
其他資產	Other assets	–	–	–	–	–	8,127,734	8,127,734
總資產	Total assets	146,310,437	86,620,847	55,667,590	23,871,323	231,062	29,142,079	341,843,338
負債	Liabilities							
同業存款	Deposits and balances from banks	11,094,800	4,086,552	4,490,770	–	–	7,566,310	27,238,432
交易賬項下之負債	Trading liabilities	–	–	–	309,136	–	–	309,136
衍生金融工具	Derivative financial instruments	–	–	–	–	–	393,553	393,553
客戶存款	Deposits from customers	128,896,888	65,288,913	33,645,677	2,635,793	–	12,668,672	243,135,943
發行之存款證	Certificates of deposit issued	778,560	85,166	2,861,533	–	–	–	3,725,259
發行之後償債項	Subordinated debts issued	–	–	–	3,110,591	–	–	3,110,591
其他負債	Other liabilities	178,382	–	–	–	–	17,008,905	17,187,287
總負債	Total liabilities	140,948,630	69,460,631	40,997,980	6,055,520	–	37,637,440	295,100,201
利息敏感度差距總額 (未經調整)	Total interest sensitivity gap (unadjusted)	5,361,807	17,160,216	14,669,610	17,815,803	231,062	–	–
利率衍生工具合約之 影響	Effect of interest rate derivatives	(7,347,553)	6,072,009	3,543,948	(2,027,710)	–	–	–
利息敏感度差距總額 (經調整)	Total interest sensitivity gap (adjusted)	(1,985,746)	23,232,225	18,213,558	15,788,093	231,062	–	–

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Notes to the Financial Statements

4 金融風險管理 (續)

4.3 流動性風險

流動性風險乃指本集團未能於金融負債到期日履行其償還責任，或是客戶提取資金後未能補充資金。此可能會引致資金未能應付存戶提取的需求或貸款未能按承諾發放。本集團每天運用可動用的現金資源，以應付來自隔夜存款、活期賬戶、到期存款、貸款支付、與保證書的需求，以及來自保證金及其他現金結算衍生工具的需求。

(a) 流動性風險管理程序

本集團的流動性風險管理受董事會批准的流動性風險管理政策及原則監管。資產負債管理委員會獲代表董事會的管理委員會授權，負責監察本集團整體的流動性風險管理。資產負債管理委員會制訂管理流動性風險的策略、政策及限額予董事會或管理委員會審批，以及確保有效執行有關策略與政策的措施。資產負債管理委員會定期舉行會議，檢討各方面是否符合所設立的監管架構，以及是否有需要改變策略及政策。財資部負責日常流動資金管理。財務管理部定期監察限額或警報及定期向資產負債管理委員會報告。稽核部會定期作出檢查，確保流動性風險管理功能得以有效執行。

在符合集團的流動性風險管理原則及風險承受能力範圍內，國內及海外分行主責管理當地業務所產生的流動性風險，並由集團的資產負債管理委員會監察。至於內部，集團內融資交易按一般正常交易原則進行，處理方式與其他第三方交易一致，並接受定期監督及適當控制。

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比率。為此，本集團有以下之流動資金管理程序：

4 Financial risk management (Continued)

4.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, matured deposits, loan drawdowns and guarantees, and from margin and other calls on cash-settled derivatives.

(a) Liquidity risk management process

The management of the Group's liquidity risk is governed by the liquidity risk management policies and principles as approved by the Board of Directors. The Asset and Liability Management Committee, which is delegated by the Management Committee on behalf of the Board of Directors, is responsible to monitor the Group's overall liquidity management. The Asset and Liability Management Committee sets the strategy, policy and limits for managing liquidity risk for approval by the Board of Directors or the Management Committee, and the means for ensuring that such strategy and policy are implemented effectively. Regular meeting is held to review the compliance status of the monitoring matrix established and the needs of change in strategy and policy. Daily liquidity management is managed by the Treasury Department. The limits, triggers or alerts are monitored by the Financial Management Department and reported to the Asset and Liability Management Committee on a regular basis. The Internal Audit Department performs periodic reviews to make sure that the liquidity risk management functions are carried out effectively.

The primary responsibility for managing liquidity and funding within the Group's framework and risk appetite resides with the mainland and overseas branches, which is monitored by the Asset and Liability Management Committee. Internally, intra-group funding transactions are transacted at arm's length and treated in a manner in line with other third party transactions, with regular monitoring and appropriate control.

The objective of liquidity management is to meet the obligations payable under normal and emergency circumstances, to fund asset growth and to comply with the statutory liquidity ratios. To achieve this, the following liquidity management processes are in place:

4 金融風險管理 (續)

4.3 流動性風險 (續)

(a) 流動性風險管理程序 (續)

- (i) 定期在正常及壓力情景下估算現金流，利用資產負債錯配淨缺口評估資金需求及作出相應措施。

監控及報告是以計量及估算不同時限之現金流方式進行。時限按一般流動性管理之主要區間劃分，包括翌日、七日及一個月。首先估算金融資產及負債和資產負債表外項目之合約到期日，並且依據過往觀察和利用現金流模型估算該等項目預期到期日。

流動性壓力測試是一種風險管理工具，用以評估當市場或宏觀經濟因素急劇但合理的變化所產生的流動性壓力情況下，銀行可能出現風險暴露的情況。

本行定期進行的壓力測試情景包括個別銀行危機、整體市場危機及綜合危機。各情景均按照監管政策手冊「穩健的流動性風險管理系統及管控措施」(LM-2)內的原則建構。

流動性壓力測試結果是應急融資計劃內其中一個重要的預警指標。本集團會參照流動性壓力測試結果，評估在受壓之市場環境下的流動資金狀況，如情況嚴重，應急融資計劃會因此而被觸發啟動，銀行將按既定計劃執行相應的補救行動；

- (ii) 按照內部及／或監管機構的規定，監控流動性覆蓋比率、穩定資金淨額比率、貸存比率及期限錯配；
- (iii) 藉監控存款組合之結構、穩定性及核心水平，以確保穩健及多元化之資金來源；
- (iv) 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；

4 Financial risk management (Continued)

4.3 Liquidity risk (Continued)

(a) Liquidity risk management process (Continued)

- (i) Projecting cash flows under normal and various stress scenarios regularly, using the net mismatch gap between assets and liabilities to estimate the prospective net funding requirement and formulate the corresponding actions.

The monitoring and reporting take the forms of cash flow measurements and projections for different time horizons, including next day, seven days and one month, which are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial assets and liabilities and off-balance sheet items as well as the expected maturity of these items based on historical observations and cash flow models.

Liquidity stress testing is a risk management tool for estimating risk exposure under stressed conditions arising from extreme but plausible market or macroeconomic movements.

Different stress testing scenarios, namely an institution specific crisis, a general market crisis and combined crisis, are performed on a regular basis in accordance with the principles stated in Supervisory Policy Manual “Sound Systems and Controls for Liquidity Risk Management” (LM-2).

The stress testing result is also one of the most important early warning indicators under contingency funding plan. With reference to the stress testing results, the Group identifies potential vulnerabilities on its liquidity position under stressed market conditions. If the impact is severe enough and triggers the plan, the Bank will deal with such liquidity problems in accordance with the formulated contingency funding plan that sets out remedial actions;

- (ii) Monitoring the liquidity coverage ratio, net stable funding ratio, loan to deposit ratio and maturity mismatch ratio against internal and/or regulatory requirements;
- (iii) Ensuring a sound and diversified range of funding sources, through monitoring the structure, the stability and the core level of the deposit portfolio;
- (iv) Projecting a high-level funding requirement and funding structure during the annual budget process to ensure sufficient funding and an appropriate funding mix;

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4 金融風險管理 (續)

4 Financial risk management (Continued)

4.3 流動性風險 (續)

4.3 Liquidity risk (Continued)

(a) 流動性風險管理程序 (續)

(a) Liquidity risk management process (Continued)

(v) 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；

(v) Conducting liquidity risk assessment before launching a new product;

(vi) 為應付無法預測之資金需求，本集團持有即使在受壓期間仍可以隨時出售或作抵押的優質流動資產。該等投資信貸質素良好，具備足夠市場深度及高流動性，以確保能在經審慎釐定的限額內符合短期資金需要。第一級優質流動資產包括現金、存放於中央銀行及高質素中央政府及中央銀行之債務證券，第二級優質流動資產則包括其他具投資評級之公司債務證券。

(vi) Maintaining high-quality liquid assets (“HQLA”) which can be sold or pledged as collateral to provide liquidity even under periods of stress. The Group invests in good credit quality investments with deep and liquid market to ensure short term funding requirements are covered within prudent limits. Level 1 assets comprise cash, balances with central bank and high quality central government and central bank securities, while Level 2 assets comprise corporate securities of investment grade.

下表列出本集團的優質流動資產 (未經扣減前) 金額：

The table below shows the balances (before assumed haircuts) of HQLA of the Group:

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
第一級	Level 1	63,122,072	48,547,962
第二級	Level 2	5,669,199	6,208,481
		68,791,271	54,756,443

優質流動資產組合中所持有的全部資產均無產權負擔；

All assets held as HQLA are unencumbered;

(vii) 持續維持進入資金市場進行籌資的能力；

(vii) Maintaining access to the interbank money market to activate facilities;

(viii) 維持應急融資計劃。集團運用預警指標 (包括內部及市場指標)，配合壓力測試的情景和假設的結果，以監督內部及外部因素。假如有任何跡象顯示本集團流動資金狀況出現重大影響，由集團行政總裁主持的危機管理委員會將負責處理危機。按政策描述採取相應行動，盡量將業務受到的不利影響減至最低。本集團亦會定期檢討及更新該計劃內容。

(viii) Maintaining a contingency funding plan. The Group will utilise early warning indicators (including both internal and market indicators), and integrate with the results of the scenarios and assumptions used in the stress test to monitor both internal and external factors. Should there be any signs of significant impact on the Group's liquidity position, the Crisis Management Team, which is chaired by the Group's Chief Executive Officer, will take charge to handle the crisis. Corresponding actions as laid down in the policy will be taken in the event of a stress crisis, so as to minimise adverse long-term implications for business. The plan is also subject to review and update on a regular basis.

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.3 流動性風險 (續)

4.3 Liquidity risk (Continued)

(b) 到期分析

(b) Maturity analysis

下列表格按結算日至合約到期日餘下期間分析本集團之資產與負債。分析內之保險負債乃根據於結算日已確認之保險負債估計淨現金流出日分類。

The tables below analyse the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The analysis in respect of insurance liabilities is based on the estimated timing of net cash outflows resulting from recognised insurance liabilities at the end of the reporting period.

		即時償還 Repayable on demand 港幣千元 HK\$'000	一個月 或以下 Up to 1 month 港幣千元 HK\$'000	一個月以上 至三個月 1-3 months 港幣千元 HK\$'000	三個月以上 至一年 3-12 months 港幣千元 HK\$'000	一年以上 至五年 1-5 years 港幣千元 HK\$'000	五年以上 Over 5 years 港幣千元 HK\$'000	無註明日期 Undated 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
於二〇二〇年 十二月三十一日	At 31 December 2020								
資產	Assets								
庫存現金、同業存放 及貸款	Cash, balances and placements with and loans and advances to banks	49,394,508	12,231,806	13,756,144	9,356,828	-	-	477,724	85,217,010
衍生金融工具	Derivative financial instruments	1,620,404	-	-	-	-	-	-	1,620,404
以公平價值計入損益賬 之金融資產	Financial assets at fair value through profit or loss	-	-	-	1,165,600	2,643,430	265,114	286,339	4,360,483
證券投資	Investments in securities	-	4,123,419	18,276,654	17,363,656	39,200,702	2,687,406	1,097,157	82,748,994
貸款及其他賬項	Advances and other accounts	15,351,638	12,158,876	22,055,089	55,837,422	70,707,233	17,363,856	4,034,257	197,508,371
其他資產	Other assets	-	-	-	14,956	-	46,746	8,509,856	8,571,558
總資產	Total assets	66,366,550	28,514,101	54,087,887	83,738,462	112,551,365	20,363,122	14,405,333	380,026,820
負債	Liabilities								
同業存款	Deposits and balances from banks	15,575,031	6,021,171	6,622,069	11,656,141	-	-	-	39,874,412
交易賬項下之負債	Trading liabilities	-	-	-	-	-	154,331	-	154,331
衍生金融工具	Derivative financial instruments	1,284,107	-	-	-	-	-	-	1,284,107
客戶存款	Deposits from customers	124,120,947	42,193,782	56,345,812	43,443,952	4,017,365	-	-	270,121,858
發行之存款證	Certificates of deposit issued	-	-	7,454,237	-	-	-	-	7,454,237
發行之後償債項	Subordinated debts issued	-	-	-	-	-	3,097,196	-	3,097,196
其他負債	Other liabilities	988,364	2,412,483	706,258	2,516,969	1,299,664	12,091	395,927	8,331,756
- 其中：租賃負債	- of which: Lease liabilities	-	10,397	20,954	78,216	168,242	4,151	-	281,960
總負債	Total liabilities	141,968,449	50,627,436	71,128,376	57,617,062	5,317,029	3,263,618	395,927	330,317,897
流動資金差距淨額	Net liquidity gap	(75,601,899)	(22,113,335)	(17,040,489)	26,121,400	107,234,336	17,099,504	14,009,406	49,708,923

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Notes to the Financial Statements

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.3 流動性風險 (續)

4.3 Liquidity risk (Continued)

(b) 到期分析 (續)

(b) Maturity analysis (Continued)

		即時償還 Repayable on demand 港幣千元 HK\$'000	一個月 或以下 Up to 1 month 港幣千元 HK\$'000	一個月以上 至三個月 1-3 months 港幣千元 HK\$'000	三個月以上 至一年 3-12 months 港幣千元 HK\$'000	一年以上 至五年 1-5 years 港幣千元 HK\$'000	五年以上 Over 5 years 港幣千元 HK\$'000	無註明日期 Undated 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
於二〇一九年 十二月三十一日	At 31 December 2019								
資產	Assets								
庫存現金、同業存放及 貸款	Cash, balances and placements with and loans and advances to banks	28,940,840	21,411,243	6,833,869	7,743,697	758,836	–	639,502	66,327,987
衍生金融工具	Derivative financial instruments	588,286	–	–	–	–	–	–	588,286
以公平價值計入損益賬之 金融資產	Financial assets at fair value through profit or loss	–	132,128	264,778	1,439,633	4,316,799	210,966	372,417	6,736,721
證券投資	Investments in securities	–	3,310,210	15,010,349	25,621,053	27,055,739	–	1,133,296	72,130,647
貸款及其他賬項	Advances and other accounts	11,427,590	22,770,438	12,419,833	48,918,860	69,679,034	21,744,741	971,467	187,931,963
其他資產	Other assets	–	–	–	783	–	27,347	8,099,604	8,127,734
總資產	Total assets	40,956,716	47,624,019	34,528,829	83,724,026	101,810,408	21,983,054	11,216,286	341,843,338
負債	Liabilities								
同業存款	Deposits and balances from banks	7,928,729	10,732,381	4,086,552	4,490,770	–	–	–	27,238,432
交易賬項下之負債	Trading liabilities	–	–	–	–	309,136	–	–	309,136
衍生金融工具	Derivative financial instruments	393,553	–	–	–	–	–	–	393,553
客戶存款	Deposits from customers	86,909,805	54,655,755	65,288,913	33,645,677	2,635,793	–	–	243,135,943
發行之存款證	Certificates of deposit issued	–	778,560	85,166	2,861,533	–	–	–	3,725,259
發行之後償債項	Subordinated debts issued	–	–	–	–	–	3,110,591	–	3,110,591
其他負債	Other liabilities	12,382,260	637,008	603,477	1,904,536	1,162,948	68,653	428,405	17,187,287
– 其中：租賃負債	– of which: Lease liabilities	–	10,160	21,265	77,931	184,168	17,540	–	311,064
總負債	Total liabilities	107,614,347	66,803,704	70,064,108	42,902,516	4,107,877	3,179,244	428,405	295,100,201
流動資金差距淨額	Net liquidity gap	(66,657,631)	(19,179,685)	(35,535,279)	40,821,510	97,702,531	18,803,810	10,787,881	46,743,137

4 金融風險管理 (續)

4.3 流動性風險 (續)

(b) 到期分析 (續)

資產與負債的到期日和利率的匹配和受控下的錯配對本集團的管理至關重要。由於所敘做的業務期限經常不確定，且類型也不盡相同，因此要達到完全匹配情況並不普遍。不匹配的情況既可能提高盈利能力，也可能增加虧損風險。

資產與負債的到期日匹配和以可接受的成本獲得資金，取代到期計息負債的能力，是評估本集團流動資金狀況及其利率和外匯變動風險的重要因素。

應付保證書和信用證項下所需款項的流動資金需求遠少於承諾的金額，因此本集團一般不預期第三者會根據該等協議動用有關資金。由於很多信貸承諾在毋須動用資金下已告屆滿或終止，因此提供信貸承擔的尚未償付合同總金額未必等同日後的現金需求。

(c) 合約到期日之未折現現金流量

下頁表格分析本集團於結算日至合約到期日的非衍生金融負債和衍生金融負債按剩餘到期日的現金流出金額，而保險負債則按淨現金流出的估計日期分類。鑑於本集團乃根據預測的未經折現現金流量來管理內在流動性風險，在表格內所披露之數據為協定之未經折現的現金流量。

4 Financial risk management (Continued)

4.3 Liquidity risk (Continued)

(b) Maturity analysis (Continued)

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Group. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and currency risks.

Liquidity requirements to support calls under guarantees and standby letters of credit are generally less than the amount of the commitment. In this regard, the Group does not expect the third party would fully draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

(c) Undiscounted cash flows by contractual maturities

The tables on the following pages analyse the cash flow payable by the Group in respect of non-derivative financial liabilities and derivative financial instruments by remaining contractual maturities, and by estimated timing of net cash outflow for insurance liabilities at the end of the reporting period. The amounts disclosed in the tables are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash flows.

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4 金融風險管理 (續)

4 Financial risk management (Continued)

4.3 流動性風險 (續)

4.3 Liquidity risk (Continued)

(c) 合約到期日之未折現現金流量 (續)

(c) Undiscounted cash flows by contractual maturities (Continued)

		即時償還	一個月	一個月以上	三個月以上	一年以上至	五年以上	無註明日期	合計
		Repayable	或以下	至三個月	至一年	五年	Over	Undated	Total
		on demand	Up to	1-3 months	3-12 months	1-5 years	5 years	Undated	Total
		港幣千元	1 month	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
於二〇二〇年	At 31 December 2020								
十二月三十一日									
非衍生現金	Non-derivative cash flow								
流量負債	liabilities								
	Deposits and balances from								
同業存款	banks	15,575,032	6,072,036	6,709,444	11,906,308	-	-	-	40,262,820
交易賬項下之負債	Trading liabilities	-	-	-	1,356	5,426	161,816	-	168,598
客戶存款	Deposits from customers	124,121,933	42,351,878	56,718,887	43,941,182	4,143,060	-	-	271,276,940
發行之存款證	Certificates of deposit issued	-	-	7,482,335	-	-	-	-	7,482,335
發行之後償債項	Subordinated debts issued	-	-	-	116,275	465,099	3,333,210	-	3,914,584
其他負債	Other liabilities	988,364	2,412,510	706,393	2,518,561	1,315,022	12,650	395,927	8,349,427
	- of which: Lease								
—其中：租賃負債	liabilities	-	10,424	21,089	79,808	183,600	4,710	-	299,631
衍生現金流量	Derivative cash flow								
	Derivative financial								
衍生金融工具	instruments	-	12,873,690	13,078,391	37,852,655	36,399	-	-	63,841,135
		140,685,329	63,710,114	84,695,450	96,336,337	5,965,006	3,507,676	395,927	395,295,839
於二〇一九年	At 31 December 2019								
十二月三十一日									
非衍生現金	Non-derivative cash flow								
流量負債	liabilities								
	Deposits and balances from								
同業存款	banks	7,928,749	10,769,497	4,128,827	4,596,981	-	-	-	27,424,054
交易賬項下之負債	Trading liabilities	-	-	-	4,672	330,135	-	-	334,807
客戶存款	Deposits from customers	86,921,277	54,968,221	65,938,035	34,378,689	2,737,661	-	-	244,943,883
發行之存款證	Certificates of deposit issued	-	778,620	85,648	2,919,144	-	-	-	3,783,412
發行之後償債項	Subordinated debts issued	-	-	-	116,793	467,172	3,464,859	-	4,048,824
其他負債	Other liabilities	12,382,260	637,035	603,624	1,906,156	1,179,391	72,570	428,405	17,209,441
	- of which: Lease								
—其中：租賃負債	liabilities	-	10,187	21,412	79,551	200,611	21,457	-	333,218
衍生現金流量	Derivative cash flow								
	Derivative financial								
衍生金融工具	instruments	-	31,407,993	17,857,814	33,233,310	190,271	-	-	82,689,388
		107,232,286	98,561,366	88,613,948	77,155,745	4,904,630	3,537,429	428,405	380,433,809

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.3 流動性風險 (續)

4.3 Liquidity risk (Continued)

(d) 資產負債表以外項目

(d) Off-balance sheet items

		一年或以下 Not later than 1 year 港幣千元 HK\$'000	一年以上 至五年 1-5 years 港幣千元 HK\$'000	五年以上 Over 5 years 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
於二〇二〇年 十二月三十一日	At 31 December 2020				
放款承擔	Loan commitments	38,501,621	–	–	38,501,621
擔保書及其他 金融額度	Guarantees and other financial facilities				
– 擔保書及備用 信用狀	– Guarantees and standby letters of credit	3,067,790	–	–	3,067,790
– 跟單及商業 信用狀	– Documentary and commercial letters of credit	1,340,416	–	–	1,340,416
資本承擔	Capital commitments	144,221	–	–	144,221
		43,054,048	–	–	43,054,048
於二〇一九年 十二月三十一日	At 31 December 2019				
放款承擔	Loan commitments	32,513,272	–	–	32,513,272
擔保書及其他 金融額度	Guarantees and other financial facilities				
– 擔保書及備用 信用狀	– Guarantees and standby letters of credit	6,446,390	–	–	6,446,390
– 跟單及商業 信用狀	– Documentary and commercial letters of credit	744,662	–	–	744,662
資本承擔	Capital commitments	104,716	–	–	104,716
		39,809,040	–	–	39,809,040

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4 金融風險管理 (續)

4.4 營運風險管理

營運風險指因內部程序不完善或失效、人為過失、系統故障或由外來事故引致損失的風險。

本集團訂立營運風險管理架構以識別、量度、監控及控制營運風險。由董事會核准之營運風險管理政策，已界定各委員會、業務單位及支援部門的職責，以多樣工具包括自我控制評估、營運事件管理及以主要風險指標來促進對營運風險的量度及評估。本集團亦依靠各營業單位的內部監控機制，加上內部審核環節管理及控制營運風險。

本集團之內部監控系統乃由建立完善之組織架構、詳盡的政策及標準所組成。董事會所期望之職能、責任及誠信已清楚地列明於政策文件上。每個業務及操作單位的權限及責任亦清楚列明，確保有足夠之查核及平衡。內部監控機程序包括風險評估、職能分工、使用權限、培訓及定期核實以及核對交易及賬戶之資料。

風險評估範圍亦包括外判、新產品及新系統之履行。持續業務計劃之訂立，減低系統故障、社會動亂或自然災害對業務運作之影響及干擾。此外，本集團已購有足夠的保險以覆蓋合理程度的營運風險。本集團以同業做法及監管要求為作法標準。

風險管理委員會負責定期對營運風險情況進行檢討，本集團之內部稽核功能在營運風險架構裏亦十分重要。透過對所有業務及操作功能的定期及深入的審核，為董事會提供客觀證據，確保穩健內部監控系統的維持及操作已依從既定的程序及準則。

4 Financial risk management (Continued)

4.4 Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

The Group has established an operational risk management framework to identify, measure, monitor and control operational risk. The Policy on Operational Risk Management, approved by the Board of Directors, defines responsibilities of various committees, business units and supporting departments and encompasses various tools including control self-assessment, operational incident management and key risk indicators to facilitate measurement and assessment of operational risk. The Group also relies on internal control mechanisms within the business lines, supplemented by the internal audit function to manage and control operational risk.

The internal control system of the Group comprises a well-established organisational structure and comprehensive policies and standards. The Board's expectations regarding duty, responsibility and integrity are clearly spelled out in formal policy statements. The lines of authority and responsibilities of each business and operational unit have been clearly defined to ensure adequate checks and balances. Procedures including risk assessments, segregation of duties, use of limits, training and regular verification and reconciliation of transactions and accounts are used in the internal control mechanism.

Risk assessment will be conducted on the outsourcing services, new products and new systems implementation. Business continuity plans are in place to mitigate the impact and interruptions to business activities caused by system failure, social disorder or natural disaster. Adequate insurance is acquired to cover a reasonable extent of operational risk. The Group benchmarks practices against peers, and regulatory requirements.

The Risk Management Committee is responsible for regular review of the operational risk profile and the Group's internal audit function plays an important role in the Group's operational risk framework. It provides an objective assurance to the Board that a sound internal control system is maintained and operated in compliance with the established processes and standards through regular and comprehensive audits on all business and operational functions.

4 金融風險管理 (續)

4.5 資本管理

本集團對資本管理之目的如下：

- 遵從《銀行業(資本)規則》的資本要求；
- 保證本集團之持續營運能力可以持續提供股東之回報及其他外在關係者之利益；
- 維持本集團之穩定及發展；及
- 維持強大資本基礎以支持業務發展。

香港《銀行業條例》要求各銀行或銀行集團維持法定資本對風險比重資產的比率在一定的水平。本集團之附屬公司亦需符合其他法定機構包括證券及期貨事務監察委員會和保險業監管局之法定資本要求。

風險比重資產乃根據《銀行業(資本)規則》所規定的風險比重等級制度而計算，是根據每一資產及交易對手之性質及其聯繫着的估計信貸、市場及其他風險，並已考慮合格的抵押品及擔保在內。資產負債表以外之風險計算類同，再加上一些調整以反映其為或然之損失。

本集團之管理層須定期監控資本足夠與否及資本的用途。本集團引用內部訂立的資本充足觸發比率作為資本充足管理之指標，該比率較最低法定資本充足比率為高。除此之外，本集團亦會對新產品、新投資及其他重要交易評估其對資本充足比率之影響。

截至二〇二〇年及二〇一九年十二月三十一日之年度內，本集團及其個別受其他法定機構監管之附屬公司已符合所有外界資本要求及較香港金融管理局所訂定之最低資本要求比率為高。

4 Financial risk management (Continued)

4.5 Capital management

The Group's objectives when managing capital are as follows:

- To comply with the capital requirements under the Banking (Capital) Rules;
- 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;
- To support the Group's stability and growth; and
- To maintain a strong capital base to support the development of its business.

The Hong Kong Banking Ordinance requires each bank or banking group to maintain a prescribed ratio of regulatory capital to total risk-weighted assets. Subsidiaries of the Group are also subject to statutory capital requirements from other regulatory authorities, including the Securities and Futures Commission and Insurance Authority.

The risk-weighted assets are measured by means of a hierarchy of risk weights as defined in the Banking (Capital) Rules according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposures, with some adjustments to reflect the more contingent nature of the potential losses.

Capital adequacy and the use of capital are monitored on a regular basis by the Group's management. The Group applies an internal trigger capital adequacy ratio which is well above the minimum statutory requirement as an indicator for managing the capital adequacy. In addition, the Group will assess the impact on its capital adequacy ratio when there are new products, new investments or any significant transactions.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the years ended 31 December 2020 and 2019 and are well above the minimum required ratios set by the Hong Kong Monetary Authority.

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4 金融風險管理 (續)

4.6 金融資產及負債之公平價值

在市場上交易活躍的金融工具，其公平價值乃根據結算當日市場價格而計算。本集團持有之金融資產以市場買價為市值報價；而金融負債則以市場賣價作為合適之市值報價。

未有在活躍市場上交易的金融工具，其公平價值乃透過運用估值方法來決定。該等方法包括淨現值及折算現金流量模型、對比類似工具的市場價值、Black-Scholes期權定價模型及其他估值模型。估值方法運用的投入數據包括無風險及參照利率、信用利差及其他用以估算折現率的風險差價、外幣匯率、債券及股票價格、價格波幅及相互關係。

對缺乏活躍市場的債券及衍生工具進行估值時，本集團僅運用可觀察的市場數據。上市的債券、交易所買賣衍生工具及場外衍生工具的可觀察價格及投入數據通常可在市場獲取，但其可用程度受金融市場的特定事件及整體情況導致的變化所影響。

當未能獲取可觀察價格或投入數據，本集團運用未可觀察但以市場價格、利率或假設推導的數據進行估值。涉及以重大無法觀察數據估值的金融工具包括非上市的股權證券及股權投資基金。選用適當的估值模型、預期金融工具帶來的未來現金流量及決定適用的折現率均須管理層的判斷及估計。

4 Financial risk management (Continued)

4.6 Fair value of financial assets and liabilities

The fair value of financial instruments traded in an active market is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. They include net present value and discounted cash flow models, comparison to similar instruments for which market prices exist, Black-Scholes option pricing models and other valuation models. Inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other risk premiums used in estimating discount rates, foreign currency exchange rates, bond and equity prices, price volatilities and correlations.

The Group uses valuation models that use only observable market data for determining the fair value of debt securities and derivatives for which there is no active market. Observable prices and model inputs are usually available in the market for listed debt securities, exchange traded derivatives and over-the-counter derivatives. Availability of observable prices and model inputs is prone to changes as a result of specific events and general conditions in the financial markets.

When observable prices and model inputs are not available, the Group uses valuation models of which the inputs may not be observable in the market but are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include unlisted equity securities and investment fund for which there is no active market. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates.

4 金融風險管理 (續)

4.6 金融資產及負債之公平價值 (續)

未於本集團財務狀況表內按公平價值呈列之金融資產及負債之公平價值估計如下：

(a) 同業存放及貸款

存放同業的浮息存款和隔夜錢存款的公平價值即其賬面值。固定利率存款(存款期通常少於一年)的估計公平價值，是基於貼現現金流量按具同類信貸風險和剩餘到期日債務的通行貨幣市場利率計算。因此，公平價值約等於其賬面值。

(b) 貸款及其他賬項

貸款及其他賬項在扣除減值撥備後列賬。除小部份外，絕大部份客戶貸款均以浮動利率計息。本集團計算客戶貸款及商業票據之公平價值時已考慮相關之市場利率，並注意到公平價值總額與賬面值總額並無重大差別。

(c) 同業存款及客戶存款

同業存款及客戶存款(未註明到期日，包括不帶利息之存款)的估計公平價值為即時償還的金額。該等浮息結餘的公平價值即其賬面值。

定息同業存款及客戶存款而無市場報價，其估計公平價值是基於貼現現金流量按具同類剩餘到期日的新債務利率計算。由於該等結餘期限通常少於一年，其公平價值約等於其賬面值。

(d) 發行之存款證及資本工具

發行之存款證及資本工具公平價值乃根據市場上公開報價。若未能得到公開報價，以類似其尚餘年期之近期交易所用的息率以貼現現金模式計算其公平價值。本集團計算發行之存款證及資本工具之公平價值時已考慮相關之市場利率，並注意到公平價值總額與賬面值總額並無重大差別。

4 Financial risk management (Continued)

4.6 Fair value of financial assets and liabilities (Continued)

The fair values of financial assets and liabilities not presented at fair value in the Group's statement of financial position are estimated as follows:

(a) *Balances and placements with and loans and advances to banks*

The fair value of floating rate placements and overnight deposits is their carrying amounts. The estimated fair value of fixed interest bearing deposits, which is normally less than one year, is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity. Therefore the fair value is approximately equal to its carrying value.

(b) *Advances and other accounts*

Advances and other accounts are net of allowances for impairment. All except a very insignificant portion of loans and advances to customers bear interest at a floating rate. The Group has assessed the fair value of advances to customers and trade bills, after taking into account the relevant market interest rates and noted that the total fair value is not materially different from the total carrying value.

(c) *Deposits and balances from banks and customers*

The estimated fair value of deposits and balances with no stated maturity, which include non-interest bearing deposits, is the amount repayable on demand. The fair value of those balances bearing interest at a floating rate is their carrying value.

The estimated fair value of fixed interest-bearing deposits from banks and deposits from customers without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. As they are normally less than one year, their fair values are approximately equal to their carrying values.

(d) *Certificates of deposit and capital instruments*

The fair value of certificates of deposit and capital instruments issued is based on quoted market prices. For those where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity. The Group has assessed the fair value of certificates of deposit and capital instruments issued after taking into account the relevant yield curve and noted that the total fair value is not materially different from the total carrying value.

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4 金融風險管理 (續)

4.6 金融資產及負債之公平價值 (續)

(e) 其他賬項及預提

其他賬項及預提一般為不帶有利息之結餘。因此，其公平價值為其賬面值。

除上述綜合財務狀況表項目外，下表概述未於本集團綜合財務狀況表內按公平價值呈列的有關金融資產和負債的賬面值和概約公平價值。

管理層認為在綜合財務報表中確認的金融資產及負債的賬面值與其公平價值相若。

4 Financial risk management (Continued)

4.6 Fair value of financial assets and liabilities (Continued)

(e) Other accounts and accruals

The estimated fair value of other accounts and accruals, which are normally non-interest bearing balances, is their carrying value.

Except for the above consolidated statement of financial position items, the following table summarises the carrying amounts and fair values of other financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair value.

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

		賬面值		公平價值	
		Carrying value		Fair value	
		二〇二〇	二〇一九	二〇二〇	二〇一九
		2020	2019	2020	2019
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
金融資產	Financial assets				
按攤銷成本列賬之	Financial investments at				
金融投資	amortised cost	1,725,694	725,855	1,731,240	727,730

下列表格對期末非以公平價值列賬的金融工具，按其身處公平價值的層次作出分析：

The tables below analyse financial instruments not carried at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value treatment is categorised:

		金融資產	
		Financial assets	
		按攤銷成本列賬之金融投資	
		Financial investments at amortised cost	
		二〇二〇	二〇一九
		2020	2019
		港幣千元	港幣千元
		HK\$'000	HK\$'000
第一層	Level 1	1,294,193	496,244
第二層	Level 2	423,073	179,008
第三層	Level 3	8,428	50,603
		1,725,694	725,855

4 金融風險管理 (續)

4.6 金融資產及負債之公平價值 (續)

香港財務報告準則第13號規定了估值方法的層級制度是根據估價方法之投入數據是可觀察到或無法觀察到。可觀察的投入數據反映市場資訊從獨立的來源獲得；不可觀察的投入數據反映了本集團對市場的預期。這兩種投入數據產生了下列公平價值的層級：

- 第1層 – 參考同一工具於活躍市場取得的市場報價 (未經調整)。
- 第2層 – 根據可觀察的直接 (如報價) 或間接 (如由報價所推算) 投入數據之估值模式。此層次估值的工具包括以下方式：就相若工具在活躍市場所取得的市場報價；就同一或相若工具在非活躍市場取得的市場報價；或其他估值模式，而該等估值模式所用的投入數據，是可直接或間接從市場觀察所得的數據。
- 第3層 – 根據重要但非可觀察得到的投入數據之估值模式。此層次估值的工具，其估值模式所投入之數據並非根據可觀察的數據，惟該等非可觀察的數據可以對估值產生重大影響。此層次估值的工具，也包括在活躍市場所取得的相若金融工具之市場報價，惟當中需要作出重要的非可觀察之調整或假設，以反映不同金融工具之間的差別。

這層次制度須應用到可觀察的市場數據。本集團在許可的情況下考慮有關及可觀察的市場價格用於估值上。

由於特定證券的投資市場環境變化，在活躍市場中無法再查到該證券的公開報價。但根據可觀察的市場參數，有足夠的信息來衡量這些證券的公平價值。本集團於二〇二〇年十二月三十一日將港幣1,753,472,000元 (二〇一九年：港幣657,166,000元) 證券從公平價值層級的第一層轉入第二層。

由於特定證券的投資市場環境變化，在活躍市場中查到該證券的公開報價。本集團於二〇二〇年十二月三十一日將港幣731,312,000元 (二〇一九年：港幣514,437,000元) 證券從公平價值層級的第二層轉入第一層。

4 Financial risk management (Continued)

4.6 Fair value of financial assets and liabilities (Continued)

HKFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2 – Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

Due to changes in market conditions for certain securities, quoted prices in active markets were not available to reflect all appropriate risks for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities were transferred from Level 1 to Level 2 of the fair value hierarchy and amounted to HK\$1,753,472,000 at 31 December 2020 (2019: HK\$657,166,000).

Due to changes in market conditions for certain securities, quoted prices in active market became available for these securities. Therefore, these securities were transferred from Level 2 to Level 1 of the fair value hierarchy and amounted to HK\$731,312,000 at 31 December 2020 (2019: HK\$514,437,000).

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4 金融風險管理 (續)

4.6 金融資產及負債之公平價值 (續)

本集團於公平價值層級間之轉移在其發生的報告期末予以確認。

下列表格對期末以公平價值進行經常性計量的金融工具，按其身處公平價值的層次作出分析：

4 Financial risk management (Continued)

4.6 Fair value of financial assets and liabilities (Continued)

The Group recognises transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The tables below analyse financial instruments, measured at fair value on a recurring basis at the end of the reporting period, by the level in the fair value hierarchy into which the fair value treatment is categorised:

		第一層 Level 1 港幣千元 HK\$'000	第二層 Level 2 港幣千元 HK\$'000	第三層 Level 3 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二〇年	2020				
資產	Assets				
衍生金融工具	Derivative financial instruments	-	1,620,404	-	1,620,404
規定以公平價值誌入損益賬之金融資產：	Financial assets mandatorily measured at fair value through profit or loss:				
– 債務證券	– Debt securities	2,103,154	118,346	-	2,221,500
– 股權證券及投資基金	– Equity securities and investment fund	180,114	60,529	28,840	269,483
指定以公平價值誌入損益賬之金融資產：	Financial assets designated at fair value through profit or loss:				
– 債務證券	– Debt securities	1,743,967	108,677	16,856	1,869,500
以公平價值誌入其他全面收益之金融資產	Financial assets at fair value through other comprehensive income				
– 同業存放及貸款	– Balances and placements with and loans and advances to banks	3,860,970	-	-	3,860,970
– 金融投資	– Financial investments				
– 債務證券	– Debt securities	60,296,446	19,638,125	-	79,934,571
– 股權證券及投資基金	– Equity securities and investment fund	209,500	-	879,229	1,088,729
– 貸款及其他賬項	– Advances and other accounts	-	6,862,342	-	6,862,342
		68,394,151	28,408,423	924,925	97,727,499
負債	Liabilities				
交易賬項下之負債	Trading liabilities	154,331	-	-	154,331
衍生金融工具	Derivative financial instruments	-	1,284,107	-	1,284,107
		154,331	1,284,107	-	1,438,438

4 金融風險管理(續)

4 Financial risk management (Continued)

4.6 金融資產及負債之公平價值(續)

4.6 Fair value of financial assets and liabilities (Continued)

		第一層 Level 1 港幣千元 HK\$'000	第二層 Level 2 港幣千元 HK\$'000	第三層 Level 3 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇一九年	2019				
資產	Assets				
衍生金融工具	Derivative financial instruments	–	588,286	–	588,286
規定以公平價值誌入損益賬之金融資產：	Financial assets mandatorily measured at fair value through profit or loss:				
– 債務證券	– Debt securities	2,522,216	238,843	–	2,761,059
– 股權證券及投資基金	– Equity securities and investment fund	246,308	61,053	48,197	355,558
指定以公平價值誌入損益賬之金融資產：	Financial assets designated at fair value through profit or loss:				
– 債務證券	– Debt securities	3,296,515	306,730	16,859	3,620,104
以公平價值誌入其他全面收益之金融資產	Financial assets at fair value through other comprehensive income				
– 同業存放及貸款	– Balances and placements with and loans and advances to banks	1,120,892	–	–	1,120,892
– 金融投資	– Financial investments				
– 債務證券	– Debt securities	58,027,246	12,252,030	–	70,279,276
– 股權證券及投資基金	– Equity securities and investment fund	417,555	–	707,961	1,125,516
– 貸款及其他賬項	– Advances and other accounts	–	8,860,385	–	8,860,385
		65,630,732	22,307,327	773,017	88,711,076
負債	Liabilities				
交易賬項下之負債	Trading liabilities	309,136	–	–	309,136
衍生金融工具	Derivative financial instruments	–	393,553	–	393,553
		309,136	393,553	–	702,689

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4 金融風險管理 (續)

4 Financial risk management (Continued)

4.6 金融資產及負債之公平價值 (續)

4.6 Fair value of financial assets and liabilities (Continued)

第三層公平價值計量的結餘於年內之變動如下：

The movement during the year in the balance of Level 3 fair value measurements is as follows:

		資產 Assets		
		以公平價值計入 其他全面收益 之金融資產 Financial assets at fair value through other comprehensive income	規定以公平價值 計入損益賬之 金融資產 Financial assets mandatorily measured at fair value through profit or loss	指定以公平價值 計入損益賬之 金融資產 Financial assets designated at fair value through profit or loss
		金融投資 Financial investments	股權證券及投資基金 Equity securities and investment fund	債務證券 Debt securities
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於二〇二〇年一月一日	At 1 January 2020	707,961	48,197	16,859
收益／(虧損)總額確認於	Total gains/(losses) recognised in			
– 其他全面收益	– Other comprehensive income	171,268	–	–
– 損益賬	– Profit or loss	–	65,204	(3)
結算	Settlements	–	(84,561)	–
於二〇二〇年 十二月三十一日	At 31 December 2020	879,229	28,840	16,856
於二〇二〇年十二月三十一 日所持有的資產，其包括 在是年度其他全面收益內 之收益總額	Total gains for the year included in other comprehensive income for assets held at 31 December 2020	171,268	–	–
於二〇二〇年十二月三十一 日所持有的資產，其包括 在是年度損益賬內之收 益／(虧損)總額	Total gains/(losses) for the year included in profit or loss for assets held at 31 December 2020	–	65,204	(3)

4 金融風險管理(續)

4 Financial risk management (Continued)

4.6 金融資產及負債之公平價值(續)

4.6 Fair value of financial assets and liabilities (Continued)

		資產 Assets		
		以公平價值 其他全面收益 之金融資產 Financial assets at fair value through other comprehensive income	規定以公平價值 誌入損益賬之 金融資產 Financial assets mandatorily measured at fair value through profit or loss	指定以公平價值 誌入損益賬之 金融資產 Financial assets designated at fair value through profit or loss
		金融投資 Financial investments	股權證券及投資基金 Equity securities and investment fund	債務證券 Debt securities
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於二〇一九年一月一日	At 1 January 2019	730,639	55,547	46,820
(虧損)/收益總額確認於	Total (losses)/gains recognised in			
– 其他全面收益	– Other comprehensive income	(22,678)	–	–
– 損益賬	– Profit or loss	–	(7,350)	16,888
結算	Settlements	–	–	(46,849)
於二〇一九年 十二月三十一日	At 31 December 2019	707,961	48,197	16,859
於二〇一九年十二月三十一 日所持有的資產，其包括 在是年度其他全面收益內 之虧損總額	Total losses for the year included in other comprehensive income for assets held at 31 December 2019	(22,678)	–	–
於二〇一九年十二月三十一 日所持有的資產，其包括 在是年度損益賬內之 (虧損)/收益總額	Total (losses)/gains for the year included in profit or loss for assets held at 31 December 2019	–	(7,350)	16,888

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Notes to the Financial Statements

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.6 金融資產及負債之公平價值 (續)

4.6 Fair value of financial assets and liabilities (Continued)

以下表格列出於年末時用以計量被分類為公平價值層級第3層的財務工具之重大不可觀察的投入數據資料。

The table below sets out information about significant unobservable inputs used at year end in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

		估值技巧 Valuation techniques	重大不可觀察的投入數據 Significant unobservable inputs	範圍 Range	加權平均 Weighted average	不可觀察的投入數據對公平價值計量的敏感度 Fair value measurement sensitivity to unobservable inputs
以公平價值誌入其他全面收益之金融投資：股權證券及投資基金	Financial investments at fair value through other comprehensive income: Equity securities and investment fund	折算現金流量 Discounted cash flow	風險調整折現率 Risk-adjusted discount rate	6.12%-16.24% (2019: 6.12%-14.53%)	13.55% (2019: 12.24%)	風險調整折現率的重大上升將引致公平價值的下跌 Significant increase in risk-adjusted discount rate would result in a lower fair value
		市場可類比方法 Market comparable approach	市賬率倍數 P/B ratio	0.54-0.92 (2019: 0.62-0.92)	0.77 (2019: 0.71)	市賬率的重大上升將引致公平價值的上升 Significant increase in P/B ratio would result in a higher fair value

4 金融風險管理 (續)**4 Financial risk management (Continued)****4.6 金融資產及負債之公平價值 (續)****4.6 Fair value of financial assets and liabilities (Continued)**

重大不可觀察假設出現變動對合理可行替代假設的影響

Effect of changes in significant non-observable assumptions to reasonably possibly alternatives

金融工具的公平價值於若干情況下採用估值模型計量，該等模型依據的假設，並無相同工具的可觀察現行市場交易價格支持，亦不是以可觀察市場數據為基礎。下表列示在公平價值上下波幅10%下，公平價值對於合理可行替代假設的敏感度分析。

The fair value of financial instruments are, in certain circumstances, measured using valuation models that incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair values to reasonable possible alternative assumptions due to parallel movement of plus or minus 10% of the fair value.

		其他全面收益及收益表的影響			
		Effect on other comprehensive income and income statement			
		有利變動	不利變動	有利變動	不利變動
		Favourable	Unfavourable	Favourable	Unfavourable
		二〇二〇	二〇二〇	二〇一九	二〇一九
		2020	2020	2019	2019
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
資產	Assets				
以公平價值誌入其他全面收益之金融投資	Financial investments at fair value through other comprehensive income	87,923	(87,923)	70,796	(70,796)
規定以公平價值誌入損益賬之金融資產	Financial assets mandatorily measured at fair value through profit or loss	2,884	(2,884)	4,820	(4,820)
指定以公平價值誌入損益賬之金融資產	Financial assets designated at fair value through profit or loss	1,686	(1,686)	1,686	(1,686)

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Notes to the Financial Statements

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.7 抵銷金融資產及金融負債

4.7 Offsetting financial assets and liabilities

下列金融資產受抵銷、可執行主淨額結算安排或類似協議的規限。

The following financial assets are subject to offsetting, enforceable master netting arrangements or similar agreements.

		在財務狀況表 抵銷的已確認 金融負債總額		在財務狀況表呈報 的金融資產淨額	不在財務狀況表中抵銷的相關數額		淨額
		Gross amounts of recognised financial liabilities	set off in the statement of financial position		Financial instruments	收取的 現金抵押品 received	
	已確認 金融資產總額						
	Gross amounts of recognised financial assets						
	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
二〇二〇年	2020						
衍生金融資產	Derivative financial assets	1,383,425	-	1,383,425	(313,315)	(890,657)	179,453
二〇一九年	2019						
衍生金融資產	Derivative financial assets	538,750	-	538,750	(231,705)	(154,478)	152,567
貸款及其他賬項	Advances and other accounts	2,421,332	-	2,421,332	(7,395)	-	2,413,937

4 金融風險管理 (續)

4 Financial risk management (Continued)

4.7 抵銷金融資產及金融負債 (續)

4.7 Offsetting financial assets and liabilities (Continued)

下列金融負債受抵銷、可執行主淨額結算安排和類似協議的規限。

The following financial liabilities are subject to offsetting, enforceable master netting arrangements or similar agreements.

	已確認金融負債總額 Gross amounts of recognised financial liabilities 港幣千元 HK\$'000	在財務狀況表抵銷的已確認金融資產總額	在財務狀況表呈報的金融負債淨額	不在財務狀況表中抵銷的相關數額		淨額 Net amount 港幣千元 HK\$'000
		Gross amounts of financial assets set off in the statement of financial position 港幣千元 HK\$'000	Net amounts of financial liabilities presented in the statement of financial position 港幣千元 HK\$'000	金融工具 Financial instruments 港幣千元 HK\$'000	提供的現金抵押品 Cash collateral pledged 港幣千元 HK\$'000	
二〇二〇年	2020					
衍生金融負債	1,224,546	-	1,224,546	(313,315)	(11,834)	899,397
回購協議	708,016	-	708,016	(708,016)	-	-
二〇一九年	2019					
衍生金融負債	357,195	-	357,195	(239,100)	(77,885)	40,210
回購協議	19,829	-	19,829	(19,829)	-	-

4.8 金融資產轉移

4.8 Transfers of financial assets

以下為本集團不符合終止確認條件之已轉移金融資產，包括交易對手持有作為售後回購協議抵押品的債務證券及票據。

The transferred financial assets of the Group below that do not qualify for derecognition are debt securities and bills held by counterparties as collateral under sale and repurchase agreements.

	已轉移資產賬面值 Carrying amount of transferred assets 二〇二〇 2020 港幣千元 HK\$'000	相關負債賬面值 Carrying amount of associated liabilities 二〇二〇 2020 港幣千元 HK\$'000	已轉移資產賬面值 Carrying amount of transferred assets 二〇一九 2019 港幣千元 HK\$'000	相關負債賬面值 Carrying amount of associated liabilities 二〇一九 2019 港幣千元 HK\$'000
回購協議	708,218	708,016	19,981	19,829

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5 利息收入

5 Interest income

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
同業存放及貸款	Balances and placements with and loans and advances to banks	1,367,731	2,141,913
債務證券	Debt securities		
– 上市公司	– listed	767,762	707,685
– 非上市公司	– unlisted	599,206	825,426
客戶貸款	Advances to customers	4,998,462	5,994,885
其他	Others	233,803	404,670
		7,966,964	10,074,579

包括在利息收入內計有按攤銷成本列賬之金融資產之利息收入港幣5,990,948,000元(二〇一九年:港幣7,508,000,000元)、以公平價值誌入其他全面收益之金融資產之利息收入港幣1,621,236,000元(二〇一九年:港幣2,019,747,000元)及減值資產折扣轉回利息收入港幣5,480,000元(二〇一九年:港幣25,635,000元)。

Included in interest income are interest income from financial assets at amortised cost of HK\$5,990,948,000 (2019: HK\$7,508,000,000), interest income from financial assets at fair value through other comprehensive income of HK\$1,621,236,000 (2019: HK\$2,019,747,000) and unwinding of discount on impaired assets of HK\$5,480,000 (2019: HK\$25,635,000).

6 利息支出

6 Interest expense

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
同業存款及客戶存款	Deposits and balances from banks and deposits from customers	3,566,329	4,144,528
發行之存款證	Certificates of deposit issued	169,384	187,545
發行之後償債項	Subordinated debts issued	116,749	117,920
租賃負債	Lease liabilities	10,054	8,902
其他	Others	246,785	395,453
		4,109,301	4,854,348

包括在利息支出內計有未以公平價值誌入損益賬之金融負債之利息支出港幣3,888,690,000元(二〇一九年:港幣4,468,251,000元)。

Included in interest expense is interest expense on financial liabilities that are not at fair value through profit or loss of HK\$3,888,690,000 (2019: HK\$4,468,251,000).

7 服務費及佣金淨收入

7 Net fees and commission income

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
服務費及佣金收入	Fees and commission income		
證券經紀及投資服務	Securities brokerage and investment services	629,400	399,373
信用卡業務	Credit cards	103,827	140,021
信貸業務	Credit related	328,266	287,294
貿易融資	Trade finance	97,443	117,723
其他零售銀行業務	Other retail banking services	31,863	36,601
其他服務費收入	Other fee income	113,560	94,391
		1,304,359	1,075,403
服務費及佣金支出	Fees and commission expenses		
信用卡業務	Credit cards	(88,863)	(112,954)
證券經紀及投資服務	Securities brokerage and investment services	(89,469)	(47,978)
其他服務費支出	Other fee expenses	(37,301)	(45,405)
		(215,633)	(206,337)
服務費及佣金淨收入	Net fees and commission income	1,088,726	869,066
其中：	Of which:		
由非以公平價值誌入損益賬之金融資產或負債所產生之服務費及佣金淨收入（不包括用作計算實際利率之金額）	Net fees and commission income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not at fair value through profit or loss		
— 服務費及佣金收入	— fees and commission income	439,977	427,300
— 服務費及佣金支出	— fees and commission expenses	(86,358)	(112,982)
本集團代表客戶持有或投資之託管或其他受託業務所產生之服務費及佣金淨收入	Net fees and commission income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers		
— 服務費及佣金收入	— fees and commission income	30,901	26,807
— 服務費及佣金支出	— fees and commission expenses	(2,669)	(3,487)

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8 保險營業收入及保險索償準備

8 Insurance operating income and charge for insurance claims

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
保險營業收入	Insurance operating income		
總額	Gross		
承保費總額	Gross insurance premium written	738,132	676,543
未期滿保費準備之改變	Change in unearned premium provision	(28,124)	(43,804)
已發行之保險合約所產生之保費收入	Premium revenue arising from insurance contracts issued	710,008	632,739
再投保	Reinsurance		
分出之再投保費	Reinsurance premium outward	(122,253)	(118,220)
未期滿保費準備之改變	Change in unearned premium provision	3,829	5,960
已發行之保險合約之保費收入轉予再投保人	Premium revenue ceded to reinsurers arising from insurance contracts issued	(118,424)	(112,260)
保險費淨收入	Net premium earned	591,584	520,479
佣金收入	Commission income	189,220	316,726
其他收入	Other income	958	4,349
佣金支出	Commission expenses	(97,496)	(93,666)
		684,266	747,888
保險索償準備 (註釋)	Charge for insurance claims (Note)		
總額	Gross		
已承付索償	Gross claims paid	(266,330)	(295,722)
已呈報之索償、已發生但未呈報之索償及其他保險準備之改變	Change in reported claims, IBNR and other insurance provision	(110,667)	(9,054)
		(376,997)	(304,776)
再投保	Reinsurance		
收回再投保之索償	Claims recovered from reinsurers	26,393	40,653
已呈報之索償、已發生但未呈報之索償及其他保險準備之改變	Change in reported claims, IBNR and other insurance provision	9,759	(12,185)
		36,152	28,468
淨保險索償	Net insurance claims	(340,845)	(276,308)
保險營業淨收入	Net insurance operating income	343,421	471,580

註釋：保險索償準備乃本集團之保險業務所承擔之賠償淨額及其有關索賠的開支。

Note: Charge for insurance claims represents net claims incurred on the Group's insurance business and the related claims settlement expenses.

9 淨交易收益

9 Net trading gain

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
規定以公平價值誌入 損益賬之金融工具 淨收益	Net gain arising from financial instruments mandatorily measured at fair value through profit or loss	14,043	39,666
指定以公平價值誌入 損益賬之金融工具 淨收益	Net gain arising from financial instruments designated at fair value through profit or loss	5,204	106,740
衍生金融工具 淨虧損	Net loss arising from derivative financial instruments	(11,544)	(69,987)
外匯買賣淨收益	Net gain from foreign exchange trading	362,592	165,368
		370,295	241,787

10 其他營業收入

10 Other operating income

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
股息收入	Dividend income		
– 上市股權證券	– Listed equity securities	26,468	34,596
– 非上市股權證券	– Unlisted equity securities	50,384	27,815
投資物業之租金收入減除 直接開支港幣28,256,000元 (二〇一九年： 港幣27,281,000元)	Rental income from investment properties less direct outgoings of HK\$28,256,000 (2019: HK\$27,281,000)	95,064	139,899
保管箱租金淨收益	Net rental income on safe deposit boxes	35,713	20,829
出售按攤銷成本列賬之 金融資產之淨(虧損) /收益(註釋)	Net (loss)/gain on disposal of financial assets at amortised cost (Note)	(887)	4,066
其他	Others	14,080	14,948
		220,822	242,153

註釋：本集團於年內出售部份按攤銷成本列賬之金融資產，主要為風險監控手段。

Note: During the year, the Group sold some of the financial assets at amortised cost mainly as risk monitoring and control measures.

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11 營業支出

11 Operating expenses

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
人事費用	Staff costs		
– 薪金及其他人事費用 (註釋)	– Salaries and other costs (Note)	1,333,778	1,232,953
– 退休福利支出	– Retirement benefit costs	75,249	70,342
房產及設備支出， 不包括折舊	Premises and equipment expenses, excluding depreciation		
– 短期租約租金	– Rental of short-term leases	1,463	24,933
– 其他	– Others	162,795	189,074
折舊	Depreciation		
– 其他物業及設備 (註釋27)	– Other properties and equipment (Note 27)	314,380	251,045
– 租賃土地(註釋26)	– Leasehold land (Note 26)	3,753	3,753
廣告及業務推廣	Advertising and business promotion	15,603	20,345
電子數據處理	Electronic data processing	94,306	77,460
郵遞及通訊	Postage and communications	69,780	57,634
文具及印刷	Printing and stationery	9,863	14,827
核數師酬金	Auditors' remuneration	5,513	5,422
水電費	Water and electricity	18,273	22,370
法律及專業費用	Legal and professional fee	212,006	169,982
營業、代繳稅金及附加費	Business, withholding tax and surcharges	27,436	44,296
保險費	Insurance	25,648	25,537
證券相關費用	Securities related expenses	8,009	5,731
其他	Others	154,704	117,680
		2,532,559	2,333,384

註釋：於二〇二〇年收取的香港特別行政區政府「保就業」計劃補貼港幣47,055,000元已從薪金及其他人事費用中扣除。

Note: The HKSAR Government grant of HK\$47,055,000 under the Employment Support Scheme received in 2020 was deducted from Salaries and other costs.

12 減值損失

12 Impairment losses

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
減值損失／(回撥)：	Impairment losses/(written back) on:		
— 同業存放及貸款	— Balances and placements with and loans and advances to banks		
— 按攤銷成本列賬	— at amortised cost	5,161	(29,431)
— 以公平價值誌入其他全面收益	— at fair value through other comprehensive income	140	(1,555)
— 債務證券	— Debt securities		
— 按攤銷成本列賬	— at amortised cost	491	21,881
— 以公平價值誌入其他全面收益	— at fair value through other comprehensive income	46,611	163,637
— 貸款及其他賬項	— Advances and other accounts		
— 按攤銷成本列賬	— at amortised cost	391,303	370,295
— 以公平價值誌入其他全面收益	— at fair value through other comprehensive income	16,467	(41,583)
— 貸款承諾及金融擔保合約	— Loan commitments and financial guarantee contracts	(20,364)	16,990
於收益表淨撥備	Net charge to income statement	439,809	500,234

13 贖回按攤銷成本列賬之金融工具之淨(虧損)/收益

13 Net (loss)/gain on redemption of financial instruments at amortised cost

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
贖回按攤銷成本列賬之金融資產之淨(虧損)/收益	Net (loss)/gain on redemption of financial assets at amortised cost	(214)	586
		(214)	586

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14 董事酬金

按照香港《公司條例》第383(1)條及《公司(披露董事利益資料)規例》第2部規定所披露之董事酬金如下：

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
袍金	Directors' fees	2,014	2,240
薪金、花紅、津貼及 實然福利	Salaries, bonus, allowances and benefits in kind	18,622	23,533
退休計劃供款	Retirement scheme contributions	1,073	1,214
		21,709	26,987

是年度內，本行並無向本行的任何董事支付解僱補償。是年度內，本行並無就獲取董事的服務向第三方支付任何款項。

是年度內及至是年終結日止，本行或其任何附屬公司、母公司集團之附屬公司或其控股公司並無訂立任何與本行業務有關而董事直接或間接享有重大權益或與董事有關連的實體之其他重要交易、安排或合約。

14 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
袍金	Directors' fees	2,014	2,240
薪金、花紅、津貼及 實然福利	Salaries, bonus, allowances and benefits in kind	18,622	23,533
退休計劃供款	Retirement scheme contributions	1,073	1,214
		21,709	26,987

During the year, no termination benefits were paid by the Bank to any of the Bank's directors. During the year, the Bank did not incur any payment to third parties for making available directors' services.

No transactions, arrangement or contracts of significance in relation to the Bank's business to which the Bank, or any of its subsidiaries, fellow subsidiaries or its holding company was a party and in which a director of the Bank or an entity connected with a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

15 職員退休福利計劃

本集團為本行之職員設有五項職員退休福利計劃，另為本行一間附屬公司之職員設有一項強積金計劃。該五項職員退休福利計劃，其中主要的計劃（簡稱為「該計劃」）包括一個界定福利計劃部份及一個界定供款計劃部份，其他計有一項為界定福利退休計劃、兩項為海外僱員而設之界定供款計劃及一項為強積金計劃。凡新入職之在港受聘成員均可作一次性的選擇，參加該計劃的界定供款部份或參加強積金計劃。

在該計劃的界定供款部份中，本集團每月需按選擇此計劃之成員的月薪10%作出供款。本集團對該計劃界定供款部份之供款額可能因員工於獲得全數供款前離開該計劃而放棄其既有利益而減少。本年度已使用之放棄供款總額為港幣7,822,000元（二〇一九年：港幣13,539,000元）。於年結日，未使用之放棄供款可作為減低將來之供款總額為港幣1,810,000元（二〇一九年：港幣1,027,000元）。於年結日，並無應付供款（二〇一九年：無）。

15 Staff retirement schemes

The Group operates five staff retirement schemes for the staff of the Bank and an MPF scheme for the staff of a subsidiary of the Bank. The five staff retirement schemes comprise a principal scheme (the "Scheme") which includes a defined benefit ("DB") section and a defined contribution ("DC") section, a defined benefit pension scheme, two defined contribution schemes for overseas employees and an MPF scheme. All new Hong Kong employed staff members who join the Bank are offered a one-off choice between the DC section of the Scheme and the MPF scheme.

Under the DC section of the Scheme, the Group is required to contribute 10% of the monthly salary of the members who opted for the DC arrangement. The Group's contributions to the DC section of this Scheme may be reduced by contributions forfeited by those employees who leave the Scheme prior to vesting fully in the contributions. Forfeited contributions totaling HK\$7,822,000 (2019: HK\$13,539,000) were utilised during the year. The unutilised forfeited contributions at the year end amounted to HK\$1,810,000 (2019: HK\$1,027,000) which are available to reduce future contributions. No contributions were payable at the year end (2019: Nil).

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15 職員退休福利計劃 (續)

本集團對強積金計劃之供款乃按照香港《強制性公積金計劃條例》，根據每位成員每月之有關入息之5%計算，而有關入息則以港幣30,000元為上限。

於年內對該等有界定供款成份之計劃及強積金計劃之供款共為港幣62,236,000元(二〇一九年：港幣58,355,000元)。

該計劃的界定福利部份及另一界定福利退休計劃(共同參照為「該等退休計劃」)之供款，是由獨立合資格精算師定期評估該等退休計劃之資產負債而釐定。該等退休計劃根據成員之最後薪金作為計算福利之基準，由本集團承擔所有成本。

該等退休計劃按照《職業退休計劃條例》進行登記，並已獲強制性公積金計劃管理局之強積金豁免。本集團對該等退休計劃的盈餘具有無條件的擁有權，資產上限及最低注資要求不適用於該等退休計劃。

該等退休計劃以信託安排成立。信託人的主要責任為確保該等退休計劃按照信託契約管理，並以公正、審慎和真誠為全體成員代行。

本集團為該等退休計劃承擔以下主要風險：

投資風險

正投資回報增加該等退休計劃資產的公平價值，改善該等退休計劃的財務狀況，負投資回報則減弱狀況。

該等退休計劃投資於多元化的資產組合，包括股權證券、債務證券及現金，分佈於世界主要地區。資產類別和地域多元化降低了該計劃投資的風險集中度。

利率風險

界定福利義務應用到參照市場債券收益率的折現率計算。債券收益率下降將增加義務金額。

15 Staff retirement schemes (Continued)

The Group's contributions to the MPF schemes are based on 5% of the monthly relevant income of each employee up to a maximum monthly relevant income of HK\$30,000 in accordance with the Hong Kong Mandatory Provident Fund Schemes Ordinance.

The contributions to schemes with defined contribution arrangements and the MPF schemes during the year amounted to HK\$62,236,000 (2019: HK\$58,355,000) in aggregate.

For the DB section of the Scheme and the defined benefit pension scheme (collectively referred to as the "Plan"), the contributions are determined based on periodic valuations by independent qualified actuaries of the assets and liabilities of the Plan. The Plan provides benefits based on members' final salary. The costs are solely funded by the Group.

The Plan is registered under the Occupational Retirement Schemes Ordinance, and has been granted with MPF Exemption by the Mandatory Provident Fund Schemes Authority. The Group has an unconditional right to the surplus of the Plan. Asset ceiling and minimum funding requirements do not apply to the Plan.

The Plan was established under a trust arrangement. The key responsibilities of the trustees are to ensure that the Plan is administered in accordance with the trust deed and to act on behalf of all members impartially, prudently and in good faith.

The Plan exposes the Group to the following key risks:

Investment risk

Positive investment returns tend to increase the fair value of the Plan assets and therefore improve the Plan's financial position, whilst negative investment returns tend to weaken the position.

The assets of the Plan are invested in a diversified portfolio of equities, bonds and cash, covering major geographical locations around the world. The diversification of asset classes and geographical location reduces the concentration of risk associated with the Plan's investments.

Interest rate risk

The defined benefit obligation is calculated using a discount rate based on market bond yields. A decrease in the bond yields will increase the amount of obligation.

15 職員退休福利計劃 (續)**薪酬風險**

較估值假設為高的薪酬升幅將增加界定福利義務。

通脹風險

界定福利退休計劃下之退休金付款可因應本港的生活水平並按本集團意願上調。較假設為高的退休金將增加界定福利義務。

身故風險

因較長的預期壽命而致的延長退休金發放期間將增加界定福利義務。

該等退休計劃最近期一次之精算估值於二〇二〇年十二月三十一日，由獨立專業精算師韜睿惠悅香港有限公司，其僱員具香港精算學會之會士資歷，根據香港會計師公會所頒佈之香港會計準則第19號(2011)作評估，該等退休計劃之界定福利義務的現值及服務成本均以預計單位貸記法計算。於估值日，該等退休計劃之注資水平達118%(二〇一九年：106%)。

於二〇二〇年十二月三十一日止之年度綜合財務狀況表內確認之金額分析如下：

15 Staff retirement schemes (Continued)**Salary risk**

Salary increases that are higher than assumed at the valuation will increase the defined benefit obligation.

Inflation risk

Pension in payment under the defined benefit pension scheme may be increased, at the discretion of the Group, to reflect all or part of the cost-of-living increase in Hong Kong. The higher-than-assumed increases in pensions will increase the defined benefit obligation.

Mortality risk

A prolonged pension in payment due to longer life expectancy of the pensioners will increase the defined benefit obligation.

The latest actuarial valuation of the Plan was performed in accordance with HKAS 19 (2011) issued by the HKICPA at 31 December 2020 by Towers Watson Hong Kong Limited, an independent professional actuarial firm, who have among their staff Fellows of the Actuarial Society of Hong Kong. The present values of the defined benefit obligation and current service cost of the Plan are calculated based on the projected unit credit method. At the valuation date, the Plan had a funding level of 118% (2019: 106%).

The amounts recognised in the consolidated statement of financial position as at 31 December 2020 are analysed as follows:

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
該等退休計劃資產 之公平價值	Fair value of the Plan assets	474,893	430,055
已累積界定福利 義務之現值	Present value of the funded defined benefit obligation	(404,148)	(405,593)
於綜合財務狀況表內確認 之資產淨額	Net asset recognised in the consolidated statement of financial position	70,745	24,462

以上部份之資產預期在多於一年後才收回。此項金額亦不適宜與未來十二個月內應收賬款之金額分隔開，原因是未來的供款涉及及到未來的服務提供以及未來的精算估計和市場變化。預期於二〇二一年不會為界定退休福利計劃作出供款。

A portion of the above asset is expected to be recovered after more than one year. However, it is not practicable to segregate this amount from the amounts receivable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. No contribution to the Plan is expected to be paid in 2021.

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15 職員退休福利計劃 (續)

截至二〇二〇年及二〇一九年十二月三十一日止之年度，退休計劃並無受調整、削減或結算之影響。

於綜合收益表內確認之金額如下：

15 Staff retirement schemes (Continued)

There was no plan amendment, curtailment or settlement impact for the years ended 31 December 2020 and 2019.

The amounts recognised in the consolidated income statement are as follows:

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
服務成本	Current service cost	(13,414)	(12,543)
淨利息收入	Net interest income	401	646
包括在年內退休福利 成本之支出淨額	Net expense for the year included in retirement benefit costs	(13,013)	(11,897)

截至二〇二〇年十二月三十一日止年度，該等退休計劃資產之實際回報為港幣73,794,000元(二〇一九年：港幣52,530,000元)。

The actual return on Plan assets for the year ended 31 December 2020 was HK\$73,794,000 (2019: HK\$52,530,000).

年內界定福利義務之變動如下：

The movements in the defined benefit obligation during the year are as follows:

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
於一月一日之界定 福利義務現值	Present value of obligation at 1 January	405,593	372,347
服務成本	Current service cost	13,414	12,543
利息成本	Interest cost	6,251	6,820
實際福利支出	Actual benefits paid	(28,956)	(29,413)
負債經驗所致的精算虧損	Actuarial losses due to liability experience	2,563	10,876
財務假設變動所致的 精算虧損	Actuarial losses due to financial assumption changes	5,307	32,354
人口假設變動所致的 精算(收益)/虧損	Actuarial (gains)/losses due to demographic assumption changes	(24)	66
於十二月三十一日之 實際界定福利義務	Actual obligation at 31 December	404,148	405,593

於二〇二〇年十二月三十一日，該計劃之界定福利部份及界定福利退休計劃的界定福利義務之加權平均存續期間分別為6.2年(二〇一九年：6.4年)及1.5年(二〇一九年：1.8年)。

The weighted average duration of the defined benefit obligation as at 31 December 2020 is 6.2 years (2019: 6.4 years) and 1.5 years (2019: 1.8 years) for the DB section of the Scheme and the defined benefit pension scheme respectively.

15 職員退休福利計劃(續)

15 Staff retirement schemes (Continued)

年內該等退休計劃資產公平價值之變動如下：

The movements in the fair value of the Plan assets during the year are as follows:

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
於一月一日該等退休計劃資產之公平價值	Fair value of the Plan assets at 1 January	430,055	406,938
利息收入	Interest income	6,652	7,466
預期該等退休計劃資產利息收入以外之回報	Return on the Plan assets other than interest income	67,142	45,064
實際福利支出	Actual benefits paid	(28,956)	(29,413)
於十二月三十一日該等退休計劃資產之公平價值	Fair value of the Plan assets at 31 December	474,893	430,055

該等退休計劃資產主要分類如下：

The major categories of the Plan assets are as follows:

		二〇二〇 2020		二〇一九 2019	
		港幣千元 HK\$'000	%	港幣千元 HK\$'000	%
股權證券	Equities	306,630	64.6	266,085	61.9
債券證券	Bonds	76,499	16.1	81,941	19.0
現金	Cash	91,764	19.3	82,029	19.1
總額	Total	474,893	100.0	430,055	100.0

於二〇二〇年十二月三十一日，該等退休計劃之資產包括存放在本行之存款總值港幣65,322,000元(二〇一九年：港幣64,240,000元)。

At 31 December 2020, the amount of the Plan assets includes deposits with the Bank of HK\$65,322,000 (2019: HK\$64,240,000).

在評估時所採用之主要精算假設如下：

The principal actuarial assumptions adopted in the valuation are as follows:

		二〇二〇 2020 %	二〇一九 2019 %
折算率	Discount rate		
— 該計劃之界定福利部份	— DB section of the Scheme	0.4	1.6
— 界定福利退休計劃	— Defined benefit pension scheme	0.1	1.7
該計劃之界定福利部份之長期平均薪酬升幅	Long-term average rate of salary increase for the DB section of the Scheme	5.0	6.0
界定福利退休計劃之長期退休金增長幅度	Long-term pension increase rate for the defined benefit pension scheme	—	—

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15 職員退休福利計劃 (續)

以下為主要精算假設的合理可能變動對於十二月三十一日的界定福利義務的影響分析：

15 Staff retirement schemes (Continued)

The below analysis shows the effect on the defined benefit obligation as at 31 December as a result of reasonably possible changes in the significant actuarial assumptions:

		增加25個基點		減少25個基點	
		Increase of 25 basis points		Decrease of 25 basis points	
		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000	二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
折算率	Discount rate				
— 該計劃之界定福利部份	— DB section of the Scheme	(6,356)	(6,572)	6,540	6,765
— 界定福利退休計劃	— Defined benefit pension scheme	(5)	(5)	4	6
該計劃之界定福利部份之長期平均薪酬升幅	Long-term average rate of salary increase for the DB section of the Scheme	6,456	6,688	(6,312)	(6,534)
界定福利退休計劃之長期退休金增長幅度	Long-term pension increase rate for the defined benefit pension scheme	3	5	—	—

上述的敏感度分析假定精算假設的變動無掛鈎關係，亦不考慮該變動掛鈎關係。

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

下表列出該等退休計劃以已採用的精算假設計算的預計福利支付金額 (包括估計未來員工服務及薪酬歸屬之福利)：

The following table sets out the expected benefit payments (including benefits attributable to estimated future employee service and salary) from the Plan based on the adopted actuarial assumptions:

估值日後的年數	Number of years after valuation date	預計福利支付金額	
		Expected benefit payments	
		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
1年	1 year	43,685	29,954
2年	2 years	48,419	50,253
3年	3 years	44,689	49,344
4年	4 years	46,165	43,649
5年	5 years	22,038	44,895
6至10年	6 to 10 years	132,060	124,246
超過10年	Over 10 years	176,364	231,646

16 所得稅

16 Income tax

(a) 於綜合收益表支銷之稅項如下：

(a) Taxation charged in the consolidated income statement represents:

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
本期稅項：	Current taxation:		
– 香港利得稅	– Hong Kong profits tax	383,007	628,037
– 往年度準備剩餘	– Over-provision of taxation in respect of prior years	(2,878)	(10,559)
		380,129	617,478
– 海外稅項	– Overseas taxation	159,237	130,324
遞延稅項：	Deferred taxation:		
– 有關短暫差額之產生及轉回(註釋30)	– Relating to the origination and reversal of temporary differences (Note 30)	(18,964)	844
		520,402	748,646

香港利得稅已按本年度估計應評稅溢利以稅率16.5%(二〇一九年：16.5%)計算。海外稅項已按本年度估計應評稅溢利以本集團業務所在地現行適用之稅率計算。

The provision for Hong Kong profits tax for the year is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

(b) 本集團有關除稅前溢利之稅項與假若採用香港之稅率而計算之理論稅額之差額如下：

(b) The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
除稅前溢利	Profit before taxation	3,392,399	4,735,938
以稅率16.5% (二〇一九年：16.5%)計算	Calculated at a taxation rate of 16.5% (2019: 16.5%)	559,746	781,430
不可扣稅之支出 對稅項之影響	Tax effect of expenses not deductible for taxation purposes	38,614	26,691
無需課稅之收入 對稅項之影響	Tax effect of income not subject to taxation	(104,823)	(69,580)
與其他國家不同 稅率之影響	Effect of different taxation rates in other tax jurisdictions	28,657	23,783
往年度準備剩餘	Over-provision of taxation in respect of prior years	(2,878)	(10,559)
未確認稅項虧損之影響	Effect of unrecognised tax losses	394	(444)
其他	Others	692	(2,675)
所得稅	Income tax	520,402	748,646

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16 所得稅 (續)

16 Income tax (Continued)

(c) 其他全面收益的各組成部份的所得稅影響：

(c) The income tax effects relating to components of other comprehensive income are as follows:

		二〇二〇 2020		二〇一九 2019			
		稅前金額 Before-tax amount 港幣千元 HK\$'000	所得稅 Income tax 港幣千元 HK\$'000	稅後金額 Net-of- tax amount 港幣千元 HK\$'000	稅前金額 Before- tax amount 港幣千元 HK\$'000	所得稅 Income tax 港幣千元 HK\$'000	稅後金額 Net-of- tax amount 港幣千元 HK\$'000
以公平價值誌入其他 全面收益之金融資產	Financial assets at fair value through other comprehensive income						
— 公平價值改變	— Changes in fair value	35,199	5,552	40,751	144,777	(53,304)	91,473
— 於出售時轉入 收益表	— Transfer to income statement on disposal	(123,620)	—	(123,620)	(79,142)	—	(79,142)
— 於減值時轉入 收益表	— Transfer to income statement on impairment	63,218	—	63,218	116,375	—	116,375
應佔聯營公司之儲備	Share of associates' reserves	(3,976)	—	(3,976)	28,015	—	28,015
因折算海外機構的 財務報表產生的 匯兌差額	Exchange difference on translation of financial statements of overseas operations	381,570	—	381,570	(128,530)	—	(128,530)
以公平價值誌入其他 全面收益之股權證券	Equity securities at fair value through other comprehensive income						
— 公平價值改變	— Changes in fair value	131,089	3,064	134,153	(52,480)	1,984	(50,496)
重估房產之盈餘	Surplus on revaluation of bank premises	—	—	—	393	—	393
界定福利計劃之精算 收益	Actuarial gains on defined benefit scheme	59,296	(9,783)	49,513	1,768	(292)	1,476
年內其他全面收益/ (支出)	Other comprehensive income/(expense) for the year	542,776	(1,167)	541,609	31,176	(51,612)	(20,436)

17 庫存現金、同業存放及貸款

17 Cash, balances and placements with and loans and advances to banks

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
按攤銷成本列賬	At amortised cost		
庫存現金	Cash	755,465	1,154,308
存放同業	Balances with banks	15,623,612	13,088,998
存放中央銀行	Balances with central banks	19,877,021	2,697,673
同業定期存放	Placements with banks		
– 於一個月內到期	– maturing within one month	23,681,240	33,201,428
– 於一至十二個月內到期	– maturing between one and twelve months	18,436,689	8,904,114
		42,117,929	42,105,542
同業貸款	Gross loans and advances to banks	2,989,391	6,162,791
減值準備	Impairment allowances		
– 第一階段	– Stage 1	(7,378)	(2,217)
		81,356,040	65,207,095
以公平價值誌入 其他全面收益	At fair value through other comprehensive income		
同業貸款	Gross loans and advances to banks	3,860,970	1,120,892
		3,860,970	1,120,892
		85,217,010	66,327,987

於二〇二〇年十二月三十一日，本集團受外匯監管及法定限制的存放中央銀行結存為港幣477,806,000元（二〇一九年：港幣639,644,000元）。

The Group's balances with central banks that are subject to exchange control and regulatory restrictions amounted to HK\$477,806,000 at 31 December 2020 (2019: HK\$639,644,000).

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18 衍生金融工具

下列為各項重大衍生金融工具之未經雙邊淨額結算安排之名義或合約金額、公平價值及信貸風險比重金額：

18 Derivative financial instruments

The following is a summary of the notional or contractual amounts, fair values and credit risk weighted amounts of each significant type of derivatives, without taking into account the effects of bilateral netting arrangements:

		公平價值			公平價值		
		名義/ 合約金額	Fair values		名義/ 合約金額	Fair values	
		Notional/ contractual amount	資產 Assets	負債 Liabilities	Notional/ contractual amount	資產 Assets	負債 Liabilities
		二〇二〇 2020	二〇二〇 2020	二〇二〇 2020	二〇一九 2019	二〇一九 2019	二〇一九 2019
		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
外匯合約	Exchange rate contracts						
遠期合約	Forward contracts	30,691,170	1,044,827	1,005,001	14,875,678	121,764	96,500
貨幣掉期	Currency swaps	33,290,539	558,285	219,088	62,766,534	401,964	213,939
沽出期權	Options written	239,868	-	2,572	215,920	-	2,965
購入期權	Options purchased	305,126	3,552	-	276,330	2,708	-
		64,526,703	1,606,664	1,226,661	78,134,462	526,436	313,404
利率合約	Interest rate contracts						
利率掉期	Interest rate swaps	21,410,897	13,740	57,446	21,392,909	57,787	76,086
股權合約	Equity contracts						
沽出期權	Options written	-	-	-	115,432	-	4,063
購入期權	Options purchased	-	-	-	115,432	4,063	-
		-	-	-	230,864	4,063	4,063
		85,937,600	1,620,404	1,284,107	99,758,235	588,286	393,553

此等工具之合約金額只顯示於結算日未完成之交易量，並不代表風險大小。由於市場利率、匯率或股權價格波動，衍生工具可能形成有利（資產）或不利（負債）。衍生金融資產及負債之公平價值總額可隨時有重大的波動。

The contractual amounts of these instruments indicate the volume of transactions outstanding as at the end of the reporting period and they do not represent amounts at risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or equity prices relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

18 衍生金融工具(續)

18 Derivative financial instruments (Continued)

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
信貸風險比重金額	Credit risk weighted amount		
外匯合約	Exchange rate contracts	1,031,449	512,037
利率合約	Interest rate contracts	3,565	64,334
股權合約	Equity contracts	–	9,288
		1,035,014	585,659

信貸風險比重金額是根據香港《銀行業(資本)規則》而計算，此等金額亦須視乎交易對手之現況及該等金融工具之到期特點而計算。所採用之風險比重為0%至150%。

Credit risk weighted amount refers to the amount as computed in accordance with the Banking (Capital) Rules. The amount depends on the status of the counterparties and the maturity characteristics of the instruments. The risk weights used range from 0% to 150%.

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19 以公平價值誌入損益賬之金融資產 19 Financial assets at fair value through profit or loss

		金融資產 Financial assets		
		規定以公平價值誌入損益賬 Mandatorily measured at fair value through profit or loss 港幣千元 HK\$'000	指定以公平價值誌入損益賬 Designated at fair value through profit or loss 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二〇年	2020			
債務證券	Debt securities			
– 香港上市	– Listed in Hong Kong	828,571	1,082,324	1,910,895
– 海外上市	– Listed outside Hong Kong	1,309,653	770,320	2,079,973
– 非上市	– Unlisted	83,276	16,856	100,132
		2,221,500	1,869,500	4,091,000
股權證券	Equity securities			
– 香港上市	– Listed in Hong Kong	131,653	–	131,653
– 非上市	– Unlisted	8,860	–	8,860
		140,513	–	140,513
股權投資基金	Equity investment fund			
– 非上市	– Unlisted	128,970	–	128,970
		2,490,983	1,869,500	4,360,483
其發行人為：	Of which issued by:			
– 中央政府及中央銀行	– Central governments and central banks	740,238	–	740,238
– 銀行及其他金融機構	– Banks and other financial institutions	232,501	–	232,501
– 企業	– Corporate entities	1,518,244	1,869,500	3,387,744
		2,490,983	1,869,500	4,360,483

19 以公平價值誌入損益賬之金融資產(續) 19 Financial assets at fair value through profit or loss
(Continued)

		金融資產 Financial assets		
		規定以公平價 值誌入損益賬 Mandatorily measured at fair value through profit or loss 港幣千元 HK\$'000	指定以公平價 值誌入損益賬 Designated at fair value through profit or loss 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇一九年	2019			
債務證券	Debt securities			
– 香港上市	– Listed in Hong Kong	475,809	2,171,290	2,647,099
– 海外上市	– Listed outside Hong Kong	2,269,751	1,125,225	3,394,976
– 非上市	– Unlisted	15,499	323,589	339,088
		2,761,059	3,620,104	6,381,163
股權證券	Equity securities			
– 香港上市	– Listed in Hong Kong	179,532	–	179,532
– 海外上市	– Listed outside Hong Kong	27,402	–	27,402
– 非上市	– Unlisted	8,860	–	8,860
		215,794	–	215,794
股權投資基金	Equity investment fund			
– 非上市	– Unlisted	139,764	–	139,764
		3,116,617	3,620,104	6,736,721
其發行人為：	Of which issued by:			
– 中央政府及 中央銀行	– Central governments and central banks	300,953	–	300,953
– 銀行及其他 金融機構	– Banks and other financial institutions	1,896,889	241,388	2,138,277
– 企業	– Corporate entities	918,775	3,378,716	4,297,491
		3,116,617	3,620,104	6,736,721

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20 證券投資

20 Investments in securities

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
以公平價值誌入其他 全面收益之金融投資	Financial investments at fair value through other comprehensive income		
債務證券	Debt securities	79,934,571	70,279,276
股權證券	Equity securities	1,088,729	1,125,516
		81,023,300	71,404,792
按攤銷成本列賬之金融投資	Financial investments at amortised cost		
債務證券	Debt securities	1,892,409	892,577
減值準備	Impairment allowances		
– 第一階段	– Stage 1	(2,725)	(1,315)
– 第三階段	– Stage 3	(163,990)	(165,407)
		1,725,694	725,855
		82,748,994	72,130,647

基於業務策略原因，本集團將某些股權投資指定以公平價值誌入其他全面收益計量，惟仍需遵守內部止損限額控制機制。其已確認股息收入如下：

The Group has designated some equity investments at fair value through other comprehensive income for business strategic reasons subjected to internal stop loss limit control mechanism. The dividend income recognised from these equity investments are as follows:

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
已確認股息收入	Dividend income recognised		
於年末仍持有之股權證券	Equity securities held at year end		
– 香港上市	– Listed in Hong Kong	6,759	18,173
– 海外上市	– Listed outside Hong Kong	2,910	1,787
– 非上市	– Unlisted	47,486	24,180
於年內已出售之股權證券	Equity securities sold during the year		
– 香港上市	– Listed in Hong Kong	7,356	1,097
		64,511	45,237

20 證券投資 (續)

本集團於年內出售部份上述股權投資，因其已到達內部止損限額。詳情如下：

20 Investments in securities (Continued)

During the year, the Group sold some of these equity investments as they have reached the internal stop loss limits. The details are as follows:

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
於出售時之公平價值	Fair value at disposal	245,355	77,423
於出售時由重估金融資產 儲備轉入保留溢利之 出售淨虧損	Loss on disposal transferred from financial asset revaluation reserve to retained earnings	(42,738)	(19,258)

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20 證券投資(續)

20 Investments in securities (Continued)

		金融投資 Financial investments		
		以公平價值 誌入其他 全面收益 At fair value through other comprehensive income 港幣千元 HK\$'000	按攤銷成本 列賬 At amortised cost 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇二〇年	2020			
債務證券	Debt securities			
– 香港上市	– Listed in Hong Kong	11,128,728	661,758	11,790,486
– 海外上市	– Listed outside Hong Kong	32,383,235	881,124	33,264,359
– 非上市	– Unlisted	36,422,608	182,812	36,605,420
		79,934,571	1,725,694	81,660,265
股權證券	Equity securities			
– 香港上市	– Listed in Hong Kong	160,959	–	160,959
– 海外上市	– Listed outside Hong Kong	48,541	–	48,541
– 非上市	– Unlisted	879,229	–	879,229
		1,088,729	–	1,088,729
		81,023,300	1,725,694	82,748,994
按攤銷成本列賬之上市 證券公平價值	Fair value of listed securities at amortised cost		1,548,416	
其發行人為：	Of which issued by:			
– 中央政府及 中央銀行	– Central governments and central banks	23,402,841	678,606	24,081,447
– 銀行及其他 金融機構	– Banks and other financial institutions	45,053,156	376,901	45,430,057
– 企業	– Corporate entities	12,567,303	670,187	13,237,490
		81,023,300	1,725,694	82,748,994
債務證券包括：	Included within debt securities are:			
– 持有之存款證	– Certificates of deposit held	11,312,179	174,384	11,486,563
– 國庫券 (包括外匯基金票據)	– Treasury bills (including Exchange Fund Bills)	17,261,370	356,937	17,618,307
– 其他債券	– Other debt securities	51,361,022	1,194,373	52,555,395
		79,934,571	1,725,694	81,660,265

20 證券投資(續)

20 Investments in securities (Continued)

		金融投資 Financial investments		
		以公平價值 誌入其他 全面收益 At fair value through other comprehensive income 港幣千元 HK\$'000	按攤銷成本 列賬 At amortised cost 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
二〇一九年	2019			
債務證券	Debt securities			
– 香港上市	– Listed in Hong Kong	9,922,615	521,769	10,444,384
– 海外上市	– Listed outside Hong Kong	14,528,980	21,125	14,550,105
– 非上市	– Unlisted	45,827,681	182,961	46,010,642
		70,279,276	725,855	71,005,131
股權證券	Equity securities			
– 香港上市	– Listed in Hong Kong	368,061	–	368,061
– 海外上市	– Listed outside Hong Kong	49,494	–	49,494
– 非上市	– Unlisted	707,961	–	707,961
		1,125,516	–	1,125,516
		71,404,792	725,855	72,130,647
按攤銷成本列賬之 上市證券公平價值	Fair value of listed securities at amortised cost		544,053	
其發行人為：	Of which issued by:			
– 中央政府及 中央銀行	– Central governments and central banks	35,115,656	–	35,115,656
– 銀行及其他 金融機構	– Banks and other financial institutions	25,418,006	175,181	25,593,187
– 企業	– Corporate entities	10,871,130	550,674	11,421,804
		71,404,792	725,855	72,130,647
債務證券包括：	Included within debt securities are:			
– 持有之存款證	– Certificates of deposit held	6,873,501	175,181	7,048,682
– 國庫券 (包括外匯基金票據)	– Treasury bills (including Exchange Fund Bills)	32,321,313	–	32,321,313
– 其他債券	– Other debt securities	31,084,462	550,674	31,635,136
		70,279,276	725,855	71,005,131

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21 貸款及其他賬項

21 Advances and other accounts

(a) 貸款及其他賬項

(a) Advances and other accounts

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
按攤銷成本列賬	At amortised cost		
客戶貸款	Advances to customers	187,069,677	174,248,232
商業票據	Trade bills	402,921	2,047,858
應計利息	Accrued interest	1,047,871	1,215,032
其他賬項	Other accounts		
– 應收保費	– Insurance premium receivable	177,669	136,676
– 於再投保人收回 (註釋31)	– Recoverable from reinsurers (Note 31)	278,136	264,549
– 應收及其他賬項	– Accounts and other receivable	3,000,140	2,277,068
		3,455,945	2,678,293
減值準備	Impairment allowances		
– 第一階段	– Stage 1	(375,652)	(158,466)
– 第二階段	– Stage 2	(138,324)	(72,076)
– 第三階段	– Stage 3	(816,409)	(887,295)
		(1,330,385)	(1,117,837)
		190,646,029	179,071,578
以公平價值誌入 其他全面收益	At fair value through other comprehensive income		
客戶貸款	Advances to customers	394,773	171,678
商業票據	Trade bills	6,467,569	8,688,707
		6,862,342	8,860,385
		197,508,371	187,931,963

21 貸款及其他賬項 (續)

21 Advances and other accounts (Continued)

(b) 融資租賃及租購合約

(b) Finance leases and hire purchase contracts

客戶貸款內包括融資租賃及租購合約之投資，其分析如下：

Advances to customers include investments in finance lease receivables and hire purchase contracts, analysed as follows:

		二〇二〇 2020 港幣千元 HK\$' 000	二〇一九 2019 港幣千元 HK\$' 000
應收投資總額	Gross investment, receivable		
– 一年內	– Within one year	10,707	21,686
– 一年以上至五年	– After one year but within five years	14,358	25,331
– 五年以上	– After five years	1,500	1,852
		26,565	48,869
未賺取之財務收入	Unearned finance income	(213)	(751)
投資淨額	Net investment	26,352	48,118

融資租賃及租購合約之投資淨額分析如下：

The net investment in finance lease receivables and hire purchase contracts is analysed as follows:

		二〇二〇 2020 港幣千元 HK\$' 000	二〇一九 2019 港幣千元 HK\$' 000
一年內	Within one year	10,532	21,139
一年以上至五年	After one year but within five years	14,320	25,127
五年以上	After five years	1,500	1,852
		26,352	48,118

本集團之融資租賃及租購合約之投資總額並無包括不受保證之剩餘價值(二〇一九年：無)。

No unguaranteed residual values were included in the gross investment in finance lease receivables and hire purchase contracts of the Group (2019: Nil).

於二〇二〇年十二月三十一日，本集團之不可收回融資租賃及租購合約之減值準備金總額為港幣260,000元(二〇一九年：港幣170,000元)。

As at 31 December 2020, the impairment allowances for uncollectible finance lease receivables and hire purchase contracts of the Group included in the impairment allowances for the receivables amounted to HK\$260,000 (2019: HK\$170,000).

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22 附屬公司權益

下列為本行於二〇二〇年十二月三十一日，擁有之附屬公司：

22 Interests in subsidiaries

The following is a list of the subsidiaries owned by the Bank at 31 December 2020:

名稱	Name	註冊及營業地點	Place of incorporation and operation	已發行及已繳足之股本		主要業務	Principal activities
				股數	每股面值		
				Number of shares	Nominal value per share		
招商永隆保險有限公司 [#]	CMB Wing Lung Insurance Company Limited [#]	香港	Hong Kong	29,000,000	不適用/ n.a.	保險業務	Insurance underwriting
招商永隆融資有限公司 [#]	CMB Wing Lung Capital Limited [#]	香港	Hong Kong	7,000,000	不適用/ n.a.	財務諮詢服務	Financial consultancy services
招商永隆財務有限公司 [#]	CMB Wing Lung Finance Limited [#]	香港	Hong Kong	2,500,000	不適用/ n.a.	提供財務服務	Provision of financial services
招商永隆資產管理有限公司 [#]	CMB Wing Lung Asset Management Limited [#]	香港	Hong Kong	2,565,450	不適用/ n.a.	資產管理	Asset management
招商永隆信託有限公司 [#]	CMB Wing Lung (Trustee) Limited [#]	香港	Hong Kong	300,000	不適用/ n.a.	信託業務	Trustee services
招商永隆保險顧問有限公司 [#]	CMB Wing Lung Insurance Brokers Limited [#]	香港	Hong Kong	250,000	不適用/ n.a.	保險顧問	Insurance broking
招商永隆代理有限公司 [#]	CMB Wing Lung Agency Limited [#]	香港	Hong Kong	50,000	不適用/ n.a.	保險代理	Insurance agency
招商永隆受託代管有限公司 [#]	CMB Wing Lung (Nominees) Limited [#]	香港	Hong Kong	1,000	不適用/ n.a.	受託代管服務	Nominee services
招商永隆管業有限公司 [#]	CMB Wing Lung Property Management Limited [#]	香港	Hong Kong	1,000	不適用/ n.a.	物業管理	Property management
康令有限公司 ^{**}	Hongnet Limited ^{**}	香港	Hong Kong	1,000	不適用/ n.a.	投資業務	Investment holding
Wingspan Incorporated [#]	Wingspan Incorporated [#]	美國	U.S.A.	1,500,000	US\$1	物業持有	Property holding
Wing Lung Opportunities Fund Limited [@]	Wing Lung Opportunities Fund Limited [@]	開曼群島	Cayman Islands	36,696	US\$1,000	投資業務	Investment holding
Wing Lung Opportunities Master Fund Limited [@]	Wing Lung Opportunities Master Fund Limited [@]	開曼群島	Cayman Islands	24,788	US\$1,000	投資業務	Investment holding
Wing Lung Growth Fund III Segregated Portfolio [#]	Wing Lung Growth Fund III Segregated Portfolio [#]	開曼群島	Cayman Islands	433,200	HK\$1,000	投資業務	Investment holding

22 附屬公司權益 (續)

22 Interests in subsidiaries (Continued)

名稱	Name	註冊及 營業地點	Place of incorporation and operation	已發行及已繳足之股本 Issued and paid up share capital		主要業務	Principal activities
				股數 Number of shares	每股面值 Nominal value per share		
時永投資有限公司 [^]	Sea Wing Investments Limited [^]	香港	Hong Kong	1,000	不適用/ n.a.	物業持有	Property holding
招商永隆股權投資管理 (深圳)有限公司 [^]	CMB Wing Lung Equity Investment Management (Shenzhen) Limited [^]	中華人民 共和國	People's Republic of China	(註釋a) (Note a)	(註釋a) (Note a)	股權投資 管理	Equity investment management
安碧有限公司 [^]	Antopex Limited [^]	英屬 處女島	British Virgin Islands	1	US\$1	信託業務	Trustee services
保亞有限公司 [^]	Bulleria Limited [^]	英屬 處女島	British Virgin Islands	1	US\$1	信託業務	Trustee services
錦嶺有限公司 [^]	Cameland Limited [^]	英屬 處女島	British Virgin Islands	1	US\$1	信託業務	Trustee services
德衛有限公司 [^]	Deeright Limited [^]	英屬 處女島	British Virgin Islands	1	US\$1	信託業務	Trustee services
億聯有限公司 [^]	Eaglearn Limited [^]	英屬 處女島	British Virgin Islands	1	US\$1	信託業務	Trustee services

於二〇二〇年四月二十九日，本行贖回其在CMFHK Fortune 100 Fixed Income SP中的所有權益。

At 29 April 2020, the Bank redeemed all of its interests in CMFHK Fortune 100 Fixed Income SP.

由本行全資直接持有之附屬公司。

Wholly and directly held by the Bank.

[^] 由本行全資間接持有之附屬公司。

[^] Wholly and indirectly held by the Bank.

@ 於二〇二〇年十二月三十一日，本行持有Wing Lung Opportunities Fund Limited (「該基金」) 發行股數之96.65% (二〇一九年：96.21%)。Wing Lung Opportunities Master Fund Limited由該基金全資直接持有。

@ At 31 December 2020, the Bank directly holds 96.65% (2019: 96.21%) of the shares issued by Wing Lung Opportunities Fund Limited (the "Fund"). Wing Lung Opportunities Master Fund Limited is wholly and directly held by the Fund.

* 於二〇二〇年十二月開始進行清算。

* Liquidation process commenced in December 2020.

註釋：(a)註冊資本為人民幣13,000,000元

Note: (a) Registered capital was RMB13,000,000.

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23 共同控制實體權益

23 Interests in jointly controlled entities

		二〇二〇 2020 港幣千元 HK\$' 000	二〇一九 2019 港幣千元 HK\$' 000
應佔資產淨額	Share of net assets	221,380	203,071

本集團之共同控制實體之資料如下：

The particulars of the Group's jointly controlled entities are as follows:

名稱	Name	註冊 及營業 地點	Place of incorporation and operation	擁有權益 Ownership interest	投票權之百分比 Proportion of voting power	主要業務	Principal activities
銀聯控股 有限公司*	Bank Consortium Holding Limited*	香港	Hong Kong	13.33%	14.29%	提供退休計劃之信託、行政及保管服務	Provision of trustee, administration and custodian services for retirement schemes
銀聯通寶 有限公司*	Joint Electronic Teller Services Limited*	香港	Hong Kong	(註釋a) (Note a)	(註釋a) (Note a)	提供自動櫃員機之網絡服務	Provision of ATM network services
銀和再保險 有限公司	BC Reinsurance Limited	香港	Hong Kong	21.00%	21.00%	再保險業務	Reinsurance business

以上共同控制實體是本集團的策略夥伴，以拓闊本集團提供予客戶的服務種類。

The above jointly controlled entities are strategic partners for the Group to widen the service types to be provided to the Group's customers.

* 由本行直接持有之共同控制實體

* Directly held by the Bank

註釋：(a) 本集團乃五位創辦成員之一，並共同擁有該公司之控制權益。本集團持有該公司發行予其創辦成員普通股「A」股之20%。該公司有其他普通股級別。在公司清盤時，「A」股擁有分配公司資產的投票權。於二〇二〇年十二月三十一日，本集團擁有該公司宣派股息之2.67% (二〇一九年：2.67%) 權益。

Note: (a) The Group is one of the five founding members which together have a controlling interest in the company. The Group holds 20% of the 'A' ordinary shares issued by the company to its founding members. The company also has other class of ordinary shares. Class A ordinary shares have the right to vote on the allocation of the company's asset upon the winding up of the company. As at 31 December 2020, the Group is entitled to 2.67% (2019: 2.67%) of dividends declared by the company.

個別不重大共同控制實體之總和資料：

Aggregate information of jointly controlled entities that are not individually material:

		二〇二〇 2020 港幣千元 HK\$' 000	二〇一九 2019 港幣千元 HK\$' 000
本集團佔該等共同控制實體 的總額	Aggregate amounts of the Group's share of those jointly controlled entities		
源自持續營運溢利	Profit from continuing operations	44,444	36,462
其他全面支出	Other comprehensive expense	-	-
全面收益總額	Total comprehensive income	44,444	36,462

24 聯營公司權益

24 Interests in associates

		二〇二〇 2020 港幣千元 HK\$' 000	二〇一九 2019 港幣千元 HK\$' 000
應佔資產淨額	Share of net assets	3,633,892	3,074,800

本集團之聯營公司之資料如下：

The particulars of the Group's associates are as follows:

名稱	Name	註冊及 營業地點	Place of incorporation and operation	主要業務	Principal activities	持有之 已發行 股份詳情	Particulars of issued shares held	間接持有權益	Interest held indirectly
專業責任保險 代理有限公司	Professional Liability Underwriting Services Limited	香港	Hong Kong	保險代理	Insurance agency	非上市之 普通股	Unlisted ordinary shares	27%	27%
香港人壽保險 有限公司	Hong Kong Life Insurance Limited	香港	Hong Kong	人壽保險業務	Life insurance business	非上市之 普通股	Unlisted ordinary shares	16.67%	16.67%
招聯消費金融 有限公司*	Merchants Union Consumer Finance Company Limited*	中華人民 共和國	People's Republic of China	消費金融服務	Consumer finance service	非上市之 普通股	Unlisted ordinary shares	25.85%	25.85%

以上聯營公司是本集團的策略夥伴。

The above associates are strategic partners for the Group.

* 由本行直接持有之聯營公司

* Directly held by the Bank

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24 聯營公司權益 (續)

對本集團有重大影響的聯營公司之財務資料概括如下：

以下的財務資料乃按照《香港財務報告準則》編製的聯營公司財務報表所列示的金額。

招聯消費金融有限公司：

24 Interests in associates (Continued)

Summarised financial information in respect of the Group's material associate is set out below:

The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

Merchants Union Consumer Finance Company Limited:

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
聯營公司的總額	Gross amounts of associate		
資產	Assets	129,731,892	103,999,600
負債	Liabilities	116,598,037	93,045,598
權益	Equity	13,133,855	10,954,002
總收益	Gross income	19,853,051	16,344,001
淨溢利	Net profit	1,981,765	1,636,809
全面收益總額	Total comprehensive income	1,981,765	1,636,809
與本集團聯營公司的對賬	Reconciled to the Group's interest in associate		
聯營公司淨資產總額	Gross amounts of net assets of associate	13,133,855	10,954,002
本集團對聯營公司淨資產之實際權益	Group's share of net assets of associate	3,394,673	2,831,252
個別不重大聯營公司之總和資料：	Aggregate information of associates that are not individually material:		
		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
本集團佔該等聯營公司的總額	Aggregate amounts of the Group's share of associates		
源自持續營運溢利／(虧損)	Profit/(loss) from continuing operations	660	(994)
其他全面(支出)／收益	Other comprehensive (expense)/income	(3,976)	28,014
全面(支出)／收益總額	Total comprehensive (expense)/income	(3,316)	27,020

25 投資物業

25 Investment properties

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
於一月一日	At 1 January	3,171,350	3,266,150
房產與投資物業重分類	Net reclassification between premises and investment properties	(142,250)	(30,433)
重估公平價值虧損	Fair value losses on revaluation	(196,810)	(64,367)
於十二月三十一日 (經專業估值列賬)	At 31 December (professional valuation)	2,832,290	3,171,350
		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
位於香港之租約物業：	Leasehold properties in Hong Kong:		
– 長期租約 (五十年以上)	– Long-term leases (over 50 years)	390,750	429,710
– 中期租約 (十至五十年)	– Medium-term leases (between 10 to 50 years)	2,441,540	2,741,640
		2,832,290	3,171,350

所有投資物業於二〇二〇年十二月三十一日之估值，以投資估值方法將淨租金收入資本化釐定。是次重估經由獨立測量公司韋堅信測量師行有限公司進行，其僱員具香港測量師學會會士資歷及對估值物業的所在地點及類別有近期估值經驗。

All investment properties were revalued as at 31 December 2020 by capitalising the net rental income using the Investment Method of Valuation. The valuations were carried out by an independent firm of surveyors, A.G. Wilkinson & Associates (Surveyors) Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

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25 投資物業 (續)

下表呈列本集團以經常性計量的投資物業公平價值，並按香港財務報告準則第13號定義的公平價值層級分類。公平價值以估值所用的投入數據可觀察性劃分層級。可觀察的投入數據反映市場資訊從獨立的來源獲得；不可觀察的投入數據反映了本集團對市場的預期。這兩種投入數據產生了下列公平價值的層級：

- 第1層 – 參考同一工具於活躍市場取得的市場報價 (未經調整)。
- 第2層 – 根據可觀察的直接 (如報價) 或間接 (如由報價所推算) 投入數據之估值模式。
- 第3層 – 根據重要但不可觀察得到的投入數據之估值模式。

25 Investment properties (Continued)

The table below presents the fair value of the Group's investment properties measured on a recurring basis, categorised into the fair value hierarchy as defined in HKFRS 13. The level into which a fair value measurement is classified is based on whether the inputs used in the valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2 – Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Valuation techniques using significant unobservable inputs.

		第三層 Level 3	
		二〇二〇 2020	二〇一九 2019
		港幣千元 HK\$'000	港幣千元 HK\$'000
經常性公平價值計量： 位於香港之租約物業	Recurring fair value measurement: Leasehold properties in Hong Kong	2,832,290	3,171,350

截至二〇二〇年十二月三十一日及二〇一九年十二月三十一日止之財政年度，並無公平價值層級內第一層與第二層間之轉移，亦無轉入或從第三層轉出。本集團於公平價值層級間的轉移發生的報告期末予以確認。

During the years ended 31 December 2020 and 31 December 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 within the fair value hierarchy. The Group recognises transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

25 投資物業 (續)

以下表格列出於年末時用以計量被分類為公平價值層級第3層的投资物業之重大不可觀察的投入數據資料。

25 Investment properties (Continued)

The table below sets out information about significant unobservable inputs used at year end in measuring investment properties categorised as level 3 in the fair value hierarchy.

估值技巧	Valuation techniques	賬面值		不可觀察的投入數據對公平價值計量的敏感度
		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000	
投資估值方法	Investment method	2,832,290	3,171,350	
估值技巧	重大不可觀察的投入數據	範圍		Fair value measurement sensitivity to unobservable inputs
Valuation techniques	Significant unobservable inputs	二〇二〇 2020	二〇一九 2019	
投資估值方法	市場收益率	2.73%-8.57%	2.73%-8.53%	市場收益率的重大上升將引致公平價值的下跌 Significant increase in market yield would result in a lower fair value
Investment method	Market yield			
	市場租金	每平方尺 港幣15元至 港幣945元 HK\$15 to HK\$945 per square feet	每平方尺 港幣16元至 港幣985元 HK\$16 to HK\$985 per square feet	市場租金的重大上升將引致公平價值的上升 Significant increase in market rent would result in a higher fair value
	Market rent			

註釋：因可供比較的交易數量有限，所有投資物業於二〇二〇年十二月三十一日及二〇一九年十二月三十一日均以投資估值方法計量。

Note: Due to the limited number of comparable transactions, all investment properties are measured using investment method as at 31 December 2020 and 31 December 2019.

本集團以經營租賃形式租出投資物業。租賃年期通常不長於四年。截至二〇二〇年十二月三十一日止年度，並無包括在租約內之或有租金（二〇一九年：無）。

The Group leases out investment properties under operating leases. The leases typically run for an initial period of up to 4 years. There were no contingent rentals included in leases for the year ended 31 December 2020 (2019: Nil).

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25 投資物業 (續)

於十二月三十一日，不可撤銷之營業租賃之未來最低應收租賃款項總額如下：

25 Investment properties (Continued)

At 31 December, the total future minimum lease payments receivable under non-cancellable operating leases are as follows:

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
土地及樓宇	Land and buildings		
– 一年以內	– Within one year	64,562	99,174
– 一年以後至兩年內	– After one year but within two years	16,295	37,939
– 兩年以後至三年內	– After two years but within three years	1,717	3,938
		82,574	141,051

26 租賃土地權益

本集團之租賃土地權益為預繳土地溢價，其賬面淨值分析如下：

26 Interests in leasehold land

The Group's interests in leasehold land represent prepaid land lease premium and their net book values are analysed as follows:

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
於一月一日	At 1 January	157,674	161,427
租賃土地折舊 (註釋11)	Depreciation of leasehold land (Note 11)	(3,753)	(3,753)
於十二月三十一日	At 31 December	153,921	157,674
在香港持有：	In Hong Kong held on:		
– 長期租約 (五十年以上)	– Long-term leases (over 50 years)	64,834	65,211
– 中期租約 (十至五十年)	– Medium-term leases (between 10 to 50 years)	89,087	92,463
		153,921	157,674

27 其他物業及設備

27 Other properties and equipment

		使用權資產 Right of use assets				
		傢俬及設備 Furniture and Premises 港幣千元 HK\$' 000		傢俬及設備 Furniture and Premises 港幣千元 HK\$' 000		合計 Total 港幣千元 HK\$' 000
成本	Cost					
於二〇二〇年一月一日	At 1 January 2020	936,763	1,889,019	395,356	204	3,221,342
匯兌差額	Exchange difference	(151)	4,182	5,150	(1)	9,180
租賃修訂	Lease modifications	–	–	(4,356)	–	(4,356)
增置	Additions	–	270,015	80,569	444	351,028
出售	Disposals	(293)	(13,216)	(38,846)	(203)	(52,558)
	Net reclassification between premises and investment properties					
房產與投資物業重分類		142,250	–	–	–	142,250
於二〇二〇年十二月三十一日	At 31 December 2020	1,078,569	2,150,000	437,873	444	3,666,886
累積折舊	Accumulated depreciation					
於二〇二〇年一月一日	At 1 January 2020	261,388	1,374,527	92,565	153	1,728,633
匯兌差額	Exchange difference	(52)	3,514	3,961	12	7,435
本年度折舊(註釋11)	Charge for the year (Note 11)	22,803	168,370	123,083	124	314,380
出售回撥	Written back on disposal	(104)	(12,782)	(38,846)	(203)	(51,935)
於二〇二〇年十二月三十一日	At 31 December 2020	284,035	1,533,629	180,763	86	1,998,513
賬面淨值	Net book value					
於二〇二〇年十二月三十一日	At 31 December 2020	794,534	616,371	257,110	358	1,668,373

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27 其他物業及設備 (續)

27 Other properties and equipment (Continued)

		使用權資產				合計
		傢俬及設備		傢俬及設備		
		房產	傢俬及設備	房產	傢俬及設備	
		Premises	Furniture and equipment	Premises	Furniture and equipment	Total
		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
成本	Cost					
於二〇一九年一月一日	At 1 January 2019	906,463	1,849,160	224,533	206	2,980,362
匯兌差額	Exchange difference	(197)	(1,279)	(1,355)	(2)	(2,833)
增置	Additions	–	49,301	172,178	–	221,479
出售	Disposals	–	(8,163)	–	–	(8,163)
	Net reclassification between premises and investment properties	30,433	–	–	–	30,433
房產與投資物業重分類	Revaluation surplus on premises transferred to investment properties	393	–	–	–	393
房產重估盈餘轉入投資物業	Less: elimination of accumulated depreciation on revaluation	(329)	–	–	–	(329)
減：累積折舊抵銷重估值						
於二〇一九年十二月三十一日	At 31 December 2019	936,763	1,889,019	395,356	204	3,221,342
累積折舊	Accumulated depreciation					
於二〇一九年一月一日	At 1 January 2019	243,582	1,243,614	–	–	1,487,196
匯兌差額	Exchange difference	(68)	(1,005)	(454)	(14)	(1,541)
本年度折舊 (註釋11)	Charge for the year (Note 11)	18,203	139,656	93,019	167	251,045
出售回撥	Written back on disposal	–	(7,738)	–	–	(7,738)
重估後撇除	Elimination on revaluation	(329)	–	–	–	(329)
於二〇一九年十二月三十一日	At 31 December 2019	261,388	1,374,527	92,565	153	1,728,633
賬面淨值	Net book value					
於二〇一九年十二月三十一日	At 31 December 2019	675,375	514,492	302,791	51	1,492,709

27 其他物業及設備(續)

27 Other properties and equipment (Continued)

房產之賬面淨值包括：

The net book value of premises comprises:

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
位於香港之租約物業：	Leasehold properties in Hong Kong:		
– 長期租約(五十年以上)	– Long-term leases (over 50 years)	340,889	345,973
– 中期租約(十至五十年)	– Medium-term leases (between 10 to 50 years)	428,270	302,699
		769,159	648,672
位於海外之租約物業：	Leasehold properties outside Hong Kong:		
– 永久	– Freehold	21,497	22,467
– 中期租約(十至五十年)	– Medium-term leases (between 10 to 50 years)	3,878	4,236
		25,375	26,703
		794,534	675,375

28 客戶存款

28 Deposits from customers

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
活期存款及往來賬戶	Demand deposits and current accounts	36,844,979	26,709,309
儲蓄存款	Savings deposits	86,211,771	59,702,409
定期存款及通知存款	Time, call and notice deposits	147,065,108	156,724,225
		270,121,858	243,135,943

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29 資本工具

29 Capital instruments

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
發行之後償債項	Subordinated debts issued		
美元400,000,000元按攤銷成本 列賬的定息後償票據 (註釋a)	US\$400,000,000 subordinated fixed rate notes, measured at amortised cost (Note a)	3,097,196	3,110,591
		3,097,196	3,110,591
額外權益工具	Additional equity instruments		
人民幣1,000,000,000元永續型 非累積後償資本證券 (註釋b)	RMB1,000,000,000 undated non-cumulative subordinated capital securities (Note b)	–	1,236,600
美元170,000,000元永續型非累積 後償資本證券 (註釋c)	US\$170,000,000 undated non-cumulative subordinated capital securities (Note c)	1,321,240	1,321,240
美元400,000,000元永續型非累積 後償資本證券 (註釋d)	US\$400,000,000 undated non-cumulative subordinated capital securities (Note d)	3,126,740	3,126,740
美元260,000,000元永續型非累積 後償資本證券 (註釋e)	US\$260,000,000 undated non-cumulative subordinated capital securities (Note e)	2,023,781	2,023,781
人民幣1,000,000,000元永續型 非累積後償資本證券 (註釋f)	RMB1,000,000,000 undated non-cumulative subordinated capital securities (Note f)	1,102,812	–
		7,574,573	7,708,361

註釋：(a) 此美元400,000,000元定息後償票據於二〇一七年十一月二十二日發行，並被界定為本集團之附加資本。此票據將於二〇二七年十一月二十二日到期。選擇性贖還日為二〇二二年十一月二十二日。由發行日至選擇性贖還日之首五年，此票據的利息按年利率3.75%計算，按半年度支付。其後，倘票據未在選擇性贖還日贖回，往後的利息會重訂為當日的美國五年期國庫債券息率加175點子。此票據之本金將於導致無法繼續經營事件發生時撤銷。

Note: (a) This represents US\$400,000,000 subordinated fixed rate notes qualifying as supplementary capital of the Group issued on 22 November 2017. The notes will mature on 22 November 2027 with an optional redemption date falling on 22 November 2022. Interest at 3.75% per annum is payable on a semi-annual basis for the first 5 years from the date of issue to the optional redemption date. Thereafter, if the notes are not redeemed, the interest rate will reset and the notes will bear interest at 5 year US Treasury Rate on that date plus 175 basis points. The principal of the notes will be written down if a non-viability event occurs.

29 資本工具 (續)

- (b) 此人民幣1,000,000,000元永續型非累積後償資本證券被界定為本集團之額外一級資本。此證券於二〇一五年二月三日發行予本行之控股公司，首個提前回購日為二〇二〇年二月四日。此證券的年息率為5.50%。此資本證券已於二〇二〇年二月四日贖回。
- (c) 此美元170,000,000元永續型非累積後償資本證券被界定為本集團之額外一級資本。此證券於二〇一七年四月二十七日發行，首個提前回購日為二〇二二年四月二十八日。由發行日至首個提前回購日之首五年，此證券的年息率為5.20%。其後，若屆時未行使回購權，息率將每5年按當時美國五年期國庫債券息率加3.13%重新釐訂。
- (d) 此美元400,000,000元永續型非累積後償資本證券被界定為本集團之額外一級資本。此證券於二〇一九年一月二十四日發行，首個提前回購日為二〇二四年一月二十四日。由發行日至首個提前回購日之首五年，此證券的年息率為6.50%。其後，若屆時未行使回購權，息率將每5年按當時美國五年期國庫債券息率加3.948%重新釐訂。
- (e) 此美元260,000,000元永續型非累積後償資本證券被界定為本集團之額外一級資本。此證券於二〇一九年十二月二十七日發行予本行之控股公司，首個提前回購日為二〇二四年十二月二十七日。由發行日至首個提前回購日之首五年，此證券的年息率為5.23%。其後，若屆時未行使回購權，息率將每5年按當時美國五年期國庫債券息率加3.50%重新釐訂。
- (f) 此人民幣1,000,000,000元永續型非累積後償資本證券被界定為本集團之額外一級資本。此證券於二〇二〇年二月二十七日發行予本行之控股公司，首個提前回購日為二〇二五年二月二十七日。由發行日至首個提前回購日之首五年，此證券的年息率為4.78%。其後，若屆時未行使回購權，息率將每5年按當時五年期中國國債息率加2.12%重新釐訂。

29 Capital instruments (Continued)

- (b) This represents RMB1,000,000,000 undated non-cumulative subordinated capital securities qualifying as additional Tier 1 capital of the Group. The securities were issued to the Bank's holding company on 3 February 2015 with the first call date falling on 4 February 2020. Distribution rate for the securities is set at 5.50% per annum. The capital securities were redeemed on 4 February 2020.
- (c) This represents US\$170,000,000 undated non-cumulative subordinated capital securities qualifying as additional Tier 1 capital of the Group. The securities were issued on 27 April 2017 with the first call date falling on 28 April 2022. Distribution rate for the securities is set at 5.20% per annum for the first 5 years from the date of issue to the first call date. Distribution rate will be reset thereafter every 5 years at the then prevailing 5 year U.S. Treasury Rate plus 3.13% per annum if the capital securities are not called.
- (d) This represents US\$400,000,000 undated non-cumulative subordinated capital securities qualifying as additional Tier 1 capital of the Group. The securities were issued on 24 January 2019 with the first call date falling on 24 January 2024. Distribution rate for the securities is set at 6.50% per annum for the first 5 years from the date of issue to the first call date. Distribution rate will be reset thereafter every 5 years at the then prevailing 5 year U.S. Treasury Rate plus 3.948% per annum if the capital securities are not called.
- (e) This represents US\$260,000,000 undated non-cumulative subordinated capital securities qualifying as additional Tier 1 capital of the Group. The securities were issued to the Bank's holding company on 27 December 2019 with the first call date falling on 27 December 2024. Distribution rate for the securities is set at 5.23% per annum for the first 5 years from the date of issue to the first call date. Distribution rate will be reset thereafter every 5 years at the then prevailing 5 year U.S. Treasury Rate plus 3.50% per annum if the capital securities are not called.
- (f) This represents RMB1,000,000,000 undated non-cumulative subordinated capital securities qualifying as additional Tier 1 capital of the Group. The securities were issued to the Bank's holding company on 27 February 2020 with the first call date falling on 27 February 2025. Distribution rate for the securities is set at 4.78% per annum for the first 5 years from the date of issue to the first call date. Distribution rate will be reset thereafter every 5 years at the then prevailing rate of five-year Chinese government notes plus 2.12% per annum if the capital securities are not called.

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29 資本工具 (續)

額外權益工具之本金將於導致無法繼續經營事件發生時撇銷。票息每半年支付，而本行有權自行決定取消票息支付。已取消之票息不會累積。

30 遞延稅項

已於綜合財務狀況表內確認之遞延稅項資產／(負債)之組成部份，及年內之變動如下：

29 Capital instruments (Continued)

The principal of the additional equity instruments will be written down if a non-viability event occurs. Distribution is payable semi-annually, and may be cancelled at the sole discretion of the Bank. Cancelled distribution is not cumulative.

30 Deferred taxation

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

		加速 稅項折舊 Accelerated tax depreciation 港幣千元 HK\$' 000	退休 福利義務 Retirement benefit obligation 港幣千元 HK\$' 000	減值準備 Impairment allowances 港幣千元 HK\$' 000	稅項虧損 Tax loss 港幣千元 HK\$' 000	其他 Others 港幣千元 HK\$' 000	合計 Total 港幣千元 HK\$' 000
於二〇二〇年一月一日	At 1 January 2020	(74,574)	(5,237)	78,595	-	(2,260)	(3,476)
在收益表(扣除)/記賬 (註釋16(a))	(Charged)/credited to income statement (Note 16(a))	(19,195)	3,362	36,457	-	(1,660)	18,964
在其他全面收益 (扣除)/記賬 (註釋33)	(Charged)/credited to other comprehensive income (Note 33)	-	(9,783)	-	-	8,616	(1,167)
於二〇二〇年 十二月三十一日	At 31 December 2020	(93,769)	(11,658)	115,052	-	4,696	14,321
於二〇一九年一月一日	At 1 January 2019	(87,617)	(5,708)	77,644	13,322	51,339	48,980
在收益表記賬/(扣除) (註釋16(a))	Credited/(charged) to income statement (Note 16(a))	13,043	763	951	(13,322)	(2,279)	(844)
在其他全面收益扣除 (註釋33)	Charged to other comprehensive income (Note 33)	-	(292)	-	-	(51,320)	(51,612)
於二〇一九年 十二月三十一日	At 31 December 2019	(74,574)	(5,237)	78,595	-	(2,260)	(3,476)

30 遞延稅項 (續)

30 Deferred taxation (Continued)

		二〇二〇 2020 港幣千元 HK\$' 000	二〇一九 2019 港幣千元 HK\$' 000
於綜合財務狀況表內確認之遞延稅項資產淨額	Net deferred tax assets recognised in the consolidated statement of financial position	46,746	27,347
於綜合財務狀況表內確認之遞延稅項負債淨額	Net deferred tax liabilities recognised in the consolidated statement of financial position	(32,425)	(30,823)
		14,321	(3,476)

遞延稅項資產乃因應相關稅務利益可透過未來應課稅溢利變現而就所結轉之稅項虧損予以確認。於二〇二〇年十二月三十一日，本集團並無未確認之稅項虧損(二〇一九年：無)，可結轉以抵銷未來應課稅收入。

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the deferred tax benefit through future profits is probable. At 31 December 2020, the Group had no unrecognised tax losses (2019: Nil) to be carried forward to set off against future taxable profits.

31 其他賬項及預提

31 Other accounts and accruals

		二〇二〇 2020 港幣千元 HK\$' 000	二〇一九 2019 港幣千元 HK\$' 000
應付利息	Interest payable	864,368	1,185,244
保費負債	Insurance liabilities	2,389,612	2,156,250
租賃負債	Lease liabilities	281,960	311,064
應付及其他賬項	Accounts and other payable	4,052,305	12,713,259
貸款承諾及金融擔保合約減值準備	Impairment allowances on loan commitments and financial guarantee contracts	31,576	51,940
		7,619,821	16,417,757

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31 其他賬項及預提 (續)

保費負債分析如下：

31 Other accounts and accruals (Continued)

Insurance liabilities are analysed as follows:

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
總額	Gross		
已呈報之索償及損失			
支出調整	Claims reported and loss adjustment expenses	889,715	771,686
已發生但未呈報之索償	Claims incurred but not reported	712,904	712,286
未期滿保費	Unearned premiums	377,821	349,697
未到期風險準備	Provision for unexpired risk	100,465	108,445
其他	Others	308,707	214,136
保險負債總額	Total insurance liabilities, gross	2,389,612	2,156,250
於再投保人收回	Recoverable from reinsurers		
已呈報之索償及損失			
支出調整	Claims reported and loss adjustment expenses	147,355	119,650
已發生但未呈報之索償	Claims incurred but not reported	77,532	95,478
未期滿保費	Unearned premiums	53,249	49,421
再投保人所佔保險負債總額 (註釋21(a))	Total reinsurers' share of insurance liabilities (Note 21(a))	278,136	264,549
淨額	Net		
已呈報之索償及損失			
支出調整	Claims reported and loss adjustment expenses	742,360	652,036
已發生但未呈報之索償	Claims incurred but not reported	635,372	616,808
未期滿保費	Unearned premiums	324,572	300,276
未到期風險準備	Provision for unexpired risk	100,465	108,445
其他	Others	308,707	214,136
保險負債淨額	Total insurance liabilities, net	2,111,476	1,891,701

已呈報之索償總額、調整損失支出負債及已承付索償但未呈報之負債為除去預期於可挽救及轉移中收回之淨額。於二〇二〇年十二月三十一日及二〇一九年十二月三十一日之可挽救及轉移之金額並不重大，因此無獨立披露。

The gross claims reported, the loss adjustment expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The amounts for salvage and subrogation at 31 December 2020 and 31 December 2019 are not separately disclosed as they are not material.

32 股本

32 Share capital

	二〇二〇 2020		二〇一九 2019	
	股數 No. of shares	港幣千元 HK\$' 000	股數 No. of shares	港幣千元 HK\$' 000
已發行及已繳足股本： Issued and fully paid:				
普通股 Ordinary shares	232,190,115	1,160,951	232,190,115	1,160,951

普通股持有人有權收取不時宣派之股息，亦有權於本行之會議上以每股一票的方式投票。所有普通股對本行之剩餘淨資產享有同等地位。

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual net assets.

33 儲備

33 Reserves

本集團

The Group

	資本儲備 Capital reserve 港幣千元 HK\$' 000	重估 房產儲備 Bank premise revaluation reserve 港幣千元 HK\$' 000	重估 金融資產 儲備 Financial asset revaluation reserve 港幣千元 HK\$' 000	其他儲備 Other reserves 港幣千元 HK\$' 000	保留溢利 Retained earnings 港幣千元 HK\$' 000	合計 Total 港幣千元 HK\$' 000
於二〇二〇年一月一日 以公平價值計入其他全面 收益之金融資產 — 公平價值改變	57,500	592,798	(158,109)	661,759	36,708,762	37,862,710
— 於出售時轉入收益表	—	—	35,199	—	—	35,199
— 於減值時轉入收益表	—	—	(123,620)	—	—	(123,620)
以公平價值計入其他全面 收益之股權證券 — 公平價值改變	—	—	63,218	—	—	63,218
— 於出售時轉入保留溢利	—	—	131,089	—	—	131,089
應佔聯營公司儲備	—	(10,011)	39,386	—	(39,386)	—
應佔共同控制實體儲備	—	—	6,035	—	—	(3,976)
是年度溢利	—	—	—	173	(173)	—
匯兌差額	—	—	—	381,570	—	2,872,237
界定福利計劃之精算收益	—	—	—	—	59,296	381,570
其他全面收益項目對遞延 稅項之影響(註釋30)	—	—	8,616	—	(9,783)	59,296
償還額外權益工具	—	—	—	—	121,600	(1,167)
額外權益工具分配	—	—	—	—	(435,171)	121,600
於二〇二〇年 十二月三十一日	57,500	582,787	1,814	1,043,502	39,277,382	40,962,985

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Notes to the Financial Statements

33 儲備 (續)

33 Reserves (Continued)

本行

The Bank

		重估 房產儲備 Bank premises revaluation reserve 港幣千元 HK\$' 000	重估 金融資產 儲備 Financial asset revaluation reserve 港幣千元 HK\$' 000	其他儲備 Other reserves 港幣千元 HK\$' 000	保留溢利 Retained earnings 港幣千元 HK\$' 000	合計 Total 港幣千元 HK\$' 000
於二〇二〇年一月一日	At 1 January 2020	396,557	(180,553)	582,302	34,324,454	35,122,760
以公平價值誌入其他全面 收益之金融資產	Financial assets at fair value through other comprehensive income					
– 公平價值改變	– Changes in fair value	–	35,199	–	–	35,199
– 於出售時轉入收益表	– Transfer to income statement on disposal	–	(123,620)	–	–	(123,620)
– 於減值時轉入收益表	– Transfer to income statement on impairment	–	63,218	–	–	63,218
以公平價值誌入其他全面 收益之股權證券	Equity securities at fair value through other comprehensive income					
– 公平價值改變	– Changes in fair value	–	150,139	–	–	150,139
– 於出售時轉入保留溢利	– Transfer to retained earnings on disposal	–	22,423	–	(22,423)	–
是年度溢利	Profit for the year	–	–	–	1,960,152	1,960,152
匯兌差額	Exchange difference	–	–	329,244	–	329,244
界定福利計劃之精算收益	Actuarial gains on defined benefit scheme	–	–	–	59,296	59,296
其他全面收益項目對遞延 稅項之影響	Effect of deferred taxation on other comprehensive income items	–	5,552	–	(9,783)	(4,231)
償還額外權益工具	Redemption of additional equity instruments	–	–	–	121,600	121,600
額外權益工具分配	Distribution for additional equity instruments	–	–	–	(435,171)	(435,171)
於二〇二〇年十二月三十一日	At 31 December 2020	396,557	(27,642)	911,546	35,998,125	37,278,586

33 儲備 (續)

33 Reserves (Continued)

本集團

The Group

		資本儲備 Capital reserve 港幣千元 HK\$' 000	重估 房產儲備 Bank premise revaluation reserve 港幣千元 HK\$' 000	重估 金融資產 儲備 Financial asset revaluation reserve 港幣千元 HK\$' 000	其他儲備 Other reserves 港幣千元 HK\$' 000	保留溢利 Retained earnings 港幣千元 HK\$' 000	合計 Total 港幣千元 HK\$' 000
於二〇一九年一月一日	At 1 January 2019	57,500	582,418	(272,492)	772,440	33,130,693	34,270,559
以公平價值誌入其他全面 收益之金融資產	Financial assets at fair value through other comprehensive income						
– 公平價值改變	– Changes in fair value	–	–	144,777	–	–	144,777
– 於出售時轉入收益表	– Transfer to income statement on disposal	–	–	(79,142)	–	–	(79,142)
– 於減值時轉入收益表	– Transfer to income statement on impairment	–	–	116,375	–	–	116,375
以公平價值誌入其他全面 收益之股權證券	Equity securities at fair value through other comprehensive income						
– 公平價值改變	– Changes in fair value	–	–	(52,480)	–	–	(52,480)
– 於出售時轉入保留溢利	– Transfer to retained earnings on disposal	–	–	18,158	–	(18,158)	–
應佔聯營公司儲備	Share of associates' reserves	–	9,987	18,028	17,715	(17,715)	28,015
應佔共同控制實體儲備	Share of jointly controlled entities' reserves	–	–	(13)	134	(121)	–
是年度溢利	Profit for the year	–	–	–	–	3,986,589	3,986,589
匯兌差額	Exchange difference	–	–	–	(128,530)	–	(128,530)
重估房產之盈餘	Surplus on revaluation of bank premises	–	393	–	–	–	393
界定福利計劃之精算收益	Actuarial gains on defined benefit scheme	–	–	–	–	1,768	1,768
其他全面收益項目對遞延 稅項之影響 (註釋30)	Effect of deferred taxation on other comprehensive income items (Note 30)	–	–	(51,320)	–	(292)	(51,612)
償還額外權益工具	Redemption of additional equity instruments	–	–	–	–	(18,330)	(18,330)
額外權益工具分配	Distribution for additional equity instruments	–	–	–	–	(355,672)	(355,672)
於二〇一九年 十二月三十一日	At 31 December 2019	57,500	592,798	(158,109)	661,759	36,708,762	37,862,710

財務報表註釋

Notes to the Financial Statements

33 儲備 (續)

33 Reserves (Continued)

本行

The Bank

		重估 房產儲備 Bank premises reevaluation reserve 港幣千元 HK\$'000	重估 金融資產 儲備 Financial asset reevaluation reserve 港幣千元 HK\$'000	其他儲備 Other reserves 港幣千元 HK\$'000	保留溢利 Retained earnings 港幣千元 HK\$'000	合計 Total 港幣千元 HK\$'000
於二〇一九年一月一日	At 1 January 2019	396,164	(281,392)	710,412	31,239,725	32,064,909
以公平價值誌入其他全面 收益之金融資產	Financial assets at fair value through other comprehensive income					
– 公平價值改變	– Changes in fair value	–	144,777	–	–	144,777
	– Transfer to income statement					
– 於出售時轉入收益表	– on disposal	–	(79,142)	–	–	(79,142)
	– Transfer to income statement					
– 於減值時轉入收益表	– on impairment	–	116,375	–	–	116,375
以公平價值誌入其他全面 收益之股權證券	Equity securities at fair value through other comprehensive income					
– 公平價值改變	– Changes in fair value	–	(40,454)	–	–	(40,454)
	– Transfer to retained earnings					
– 於出售時轉入保留溢利	– on disposal	–	12,587	–	(12,587)	–
是年度溢利	Profit for the year	–	–	–	3,469,842	3,469,842
匯兌差額	Exchange difference	–	–	(128,110)	–	(128,110)
重估房產之盈餘	Surplus on revaluation of bank premises	393	–	–	–	393
界定福利計劃之精算收益	Actuarial gains on defined benefit scheme	–	–	–	1,768	1,768
其他全面收益項目對遞延 稅項之影響	Effect of deferred taxation on other comprehensive income items	–	(53,304)	–	(292)	(53,596)
償還額外權益工具	Redemption of additional equity instruments	–	–	–	(18,330)	(18,330)
額外權益工具分配	Distribution for additional equity instruments	–	–	–	(355,672)	(355,672)
於二〇一九年十二月三十一日	At 31 December 2019	396,557	(180,553)	582,302	34,324,454	35,122,760

(a) 本集團之資本儲備是由若干附屬公司將其保留溢利資本化並發行新股予本行時所成立。

(a) The Group's capital reserve was set up in relation to the capitalisation by certain subsidiaries of their retained earnings for the issue of new shares to the Bank.

(b) 重估房產儲備乃根據載於註釋1.13的會計政策而成立。

(b) Bank premises revaluation reserve has been set up and is dealt with in accordance with the accounting policies set out in Note 1.13.

(c) 重估金融資產儲備乃以公平價值誌入其他全面收益之金融資產在出售或減值前之公平價值變動之累計淨差額並根據載於註釋1.6及1.7的會計政策確認。

(c) Financial asset revaluation reserve comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income until the financial assets are derecognised or impaired and is dealt with in accordance with the accounting policies set out in Notes 1.6 and 1.7.

33 儲備 (續)

- (d) 本集團的其他儲備包括普通儲備、匯兌儲備、或然儲備及法定盈餘儲備。本行的其他儲備包括普通儲備及匯兌儲備。

普通儲備是往年度從保留溢利轉撥之金額。

匯兌儲備是因折算海外機構的財務報表產生的匯兌差額。

或然儲備代表按照由保險業監管局頒佈之按揭擔保保險業務儲備金指引以應付經濟嚴重逆轉時累積的風險而建立之儲備。

法定盈餘儲備的款項是以本行於中華人民共和國成立之聯營公司之經審計後淨利潤的10%列賬，直至盈餘儲備之累計額相等於其註冊股本的50%。盈餘儲備經股東批准後可用於彌補累計虧損或轉化為實收股本。

- (e) 本集團已於二〇二〇年十二月三十一日之保留溢利中保留港幣675,738,000元(二〇一九年：港幣1,806,467,000元)作為法定儲備。法定儲備乃為審慎監督目的按照香港《銀行業條例》之條款保留，而是項儲備之變動直接記於保留溢利內，並須諮詢香港金融管理局。
- (f) 董事會並無擬派末期股息(二〇一九年：無)。

33 Reserves (Continued)

- (d) The Group's other reserves comprise general reserve, exchange reserve, contingency reserve and statutory surplus reserve. The Bank's other reserves comprise general reserve and exchange reserve.

General reserve comprises previous years' transfers from retained earnings.

Exchange reserve comprises all foreign exchange differences arising from the translation of financial statements of overseas operations.

Contingency reserve represents a reserve established for contingency of accumulation of risks in times of severe economic downturn in accordance with Guidance Note on Reserving for Mortgage Guarantee Business issued by the Insurance Authority.

Statutory surplus reserve is provided at 10% of the audited profit after tax of an associate of the Bank which is incorporated in the People's Republic of China, until the reserve balance is equal to 50% of its registered share capital. Surplus reserve can be used to offset accumulated losses or capitalised as paid-up capital with the approval of shareholders.

- (e) At 31 December 2020, included in retained earnings is an amount of HK\$675,738,000 (2019: HK\$1,806,467,000) which was earmarked as regulatory reserve. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. Movements in the reserve are made directly through retained earnings and in consultation with the Hong Kong Monetary Authority.
- (f) The directors did not propose any final dividend (2019: Nil) after the year end.

財務報表註釋

Notes to the Financial Statements

34 分部報告

(a) 按業務劃分

本集團主要從事商業銀行業務，其中可分為四類。零售銀行業務包括提供接受零售存款、按揭及私人貸款、理財、證券經紀、人壽保險代理及顧問服務。公司及商業銀行業務包括提供接受企業存款、工商業貸款、貿易融資、租購及租賃。財資及金融機構業務包括外匯、金融市場、同業市場及資本市場等活動，同時亦包括接受非銀行金融機構之存款及對該等機構之貸款。中國內地、澳門及海外業務包括中國境內分行、澳門分行及海外分行之業務。其他業務主要包括一般保險承保及物業投資。適用於可匯報分部之會計政策與註釋1所述適用於本集團之會計政策相同。

未分類項目主要包括中央管理層及其他共同分享服務之資產及負債、稅項、以及其他未能合理分配予特定業務分部的項目。

34 Segment reporting

(a) Business segments

The Group operates predominantly in commercial banking which comprises four business segments. Retail banking includes acceptance of retail deposits, mortgage and personal lending, wealth management, securities brokerage, life insurance agency and brokerage services. Corporate and commercial banking includes acceptance of corporate deposits, advance of commercial and industrial loans, trade financing, hire purchase and leasing. Treasury and financial institution activities include foreign exchange, money market, interbank market and capital market activities as well as acceptance of deposits from and lending to non-bank financial institutions. Mainland China, Macau and overseas operations activities include the business operated by branches within the territory of China, Macau and overseas branches. Other activities mainly comprise general insurance underwriting and investment properties holding. The accounting policies applicable to the reportable segments are the same as those applicable to the Group as stated in Note 1.

Unallocated items mainly comprise assets and liabilities of the central management unit and other shared services, taxation and any items which cannot be reasonably allocated to specific business segments.

34 分部報告 (續)

34 Segment reporting (Continued)

(a) 按業務劃分 (續)

(a) Business segments (Continued)

		零售銀行 Retail banking 港幣千元 HK\$'000	公司及 商業銀行 Corporate and commercial banking 港幣千元 HK\$'000	財資及 金融機構 Treasury and financial institution 港幣千元 HK\$'000	中國內地、 澳門及 海外業務 Mainland China, Macau and overseas operations 港幣千元 HK\$'000	可匯報 分部合計 Total reportable segments 港幣千元 HK\$'000	其他 Others 港幣千元 HK\$'000	未分類業務 及分部間之 交易抵銷 Unallocated and inter- segment elimination 港幣千元 HK\$'000	本集團 Group 港幣千元 HK\$'000
二〇二〇年	2020								
淨利息收入/(支出)	Net interest income/(expense)								
- 外部	- External	(786,639)	1,600,284	2,028,888	981,934	3,824,467	33,196	-	3,857,663
- 內部分部	- Inter-segment	1,852,866	(499,267)	(1,194,951)	(164,518)	(5,870)	5,870	-	-
		1,066,227	1,101,017	833,937	817,416	3,818,597	39,066	-	3,857,663
服務費及佣金淨 收入/(支出)	Net fees and commission income/(expense)	626,817	236,138	187,838	131,807	1,182,600	18,126	(112,000)	1,088,726
其他營業收入/(支出)	Other operating income/ (expense)								
- 外部	- External	306,619	156	449,825	103,791	860,391	300,254	(102,487)	1,058,158
- 內部分部	- Inter-segment	(25,001)	(56,756)	91,727	189,924	199,894	179,585	(379,479)	-
分部營業收入	Segment operating income	1,974,662	1,280,555	1,563,327	1,242,938	6,061,482	537,031	(593,966)	6,004,547
營業支出	Operating expenses								
- 外部	- External	(932,047)	(165,718)	(154,885)	(484,598)	(1,737,248)	(183,659)	(611,652)	(2,532,559)
- 內部分部	- Inter-segment	(283,086)	(22,374)	(9,625)	(4,605)	(319,690)	(5,085)	324,775	-
		(1,215,133)	(188,092)	(164,510)	(489,203)	(2,056,938)	(188,744)	(286,877)	(2,532,559)
減值回撥/(損失)	Impairment written back/ (losses)	80,463	(374,346)	(53,390)	(92,035)	(439,308)	(501)	-	(439,809)
分部營業溢利/(虧損)	Segment operating profit/(loss)	839,992	718,117	1,345,427	661,700	3,565,236	347,786	(880,843)	3,032,179
投資物業之公平價值虧損	Fair value losses on investment properties								(196,810)
其他非營業活動之淨虧損	Net loss on other non-operating activities								(296)
應佔共同控制實體及聯營 公司之淨溢利	Share of net profits of jointly controlled entities and associates								557,326
除稅前溢利	Profit before taxation								3,392,399
資本開支 折舊	Capital expenditure Depreciation	105,523 153,481	1,151 5,294	4,750 4,774	80,530 77,024	191,954 240,573	5,056 44,745	154,018 32,815	351,028 318,133
分部資產 內部分部交易 共同控制實體及聯營公司 權益	Segment assets Inter-segment transactions Interests in jointly controlled entities and associates	52,449,092	90,627,399	191,134,599	62,962,274	397,173,364	4,316,393	783,318	402,273,075 (26,101,527) 3,855,272
總資產	Total assets								380,026,820
分部負債 內部分部交易	Segment liabilities Inter-segment transactions	184,340,917	54,717,421	53,264,850	62,324,079	354,647,267	1,030,766	741,391	356,419,424 (26,101,527)
總負債	Total liabilities								330,317,897

財務報表註釋

Notes to the Financial Statements

34 分部報告 (續)

(a) 按業務劃分 (續)

34 Segment reporting (Continued)

(a) Business segments (Continued)

		零售銀行 Retail banking 港幣千元 HK\$'000	公司及 商業銀行 Corporate and commercial banking 港幣千元 HK\$'000	財資及 金融機構 Treasury and financial institution 港幣千元 HK\$'000	中國內地、 澳門及 海外業務 Mainland China, Macau and overseas operations 港幣千元 HK\$'000	可匯報 分部合計 Total reportable segments 港幣千元 HK\$'000	其他 Others 港幣千元 HK\$'000	未分類業務 及分部間之 交易抵銷 Unallocated and inter- segment elimination 港幣千元 HK\$'000	本集團 Group 港幣千元 HK\$'000
二〇一九年	2019								
淨利息收入/(支出)	Net interest income/(expense)								
- 外部	- External	(1,388,937)	2,655,283	2,692,879	1,336,831	5,296,056	(75,825)	-	5,220,231
- 內部分部	- Inter-segment	3,214,435	(1,101,997)	(1,664,874)	(480,018)	(32,454)	32,454	-	-
		1,825,498	1,553,286	1,028,005	856,813	5,263,602	(43,371)	-	5,220,231
服務費及佣金淨 收入/(支出)	Net fees and commission income/(expense)	477,671	205,935	117,204	126,796	927,606	14,558	(73,098)	869,066
其他營業收入/(支出)	Other operating income/ (expense)								
- 外部	- External	450,883	5,175	340,320	10,146	806,524	341,967	(113,829)	1,034,662
- 內部分部	- Inter-segment	(42,968)	(51,410)	105,817	143,628	155,067	173,871	(328,938)	-
分部營業收入	Segment operating income	2,711,084	1,712,986	1,591,346	1,137,383	7,152,799	487,025	(515,865)	7,123,959
營業支出	Operating expenses								
- 外部	- External	(895,522)	(151,315)	(150,056)	(391,815)	(1,588,708)	(191,367)	(553,309)	(2,333,384)
- 內部分部	- Inter-segment	(272,981)	(26,806)	(8,204)	(3,494)	(311,485)	(10,060)	321,545	-
		(1,168,503)	(178,121)	(158,260)	(395,309)	(1,900,193)	(201,427)	(231,764)	(2,333,384)
減值(損失)/回撥	Impairment (losses)/written back	(47,467)	(285,546)	(162,804)	(14,055)	(509,872)	9,638	-	(500,234)
分部營業溢利/(虧損)	Segment operating profit/(loss)	1,495,114	1,249,319	1,270,282	728,019	4,742,734	295,236	(747,629)	4,290,341
投資物業之公平價值虧損	Fair value losses on investment properties								(64,367)
其他非營業活動之淨收益	Net gain on other non-operating activities								51,434
應佔共同控制實體及 聯營公司之淨溢利	Share of net profits of jointly controlled entities and associates								458,530
除稅前溢利	Profit before taxation								4,735,938
資本開支	Capital expenditure	92,921	931	1,356	102,634	197,842	5,807	17,830	221,479
折舊	Depreciation	131,060	5,719	3,801	62,545	203,125	32,710	18,963	254,798
分部資產	Segment assets	47,680,139	89,835,309	170,229,559	58,932,632	366,677,639	5,560,926	621,785	372,860,350
內部分部交易	Inter-segment transactions								(34,294,883)
共同控制實體及聯營公司 權益	Interests in jointly controlled entities and associates								3,277,871
總資產	Total assets								341,843,338
分部負債	Segment liabilities	175,704,824	42,400,354	49,417,949	58,933,148	326,456,275	1,685,354	1,253,455	329,395,084
內部分部交易	Inter-segment transactions								(34,294,883)
總負債	Total liabilities								295,100,201

34 分部報告 (續)

34 Segment reporting (Continued)

(b) 按地域劃分

(b) Geographical area

		營業收入	除稅前溢利	總資產	總負債	信貸承擔	年度資本 開支
		Operating income	Profit before taxation	Total assets	Total liabilities	Credit commitments	Capital expenditure
		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
							during the year
二〇二〇年	2020						
香港	Hong Kong	4,961,503	2,730,699	335,965,836	293,984,102	34,652,187	270,498
中國內地	Mainland China	1,077,115	593,003	53,039,838	47,190,255	7,069,867	78,641
其他	Others	165,823	68,697	9,293,226	7,415,620	1,187,773	1,889
分部互相抵銷	Inter-segment elimination	(199,894)	-	(18,272,080)	(18,272,080)	-	-
綜合總額	Consolidated	6,004,547	3,392,399	380,026,820	330,317,897	42,909,827	351,028
二〇一九年	2019						
香港	Hong Kong	6,141,644	4,007,919	308,289,143	269,019,186	31,634,406	118,845
中國內地	Mainland China	983,190	683,609	44,378,068	39,170,289	5,948,819	39,593
其他	Others	154,193	44,410	14,565,427	12,300,026	2,121,099	63,041
分部互相抵銷	Inter-segment elimination	(155,068)	-	(25,389,300)	(25,389,300)	-	-
綜合總額	Consolidated	7,123,959	4,735,938	341,843,338	295,100,201	39,704,324	221,479

財務報表註釋

Notes to the Financial Statements

35 或有債務及承擔

下列為或有債務及承擔之每個主要類別之合約金額，及信貸風險比重金額總計：

35 Contingent liabilities and commitments

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments, and the aggregate credit risk weighted amounts:

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
直接信貸替代品	Direct credit substitutes	1,153,292	4,633,842
交易項目有關之或有債務	Transaction-related contingencies	1,914,498	1,812,548
商業項目有關之或有債務 可以無條件取消之 其他承擔	Trade-related contingencies Other commitments which are unconditionally cancellable	1,340,416	744,662
原本年期為一年或以下之 其他承擔	Other commitments with an original maturity of one year or less	24,924,459	16,891,357
原本年期為一年以上之 其他承擔	Other commitments with an original maturity of over one year	5,962,516	3,150,113
		7,614,646	12,471,802
		42,909,827	39,704,324
信貸風險比重金額	Credit risk weighted amount	6,027,131	11,326,761

用以計算信貸風險比重金額之風險比重為0%至150%。

The risk weights used in the computation of credit risk weighted amounts range from 0% to 150%.

36 資本及租約承擔

(a) 於十二月三十一日，不包括於財務報表內之資本承擔如下：

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
已簽約但未作準備	Contracted but not provided for	144,221	104,716
已授權但未簽約	Authorised but not contracted for	18,502	—

(b) 本集團以營業租賃租用一些物業。租約基本年期為一至六年。

於十二月三十一日，已承諾但尚未開始租賃之未來最低應付租賃款項總額如下：

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
土地及樓宇	Land and buildings		
– 第一年內	– Within one year	543	—
– 第二至第五年內	– After one year but within five years	1,344	—
– 第五年後	– After five years	—	—
		1,887	—

此等租約並不包括或有租金收入。

36 Capital and lease commitments

(a) Capital commitments outstanding at 31 December not provided for in the financial statements are as follows:

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
Contracted but not provided for		144,221	104,716
Authorised but not contracted for		18,502	—

(b) The Group leases certain properties under operating leases. The leases typically run for an initial period of 1 to 6 years.

At 31 December, the total future minimum lease payments payable for leases committed but not yet commenced are as follows:

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
Land and buildings			
– Within one year		543	—
– After one year but within five years		1,344	—
– After five years		—	—
		1,887	—

None of the leases include contingent rentals.

財務報表註釋

Notes to the Financial Statements

37 綜合現金流量表註釋

37 Notes to consolidated cash flow statement

(a) 除稅前溢利與營業活動之現金流入淨額對賬表

(a) Reconciliation of profit before taxation to cash generated from operations

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
除稅前溢利	Profit before taxation	3,392,399	4,735,938
調整項目：	Adjustments for:		
應佔共同控制實體之淨溢利	Share of net profit of jointly controlled entities	(44,444)	(36,462)
應佔聯營公司之淨溢利	Share of net profit of associates	(512,882)	(422,068)
出售以公平價值誌入其他全面收益之金融資產之淨收益	Net gain on disposal of financial assets at fair value through other comprehensive income	(123,620)	(79,142)
贖回按攤銷成本列賬之金融工具之淨虧損／(收益)	Net loss/(gain) on redemption of financial instruments at amortised cost	214	(586)
出售其他物業及設備之淨虧損／(收益)	Net loss/(gain) on disposal of other properties and equipment	82	(50,848)
投資物業之公平價值虧損	Fair value losses on investment properties	196,810	64,367
減值損失	Impairment losses	439,809	500,234
折舊	Depreciation	318,133	254,798
證券投資減值準備的折現值回撥	Unwind of discount on impairment allowances of investment in securities	(498)	(5,854)
攤銷證券投資之折讓	Amortisation of discount on investment in securities	(256,397)	(335,166)
	Amortisation of discount on certificates of deposit issued	142,504	125,933
攤銷發行之存款證之折讓	Amortisation of discount on subordinated debts issued	408	409
營運資金變動前之營業溢利	Operating profit before changes in working capital	3,552,518	4,751,553
營運資產減少／(增加)：	Decrease/(increase) in operating assets:		
同業定期存放及貸款(三個月以後到期)	Placements with and loans and advances to banks maturing beyond three months	331,491	9,190,400
以公平價值誌入損益賬之金融資產	Financial assets at fair value through profit or loss	2,376,238	(77,708)
貸款及其他賬項	Advances and other accounts	(9,227,290)	(22,908,328)
衍生金融工具資產	Derivative financial assets	(1,032,118)	(100,613)
營運負債增加／(減少)：	Increase/(decrease) in operating liabilities:		
衍生金融工具負債	Derivative financial liabilities	890,554	(375,788)
同業存款(三個月以後到期)	Deposits and balances from banks maturing beyond three months	11,275,059	(5,589,902)
客戶存款	Deposits from customers	26,985,915	21,806,541
發行之存款證	Certificates of deposit issued	3,625,874	(4,009,049)
交易賬項下之負債	Trading liabilities	(154,805)	309,136
其他賬項及預提	Other accounts and accruals	(9,400,860)	9,995,131
營業活動之現金流入淨額	Cash generated from operations	29,222,576	12,991,373

37 綜合現金流量表註釋(續)

37 Notes to consolidated cash flow statement (Continued)

(b) 現金及等同現金項目之結餘分析

(b) Analysis of the balance of cash and cash equivalents

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
庫存現金及存放同業	Cash and balances with banks	35,778,292	16,301,335
同業定期存放及貸款 (原到期日在三個月內)	Placements with and loans and advances to banks with original maturity within three months	33,081,423	33,022,020
國庫券(原到期日在三個月內)	Treasury bills with original maturity within three months	7,499,753	17,214,691
持有之存款證(原到期日在三個月內)	Certificates of deposit held with original maturity within three months	638,516	—
同業存款(原到期日在三個月內)	Deposits and balances from banks with original maturity within three months	(22,235,164)	(20,883,328)
		54,762,820	45,654,718

(c) 融資活動產生的負債對賬表

(c) Reconciliation of liabilities arising from financing activities

下表詳述本集團來自融資活動的負債變動，包括現金及非現金變動。融資活動產生的負債是現金流量或未來現金流量的負債，將在本集團綜合現金流量表中分類為融資活動的現金流量。

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

		發行之後償債項 Subordinated debts issued	
		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
於一月一日	At 1 January	3,110,591	3,128,160
攤銷發行之後償債項之折讓	Amortisation of discount on subordinated debts issued	408	409
匯兌差額	Exchange difference	(13,803)	(17,978)
於十二月三十一日	At 31 December	3,097,196	3,110,591

財務報表註釋

Notes to the Financial Statements

37 綜合現金流量表註釋 (續)

(c) 融資活動產生的負債對賬表 (續)

		租賃負債	
		Lease Liabilities	
		二〇二〇	二〇一九
		2020	2019
		港幣千元	港幣千元
		HK\$' 000	HK\$' 000
於一月一日	At 1 January	311,064	224,739
匯兌差額	Exchange difference	1,506	(920)
租賃修訂	Lease modifications	(4,356)	–
增置	Additions	81,013	172,178
利息支出	Interest expense	10,054	8,902
支付	Payment	(117,321)	(93,835)
於十二月三十一日	At 31 December	281,960	311,064

38 已作抵押品之資產

於報告期結束日，以下資產經已用作抵押品。

38 Assets pledged as security

The following assets have been pledged as collateral at the end of the reporting period.

		二〇二〇	二〇一九
		2020	2019
		港幣千元	港幣千元
		HK\$' 000	HK\$' 000
有抵押負債	Secured liabilities	708,016	19,829
抵押資產：	Assets pledged:		
庫存現金、同業存放及貸款 (註釋a)	Cash, balances and placements with and loans and advances to banks (Note a)	708,218	–
按攤銷成本列賬之金融投資用作抵押擔保法定存款 (註釋b)	Financial investments at amortised cost pledged for statutory deposits (Note b)	174,412	175,190
以公平價值誌入其他全面收益之金融投資	Financial investments at fair value through other comprehensive income	–	19,981
		882,630	195,171

註釋：

- (a) 票據貼現已為本行廣州分行之借貸活動作抵押。
- (b) 已抵押予美國貨幣審計部的資產，為本行洛杉磯分行及三藩市分行之法定存款。

Note:

- (a) Discounted bills have been pledged to secure the Group's borrowing activity for the Bank's branch in Guangzhou.
- (b) The assets have been pledged to the Office of the Comptroller of Currency of the United States of America as statutory deposits for the Bank's branches in Los Angeles and San Francisco.

39 高級人員貸款

按照香港《公司條例》第383(1)(d)條及《公司(披露董事利益資料)規例》第3部規定所披露之貸款予董事及其關連實體總額如下：

39 Loans to officers

The aggregate of loans to directors of the Bank and entities connected with directors disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	於十二月三十一日之結欠額		全年最高結欠額		
	Balance outstanding at 31 December		Maximum balance during the year		
	二〇二〇 2020	二〇一九 2019	二〇二〇 2020	二〇一九 2019	
	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	
本金及利息之 結欠總額	Aggregate amount outstanding in respect of principal and interest	3,326	43	3,474	2,326

40 重大有關連人士之交易

是年度內，本集團在正常商業活動下與有關連人士進行之銀行交易，包括放款、存款、保險及其他金融相關交易。該等有關連人士為可控制本集團的公司、本行之主要行政人員及其近親家庭成員，並包括受本集團及該等人士所控制或可對其行使重大影響力之公司。該等交易以進行各交易時之相關市場費率定價，並按與本集團可提供予其他交易對手及客戶之相同條款進行。董事認為，該等交易乃按一般商業條款訂立。除在本財務報表其他地方所披露之交易及結餘外，本集團所參與的一切其他重大有關連人士之交易詳列於下頁。

40 Material related party transactions

During the year, the Group entered into certain banking transactions with related parties in the normal course of business, which include loans, deposits, insurance and other financial related transactions. These related parties are those companies which have control over the Group, key management personnel of the Bank, close members of their families and companies controlled or significantly influenced by the Group or by them. The transactions were priced at the relevant market rates at the time of each transaction, and were on 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. In addition to the transactions and balances disclosed elsewhere in the financial statements, other material related party transactions entered into by the Group are set out on the following pages.

財務報表註釋

Notes to the Financial Statements

40 重大有關連人士之交易 (續)

40 Material related party transactions (Continued)

		共同 控制實體 Jointly controlled entities	聯營公司 Associates	主要 行政人員 Key management personnel	其他 有關連人士 Other related parties	合計 Total
	控股公司 Holding company	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
二〇二〇年	2020					
於年結日結餘總額	Aggregate amounts outstanding at the year end					
– 貸款及其他應收賬項	– Loans and other receivables	160,768	163	681	14,431	1,244
– 拆放存款	– Placement of deposits	1,130,540	–	–	–	–
– 客戶存款	– Deposits from customers	13,462,382	734,691	59,462	70,009	978,255
– 以公平價值誌入 其他全面收益之 金融投資	– Financial investments at fair value through other comprehensive income	962,657	–	–	–	742,579
– 其他賬項及預提	– Other accounts and accruals	–	–	–	9	–
						9
資產負債表外結餘	Off-balance sheet outstanding					
– 外匯合約 (名義金額)	– Exchange rate contracts (notional amounts)	13,395,636	–	–	–	–
– 其他承擔	– Other commitments	–	837	102	5,921	2,444
– 收取擔保	– Guarantee received	12,614,316	–	–	–	–
						9,304
是年度收取有關連人士 之收入	Income for the year received from related parties					
– 利息收入	– Interest income	14,105	38	–	256	11,752
– 其他營業收入	– Other operating income	5,039	7,626	259	219	512
– 保險營業淨收入	– Net insurance operating income	–	344	15,677	1,950	1,800
		19,144	8,008	15,936	2,425	14,064
						59,577
是年度支付予有關連 人士之費用	Expenses for the year paid to related parties					
– 利息支出	– Interest expenses	102,723	13,225	2	1,214	5,321
– 服務費及佣金支出	– Fees and commission expenses	8	–	1	39	64,721
– 營業支出	– Operating expenses	–	2,251	–	–	–
– 保險營業淨支出	– Net insurance operating expenses	–	6,771	1,585	–	–
		102,731	22,247	1,588	1,253	70,042
						197,861

40 重大有關連人士之交易 (續)

40 Material related party transactions (Continued)

	控股公司 Holding company 港幣千元 HK\$' 000	共同 控制實體 Jointly controlled entities 港幣千元 HK\$' 000	聯營公司 Associates 港幣千元 HK\$' 000	主要 行政人員 Key management personnel 港幣千元 HK\$' 000	其他 有關連人士 Other related parties 港幣千元 HK\$' 000	合計 Total 港幣千元 HK\$' 000
二〇一九年	2019					
於年結日結餘總額	Aggregate amounts outstanding at the year end					
– 貸款及其他應收賬項	38,151	84	1,334	10,769	16	50,354
– 拆放存款	2,099,356	–	–	–	–	2,099,356
– 客戶存款	1,915,427	547,406	23,780	68,818	166,742	2,722,173
– 以公平價值誌入 其他全面收益 之金融投資	317,606	–	–	–	196,922	514,528
– 其他賬項及預提	–	–	–	8	–	8
資產負債表外結餘	Off-balance sheet outstanding					
– 外匯合約 (名義金額)	7,708,338	–	–	–	–	7,708,338
– 其他承擔	–	61,416	162	5,000	144	66,722
– 收取擔保	21,621,712	–	–	–	–	21,621,712
是年度收取有關連人士之收入	Income for the year received from related parties					
– 利息收入	276,544	135	–	240	5,463	282,382
– 其他營業收入	1,217	8,744	360	296	454	11,071
– 保險營業淨收入	–	10,005	4,306	–	–	14,311
	277,761	18,884	4,666	536	5,917	307,764
是年度支付予有關連人士之費用	Expenses for the year paid to related parties					
– 利息支出	32,110	15,098	378	1,309	1,058	49,953
– 服務費及佣金支出	6	–	2	47	33,193	33,248
– 營業支出	–	703	2	–	–	705
– 保險營業淨支出	–	3,226	1,093	–	–	4,319
	32,116	19,027	1,475	1,356	34,251	88,225

財務報表註釋

Notes to the Financial Statements

40 重大有關連人士之交易 (續)

於二〇二〇年十二月三十一日，本行在日常業務過程中按一般商業條款進行交易產生的應收及應付附屬公司款項總額分別為港幣67,794,000元(二〇一九年：港幣58,860,000元)及港幣1,594,996,000元(二〇一九年：港幣1,593,923,000元)。

於二〇二〇年十二月三十一日，本集團為上述授予有關連人士之貸款確認第一階段減值準備港幣3,787,000元(二〇一九年：港幣413,000元)。

主要行政人員報酬

本集團內主要行政人員，包括支付予本行董事或其應收之報酬分析如下：

40 Material related party transactions (Continued)

As at 31 December 2020, the aggregate sums of amounts due from subsidiaries and amounts due to subsidiaries of the Bank arising from transactions entered into during the normal course of business at commercial terms are HK\$67,794,000 (2019: HK\$58,860,000) and HK\$1,594,996,000 (2019: HK\$1,593,923,000) respectively.

As at 31 December 2020, the Group has recognised Stage 1 impairment allowances of HK\$3,787,000 in respect of loans granted to related parties (2019: HK\$413,000).

Key management personnel remuneration

Remuneration for key management personnel of the Group including amounts paid to or receivable by the Bank's directors is as follows:

		二〇二〇 2020 港幣千元 HK\$'000	二〇一九 2019 港幣千元 HK\$'000
薪酬、花紅及其他短期福利	Salaries, bonus and other short-term benefits	49,212	49,201
退休福利	Retirement benefits	2,888	3,546
		52,100	52,747

41 母公司及最終控股公司

本集團之母公司及最終控股公司為於中華人民共和國註冊之招商銀行股份有限公司。

41 Immediate and ultimate holding company

The directors consider that the immediate and ultimate holding company of the Group to be China Merchants Bank Co., Ltd., which is incorporated in the People's Republic of China.

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