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本公告并不构成或组成在美国或任何其他司法权区提呈发售或招揽购买或认购任何证券。倘未根据任何该等司法权区的证券法办理登记或未获批准而于上述地区进行上述提呈、招揽或出售即属违法。本公告所述证券并未及将不会根据1933年美国证券法（经修订）（「美国证券法」）登记，而除非已根据美国证券法之登记规定登记或获豁免登记，否则将不得于美国或为了任何美国人士（定义见美国证券法项下S规则）的利益或权益提呈发售或出售证券。于美国公开发售任何证券将须以招股章程形式作出。该招股章程将载有关于提呈发售的公司、管理以及财务报表的详细资料。发行人无意于美国进行任何证券公开发售。

香港投资者须知：发行人确认，票据（定义见下文）拟仅供专业投资者（定义见《香港联合交易所有限公司证券上市规则》第三十七章）购买，并已按此基准于香港联合交易所有限公司上市。因此，发行人确认，票据不适合作为香港散户投资者的投资。投资者应审慎考虑所涉及的风险。



**15,000,000,000美元中期票据计划**  
**(「票据计划」)项下**  
**于2024年到期2,000,000,000港元1.33%的票据**  
**(「票据」；股份代号：4490)**

本公告乃根据香港联合交易所有限公司（「香港联交所」）证券上市规则（「上市规则」）第37.39A条刊发。

请参阅随附本公告日期为2021年6月29日有关票据计划的发售通函（「发售通函」）以及日期为2022年2月10日有关票据的定价补充文件（「定价补充文件」）（发售通函及定价补充文件统称为「上市文件」，各为一份「上市文件」）。诚如上市文件所披露，票据拟仅供专业投资者（定义见上市规则第三十七章）购买并已按此基础于香港联交所上市。

上市文件概不构成在任何司法管辖权区向公众人士提呈出售任何证券的招股章程、通告、通函、宣传册或广告，亦非邀请公众人士提出认购或购买任何证券的要约，亦非用作分发以邀请公众人士提出认购或购买任何证券的要约。

上市文件概不得被视为认购或购买发行人任何票据的劝诱，且无意进行有关劝诱。概不应以上市文件所载资料作为投资决定的依据。

2022年2月18日

于本公告日期，发行人的非执行董事为刘连舸先生、刘金先生及林景臻先生，发行人的执行董事为孙煜先生和发行人的独立非执行董事为郑汝桦女士、蔡冠深博士、高铭胜先生、罗义坤先生及童伟鹤先生。

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附录一—日期为2021年6月29日有关票据计划的发售通函

## IMPORTANT NOTICE

**THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBs (AS DEFINED BELOW) UNDER RULE 144A UNDER THE SECURITIES ACT (AS DEFINED BELOW) OR (2) NON-U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) (“REGULATION S”) PURCHASING THE SECURITIES OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S.**

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

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

THE 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 RESTRICTIONS, 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 Offering Circular or make an investment decision with respect to the securities, investors must be either (i) qualified institutional buyers (“QIBs”) (within the meaning of Rule 144A under the Securities Act) or (ii) non-U.S. persons eligible to purchase the securities from 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 Offering Circular, you shall be deemed to have represented to Bank of China Limited, Bank of China (Hong Kong) Limited, BOCI Asia Limited, Cinda International Capital Limited, Citigroup Global Markets Limited and Goldman Sachs (Asia) L.L.C. (the “Dealers”) and us that (i) you and any customers you represent are either (A) QIBs or (B) non-U.S. persons eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act, and the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (ii) that you consent to delivery of such Offering Circular and any amendments or supplements thereto by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of the 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 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 Bank of China (Hong Kong) Limited in such jurisdiction.

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



中國銀行(香港)

BANK OF CHINA (HONG KONG)

## BANK OF CHINA (HONG KONG) LIMITED

(incorporated with limited liability in Hong Kong)

U.S.\$15,000,000,000

### MEDIUM TERM NOTE PROGRAMME

Under the Medium Term Note Programme described in this Offering Circular (the “Programme”), the Issuer, subject to compliance with all relevant laws, regulations and directives, may from time to time issue Medium Term Notes (the “Notes”). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.\$15,000,000,000 (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 “Risk Factors”.**

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 to BOC (as defined herein) and registration will be completed by BOC pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the National Development and Reform Commission (the “NDRC”), which came into effect on 14 September 2015 and the applicable implementation rules or policies thereof as issued by the NDRC from time to time (the “NDRC Circular”). After the issuance of such relevant Tranche of Notes, the Bank shall procure that the requisite information on the issuance of such Notes be provided to the NDRC within the time period as required by the NDRC.

Application has been made to The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) for the listing of the Programme by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (“Professional Investors”) only during the 12 months after the date of this Offering Circular. This Offering Circular 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 Hong Kong Stock Exchange 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 Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only, have been reproduced in this Offering Circular. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer, or of the quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.**

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

The Notes of each Series (as defined in “Summary of the Programme”) to be issued in bearer form and which are sold in an “offshore transaction” within the meaning of Regulation S (“Regulation S”) under the U.S. Securities Act of 1933, as amended (the “Securities Act”), will initially be represented by a temporary global note in bearer form (each a “temporary Global Note”) without interest coupons, which may be deposited on the relevant issue date (a) in the case of a Series intended to be cleared through Euroclear and/or Clearstream, Luxembourg, with a common depository on behalf of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, S.A. (“Clearstream, Luxembourg”) or with a sub-custodian for the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority (the “CMU”) (such Notes being referred to in this Offering Circular as “CMU Notes”) 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, Luxembourg and/or CMU, or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer. Interests in temporary Global Notes generally will be exchangeable for interests in permanent global notes (each a “permanent Global Note” and, together with the temporary Global Notes, the “Global Notes”), or if so stated in the relevant Pricing Supplement, definitive Notes (“Definitive Notes”), after the date falling 40 days after the later of the commencement of the offering and the relevant issue date of such Tranche, upon certification as to non-U.S. beneficial ownership. Interests in permanent Global Notes will be exchangeable for Definitive Notes in whole but not in part as described under “Summary of Provisions Relating to the Notes while in Global Form”.

The Notes of each Series to be issued in registered form (“Registered Notes”) and which are sold in an “offshore transaction” within the meaning of Regulation S (“Unrestricted Notes”) will initially be represented by one or more permanent registered global certificate (each an “Unrestricted Global Certificate”) without interest coupons, which may be deposited on the relevant issue date (a) in the case of a Series intended to be cleared through Euroclear and/or Clearstream, Luxembourg, with a common depository on behalf of Euroclear and Clearstream, Luxembourg or with a sub-custodian for the CMU, (b) in the case of a Series intended to be cleared through The Depository Trust Company (“DTC”), with Citibank, N.A., London Branch, as custodian (the “Custodian”) for, and registered in the name of Cede & Co., as nominee of DTC, and (c) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, DTC, Euroclear and/or Clearstream, Luxembourg and/or CMU, or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer. Registered Notes which are sold in the United States to “qualified institutional buyers” (each, a “QIB”) within the meaning of Rule 144A (“Rule 144A”) under the Securities Act (“Restricted Notes”) will initially be represented by one or more permanent registered global certificate (each a “Restricted Global Certificate”) and, together with the Unrestricted Global Certificate, the “Global Certificates”), without interest coupons, which may be deposited on the relevant issue date with (a) the custodian for, and registered in the name of Cede & Co. as nominee for, DTC or (b) a common depository on behalf of Euroclear and Clearstream, Luxembourg. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in “Summary of Provisions Relating to the Notes while in Global Form”.

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 or to, or for the account or the benefit of, U.S. persons. Registered Notes are subject to certain restrictions on transfer, see “Subscription and Sale”.

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

Moody’s Investors Service, Inc. (“Moody’s”) is expected to rate Senior Notes issued under the Programme “(P)Aa3” and Subordinated Notes issued under the Programme “(P)A3”. Standard & Poor’s Rating Services, a division of S&P Global Inc. (“S&P”), is expected to rate Senior Notes issued under the Programme “A+”, Subordinated Notes issued under the Programme “A-” and junior Subordinated Notes issued under the Programme “BBB”. Tranches of Notes (as defined in “Summary of the Programme”) 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.

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances (including the effect or likelihood of a write-off or conversion and the value of Subordinated Notes under the relevant regulations in the PRC). Investors should also have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with the Notes. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations in respect of the Notes are discussed under “Risk Factors” beginning on Page 12.

Arrangers  
(in alphabetical order)



中國銀行  
BANK OF CHINA



信達國際  
CINDA INTERNATIONAL



Goldman Sachs

Dealers  
(in alphabetical order)



中國銀行  
BANK OF CHINA



信達國際  
CINDA INTERNATIONAL



Goldman Sachs

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

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*”). 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 and its subsidiaries (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 Dealers and the Arrangers to inform themselves about and to observe any such restriction.

The Notes have not been and will not be registered under the Securities Act and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Offering Circular, see “*Subscription and Sale*”.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and, in the case of Registered Notes, within the United States to QIBs in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. 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*” and “*Transfer Restrictions*”.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

**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 Arranger 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 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 (“**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 the 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 (“**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 the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation 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 SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE)**

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 (Chapter 289 of Singapore) (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.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Arrangers or the Dealers to subscribe for, or purchase, any Notes.

The Arrangers and the Dealers have not separately verified the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, none of the Arrangers, the Dealers, or any director, officer, employee, agent or affiliate of any such person, makes any representation, warranty or undertaking, express or implied, or accepts any responsibility for the contents of this Offering Circular, or for any other statement made or purported to be made by an Arranger or a Dealer or on its behalf, in connection with the Issuer or the issue and offering of the Notes. Each of the Arrangers and the Dealers disclaims any and all liability, whether arising in tort or contract or otherwise (save as referred to above), which it might otherwise have in relation to this Offering Circular or any statement contained herein. Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the Programme 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 any director, officer, employee, agent or affiliate of any such person that any recipient of this Offering Circular or any other financial statements 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 any director, officer, employee, agent or affiliate of any such person undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Circular or to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers, any of the Dealers, or any director, officer, employee, agent or affiliate of any such person.

From time to time, in the ordinary course of business, certain of the Dealers and their affiliates have provided advisory and investment banking services, and entered into other commercial transactions with the Issuer and its affiliates, including commercial banking services, for which customary compensation has been received. It is expected that the Dealers and their affiliates will continue to provide such services to, and enter into such transactions with, the Issuer and its affiliates in the future.

The Dealers or certain of their respective affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution.

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor's particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of Notes should refer to, and consider carefully, the relevant Pricing Supplement for each particular issue of Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in this Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and investment considerations arising from an investment in an issue of Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances. 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 and the Dealers 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 any Tranche of Notes, one or more of the Dealers may act as the stabilisation managers (the “Stabilisation Managers”). The identity of the Stabilisation Managers (if any) will be disclosed in the relevant Pricing Supplement.**

**In connection with the issue of any Tranche of Notes, one or more of the Dealers named as Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may, subject to applicable laws and regulations, 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, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager) will undertake stabilisation action. 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 be ended 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.**

## PRESENTATION OF INFORMATION

In this Offering Circular, unless the context otherwise requires, (i) references to “**BOCHK**”, the “**Issuer**” or the “**Bank**” mean Bank of China (Hong Kong) Limited and, as the context may require, its subsidiaries; (ii) references to “**BOCHK (Holdings)**” mean BOC Hong Kong (Holdings) Limited; (iii) references to “**BOCHK (Holdings) Group**” mean BOCHK (Holdings) and its subsidiaries (including BOCHK); (iv) references to “**BOC**” mean Bank of China Limited, a joint stock commercial bank with limited liability established under the laws of the People's Republic of China (the “**PRC**”); (v) references to “**BOC Group**” mean Bank of China Limited and its subsidiaries; (vi) references to “**BOC Dealer Group**” refer to BOCHK, BOC and BOCI Asia Limited, each in its capacity as a Dealer for this Programme; and (vii) references to the “**Group**” mean Bank of China (Hong Kong) Limited and its subsidiaries.

Unless otherwise specified or the context otherwise requires, references to “**U.S.\$**” and to “**U.S. 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 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 the lawful currency of Commonwealth of Australia, and references to the “**PRC**” and “**the Mainland**” 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 (“**Macao**”), or Taiwan, China.

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

## **FORWARD-LOOKING STATEMENTS**

This Offering Circular includes statements that are, or may be deemed to be, “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the U.S. Securities and Exchange Act of 1934, as amended (the “**Exchange Act**”). These forward-looking statements can be identified by the use of forward-looking terminology, including the term “believes”, “estimates”, “intends”, “may”, “will” or “should” or, in each case, its 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, amongst 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 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 development may not be indicative of results or development 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 and business conditions in Hong Kong, the Mainland, the United States and other countries;

- changes in the monetary and credit policies of the United States, Hong Kong and the Mainland;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- changes in Hong Kong SAR 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 “*Risk Factors*”.

Any forward-looking statements that the Issuer makes in this Offering Circular speak only as of the date of such statements, and the Issuer undertakes no obligation to update such statements. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, and should only be viewed as historical data.

### **AVAILABLE INFORMATION**

The Issuer has agreed that, for so long as any Notes are “restricted securities” as defined in Rule 144(a)(3) under the Securities Act, the Issuer will, during any period that the Issuer is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, furnish, upon request, to any holder or beneficial owner of such restricted securities or any prospective purchaser designated by any such holder or beneficial owner or to the Trustee for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or Trustee, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

### **DOCUMENTS INCORPORATED BY REFERENCE**

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement, the most recently published audited annual financial statements, and any interim financial information (whether audited or unaudited) published subsequently to such annual financial statements of the Issuer from time to time (if any), and all amendments and supplements from time to time to this Offering Circular, 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 such contents. 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 and public holidays excepted) from the specified offices of the Paying Agents set out at the end of this Offering Circular. See “*General Information*” for a description of the financial statements currently published by the Issuer.

Any unaudited interim financial information that has not been audited by a certified public accountant should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. None of the Arrangers, the Dealers or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates makes any representation or warranty, express or implied, regarding the sufficiency of such unaudited interim financial information for an assessment of, and potential investors must exercise caution when using

such data to evaluate, the Issuer's financial condition and results of operations. In addition, the Issuer's interim financial information should not be taken as an indication of the expected financial condition or results of operations of the Issuer for the relevant full financial year.

## **SUPPLEMENTAL OFFERING CIRCULAR**

The Issuer has given an undertaking to the Arrangers and the Dealers that if at any time during the duration of the Programme a significant new factor arises, or a material mistake or inaccuracy is noted relating to the information included in this 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 this Offering Circular, (ii) advise the Arrangers and the Dealers promptly of any proposal to amend or replace this Offering Circular, (iii) advise the Dealers promptly of any proposal to supplement this Offering Circular and (iv) provide the Arrangers and the Dealers with a copy of any such proposed amendment, supplement or replacement immediately prior to its publication. If the terms of the Programme are modified or amended in a manner which would make this Offering Circular inaccurate or misleading, a new Offering Circular will be prepared by the Issuer.

## **ENFORCEABILITY OF CIVIL LIABILITIES**

The Issuer is incorporated under the laws of Hong Kong. Most of the Issuer's directors and officers and the experts named herein reside outside the United States (principally in Hong Kong). A substantial portion of the Issuer's assets and the assets of such persons are or may be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or such persons, or to enforce against the Issuer or such persons judgments obtained in U.S. courts, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States.

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## 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 meanings in this summary.*

**The Issuer** . . . . . Bank of China (Hong Kong) Limited (Legal Entity Identifier: KNPC1X7GHDZW8U2ZSF89)

**Description** . . . . . Medium Term Note Programme

**Size.** . . . . . Up to U.S.\$15,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.

**Arrangers** . . . . . Bank of China Limited  
  
Bank of China (Hong Kong) Limited  
  
BOCI Asia Limited  
  
Cinda International Capital Limited  
  
Citigroup Global Markets Limited  
  
Goldman Sachs (Asia) L.L.C.

**Dealers** . . . . . Bank of China Limited  
  
Bank of China (Hong Kong) Limited  
  
BOCI Asia Limited  
  
Cinda International Capital Limited  
  
Citigroup Global Markets Limited  
  
Goldman Sachs (Asia) L.L.C.

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.

**Trustee** . . . . . Citicorp International Limited

<b>Issuing and Paying Agents . . . . .</b>	Citibank, N.A., London Branch (in respect of Unrestricted Notes other than CMU Notes and in respect of Restricted Notes)
<b>Transfer Agents . . . . .</b>	Citibank, N.A., London Branch (in respect of Unrestricted Notes other than CMU Notes and in respect of Restricted Notes)
<b>Registrars . . . . .</b>	Citigroup Global Markets Europe AG (in respect of Unrestricted Notes other than CMU Notes and in respect of Restricted Notes) and Citicorp International Limited (in respect of CMU Notes)
<b>CMU Lodging and Paying Agent.</b>	Citibank, N.A., Hong Kong Branch
<b>Method of Issue . . . . .</b>	The Notes may be issued on a syndicated or non-syndicated basis. The Notes may be issued in series (each a “ <b>Series</b> ”) having one or more issue dates (each tranche within such Series, a “ <b>Tranche</b> ”) 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. 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 “ <b>Pricing Supplement</b> ”).
<b>Issue Price. . . . .</b>	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.
<b>Form of Notes . . . . .</b>	The Notes may be issued in bearer form only (“ <b>Bearer Notes</b> ”) or in registered form only (“ <b>Registered Notes</b> ”). Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in “ <i>Summary of the Programme — Selling Restrictions</i> ” below), otherwise such Tranche will be represented by a permanent Global Note. 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 “ <b>Global Certificates</b> ”.



Registered Notes sold in an “offshore transaction” within the meaning of Regulation S will initially be represented by an Unrestricted Global Certificate. Registered Notes sold in the United States to QIBs within the meaning of Rule 144A will initially be represented by a Restricted Global Certificate.

**Clearing Systems . . . . .** The CMU, Clearstream, Luxembourg, Euroclear, DTC and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agents, the Trustee 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 depository for Euroclear and Clearstream, Luxembourg or deposited with a sub-custodian for the CMU or registered in the name of Cede & Co. (or such other entity as is specified in the applicable Pricing Supplement) as nominee for DTC and deposited on or about the issue date with the DTC Custodian or deposited with 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 Trustee, the Issuing and Paying Agents 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.

**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, including, for the avoidance of doubt, undated perpetual Notes with no fixed maturity. Under applicable laws and regulations at the date of this Offering Circular, Subordinated Notes must have a minimum maturity of five years.

**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) that 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). Notwithstanding any other regulatory or listing requirements in respect of specified denominations, the minimum specified denomination for any series or tranche of Subordinated Notes intending to qualify as Tier 2 capital under the Capital Regulations or LAC debt instruments under the LAC Regulations (as specified in the applicable Pricing Supplement) shall be, if denominated in (i) Hong Kong dollars, HK\$2,000,000; (ii) United State dollars, U.S.\$250,000; (iii) Euros, €200,000 or (iv) any other currency, the equivalent in that currency to HKD2,000,000 with reference to the relevant exchange rate on the relevant Issue Date.

**Fixed Rate Notes** . . . . . Fixed interest will be payable in arrears 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, or, if specified in the applicable Pricing Supplement, the 2021 Definitions as published by the International Swaps and Derivatives Association, Inc., as amended, supplemented or replaced; or
- (ii) 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 Benchmark, please see Condition 5(b)(ii)(C)); or
- (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each series of Floating Rate Notes. Interest periods will be specified in the relevant Pricing Supplement. Benchmark replacement provisions are applicable as described in “*Terms and Conditions of the Notes*”.

<b>Zero Coupon Notes</b> . . . . .	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
<b>Dual Currency Notes</b> . . . . .	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.
<b>Index Linked Notes</b> . . . . .	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.
<b>Other Notes</b> . . . . .	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 relevant Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Pricing Supplement.
<b>Interest Periods and Interest Rates</b> . . . . .	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.
<b>Redemption and Redemption Amounts</b> . . . . .	<p>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).</p> <p>Under applicable laws and regulations at the date of this Offering Circular, Notes which are intended to constitute capital of the Issuer may not be redeemed within five years of the relevant Issue Date except for taxation or regulatory reasons (in each case, <b>provided that</b> the consent of the Hong Kong Monetary Authority (“<b>HKMA</b>”) is obtained) or following an Enforcement Event.</p>

<b>Redemption by Instalments. . . . .</b>	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.
<b>Optional Redemption . . . . .</b>	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. Except following an Enforcement Event, Subordinated Notes may not be redeemed prior to their stated maturity date without the consent of the HKMA.
<b>Early Redemption . . . . .</b>	Except as provided in “ <i>Optional Redemption</i> ” above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax and (in the case of Subordinated Notes only) regulatory reasons. See “ <i>Terms and Conditions of the Notes — Redemption, Purchase and Options</i> ”. Except following an Enforcement Event, Subordinated Notes may not be redeemed prior to their stated maturity date without the consent of the HKMA.
<b>Types of Notes. . . . .</b>	The Issuer may issue Senior Notes and Subordinated Notes.
<b>Status of the Senior Notes. . . . .</b>	The Senior Notes issued by the Issuer will constitute direct unconditional, unsubordinated and (subject to Condition 4 under the section titled “ <i>Terms and Conditions of the Notes</i> ”) unsecured obligations of the Issuer and will rank <i>pari passu</i> without any preference amongst themselves and <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Issuer other than any such obligations as are preferred by law, all as further described in Condition 3(a).
<b>Status of the Subordinated Notes</b>	The Subordinated Notes issued by the Issuer will constitute direct and unsecured obligations of the Issuer and will rank <i>pari passu</i> without any preference amongst 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 to the claims of depositors and all other creditors of the Issuer and any other Subordinated Indebtedness ranking senior to the Subordinated Notes, all as further described in Condition 3(b) under the section titled “ <i>Terms and Conditions of the Notes</i> ”.
<b>Negative Pledge . . . . .</b>	Applicable to Senior Notes only. See “ <i>Terms and Conditions of the Notes — Negative Pledge (Senior Notes Only)</i> ”.
<b>Cross Default. . . . .</b>	Applicable to Senior Notes only. See “ <i>Terms and Conditions of the Notes — Events of Default</i> ”.

<b>Ratings</b> . . . . .	<p>Moody's is expected to rate Senior Notes issued under the Programme "(P)Aa3" and Subordinated Notes issued under the Programme "(P)A3". S&amp;P is expected to rate Senior Notes issued under the Programme "A+", Subordinated Notes issued under the Programme "A-" and junior Subordinated Notes issued under the Programme "BBB". 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.</p> <p>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.</p>
<b>Withholding Tax</b> . . . . .	<p>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 (including the ICMA Standard EU Exception), all as described in "<i>Terms and Conditions of the Notes — Taxation</i>".</p>
<b>Governing Law</b> . . . . .	<p>English law, except that the provisions of the Notes relating to subordination shall be governed by Hong Kong law.</p>
<b>Listing</b> . . . . .	<p>Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only for the 12 months after the date of this Offering Circular.</p> <p>Application will be made to the Hong Kong Stock Exchange for permission to deal in, and for listing of, any Notes which are agreed at the time of issue to be so listed on the Hong Kong Stock Exchange. There is no guarantee that an application to the Hong Kong Stock Exchange will be approved. As specified in the relevant Pricing Supplement, a Series of Notes may be unlisted.</p>
<b>Selling Restrictions</b> . . . . .	<p>The United States, the Public Offer Selling Restriction under the Prospectus Directive in the EEA (in respect of Notes having a specified denomination of less than €50,000 (or €100,000, to the extent that Directive 2010/73/EU has been implemented in the relevant Member State) or its equivalent in any other currency as of the date of issue of the Notes), the United Kingdom, Hong Kong, Japan and Singapore. See "<i>Subscription and Sale</i>".</p> <p>For the purposes of Regulation S, Category 2 selling restrictions shall apply unless otherwise indicated in the relevant Pricing Supplement.</p>

Notes in bearer form will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “**D Rules**”) unless (i) the relevant Pricing Supplement states that such Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “**C Rules**”) or (ii) such Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which such Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“**TEFRA**”), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.

**Transfer Restrictions** . . . . . There are restrictions on the transfer of Notes sold pursuant to Category 2 of Regulation S prior to the expiration of the relevant distribution compliance period and on the transfer of Registered Notes sold pursuant to Rule 144A under the Securities Act. See “*Transfer Restrictions*”.

**NDRC** . . . . . 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 to BOC and registration will be completed by BOC pursuant to the NDRC Circular. After the issuance of such relevant Tranche of Notes, the Bank shall procure the requisite information on the issuance of such Notes be provided to the NDRC within the time period as required by the NDRC.

**ERISA** . . . . . Notes (or any interest therein) may generally be purchased by Benefit Plan Investors (as defined in Section 3(42) of the U.S. Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”)) and certain other plans that are subject to Similar Law (as defined herein), unless the terms of the Notes provide otherwise. Please see “*Certain ERISA and Other U.S. Considerations*”.

## SELECTED FINANCIAL INFORMATION

The following tables present the Issuer's selected financial information as of and for each of the years ended 31 December 2018, 2019 and 2020, of which the "Consolidated Income Statement" and "Consolidated Balance Sheet" have been extracted from each of the Issuer's audited consolidated financial statements as of and for the years ended 31 December 2019 and 2020 (the "Audited Consolidated Financial Statements"). Such information should be read in conjunction with (i) the Audited Consolidated Financial Statements and the related notes thereto included elsewhere in this Offering Circular, and (ii) the section headed "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Offering Circular.

### CONSOLIDATED INCOME STATEMENT

	Year ended 31 December			
	2018 <sup>(1)</sup>	2019	2020	2020
	(audited)			
	HK\$ in millions	HK\$ in millions	HK\$ in millions	U.S.\$ in millions <sup>(2)</sup>
Interest income . . . . .	58,835	64,538	46,430	5,988
Interest expense . . . . .	(22,358)	(27,273)	(15,132)	(1,952)
<b>Net interest income . . . . .</b>	<b>36,477</b>	<b>37,265</b>	<b>31,298</b>	<b>4,036</b>
Fee and commission income . . . . .	15,815	15,421	13,658	1,762
Fee and commission expense . . . . .	(3,848)	(3,216)	(2,260)	(291)
<b>Net fee and commission income . . . . .</b>	<b>11,967</b>	<b>12,205</b>	<b>11,398</b>	<b>1,471</b>
Net trading gain . . . . .	3,276	5,649	4,763	614
Net gain on other financial instruments at fair value through profit or loss . . . . .	518	328	157	20
Net gain on other financial assets . . . . .	1	771	4,383	565
Other operating income . . . . .	738	831	737	95
<b>Net operating income before impairment allowances . . . . .</b>	<b>52,977</b>	<b>57,049</b>	<b>52,736</b>	<b>6,801</b>
Net charge of impairment allowances . . . . .	(1,237)	(2,015)	(2,671)	(344)
<b>Net operating income . . . . .</b>	<b>51,740</b>	<b>55,034</b>	<b>50,065</b>	<b>6,457</b>
Operating expenses . . . . .	(14,722)	(16,124)	(15,775)	(2,034)
<b>Operating profit . . . . .</b>	<b>37,018</b>	<b>38,910</b>	<b>34,290</b>	<b>4,423</b>
Net (loss)/gain from disposal of/fair value adjustments on investment properties . . . . .	921	288	(1,641)	(212)
Net (loss)/gain from disposal/revaluation of properties, plant and equipment . . . . .	19	(1)	(63)	(8)
Share of results after tax of associates and joint ventures . . . . .	69	137	42	5
<b>Profit before taxation . . . . .</b>	<b>38,027</b>	<b>39,334</b>	<b>32,628</b>	<b>4,208</b>
Taxation . . . . .	(6,342)	(5,980)	(5,095)	(657)
<b>Profit for the year . . . . .</b>	<b>31,685</b>	<b>33,354</b>	<b>27,533</b>	<b>3,551</b>
Profit attributable to:				
Equity holders of the Bank . . . . .	31,521	33,186	27,352	3,528
Non-controlling interests . . . . .	164	168	181	23
	<u>31,685</u>	<u>33,354</u>	<u>27,533</u>	<u>3,551</u>
<b>Dividends . . . . .</b>	<b>16,141</b>	<b>15,754</b>	<b>12,138</b>	<b>1,566</b>

(1) Comparative information contained in the Issuer's audited consolidated financial statements as of and for the year ended 31 December 2019 have been restated as a result of the transfer of the Branch Interests in Bank of China Limited, Vientiane Branch in Laos from BOC to the Issuer in January 2019. The Issuer has applied the merger accounting method for the business combination under common control. The comparative amounts in the financial statements have been restated as if the business of BOC Vientiane Branch had always been carried out by the Group.

(2) Convenience translation of HK dollar amounts to U.S. dollar amounts were made at a rate of HK\$7.7534 to U.S.\$1.00, the Noon Buying Rate on 31 December 2020.

## CONSOLIDATED BALANCE SHEET

	As of 31 December			
	2018 <sup>(1)</sup>	2019	2020	2020
		(audited)		
	HK\$ in millions	HK\$ in millions	HK\$ in millions	U.S.\$ in millions <sup>(2)</sup>
<b>Assets</b>				
Cash and balances and placements with banks and other financial institutions . . . . .	433,068	366,636	463,081	59,726
Financial assets at fair value through profit or loss . . . . .	274,157	46,662	32,745	4,223
Derivative financial instruments . . . . .	34,955	31,167	52,811	6,811
Hong Kong SAR Government certificates of indebtedness . . . . .	156,300	163,840	189,550	24,447
Advances and other accounts . . . . .	1,282,286	1,412,501	1,499,808	193,439
Investment in securities . . . . .	540,855	739,335	789,869	101,874
Interests in associates and joint ventures . . . . .	482	619	663	86
Investment properties . . . . .	19,988	20,428	18,740	2,417
Properties, plant and equipment . . . . .	49,071	51,173	46,504	5,998
Current tax assets . . . . .	—	45	69	9
Deferred tax assets . . . . .	82	63	95	12
Other assets . . . . .	32,541	42,085	50,595	6,524
<b>Total assets</b> . . . . .	<b>2,823,785</b>	<b>2,874,554</b>	<b>3,144,530</b>	<b>405,566</b>
<b>Liabilities</b>				
Hong Kong SAR currency notes in circulation . . . . .	156,300	163,840	189,550	24,447
Deposits and balances from banks and other financial institutions . . . . .	376,521	267,657	326,241	42,077
Financial liabilities at fair value through profit or loss . . . . .	15,535	19,206	20,336	2,623
Derivative financial instruments . . . . .	30,812	32,833	60,355	7,784
Deposits from customers . . . . .	1,899,102	2,014,092	2,190,322	282,498
Debt securities and certificates of deposit in issue . . . . .	9,453	116	426	55
Other accounts and provisions . . . . .	47,960	66,945	51,086	6,589
Current tax liabilities . . . . .	2,437	7,906	3,878	500
Deferred tax liabilities . . . . .	5,715	6,375	5,778	745
Subordinated liabilities . . . . .	13,246	12,954	—	—
<b>Total liabilities</b> . . . . .	<b>2,557,081</b>	<b>2,591,924</b>	<b>2,847,972</b>	<b>367,318</b>
<b>Equity</b>				
Share capital . . . . .	43,043	43,043	43,043	5,551
Reserves . . . . .	199,907	215,829	229,749	29,632
Capital and reserves attributable to equity holders of the Bank . . . . .	242,950	258,872	272,792	35,183
Other equity instruments of the Bank . . . . .	23,476	23,476	23,476	3,028
Non-controlling interests . . . . .	278	282	290	37
<b>Total equity</b> . . . . .	<b>266,704</b>	<b>282,630</b>	<b>296,558</b>	<b>38,248</b>
<b>Total liabilities and equity</b> . . . . .	<b>2,823,785</b>	<b>2,874,554</b>	<b>3,144,530</b>	<b>405,566</b>

(1) Comparative information contained in the Issuer's audited consolidated financial statements as of and for the year ended 31 December 2019 have been restated as a result of the transfer of the Branch Interests in Bank of China Limited, Vientiane Branch in Laos from BOC to the Issuer in January 2019. The Issuer has applied the merger accounting method for the business combination under common control. The comparative amounts in the financial statements have been restated as if the business of BOC Vientiane Branch had always been carried out by the Group.

(2) Convenience translation of HK dollar amounts to U.S. dollar amounts were made at a rate of HK\$7.7534 to U.S.\$1.00, the Noon Buying Rate on 31 December 2020.



## PROFITABILITY RATIOS AND OTHER DATA

	Year ended 31 December		
	2018 <sup>(1)</sup>	2019	2020
Return on average total assets <sup>(2)</sup> . . . . .	1.18%	1.18%	0.88%
Return on average equity <sup>(3)</sup> . . . . .	12.73%	12.09%	9.45%
Dividend payout ratio <sup>(4)</sup> . . . . .	51.21%	47.47%	44.38%
Net interest spread <sup>(5)</sup> . . . . .	1.39%	1.32%	1.10%
Net interest margin <sup>(6)</sup> . . . . .	1.54%	1.51%	1.18%
Net interest margin (adjusted) <sup>(7)</sup> . . . . .	1.55%	1.61%	1.24%
Cost to income ratio <sup>(8)</sup> . . . . .	27.79%	28.26%	29.91%
Cost to average assets ratio <sup>(9)</sup> . . . . .	0.55%	0.57%	0.50%
Loan to deposit ratio <sup>(10)</sup> . . . . .	66.61%	69.28%	68.36%

(1) Comparative information contained in the Issuer's audited consolidated financial statements as of and for the year ended 31 December 2019 have been restated as a result of the transfer of the Branch Interests in Bank of China Limited, Vientiane Branch in Laos from BOC to the Issuer in January 2019. The Issuer has applied the merger accounting method for the business combination under common control. The comparative amounts in the financial statements have been restated as if the business of BOC Vientiane Branch had always been carried out by the Group.

(2) Profit for the year/period divided by daily average balance of total assets.

(3) Profit attributable to equity holders divided by average of the beginning and ending balance of capital and reserves attributable to equity holders and other equity instruments of the Bank. The balances of capital and reserves used in the calculation have been restated to reflect the Issuer's acquisitions of Southeast Asian entity, in a way consistent with the restatement of profit attributable to equity holders of the bank in respective years.

(4) Dividend divided by profit attributable to the equity holders of the Bank.

(5) Average interest yield of total interest-earning assets less average interest rate of total interest-bearing liabilities.

(6) Net interest income divided by daily average balance of interest-earning assets.

(7) Adjusted net interest margin with the funding income or cost of foreign currency swap contracts included. Foreign exchange swap contracts are normally used for the Issuer's liquidity management and funding activities. The exchange difference (funding income or cost) between the spot and forward contracts is recognised as a foreign exchange gain or loss (as included in "net trading gain"), while the corresponding interest differential between the surplus funds in the original currency and swapped currency is reflected in net interest income.

(8) Operating expenses divided by net operating income before impairment allowances.

(9) Operating expenses divided by daily average balance of total assets.

(10) Advances to customers divided by customers' deposits (including structured deposits).

## RISK FACTORS

*Prospective investors should carefully consider the risks described below, which are not organised in any particular order of importance, together with the risks described in the other sections of this Offering Circular, before making any investment decision relating to the Issuer's Notes. The occurrence of any of the following events could have a material adverse effect on the Issuer's business, including its ability to grow its asset portfolio, the quality of its assets, its liquidity, its financial performance, its ability to implement its strategy and its ability to repay the interest or principal on the Notes in a timely fashion or at all.*

*Before making an investment decision, prospective investors should carefully consider all of the information contained in this Offering Circular, including the financial statements included in this Offering Circular.*

### **RISKS RELATING TO HONG KONG, THE MAINLAND AND SOUTHEAST ASIAN COUNTRIES**

While the Issuer primarily conducts its business in Hong Kong, it also conducts its business in the Mainland and other Southeast Asian countries, which exposes it to a variety of risks. Set out below is a description of certain risks related to the Issuer's activities in Hong Kong, the Mainland and Southeast Asia.

***An economic downturn may materially and adversely affect the Issuer's business, financial condition or results of operations.***

The Issuer conducts most of its operations and generates most of its revenue in Hong Kong. Its performance and the quality and growth of its assets are necessarily dependent on the overall economy in Hong Kong, as well as global market conditions. As a result, any downturn in the Hong Kong or global economy may have a substantial adverse effect on the Issuer's business, financial condition or results of operations. For example, Hong Kong's economy may also be susceptible to slowdowns or downturns as a result of uncertainties related to the recent trade dispute between the United States and the Mainland. If bilateral trade between these two countries causes their respective economies or the economies of other countries to contract as a result of potential tariffs, Hong Kong's re-export business may be adversely impacted. Any escalation of trade frictions between nations will invariably hinder the growth of trade in Hong Kong and dampen the demand for trade finance and other financing products. Should trade tensions between the United States and other countries persist over a prolonged period of time, a substantial number of companies and the Issuer's clients may suffer severe loss of income and encounter operational difficulties, thereby negatively impacting the quality of the Issuer's loans and advances and its financial performance.

Given the inherent connection between the economies of Hong Kong and the Mainland, the Issuer's performance is influenced by the economic conditions in the Mainland and the economic measures undertaken by the PRC government. Although the economy of the Mainland continued to grow after the financial crisis, there has, at times, been signs of moderation as evidenced by decelerating GDP growth rate in recent years. The GDP growth rate in 2020 was a record-low figure for the past 45 years and such was mainly attributable to the outbreak of the Coronavirus Disease 2019 (COVID-19) globally. In the first quarter of 2021, the economy of the Mainland registered a year-on-year growth of 18.3 per cent., which was partly attributable to the low base of comparison. Apart from the uncertainty caused by the outbreak of COVID-19, the unstable economic outlook could be caused by a combination of other factors, most of which would be beyond the Issuer's control, such as global economic conditions, governmental policies and changes in market dynamics globally and regionally.

In 2017, the Mainland launched a deleveraging campaign in order to reduce excessive leverage in the banking system that may threaten its financial stability. The focus of the campaign is on the state-owned enterprise sector and local government debt, as well as heavier scrutiny of the lending practices of the commercial banks. The PRC government's effort to reduce debt growth may impact its economic growth. However, there can be no assurance that such efforts will be effective. If the Mainland's economic growth experiences slowdowns in the future, or the PRC government continues to tighten its monetary policies, the Issuer's business and financial performance could be materially and adversely affected.

Despite the notable growth recorded by most Southeast Asian economies in recent years, the rising trade tension may also threaten the economic outlook of the export-orientated economies of certain Southeast Asian countries and may have an adverse effect on the Issuer's business in these countries where it operates.

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

As with most banks, the Issuer's net interest income is a significant factor in determining its overall financial performance. For the year ended 31 December 2020, the Issuer's net interest income represented approximately 59.3 per cent. of the Issuer's net operating income before impairment allowances.

Interest rates in Hong Kong and across the key Southeast Asian countries, for example, have remained relatively low over the past few years, a situation which has had a negative impact on the Issuer's net interest income. However, there can be no assurance that interest rates will not become volatile or that changes in interest rates will not be frequent. Volatility in interest rates could affect the Issuer's business, financial condition, liquidity, results of operations and profitability in different ways. For example, a decrease in interest rates may reduce the Issuer's interest income and yields from interest-earning investments. A substantial increase in interest rates may decrease the value of the Issuer's debt securities portfolio and raise the Issuer's funding costs. In addition, an extended rise in interest rate levels may adversely affect the economy in Hong Kong and the Southeast Asian countries and the financial condition and repayment ability of the Issuer's corporate and individual borrowers, including credit card holders, which in turn may lead to deterioration in the Issuer's credit portfolio. The Issuer is also subject to interest rate risk as a result of mismatches in pricing and duration of its assets and liabilities. As a result, volatility in interest rates could have an adverse effect on its business, financial condition, liquidity and results of operations.

***Currency risk arising from discontinuation of the link of the HK dollar to the U.S. dollar or revaluation of the HK dollar and volatility of other foreign currencies could adversely affect the Issuer's liquidity position, as well as its financial condition and results of operations.***

The majority of the Issuer's revenue is generated in HK dollars. Nonetheless, as of 31 December 2020, the Issuer held a substantial part of its spot assets in U.S. dollars, amounting to HK\$910,330 million. The HK dollar has been linked to the U.S. dollar since 17 October 1983, and the Hong Kong SAR Government has in the past expressed its commitment to maintaining exchange rate stability under the Linked Exchange Rate System, an automatic interest rate adjustment mechanism. However, there can be no assurance that HK dollar will continue to be linked to U.S. dollar or that, in the event of a liquidity complication affecting HK dollar, such bilateral repurchase agreements or the automatic interest rate adjustment mechanism will help to maintain adequate liquidity for HK dollar.

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

Currencies in Southeast Asian countries may also be affected by rising U.S. interest rates or changes in exchanges rates linked to the U.S. dollar, which may result in capital outflow from the Southeast Asia region.

The Issuer's business, financial condition and results of operations could be adversely affected by the impact of the discontinuation of the currency link or any revaluation of HK dollar, or any significant change in the U.S. dollar or other foreign currencies, such as the British Pound, the Euro, the Thai Baht and the Malaysian Ringgit, against the HK dollar.

*The Issuer is subject to different regulatory requirements in Hong Kong and the Southeast Asian markets where it operates.*

The issued shares of the Issuer's direct holding company, BOCHK (Holdings), are listed on the Hong Kong Stock Exchange. Both BOCHK (Holdings) and the Issuer are required to publish annual audited and semi-annual unaudited financial information. However, the extent of publicly available information of issuers in Hong Kong may be less than that publicly available for comparable banks in certain other countries.

Under the Banking Ordinance (Cap. 155) (the “**Banking Ordinance**”) of Hong Kong, the HKMA regulates the business activities and operations of commercial banks and has the ability to influence banking and financial markets. Since the Issuer operates in the highly regulated banking and securities industries in Hong Kong, potential investors should be aware that the regulatory requirements in Hong Kong may differ from those that prevail in other countries and the regulatory authorities have been consistently imposing higher standards and formulating new guidelines and regulatory requirements, such as the final regulatory framework under the new Basel Capital Accord of the Bank for International Settlements (known as “**Basel III**”) promulgated by the Basel Committee on Banking Supervision (the “**Basel Committee**”) in December 2010.

In addition to these regulatory requirements from Hong Kong Stock Exchange, or in relation to Hong Kong banking and securities industries, and Basel III, the Issuer is also required to comply with regulatory requirements applicable in each of the countries in which it operates, which may be different from Hong Kong regulatory requirements. The Issuer 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 the Issuer's 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 or as otherwise applicable to the Issuer, could affect the Issuer'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 Issuer's operational and compliance cost or adversely affect its business or operations. Moreover, there can also be no assurance that breaches of legislation or regulations by the Issuer will not occur and, to the extent that such a breach does occur, that significant liability or penalties will not be incurred.

***The COVID-19 pandemic has had a negative impact on worldwide economic activity and could affect the Issuer's business, financial condition or results of operations.***

On 11 March 2020, the World Health Organisation declared COVID-19 as a global pandemic. The 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. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic have disrupted and are very likely to continue to disrupt the global economy and global markets and is likely to result in a global economic recession. In addition, COVID-19 has led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time. As the COVID-19 pandemic continues to adversely affect business activities globally, governments and central banks across the world have introduced or are planning fiscal and monetary stimulus measures including direct subsidies, tax cuts, interest rates cuts, quantitative easing programmes and suspension or relaxation of prudential bank capital requirements. These measures aim to contain the economic impact of the COVID-19 pandemic, stabilise the capital markets and provide liquidity easing to the markets. In addition, the PRC regulators have promulgated a series of measures to encourage PRC financial institutions to increase financial support to business and consumers to combat the challenges arising from the COVID-19 pandemic. The Issuer coordinated with the regulators in launching various relief measures for individuals and commercial borrowers, in order to alleviate the financial pressures and the impact of the pandemic. In addition, the Issuer conducted risk-based assessments on the affected borrowers to identify the vulnerable borrowers, who are put onto the watchlist for on-going close monitoring, resulting in rating downgrade and additional impairment allowances to withstand the uncertainty of future economic conditions

While the banking sector faces increased challenges in its operations and management, Hong Kong's banking system remains robust overall. The average liquidity coverage ratio and average capital adequacy ratio of major banks remain well above international regulatory requirements. In 2020, the Issuer's net fee and commission income amounted to HK\$11,398 million, down 6.6 per cent. year-on-year. This was mainly due to the impact of the COVID-19 pandemic and the economic downturn, which adversely affected the tourism, retail and trade sectors, resulting in a decrease in commission income from currency exchange, credit card business and bills. Although profitability was affected by COVID-19 and the economic downturn, the Issuer believes that it continued to achieve steady business growth and maintained solid financial indicators in 2020. In view of the ongoing COVID-19 pandemic and the complex and challenging external environment, the Issuer intends to continuously enhance its risk management and proactively strengthen its risk management systems for all types of risks.

While governments across the globe continue to take stringent measures to prevent any potential resurgence of new COVID-19 cases, since the second quarter of 2020, many restrictions in the Mainland have been lifted and the level of business activities have been restoring in response to the significant decrease of new reported cases. As a result, the Chinese economy has been recovering rapidly. In addition, vaccinations are gradually expected to become more widely available worldwide. However, the above-mentioned prevention and control measures may continue globally in the near or longer term. As a result, the impact of the COVID-19 pandemic on the Issuer's business going forward will depend on a range of factors which it is not able to accurately predict, including the duration and scope of the pandemic, the geographies impacted, the impact of the pandemic on economic activity and the nature and severity of measures adopted by governments.

## **RISKS RELATING TO THE ISSUER'S BUSINESS**

*The Issuer's exposure to the Mainland and the Southeast Asian markets are subject to economic, political, social or legal uncertainties or changes in these countries.*

The Issuer is exposed to all of the risks inherent in cross-border transactions with the Mainland and the Southeast Asian countries, such as credit risk and market risk, as well as fluctuations in exchange rates for the Renminbi and other foreign currencies. Although the Issuer has adopted policies to limit and manage such risks, there can be no assurance that the political, economic or other circumstances in the Mainland and the Southeast Asian countries or any future exchange rate volatility relating to the Renminbi and other foreign currencies will not adversely affect the Issuer's business, financial condition and results of operations.

As of 31 December 2020, the Issuer had HK\$279,231 million in loans to customers outside Hong Kong, which mainly includes loans to customers located in the Mainland and other countries (including Southeast Asian countries), respectively, which are determined based on the location of the counterparties and after taking into account the transfer of risk in respect of such loans where appropriate. These amounts represented approximately 18.6 per cent. of the Issuer's gross loans and advances to customers at that date.

The value of the Issuer's loans to entities with exposure to the Mainland and the Southeast Asian countries may be affected by the general state of the economy, political, social or legal uncertainties or changes in these countries, including changes in economic and monetary policies, the rate of inflation, exchange controls and the exchange rate, and the regulations governing banking businesses. The level of economic, social, political or legal risks in each of the Southeast Asian countries where the Issuer operates varies considerably, hence the quality of the Issuer's loans in each of these countries should be considered in light of each respective country's market conditions.

Furthermore, under the COVID-19 pandemic, many countries, including the Mainland and the Southeast Asian countries where the Issuer operates, have implemented different kinds of measures, including but not limited to travel bans and closure of borders, to help contain the spread of the virus, which could restrict the level of business activities in the affected areas, and may in turn adversely affect the Issuer's business, operations and financial condition.

There can be no assurance that the Issuer's continued exposure to the Mainland and Southeast Asia or its strategy to grow its business in these markets will not have an adverse effect on its business, financial condition or results of operations, or that the economic, monetary and political environment in these markets will remain favourable to its business in the future.

*The increasing competition in the Hong Kong, the Mainland and Southeast Asian banking industries could adversely affect the Issuer's business, prospects, results of operations and financial condition.*

The Issuer conducts its business principally in Hong Kong for individual and corporate customers. The banking industry in Hong Kong is a mature market, and the Issuer is subject to increasing competition from many other Hong Kong-incorporated banks and Hong Kong branches of international banks, including competitors that have significantly greater financial. As of December 2020, according to statistics published by the HKMA, there were 161 international and local licensed banks competing for a population of approximately 7.47 million people according to the Hong Kong Census and Statistics Department. There is a limited market, especially for personal banking products such as residential mortgage loans, credit cards and personal loans. The Issuer expects that further consolidation in the

industry, in particular among mid-cap Hong Kong banks, will continue to intensify competition. There can be no assurance that the Issuer will be able to compete effectively in the face of such increasing competition.

Apart from the Issuer's home market in Hong Kong, the Issuer is likely to face increasing competition in the Mainland market from existing local PRC banks and other foreign banks entering the market. As part of the PRC government's initiative to further expand participation by foreign investors in its financial markets in order to develop a more open financial system that is internationally competitive, the PRC government announced a series of new measures in 2018 to further lower the threshold for market access and expand the business scope of foreign financial institutions in the coming years. The measures announced include the lifting of market access restrictions for non-bank payment institutions and the removal of foreign equity caps on banks and financial assets management companies, which will allow foreign banks to set up both branches and subsidiaries in the Mainland.

The Issuer has expanded its business operations into the Southeast Asian region over the past few years. The economy of each Southeast Asian country is in its own stage of development, with its respective financial market facing a different set of challenges. Furthermore, certain Southeast Asian markets are also dominated by their local or state-owned financial institutions with deep local knowledge and an extensive distribution network. Some Southeast Asian countries have also recently announced plans aimed to encourage more investments from the foreign institutions prior to the increased economic integration among the Southeast Asian countries that is anticipated to occur under the ASEAN Vision 2020 initiative. There can be no assurance that the Issuer can compete effectively for customers in each of these Southeast Asian markets.

Furthermore, the increased competition in the Hong Kong, the Mainland and certain Southeast Asian banking industries may adversely affect the Issuer's business and prospects, results of operations and financial condition by potentially:

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

***The Issuer faces increasing competition from financial technology companies.***

Other than the traditional banking institutions, the Issuer also faces intense competition from innovative technology-based financial technology (“**FinTech**”) companies, which are usually start-up companies or technology companies, marketplace lenders, payment system providers and internet companies. The increasing popularity of FinTech companies is disrupting the way in which traditional banking is conducted.

Furthermore, FinTech companies have increased their expansion in Hong Kong, the Mainland and the Southeast Asian countries. These countries have each, to varying degrees, introduced progressive policy initiatives and received support from their respective regulatory regimes over the past few years. For example, the HKMA has granted licences to virtual banks in Hong Kong while the Central Bank of Thailand has signalled its intent to relax licensing requirements for digital advisory that would apply to

FinTech companies along with its plans to create an online authentication system and has been considering option of virtual banking licences. The central banks of other countries, such as Indonesia and Vietnam, have also expressed their intention to introduce more supportive measures to aid and accelerate the development of FinTech companies.

Customer expectations are also changing in favour of technology and solutions that provide convenience and immediacy to individual needs, which challenges the conventional banking model. If FinTech companies continue to increase in popularity as a source of financing, the Issuer's business and prospects, especially the revenue it derives from its loan business, its payment services fee income, and its ability to attract and retain customers, may be adversely affected. There is no certainty that the Issuer will be able to effectively compete with FinTech companies for customers as a preferred source of financing.

***The Issuer's online banking business is subject to security risks and the proper functioning of its information technology system.***

To the extent that the Issuer's online banking activities (including its mobile banking services and payment systems) involve the storage and transmission of confidential information, security breaches or cyber-attacks could expose it to possible liability and reputation damage from, amongst other things, the unauthorised dissemination of customer information and identity theft. The Issuer's information technology systems may be vulnerable to unauthorised access, computer viruses or other disruptive problems that may affect the proper functioning of its information technology systems. Costs incurred in rectifying any such disruptive problems may be high and may adversely affect the Issuer's business, reputation, financial condition and results of operations. Concerns regarding security risks may deter the Issuer's existing and potential customers from using its online banking products and services. Eliminating computer viruses and alleviating other security problems may also result in interruptions, delays or termination of services to users accessing the Issuer's online banking services. In the past, the Issuer has experienced temporary disruptions and delays in its online banking system. There can be no assurance that the Issuer's online banking services will not experience any further disruptions or delays, or that its online banking service will not experience other security problems in the future. If the Issuer cannot detect security risks in advance or adequately protect against software leaks or computer viruses, or its information systems sustain a high volume of network traffic, its online banking business may be materially and adversely affected.

***The Issuer is subject to a number of risks, such as credit risk, market risk and liquidity risk, and it cannot assure potential investors that its risk management and internal control policies, procedures and systems will be sufficient to protect it against such risks.***

The Issuer is exposed to certain risks in the course of conducting its business, and it will continue to seek to enhance its existing risk management and internal control policies, procedures and systems in order to improve its risk management capabilities and internal controls. However, there can be no assurance that the Issuer's systems and practices will be free from deficiencies, which could adversely affect the Issuer's ability to timely and accurately record, process, summarise and report financials and other data, as well as adversely impact its efficiency, undermine the effectiveness of its risk management process and increase the potential for financial reporting errors and non-compliance with regulations, which may result in fines, penalties or sanctions from the Issuer's regulators.



In addition, many of the Issuer's methods of managing risks and exposures are based on observed market behaviour and statistics based on historical models. Consequently, the systems and tools the Issuer uses to manage credit, market and liquidity risks may not be able to simulate and address all market dynamics in the future.

If the Issuer is unable to properly address any internal control or other deficiencies as they arise, such deficiencies may result in losses and inaccuracies in the Issuer's financial statements and may also impair its ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. As a result, its asset quality, business, financial condition and results of operations may be materially and adversely affected.

***The Group implements sanctions compliance policies in accordance with relevant external sanctions regulations. Changes in these sanctions regulations could happen from time to time.***

The United States imposes various economic sanctions, which are administered by the U.S. Treasury Department's Office of Foreign Assets Control and the U.S. State Department. For instance, U.S. persons can be prohibited from engaging in any transactions with a designated target of certain sanctions, including the purchase and sale of, and the receipt of payments under, securities issued by such designated target. Similar sanctions are administered by the United Kingdom, the European Union, United Nations Security Council and other applicable jurisdictions. These sanctions are intended to address a variety of policy concerns, among other things, denying certain countries, and certain individuals and entities, the ability to support international terrorism and to pursue weapons of mass destruction and missile programmes. Countries which are currently subject to sanctions for different reasons include, but are not limited to, Cuba, Iran, North Korea and Syria.

The Issuer complies with sanctions administered by the United Nations, the PRC, Hong Kong and jurisdictions where the members of the Group operate (the "Sanctions"). It is the Group's policy that it does not provide financial services in relation to any activity that facilitates money laundering, terrorist financing or proliferation of weapons of mass destruction and to any country, entity or individual which is the target of Sanctions and to the best of the Issuer's knowledge, the Issuer is not aware that it has engaged in any dealings or transactions involving any government, person, entity or project targeted by, or located in any country that has breached the Sanctions applicable to Hong Kong since January 2018. Sanctions regulations will change from time to time, and any such changes above could adversely affect the Group's business, results of operation and financial condition.

***If the Issuer is unable to effectively maintain the quality of its loan portfolio, investment securities or other assets, its business could be materially and adversely affected.***

The Issuer'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. Risks from changes in credit quality and the recoverability of loans and amounts due from counterparties, as well as risks from the Issuer's investment activities, are inherent in a wide range of its businesses, including specific factors that may be attributable to its expansion into the Southeast Asian banking industry. The Issuer's classified or impaired loans represented 0.27 per cent. of its total loans to customers as of 31 December 2020. The Issuer may not be able to effectively control the level of impaired loans in its current loan portfolio or effectively control the level of new loans that may become impaired in the future. In particular, the amount and/or the percentage of the Issuer's impaired loans may increase in the future due to deterioration in the quality of its loan portfolio and/or a substantial increase in the amount of its new

loans and/or material change in the composition of its loan portfolio. The Issuer's gross loans to customers have increased from HK\$1,266,527 million as of 31 December 2018, to HK\$1,395,423 million as of 31 December 2019, to HK\$1,497,256 million as of 31 December 2020.

Deterioration in the quality of the Issuer's loan portfolio, investment securities or other assets may occur for a variety of reasons, including factors that are beyond the Issuer's control, such as a slowdown in growth of the Hong Kong or global economies, a relapse of the global credit crisis, changes in the political environment of certain Southeast Asian countries, volatility in interest rates and market liquidity, and other adverse macroeconomic trends and financial conditions in Hong Kong and other parts of the world. Such factors, which are beyond the Issuer's control, may cause operational, financial and liquidity problems for the Issuer's borrowers and the issuers of the Issuer's investment securities, which may materially and adversely affect their ability to service their outstanding debt and fulfil their payment obligations associated with the securities issued. Other factors, including an actual or perceived failure or worsening credit of counterparties (in particular, those counterparties to which the Issuer has substantial exposure), declines in residential and commercial property prices, higher unemployment rates, a decline in credit quality, the Issuer's participation in overseas markets and reduced profitability of corporate borrowers may also materially and adversely affect the Issuer's business, financial condition and results of operations. There can be no assurance that the Issuer will be able to take any effective mitigating or preventative action ahead of any unexpected and uncontrollable external factors.

***The Issuer has a relatively high concentration of loans to certain sectors, in particular property-related sectors, and if these sectors experience volatility or downturn in the future, its business and financial condition could be adversely affected.***

As of 31 December 2020, the Issuer had a relatively high concentration of loans to property-related sectors for use in Hong Kong. The Issuer's advances to customers for (i) property development, (ii) property investment, (iii) loans to individuals for the purchase of flats and residential properties, and (iv) loans to customers in the wholesale and retail trade sector for use in Hong Kong account for 8.9 per cent., 4.3 per cent. 20.8 per cent. and 2.0 per cent. of gross advances to customers, respectively. As of the same date, approximately NIL, 2.8 per cent., 3.5 per cent. and 5.0 per cent. of the Issuer's total classified or impaired loans to customers were in these sectors, respectively.

The Hong Kong property market is cyclical and property prices in general have been volatile. The property-related sectors in Hong Kong have experienced significant fluctuations in property prices and transaction volumes. Any future volatility or downturn in these sectors may reduce the borrowing activities in these sectors, increase the levels of the Issuer's classified or impaired loans and allowances for impaired loans, reduce its net profit, and adversely affect its financial condition and results of operations.

***Any significant decline in the value of the collateral securing the Issuer's loans or the inability to realise the collateral securing its loans may adversely affect its financial condition and results of operations.***

As of 31 December 2020, the Issuer's loan collateral primarily includes real estate, securities, cash deposits, aircraft and vessels. The Issuer may not be able to realise the full value of its collateral as a result of any downturn in the real estate and financial 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 its loans may result in an increase in its impairment allowances and a reduction in the recovery from collateral realisation, which may reduce its net profit and 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 some countries and the Issuer's level of impairment allowance on loans and investments may not be sufficient to cover any actual losses on its loans and investments which may be incurred in the future.***

The Issuer has adopted the expected credit loss model of HKFRS 9 (similar to IFRS 9) to determine its level of impairment allowance and to recognise any related impairment made in a year since 1 January 2018. The Issuer's impairment policies in accordance with HKFRS 9 may be different in certain respects from banks incorporated in countries or regions that do not assess loans impairment under HKFRS 9. There is no assurance that the Issuer's level of impairment allowance under HKFRS 9 would be the same as those determined under the impairment policies of other countries or regions.

The Issuer also follows the guidelines of the HKMA, which classifies loans as "pass", "special-mention", "substandard", "doubtful" and "loss" by using the five-category classification system according to the requirements of the HKMA. The HKMA's five-category classification system may be different in certain respects from those banks incorporated in some countries or regions. There can be no assurance that the degree of risk reflected by the HKMA's five-category classification system would be the same as those countries or regions.

Furthermore, in accordance with HKFRS 9, the Issuer determines its impairment allowance of loans and other financial assets, such as investments, according to its assessment and forecasts on various factors, which may affect the quality of its loan portfolio and its financial assets. Such factors include, but are not limited to, a borrower's financial condition, a borrower's solvency and willingness to repay, the realisable value of collateral, the ability of a borrower's guarantor to perform the contract, the economic conditions in Hong Kong and Mainland China, policies for the banking industry, interest rates, accounting standards and changes in law and the regulatory environment. Many of these factors are beyond the Issuer's control, and the Issuer's judgment and expectations on the aforesaid factors may not be consistent with the actual conditions that may emerge in the future. Any change in the aforementioned or other factors may impact whether the Issuer's impairment allowance on loans or investments is sufficient to cover the actual losses, and as a result, the Issuer may be required to increase its impairment allowance. Risks arising from changes in credit quality and the recoverability of loans and its financial assets are inherent in a wide range of businesses conducted by the Issuer, and there can be no assurance that the Issuer will be able to control effectively the level of impaired loans in its loan portfolio and the credit quality of its borrowers and counterparties.

***The Issuer is subject to credit and liquidity risks with respect to certain off-balance sheet commitments.***

In the normal course of its business, the Issuer makes commitments and guarantees which are not reflected as liabilities on its consolidated financial statements, including commitments, guarantees and letters of credit relating to the performance of its customers. The Issuer is subject to the credit risk of its customers as a result of these off-balance sheet undertakings. Over time, the creditworthiness of the Issuer's customers may deteriorate, and the Issuer may be called upon to fulfil its commitments and guarantees if any of its customers fails to perform their obligations owed to third parties. If the Issuer is unable to obtain payment or indemnification from its customers in respect of these commitments and guarantees, its business, financial condition and results of operations may be adversely affected.

***The Issuer is subject to risks associated with its derivative transactions and investment securities.***

The Issuer enters into derivative transactions primarily for trading, asset and liability management and on behalf of its customers. There are credit, market and operational risks associated with these transactions. In addition, the PRC derivatives market does not have a uniform market practice or complete set of document requirements for such transactions, and the PRC courts have limited experience in dealing with issues related to derivative transactions. This may further increase the risks associated with these transactions. In addition, the Issuer's ability to monitor, analyse and report these derivative transactions is subject to the development of the Issuer's IT system.

As a result, the Issuer's financial condition and results of operations may be adversely affected by these derivative transactions. The investments of the Issuer are in securities, including bonds, shares or other financial instruments, both domestically issued in the PRC and issued offshore. Such investments are subject to credit, market liquidity and other types of risks associated with such investments.

The Issuer will continue to closely follow the developments in the international financial markets and assess impairment allowances on related assets in a prudent manner. Any non-performance or default by a counterparty or any volatility of the markets or liquidity of the markets may have an adverse effect on the Issuer's consolidated financial statements and results of operations.

***The Issuer is controlled by BOC, whose interests may not always coincide with the interests of the holders of the Notes.***

As of 31 December 2020, BOC indirectly controlled 66.06 per cent. of the Issuer's equity interests through BOCHK (Holdings). Accordingly, BOC may be able to exercise significant influence over the Issuer's business and will be able to control matters requiring shareholders' approval, including:

- the election of directors;
- the Issuer's merger or consolidation with other entities;
- the timing and amount of the Issuer's dividend payments; and
- other actions that require the approval of the Issuer's shareholders.

There can be no assurance that the interests of BOC, as the Issuer's controlling shareholder, would not conflict with the interests of the holders of the Notes. In addition, the Issuer may compete with BOC as the Issuer pursues further business opportunities. Any such competition may have an adverse effect on the Issuer's business, financial condition and results of operations by reducing its revenues or raising its operating costs, or both, and by inhibiting its ability to cooperate effectively with BOC in the development of its potential business. To the extent that BOC or its associates compete with the Issuer, the Directors of the Issuer believe that the Group's interests are adequately protected by good corporate governance practices and the involvement of the Independent Non-executive Directors of the Issuer.

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

As a subsidiary of BOC, the Issuer's ability to extend credit to a customer or counterparty of BOC may be constrained by BOC's overall credit exposure limits and specific credit exposure limits applicable to such customer or counterparty. Any constraint on the Issuer's ability to conduct operations in its best economic interest or its ability to extend credit may make its business less competitive and adversely affect its business and results of operations.

*The Issuer's funding is primarily short term, and if depositors do not roll over their deposits upon maturity, its liquidity could be adversely affected.*

Most of the Issuer's funding requirements are met through short-term funding sources, primarily in the form of customer deposits. As of 31 December 2020, approximately 94.9 per cent. of the Issuer's customer deposits had a remaining maturity of three months or less. Historically, a substantial portion of such customer deposits have been rolled over upon maturity and these deposits have been, in essence, a stable source of long-term funding. However, there is no assurance that this pattern will continue or that the Issuer's customer deposits will remain stable. If a substantial number of depositors fail to roll over their deposits upon maturity, the Issuer's liquidity position would be adversely affected and the Issuer 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.

Since 2008 and the global financial crisis, the government of Hong Kong has announced a series of measures to minimise the impact of the financial crisis on the banks in Hong Kong and to restore depositor confidence. The most recent measure aimed at restoring depositor confidence is the Deposit Protection Scheme (Amendment) Ordinance 2016 (the "**2016 Amendment Ordinance**"), which came into effect on 24 March 2016. Under the gross payout approach outlined in the 2016 Amendment Ordinance, if the scheme is triggered, the compensation paid to depositors is determined by the aggregate amount of protected deposits held by a depositor at a failed bank (up to HK\$500,000 per depositor) without deducting the amount of liabilities owed by those depositors to the failed bank. However, there can be no assurance that the level of customer deposits of the Issuer will not be adversely affected by the expiration of the guarantee, or the future withdrawal of, or any other changes to, the 2016 Amendment Ordinance.

The HKMA provides support for liquidity needs to all authorized institutions in Hong Kong in the banking system generally as well as to specific institutions under the HKMA Liquidity Facilities Framework. In this regard, certain portions of the Issuer's interest-earning assets are acceptable to the HKMA for emergency funding support. Although the government of Hong Kong has in the past taken measures on a case-by-case basis to maintain or restore public confidence in individual banks with an isolated liquidity crisis, there can be no assurance that the HKMA will provide such assistance in the future in the event of a liquidity crisis.

*There are operational risks associated with the Issuer's industry which, if realised, may have an adverse impact on its business.*

Like all other financial institutions, the Issuer is exposed to many types of operational risks, including the risk of theft, forgery, fraud, unauthorised transactions or other misconduct by employees (including the violation of regulations for the prevention of corrupt practices, and other regulations governing the Issuer's business activities), or operational errors, including clerical or record-keeping errors or errors resulting from faulty computer or telecommunications systems. The Issuer is further exposed to the risk

that external vendors may be unable to fulfil their contractual obligations to it (or will be subject to the same risk of fraud or operational errors by their employees). For example, the Issuer may use direct marketing agents to market its retail credit products, and the Issuer also outsources some functions to other companies. Moreover, the Issuer is exposed to the risk that its (or its vendors') business continuity and data security systems are proven not to be robust enough in the event of a system failure or natural disaster.

Given the high volume of transactions entered into by the Issuer, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, the Issuer'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 Issuer 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 to loss or liability to it. The Issuer 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. Although the Issuer maintains a system of controls designed to reduce operational risks to a reasonably low level, the Issuer has suffered losses from operational risks in the past and there can be no assurance that the Issuer will not suffer material losses from operational risks in the future. The Issuer'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 its operations, the rapid growth and expansion of its business in recent years as compared with 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.

*The Issuer may be exposed to various risks as the Issuer expands its range of products and services.*

In order to meet the needs of the Issuer's customers and to diversify its business portfolio, the Issuer has been expanding the range of products and services it offers to its customers. Expansion of the Issuer's business is subject to certain risks and challenges, including but not limited to the following:

- if the Issuer fails to promptly identify and expand into new areas of business to meet the increasing demand for certain products and services, the Issuer may fail to maintain its market share or lose some of its existing customers;
- the Issuer may not have sufficient experience or expertise in certain new products and services and may not compete effectively in these areas;
- new products and services may not be accepted by the Issuer's customers or meet its expectations for profitability;
- new products and services may give rise to potential disputes or claims from customers;
- the Issuer may not be able to hire new personnel or retain current personnel necessary to conduct new business activities;
- the Issuer may fail to obtain regulatory approval for its new products or services; and

- the Issuer may not be successful in enhancing its risk management capabilities and information technology systems to support a broader range of products and services. If the Issuer is unable to achieve the intended results from the expansion of its range of products and services, its business, financial condition and results of operations may be materially and adversely affected.

The continuous rapid growth of the Issuer's business results in additional demand being made to the management and operation levels of the Issuer and increases the number of risks and challenges faced by the Issuer. Regardless of the Issuer's active efforts in improving its corporate structure and governance, it takes time for the Issuer to implement appropriate and relevant measures, and such measures may be unable to enhance aspects of the Issuer's corporate structure and governance in the manner anticipated.

The Issuer may require additional capital in order to sustain its business growth. The ability of the Issuer to increase capital is subject to various factors, including the Issuer's future financial conditions, approval from governmental and regulatory authorities, and the overall conditions of the market.

If the Issuer fails to keep growing at the current speed or if any new business activity fails to achieve expected results or if the Issuer fails to increase capital and effectively address risks and challenges brought by rapid growth, the Issuer's business, financial condition, results of operations and prospects may be adversely affected.

***The Issuer may be adversely affected by allegations made against it by its customers and/or subject to disciplinary action from its regulators.***

The Issuer offers a range of wealth management, investment and insurance products to its customers in each of the regions in which it operates. The Issuer may become liable to customers in each of the regions in which it operates for damages and may be subject to regulatory enforcement actions if the sale of these products by the Issuer is subsequently found to be in breach of the relevant legal or regulatory requirements, and/or duties owed to customers.

The Issuer will always be exposed to the potential of litigation and claims while conducting its business, and such claims, in the aggregate, may have a material adverse effect on the Issuer. For example, potential litigation and claims could result in negative publicity, the loss of customer confidence and/or goodwill, a negative impact on the Issuer's reputation with existing and potential customers, in addition to causing a decline in the Issuer's business, financial condition or results of operations. Future legislative or regulatory requirements may also limit the practices and ability of the Issuer to sell wealth management or insurance products, which may have a significant impact on the Issuer's business and fee income.

***The Issuer will continue to be exposed to various risks as it continues to expand its services overseas.***

The Issuer has recently expanded its operations to the Southeast Asian region, and it may further expand its overseas business operations in the future. In its current and future overseas expansion process, the Issuer may enter into new markets where it had no or minimal operating experience or familiarity with regional regulatory and other requirements.

Accordingly, the Issuer may not be able to attract sufficient customers in these new markets or compete effectively with established banks in such markets. Expanding to overseas markets will also expose the Issuer to other unforeseeable risks, including but not limited to: (i) economic instability or recession; (ii) the uncertainty of obtaining necessary approvals and permissions to conduct operations; (iii) increased

costs and resources allocated towards compliance with unfamiliar legislation and regulatory requirements; (iv) potential adverse tax consequences; (v) social or political instability; (vi) changes in tariff policies; (vii) practical difficulties in relation to the management of an overseas operation; (viii) limited protection of intellectual property rights; (ix) risks related to terrorism, epidemics and political, social and economic instability; (x) foreign exchange losses; (xi) the inability to effectively enforce contractual or other legal rights; and (xii) the inability to attract and retain skilled professionals as employees.

Additionally, the Issuer will be exposed to the possibility of inadvertent non-compliance with unfamiliar regulatory requirements, which may result in legal or regulatory proceedings against the Issuer's members, representatives, agents or third-party service providers. If the Issuer cannot manage these risks effectively, its business operations, reputation, financial status and results of operations may be adversely affected.

***The Issuer may need additional capital in the future, and the Issuer cannot assure potential investors that it would be able to obtain such capital on acceptable terms, or at all.***

The uncertainties in the economic and business environment in Hong Kong, the Mainland, Southeast Asian countries, the United States and other countries may result in a deterioration of the Issuer's capital adequacy position. In particular, the Issuer may experience deterioration in its asset quality. Any increase in its allowances for impaired assets will decrease its operating profit after such allowances. To the extent that its future operating income is not sufficient to meet provisioning requirements, its capital will be eroded, and the Issuer may be required to obtain new capital. A requirement to significantly increase the level of its provisions would adversely affect its financial condition, results of operations and capital position. Moreover, the HKMA may increase its required capital adequacy ratio levels or introduce new regulatory capital requirements in the future in response to, amongst other things, an adverse economic or credit environment or regulatory changes. In addition, in order for the Issuer to grow, remain competitive, enter into new businesses or expand its base of operations, the Issuer may require new capital in the future. The Issuer may 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. Aside from its compliance with Basel III regulatory capital requirements, the Issuer may in the future need to issue other loss absorbency capital instruments to meet global and local requirements due to its status as a material subsidiary of BOC, a domestic systemically important authorized institution (a "D-SIB") in Hong Kong and potentially a D-SIB in the relevant Southeast Asian countries in which the Issuer operates. There can be no assurance that the Issuer will be able to obtain additional capital in a timely manner, on acceptable terms or at all.

***The inability to attract and retain talented professionals may adversely impact the Issuer's business.***

The Issuer's ability to sustain its growth and meet future business demands depends on its ability to attract and recruit suitably skilled and qualified staff. Given the Issuer's strategic expansion plans and increasing market competition, there can be no assurance that the Issuer will be able to recruit staff in sufficient numbers or with sufficient experience. In addition, the Issuer also faces strong competition to retain skilled and qualified staff. Any inability to attract and retain talented professionals may have an adverse effect on its business and ability to grow.



***The Issuer has adopted a risk-based approach to take all reasonable measures to identify money laundering and terrorist financing risks. However, a zero failure outcome is not expected to be achievable and such risks may expose it to additional liability and harm to its business or reputation.***

The Issuer is required to comply with applicable anti-money laundering, anti-terrorism and sanctions laws and other regulations in Hong Kong and the Mainland and other jurisdictions, including Brunei, Cambodia, Indonesia, Malaysia, the Philippines, Thailand, Laos, Myanmar and Vietnam, where the Issuer has operations. Financial institutions in Hong Kong are required to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require the Issuer to, amongst other activities, designate an independent anti-money laundering compliance officer and a money laundering reporting officer, establish a customer identification system in accordance with relevant rules, record the details of customer activities and report suspicious transactions to relevant authorities.

While the Issuer has adopted policies and procedures aimed at detecting and preventing the use of the Issuer's banking 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 Issuer may be used by other parties to engage in money laundering and other illegal or improper activities. To the extent the Issuer fails to fully comply with applicable laws and regulations, the relevant government agencies to which the Issuer reports have the power and authority to impose fines or sanctions, freeze the Issuer's assets and impose other penalties on it. The Issuer cannot assure potential investors that there will not be future failures in detecting money laundering or other illegal or improper activities, which may adversely affect the Issuer's business reputation and results of operations.

***Any force majeure events, including any future occurrence of natural disasters or outbreaks of contagious diseases in Hong Kong, the Mainland or the other countries in which the Issuer operates may have an adverse effect on the Issuer's business operations, financial condition and results of operations.***

Any future natural disasters or outbreaks of health epidemics and contagious diseases, including avian influenza, the Ebola virus, Severe Acute Respiratory Syndrome ("SARS"), H1N1 Flu or COVID-19 may adversely affect the Issuer's business, financial condition and results of operations. Possible force majeure events may also give rise to additional costs to be borne by the Issuer and have adverse effects on the quality of the Issuer's assets, 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 Issuer's business. Additionally, the occurrence of severe natural disasters in any of the regions in which the Issuer operates may adversely affect the local economy and, in turn, the Issuer's business. There can be no guarantee that any future occurrence of natural disasters or outbreak of avian influenza, the Ebola virus, SARS, H1N1 Flu, COVID-19 or other epidemics, or the measures taken by any relevant government or other countries in response to a future outbreak of avian influenza, the Ebola virus, SARS, H1N1 Flu, COVID-19 or other epidemics, will not seriously interrupt the Issuer's operations or those of its customers, which may have an adverse effect on its business, financial condition and results of operations.

## RISKS RELATING TO THE NOTES TO BE ISSUED UNDER THE PROGRAMME

*The Notes may not be a suitable investment for potential investors.*

Each potential investor must determine the suitability of any Notes in light of its own circumstances. Each potential investor should:

- have sufficient knowledge and experience to conduct a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from its currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- 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.

Some Notes may be complex financial instruments and high risk and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to a potential investor's overall portfolios. No potential investor should invest in Notes, which are complex financial instruments, unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on its overall investment portfolio.

Additionally, a potential investor's investment activities may be 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) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

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

The Terms and 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. There is a risk that the decision of the majority of

holders of the Notes may be adverse to the interests of the individual holders of the Notes. The Terms and Conditions of the Notes 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.

The Terms and Conditions of the Notes also provide that the Trustee may agree, without the consent of Noteholders or Couponholders, to (i) any modification of any of the provisions of the Notes, the Terms and Conditions of the Notes, the Trust Deed and/or the Agency Agreement that is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders.

*The Trustee may request Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction.*

Where the Trustee is under the provisions of the Trust Deed bound to act at the request or direction of the Noteholders, the Trustee shall nevertheless not be so bound unless first indemnified and/or provided with security and/or pre-funded to its satisfaction against all steps, actions, proceedings, claims and/or demands to which it may render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by so doing. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take steps and/or actions and/or to institute proceedings, notwithstanding the provision of an indemnity or security or pre-funding, in breach of the terms of the Trust Deed or the Terms and Conditions of the Notes and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Notes to take such steps and/or actions and/or to institute such proceedings directly.

*A change in English or Hong Kong law which apply to the Notes may adversely affect Noteholders.*

The Terms and Conditions of the Notes are governed by English law, except that the provisions of the Notes relating to subordination are governed by Hong Kong Law. No assurance can be given that a subsequent judicial decision or change to English or Hong Kong law or administrative practice after the date any Notes are issued will not adversely affect Noteholders.

*The interpretation of the NDRC Circular and the NDRC Reply may involve significant uncertainty.*

On 14 September 2015, the National Development and Reform Commission (the “**NDRC**”) promulgated the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (Fa Gai Wai Zi [2015] No. 2044) (the “**NDRC Notice**”) (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), which came into effect on the same day. According to the current interpretation of the NDRC Notice, if a PRC enterprise or an offshore enterprise or branch controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, such enterprise must, in advance of issuing such bonds, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issuance (the “**Pre-Issuance Registration Certificate**”). In addition, the enterprise must also report certain details of the bonds to the NDRC within 10 working days of the completion of the bond issue (the “**Post-Issuance Filing**”). The Post-Issuance Filing is a procedural matter which involves the reporting of certain post-issuance information by the enterprise to the NDRC rather than a substantive approval process, and failure to complete the Post-Issuance Filing will not adversely affect the validity of the relevant bonds or

any other bonds issued by the enterprise from time to time. Furthermore, the Issuer believes that a decision by the NDRC not to grant the Pre-Issuance Registration Certificate in respect of any issue of bonds will not adversely affect the validity of any previous issuance of bonds or notes by the relevant enterprise; however, given the fact that neither the NDRC Notice, nor PRC law generally, addresses such matters, it is not possible for the Issuer to predict with certainty how the NDRC or PRC law may treat such matters in the future.

Pursuant to the Approval by the Enterprise Borrowing Foreign Debt Registration Certificate of 2021 (《企業借用外債備案登記證明》(發改辦外資備[2021]242號)) issued by the NDRC General Office on 24 March 2021 (the “**NDRC Approval**”) to BOC, separate pre-issuance registration with NDRC with respect to the Notes is not required. This NDRC Approval is subject to interpretation and application by relevant PRC authorities.

The interpretation of the NDRC Circular and the NDRC Approval may involve significant uncertainty. In addition, the administration of the NDRC Circular and the NDRC Approval may be subject to a certain degree of executive and policy discretion by the NDRC. There is also risk that the registration approval or 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.

***The Financial Institutions (Resolution) Ordinance 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, amongst other things, the establishment of a resolution regime for authorized institutions and other within-scope financial institutions in Hong Kong that may be designated by the relevant resolution authorities, which include the Issuer and other members of the Issuer (a “**FIRO Group Entity**”). 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 authorized institution or within-scope financial institution in Hong Kong. In particular, in the context of a resolution of any FIRO Group Entity, the relevant resolution authority will have the ability to effect resolution in other entities within the Issuer as if they were themselves a within-scope financial institution for the purposes of FIRO and take certain actions and make certain directions in relation to such entities. Any such actions could potentially affect the contractual and property rights relating to the Issuer. In addition, 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. Noteholders (whether senior or subordinated) may become subject to and be bound by the FIRO. The implementation of FIRO remains untested and certain detail relating to FIRO will be set out through secondary legislation and supporting rules. Therefore, the Issuer is unable to assess the full impact of FIRO on the financial system generally, the Issuer’s counterparties, the Issuer, any of its consolidated subsidiaries or other Group entities, and the Issuer’s operations and/or its financial position.

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

As an entity controlled by BOC, the Issuer has received and expects to continue to receive support from BOC in different forms and by different means, including capital contributions and interbank and money market lines and/or funding. There can be no assurance that support received from BOC will not decrease or cease in the future.

BOC 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, BOC. Furthermore, there is no requirement for BOC to provide the Issuer with financial support to meet its outstanding debt obligations, including the Notes.

*The regulation and reform of “benchmark” rates of interest and indices may adversely affect the value of Notes linked to, or referencing, such “benchmarks”.*

Reference rates and indices, including interest rate benchmarks, such as the London Interbank Offered Rate (“**LIBOR**”) and the European Interbank Offered Rate (“**EURIBOR**”, together with LIBOR, the “**IBORs**”), which are used to determine the amounts payable under financial instruments or the value of such financial instruments (“**Benchmarks**”), have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reforms and changes to existing Benchmarks, with further changes anticipated. These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued altogether. Any change in the performance of a Benchmark or its discontinuation, could have a material adverse effect on any Notes referencing or linked to such Benchmark.

For example, in July of 2013, the Board of the International Organisation of Securities Commissions (“**IOSCO**”) published nineteen principles that apply to Benchmarks used in financial markets (the “**IOSCO Principles**”). The Financial Stability Board subsequently undertook a review of major interest rate Benchmarks and published a report in 2014, which outlined its recommended changes to be implemented in accordance with the IOSCO Principles. In addition, in June 2016, Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the “**BMR**”) came into force. The BMR implements a number of the IOSCO Principles and the majority of its provisions apply from 1 January 2018. Moreover, in a speech on 27 July 2017, Andrew Bailey, the Chief Executive of the Financial Conduct Authority (the “**FCA**”), questioned the sustainability of LIBOR in its current form, given that the underlying transactions forming the basis of the benchmark are insufficient to support the volumes of transactions that rely upon it, and he made clear the need to transition away from LIBOR to alternative reference rates. He noted that there was support among the LIBOR panel banks for voluntarily sustaining LIBOR until the end of 2021 to facilitate this transition. At the end of 2021, it is the FCA’s intention not to sustain LIBOR through its influence or legal powers by persuading or obliging banks to submit to LIBOR. Therefore, the continuation of LIBOR in its current form (or at all) after 2021 cannot be guaranteed. In a further speech on 12 July 2018, Andrew Bailey emphasised that market participants should not rely on the continued publication of LIBOR after the end of 2021. On 5 March 2021, the FCA announced that (i) the publication of 24 LIBOR settings (as detailed in the FCA announcement) will cease immediately after 31 December 2021, (ii) the publication of the overnight and 12-month U.S. dollar LIBOR settings will cease immediately after 30 June 2023, (iii) immediately after 31 December 2021, the 1-month, 3-month and 6-month sterling LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will

not be restored (and the FCA will consult on requiring the ICE Benchmark Administration Limited (the “IBA”) to continue to publish these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after end 2021) and (iv) immediately after 30 June 2023, the 1-month, 3-month and 6-month U.S. dollar LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consider the case for using its proposed powers to require IBA to continue publishing these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after end June 2023).

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a Benchmark Event occurs, including if an inter-bank offered rate (such as LIBOR or EURIBOR) or other relevant reference rate (which could include, without limitation, any mid-swap rate), and/or any page on which such benchmark may be published (or any successor service) becomes unavailable, or if any Paying Agent, Calculation Agent, the Issuer or other party is restricted from calculating, or is no longer permitted lawfully to calculate, interest on any Notes by reference to such benchmark, all as more particularly set out in the definition of “Benchmark Event”. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Rate (both as defined in the Terms and Conditions of the Notes), in each case with or without the application of an adjustment spread which, if applied, could be positive or negative), and allow the Issuer to make amendments to the Terms and Conditions of the Notes to ensure the proper operation of the Successor Rate or Alternative Reference Rate (as the case may be) and, in either case, an Adjustment Spread (if any).

In certain circumstances, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Accrual Period (as defined in the Terms and Conditions of the Notes) may result in the Rate of Interest for the last preceding Interest Accrual Period being used (or alternatively, if there has not been a first Interest Payment Date, the initial Rate of Interest). This will result in the floating rate Notes, in effect, becoming fixed rate Notes.

Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, any determinations that may need to be made by the Issuer and the involvement of an Independent Adviser, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes.

Potential investors should review the section titled “*Terms and Conditions of the Notes*” located elsewhere in this Offering Circular for additional information. The development of alternatives to an IBOR may result in Notes linked to or referencing such IBOR performing differently than would otherwise have been the case if the alternatives to such IBOR had not developed. Any such consequence could have a material adverse effect on the value of, and return on, any Notes linked to or referencing such IBOR.

***The use of Secured Overnight Financing Rate (“SOFR”) as a reference rate is subject to important limitations.***

The rate of interest on the Floating Rate Notes may be calculated on the basis of SOFR (as further described under Condition 5(b)(ii)(C) of the Terms and Conditions of the Notes).

In June 2017, the New York Federal Reserve’s Alternative Reference Rates Committee (the “ARRC”) announced SOFR as its recommended alternative to U.S. dollar LIBOR. However, the composition and characteristics of SOFR are not the same as those of LIBOR. SOFR is a broad U.S. Treasury repo-financing rate that represents overnight secured funding transactions. This means that SOFR is fundamentally different from LIBOR for two key reasons. First, SOFR is a secured rate, while LIBOR is an unsecured rate. Second, SOFR is an overnight rate, while LIBOR represents interbank funding over different maturities. As a result, there can be no assurance that SOFR will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, market volatility or global or regional economic, financial, political, or regulatory events. For example, since publication of SOFR began in April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or other market rates.

As SOFR is an overnight funding rate, interest on SOFR-based Notes with interest periods longer than overnight will be calculated on the basis of either the arithmetic mean of SOFR over the relevant interest period or compounding SOFR during the relevant interest period. As a consequence of this calculation method, the amount of interest payable on each interest payment date will only be known a short period of time prior to the relevant interest payment date. Noteholders therefore will not know in advance the interest amount which will be payable on such Notes.

Although the Federal Reserve Bank of New York has published historical indicative SOFR information going back to 2014, such prepublication of historical data inherently involves assumptions, estimates and approximations. Noteholders should not rely on any historical changes or trends in the SOFR as an indicator of future changes in the SOFR.

The Federal Reserve Bank of New York notes on its publication page for SOFR that use of the 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 the SOFR at any time without notice. In addition, SOFR is published by the Federal Reserve Bank of New York based on data received from other sources. There can be no guarantee that the SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of the Noteholders. If the manner in which the SOFR is calculated is changed or if SOFR is discontinued, that change or discontinuance may result in a reduction or elimination of the amount of interest payable on the Notes and a reduction in the trading prices of the Notes which would negatively impact the Noteholders who could lose part of their investment.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a SOFR Benchmark Event occurs, which is based on the ARRC recommended language. There is however no guarantee that the fallback arrangements will operate as intended at the relevant time or operate on terms commercially acceptable to all Noteholders. Investors should consult their own independent advisers and make their own assessment about the potential risks in making any investment decision with respect to any Notes linked to SOFR.

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

Investors should be aware that the market continues to develop in relation to SOFR and its adoption as an alternative to U.S. dollar LIBOR. Market participants and relevant working groups are exploring alternative reference rates based on SOFR (which seek to measure the market’s forward expectation of a SOFR rate over a designated term). The market or a significant part thereof may adopt an application of SOFR that differs significantly from that set out in the Terms and Conditions of the Notes. In addition, the manner of adoption or application of SOFR in the bond markets may differ materially compared

with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SOFR in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SOFR.

The use of SOFR as a reference rate for bonds is nascent, and may be subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates. Notes referencing SOFR may have no established trading market when issued, and an established trading market may never develop or may not be very liquid which, in turn, may reduce the trading price of such Notes or mean that investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. Investors should consider these matters when making their investment decision with respect to Notes referencing SOFR.

### ***Possible Withholding Under FATCA***

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, withholding may be required on (i) certain payments made by a “foreign financial institution” (“**foreign passthru payments**”), and (ii) dividend equivalent payments (as described below under “Possible Withholding Under Section 871(m) of the U.S. Internal Revenue Code”), (iii) payments of gross proceeds from the disposition of assets that generate dividend equivalent payments, in each case to persons that fail to meet certain certification, reporting, or related requirements. However, proposed U.S. Treasury regulations have been issued that provide for (x) the repeal of the withholding tax applicable to payments of gross proceeds from the disposition of assets that generate dividend equivalent payments and (y) the extension of the date on which withholding applies to foreign passthru payments to the date that is two years after the date of publication in the Federal Register of applicable final regulations defining foreign passthru payments. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of the final regulations.

The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Hong Kong) have entered into, or have agreed in substance to, intergovernmental agreements (each an “**IGA**”) with the United States to implement FATCA, 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. Additionally, Notes that are not treated equity for U.S. federal income tax purposes and have a fixed term generally would be “grandfathered” for purposes of FATCA withholding (i) in respect of “foreign passthru payments”, if issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register, and (ii) in respect of dividend equivalent payments and gross proceeds of Notes that generate dividend equivalent payments, if issued on or prior to the date that is six months after the date on which Notes of its type are first treated as giving rise to dividend equivalent payments, in each case, unless the Notes are materially



modified after such date (including by reason of a substitution of the issuer). 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.

#### ***Possible Withholding Under Section 871(m) of the U.S. Internal Revenue Code***

Section 871(m) of the U.S. Internal Revenue Code and Treasury regulations promulgated thereunder (“**Section 871(m)**”) generally impose a 30.0 per cent. withholding tax on dividend equivalents paid or deemed paid to certain persons with respect to certain financial instruments linked to U.S. equities or indices that include U.S. equities (such equities and indices, “**U.S. Underlying Equities**”). Section 871(m) generally applies to instruments that substantially replicate the economic performance of one or more U.S. Underlying Equities, as determined upon issuance, based on tests set forth in the applicable Treasury regulations (such an instrument, a “**Specified Security**”).

If the security is a Specified Security, the term sheet for the security will specify the method of Section 871(m) withholding that will be applied to the security. If the “**Dividend Withholding**” approach is specified, the Issuer will report the appropriate amount of each payment under the security treated as a U.S. source dividend equivalent payment (including possibly a portion of the payments at maturity of the security), and the applicable withholding agent is expected to withhold 30.0 per cent. from such payment unless the payee establishes an exemption from or reduction in the withholding tax. If the “**Issuer Withholding**” approach is specified, the Issuer will withhold 30.0 per cent. of amounts that are or will be payable under the security (including possibly a portion of the payments at maturity of the security) that are potentially treated as U.S.-source dividend equivalent payments. The Issuer will withhold 30.0 per cent. of such amounts without regard to either any applicable treaty rate or the classification of an investor as a U.S. or non-U.S. investor for U.S. federal income tax purposes.

If payments to an investor are subject to withholding tax and the investor believes it is eligible for an exemption from, or reduced rate of, withholding tax, the investor may be able to claim a refund of the amounts over-withheld. The Issuer makes no representation regarding investors’ eligibility to claim such a refund. Furthermore, the Issuer will not be required to pay any additional amounts as a result of this withholding tax, regardless of which withholding method is applicable to the securities, and regardless of whether the investor may have been eligible for an exemption or reduction in the withholding tax on payments from the applicable withholding agent.

As discussed above, FATCA would impose withholding tax at a rate of 30 per cent. on any payments in respect of a Note that are treated as dividend equivalent payments when paid to persons that fail to meet certain certification, reporting, or related requirements. While a payment with respect to a Note could be subject to U.S. withholding under both FATCA and as a result of being treated as a dividend equivalent payment, the maximum rate of U.S. withholding on such payment would not exceed 30 per cent.

Investors should consult their tax advisers regarding the potential application of Section 871(m) to the securities including, if applicable, the availability of, and process for, claiming a refund of such withholding tax.

## **RISKS RELATING 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 that contain particular risks for potential investors. Set out below is a description of certain of those features:

***Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed.***

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. For additional information on the Issuer's ability to redeem notes under various circumstances, see "Terms and Conditions of the Notes — Redemption, Purchase and Options".

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

***The Issuer's obligations under any Subordinated Notes that are issued are subordinated, and Subordinated Notes and the Notes have limited rights of acceleration.***

The relevant Pricing Supplement may specify that the Notes will be Subordinated Notes (as defined in Condition 3(b) of the Terms and Conditions of the Notes), which will be subordinated obligations of the Issuer. In the event of a winding-up or liquidation of the Issuer, any payments due on the Subordinated Notes will be subordinate 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 Subordinated Notes. Consequently, in the event of a winding-up or liquidation of the Issuer, the holders of the Subordinated Notes may not recover any amounts due under the Subordinated Notes or may recover proportionately less than the holders of the Issuer's deposit liabilities or the holders of its other unsubordinated liabilities.

Only certain events described in the Conditions regarding the Issuer's winding-up or liquidation will permit a holder of a Subordinated Note or Note to accelerate payment of a Subordinated Note or Note. If one of these enumerated events were to occur, the only actions the holder of a Subordinated Note or Note may take against the Issuer are certain actions to cause, or make a claim in, the Issuer's liquidation or reorganisation proceedings. Furthermore, if the Issuer's indebtedness were to be accelerated, its assets may be insufficient to repay in full borrowings under all such debt instruments, including the Notes.

***The Issuer is not restricted from issuing senior or pari passu securities in respect of Subordinated Notes.***

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

*The terms of Subordinated Notes may contain non-viability loss absorption provisions, which may depend on circumstances and interpretations that are inherently unpredictable and depend on a number of factors that are outside the Issuer's control.*

To the extent that any series of Subordinated Notes contains provisions relating to loss absorption upon the occurrence of a Non-Viability Event of the Issuer as determined by the relevant home authority in Hong Kong, or (if applicable) that of BOC as determined by the relevant home authority in the PRC, the Issuer 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 the Subordinated Notes) to effect either a full write-off of the outstanding principal and accrued and unpaid interest in respect of such Subordinated Notes or a conversion of such Subordinated Notes into the ordinary shares of the Issuer. To the extent relevant in the event that Subordinated Notes are written off, any written-off amount shall be irrevocably lost, and holders of such Subordinated Notes will cease to have any claims for any principal amount and accrued but unpaid interest which has been subject to write-off. In the event that Subordinated Notes feature a conversion to the ordinary shares of the Issuer upon the occurrence of a Non-Viability Event, holders would not be entitled to any reconversion of ordinary shares to Subordinated Notes.

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, 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 an 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 its 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 relevant authorities may implement in the future. There is a risk that the relevant home authority may deviate from the Basel III proposals by implementing reforms which differ from those envisaged by the Basel Committee.

*There are limited remedies for non-payment under the Subordinated Notes.*

Any scheduled interests will not be due if the Issuer elects not to pay that interests pursuant to the Conditions. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute winding-up proceedings is limited to circumstances where payment of principal or any interests on any of the Subordinated Notes has become due and such failure continues for a period of 14 days in the case of interests or seven business days in the case of principal; or where an order is made or an effective resolution passed for the Winding-Up or dissolution of the Issuer. The only remedy against the Issuer available to any Noteholders for recovery of amounts in respect of the Subordinated Notes following the occurrence of a payment default after any sum becomes due in respect of the Subordinated Notes will be instituting winding-up proceedings and/or proving and/or claiming in winding-up in respect of any of the Issuer's payment obligations arising from the Subordinated Notes. In such a winding-up, the claims of the Noteholder will be subordinated and subject in right of payment to the prior payment in full of all claims of such senior creditors as set out in Condition 3(b).

*The Subordinated Notes may be subject to a full or partial Write-off.*

Investors may lose all of their investment in any Subordinated Notes upon the occurrence of a Non-Viability Event, which will lead to a full or partial Write-off. Investors may lose all of their investment in the Subordinated Notes as a result of the cancellation or modification of the Subordinated Notes pursuant to the exercise of the Hong Kong Resolution Authority Power. Upon the occurrence of a Write-off or so specified in the provisions detailed in the instrument by which the relevant Hong Kong Resolution Authority exercises the Hong Kong Resolution Authority Power (the “**Hong Kong Resolution Authority Power Instrument**”), the principal amount and any accrued but unpaid interests 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 Subordinated Notes 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 are effective only upon the occurrence of any winding-up proceedings of the Bank. In the event that a Non-Viability Event occurs the rights of holders of Subordinated Notes shall be subject to Condition 3. In the event that the Hong Kong Resolution Authority Power is exercised, the rights of the holders of the Subordinated Notes shall be subject to the provisions in the Hong Kong Resolution Authority Power Instrument. The occurrence of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power may not result in the same outcome for Noteholders as would otherwise occur under Condition 3 upon the occurrence of any winding-up proceedings of the Bank.

Furthermore, upon the occurrence of a Write-off of any Subordinated Notes or if specified in the Hong Kong Resolution Authority Power Instrument, Interests will cease to accrue and all interests amounts that were not due and payable prior to the Write-off or as specified in the Hong Kong Resolution Authority Power Instrument shall become null and void. Consequently, Noteholders will not be entitled to receive any interests 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 or the relevant cut-off time specified in the Hong Kong Resolution Authority Power Instrument. Upon the occurrence of a Write-off or if specified in the Hong Kong Resolution Authority Power Instrument, no Noteholders may exercise, claim or plead any right to any such amounts written off, and each Noteholder shall be deemed to have waived all such rights to such amounts.

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

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

***Instrument or (ii) are settled through the ICSDs even though such transfers were initiated after the Non-Viability Event or the relevant cut-off time specified in the Hong Kong Resolution Authority Power Instrument.***

The ICSDs are expected to suspend all clearance and settlement of transfers of the Subordinated Notes by Noteholders after receipt of a Non-Viability Event Notice or as specified in the Hong Kong Resolution Authority Power Instrument, and any transfer of the Subordinated Notes that is scheduled to settle after commencement of such suspension is expected to be rejected by the ICSD and will not be settled within the ICSDs.

Although a Non-Viability Event Notice or notice of the exercise of the Hong Kong Resolution Authority Power will be sent by the Issuer to the ICSDs and the Noteholders via the ICSDs after the occurrence of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power, the records of the ICSDs will not be immediately updated to reflect the Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power, and a period of time, which may exceed several days, will be required before the clearance and settlement of transfers of the Subordinated Notes through the ICSDs are suspended. Due to such delay, it is possible that transfers that are initiated prior to such suspension and scheduled to settle on a date after the ICSDs commence such suspension will fail to settle through the ICSDs even though such transfers were initiated prior to the Non-Viability Event or the relevant cut-off time specified in the Hong Kong Resolution Authority Power Instrument. In such circumstances, transferors of the Subordinated Notes would not receive any consideration through the ICSDs in respect of such intended transfer because the ICSDs will not settle such transfer after commencement of such suspension. Similarly, it is possible that transfers that are initiated prior to such suspension and scheduled to settle on a date before the ICSDs commence such suspension will be settled through the ICSDs even though such transfers were initiated after the Non-Viability Event or the relevant cut-off time specified in the Hong Kong Resolution Authority Power Instrument. In such circumstances, transferees of the Subordinated Notes may be required to pay consideration through the ICSDs even though, upon the occurrence of a Non-Viability Event or if specified in the Hong Kong Resolution Authority Power Instrument, no amounts under the Subordinated Notes will thereafter become due, and such transferees will have no rights whatsoever under the Trust Deed or the Subordinated Notes to take any action or enforce any rights or instruct the Trustee to take any action or enforce any rights whatsoever against the Bank, regardless of whether they have received actual or constructive notice of such fact. The settlement of the Subordinated Notes following a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power will be subject to procedures of the ICSDs that are in place at such time.

The application of a non-viability loss absorption feature similar to Condition 3(d), the exercise of the Hong Kong Resolution Authority Power as set out in Condition 3(e) has not been tested in Hong Kong and some degree of uncertainty may exist in its application.

***The Trustee may request that Noteholders provide indemnity to its satisfaction.***

In certain circumstances (including, without limitation, as referred to in Condition 12), the Trustee may request the Noteholders to provide indemnity and/or security and/or funds to its satisfaction before it takes action on behalf of the Noteholders. The Trustee shall not be obliged to take any such action if not indemnified and/or provided with security and/or put in funds to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or funds can be a lengthy process and may impact on

when such action can be taken. The Trustee may not be able to take actions notwithstanding the provision of indemnity and/or security and/or funds to it, in breach of the terms of the Trust Deed or Terms and Conditions.

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

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

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

***Dual Currency Notes have features which are different from single currency issues.***

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Each potential investor should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency from expected; and
- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

***Failure by a potential investor to pay a subsequent instalment of Partly Paid Notes may result in a potential investor losing all of its investment.***

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

***The market price of floating rate Notes with a multiplier or other leverage factor may be volatile.***

Notes with floating 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.

*Notes, the interest rate of which may be converted from fixed to floating interest rates and vice-versa, may have lower market values than other Notes.*

Fixed and Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since it may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing.

If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed or Floating Rate Notes may be less favourable than the then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the then prevailing rates on its Notes.

*The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.*

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 with conventional interest-bearing securities with comparable maturities.

*Partly Paid Notes contain structural considerations whereby an investor could lose its entire investment.*

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment. For additional information on Partly Paid Notes, see “*Terms and Conditions of the Notes — Partly Paid Notes*”.

*Index Linked Notes are sensitive to a variety of factors that may affect its value.*

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or to other factors (each a “**Relevant Factor**”). Each potential investor should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency from expected;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and

- 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.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

***Variable Rate Notes with a multiplier or other leverage factor may be more volatile than other investments.***

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.

***Bearer Notes where denominations involve integral multiples may be illiquid.***

In relation to any issue of Bearer Notes that 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 their 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 the holder holds an amount equal to a Specified Denomination.

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

## **RISKS RELATING TO RENMINBI-DENOMINATED NOTES**

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

***Renminbi is not freely convertible, and there are significant restrictions on remittance of Renminbi into and out of the PRC, which may adversely affect the liquidity of Renminbi Notes.***

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

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

On the other hand, remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant



authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being adjusted from time to time to match the policies of the PRC government.

Although the PBOC has implemented policies improving accessibility to Renminbi to settle cross-border transactions in the past, there is no assurance that the PRC government will 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 will not be promulgated in the PRC in future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. Despite Renminbi internationalisation pilot programme and efforts in recent years to internationalise the currency, there can be no assurance that the PRC government will not impose interim or long-term restrictions on the cross-border remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

*There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service such Renminbi Notes.*

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

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC, although the PBOC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purposes and sale of Renminbi. RMB Clearing Banks only have access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and the PBOC is not obligated to square any open positions for participating banks that result from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC in order 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 so as to have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of Renminbi Notes. To the extent the Issuer is required to source Renminbi outside the PRC to service its Renminbi Notes, there is no assurance that it will be able to source such Renminbi on satisfactory terms, if at all.

***An investment in Renminbi Notes is subject to interest rate risks.***

The PRC government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

Renminbi Notes may carry a fixed interest rate (“**Fixed Rate Notes**”) or have a resettable interest rate (“**Resettable Notes**”). Consequently, the trading price of Renminbi Notes which are Fixed Rate Notes or Resettable Notes will vary with the fluctuations in the Renminbi interest rates. If holders of such Renminbi Notes propose to sell their Renminbi Notes before their maturity, they may receive an offer lower than the amount they have invested.

***An investment in Renminbi Notes may be subject to PRC tax.***

In considering whether to invest in Renminbi Notes, investors should consult their individual tax advisers regarding the applicability of PRC tax laws to their potential investments, as well as any other tax consequences that may arise under the laws of any other jurisdiction. The value of the Noteholder’s investment in Renminbi Notes may be materially and adversely affected if the Noteholder is required to pay PRC tax with respect to acquiring, holding or disposing of and receiving payments under those Renminbi Notes.

***An investment in Renminbi Notes is subject to exchange rate risks.***

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time 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 midpoint against the U.S. dollar to account for market-maker quotes before announcing the daily midpoint. This change, amongst others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. In January and February 2016, the Renminbi experienced further fluctuation in value against the U.S. dollar. With an increased floating range of the Renminbi’s value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long term. All payments of interest and principal with respect to Renminbi Notes will be made in Renminbi. As a result, the value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of investment in U.S. dollar or other applicable foreign currency terms will decline.

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

Investors may be required to provide certification and other information (including Renminbi account information) in order to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong. All Renminbi payments to investors in respect of Renminbi Notes will be made solely (i) for so long as Renminbi Notes are represented by Global Notes held with the common depository for Euroclear and Clearstream or lodged with a sub-custodian for or registered with the CMU or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong, or (ii) for so long as Renminbi Notes are in definitive form, by

transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or in bank instruments, by cheque or draft or by transfer to a bank account in the PRC).

## **GENERAL RISKS RELATING TO THE NOTES**

*Exchange rate risks and exchange controls may result in a potential investor receiving less interest or principal than expected.*

The Issuer will pay principal and interest (where applicable) on the Notes in the currency specified. This presents certain risks relating to currency conversions if a potential investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the currency in which the Notes are denominated. These include the risk that exchange rates may significantly change (including changes due to devaluation of the currency in which the Notes are denominated 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 Currency in which the Notes are denominated 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, a potential investor may receive less interest or principal than expected, or no interest or principal.

*The Notes may never be liquid or have an active trading market.*

There can be no assurance as to the liquidity of the Notes or that an active trading market will ever develop. If a trading market for the Notes were to develop, the Notes may trade at prices that may be higher or lower than the initial issue price depending on many factors, including but not limited to the prevailing interest rates, the Issuer's operations and the market for similar securities. The Dealers are not obliged to make a market in the Notes and any such market making, if commenced, may be discontinued at any time at the sole discretion of the relevant Dealers. No assurance can be given as to the liquidity of, or trading market for, the Notes.

Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable with 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 severe adverse effect on the market value of Notes.

*Inability to comply with the restrictions and covenants contained in the Group's debt agreements may adversely affect the Issuer.*

If the Group is unable to comply with the restrictions and covenants in its current or future debt and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Group,

accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, whichever the case may be. These events may adversely affect the Issuer's business, financial condition or results of operations.

***Majority interests in Noteholder meetings may affect the rights of other Noteholders.***

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

***The credit ratings of the Notes or the Issuer may not reflect all risks.***

One or more independent credit rating agencies may assign credit ratings to the Notes and the Issuer. The ratings may not reflect the potential impact of all risks affecting the value of the Notes or the Issuer. 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.

## 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 constituted by an Amended and Restated Trust Deed (as amended and/or supplemented as at the date of issue of the Notes (the “**Issue Date**”), the “**Trust Deed**”) dated 29 June 2021 between the Issuer and Citicorp International Limited (the “**Trustee**”, which expression shall include all Persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An Amended and Restated Agency Agreement (as amended and/or supplemented as at the Issue Date, the “**Agency Agreement**”) dated 29 June 2021 has been entered into in relation to the Notes between the Issuer, the Trustee, Citibank, N.A., London Branch as the initial issuing and paying agent, Citicorp International Limited as the CMU lodging and paying agent and the other agents named in it. The issuing and paying agent, the CMU lodging and paying agent, the other paying agents, the registrar, the transfer agent(s) and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Issuing and Paying Agent**”, the “**CMU Lodging and Paying Agent**”, the “**Paying Agents**” (which expression shall include the Issuing and Paying Agent and the CMU Lodging and Paying Agent), the “**Registrar**”, the “**Transfer Agents**” and the “**Calculation Agent(s)**” (such Issuing and Paying Agent, CMU Lodging and Paying Agent, Paying Agents, Registrar, Transfer Agent(s) and Calculation Agent(s) being together referred to as the “**Agents**”). For the purposes of these Conditions, all references to the Issuing and Paying 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 Trust Deed and the Agency Agreement are available for inspection at all reasonable times during usual business hours at the principal office of the Trustee (being at the Issue Date at 20th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon) following written request and proof of holding and identity satisfactory to the Trustee.

The Noteholders, 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 Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions:

“**Person**” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organisation, government or any agency of political subdivision thereof or any other entity; and

“**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) (“**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 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 in Hong Kong by the Registrar in accordance with the provisions of the 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.

## **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 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 Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, and by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder following written request and proof of holding satisfactory to the Registrar.

**(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 the Registrar or any 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(f)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (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 relevant 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 Registrar or the relevant Transfer Agent (as the case may be) 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, Sunday or public holiday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (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, duty or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security as the Registrar or the relevant Transfer Agent may require) in respect of tax 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 prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(e), (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) in the case of a Subordinated Note, at any time during a Suspension Period as specified in the relevant Pricing Supplement.

**3 STATUS**

**(a) Senior Notes**

- (i) This Condition 3(a) is applicable to all Notes which are specified in the applicable Pricing Supplement as being Senior Notes (“**Senior Notes**”).
- (ii) The Senior Notes and the Coupons and Receipts that relate to them of each Series constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer, ranking *pari passu* without any preference among themselves and, at their date of issue, ranking *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer other than any such obligations as are preferred by provisions of law that are both mandatory and of general application.

**(b) Subordinated Notes**

- (i) This Condition 3(b) is applicable to all Notes which are specified in the applicable Pricing Supplement as being Subordinated Notes (“**Subordinated Notes**”).
- (ii) The Subordinated Notes and the relevant Receipts and Coupons constitute direct, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* without any preference among themselves.

Subject to the insolvency laws of Hong Kong and other applicable laws, in the event of the Winding-Up of the Issuer (other than pursuant to a Permitted Reorganisation), the claims of the Noteholders, the Receiptholders and the Couponholders against the Issuer in respect of the Subordinated Notes and the relevant Receipts and Coupons will be subordinated in right of payment in the manner provided in this Condition 3(b) to the claims of depositors and all other creditors of the Issuer (other than claims of holders of Subordinated Indebtedness ranking *pari passu* with, or junior to, the claims of the holders of the Subordinated Notes and any relevant Receipts and Coupons) and will rank, in the event of the Winding-Up of the Issuer, at least *pari passu* in right of



payment with the claims of the holders of Parity Obligations. Claims in respect of the Noteholders, the Receipholders and the Couponholders of the Subordinated Notes will rank in priority in right of payment with the claims of holders of Junior Obligations, or otherwise rank in accordance with the ranking provision specified in the applicable Pricing Supplement.

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

For the purposes of these Conditions,

“**Additional Tier 1 Capital**” means instruments or other obligations issued by the Issuer that constitute or qualify as Additional Tier 1 Capital (or its equivalent) pursuant to the Capital Regulations;

“**Authorized Institution**” has the meaning given to that term in the Banking Ordinance (Cap. 155) of Hong Kong;

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

“**Junior Obligation**” means (i) subordinated liabilities issued or entered into by the Issuer which by their terms rank or are expressed to rank in right of payment junior to the Subordinated Notes (including liabilities qualifying as Additional Tier 1 Capital) and (ii) all classes of equity securities of the Issuer, including holders of preference shares;

“**Monetary Authority**” means the Monetary Authority appointed under section 5A of the Exchange Fund Ordinance (Cap. 66) of Hong Kong or any successor thereto;

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

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

“**Subordinated Indebtedness**” shall mean all indebtedness which is subordinated, in the event of the Winding-Up of the Issuer, in right of payment to the claims of depositors and other unsubordinated creditors of the Issuer other than those whose

claims rank or is expressed to rank by operation of law or contract *pari passu* with, or junior to, the claims of the holders of the Subordinated Notes, and for this purpose indebtedness shall include all liabilities, whether actual or contingent;

“**Tier 2 Capital**” means instruments or other obligations issued by the Issuer that constitute or qualify as Tier 2 capital (or its equivalent) 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 or similar proceeding in respect of the Issuer (except for the purposes of a consolidation, amalgamation, merger or reorganisation the terms of which have previously been approved by an Extraordinary Resolution of the Noteholders).

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

- (i) This Condition 3(c) shall apply to all Notes which are specified in the applicable Pricing Supplement as being Subordinated Notes.
- (ii) Subject to applicable law, no Noteholder, Receiptholder or Couponholder of Subordinated Notes may exercise, claim or plead any right of set-off, counter-claim or retention in respect of any amount owned to it by the Issuer arising under or in connection with the Subordinated Notes, the relevant Receipts or the Coupons and each Noteholder, Receiptholder and Couponholder of Subordinated Notes 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.
- (iii) In the event that any Noteholder, Receiptholder or Couponholder of Subordinated Notes 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(c), such Noteholder, Receiptholder or Couponholder of Subordinated Notes 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 such 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.

For the purposes of these Conditions,

“**Winding-Up Proceedings**” shall mean, with respect to the Issuer, proceedings in Hong Kong in respect of the Issuer for the bankruptcy, liquidation, winding-up or other similar proceeding of the Issuer.

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

*The ability to operationally effect any Write-off of any Notes under this Condition 3(d) with respect to the clearing and/or settlement of any Notes in or through the relevant clearing system(s) is subject to the availability of procedures to effect any such Write-off in such clearing system(s). However, any Write-off of any Notes with respect to the Issuer under this Condition 3(d) 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).*

Notwithstanding anything to the contrary contained in these Conditions, if Non-Viability is specified in the relevant Pricing Supplement as being applicable and such Non-Viability Event (as specified in the relevant Pricing Supplement) occurs and is continuing in respect of any Subordinated Note, the Issuer shall, upon the provision of a Non-Viability Event Notice (as specified in the relevant Pricing Supplement), irrevocably (without the need for the consent of the holders of such Subordinated Note) reduce the then prevailing principal amount of, and cancel any accrued but unpaid interest in respect of, each relevant Subordinated Note (in each case in whole or in part) in the manner specified hereon (such reduction and cancellation, and the reduction and cancellation or conversion of any other Subordinated Notes so reduced and cancelled or converted upon the occurrence of a Non-Viability Event, where applicable, being referred to herein as a “**Write-off**”, and “**Written-off**” shall be construed accordingly).

Any reference in these Conditions to principal in respect of the Subordinated Notes shall thereafter refer to the principal amount of the Subordinated Notes reduced by any applicable Write-off(s). Once any principal amount of, and any accrued but unpaid interest under, the Subordinated Notes has been Written-off, the relevant amount(s) Written-off will not be restored in any circumstances including where the relevant Non-Viability Event ceases to continue.

**(e) Hong Kong Resolution Authority Power**

Notwithstanding any other term of the Notes, if Hong Kong Resolution is specified in the relevant Pricing Supplement as being applicable, each Noteholder, Receiptholder and Couponholder and the Trustee shall be subject, and be deemed to agree, be bound by and acknowledge that they are each subject, to having the Notes being written off, cancelled, converted or modified, or to having the form of the Notes changed, in the exercise of any Hong Kong Resolution Authority Power (as specified in the relevant Pricing Supplement) by the relevant Hong Kong Resolution Authority (as specified in the relevant Pricing Supplement) without prior notice.

*The Financial Institutions (Resolution) Ordinance (the “**Ordinance**”) became effective on 7 July 2017 and all licensed banks in Hong Kong are subject to the Ordinance.*

For the purposes of this Condition 3(e):

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

“**Hong Kong Resolution Authority Power**” means any power which may exist from time to time under the Ordinance 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; and

“**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.

#### 4 COVENANTS

##### (a) **Negative Pledge (Senior Notes Only)**

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

##### (b) **NDRC Undertaking**

Where the NDRC Circular (as defined below) applies to the Tranche of Notes to be issued in accordance with these Conditions and the Trust Deed, the Issuer undertakes to provide or cause to be provided a notification to the National Development and Reform Commission (the “**NDRC**”) of the requisite information and documents within the prescribed timeframe after the Issue Date in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044 號)) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules or policies as may be issued by the NDRC (the “**NDRC Circular**”) prior to the completion of such notification (the “**NDRC Post-issue Filing**”).

For the purposes of these Conditions:

“**Indebtedness**” means any obligation or obligations (whether present or future, actual or contingent) for the payment or repayment of money borrowed and/or interest thereon;

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

“**Principal Subsidiary**” means BOC Credit Card (International) Limited and Po Sang Securities and Futures Limited (and each of their successors and assigns) and any Subsidiary (as defined in Condition 10), whether now, existing or hereafter organised or acquired, whereof either (a) the revenue, or (b) the net assets, in each case, consolidated in the case of a Subsidiary which itself has subsidiaries, is equal to or more than 10 per cent. of, as the case may be, the consolidated revenue or the consolidated net assets of the Issuer, all as calculated by reference to the latest underlying consolidation returns (used for the preparation of the latest audited consolidated financial statements of the Issuer) of such Subsidiary and the then latest audited consolidated financial statements of the Issuer; and

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

## 5 INTEREST AND OTHER CALCULATIONS

### (a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding principal amount (in the case of Subordinated Notes, subject to adjustments following the occurrence of a Non-Viability Event in accordance with Condition 3(d)) 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(i).

### (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 outstanding principal 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(i). 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) *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 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:

- (I) the Floating Rate Option is as specified hereon
- (II) the Designated Maturity is a period specified hereon and
- (III) 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)**

- (I) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined where the Reference Rate is not SOFR Benchmark, 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. (London time in the case of LIBOR, 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 LIBOR, EURIBOR or HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

- (II) if the Relevant Screen Page is not available or if, sub-paragraph (I)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (I)(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 LIBOR, the principal London office of each of the Reference Banks or, 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 LIBOR, at approximately 11.00 a.m. (London time), or 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
- (III) if paragraph (II) 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 LIBOR, at approximately 11.00 a.m. (London time) or, 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 LIBOR, the London inter-bank market or, 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 LIBOR, at approximately 11.00 a.m. (London time) or, 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 LIBOR, the London inter-bank market or, 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 Benchmark*

If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate of Interest is to be determined where the Reference Rate is SOFR Benchmark, the Rate of Interest applicable to the Floating Rate Notes for each Interest Accrual Period will, subject as provided below, be equal to the sum of the relevant SOFR Benchmark plus or minus (as specified in the relevant Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent on the relevant Interest Determination Date.

The “**SOFR Benchmark**” will be determined based on Simple SOFR Average, Compounded SOFR Average or SOFR Index Average (as specified in the relevant Pricing Supplement), as follows (subject in each case to Condition 5(l)):

- (I) If Simple SOFR Average (“**Simple SOFR Average**”) is specified in the relevant Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be the arithmetic mean of the SOFR reference rates for each day during such Interest Accrual Period, as calculated by the Calculation Agent, and where, if applicable and as specified in the relevant Pricing Supplement, the SOFR reference rate on the SOFR Rate Cut-Off Date shall be used for the days in the relevant Interest Accrual Period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the last day of that Interest Accrual Period.
- (II) If Compounded SOFR Average (“**Compounded SOFR Average**”) is specified in the relevant Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be equal to the value of the SOFR reference rates for each day during the relevant Interest Accrual Period (where SOFR Observation Lag, SOFR Payment Delay or SOFR Lockout is specified in the relevant Pricing Supplement to determine Compounded SOFR Average) or SOFR Observation Period (where SOFR Observation Shift is specified as applicable in the relevant Pricing Supplement to determine Compounded SOFR Average).



Compounded SOFR Average shall be calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified in the relevant Pricing Supplement:

(1) SOFR Observation Lag:

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

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

“**SOFR<sub>i-xUSBD</sub>**” for any U.S. Government Securities Business Day “**i**” in the relevant Interest Accrual Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day “**i**”;

“**Lookback Days**” means such number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement;

“**d**” means the number of calendar days in the relevant Interest Accrual Period;

“**do**” for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

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

“**ni**” for any U.S. Government Securities Business Day “**i**” in the relevant Interest Accrual 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 for which SOFR<sub>i-xUSBD</sub> applies.

(2) SOFR Observation Shift:

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

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

“**SOFR<sub>i</sub>**” for any U.S. Government Securities Business Day “**i**” in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day “**i**”;

“**SOFR Observation Period**” means, in respect of each Interest Accrual Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of the relevant Interest Accrual Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the last day of such Interest Accrual Period;

“**SOFR Observation Shift Days**” means the number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement;

“**d**” means the number of calendar days in the relevant SOFR Observation Period;

“**do**” for any SOFR Observation Period, means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

“**i**” means a series of whole numbers ascending from one to do, each representing the relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period; and

“**ni**” for any U.S. Government Securities Business Day “**i**” in the relevant SOFR 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 for which SOFR<sub>i</sub> applies.

(3) SOFR Payment Delay:

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

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

“**SOFR<sub>i</sub>**” for any U.S. Government Securities Business Day “**i**” in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day “**i**”;

“**Interest Payment Date**” shall be the number of Interest Payment Delay Days following each Interest Period Date; provided that the Interest Payment Date with respect to the final Interest Accrual Period will be the Maturity Date or the relevant date for redemption, as applicable;

“**Interest Payment Delay Days**” means the number of Business Days as specified in the relevant Pricing Supplement;

“**d**” means the number of calendar days in the relevant Interest Accrual Period;

“**do**” for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

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

“**ni**” for any U.S. Government Securities Business Day “**i**” in the relevant Interest Accrual 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 for which SOFR<sub>i</sub> applies.

For the purposes of calculating Compounded SOFR Average with respect to the final Interest Accrual Period where SOFR Payment Delay is specified in the relevant Pricing Supplement, the SOFR reference rate for each U.S. Government Securities Business Day in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Maturity Date or the relevant date for redemption, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date.

(4) SOFR Lockout:

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

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

“**SOFR<sub>i</sub>**” for any U.S. Government Securities Business Day “**i**” in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day “**i**”, except that the SOFR for any U.S. Government Securities Business Day “**i**” in respect of the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the last day of such Interest Accrual Period shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date;

“**d**” means the number of calendar days in the relevant Interest Accrual Period;

“**do**” for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

“**i**” means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period; and

“**ni**” for any U.S. Government Securities Business Day “**i**” in the relevant Interest Accrual 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 for which SOFR<sub>i</sub> applies.

The following defined terms shall have the meanings set out below for purpose of Conditions 5(b)(ii)(C)(I) and 5(b)(ii)(C)(II):

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

“**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, the reference rate determined by the Calculation Agent in accordance with the following provision:

- (i) the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator’s Website;
- (ii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the SOFR reference rate shall be the reference rate 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; or
- (iii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(l) shall apply;

“**SOFR Determination Time**” means approximately 3:00 p.m. (New York City time) on the immediately following the relevant U.S. Government Securities Business Day.

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

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

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

“**SOFR Index**”, with respect to any U.S. Government Securities Business Day, means the SOFR Index value as published on the SOFR Administrator’s Website at the SOFR Index Determination Time, *provided that* if such SOFR Index value is not available and:

- (i) if a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the “**SOFR Index Average**” shall be calculated on any Interest Determination Date with respect to an Interest Accrual Period, in accordance with the Compounded SOFR Average formula described above in Condition 5(b)(ii)(C)(II)(2) (*SOFR Observation Shift*); or
- (ii) if a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(l) shall apply;

“**SOFR IndexEnd**” means the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the relevant Pricing Supplement prior to the last day of such Interest Accrual Period (or in the final Interest Accrual Period, the Maturity Date);

“**SOFR IndexStart**” means the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the relevant Pricing Supplement prior to the first day of the relevant Interest Accrual Period;

“**SOFR Index Determination Time**” means, in relation to any U.S. Government Securities Business Day, approximately 3:00 p.m. (New York City time) on such U.S. Government Securities Business Day; and

“**dc**” means the number of calendar days from (and including) the day in relation to which SOFR IndexStart is determined to (but excluding) the day in relation to which SOFR IndexEnd is determined (being the number of calendar days in the applicable reference period).

The following defined terms shall have the meanings set out below for purpose of this Condition 5(b)(ii)(C)(I) and 5(b)(ii)(C)(II):

“**SOFR Administrator’s Website**” means the website of the Federal Reserve Bank of New York at <http://www.newyorkfed.org>, or any successor source;

“**SOFR Benchmark Replacement Date**” means the date of occurrence of a Benchmark Event with respect to the then-current SOFR Benchmark;

“**SOFR Benchmark Transition Event**” means the occurrence of a Benchmark Event with respect to the then-current SOFR Benchmark;

“**SOFR Rate Cut-Off Date**” has the meaning given in the relevant Pricing Supplement; and

“**U.S. Government Securities Business Day**” or “**USBD**” means any day except for 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.

(c) **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 in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(d) **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)).

(e) **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 in the manner specified hereon.

(f) **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 principal amount of such Notes and otherwise as specified hereon.

**(g) 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).

**(h) 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 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 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit 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.

**(i) 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.

**(j) 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 Trustee, 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(k), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee 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 but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. 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.

**(k) Benchmark Replacement for Floating Rate Notes (other than Floating Rate Notes which specify the Reference Rate as SOFR):**

**(i) *Independent Adviser***

In addition, notwithstanding the provisions above in this Condition 5, other than in the case of a U.S. dollar-denominated Floating Rate Note which specifies the Reference Rate as SOFR, if a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(k)(ii)) and, in either case, an Adjustment Spread if any (in accordance with Condition 5(k)(iii)) and any Benchmark Amendments (in accordance with Condition 5(k)(iv)).



An Independent Adviser appointed pursuant to this Condition 5(k) shall act in good faith and in a commercially reasonable manner as an expert and in consultation with the Issuer. In the absence of negligence, bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Paying Agents, the Noteholders, the Receiptholders or the Couponholders for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 5(k).

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(k)(i) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. 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 shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. This Condition 5(k)(i) shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(k)(i).

**(ii) *Successor Rate or Alternative Rate***

If the Independent Adviser determines that:

- (A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 5(k)(iii)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(k)); or
- (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 5(k)(iii)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(k)).

**(iii) *Adjustment Spread***

If the Independent Adviser determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(iv) ***Benchmark Amendments***

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 5(k) and the Independent Adviser determines (i) that amendments to these Conditions and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(k)(v), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by two Authorised Signatories of the Issuer pursuant to Condition 5(k)(v), the Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

In connection with any such variation in accordance with this Condition 5(k)(v), 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.

In the case of Subordinated Notes only, notwithstanding any other provision of this Condition 5(k), no Successor Rate or Alternative Rate will be adopted, nor any Adjustment Spread applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Notes as Tier 2 Capital and/or the Notes as eligible liabilities or loss absorbing capacity instruments for the purposes of the Capital Regulations.

(v) ***Notices, etc.***

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5(k) will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 16, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer:

- (A) confirming (a) that a Benchmark Event has occurred, (b) the Successor Rate or, as the case may be, the Alternative Rate and, (c) where applicable, any Adjustment Spread and/or the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 5(k); and
- (B) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

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

(vi) ***Survival of Original Reference Rate***

Without prejudice to the obligations of the Issuer under Condition 5(k)(i), (ii), (iii) and (iv), the Original Reference Rate and the fallback provisions provided for in Condition 5(b)(ii)(B) will continue to apply unless and until a Benchmark Event has occurred.

- (vii) The following defined terms shall have the meanings set out below for purpose of Condition 5(k):

**“Adjustment Spread”** means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders, Receiptholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (A) 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 if no such recommendation has been made, or in the case of an Alternative Rate);
- (B) the Independent Adviser 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 Rate (as the case may be); (or if the Issuer determines that no such industry standard is recognised or acknowledged)
- (C) the Independent Adviser determines to be appropriate.

“**Alternative Rate**” means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 5(k)(ii) is customary in market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

“**Benchmark Amendments**” has the meaning given to it in Condition 5(k)(iv).

“**Benchmark Event**” means:

- (A) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or
- (B) a public statement by the administrator of the Original Reference Rate that it has ceased publishing such Reference Rate permanently or indefinitely or will cease (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (C) 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; or
- (D) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes;
- (E) 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
- (F) it has become or will become unlawful for any Paying Agent, the 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 the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (B) and (C) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of sub-paragraph (D) above, on the date of the prohibition or restriction of use of the Original Reference Rate and (c) in the case of sub-paragraph (E) 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, not the date of the relevant public statement.

“**Independent Adviser**” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 5(k)(i).

“**Original Reference Rate**” means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes (which is not SOFR benchmark).

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

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

“**Successor Rate**” means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

*Notwithstanding any other provision of this Condition 5(k), no Successor Rate or Alternative Reference Rate (as applicable) will be adopted, and no other amendments to the terms of any Subordinated Notes will be made pursuant to this Condition 5(k), if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of any of the Subordinated Notes under the Capital Regulations.*

- (l) **Benchmark Replacement (SOFR):** The following provisions shall apply if Benchmark Event (SOFR) is specified as applicable 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. In connection with the implementation of a Benchmark Replacement, the Issuer will have the right to make Benchmark Replacement Conforming Changes from time to time, without any requirement for the consent or approval of the Noteholders.

- (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 Agency

Agreement and these Conditions as may be required to give effect to this Condition 5(1). 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 or any other changes and shall be entitled to accept and rely conclusively on any certifications provided to each of them in this regard.

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

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 5(1), 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 (i) will be conclusive and binding absent manifest error, (ii) will be made in the sole discretion of the Issuer or its designee, as applicable, and (iii) 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.

- (iv) The following defined terms shall have the meanings set out below for purpose of Conditions 5(b)(ii)(C) and 5(1):

“**Benchmark**” means, initially, the relevant SOFR Benchmark specified in the relevant Pricing Supplement; 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 the relevant SOFR Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, 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):

- (1) 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
- (2) 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

- (3) 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;

“**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:

- (1) the sum of:
  - (a) 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
  - (b) the Benchmark Replacement Adjustment;
- (2) the sum of:
  - (a) the ISDA Fallback Rate; and
  - (b) the Benchmark Replacement Adjustment; or
- (3) the sum of:
  - (a) 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
  - (b) 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:

- (1) 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;
- (2) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

- (3) 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) that 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):

- (1) in the case of sub-paragraph (1) or (2) of the definition of “**Benchmark Event**”, the later of:
  - (a) the date of the public statement or publication of information referenced therein; and
  - (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or
- (2) in the case of sub-paragraph (3) 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. and as amended and updated or (if specified in applicable Pricing Supplement) the 2021 Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time or any successor definitional booklet for interest rate derivatives published from time to time as at the Issue Date of the first Tranche of the Notes, unless otherwise specified hereon.



“**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 (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Simple SOFR Average or Compounded SOFR Average is specified in the relevant Pricing Supplement) or SOFR Index Determination Time (where SOFR Index Average is specified in the relevant Pricing Supplement); or (2) if the Benchmark is not the SOFR Benchmark, 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.

*Notwithstanding any other provision of this Condition 5(l), no alternative reference rate will be adopted, and no other amendments to the terms of any Subordinated Notes will be made pursuant to this Condition 5(l), if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of any of the Subordinated Notes under the Capital Regulations.*

**(m) Definitions**

In these Conditions (other than in Conditions 5(b)(ii)(C), 5(k) and 5(l)), unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Business Day**” means:

- (i) in the case of a currency other than euro and Renminbi, a day (other than a Saturday or Sunday) 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 euro, a day on which the TARGET System is operating (a “**TARGET Business Day**”); and/or
- (iii) in the case of 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 a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) 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.

“**Calculation Amount**” means the calculation amount as specified in the relevant Pricing Supplement;

“**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:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” 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 D1 is greater than 29, in which case D2 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<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“D<sub>2</sub>” 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 D2 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<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” 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 D<sub>1</sub> will be 30; and

“D<sub>2</sub>” 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 D<sub>2</sub> 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; and

“**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.

“**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 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, provided that in this definition, **“Business Day”** shall mean a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London.

**“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, unless otherwise specified herein.

**“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., and as amended and updated or (if specified in applicable Pricing Supplement) the 2021 Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time or any successor definitional booklet for interest rate derivatives published from time to time as at the Issue Date of the first Tranche of the Notes, unless otherwise specified hereon.

**“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 LIBOR, the principal London office of four major banks in the London inter-bank market and, 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 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.

“**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.

**(n) Calculation Agents**

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 Trust Deed). 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 (with the prior approval of the Trustee) 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.

**(o) 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.

## **6 REDEMPTION, PURCHASE AND OPTIONS**

### **(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 outstanding principal 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 principal 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 principal amount) or, in the case of a Note falling within paragraph (i) above, 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), Condition 6(d), Condition 6(e), Condition 6(f) or Condition 6(k) 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), Condition 6(d), Condition 6(e), Condition 6(f) or Condition 6(k) 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), Condition 6(d), Condition 6(e), Condition 6(f) or Condition 6(k) 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(j) 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 Interest Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under 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, 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 (a "**Withholding Tax Event**"), provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to giving any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee (I) a certificate signed by two Authorised Signatories of the Issuer stating that the obligation referred to in (i) above of this Condition 6(c) cannot be avoided by the Issuer taking reasonable measures available to it, (II) an opinion of independent legal or tax advisors of recognised international standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective); and (III) in the case of Subordinated Notes only, a copy of the written consent of the Monetary Authority as referred to in Condition 6(k); and the Trustee shall be entitled without further



enquiry to accept and rely conclusively on such certificate and consent as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event the same shall be conclusive and binding on Noteholders and Couponholders.

In the case of Subordinated Notes, Subordinated Notes redeemed pursuant to this Condition 6(c) will be redeemed at their outstanding principal amount together (if appropriate) with interest accrued to (but excluding) the date of redemption, subject to adjustments following the occurrence of a Non-Viability Event in accordance with Condition 3(d).

**(d) Redemption for Tax Deduction Reasons**

In the case of Subordinated Notes, subject to Condition 6(j), 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 Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption) at their Early Redemption Amount (together with interest accrued to the date fixed for redemption), following the occurrence of a Tax Deduction Event.

For the purposes of this Condition 6(d), a “**Tax Deduction Event**” occurs if:

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

provided that: (i) the conditions for redemption set out in Condition 6(k) have been satisfied and (ii) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would cease to be able to claim a tax deduction in respect of the interest payable on the Notes as provided in paragraph (a) above of this Condition 6(d).

Prior to giving any notice of redemption pursuant to this Condition 6(d), the Issuer shall deliver to the Trustee (I) a certificate signed by two Authorised Signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that (1) the conditions precedent to the right of the Issuer so to redeem have occurred, and (2) such non tax deductibility cannot be avoided by the Issuer taking reasonable measures available to it; and (II) a copy of the written consent of the Monetary Authority as referred to in Condition 6(j), and the Trustee shall be entitled without further enquiry and without liability to Noteholders or any other person to accept and rely conclusively on such certificate and consent as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event the same shall be conclusive and binding on Noteholders and Couponholders.

Subordinated Notes redeemed pursuant to this Condition 6(d) will be redeemed at their outstanding principal amount together (if appropriate) with interest accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 3(d).

**(e) Redemption at the Option of the Issuer**

If Call Option is specified hereon, the Issuer may (subject to Condition 6(j) 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 specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b)) together with interest accrued to the date fixed for redemption, subject, in the case of Subordinated Notes only, to adjustments following the occurrence of a Non-Viability Event in accordance with Condition 3(d) in the case of Subordinated Notes. Any such redemption or exercise must relate to Notes of a principal 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 principal 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 determined by the Issuer and notified in writing to the Trustee, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

**(f) Redemption at the Option of Noteholders**

If Put Option is specified hereon, the Issuer shall (subject to Condition 6(j) 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 specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b)) together with interest accrued to the date fixed for redemption, subject, in the case of Subordinated Notes only, to adjustments following the occurrence of a Non-Viability Event in accordance with Condition 3(d).

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 Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any 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 Agency Agreement) without the prior consent of the Issuer.

**(g) Partly Paid Notes**

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

**(h) Purchases**

The Issuer and its Subsidiaries may (subject to Condition 6(j) in the case of Subordinated Notes) 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.

**(i) Cancellation**

All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may (in the case of Notes other than Subordinated 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 Issuing and Paying 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.

**(j) Conditions of Redemption for Subordinated Notes**

Notwithstanding any other provisions in these Conditions, the Subordinated Notes (subject as provided below) may not be redeemed or purchased and cancelled by the Issuer or any of its Subsidiaries (other than pursuant to Condition 6(a)) without the prior consent of the Monetary Authority. Accordingly, the Issuer shall not redeem any of the 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, and as defined in, the Banking Ordinance (Cap. 155) of Hong Kong (the “**Banking Ordinance**”), or any successor legislation, then the condition to the redemption or purchase and cancellation of the relevant Subordinated Notes set out in this Condition 6(j) shall not apply for so long as such consent is not so required. This provision shall not apply to the Issuer or any of its Subsidiaries holding the Subordinated Notes in a purely nominee capacity.

**(k) Redemption for Subordinated Notes upon occurrence of a Regulatory Redemption Event**

Subject to Condition 6(j), 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 Noteholders in accordance with Condition 16, the Trustee and the Issuing and Paying Agent (which notice, in each case, shall be irrevocable and shall specify the date fixed for redemption) following the occurrence of a Regulatory Redemption Event.

For the purposes of this Condition 6(k): a “**Regulatory Redemption Event**” occurs if the Subordinated Notes, after having qualified as such, will no longer qualify (in whole or in part) as Tier 2 Capital (or 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 guidance in force from time to time) as a result of a change or amendment in (or any change in the application or official interpretation of) the relevant provisions of the Banking Ordinance, the Banking (Capital) Rules (Cap. 155L) of Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance issued by the Monetary Authority in relation thereto, 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(k), the Issuer shall deliver to the Trustee (I) a certificate signed by two Authorised Signatories 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 (II) a copy of the written consent of the Monetary Authority referred to in Condition 6(j); and the Trustee shall be entitled to accept and rely conclusively on the certificate and consent as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, Receiptholders and the Couponholders.

Subordinated Notes redeemed pursuant to this Condition 6(k) will be redeemed at the Early Redemption Amount specified in, or determined in the manner specified in, the relevant Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant date fixed for redemption, subject to adjustments following the occurrence of a Non-Viability Event in accordance with Condition 3(d).

*Holders of Subordinated Notes should note that it is intended that such Subordinated Notes should constitute Tier 2 Capital of the Issuer and accordingly, under statutory requirements prevailing at the date hereof relevant to Tier 2 Capital, and by virtue of the above provisions, any redemption of such Subordinated Notes, other than at maturity, is subject to the prior consent of the Monetary Authority at the relevant time.*

## **7 PAYMENTS AND TALONS**

*Payments of principal, premium (if any) and interest (if any) in respect of Subordinated Notes will be made subject to the provisions of Condition 3(b).*

### **(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 relevant Note), Notes (in the case of all

other payments of principal and, in the case of interest, as specified in Condition 7(f)(vii) 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.

In this paragraph, “**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.

**(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 or in case of Registered Notes to be cleared through The Depository Trust Company (“**DTC**”), on the fifteenth DTC business day before the due date for payment thereof (the “**Record Date**”). For the purpose of this Condition 7(b), “**DTC business day**” means any day on which DTC is open for business. 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, or at the option of the relevant Agent, 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 paragraph, “**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.

- (iii) Registered Notes, if so specified on them, may be issued in the form of one or more Certificates registered in the name of, or the name of a nominee for, DTC. Payments of principal and interest in respect of Registered Notes denominated in U.S. Dollars will

be made in accordance with Conditions 7(b)(i) and (ii). Payments of principal and interest in respect of Registered Notes registered in the name of, or in the name of a nominee for, DTC and denominated in a Specified Currency other than U.S. Dollars will be made or procured to be made by the Issuing and Paying Agent in the relevant Specified Currency in accordance with the following provisions. The amounts in such Specified Currency payable by the Issuing and Paying Agent or its agent to DTC with respect to Registered Notes held by DTC or its nominee will be received from the Issuer by the Issuing and Paying Agent who will make payments in such Specified Currency by wire transfer of same day funds to the designated bank account in such Specified Currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of interest payments, on or prior to the fifth DTC Business Day after the Record Date for the relevant payment of interest and, in the case of principal payments, at least ten DTC Business Days prior to the relevant payment date of principal, to receive that payment in such Specified Currency. The Issuing and Paying Agent, after the Exchange Agent has converted amounts in such Specified Currency into U.S. Dollars, will deliver such U.S. Dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such Specified Currency. The Agency Agreement sets out the manner in which such conversions are to be made.

**(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, regulations and directives, but without prejudice to the provisions of Condition 8, in the place of payment, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Internal Revenue Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Internal Revenue 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 Issuing and Paying Agents, the CMU Lodging and Paying Agent, the Registrar, the Transfer Agent and the Calculation Agents initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the CMU

Lodging and Paying Agent, the other Paying Agents, the Registrar, the Transfer Agents and the Calculation Agents 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 with the prior written approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the 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 Agency Agreement, provided that the Issuer shall at all times maintain (i) an Issuing and Paying 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 each case, as approved in writing by the Trustee.

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 paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given by the Issuer 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 relevant unmatured Coupons are to become
- (vi) void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (vii) 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 Issuing and Paying 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 or a Sunday) 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 or on account of, 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.

Notwithstanding any other provision of these Conditions or the Trust Deed, any amounts to be paid on the Notes by or on behalf of the Issuer, will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in the Internal Revenue Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Internal Revenue Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

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 relevant Certificate), Receipt or Coupon being made in accordance with the 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 or any undertaking given in addition to or in substitution for it under the Trust Deed.

## 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

This Condition 10(a) is applicable to all Notes which are specified in the applicable Pricing Supplement as being Senior Notes.

If any of the following events (“**Events of Default**”) occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in principal amount of the Senior Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject to being indemnified and/or secured by the Noteholders), give notice to the Issuer that the Senior Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest:

- (i) **Non-Payment:** default is made in the payment of any principal or interest due in respect of any of the Senior Notes and such failure continues for a period of seven business days in Hong Kong (in the case of principal) or 14 business days in Hong Kong (in the case of premium or interest); 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 or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee; or
- (iii) **Cross-Default:** (A) any other present or future Indebtedness of the Issuer or any of its Subsidiaries (as defined below) 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, as the case may be, within any originally applicable grace period, 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 Indebtedness; provided that the aggregate amount of the relevant Indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (iii) have occurred equals or exceeds U.S.\$50,000,000 or its equivalent in any other currency (as reasonably determined by the Trustee); 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 60 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 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:** an order is made or an effective resolution passed for the Winding-Up or dissolution of the Issuer or any of its Subsidiaries, or the Issuer or any of its Subsidiaries shall apply or petition for a Winding-Up or administration order in respect of itself or ceases or through an official action of its board of directors 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 Trust Deed) of the Noteholders or (ii) in the case of a Subsidiary, whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries; or
- (viii) **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 and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Senior Notes and the Trust Deed admissible in evidence in the courts of England and Wales is not taken, fulfilled or done; or
- (ix) **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 the Trust Deed; or
- (x) **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;

Provided that in the case of Condition 10(a)(ii) and, in relation only to a Subsidiary, Condition 10(a)(iv), 10(a)(v) and 10(a)(x), the Trustee shall have certified that in its opinion such event is materially prejudicial to the interest of the Noteholders.

Where used in these conditions, “**Subsidiary**” means any entity whose financial statements at any time are required by law or in accordance with applicable financial reporting standards to be fully consolidated with those of the Issuer.

**(b) Subordinated Notes**

- (i) This Condition 10(b) is applicable to all Notes which are specified in the applicable Pricing Supplement as being Subordinated Notes.
- (ii) Subject to adjustments following the occurrence of a Non-Viability Event in accordance with Condition 3(d), if default is made in the payment of any principal or interest due in respect of the Subordinated Notes or any of them and the default continues for a period of five business days in Hong Kong (in the case of principal) or 10 business days in Hong Kong (in the case of premium or interest) (each such event, an

“**Enforcement Event**”), then in order to enforce the obligations of the Issuer, the Trustee at its sole discretion may and, if so requested in writing by holders of at least 25 per cent. in principal amount of the outstanding Subordinated Notes or if so directed by an Extraordinary Resolution (as defined in the Trust Deed), shall (subject to the Trustee having been indemnified and/or provided with security and/or put in funds to its satisfaction) institute a Winding-Up Proceeding against the Issuer.

- (iii) If a Winding-Up of the Issuer has occurred (whether or not an Event of Default has occurred) then the Trustee at its sole discretion may and, if so requested in writing by holders of at least 25 per cent. in principal amount of the outstanding Subordinated Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or put in funds to its satisfaction) give written notice to the Issuer declaring the Subordinated Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their outstanding principal amount together with accrued interest and all arrears of interest, subject to adjustments following the occurrence of a Non-Viability Event in accordance with Condition 3(d), without further action or formality.
- (iv) If a Write-off has occurred pursuant to, or otherwise in accordance with Condition 3(d), such event shall not constitute an Event of Default under these Conditions.

**(c) Enforcement**

- (i) Without prejudice to Condition 10(a) or 10(b) the Trustee may at any time and if the Issuer fails to perform, observe or comply with any obligation, condition or provision relating to the Notes binding on it under these Conditions or the Trust Deed (other than any obligation of the Issuer for the payment of any principal or interest in respect of the Notes), subject as provided below, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce such obligation, condition or provision provided that the Issuer shall not as a consequence of such proceedings be obliged to pay any sum or sums representing or measured by reference to principal or interest in respect of the Notes sooner than the same would otherwise have been payable by it.
- (ii) The Trustee shall not be bound to take action as referred to in Conditions 10(a), 10(b) and 10(c)(i) or any other action under these Conditions or the Trust Deed unless (i) it shall have been so requested in writing by Noteholders holding at least 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders and (ii) it shall have been indemnified and/or secured and/or put in funds to its satisfaction. No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing.
- (iii) In the case of Subordinated Notes and subject to applicable laws, no remedy (including the exercise of any right of set-off or analogous event) other than those provided for in Condition 10(b) and Conditions 10(c)(i) and (ii) above or submitting a claim in the Winding-Up of the Issuer will be available to the Trustee or the Noteholders, Receiptholders or Couponholders.

- (iv) In the case of Subordinated Notes, no Noteholder, Receiptholder or Couponholder shall be entitled either to institute proceedings for the Winding-Up of the Issuer or to submit a claim in such Winding-Up, except that if the Trustee, having become bound to institute such proceedings as aforesaid, fails to do so, or, being able and bound to submit a claim in such Winding-Up, fails to do so, in each case within a reasonable period and such failure is continuing, then any such Noteholder, Receiptholder or Couponholder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute Winding-Up Proceedings and/or submit a claim in the Winding-Up of the Issuer to the same extent (but not further or otherwise) that the Trustee would have been entitled to do.

## **11 MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

### **(a) Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee upon request in writing from Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more Persons holding or representing more than 50 per cent. in aggregate principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more Persons being or representing Noteholders whatever the principal 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 principal 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 and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (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, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (viii) in the case where the Note is a Subordinated Note, to modify the provisions concerning subordination or loss absorption, in which case the necessary quorum shall be two or more Persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal 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 Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Notes for the time being 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 the Trust Deed**

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified to the Noteholders as soon as practicable.

The consent or approval of the Noteholders shall not be required in the case of amendments to these Conditions pursuant to Condition 5(k) or 5(l) to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes or for any other variation of these Conditions and/or the Agency Agreement required to be made in the circumstances described in Condition 5(k) or 5(l), where the requirements of Condition 5(k) or 5(l) have been satisfied (including the provision of a certificate to the Trustee, where applicable).

**(c) Substitution**

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require and subject to the Trustee obtaining approval by way of an Extraordinary Resolution of the Noteholders and, in the case of Subordinated Notes, the prior approval of the Monetary Authority, to the substitution of the Issuer's successor in business or any Subsidiary as defined in the Trust Deed of the Issuer or its successor in business in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree to a change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

**(d) Entitlement of the Trustee**

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or

Couponholders and the Trustee, acting for and on behalf of Noteholders, shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

## 12 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including without limitation provisions relieving it from taking any steps and/or actions and/or instituting proceedings to enforce its rights under the Trust Deed, the Agency Agreement and/or these Conditions and in respect Notes or to enforce payment or taking other actions unless first indemnified and/or secured and/or pre-funded to its satisfaction. The Trust Deed provides that, when determining whether an indemnity and/or security and/or pre-funding is satisfactory to it, the Trustee shall be entitled (a) evaluate its risk in any given circumstance by considering the worst-case scenario and (b) to require that any indemnity and/or security and/or pre-funding given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty. The Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and any entity related (directly or indirectly) to the Issuer and to act as trustee for the holders of any other securities issued, or relating to, the Issuer and/or any of any entity related (directly or indirectly) to the Issuer, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee and the Agents may rely conclusively without liability to Noteholders, the Issuer or any other person on any report, confirmation, certificate or information from or any advice or opinion of any legal counsel, auctioneers, surveyors, brokers, accountants, auditors, valuers, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely conclusively (without further investigation or enquiry) on any such report, confirmation, certificate, information, advice or opinion, in which event such report, confirmation, certificate, information, advice or opinion shall be binding on the Issuer and the Noteholders (and in the case of the Issuer, provided that the report, confirmation, certificate, information, advice or opinion is procured or issued by the Issuer, or the Issuer expressly agreed to be bound by it).

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions or clarification of any direction from the Noteholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, Noteholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such directions or clarifications of any direction from the Noteholders or in the event that no such directions or clarifications of any direction are given to the Trustee by the Noteholders.

None of the Trustee or any of the Agents shall be responsible or liable for the performance by the Issuer and any other person appointed by the Issuer in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Noteholder, the Issuer or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Noteholders. The Trustee shall be entitled to rely conclusively on any direction, request or resolution of Noteholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Noteholders convened and held in accordance with the Trust Deed. Neither the Trustee nor any of the Agents shall be under any obligation to ascertain or monitor whether any Event of Default, Potential Event of Default (as defined in the Trust Deed), Non-Viability Event, Tax Deduction Event, Regulatory Redemption Event or any other event which could give rise to a right on the part of the Issuer to redeem the Notes has occurred or may occur or monitor compliance by the Issuer with the provisions of the Trust Deed, the Agency Agreement or these Conditions, and shall not be liable to the Issuer, the Noteholders or any other person for not doing so.

Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption and shall not be liable to the Noteholders, the Issuer or any other person for not doing so.

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and its respective Principal Subsidiaries, and the Trustee shall not at any time have any responsibility for the same and each Noteholder shall not rely on the Trustee in respect thereof.

### **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 Issuing and Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, 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 in all respects (or in all respects except for the first payment of interest on them and the timing to perform and complete the NDRC Post-issue Filing) and so that such further issue shall be consolidated and form a single series an outstanding series, even if further securities have original issue discount for



U.S. federal income tax purposes and even if doing so may adversely affect the value of the original Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

## **15 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 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.

## **16 NOTICES**

Save as otherwise specified below, notices required to be given to the holders of Registered Notes pursuant to the Conditions 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. A notice from the Issuer to the holders of the relevant Subordinated Notes in relation to a Non-Viability Event or an exercise of any Hong Kong Resolution Authority Power 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 Asia or, if published more than once or on different dates, on the first date on which publication is made. Notices required to be given to the holders of Bearer Notes pursuant to the Conditions shall be valid if published in a daily newspaper of general circulation in Hong Kong. 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.

*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 (i) Euroclear Bank SA/NV, Clearstream Banking S.A., the CMU Service or DTC or any other clearing system (except as provided in (ii) below),*

*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. Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was delivered to that clearing system.*

## **17 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.

## **18 GOVERNING LAW AND JURISDICTION**

### **(a) Governing Law**

The Trust Deed, 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, except that the subordination provisions set out in Condition 3(b) shall be 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 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 has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

### **(c) Service of Process**

The Issuer has in the Trust Deed irrevocably appointed Law Debenture Corporate Services Limited of 8th Floor, 100 Bishopsgate, London, EC2N 4AG, United Kingdom to receive, for it and on its behalf, service of process in any Proceedings in England.

### **(d) Waiver of immunity**

The Issuer irrevocably agrees that no immunity (to the extent that it may now or hereafter exist, whether on the grounds of sovereignty or otherwise) from any Proceedings or from execution of judgment shall be claimed by or on behalf of it or with respect to its assets, any such immunity being irrevocably waived by the Issuer, and the Issuer irrevocably consents generally in respect of any such Proceedings to the giving of any relief or the issue of any process in connection with any such Proceedings including, without limitation, the making, enforcement or execution against any property whatsoever of any order or judgment which may be made or given in such Proceedings.

## **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 depository for Euroclear and Clearstream, Luxembourg (the “**Common Depository**”) or a sub-custodian for the CMU. Global Certificates may also be deposited on the original issue date of the Tranche with the Custodian for, and registered in the name of Cede & Co., as nominee for DTC.

Upon the initial deposit of a Global Note with the Common Depository or with a sub-custodian for the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream, Luxembourg or (ii) the CMU and delivery of the relative Global Certificate to the Common Depository or the sub-custodian for the CMU (as the case may be), Euroclear or Clearstream, Luxembourg 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. Upon the initial deposit of a Global Certificate in respect of, and registration of, Registered Notes in the name of a nominee for DTC and delivery of the relevant Global Certificate to the Custodian for DTC, DTC will credit each participant 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 Depository 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, Luxembourg 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, Luxembourg 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, Luxembourg, DTC or any other clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg, DTC or such 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, Luxembourg, DTC or such 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 a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules shall be the only person(s) entitled (or, in the case of Registered Notes, directed or deemed by the CMU as entitled) to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. 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:

- (a) 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
- (b) 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.

The CMU may require that any such exchange for a permanent Global Note is made in whole and not in part and, in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

#### 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 if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or the CMU or any other clearing system (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.

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 Permanent Global Certificates

#### (a) *Unrestricted Global Certificates*

If the relevant Pricing Supplement states that the Notes are to be represented by an Unrestricted Global Certificate on issue, the following will apply in respect of transfers of Notes held in DTC, Euroclear or Clearstream, Luxembourg 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(b) may only be made:

- (i) in whole but not in part, if such Notes are held on behalf of Euroclear or Clearstream, Luxembourg or any other 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 does in fact do so;
- (ii) in whole but not in part, if such Notes are held on behalf of a Custodian for DTC and if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to that Unrestricted Global Certificate or DTC ceases to be a “clearing agency” as defined in and registered under the Exchange Act or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or
- (iii) in whole or in part, with the prior consent of the Issuer,

**provided that**, in the case of a transfer pursuant to (i) 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.

**(b) *Restricted Global Certificates***

If the Pricing Supplement states that the Restricted Notes are to be represented by a Restricted Global Certificate on issue, the following will apply in respect of transfers of such Notes held in DTC or Euroclear and Clearstream, Luxembourg. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of that clearing system, but will limit the circumstances in which the Notes may be withdrawn from that clearing system. Transfers of the holding of Notes represented by that Restricted Global Certificate pursuant to Condition 2(b) may only be made:

- (i) in whole but not in part, if such Notes are held on behalf of Euroclear or Clearstream, Luxembourg or any other 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 does in fact do so;
- (ii) in whole but not in part, if such Notes are held on behalf of a Custodian for DTC and if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to that Restricted Global Certificate or DTC ceases to be a “clearing agency” registered under the Exchange Act or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or
- (iii) in whole or in part, with the consent of the Issuer,

**provided that**, in the case of any transfer pursuant to (i) or (ii) above, the relevant Registered Noteholder has given the relevant Registrar not less than 30 days’ notice at its specified office of the Registered Noteholder’s intention to effect such transfer. Individual Certificates issued in exchange for a beneficial interest in a Restricted Global Certificate shall bear the legend applicable to such Notes as set out in “*Transfer Restrictions*”.

**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 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 Issuing and Paying Agents (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, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. 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 in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. 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 less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agents or CMU Lodging and Paying Agent is located and in the city in which the relevant clearing system is located.

## **4. AMENDMENT TO CONDITIONS**

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the “*Terms and Conditions of the Notes*” set out in this Offering Circular. The following is a summary of certain of those provisions:

### **4.1 Payments and Record Date**

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 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 a 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 Issuing and Paying Agents or such other Paying 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. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation (if applicable) shall be disregarded in the definition of “business day” set out in Condition 7(h) (*Non-Business Days*) but, in the case of CMU Notes, shall also require such day to be a day (other than a Saturday, Sunday or public holiday) on which the CMU is operating.

So long as the Notes are represented by one or more Global Notes or Global Certificates and the Global Notes or Global Certificates (as the case may be) are held on behalf of a clearing system, 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 Terms and Conditions of the Notes, save that the calculation is made in respect of the total aggregate amount of the Notes represented by the Global Notes or Global Certificates (as the case may be).

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) 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 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 representing Notes 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 or Global Certificate are credited (as set out in the records of the CMU) at the close of business on the Clearing System Business Day immediately prior to the date for payment 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. For the purposes of this paragraph, “**Clearing System Business Day**” means a day on which the CMU is operating and open for business.

#### **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 9).

#### **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 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 its presentation to or to the order of the Issuing and Paying Agents for endorsement in the relevant schedule of such permanent Global Note or, in the case of a Global Certificate, by reduction in the aggregate principal amount of the Certificates in the register by the amount so cancelled and endorsed.



#### **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, Luxembourg, DTC, the CMU or any other 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 or Global Certificate may be exercised by the holder of the permanent Global Note by giving notice to the Issuing and Paying Agents 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 in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg, 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 Issuing and Paying Agents, Registrar, Transfer Agent or CMU Lodging and Payment Agent (or, in each case, to a Paying Agent acting on their behalf), as the case may be, for notation.

#### **4.8 Write-off**

If a Write-off occurs at such time as the Notes are represented by a Global Certificate, such Write-off will be reflected as a reduction in the aggregate principal amount of such Global Certificate and, unless the Issuer determines otherwise (acting in good faith and having regard to the rules and procedures of Euroclear or Clearstream, Luxembourg, DTC, the CMU or any Alternative Clearing System, as the case may be), the principal amount standing to the account of each accountholder shall be correspondingly reduced on a pro rata basis to the extent practicable. Any excess portion of the principal amount held thereafter by an accountholder that is not wholly divisible into the then adjusted Calculation Amount shall, other than for the purposes of redemption of the Notes or determining a Noteholder's rights in a Winding-Up, be disregarded.

#### **4.9 Transfers**

Transfers of the beneficial interests in the Notes represented by a Global Certificate will be effected through the records of Euroclear or Clearstream, Luxembourg, DTC, the CMU, or any Alternative Clearing System and their respective participants in accordance with the rules and operating procedures of such relevant clearing system.

#### **4.10 Trustee's Powers**

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of, or in the name of any nominee or sub-custodian for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

#### **4.11 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 (i) Euroclear and/or Clearstream, Luxembourg and/or DTC or any other clearing system (except as provided in (ii) below), 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 or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the CMU 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, and any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to the CMU.

### **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 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 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]

**[PRIIPs REGULATION — PROHIBITION OF SALES TO EEA RETAIL INVESTORS** — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**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.

**UK 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 [United Kingdom (“UK”)]/[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 FSMA and any rules or regulations made under the Financial Services and Markets Act 2000 (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 (Chapter 289 of Singapore) (the “SFA”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [“prescribed capital markets products”]/ [capital markets products other than “prescribed capital markets products”] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).]

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

This Pricing Supplement, 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 Pricing Supplement and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]

**Pricing Supplement dated [●]**

**Bank of China (Hong Kong) Limited**

中國銀行(香港)有限公司

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] due [●] (the “Notes”)  
under the U.S.\$15,000,000,000 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 (the “**Conditions**”) set forth in the Offering Circular dated [●] [and the supplementary Offering Circular dated [●]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular [as so supplemented] [and the additional disclosure relevant to the Notes in the Schedules thereof]. 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 supplementary Offering Circular dated [●]] 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 [●] 2021. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [●] 2021 [and the supplementary Offering Circular dated [●], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] 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 supplementary Offering Circular dated [●]] 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 sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]*

1. Issuer: Bank of China (Hong Kong) Limited  
(Legal Entity Identifier:  
KNPC1X7GHDZW8U2ZSF89)
  
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<sup>1</sup>: [●]
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)]
6. (ii) [Net/Gross] Proceeds Approximately [●]
7. (i) Specified Denominations: [●],<sup>2,3</sup>
- (ii) Calculation Amount: [●]
8. (i) Issue Date: [●]
- (ii) Interest Commencement Date: *[Specify/Issue date/Not Applicable]*
9. Maturity Date: *[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year<sup>4</sup> /Not Applicable]*

<sup>1</sup> If the Notes are denominated or redeemable in Hong Kong dollars, please seek further advice to ensure no Hong Kong stamp duty consequences.

<sup>2</sup> Notes must have a minimum denomination of €100,000 (or equivalent) in order to benefit from Transparency Directive exemptions in respect of wholesale securities and in order to benefit from the wholesale exemption set out in Article 3.2(d) of the Prospectus Directive in that Member State. 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 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). Notwithstanding any other regulatory or listing requirements in respect of specified denominations, the minimum specified denomination for any series or tranche of Subordinated Notes intending to qualify as Tier 2 capital under the Capital Regulations or LAC debt instruments under the LAC Regulations (as specified in the applicable Pricing Supplement) shall be, if denominated in (i) Hong Kong Dollars, HKD2,000,000; (ii) United States dollars, U.S.\$250,000; (iii) Euros, €200,000; or (iv) any other currency, the equivalent in that currency to HKD2,000,000 with reference to the relevant exchange rate on the relevant Issue Date. Add appropriate provisions to terms and conditions if included.

<sup>3</sup> Where multiple denominations above [€100,000] or equivalent are being used with respect to Bearer Notes, the following sample wording should be followed: “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].” (In the case of Registered Notes, this means the minimum integral amount in which transfers can be made.)

<sup>4</sup> Note that for Renminbi and 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.

10. Interest Basis:                         [[●] per cent. Fixed Rate]  
   [[specify reference rate] +/- [●] per cent. Floating Rate]  
   [Zero Coupon]  
   [Index Linked Interest]  
   [Other (specify)]  
   (further particulars specified below)
11. Redemption/Payment Basis:           [Redemption at par]  
   [Index Linked Redemption]  
   [Dual Currency]  
   [Partly Paid] [Instalment]  
   [Other (specify)]
12. Change of Interest or Redemption/  
 Payment Basis:                            [Specify details of any provision for convertibility of Notes  
 into another interest or redemption/payment basis/Not  
 Applicable]
13. Put/Call Options:                     [Investor Put]  
   [Issuer Call]  
   [(further particulars specified below)]  
   [Not Applicable]
14. (i) Status of the Notes:               [Senior/Subordinated/The Notes are intended to qualify as  
   [Tier 2 capital under the Capital Rules]/[LAC debt  
   instrument under the LAC rules]]
- (ii) Qualification of the Notes:         [Not Applicable/The Notes are intended to qualify as [Tier  
 2 capital under the Capital Rules]/[LAC debt instrument  
 under the LAC rules]]
- (iii) Date of regulatory approval        [●]  
       for issuance of Notes  
       obtained:
- (iv) Date of Board approval for        [●]  
       issuance of Notes obtained:
15. Listing and admission to trading:   [[●] (specify)/None]<sup>5</sup>
16. Method of distribution:               [Syndicated/Non-syndicated]

<sup>5</sup> For listings on the Hong Kong Stock Exchange the expected listing date must also be specified.

## Provisions Relating to Interest (if any) Payable

17. Fixed Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs 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<sup>6</sup> [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<sup>7</sup>/Not Applicable]
- (iv) Broken Amount(s): [Not Applicable/[●] 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 Interest Payment Date(s) to which they relate]*]
- (v) Day Count Fraction: [30/360 or Actual/Actual — ICMA or Actual/360 or Actual/365 (Fixed)<sup>8</sup> or [specify other]]
- (vi) [Determination Date(s): [Not Applicable/[●] 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. N.B. only relevant where Day Count Fraction is Actual/Actual — ICMA]*]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/*give details*]

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<sup>6</sup> Note that for certain Renminbi and 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. For these purposes, “Business Day” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and currency deposits) in Hong Kong [and [●]].”

<sup>7</sup> For Renminbi or 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, CNY0.005 for the case of Renminbi denominated Fixed Rate Notes to the nearest HK\$0.01, HK\$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards.

<sup>8</sup> Applicable to Hong Kong denominated Fixed Rate Notes and Renminbi denominated Fixed Rate Notes.



18. Floating Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s): [●][[, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
- (ii) Specified Interest Payment Dates: [[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (iv) below is specified to be Not Applicable]]]
- (iii) Interest Period Date: [Not Applicable]/[●] [in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
- (v) Business Centre(s) (Condition 5(k)): [●]
- (vi) 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)*]
- (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s): [●]/[Citibank, N.A., London Branch]
- (viii) Screen Rate Determination (Condition 5(b)(ii)(B)):
- Reference Rate: [●]  
*(Either LIBOR, EURIBOR, HIBOR or other, although additional information is required if other)*

- Interest Determination Date(s): [●]  
*(the day falling two Business Days (where “Business Day” shall mean a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London) for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is not Sterling, euro, Hong Kong Dollars or Renminbi or first day of each Interest Accrual Period if the Specified Currency is Sterling, Hong Kong dollar or Renminbi or the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro)*
  
- Relevant Screen Page: [●]  
*[(In the case of EURIBOR, if not Reuters Page EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)]*
  
- Relevant Time: [For example, 11.00 a.m. London time/Brussels time]
  
- Relevant Financial Centre: [For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]
  
- (ix) Screen Rate Determination (SOFR) (Condition 5(b)(ii)(C)):
  - Reference Rate: SOFR Benchmark — [Simple SOFR Average/Compounded SOFR Average/SOFR Index Average]
  
  - Compound SOFR Average Method: [Not Applicable/SOFR Observation Lag/SOFR Observation Shift/SOFR Payment Delay/SOFR Lockout — *used for Compound SOFR Average only*]
  
  - Interest Determination Date(s): [The [●] U.S. Government Securities Business Day prior to the last day of each Interest Accrual Period — *only applicable in the case of Simple SOFR Average/SOFR Observation Lag/SOFR Observation Shift/SOFR Lockout/SOFR Index Average*]  
  
[The Interest Period Date at the end of each Interest Period, provided that the Interest Determination Date with respect to the final Interest Accrual Period will be the U.S. Government Securities Business Day immediately following the relevant SOFR Rate Cut-Off Date — *only applicable in the case of SOFR Payment Delay*]

- Lookback Days:  U.S. Government Securities Business Days — *used for SOFR Lag only*/[Not Applicable]
  - SOFR Observation Shift Days:  U.S. Government Securities Business Days — *used for the SOFR Observation Shift or SOFR Index Average only*/[Not Applicable]
  - SOFR Rate Cut-Off Date: [The date falling  Business Days prior to the end of each Interest Accrual Period, the Maturity Date or the date fixed for redemption, as applicable — *used for only Simple SOFR Average (if applicable), Compound SOFR Average — SOFR Payment Delay or SOFR Lockout only*]/[Not Applicable]
  - Interest Payment Delay Days:  Business Days — *used for SOFR Payment Delay only*/[Not Applicable]
  - SOFR Index<sub>Start</sub>: [Not Applicable]/ U.S. Government Securities Business Days — *used for SOFR Index only*
  - SOFR Index<sub>End</sub>: [Not Applicable]/ U.S. Government Securities Business Days — *used for SOFR Index only*
- (x) ISDA Determination:
- Floating Rate Option:
  - Designated Maturity:
  - Reset Date:
  - ISDA Definitions: 2000/2006 (if different to those set out in the Conditions, please specify)
  - [2021 ISDA Definitions  Applicable/Not Applicable]
  - [Applicable Benchmark /Not Applicable]
  - [Fixing Day ]
  - [Fixing Time ]
  - [Any other terms relating to the 2021 ISDA Definitions /Not Applicable]
- (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: [Actual/Actual — ISDA/Actual/365  
(Fixed)/Actual/360/30/360/360/360/30E/360/30E/360  
(ISDA)/Other]
- (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 subparagraphs of this paragraph)*
- (i) Amortisation Yield: [●] per cent. per annum
- (ii) Any other formula/basis of determining amount payable: [●]
- (iii) Day Count Fraction in relation to Early Redemption Amounts and late payment: [30/360]  
[Actual/360]  
[Actual/365 (Fixed)]  
*[specify other]*
- 20. Index-Linked Interest Note Provisions:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs 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 Calculation Agent): [●]

- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted:
  - (iv) Specified Interest Payment Dates:
  - (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
  - (vi) Business Centre(s):
  - (vii) Minimum Rate of Interest:  per cent. per annum
  - (viii) Maximum Rate of Interest:  per cent. per annum
  - (ix) Day Count Fraction:
- 21.** Dual Currency Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: *[Give or annex details]*
  - (ii) Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s): [Citibank, N.A., London Branch]/
  - (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *[Need to include a description of market disruption or settlement disruption events and adjustment provisions]*
  - (iv) Person at whose option Specified Currency(ies) is/are payable:

## Provisions Relating to Redemption

- 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 specified denomination 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 subparagraphs 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: [●] per Calculation Amount

Early Redemption Amount(s) per [●]  
Calculation Amount payable on  
redemption for taxation reasons[,  
redemption for tax deduction  
reasons, redemption for  
subordinated notes upon occurrence  
of a regulatory redemption event]<sup>(9)</sup>  
or on event of default 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:]**

[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]<sup>10</sup>

[Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Note]

**[Registered Notes:]<sup>11</sup>**

[Unrestricted Global Certificate (U.S.\$[●] nominal amount) registered in the name of a nominee for [●]]

[Restricted Global Certificate (U.S.\$[●] nominal amount) registered in the name of a nominee for [●]]

[Unrestricted Global Certificate and Restricted Global Certificate exchangeable for Definitive Certificates in the limited circumstances specified in the Unrestricted Global Certificate and Restricted Global Certificate (as the case may be)]

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<sup>9</sup> Applicable to Subordinated Notes only.

<sup>10</sup> 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.

<sup>11</sup> In respect of Registered Notes, the Register shall be located in Hong Kong.

27. Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details. Note that this paragraph relates to the date and place of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest, to which sub-paragraphs 16 (ii), 17(iv) and 19(vi) relate]
28. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/Not Applicable. 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: [Not Applicable/give details]
30. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/give details]
31. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition [●]] [annexed to this Pricing Supplement] apply]
32. Consolidation provisions: [Not Applicable/The provisions [in Condition [●]] [annexed to this Pricing Supplement] apply]
33. [Details relating to Subordinated Notes:]
- [(i) Status: Party obligations of the Issuer include [Non-Preferred Loss Absorbing Instruments/Tier 2 Capital Instruments].  
Junior Obligations of the Issuer include Tier 1 Capital Instruments [and Tier 2 Capital Instruments]  
Other Subordinated Indebtedness: [Not Applicable/Non-Preferred Loss Absorbing Instruments]]
- [(ii) Ranking: [The provisions in Condition 3(b)]/[give details if different from Condition 3(b)]
- [(iii) Suspension Period: [Applicable/give details]



[(iv) Non-Viability and Non-Viability Event:	[Applicable/ <i>give details</i> ]]
[(v) Hong Kong Resolution Power:	[Applicable/ <i>give details</i> ]]
[(vi) Others:	[Not Applicable/ <i>give details</i> ]]
<b>34.</b> Other terms or special conditions:	[Not Applicable/ <i>give details</i> ]]
<b>Distribution</b>	
<b>35.</b> (i) If syndicated, names of Managers:	[Not Applicable/ <i>give names</i> ]]
(ii) Date of Subscription Agreement:	[●]
(iii) Stabilisation Manager(s) (if any):	[Not Applicable/ <i>give name</i> ]]
<b>36.</b> If non-syndicated, name and address of Dealer:	[Not Applicable/ <i>give name</i> ]]
<b>37.</b> U.S. Selling Restrictions:	[Reg. S Category 1/2; TEFRA D/TEFRA C/TEFRA Not Applicable]
<b>38.</b> Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] ( <i>If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no KID will be prepared, “Applicable” should be specified.</i> )
<b>39.</b> Prohibition of Sales to UK Retail Investors	[Applicable/Not Applicable] ( <i>If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no KID will be prepared, “Applicable” should be specified.</i> )
<b>40.</b> Additional selling restrictions:	[Not Applicable/ <i>give details</i> ]]
<b>Operational Information</b>	
<b>41.</b> ISIN Code:	XS[●]
<b>42.</b> Common Code:	[●]
<b>43.</b> CMU Instrument Number:	[●]/[Not Applicable]

44. CUSIP Number: /[Not Applicable]
45. Any clearing system(s) other than Euroclear/Clearstream, Luxembourg/CMU/DTC and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
46. Delivery: Delivery [against/free of] payment
47. Additional Paying Agent(s) (if any): [[]/Not Applicable]

**General**

48. The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of [[]/NA], producing a sum of (for Notes not denominated in U.S. dollars): [[]/Not Applicable]
49. In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong: [Not applicable/U.S.\$][]
50. In the case of Bearer Notes, specify the location of the office of the Issuing and Paying Agent if other than Dublin, Ireland: [[]/Not Applicable]
51. Ratings: The Notes to be issued have been rated:
- [Standard & Poor's Rating Services, a division of S&P Global Inc.: ]
- [Moody's Investor Service, Inc.: ]
- [Fitch Ratings Ltd.: ]
- [[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.)*

## USE OF PROCEEDS

The net proceeds from the issuance of the Notes are intended to be used by the Issuer for [general corporate purposes].

## PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the [specify relevant stock exchange/market] of the Notes described herein pursuant to the U.S.\$[●] Medium Term Note Programme.

## STABILISATION

In connection with this issue, [●] (the “**Stabilisation Manager**”) (or persons acting on behalf of any Stabilisation Manager) 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, there is no assurance that the Stabilisation Manager (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be discontinued at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.

## INVESTMENT CONSIDERATIONS

There are significant risks associated with the Notes including, but not limited to, counterparty risk, country risk, price risk and liquidity risk. Investors should contact their own financial, legal, accounting and tax advisers about the risks associated with an investment in these Notes, the appropriate tools to analyse that investment, and the suitability of the investment in each investor’s particular circumstances. No investor should purchase the Notes unless that investor understands and has sufficient financial resources to bear the price, market liquidity, structure and other risks associated with an investment in these Notes.

Before entering into any transaction, investors should ensure that they fully understand the potential risks and rewards of that transaction and independently determine that the transaction is appropriate given their objectives, experience, financial and operational resources and other relevant circumstances. Investors should consider consulting with such advisers as they deem necessary to assist them in making these determinations.

## RESPONSIBILITY

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

Signed on behalf of Bank of China (Hong Kong) Limited:

By: \_\_\_\_\_

Duly authorised

## **USE OF PROCEEDS**

The Issuer intends to use the net proceeds from each issue of Notes for general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

## CAPITALISATION

The following table sets forth the Issuer's total capitalisation as of 31 December 2020. The following table should be read in conjunction with the Issuer's audited consolidated financial statements and the related notes included elsewhere in this Offering Circular. Except as otherwise disclosed herein, there has been no material adverse change in the Issuer's total capitalisation since 31 December 2020.

	As of 31 December 2020	
	(HK\$ in millions)	(U.S.\$ in millions) <sup>(2)</sup>
<b>Subordinated liabilities</b>		
Subordinated liabilities . . . . .	—	—
<b>Equity</b>		
Share capital . . . . .	43,043	5,551
Reserves . . . . .	229,749	29,632
Other equity instruments of the Bank . . . . .	23,476	3,028
Non-controlling interests . . . . .	290	37
Total equity . . . . .	296,558	38,248
<b>Total capitalisation<sup>(1)</sup></b> . . . . .	<b>296,558</b>	<b>38,248</b>

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- (1) For the purpose of this Offering Circular, total capitalisation refers to total subordinated liabilities plus total equity.
- (2) Convenience translation of HK dollar amounts to U.S. dollar amounts were made at a rate of HK\$7.7534 to U.S.\$1.00, the Noon Buying Rate on 31 December 2020.

# BUSINESS

## OVERVIEW

In 1917, the Issuer established its operations in Hong Kong and after more than a century it is now the second largest commercial bank in Hong Kong in terms of asset size, customer deposits and loans. The Issuer's long history and deep roots in Hong Kong is evidenced by its strong market presence in major business segments. Additionally, the Issuer is also one of the three note-issuing banks in Hong Kong and the sole RMB clearing bank in Hong Kong. The Issuer's immediate parent company, BOCHK (Holdings), which is majority-owned by BOC, was incorporated in Hong Kong on 12 September 2001 and listed on the main board of the Hong Kong Stock Exchange on 25 July 2002. BOCHK (Holdings) had a market capitalisation of HK\$280.17 billion as of 28 June 2021.

The Issuer offers a variety of services to its personal and corporate customers. It operates through three principal lines of business: personal banking, corporate banking, and treasury operations. The Issuer provides a comprehensive range of personal banking products and services to its individual customers, such as deposits, mortgages, personal loans, credit cards, investment and insurance services and wealth management services. The Issuer provides its corporate and institutional customers with a variety of banking products and services, including corporate deposits and loans, and non-interest income-based products and services, such as syndicated loan arrangements, trade finance arrangements, cash management and custody services. The Issuer also engages in treasury operations, including but not limited to inter-bank money market transactions, the management of its investment portfolio, and sales and distribution services in foreign exchange and derivative transactions.

The Issuer conducts its businesses through a combination of its offline and online distribution networks. The Issuer's offline distribution network includes its extensive local branch network and diverse service platforms in Hong Kong, which as of 31 December 2020, was comprised of more than 190 branches, more than 280 remote self-service banking sites and over 1,300 self-service machines. As part of the Issuer's overall strategy to optimise its distribution network and increase its access to customers, the Issuer has launched a number of initiatives to improve its customers' experience. For instance, in 2020, the Issuer adjusted its service channel strategy by successfully introducing mobile terminals in all branches and setting up eZones in its 181 branches, as well as piloting intelligent counter, known as "iService" in selective branches, so as to enhance customer experience and provide customers with tailored online and offline services. During the year, in line with the launch of a brand new premium Private Wealth service for high-end customers, which, along with the newly launched Private Wealth Centre, the Group offers diversified services including investment, wealth management, legacy planning, cross-border property purchase and fashionable lifestyle benefits to high-end customers.

In terms of online distribution network, the Issuer, led by a technology-driven strategy, has been promoting digitalisation of banking services in a customer-centric manner. It accelerated service channel digitalisation by using mobile banking and intelligent Global Transaction Banking ("iGTB") platforms as key tools. The Issuer has also deployed cutting-edge technologies to increase the efficiency of its business operations and risk management.

The Issuer closely follows the latest technology trends in order to improve its customers' experience and to increase its operational efficiency. For example, the Issuer has incorporated FinTech, such as Blockchain technology, to its process of conducting mortgage valuations. It has also implemented biometric authentication technology, including the launch of finger vein identification technology into its Automated Teller Machines ("ATMs"). The Issuer is also the first bank in Hong Kong to implement finger vein identification technology in its ATMs. The Issuer's mobile banking platform also supports

biometric authentication. In addition, the Issuer utilises open Application Programme Interface (“API”) technology to expand cross-platform business. In line with the HKMA’s Phase II of Open API, the Issuer launched a developers’ portal and opened up access to more than 90 open APIs which facilitated cross-sector cooperation to expedite fintech development and strengthened cooperation with third-party service providers to provide customers with a more convenient experience for wealth management. In May 2021, the Issuer became the first bank in Hong Kong to pilot the adoption of “iAM Smart”, a mobile application launched by the Hong Kong SAR Government for identity verification, for remote account opening.

Further, the Issuer has expanded its regional footprint to Southeast Asia, including Thailand, Malaysia, Vietnam, the Philippines, Indonesia, Cambodia, Laos, Brunei and Myanmar, through a series of acquisitions as part of BOC’s restructuring exercise in Southeast Asia and the Issuer’s regional development and business expansion in the Southeast Asian region. As of 31 December 2020, the Issuer had 34 branches and subsidiaries in these Southeast Asian countries. Leveraging its Southeast Asia regional presence, the Issuer strives to capitalise on the key national initiatives, such as the PRC’s Belt and Road initiative, while focusing on serving the Mainland enterprises “Going Global” and important regional customers. As of 31 December 2020, advances to customers of the Issuer’s Southeast Asian entities, totalled HK\$54,080 million, which resulted in a growth of 7.4 per cent. in the region as compared to 31 December 2019.

As of 31 December 2020, the Issuer’s total assets, gross advances to customers and customer deposits were HK\$3,144.5 billion, HK\$1,497.3 billion and HK\$2,190.3 billion, respectively.

As of 31 December 2020, 30.1 per cent. of the Issuer’s loan portfolio consisted of individual loans in Hong Kong, 36.1 per cent. of its loan portfolio consisted of loans to the industrial, commercial and financial sectors in Hong Kong, 29.4 per cent. of its loan portfolio was designated for use outside Hong Kong, and 4.4 per cent. of its loan portfolio was allocated towards trade financing. As of 31 December 2020, the Issuer’s investment in the securities of sovereigns, public sector entities, banks and other financial institutions and corporate entities comprised 53.4 per cent., 3.3 per cent., 29.3 per cent. and 14.0 per cent. of its investment portfolio, respectively.

The Issuer relies on its deposit base for the majority of its funding requirements. As of 31 December 2018, 2019 and 2020, the Issuer’s customer deposits (including structured deposits as of 31 December 2018) accounted for approximately 74.4 per cent., 77.7 per cent. and 76.9 per cent., respectively, of its total liabilities, while its loan to deposit ratio was 66.6 per cent., 69.3 per cent. and 68.4 per cent., respectively.

For the years ended 31 December 2018, 2019 and 2020, profit attributable to equity holders of the Issuer were HK\$31.5 billion, HK\$33.2 billion and HK\$27.4 billion, respectively.

For the years ended 31 December 2018, 2019 and 2020, the Issuer achieved a return on average total assets of approximately 1.18 per cent., 1.18 per cent. and 0.88 per cent., respectively, and return on average equity of approximately 12.73 per cent., 12.09 per cent. and 9.45 per cent., respectively. As of 31 December 2018, 2019 and 2020, the Issuer’s total capital ratio was approximately 23.10 per cent., 22.89 per cent. and 22.10 per cent., respectively, which exceeds the HKMA’s regulatory requirement applicable to the Issuer during these periods.

## History

In 1917, the Issuer established its operations in Hong Kong. With over a century of operations in Hong Kong, the Issuer has now become one of the largest listed companies and commercial banking groups in Hong Kong, with an active expansion of business in the Southeast Asian region. The Issuer remains committed to fulfilling its corporate social responsibility in order to promote sustainable development and deliver greater value to its customers, shareholders, employees and the communities it serves. Set out below are the key milestones of the Issuer.

In May 1994, BOC became one of the three note-issuing banks in Hong Kong. On 1 October 2001, substantially all of the commercial banking businesses and related assets and liabilities of nine entities originally held by the BOC Group were transferred to Po Sang Bank Limited, whose name was changed to Bank of China (Hong Kong) Limited. The Issuer is the principal operating subsidiary of BOCHK (Holdings), which was listed on the main board of the Hong Kong Stock Exchange on 25 July 2002 with stock code “2388” and ADR OTC Symbol “BHKLY”. It is a subsidiary of BOC, which was also listed on the main board of the Hong Kong Stock Exchange on 1 June 2006.

In 2003, the Issuer became the sole clearing bank for Renminbi business in Hong Kong. With its strong RMB franchise and the close collaboration with the BOC Group, the Issuer is able to provide a wide range of high-quality cross-border services to multinationals, corporates, the Mainland enterprises “Going Global”, central banks and sovereign institutions.

To implement the overseas development strategy of Bank of China Group, the Issuer completed disposal of all of its interests in Nanyang Commercial Bank, Limited and Chiyu Banking Corporation Limited in May 2016 and March 2017, respectively. In addition, the Issuer strives to drive its regional development by expanding business in the Southeast Asian region, such as the acquisitions of BOC businesses in Malaysia, Thailand, Indonesia and Cambodia in 2016 and 2017, in Vietnam and the Philippines in 2018. On 21 January 2019, transfer of the branch interests in BOC, Vientiane Branch in Laos to the Issuer was completed. The Brunei Branch, the Yangon Branch and the Hanoi Representative Office commenced operation in December 2016, February 2021 and June 2021, respectively.

On 1 March 2020, the Jakarta Branch was approved by the Indonesian regulatory authority to upgrade its status to Commercial Bank Based on Business Activities 3 (BUKU 3). It ranked first among all foreign banks in Indonesia in terms of overall operations in the Indonesian banking industry for two consecutive years, and was once again named Best Foreign Bank of the Year at the 2020 Best Indonesian Business Awards. Moreover, the Jakarta Branch was named the Best Robust Foreign Bank in the Indonesia Best Bank Awards 2020 for the first time. The Issuer’s Manila Branch officially launched its RMB clearing bank business in the Philippines in January 2021. The acquisition of businesses of BOC as well as the establishment of its own branches and/or representative office throughout Southeast Asia has assisted the Issuer in advancing its objective of becoming a regional banking group.

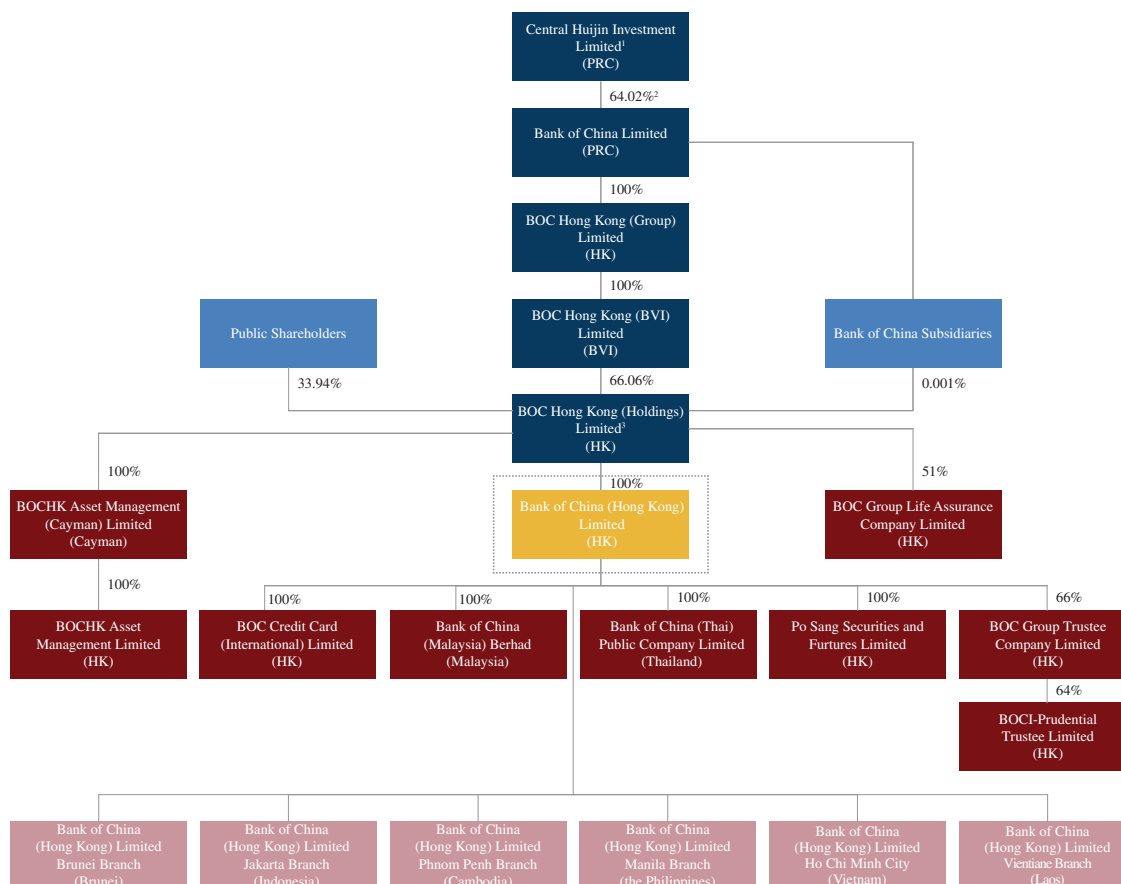


The Issuer has been rated AA on environmental, social and governance-related performance by MSCI ESG Research LLC from 2016 to 2020 and has been named by Asiamoney as the Best Bank for CSR in Hong Kong from 2018 to 2020. Further, the Issuer has received a number of awards and accolades to recognise its solid financial strength and outstanding business performance, including but not limited to the following, in 2020:

<b>Category</b>	<b>Award</b>	<b>Organisation</b>
Financial Strength and Corporate Governance . . . . .	Strongest Bank in Asia Pacific and Hong Kong Hong Kong: Best Bank (Chinese Financial Institutions)	The Asian Banker FinanceAsia
Regional Development . . . . .	Jakarta Branch — 2020 Infobank Awards: 2019 Financial Performance Excellence Award Jakarta Branch — 2020 Best Foreign Bank in Indonesia Jakarta Branch — Best Foreign Bank Vientiane Branch — 2019 Banking Industry Operation Excellence Award	infobank Bisnis Indonesia Warta Ekonomi Bank of the Lao P.D.R
Service Excellence. . . . .	Best Transaction Bank in Hong Kong, Best Cash Management Bank in Hong Kong, Best ERP Integration Solution, Initiative, Application or Programme, Best Cash Management Project in Hong Kong, and Best Shared Service Centre Hong Kong Domestic Trade Finance Bank of the Year, and Hong Kong Domestic Cash Management Bank of the Year Rank No. 1 as mandated arranger in the Hong Kong and Macao syndicated loan market for 16 consecutive years Best Custodian QDII — China, and Best Custodian — Overall (Highly Commended) — China offshore Best Cash Pooling Solution — Highly Commended CT Awards — Best Treasury & Finance Strategies in Asia Pacific Best Overseas Treasury Management Bank, and Best Shared Service Platform Award Best SME's Partner Award for 13 consecutive years Bond Connect Top FX Settlement Bank, and Bond Connect Top Custodian Offshore Institutional Investor Excellence Offshore Institutional Investor Excellence Award Special Market Stability Contribution Reward in COVID-19 "9+2" Guangdong-Hong Kong-Macao Greater Bay Area (GBA) Development Awards: GBA Outstanding Contribution Award (Corporate), and Best GBA Financial Services Award Financial Institution Awards 2020: Bancassurer of the Year — Outstanding Excellent Overseas Participant in Inter-bank FX Market	The Asian Banker Asian Banking & Finance Basis Point The Asset Treasury Management International CorporateTreasurer Treasury China The Hong Kong General Chamber of Small and Medium Business Bond Connect Company Limited National Interbank Funding Center China Central Depository & Clearing Co., Ltd Shanghai Gold Exchange Ta Kung Wen Wei Media Group Business Development Limited Bloomberg Businessweek China Foreign Exchange Trade System
Innovative Technology . . . . .	Excellence in Retail Financial Services International Awards 2020 — Best Big Data or AI Initiative Asian Banking & Finance Retail Banking Awards 2020: Mobile Banking & Payment Initiative of the Year — Hong Kong Shenzhen-Hong Kong Fintech Award 2019: 2019 Shenzhen Financial Innovation Award — First Prize	The Asian Banker Asian Banking & Finance Hong Kong Monetary Authority and Shenzhen Municipal Financial Regulatory Bureau
Sustainable Development . . . . .	Outstanding Award for Green Loan Structuring Advisor — Greatest Number of Green Loans (Verification), and Outstanding Award for Green Bond Lead Manager — Greatest Number of Green Bonds (Financial Investment Industry)	Hong Kong Quality Assurance Agency

## Organisational Structure

The following chart sets forth the Issuer’s corporate organisation, subsidiaries and shareholding structure as of the date of this Offering Circular.



- (1) Representing the PRC government.
- (2) As a percentage of the total issued share capital of Bank of China Limited, which includes A shares and H shares.
- (3) Based on the register maintained pursuant to the Securities and Future Ordinance.

## Strategies

The Issuer’s objective is to continue its development as a first class regional banking group. The Issuer is focused on strengthening its strategic footprint in Hong Kong, the Guangdong-Hong Kong-Macao Greater Bay Area (“**Greater Bay Area**”) and Southeast Asian regions, while building up its capabilities to strengthen regional development, bolster digital empowerment, and optimise integrated services, guided by the concept of sustainable high quality development, and with the support of sound corporate culture, professional talent, smart operations, and robust risk management infrastructure. The key strategic initiatives of the Issuer are as follows:

*Commit to cultivating Hong Kong market, proactively capture growth in the Greater Bay Area market, and leverage its Southeast Asian network to tap market potential*

The Issuer strives to be customer-centric at all times, continues to develop the local market by growing its customer base and reinforcing business foundation in Hong Kong. It plans to deepen business relationships with the government and local bluechip companies in a bid to become those clients’ main

bank. The Issuer also actively captures policy opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area, actively engages in the development of strategic emerging industries in Shenzhen and taps into the potential of cross-border business. Moreover, it plans to proactively develop business relationships with Chinese and high-quality local enterprises in Southeast Asia, accelerate the delivery of featured products and services from Hong Kong, and sharpen the competitive advantages of its RMB-related business.

*Strengthen regional development, bolster digital empowerment, and optimise integrated services*

The Issuer plans to deepen the transformation of regional management and cooperation, strengthen business collaboration internally and externally, and uplift regional integrative service capabilities. It plans to adopt fintech in frontline, middle-and-back-offices, to ensure comprehensive digital empowerment, and to continue optimising the construction of business ecosystems for scenario-based application, in order to improve its customer service capabilities and build an agile digital bank. The Issuer continues to construct an integrated platform for key businesses, including asset management, life insurance, private banking and custody business, and enhance its collaboration internally and externally, with the aim of continuously improving its regional integrated service capabilities, and clearly define their business boundaries.

*Deepen corporate culture, nurture talent, pursue smart operations, and enhance comprehensive risk control and management*

The Issuer plans to continue fostering corporate cultures to support business continuous development and prudent operations, build a diversified and professional talent pool and an agile and highly efficient human resources management mechanism to firmly support its development, build intelligent operations system and technological capabilities and promote business mode transformations towards automation, centralisation and intelligence, and construct a regional and competitive risk management framework to ensure regional logic integration & rapid business development.

## THE ISSUER'S PRINCIPAL BUSINESS ACTIVITIES

The Issuer has three principal lines of business, consisting of personal banking, corporate banking and treasury operations. The following table sets forth its net operating income before impairment allowances attributable to each line of business for the periods indicated:

	Year ended 31 December					
	2018 <sup>(1)</sup>		2019		2020	
	(audited)					
	(HK\$ in millions)	(%)	(HK\$ in millions)	(%)	(HK\$ in millions)	(%)
Personal banking . . . . .	19,136	36.1	21,273	37.3	21,083	40.0
Corporate banking . . . . .	18,390	34.7	20,088	35.2	18,339	34.8
Treasury . . . . .	12,529	23.7	13,082	22.9	10,381	19.7
Others <sup>(2)</sup> . . . . .	4,467	8.4	4,206	7.4	4,735	9.0
Elimination . . . . .	(1,545)	(2.9)	(1,600)	(2.8)	(1,802)	(3.5)
<b>Net operating income before impairment allowances . .</b>	<b>52,977</b>	<b>100.0</b>	<b>57,049</b>	<b>100.0</b>	<b>52,736</b>	<b>100.0</b>

- 
- (1) Several products or businesses have been reclassified among operating segments in accordance with the latest management model of the Group. Comparative amounts for the year ended 31 December 2018 have been restated to conform with the presentation for the year ended 31 December 2019.
  - (2) Others primarily include the Issuer's holdings of premises, investment properties, equity investments and interests in associates and joint ventures and the business of the Southeast Asian entities.

## **Personal Banking**

### *General*

The Issuer is a market leader in the personal banking sector in Hong Kong. The Issuer is also one of the leading home mortgage lenders and one of the largest credit card issuers in Hong Kong. Apart from providing residential mortgage loans and deposit products and services to customers, the Issuer's personal banking business also provides retail securities brokerage services, insurance, funds distribution, investment services, credit cards and unsecured personal loans. The Issuer offers credit card through its wholly-owned subsidiary, BOC Credit Card (International) Limited (“**BOC-CC**”).

The Issuer also offers a diverse range of RMB banking products and services, such as deposits, exchange, mortgage insurance, remittance, RMB non-deliverable forward contracts, dual currency credit cards and PRC account opening witness services, to its customers. These RMB banking products and services are designed to assist the Issuer's customers better manage their finances in the midst of economic integration between Hong Kong and the Mainland. The Issuer is the first bank in Hong Kong to conduct RMB business or to offer RMB exchange services to customers through ATMs in Hong Kong.

The Issuer has enhanced its non-interest income businesses for a more diversified revenue mix by growing its personal banking services, including its retail brokerage services, personal wealth management services and investment services, with the aim of servicing the increasingly sophisticated financial needs of its customers. In order to accommodate the different financial needs of its middle income to high net-worth customers, the Issuer offers different personal wealth management services, such as Enrich Banking, Wealth Management and Private Banking services to its customers for their distinctive financial needs. For example, a dedicated team of private banking relationship managers strive to provide customers with the latest market intelligence and tailored financial solutions, in addition to wealth and estate planning services. In 2020, in line with the launch of a brand new premium Private Wealth service for high-end customers, which, along with the newly launched Private Wealth Centre, the Group offers diversified services including investment, wealth management, legacy planning, cross-border property purchase and fashionable lifestyle benefits. Through an exclusive team of wealth management experts, the Private Wealth service provides high-end customers with supreme services by offering professional, exclusive and privileged services, products and experiences.

The Issuer conducts its personal banking business primarily through a combination of its offline and online distribution networks. As of 31 December 2020, the Issuer's offline distribution network included more than 190 branches in Hong Kong, which is the largest branch network in Hong Kong. Moreover, as of 31 December 2020, the Issuer had over 280 remote self-service banking sites, over 1,300 self-service machines in Hong Kong. As part of the Issuer's overall strategy to optimise its distribution network and increase its access to customers, the Issuer has launched a number of initiatives to improve its customers' experience. For instance, in 2020, the Issuer adjusted its service channel strategy by

successfully introducing mobile terminals in all branches and setting up eZones in its 181 branches, as well as piloting intelligent counter, known as “iService” in selective branches, so as to enhance customer experience and provide customers with tailored online and offline services.

The Issuer’s offline distribution network is complemented by the expansion of its online distribution network. The Issuer’s online distribution channel includes its internet banking and mobile services, which launched in March 2018, as well as Chatbot and manned online chat, which was revamped in November 2019. The Issuer’s online distribution network is designed to provide its customers with additional convenience and accessibility to banking services without visiting a physical branch location.

In recent years, the Issuer continued to strengthen its partnerships with BOC’s entities in the Greater Bay Area to bolster business collaboration on cross-border transactions, with a view to fulfilling the financial demands of key industries and target customers. By leveraging the intersection between the onshore and offshore markets by increasing the collaboration among the BOC Group’s platforms, the Issuer continuously improved and provided well-featured cross border products and services, such as the “GBA Account Opening Service”. GBA Account Opening Service is the Issuer’s Mainland personal account opening attestation service, allowing the use of Hong Kong mobile phone numbers for applications. Consolidating its first-mover advantage, the number of accounts opening for the Issuer’s GBA Account Opening Service increased by 40 per cent. to approximately 120,000 in the end of 2020 compared to that of 2019.

In addition, the Group extended BoC Pay’s application scenarios in the Greater Bay Area with the launch of a cross-border personal remittance service that supports instant fund transfers services. To support Hong Kong customers’ demand for purchasing properties in the Greater Bay Area, the Group continuously optimised the Greater Bay Area Personal Loan mortgage service, which enhances the full process of service experience in property viewing, contract signing, payment and mortgage services. In 2020, as a recognition of the Issuer’s strong service capacities in relation to the Greater Bay Area, the Issuer was awarded Excellent Wealth Management Bank and Excellent Greater Bay Area Financial Service at the Financial Services Awards of Excellence 2020 by *Hong Kong Economic Journal*.

Leveraging on its extensive offline and online distribution network, the Issuer is able to improve its customer reach across Hong Kong, while maintaining a leading position in deposits, residential mortgage loans and retail stock brokerage in Hong Kong.

As part of the Issuer’s efforts to improve its customers’ experience and to increase its operational efficiency, the Issuer has incorporated FinTech, such as Blockchain technology, biometric authentication technology and big data platforms into various aspects of its businesses. For example, the Issuer utilises Blockchain technology for property valuation in its mortgage business to optimise through the application of blockchain technology, which covered 97 per cent. of the Group’s total property valuations in 2020, an increase of 13 percentage points compared to 2019, enhancing customer experience and operational efficiency as well as reducing manpower resources and expenses. Moreover, the Issuer has incorporated finger print and finger vein identification technology into its mobile banking platforms, branches and ATMs, in order to provide its customers with safer and more convenient options to access their banking services. Since the implementation of the above initiatives, the Issuer has noticed an increase in the number of customers utilising the Issuer’s online distribution network, including its internet and mobile banking services. The Group has also enhanced its development of a new smart branch model, which was implemented during the establishment of a new banking service centre at Hong Kong’s Science Park in January 2018.

For the year ended 31 December 2020, through actively expanding its products and services offering and technological innovation, the Issuer's personal banking profit before taxation amounted to HK\$11,017 million, with its net operating income before impairment allowances decreased from HK\$21,273 million for the year ended 31 December 2019 to HK\$21,083 million for the year ended 31 December 2020.

The following table sets forth, for the periods indicated, the financial results of the Issuer's personal banking business.

	Year ended 31 December		
	2018 <sup>(1)</sup>	2019	2020
	(audited)		
	(HK\$ in millions)		
Net interest income . . . . .	11,396	13,307	12,969
other operating income <sup>(2)</sup> . . . . .	<u>7,740</u>	<u>7,966</u>	<u>8,114</u>
Net operating income before impairment allowances. .	19,136	21,273	21,083
Operating expenses . . . . .	<u>(8,820)</u>	<u>(9,820)</u>	<u>(9,684)</u>
Operating profit before impairment allowances . . . . .	10,316	11,453	11,399
Net charge of impairment allowances . . . . .	(123)	(351)	(421)
Others . . . . .	<u>68</u>	<u>132</u>	<u>39</u>
<b>Profit before taxation . . . . .</b>	<b><u>10,261</u></b>	<b><u>11,234</u></b>	<b><u>11,017</u></b>

(1) Several products or businesses have been reclassified among operating segments in accordance with the latest management model of the Group. Comparative amounts for the year ended 31 December 2018 have been restated to conform with the presentation for the year ended 31 December 2019.

(2) Other operating income comprises net fee and commission income/(expense), net trading gain, net gain/(loss) on other financial instruments at fair value through profit or loss, net gain/(loss) on other financial assets; and others.

### *Personal Deposit Products*

The Issuer offers three traditional principal deposit products to its individual customers, including current account deposits, savings account deposits and time deposits. In addition, it provides several specialised deposit products, including foreign currency deposit accounts and a monthly deposit plan.

### *Personal Loan Products and Services*

The Issuer offers to its customers a wide range of personal loan products, including residential mortgage loans, Hong Kong SAR Government guaranteed home ownership scheme loans, reverse mortgages, unsecured personal loans, tax loans and other retail loans. The Issuer offers these products primarily through its branch network and mortgage direct sales team. The Issuer also uses online channels and online sales channel to promote different types of personal loan products. For example, its customers can obtain a free instant property valuation, mortgage calculator, instant mortgage assessment and online mortgage application through the Issuer's Home Expert Mobile Apps.

### *Residential Mortgage Loans*

The Issuer maintains a leading position in residential mortgage lending in Hong Kong. As of 31 December 2020, the aggregate outstanding amount of the Issuer's residential mortgage loans for use in Hong Kong was HK\$311,070 million, representing 20.8 per cent. of its gross advances to customers or 31.4 per cent. of its total outstanding loans for use in Hong Kong as of that date. The Issuer offers

residential mortgage loans at competitive interest rates to customers who have stable sources of income. The Issuer operates with rigorous risk assessment and control in its mortgage business. The credit quality of the Issuer's residential mortgages remained sound with the delinquency and rescheduled loan ratio at a level of 0.01 per cent. of the Issuer's total gross advances to customers as of 31 December 2020

#### *Home Ownership Scheme Loans*

The Issuer is an active participant in various Hong Kong SAR Government guaranteed home ownership schemes. As of 31 December 2020, the aggregate outstanding amount of the Issuer's home ownership scheme loans (which includes loans qualifying for Hong Kong's Home Ownership Scheme, Private sector Participation Scheme, Tenants Purchase Scheme and Green Home Subsidised Home Ownership Scheme) was HK\$27,809 million.

#### *Other Personal Loans*

The Issuer offers unsecured personal loans for amounts determined by different risk factors that safeguard different customer segments. These loans are mainly repayable in monthly instalments. The Issuer also offers tax loans to customers for amounts which are generally repayable over a maximum period of 18 months. Additionally, the Issuer also offers loans and overdraft facilities collateralised by deposits, investment securities and life insurance policies to offer convenient services to its customers. The terms of its secured loans depend in part on the type of collateral.

#### ***Non-Interest Income-Based Services***

##### *Personal Wealth Management Services*

To accommodate the different financial needs of the Issuer's middle income to high net-worth customers, the Issuer offers personal Wealth Management services, such as Enrich Banking, Wealth Management and Private Banking services to its customers for their specific financial needs.

The Issuer began offering its Enrich Banking services in 2013 to its customers who maintain a total relationship balance of over HK\$200,000, with the goal of strengthening its young and affluent customer base and to provide a customer pipeline to the Issuer's Wealth Management services. To accommodate its young and affluent customers' lifestyle and preference, the Issuer offers around-the-clock services via its diversified service channels, such as its 24-hour exclusive hotline service, online chat service and priority counter service counters at designated branches for Enrich Banking customers to manage personal finances anytime and anywhere with ease. The Issuer also offers e-alert and e-subscription services so that its Enrich Banking customers can receive service notifications and market information tailored to meet their financial needs.

The Issuer also offers personal Wealth Management services to its customers who maintain total relationship balance of over HK\$1,000,000. Through personal Wealth Management services, the Issuer can deliver a one-stop banking solution to its high-net-worth customers through multiple service channels, including Wealth Management Centres and dedicated service counters at around 170 designated branches.

The Issuer's personal Wealth Management services include providing a variety of financial products, priority counter services, standby secured overdraft facilities, a 24-hour exclusive manned phone banking service, financial planning services, self-service channels through Internet banking and mobile

banking, e-alert service, online chart service and privileged offers and benefits to its customers. Currently, the Issuer has a team of dedicated and qualified relationship managers who offer wealth planning services, services related to cross-border business, securities and investment products services, mortgage services as well as foreign exchange services that are tailored to its customers' financial needs. It has made full preparations for the implementation of a cross-border "Wealth Management Connect" service in light of the launch of the "Wealth Management Connect" pilot scheme for the Guangdong-Hong Kong-Macao Greater Bay Area in June 2020.

The Issuer's Private Banking services are offered to customers who maintain a balance of U.S.\$3,000,000 in assets under management. In addition to servicing the Issuer's customers in Hong Kong, the Issuer's private banking service strives to become BOC's "Offshore Private Banking Centre" for its Mainland and overseas Chinese clients. The Issuer's Private Banking customers benefit from a wider range of services and tailored long-term wealth planning services, including portfolio management services that offer a variety of investment products, as well as portfolio lending and estate planning services. Private Banking sets "1+1+1" as a principle of service, providing tailor-made wealth management solutions to fulfil its clients' "1(Personal) +1(Family) +1(Business)" needs using a one-stop open product and service platform. To implement the "1+1+1" principle, the Issuer's professional investment consultants collaborate with external experts to assist relationship managers in the design of investment portfolios customised for its clients' specific needs. By enhancing its collaboration with other business units within the BOCHK (Holdings) Group, the Issuer was able to strengthen its value chain for high-net-worth clients and provide them and their families with professional private banking services. By integrating the development of green finance and environmental, social and governance standards into product design and services, the Issuer enriched its exclusive private banking products. The Issuer's investment portfolios provided through its private banking services include an on-going review and assessment of market trends and risk management.

#### *Investment Services*

The Issuer offers a range of investment services to its individual customers, including securities, funds, foreign exchange and bullion trading. The Issuer provides these investment services to individual customers in Hong Kong and receives commissions and other income from their trading activities.

The Issuer has built a leading retail securities brokerage operation in Hong Kong. The Issuer offers a range of securities services including HK stocks, A share and US stocks services, IPO subscription and financing, as well as margin trading to meet its customer needs. The Issuer also continuously enhances its online securities trading platform in order to capture business opportunities arising from the rising number of customers from the Mainland.

The Issuer offers a wide spectrum of funds from over 30 selected fund managers to its customers. The Issuer's fund services help customers capture global investment opportunities by investing in a broad range of regions, sectors and asset classes. Customers can make fund investments at the Issuer's branches or via mobile and online banking.

#### *Insurance Services*

The Issuer also acts as a sales agent for insurance services. Through its branches and online banking system, the Issuer offers its customers a wide range of insurance products, such as life and general insurance, medical insurance, travel insurance, and home insurance provided by the Issuer's affiliates and other insurance companies, including BOC Group Life Assurance Company Limited ("BOC Life"), Bank of China Group Insurance Company Limited and two other insurance companies.



The Issuer has recently expanded its insurance product range and is tailoring new insurance products for customers. The Issuer also offers premium financing as a premium payment option to meet the more specialised needs of its designated clients. The Issuer's associate, BOC Life, has been a market leader in Hong Kong's RMB life insurance market for years.

#### *Other Personal Banking Products and Services*

The Issuer also offers a series of other personal banking products and services to meet the diverse needs of its individual customers. These products and services include safe deposit boxes, auto payments, remittances, direct debit services, trustee services, money exchange, travellers' cheques and gift cheques.

#### ***Credit Card Business***

The Issuer is one of the largest credit card issuers in Hong Kong. It conducts its credit card business through its wholly owned subsidiary, BOC-CC. The Issuer launched its credit card business in 1980. The Issuer earns interest from its customers and generates fees from interchange and its merchant acquiring business in Hong Kong and the Mainland.

#### *Credit Card Products and Services*

Currently, the Issuer's credit cards are honoured and accepted by over 20 million international establishments through its association with VISA, MasterCard and UnionPay card organisations. In recent years, the Issuer has received various awards from VISA, MasterCard and UnionPay, for card growth, card issuance, market share, merchant expansion and innovation. From 2019, the Issuer won "Best Performer New Card Issuing", "Highest Market Share Consumer Card" and "Highest Market Share Cross-border Card Spend in Macao" from MasterCard. Moreover, the Issuer received awards from UnionPay, including "Highest QR Code Acquiring Volume — Gold Award", "Highest Card Number and Volume Growth (Credit Card) — Gold Award", "Bank of the Year Award in Hong Kong", "Highest Acquiring Volume — Gold Award", etc. In 2020, the Issuer received "Best SME Card Programme" and "Best Acquirer in Transit" from VISA.

The Issuer is a key player in the Hong Kong credit card business. The Issuer ranks in the top 3 amongst its peers with over 3 million cards issued. The Issuer aims to provide various forms of payment solution to customers and plans to leverage on its experience and strength in the Mainland in order to build an innovative digital payment platform in Hong Kong.

The Issuer offers a comprehensive range of credit card products for mass and niche markets. The Issuer's core credit card products include UnionPay Dual Currency credit cards, and Visa/MasterCard Platinum, Titanium, Gold and Classic cards. The Issuer continuously innovates its credit card products based on the rapidly changes of customer behaviours. The Issuer further upgraded "BOC Dual Currency Card" in 2019 to provide easy payment method for cross-border customers in the Greater Bay Area. In 2020, "BOC Taobao World Mastercard" was launched to target the growth of online shopping behaviour and young customers to enrich the Issuer's product portfolio.

In August 2018, the Issuer launched BoC Pay, the first mobile App introduced by a Hong Kong bank to meet EMV international standards and can be used in Hong Kong and the Mainland. BoC Pay is the first payment platform in Hong Kong that supports P2M, P2P (including cross-border P2P), UnionPay QR and FPS. Since the launch of BoC Pay, the Issuer has been consistently enhancing the application

scenarios of BoC Pay in order to meet customer need for high-frequency payments and further expanded its service coverage to non-BOCHK customers, allowing more customers in Hong Kong to enjoy convenient digital payments.

The Issuer continues to innovate and optimise the BoC Pay customer experience by launching and enhancing its services. The Issuer becomes the first bank to access the OpenRice App, a leading local online food ordering company through the BoC App to App model.

To date, the footprint of BoC Pay covers 2 major convenience stores, 3 major local supermarkets, and the most well-known fast food chains in Hong Kong. Moreover, BoC Pay can be used for payment of utilities of the government, public institutions, and property management companies. As of 31 March 2021, the number of BoC Pay transactions increased by 29 per cent. year-on-year, and the number of users increased by 35 per cent. compared to last year.

#### *Merchant Acquiring Business*

The Issuer enhanced its acquiring business by offering comprehensive digital fund collection solutions to all kinds of enterprises, charities and government organisations, public transportation, and public institutions through BoC Bill, including the use of traditional bank cards, QR codes, FPS and Octopus card services.

BoC Bill continues to leverage the synergistic advantages of the Bank of China Group. Using QR as a breakthrough point to penetrate various consumptions scenarios, BoC Bill provides a safe and diverse payment collection solution. As of the end of May 2021, the number of acceptance points covered by BoC Bill has increased by 7 per cent. compared to the end of 2020. The transportation industry is fully covered, and NWFB, Citybus, KMB, and Meter are successively launched. BoC Bill “Easy Donation” has been adopted by 48 charities. BoC Bill also has access to seven of the eight local universities and continues to penetrate other education fields.

BoC Bill, together with BoC Pay, continue to support the transformation of industries engaged in livelihood-related payments and to promote the development of cashless payments in Hong Kong.

#### *Credit Card Management and Monitoring*

BOC-CC’s risk management practices follow the Issuer’s general risk management principles and policies, which are generally aligned with the international practices recommended by VISA, MasterCard and UnionPay. The functions of BOC-CC’s risk management are independent of other credit card operations.

The Issuer monitors its customers’ repayment patterns strictly to manage the risks associated with its credit card business. The Issuer follows its risk appetite framework designed to manage portfolio credit performance better than its peers. It regularly reviews the credit risk of its credit card portfolio and promotion programmes to actively control and mitigate credit loss, update customer financial information and identify and monitor high balance and high-risk accounts. The Issuer takes a proactive approach in monitoring and analysing cardholder behaviour to identify potential credit problems and to manage its customer relationship.

### *Customer Coverage and Marketing*

Currently, the Issuer's customer services are primarily conducted through its branch network, although banking transactions are also supported by other direct channels. The Issuer is implementing measures to enhance product awareness and to promote a marketing culture among its staff. The Issuer continuously upgrades its sales, service and operation models to cater to customer needs and market changes. For example, the Issuer provides more personalised services to its higher net-worth customers based on their specific needs. The Issuer also markets its products and services through other distribution channels, such as online banking services and roadshows. See “— *Distribution Network*”.

In order to provide solutions to the increasingly complex and specific needs of the Issuer's broad base of customers, the Issuer delivers its personal banking products and services through an integrated customer-focused organisational structure. In particular, the Issuer has established a more detailed customer segmentation strategy in order to better serve the different needs of its customers.

To improve the effectiveness of its cross-selling efforts, the Issuer has taken measures to integrate and update its “Operational Customer Relationship Management System”, a customer information system that is used to provide front-line staff with an integrated customer contact platform to conduct sales and provide services. By maintaining an accurate and up-to-date customer information system, the Issuer strives to enhance its customers' banking experience while identifying marketing opportunities to cross-sell other products and services.

Dedicated relationship managers are located at the Issuer's branches and Wealth Management centres to oversee the activities of their respective assigned customers segment and the marketing of the Issuer's products and services. The Issuer's relationship managers work regularly with executives in other departments in order to identify and increase cross-selling opportunities and to deepen the Issuer's relationship with its customers. The Issuer's personal banking departments regularly collaborate with corporate banking departments to better serve customers' overall banking needs.

The Issuer has also unified its marketing strategy in order to encourage the cross-selling of products and services. It has collaborated on and organised a number of large scale events to encourage cross-selling efforts and to acquire new customers in the middle to high-end market. For example, the Issuer has hosted a series of annual Wealth Management Expo at the Hong Kong Convention and Exhibition Centre, where experts from the Issuer and guest speakers provide participants with latest investment insight and a full range of wealth management solutions.

A part of the Issuer's movement towards intelligent operations, artificial intelligence was used to enhance analysis capabilities, driving more precise marketing and higher response rates. It introduced an automatic loan approval model for retail small-and-medium enterprises (“SMEs”) and refined the automatic approval process for qualifying personal residential mortgage loan applications in order to improve approval efficiency. It accelerated the construction of intelligent customer services through intelligent chatbot and online chat services to facilitate the transition of customer services from physical to online. The usage of intelligent chatbot Bonnie has increased rapidly since its launch in December 2019, with customer interactions increasing fivefold in December 2020 as compared to December 2019, further accelerating customer service channel migration.

The Issuer believes these measures allow the Issuer to implement its proactive customer targeting programme effectively.

## Corporate Banking

The Issuer is a leader in the corporate banking sector in Hong Kong and has expanded its products and services to the Southeast Asian market through its Southeast Asian branches and subsidiaries. The Issuer is a leading credit provider to local companies, covering global corporates, commercial corporates and institutions in Hong Kong and the Southeast Asian markets where it operates. The Issuer conducts its corporate banking business primarily through its corporate banking unit, which is organised in a customer-centric manner, with each department focusing on a targeted customer segment in order to better serve its clientele. The Issuer's corporate banking unit includes four different client-facing departments and units: (i) the Global Corporate Banking Department; (ii) the Commercial Banking Department; (iii) the Institutional Business Department; and (iv) the Transaction Banking Department.

The Global Corporate Banking Department is responsible for developing the Issuer's business with the large corporate customers, mainly top multinational and blue-chip companies. The Commercial Banking Department provides products and services to corporate, middle market companies and SMEs, and includes five commercial centres in different districts across Hong Kong in order to provide products and services to its customers with greater convenience. The Institutional Business Department specialises in providing products and services to banks, non-bank financial institutions such as insurance companies, stock brokerage firms, asset management companies, and public institutions. The Transaction Banking Department specialises in providing tailored-made products to corporate clients and financial institutions, is responsible for product innovation, development and marketing.

As a mainstream corporate bank deeply rooted in Hong Kong for over a century, the Issuer is a leading financial services provider for both the local and international corporates and institutions of all sizes. It has successfully captured the opportunities arising from the PRC's Belt and Road initiative, the Guangdong-Hong Kong-Macao Greater Bay Area, the implementation of Regional Comprehensive Economic Partnership (RCEP) proposed by the ASEAN in November 2020, RMB internationalisation and the free trade zones in the Mainland.

The Issuer's corporate banking business began to reap the benefits of regional synergy through collaboration with its Southeast Asian branches and subsidiaries to acquire roles in major projects. Together with the Issuer's strong ties to the BOC, the Issuer believes it is able to leverage the resources of the BOC Group in order to have a competitive advantage over its peers in servicing the Mainland enterprises "Going Global" and other entities with cross border needs. Apart from focusing on cultivating the Southeast Asian institutions' marketing capabilities and stimulating their internal growth drivers through extending product and service coverage, the Issuer's corporate banking business also established an integrated management mechanism to support the expansion of its regional businesses and deepened its business relationships with the world's major central banks, international financial institutions and sovereign wealth funds.

The Issuer delivers its corporate banking products and services through a combination of its branch network, service centres, correspondent banks and online banking services. In recent years, the Issuer continued to improve the range of its corporate banking products in Hong Kong, the Greater Bay Area and Southeast Asia by enhancing its capabilities in online products and services. It further accelerated the development of its key businesses, including cash management, trade financing and treasury centre, and secured its market-leading position in the cash pooling business. In a bid to encourage diversification in financial product development and fintech innovation, the Issuer continuously

enriched its digitalised products and services by launching the e+ product series for corporate customers, promoted and extended products and services to the Southeast Asian region through online service platforms, so as to comprehensively enhance customer experience.

In recognition of its excellent and highly professional services, in 2020, the Issuer was awarded Hong Kong Domestic Cash Management Bank of the Year for the seventh consecutive year and Hong Kong Domestic Trade Finance Bank of the Year for the second consecutive year by Asian Banking & Finance. It also received five awards from The Asian Banker, including Best Transaction Bank in Hong Kong for the third time, Best Cash Management Bank in Hong Kong for the sixth time, as well as Best ERP Integration Solution, Initiative, Application or Programme, Best Cash Management Project in Hong Kong and Best Shared Service Centre, all for the first time. In addition, a project that the Issuer co-organised with a mobile network provider to support the centralised management of global funds was awarded Best Treasury & Finance Strategies in Asia Pacific in the CT Awards by CorporateTreasurer.

The Issuer also actively promoted the advancement of green finance in order to ensure sustainable development and received the Outstanding Award for Green Loan Structuring Advisor — Greatest Number of Green Loans (Verification) and the Outstanding Award for Green Bond Lead Manager — Greatest Number of Green Bonds (Financial Investment Industry) in the Hong Kong Sustainable Finance Award 2020, held by the Hong Kong Quality Assurance Agency. Meanwhile, it maintained its market leadership as an IPO main receiving bank in terms of the number of main board listing projects.

The Issuer's corporate loans and advances totalled HK\$1,040,243 million as at 31 December 2020, an increase of 13.8 per cent. since 31 December 2018, which account for 69.5 per cent. of the Issuer's gross advances to customers. For the financial year ended 31 December 2020, the Issuer's corporate banking operations represented 34.78 per cent. of the Issuer's net operating income before impairment allowances, an increase of 0.06 per cent. since 31 December 2018.

The following table sets forth, for the periods indicated, the financial results of the Issuer's corporate banking business.

	Year ended 31 December		
	2018 <sup>(1)</sup>	2019	2020
	(audited)		
	(HK\$ in millions)		
Net interest income . . . . .	13,079	14,741	13,494
other operating income <sup>(2)</sup> . . . . .	<u>5,311</u>	<u>5,347</u>	<u>4,845</u>
Net operating income before impairment allowances. . . . .	18,390	20,088	18,339
Operating expenses . . . . .	<u>(3,180)</u>	<u>(3,394)</u>	<u>(3,427)</u>
Operating profit before impairment allowances . . . . .	15,210	16,694	14,912
Net charge of impairment allowances . . . . .	(784)	(1,385)	(1,877)
Others . . . . .	<u>—</u>	<u>—</u>	<u>—</u>
<b>Profit before taxation . . . . .</b>	<b><u>14,426</u></b>	<b><u>15,309</u></b>	<b><u>13,035</u></b>

(1) Several products or businesses have been reclassified among operating segments in accordance with the latest management model of the Group. Comparative amounts for the year ended 31 December 2018 have been restated to conform with the presentation for the year ended 31 December 2019.

(2) Other operating income comprises net fee and commission income/(expense), net trading gain, net gain/(loss) on other financial instruments at fair value through profit or loss, net gain/(loss) on other financial assets; and others.

Key corporate banking products and services offered by the Issuer include interest earning products, such as syndicated loans, trade finance products, project finance products, as well as non-interest earning products and services, such as syndicated loan arrangement services.

### ***Corporate Loan Products***

#### *Syndicated Loans*

The Issuer is an active and major participant in the Asia-Pacific syndication loans market. With its roles as mandated lead arranger or lead arranger, the Issuer has been ranked as a leading mandated lead arranger in the Hong Kong and Macao syndicated loan market by Basis Point since 2005. The Issuer's scope of services includes structured finance and syndicated finance, with particular expertise relating to export credit, aircraft leasing, ship financing, infrastructure and construction loans, energy projects, plant and machinery installation. The Issuer has been the BOC Group's Asia-Pacific Syndicated Loan Centre since January 2008, which has further expanded the Issuer's loan syndication business in the region. The Issuer intends to continue its active involvement in the syndicated loans business to maintain its market share and to grow its fee income from loan syndication activities.

#### *Trade Financing*

The Issuer's trade financing primarily involves import and export financing. Its import financing products and services include letters of credit, trust receipts, import loans and invoice financing. The Issuer's corporate customers who are engaged in the import business typically request that it issue letters of credit to support their payment obligations to sellers of goods. Some of the Issuer's corporate customers also rely on trust receipts, import loans and invoice financing to support their cash flow. For the Issuer's customers who are engaged in the export business, the Issuer offers letter of credit negotiation services, bill purchases, invoice discounting and packing loans and pre-shipment financing to assist its customers in managing their liquidity. The Issuer often provides a package of working capital financing that may consist of various trade financing products and services to meet its corporate customers' needs in their trading businesses. The Issuer's trade financing business has grown steadily, and the Issuer received several awards such as "Best Transaction Bank in Hong Kong" by The Asian Banker and "Hong Kong Domestic Trade Finance Bank of the Year" awarded by Asian Banking & Finance, both in two consecutive years from 2019 to 2020, in recognition of the Issuer's performance and contribution in trade financing.

The Issuer has further adopted Blockchain technology in its processes and launched the first Blockchain trade finance transaction in Hong Kong in 2017. It also stepped up its efforts to link eTradeConnect, an innovative trade finance platform in Hong Kong, with the trade finance platform of the People's Bank of China ("PBOC"), and completed the first batch of blockchain cross-border trade transactions and the first trade financing service with BOC Guangdong Branch and BOC Shenzhen Branch. At the same time, it actively cooperated with third-party platforms in areas such as blockchain for letter of credit and shipping data, so as to promote the deep integration of technology and trade finance and enhance its digitalisation capabilities in trade finance. Robotic process automation (RPA) was further extended in the handling of middle and back office operational procedures, which effectively automated operational procedures, reduced business processing time and enhanced efficiency.

### *Project Finance*

The Issuer offers project finance to its customers for a wide range of business purposes, including infrastructure development and construction, energy projects and acquisition financing. The Issuer's project loans are generally secured by the underlying project assets. In addition, the Issuer generally obtains guarantees from project sponsors.

### *Revolving Loans*

Generally, the Issuer provides revolving loans to its larger corporate customers to meet their special working capital or cash flow needs. A borrower may draw on the revolving loan in part or in full and repay the loan whenever there are surplus funds or at final maturity of the loan. The borrower may draw on repaid amounts of the loan other than the final maturity repayment.

### *Overdraft Facilities*

Overdraft facilities are provided to borrowers to finance a temporary cash flow shortfall, which is one of the most common forms of working capital finance in Hong Kong. Consistent with the lending practices of other banks in Hong Kong, the Issuer's overdraft facilities are generally secured by real property or cash deposits. The Issuer provides a line of credit up to a pre-established amount based on a borrower's projected level of cash deficits. An overdraft facility is typically provided to borrowers on a floating interest rate basis. The Issuer earns interest on a monthly basis based on the daily outstanding amounts of an overdraft facility, which is generally provided for a period of up to 12 months, subject to repayment on demand and credit review from time to time.

### *Asset Finance*

The Issuer offers various types of asset finance to its corporate customers for their capital needs in the acquisition of industrial and commercial properties, machinery and transportation equipment. Its principal asset finance loan products include commercial mortgage loans and lease financing and hire purchase loans.

- *Commercial Mortgage Loans*

The Issuer offers mortgage loans to its corporate customers for the purchase of real property. Its mortgage products in relation to the acquisition of industrial and commercial properties allow its corporate customers to borrow up to 40 per cent. of the appraised property value or the purchase price, whichever is lower. The repayment periods can be up to a maximum of 20 years.

- *Lease Financing and Hire Purchase Loans*

The Issuer offers lease financing and hire purchase loans to its customers to finance their acquisition of machinery and transportation equipment. The Issuer generally requires lease financing and hire purchase loans to be secured.

### *Non-Interest Income-Based Products and Services*

The Issuer's principal non-interest income-based services include syndicated loan arrangement services, credit facility arrangement services, trade finance arrangement services and insurance agency services. In the future, while the Issuer continues to grow its principal non-interest income-based products, it also intends to expand its market shares in cash management and custody services.

### *Syndicated Loan Arrangement Services*

The Issuer is an active arranger in the syndicated loan market in Hong Kong and earns fee income when it acts as arranger and/or underwriter, for syndicated loans. For additional information, see the section headed “— *Corporate Loan Products — Syndicated Loans*”.

### *Credit Facility Arrangement Services*

The Issuer generally charges a fee for arranging and renewing credit facilities. As the Issuer has a large amount of corporate loans, these fees have been an important source of income for the Issuer’s non-interest income-based services.

### *Trade Finance Arrangement Services*

The Issuer provides trade-related services including letters of credit, bank guarantees, shipping guarantees and inward and outward bill collections designed to facilitate the efficient operation of its corporate customers’ daily businesses.

### *Cash Management Products and Services*

The Issuer offers its corporate customers cash management products and services including online banking, payment and collection service, and liquidity management products. These products and services help its customers to manage their daily receivables and payment requirements, as well as their liquidity needs. In 2020, the Issuer was named the “Hong Kong Domestic Cash Management Bank of the Year” for the seventh consecutive year by Asian Banking and Finance. The Issuer considers fees generated from providing cash management products and services an important source of its non-interest income.

### *Custody and Trust Services*

To facilitate the cross-border investment flows of corporate and institutional clients and to better serve their investment-related needs globally, the Issuer has been offering custody products and services since 2006. Corporate Trust & Agency was also added to the suite of specialised services since 2019 to meet the capital market requirements of its corporate clientele. Currently, its products include domestic custody, global custody, fund-related services, escrow services, debt securities issuer services and other customised solutions for institutional investors, corporates, insurers, asset managers, sovereign entities, various types of funds, professional intermediaries, family offices and, to a lesser extent, high-net-worth individuals.

In mid-2007, the Issuer won its first Qualified Domestic Institutional Investor (“**QDII**”) fund mandate from the Mainland for investing overseas. In January 2008, the Issuer was appointed by a joint venture investment bank in the Mainland as the foreign custodian for its QDII product, the first broker-type QDII product ever approved in the Mainland. In 2009, the Issuer further strengthened its relationship and product capabilities with recovery of the IPO and offshore private fund sectors. Riding on its growth momentum, the Issuer successfully expanded its institutional client base and secured mandates to provide global custody services to various asset owners and asset managers in Greater China. The Issuer also promoted escrow services applicable to merger and acquisitions and other scenarios. It is one of the key custodians of Exchange-Traded Funds, authorised funds and pensions in Hong Kong. It is also an early participant in the Renminbi Qualified Foreign Institutional Investor regime in 2011, Shanghai-Hong Kong Stock Connect in 2014, as well as the Mutual Recognition of Funds programme in 2015. As



a forerunner under the northbound Bond Connect regime rolled out in mid-2017, it achieved a number of “firsts” and has remained a leader throughout. The Issuer believes that its custody and trust business effectively responded to market challenges and captured opportunities from the PRC Government’s mutual market access policies, the development of the Greater Bay Area and the internationalisation of Renminbi.

The Issuer believes that its custody and trust business will be an important source of fee income and can be easily bundled with other products for offering total solutions to key clients. The business will also form part of the global products of the Group.

### ***Corporate Deposit Products***

The Issuer offers its corporate customers the same types of current, fixed and savings deposit products that are available to its individual customers.

### ***Corporate Lending Practices***

The Issuer takes into consideration a number of factors when analysing a corporate borrower’s credit risk, including quality of business, financial condition, the strength of management and, to the extent applicable, available collateral. In addition, the Issuer also evaluates the industry risk associated with the corporate borrower.

As part of the Issuer’s overall strategy to improve its risk management capacities, the Issuer will continue to enhance its credit approval process, monitoring and evaluation practices that emphasise, amongst other factors, the profitability, cash flow, liquidity and net worth position of the borrower. For a more detailed discussion of the Issuer’s credit risk management procedures, see the section headed “—*Risk Management — Credit Risk Management*”.

### ***Corporate Loan Pricing***

The Issuer prices its corporate loans at a spread above inter-bank or alternative reference rates, at a fixed rate or at a premium or discount over the prime rate with reference to its base lending rates based on the following factors, including but not limited to: (i) the financial condition of the borrower, including its profitability, liquidity, cash flow and net-worth position; (ii) the purpose of the loan; (iii) the collateral available; (iv) market conditions; and (v) the term of the loan.

The Issuer’s Asset and Liability Management Committee fixes its Prime Rate based on various internal and external factors.

### ***Customer Base***

The Issuer has a strong customer base in most of the business sectors in Hong Kong, particularly in the real property development, real property investment and wholesale and retail trade sectors. As of 31 December 2020, loans to property investment, property development and wholesale and retail trade for use in Hong Kong accounted for approximately 4.3 per cent., 8.9 per cent. and 2.0 per cent., respectively, of the Issuer’s gross advances to customers. The Issuer intends to continue to optimise its customer base with a focus on creditworthy corporates and high-net-worth individual customers and to strengthen its relationship with them. The Issuer also intends to focus on sectors which show the potential for significant growth and whose risk management policies are consistent with those of the Issuer.

### *Customer Coverage and Marketing*

The Issuer has a solid customer base covering major corporations, institutions and SMEs. The Issuer's existing customer base has significant potential for future growth. The Issuer intends to focus its marketing initiatives on existing corporate customers to identify and acquire potential customers across the region.

To deliver its corporate banking products and services, an integrated customer-focused organisational structure is in place to provide solutions to the increasingly complex and specific needs of the Issuer's customers. In particular, the Issuer has established four client-facing departments to better serve its customers.

In each of these departments, there are dedicated relationship managers responsible for the activities of their respective customers and marketing of the Issuer's products and services to these customers. The Issuer has unified its marketing strategy in the cross-selling of products and services. The Issuer's relationship managers work regularly with executives in other departments to increase cross-selling opportunities and deepen the wallet share. These include executives from departments handling foreign exchange, cash management and other non-interest income-based services. Concurrently, its global markets unit works closely with its corporate banking unit to provide and market foreign exchange and derivative products to its corporate customers. In addition, the Issuer also intends to leverage the strength and broad coverage of the personal Wealth Management services of its personal banking operations to target owners and senior management of its corporate customers.

To improve the effectiveness of its cross-selling efforts, the Issuer has taken measures to integrate and update customer information. The Issuer believes these measures allow the Issuer to implement its proactive customer targeting programme effectively.

The Issuer also has a dedicated business coordination division which specialises in promoting its cross-border businesses. It has strengthened collaboration with BOC's Mainland branches and integrated into the development of major regions, including the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta, the Beijing-Tianjin-Hebei region, Chengdu-Chongqing region, Hainan Free Trade Port, and the Free Trade Zones. The Issuer has supported the cross-border financial needs of targeted key business sectors and clients in areas such as new infrastructure, new technology, carbon neutrality, and healthcare in the Mainland.

Furthermore, in order to bolster regional cooperation in the Asia Pacific region and enhance the regional synergies of its Southeast Asian entities, the Issuer reinforced its integrated marketing efforts with a focus on core customers and key projects. It upgraded its iGTB with functional enhancements, increased its marketing efforts, and extended its services to the Southeast Asian region, so as to enhance its regional online service capabilities.

## Treasury Operations

The Issuer conducts its treasury operations primarily through two separate units: the investment management unit and the global markets unit. The investment management unit is responsible for liquidity management and investment portfolio management. The global markets unit operates the Issuer's trading book, mainly for its customers but also for its own proprietary trading.

The Issuer's treasury operations offer a diversified range of innovative products and professional services for sophisticated financial needs of its customers. In 2017, the Issuer launched a series of structured derivatives products and strengthened the price quotation function of its electronic trading platforms used by its customers and its counterparties. In recent years, the Issuer's treasury operations further enhanced its trading, sales, product development and risk control capabilities, as well as developed the building blocks for RMB business in regional financial markets. Its Southeast Asian entities further enhanced their treasury product lines to support the internationalisation of RMB and promote direct quotation of RMB. With the approval of the PBOC, the Phnom Penh Branch became the first offshore quoting bank for RMB to Cambodia Riel (“**KHR**”) in the regional market and the member of the China Foreign Exchange Trade System. It successfully completed the first CNY/KHR direct exchange trade for its clients. The Issuer was named as “Key Business Partner in FIC Market” at the RMB Fixed Income and Currency Pan Asian Conference organised by the Hong Kong Exchanges and Clearing Limited.

As the sole RMB clearing bank in Hong Kong, the Issuer continues to consolidate its competitive advantage in the offshore RMB business market. Since the launch of Bond Connect in June 2017, the Issuer is the sole bank designated by the HKMA Central Moneymarkets Unit and Bond Connect Company Limited to provide cross-border fund settlement services for institutions in Hong Kong and the Mainland. Bond Connect is a cross-border trading scheme between Hong Kong and the Mainland, which allows international institutional investors to invest in the Mainland's bond market through mutual access arrangements in respect of trading, custody and settlement. The Issuer's unique position as the sole RMB clearing bank in Hong Kong enables the Issuer to provide its institutional customers with more comprehensive services in relation to Bond Connect.

Leveraging its strong franchise in RMB clearing services, the Issuer advanced its cross-border RMB business by setting up RMB business channels that link the Greater Bay Area, free trade zones and free-trade ports with Hong Kong and Southeast Asia. BOC Malaysia was successfully authorised by the PBOC and the Central Bank of Malaysia to continue to serve as Malaysia's RMB clearing bank and local RMB settlement institution. Taking advantage of the fintech innovation supervision pilot policy launched by the PBOC, BOC Malaysia cooperated with BOC Guangxi Branch to process the first RMB inter-bank financing business and the first RMB trade financing cross-border transfer business in the Chinese mainland. The Manila Branch officially launched its RMB clearing bank service on 16 January 2021.

The following table sets forth, for the periods indicated, the financial results of the Issuer's treasury operations.

	Year ended 31 December		
	2018 <sup>(1)</sup>	2019	2020
	(audited)		
	(HK\$ in millions)		
Net interest income . . . . .	10,957	8,555	3,783
other operating income <sup>(2)</sup> . . . . .	<u>1,572</u>	<u>4,527</u>	<u>6,598</u>
Net operating income before impairment allowances. .	12,529	13,082	10,381
Operating expenses . . . . .	<u>(1,016)</u>	<u>(1,086)</u>	<u>(1,160)</u>
Operating profit before impairment allowances . . . . .	11,513	11,996	9,221
Net charge of impairment allowances . . . . .	(3)	(9)	(87)
Others . . . . .	<u>—</u>	<u>—</u>	<u>—</u>
<b>Profit before taxation . . . . .</b>	<b><u>11,510</u></b>	<b><u>11,987</u></b>	<b><u>9,134</u></b>

(1) Several products or businesses have been reclassified among operating segments in accordance with the latest management model of the Group. Comparative amounts for the year ended 31 December 2018 have been restated to conform with the presentation for the year ended 31 December 2019.

(2) Other operating income comprises net fee and commission income/(expense), net trading gain, net gain/(loss) on other financial instruments at fair value through profit or loss, net gain/(loss) on other financial assets; and others.

### *Investment Management Unit*

The key functions of the Issuer's investment management unit are: (i) to conduct inter-bank money market transactions and to manage its liquidity and (ii) to manage its investment portfolio in capital markets investments, primarily debt securities.

#### *Inter-Bank Money Markets and Liquidity Management*

The Issuer is one of the leading participants in the inter-bank money market in Hong Kong. It is a net provider of inter-bank funds. As of 31 December 2020, the Issuer had total deposits and balances from banks and other financial institutions of HK\$326,241 million, which accounted for approximately 11.5 per cent. of its total liabilities, and had total loans to banks (including cash and balances and placements with banks and other financial institutions, trade bills and advances to banks and other financial institutions) of HK\$474,805 million, which accounted for approximately 15.1 per cent. of its total assets.

The Issuer's investment management unit is responsible for managing the Issuer's liquidity position. The objective of the Issuer's liquidity management is to achieve a reasonable return on its liquid assets while in compliance with the requirements of the Banking Ordinance, the guidelines of the HKMA and the liquidity management guidelines set by its Asset and Liability Management Committee. In particular, the Issuer seeks to have sufficient cash and other liquid assets to handle contingencies. For additional information, see the section headed “— Risk Management — Liquidity Risk Management”.

### *Investment Portfolio Management*

The Issuer prudently invests in securities for its own account, primarily in U.S. dollar-denominated debt securities issued by banks, other financial institutions and corporates, and debt securities issued by governments, central banks and public sector entities in the Group of Seven (“G-7”) countries and in Australia, which the Issuer also considers to be of low risk. As of 31 December 2020, the aggregate carrying value of the Issuer’s investments in securities was HK\$789,869 million. As of 31 December 2020, approximately 94.6 per cent. of its investments in securities consisted of debt securities with a minimum credit rating of “A3” based on Moody’s ratings or their equivalent (including issuer rating distribution for debt securities with no issue rating).

The Issuer’s investment management unit manages its investment portfolio under guidelines approved by its Asset and Liability Management Committee within risk limits approved by its Board of Directors and the Risk Committee (“RMC”).

### *Global Markets Unit*

The Issuer provides foreign exchange and derivatives trading services to its customers through the global markets unit. Currently, the Issuer’s global markets unit is primarily responsible for:

- providing real time price and customer order execution services, including foreign exchange transactions, premium deposits linked with currency options, equity linked investment and a variety of structured deposits;
- acting as the product manager for all treasury products offered to our corporate customers; and
- developing new financial products and services to meet customer needs for investment and risk hedging.

### *Foreign Exchange*

The Issuer’s global markets unit generates the majority of its foreign exchange revenues from its retail and corporate foreign exchange services and these revenues are booked as trading gains. The Issuer trades spot and forward foreign exchange contracts with its customers and it provides margin foreign exchange trading services to its customers. The Issuer is one of the most active foreign exchange-related market participants in the Hong Kong market.

### *Spot Foreign Exchange Services*

The Issuer offers spot foreign exchange services for retail and corporate customers. Customers can access its foreign exchange services through different channels, such as through its branch network, telephone banking services, e-banking and mobile phone platform, as well as through the Issuer’s treasury marketing division of the global markets unit.

The Issuer also engages in inter-bank spot foreign exchange transactions. It provides 24-hour dealing and order execution services to branches of BOC and other financial institutions. The Issuer has developed good relationships with a number of financial institutions in the Mainland, while acting as one of their settlement banks in Hong Kong.

### *Forward Foreign Exchange Services*

The Issuer's forward foreign exchange activities target its trade finance customers who need to hedge foreign exchange risk for their future revenues and expenses denominated in foreign currency. These trades are primarily in the currencies of G-7 countries. The global markets unit works closely with its corporate banking and financial institutions departments to develop trade finance business by providing forward foreign exchange services to its corporate customers. The Issuer has increased its efforts to provide bulk deal services to increase its market share in handling significant foreign exchange transactions for large customers. The Issuer has dedicated treasury marketing teams to assist its corporate banking units with the sales and distribution capabilities for its foreign exchange products and services.

In addition, the Issuer conducts its wholesale banknotes business through its inter-bank customer. The Issuer considers itself a leader in the wholesale banknotes business in Asia as it has a stable wholesale and inter-bank customer base for its wholesale banknotes business. The Issuer has accumulated extensive experience and capability in handling large wholesale banknotes transactions.

### *Other Treasury Activities*

The Issuer also offers structured products to its customers through treasury operations, while also trading financial derivatives for its own account. The Issuer's derivatives trading activities primarily involve effecting transactions for interest rate swaps, currency interest rate swaps, interest rate futures and options. To meet the hedging and yield enhancement needs of its corporate and institutional customers, the Issuer offers different products, including currency linked structured deposits and equity and interest rate derivatives. The Issuer believes these types of structured products provide flexible terms, which are best suited to meet its customers' needs. The Issuer also offers structured products to its retail customers through branch network and internet banking.

### *Others*

The Issuer also conducts bullion trading. Its bullion trading activities include the supply and purchase of bullion materials, bullion consignment, deferred settlement bullion trading and, physical bullion trading, and gold loan financing. In addition, The Issuer conducts wholesale money exchange transactions through the inter-bank currency markets.

The Issuer is one of the market leaders in the local RMB market. It offers a comprehensive range of RMB products and services, including RMB deposit, spot and non-delivery forwards trading and RMB bond trading services. Over these years, the Issuer has acquired a strong market position in the local RMB bond issuance market.

### **Renminbi Banking Business**

Since 2004, the Issuer has been the sole RMB clearing bank in Hong Kong and it has worked closely with various authorities to implement, optimise and enhance the operation of RMB business under the policy guidance between the Mainland and Hong Kong. As of 31 December 2020, the clearing service hours of the Issuer were 20.5 hours per day to further enhance the real-time RMB clearing services for participating banks and RMB clearing banks in Europe and America. In 2016, the Issuer also became part of the PRC's Cross-border Interbank Payment System ("CIPS") as the first overseas bank to join

the system as a direct participant. This further enhances the efficiency of the RMB clearing network in Hong Kong, facilitating the cross-border and overseas use of RMB and further consolidating Hong Kong's position as an offshore RMB centre.

Due to the launch of the pilot programme for RMB settlement of cross-border trade in the Mainland in July 2009, the Issuer has taken the lead in making breakthroughs on various RMB business areas and it continuously provides a wide range services for individual and corporate customers, including RMB exchange, deposits, loans, insurance, securities and investment products such as RMB linked investment. With a large service network, efficient settlement channels, innovative market products and professional service teams, the Issuer is a leader in RMB business innovation in the offshore market, expanding RMB remittance, bond issuance, stock and deposit businesses and strengthening the use of RMB currency in transactions.

In addition, the Issuer was appointed by the HKMA as a Primary liquidity provider to actively provide liquidity support to the Hong Kong market to meet the market demand for RMB funds. The Issuer supports the integration of the Mainland and Hong Kong capital markets. It acts as the designated deposit bank of the China Securities Depository and Clearing Co., Ltd and the Hong Kong Securities Clearing Company Limited, while also acting as the designated bank for Hong Kong settlements with respect to the “Shanghai-Hong Kong Stock Connect” and “Shenzhen-Hong Kong Connect” projects. The designated clearing banks of the “Shanghai-Hong Kong Stock Connect” and the “Shenzhen-Hong Kong Stock Connect” projects provide high-quality and efficient financial services for these projects, which provide comprehensive cross-border investment services to customers. In July 2015, “Shanghai-Hong Kong Gold Connect” was opened. The Issuer provides the Shanghai Gold Exchange with account and clearing services in Hong Kong and it provided an easy system for overseas members and investors to participate in the trading of Shanghai Gold. In July 2017, “Bond Connect” was launched. As the Hong Kong RMB clearing bank, the Issuer provides comprehensive support for the cross-border fund settlement through an efficient and convenient cross-border system infrastructure. As the main RMB business bank in Hong Kong, the Issuer also provides clients with deposits, fund settlement and comprehensive RMB foreign exchange and risk hedging products under the “Bond Connect” programme.

In addition to the Issuer's RMB clearing capacity in Hong Kong, BOC Malaysia was successfully authorised by the PBOC and the Central Bank of Malaysia to continue to serve as Malaysia's RMB clearing bank and local RMB settlement institution. The Issuer's Manila Branch officially launched its RMB clearing bank service on 16 January 2021.

## **OTHER BUSINESSES OF THE ISSUER**

### **Hong Kong Subsidiaries and Businesses**

BOC-CC and Po Sang Securities and Futures Limited, the Issuer's principal subsidiaries in Hong Kong, continue to conduct their businesses as separate legal entities with their own governance structure. The Issuer is one of the largest credit card issuers in Hong Kong, and it conducts its credit card business through its wholly owned subsidiary, BOC-CC. Po Sang Securities and Futures Limited engages in the provision of brokerages for securities, futures and options.

## Southeast Asian Subsidiaries and Businesses

On 21 May 2015, the Issuer announced its proposed acquisitions from its parent, BOC, of its banking assets in certain Southeast Asian countries. Aiming to transform into a regional bank with cross-border operations, the Issuer unfolds its Southeast Asian acquisition plan. On 17 October 2016 and 9 January 2017, the Issuer completed the share acquisition of Bank of China (Malaysia) Berhad and Bank of China (Thai) Public Company Limited from BOC, respectively. It also completed the acquisitions of BOC's Indonesian and Cambodian businesses on 10 July 2017 and 6 November 2017, respectively, while the acquisitions of BOC's businesses in Vietnam and the Philippines was completed on 29 January 2018. On 21 January 2019, transfer of the branch interests in BOC, Vientiane Branch in Laos to the Issuer was completed. The Brunei Branch, the Yangon Branch and the Hanoi Representative Office commenced operation in December 2016, February 2021 and June 2021, respectively.

To support the PRC's Belt and Road initiative, the Issuer has actively pushed forward the restructuring of its assets in Southeast Asia. Taking advantage of Hong Kong's status as an international financial centre, the restructure strategically aligns with BOC Group's efforts to build a financial artery along the Belt and Road Initiative and accelerates the Issuer's own integrated regional development. Since the acquisitions, the Issuer has continued expansion of its regional footprint to Southeast Asia, including Thailand, Malaysia, Vietnam, the Philippines, Indonesia, Cambodia, Laos, Brunei and Myanmar, to take advantage of the rapid economic growth in Southeast Asia coupled with advances in regional trade and economic cooperation, leading to further optimisation of its regional network. On 1 March 2020, the Jakarta Branch was approved by the Indonesian regulatory authority to upgrade its status to Commercial Bank Based on Business Activities 3<sup>11</sup>. It ranked first among all foreign banks in Indonesia in terms of overall operations in the Indonesian banking industry for two consecutive years, and was once again named Best Foreign Bank of the Year at the 2020 Best Indonesian Business Awards. Moreover, the Jakarta Branch was named Best Robust Foreign Bank in the Indonesia Best Bank Awards 2020 for the first time. In January 2021, the Issuer's Manila Branch officially launched its RMB clearing bank business in the Philippines.

Among the Issuer's Southeast Asian entities, Bank of China (Malaysia) Berhad and Bank of China (Thai) Public Company Limited are registered as wholly foreign-owned banks in Malaysia and Thailand, respectively, and solely owned by the Issuer. The Issuer also maintains other branches and sub-branches in the region. As of 31 December 2020, the Issuer had a network of 34 branches and sub-branches in the major cities of these Southeast Asian countries, allowing the Issuer to provide comprehensive banking products and services to corporate and individual customers.

Aiming to achieve mainstream bank status in local Southeast Asia areas, the Issuer's Southeast Asian entities made a concerted effort to integrate into local society and to serve mainstream clients, including Chinese enterprises operating in the PRC's Belt and Road Initiative areas, the Mainland enterprises going global, leading local corporates and overseas Chinese and high-net-worth customers. The Issuer's Southeast Asian entities also focus on local mainstream projects and business areas, such as RMB business, commodities and supply chain financing, as well as high-end Private Banking services.

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<sup>11</sup> Banks in Indonesia are classified by regulator into four grades, which determine the business scope and product types provided by a bank. Generally only banks graded at BUKU3 or above can provide policy consultation, start pilot business and new products.



The Issuer's Southeast Asian entities<sup>12</sup> recorded steady business growth with deposits from customers and advances to customers as of 31 December 2020 amounting HK\$57,289 million and HK\$54,080 million, respectively, increasing by 1.2 per cent. and 7.4 per cent., respectively, since 31 December 2019. Net operating income before impairment allowances of its Southeast Asian entities decreased by 10.9 per cent. in the year ended 31 December 2020 to HK\$2,501 million as compared to the year ended 31 December 2019.

<sup>12</sup> Referring to the eight Southeast Asian entities, including BOC Thailand, BOC Malaysia, Ho Chi Minh City Branch, Manila Branch, Jakarta Branch, Phnom Penh Branch, Vientiane Branch and Brunei Branch. Net operating income before impairment allowances and the balances of deposits from customers and advances to customers represent the consolidated data which were prepared in accordance with Hong Kong Financial Reporting Standards.

Since 2017, the Issuer's Hong Kong operations have proactively supported business development in Southeast Asia and achieved successful results through cooperation with its Southeast Asian entities. In the corporate banking business segment, the Issuer has achieved regional synergy through internal collaboration, expanding business cooperation with leading enterprises in Southeast Asia. For example, the Issuer capitalised on its position as BOC's Asia-Pacific syndicated loan centre and arranged syndicated loans for sizable businesses in the Southeast Asian region, thus deepening business relationships with local mainstream customers. Through regional collaborations, it was able to facilitate the design, marketing and implementation of sophisticated projects, such as cash management, in an integrated and professional manner.

In the personal banking business segment, the Issuer expanded its cross-border attestation service to allow customers in Southeast Asian countries such as Indonesia, the Philippines, Vietnam and Brunei to open personal accounts with the Issuer and also its customers to open personal accounts with BOC Malaysia and BOC's entities in Macao, Australia and Canada and vice versa, with the aim of meeting customer demand for overseas property purchases, investments and education. The Issuer enriched its regional wealth management services, with BOC Malaysia offering a number of new funds and bonds, including its first RMB fund.

Furthermore, the Issuer accelerated digital development in Southeast Asia and achieved steady progress in its regional mobile payment project, with BOC Malaysia participating in an instant fund transfer service through local payment system DuitNow and becoming the first local financial institution to launch cross-border UnionPay QR code payment service. BOC Thailand introduced PromptPay in its mobile and internet banking, enabling real-time interbank funds transfer within Thailand. The Vientiane Branch also introduced an interbank funds transfer function in its mobile banking. In order to address personal customers' banking needs for studying, employment, travel and property purchases in Southeast Asia, the Issuer launched the Personal Financial Services in Southeast Asia page on the Issuer's website. The Issuer also began to roll out iGTB in its Southeast Asian entities, laying a solid foundation for the continuous growth of its regional transaction banking business.

Since the implementation of the Issuer's regional development and expanding its business in the Southeast Asian region, the Issuer has enhanced its role as a regional headquarters by stepping up its management of and support to its Southeast Asian entities. The Issuer steadily pushed forward the construction of its regional risk management framework by strengthening its Southeast Asian entities' credit risk management capacities. It continuously optimised its rating model for corporate customers and credit approval process so as to improve the efficiency of approval for key projects. The Issuer also strengthened its capability in non-performing loan collection and recovery and maintained benign asset quality by enhancing its risk monitoring and alert mechanisms to reduce risks in key industries, key customers and key businesses, and thus minimise new non-performing loans. Moreover, the Issuer comprehensively enhanced its Southeast Asian entities' risk management capabilities in market risk, interest rate risk and liquidity risk, while closely monitoring, timely assessing and actively responding to the impact of the pandemic on Southeast Asian markets and its entities. The Issuer continued to reinforce its risk management infrastructure in all aspects, including compliance, anti-money laundering and anti-fraud, and made use of systems and technical advantages to further strengthen its risk control capabilities.

## **DISTRIBUTION NETWORK**

The Issuer delivers its personal and corporate banking products and services through a variety of distribution channels, ranging from its branch network to self-service machines, phone banking, mobile banking and Internet banking.

### **Branch Network**

As of 31 December 2020, the Issuer had a principal network of over 190 branches in Hong Kong. The Issuer also had over 80 Wealth Management Centres at standalone sites or located within the Issuer's Hong Kong branches. The Issuer's branches in Hong Kong cover large customer bases and provide the Issuer with a strong community presence, as well as a channel to collect market information. The Issuer's Wealth Management Centres are designed to provide more personalised services to the Issuer's high-net-worth customers.

It is the Issuer's goal to continuously optimise the service scope and coverage of its branch network in Hong Kong. Since 2016, the Issuer has refined its front-line unit management, which has increased the productivity of its branches. The Issuer has also completed the design of a new branch model while further optimising its branch network by setting up large-scale integrated branches. For the period between 1 January 2018 and 31 December 2020, the Issuer consolidated 14 branches in Hong Kong that overlapped with existing branches or in areas with changing demographic composition of customers. The Issuer has established eight new branches in strategic locations that were not covered by its existing branch network during this same period.

### **Self-Service Banking Centres and ATMs**

As of 31 December 2020, the Issuer had over 55 remote self-service banking centres and over 225 ATM sites in Hong Kong. Besides its branch locations, the Issuer's self-service banking centres and ATMs are situated in various locations, including shopping malls, the Hong Kong International Airport, residential areas, hospitals, college campuses and major transportation hubs in Hong Kong. The Issuer is a member of Joint Electronic Teller Services Limited (“**JETCO**”), an electronic banking terminal network among banks in Hong Kong and Macao, which consists of over 1,900 ATMs in Hong Kong. The Issuer's customers can access their accounts and effect banking transactions through any JETCO ATM.

The Issuer is a market leader in offering Renminbi cash withdrawal through its ATMs for debit cardholders of the Issuer as well as those of other JETCO member banks in Hong Kong. ATM cards issued by banks in the UP network, global PLUS ATM network and the local JETCO ATM network can conduct transactions using the Issuer's ATMs and the Issuer receives a fee for some of these transactions. The UP is the UnionPay network that provides both credit and debit payment services, and the PLUS ATM network is a world-wide electronic cash access terminal network operated by the VISA Global ATM Network. Customers can use the Issuer's self-service banking centres and ATMs for a variety of basic banking functions, including HK dollars and Renminbi cash withdrawal, balance inquiry, fund transfer and bill payment.

In July 2016, the Issuer launched BOCHK iService, a 24-hour video banking service, to offer real-time banking services and product applications to fit with customers' daily lives. As of 31 December 2020, the Issuer offers BOCHK iService at over 25 locations across Hong Kong.

## **Corporate Service Centres**

In addition to the Issuer's branch network, the Issuer delivers its products and services to its corporate customers through relationship managers from its Global Corporate Banking department, Commercial Banking Department and Institutional Business Department. The Issuer had five commercial centres offering easy access for SME customers as of 31 December 2020.

## **E-Finance**

In line with its regional development tactics, the Issuer proactively introduced customer-oriented FinTech services and continuously enhanced its competitive edge in E-Finance, driving business development forward in a number of domains with a particular focus on mobile banking, wealth management and the credit approval process. The E-Finance Centre of the Issuer is focused on promoting services, penetrating FinTech development and the Issuer's competitive advantages in Hong Kong, the Greater Bay Area and Southeast Asian countries. Progress in technology advancement and mobilisation will be the blueprint of digitalisation of the Issuer's business, providing borderless banking services and omni-channel experience.

The Issuer bolstered its omni-channel infrastructure by promoting full-function enhancement projects, including Smart Counter and iService, together with innovative projects including biometric identification and a customer labelling database "Customer 360". The Issuer broadened its online payment channels by promoting its Small Value Transfer service via its mobile banking application and BoC Pay application services to provide both local and cross-border small amount fund transfer services.

The Issuer became the first bank in Hong Kong to introduce finger vein authentication on ATMs and in its branches. It also adopted fingerprint authentication for mobile banking, providing customers with safer and more convenient authentication options. Meanwhile, the Issuer strives to promote the development of e-channel facilities, including BOCHK iService, a 24-hour video banking service, a payment application, as well as Smart Account payment via WeChat.

In 2017, the Issuer capitalised on changes in customer consumption patterns by actively promoting e-payment services to provide customers with convenient day-to-day payments during the year. Following the launch of Apple Pay with VISA and MasterCard in 2016, it pioneered the launch of Apple Pay with UnionPay credit cards and debit cards, as well as introducing Samsung Pay and Android Pay with VISA and MasterCard.

The E-Finance Centre aims to escalate the penetration rate in terms of digital transactions and mobile banking usage with comprehensive financing through capital reinvestment and strategic reforms.

The Issuer remains committed to becoming a leading bank internationalised regional bank by increasing the digitalisation of its processes and customers interfaces through the continued development of its FinTech applications.

## **Phone Banking and Customer Service Centre**

The Issuer's customers can make accounts enquiries and conduct securities, foreign exchange and other general transactions by calling its customer service representatives over the phone. To enhance the service quality and deliver a one-stop user-friendly phone banking service, the Issuer consolidates its diverse services into five specialised hotlines to cater to the different banking needs of individual and corporate customers. A contact centre in Guangzhou, which is a subsidiary of BOC, provides support to

Issuer's phone banking and customer services. In addition, the Issuer is the first-ever bank in Hong Kong to provide an Online Chat service that is available 24 hours per day seven days per week, which enables customers to make product enquiries via the interactive chat platform of its online banking and gain immediate online assistance from customer service representatives.

## **DIGITAL TRANSFORMATION DEVELOPMENT**

The Issuer is engaged in deepening its application of innovative fintech and accelerating the digitalisation of its business processes so as to improve operational efficiency. Its digital transformation is driven by top-level design, in line with the establishment of its Digital Transformation Blueprint and IT 3-Year Plan (2019–2021). By focusing on the five key digital capabilities of innovation, agility, data application, mobility and regionalisation, it aims to establish three catalysing platforms, namely an intelligent platform, a data platform and an open platform, to provide a stable, reliable and unified cornerstone for cloud technology and security governance. At the same time, the Issuer adheres to its customer-centric concept, actively promotes digital transformation processes and strengthens agile and innovative resources support mechanisms, organizational structures and corporate culture. To support digital transformation, it also actively acquired and cultivated innovative fintech talents, with the aim of gradually becoming a digital bank characterised by business ecologies, process digitalisation, intelligent operations, agile project management and cloud computing.

### **Building business ecologies**

The Issuer actively deepened scenario-based applications and continuously promoted open banking services. Focusing on payment ecology scenarios in government services, transportation, consumer spending, charity and education, the Issuer launched a QR code payment collection service for the Hong Kong SAR Government, allowing it to achieve full coverage of bill payments for water, electricity, gas, rates and tax. It provided an electronic collection service using QR code for a bus company's entire fleet and launched payment services in major restaurants, supermarkets and other chain stores. An e-donation platform, "Easy Donation" the first of its kind in Hong Kong, was launched to provide solutions for charitable organisations seeking to process day-to-day donations. The Issuer also launched an ecosystem project, which was a pilot scheme for an e-education platform, partnering with a leading local e-education platform to create its first online lunch ordering scenario for students, which allowed seamless connection to BoC Bill payment service solutions.

The Issuer provides comprehensive fund collection solutions to all kinds of enterprises, charitable organisations and government agencies through BoC Bill, including the use of traditional bank cards, QR codes, FPS and Octopus card services, to cover all industries relating to people's livelihood. BoC Bill, together with BoC Pay, continue to support the transformation of industries engaged in livelihood-related payments and to promote the development of cashless payments in Hong Kong.

As part of its innovation initiatives, the Issuer aimed to optimise the BoC Pay customer experience by launching a cross-border P2P transfer function to support instant money transfer and the instant approval of virtual credit cards. At the same time, it facilitated cross-sector cooperation to expedite fintech development and opened up access to more than 90 open APIs. It joined hands with three major real estate agencies to launch an online real-time property valuation service and mortgage application service via API. The online real-time property valuation service via API was used over 3 million times up to the end of 2020. The Group also cooperated with two stock quoting platforms to offer cross-platform mobile banking stock trading services for Hong Kong stocks, US stocks and A shares. In addition, new fintech functions such as mobile banking app 5.0, online remote account opening and cardless cash withdrawals were introduced.

## **Digitalising processes**

To meet rapid growth in customer demand for online transactions, the Issuer adopted a mobile first strategy by expanding the personal account opening service of its mobile banking to non-BOCHK customers, which significantly shortened transaction times for basic banking services. Through the deployment of digital tools such as blockchain technology, iGTB and eTradeConnect the Issuer was able to enhance its regional online service capabilities and complete ground-breaking transactions such as the first batch of blockchain cross-border trade transactions and the first trade financing service with BOC Guangdong Branch and BOC Shenzhen Branch. Robotic process automation (RPA) was used in the handling of middle and back office operational procedures, which effectively automated operational procedures, reduced business processing time and enhanced efficiency.

## **Moving towards intelligent operations**

The Issuer introduced several new technologies to enhance customers' experience, such as optimised facial recognition and optical character recognition (“OCR”) technologies and an electronic account opening application service for SMEs to enhance account opening efficiency, including the efficiency and accuracy of remote account opening. Its new generation customer service platform allows an intelligent chatbot to answer customer queries, while constantly enriching the knowledge base, question design and scenario-based design of the intelligent chatbot by analysing customers' questions. More counter transactions at branches can now be performed using finger vein authentication services, which reduces manual verification on signatures and shortens transaction processing times.

Artificial intelligence was used to enhance analysis capabilities, driving more precise marketing and higher response rates. The Issuer introduced an automatic loan approval model for retail SMEs and refined the automatic approval process for qualifying personal residential mortgage loan applications in order to improve approval efficiency. It accelerated the construction of intelligent customer services through intelligent chatbot and online chat services to facilitate the transition of customer services from physical to online.

In addition, the Issuer also constructed a bank-wide intelligent anti-fraud platform to enhance its capabilities in fraud case detection and remedy, and thus comprehensively strengthen anti-fraud risk management. Furthermore, it introduced behavioural cyber security defence tools to increase the early warning and response rate of abnormal and new cyber attacks. In response to the pandemic, a secure mobile office solution was introduced to support staff working from home and ensure continued business operations. In line with the Group's regional development strategy, it established a regional document imaging management platform to provide electronic file management for its Southeast Asian entities.

## **Adopting agile project management**

The Issuer promotes the application of fintech and fully pushed forward the development of an agile mechanism and system. It deepened its agile organisational structure and conducted agile and effective approaches to coordinate, drive and implement innovative projects. The organisation of innovative activities and measures helped to boost employees' creative thinking and accelerated transformation for innovation. The Group established relevant human resources management systems to facilitate agile project operation, agile teams formation and inter-departmental collaborations. To enhance talent acquisition for technological innovation, the Group expanded its recruitment channels to attract talented professionals with expertise in big data and artificial intelligence. Employee training includes a series of

digital transformation and certified professional training courses to accelerate the development of fintech talent. It also pushed forward the comprehensive development of professional pathways and strengthened the cultivation of professional talent.

### **Moving towards cloud computing**

The Group actively pushed forward the construction of its cloud-based system to expedite its transformation for IT modernisation. By conducting an in-depth analysis on mature and forward-looking cloud-based technological solutions in the market and integrating this into its development strategy for digital transformation, the Group was able to comprehensively formulate the technological solutions for its cloud-based system, a framework design based on microservice application and technology enabled operations. The Group also formulated the implementation strategy to gradually migrate various banking services and applications to the cloud, paving the way for the development of a new generation of its enterprise-level IT architecture systems, processes and operational models using its cloud-based platform in the future and forming a foundation for gradually moving towards a modern application architecture and a technological operation model. By continuously deepening the construction of its cloud-based system, it will be introducing a cloud-based agile development model for rapid, reliable, scalable and continuous delivery of new application services. This in turn will support all business lines in responding to market changes in a quick and agile manner, and boost progress towards meeting customer service requirements and developing open banking that will fully support its digital transformation development strategy.

## **RISK MANAGEMENT**

The Issuer is exposed to various risks in the course of business. The principle types of risks inherent in the Issuer's business include credit risk, market risk, interest rate risk, liquidity risk, operational risk, reputation risk, legal and compliance risk and strategic risk.

### **Risk Management Governance Structure**

The Issuer's risk management governance structure is designed to cover all business processes and ensure various risks are properly managed and controlled in the course of conducting business. The Issuer has a robust risk management organisational structure with a comprehensive set of policies and procedures to identify, measure, monitor and control various risks that may arise. These risk management policies and procedures are regularly reviewed and updated to reflect changes in markets and business strategies. Various groups of risk takers assume their respective responsibilities for risk management.

The Board of Directors, representing the interests of shareholders, is the Issuer's highest decision-making authority and has the ultimate responsibility for risk management. With the assistance of its committees, the Board of Directors has the primary responsibility for the formulation of risk management strategies and ensuring that the Issuer has an effective risk management system to implement these strategies, risk appetite and risk culture. The RMC, a standing committee established by the Board of Directors, is responsible for overseeing the Issuer's various types of risks, approving Level I risk management policies and monitoring their implementation, and approving significant or high risk exposures or transactions. The Audit Committee assists the Board of Directors in fulfilling its role in overseeing the internal control system.

The Chief Executive (the “CE”) is responsible for managing the Issuer’s various types of risks, and approving material risk exposures or transactions within his authority delegated by the Board of Directors. The Deputy Chief Executives (the “DCEs”) assist the CE in fulfilling his responsibilities on the day-to-day management of various types of risk, and are responsible for approving material risk exposures or transactions within their authorities delegated by the CE. The Chief Risk Officer (the “CRO”), together with the Deputy Chief Executive in charge of legal, compliance, operational risk and anti-money laundering assist the CE in fulfilling his responsibilities on the day-to-day management of various types of risks and internal control; responsible for initiating new risk management strategies, projects and measures in response to regulatory changes that will enable the Issuer to better monitor and manage any risks that may arise from time to time from new businesses, products and changes in the operating environment and responsible for reviewing material risk exposures or transactions within the delegated authority. In accordance with the principle of setting the hierarchy of risk management policies approved by the Board, senior management is also responsible for approving the detailed risk management policies of their areas.

The Issuer’s various units have their respective risk management responsibilities. Business units act as the first line of defence, while risk management units, which are independent from the business units, are responsible for the day-to-day management of different kinds of risks. Risk management units act as the second line of defence, having the primary responsibilities for drafting, reviewing and updating various risk management policies and procedures. Group audit acts as the third line of defence, which is responsible for conducting independent checking, and reporting to the Board of Directors on the quality of risk management supervision, the adequacy and the compliance of internal policies and procedures.

The Issuer’s principal banking subsidiaries are subject to risk management policies that are consistent with those of the Issuer. Moreover, the Issuer’s non-banking subsidiaries, such as BOC Life, are subject to the Issuer’s risk management policies based on the characteristics of their own industries. These non-banking subsidiaries also perform daily risk management responsibilities and would report to the Issuer on a regular basis. Risk management units of the Issuer are responsible for monitoring the risk management status of these subsidiaries.

### **Credit Risk Management**

Credit risk is the risk of loss that a customer or counterparty is unable or unwilling to meet its contractual obligations. Credit risk exists in the trading book and banking book, as well as from on-and off-balance sheet transactions of the Issuer. It arises principally from lending, trade finance and treasury business.

The Issuer’s organisational structure establishes clear authority and responsibility for managing credit risk. A comprehensive set of credit risk management policies and procedures and appropriate credit risk limits are formulated to manage and control credit risk that may arise, which are regularly reviewed and updated to cope with changes in market conditions and business strategies.

For advances to customers, the Issuer adopts different credit approval and control procedures according to the level of risk associated with the customer, counterparty or transaction. The Credit Risk Assessment Committee, comprising experts from the Issuer’s credit and other functions, is responsible for making an independent assessment of material credit applications which require the approval of Deputy Chief Executives or above. Credit applications for non-retail exposures are independently reviewed and objectively assessed by risk management units. Obligor ratings (in terms of probability of default) and facility ratings (in terms of loss given default) are assigned to these portfolios to support credit approval. Retail internal rating systems are deployed in the risk assessment of retail credit



transactions, including small business retail exposures, residential mortgage loans, personal loans and credit cards, etc. Loan grades, obligor and facility ratings as well as loss estimates (if applicable) are used to support credit approval, credit monitoring, reporting and analysis of credit risk information.

For non-retail exposures, the Issuer conducts more frequent rating review and closer monitoring for higher-risk customers. For retail exposures, monthly updated internal ratings and loss estimates are used for credit monitoring on a portfolio basis. More comprehensive review is required for obligors being identified under high-risk pools. The Issuer employs an internal master rating scale that can be mapped to Standard & Poor's external credit ratings. The structure of internal master rating scale is in compliance with the requirement of the Banking (Capital) Rules under the Hong Kong Banking Ordinance.

The Issuer adopts loan grading criteria that divides credit assets into five categories with reference to the HKMA's guidelines. The Risk Management Department (the "RMD") provides regular credit management information reports and *ad hoc* reports to the Management Committee, RMC and Board of Directors to facilitate their continuous monitoring of credit risk.

For investments in debt securities and securitisation assets, the obligor ratings or external credit rating, assessment of the underlying assets and credit limits settings on customer/security issuer basis are used for managing credit risks associated with the investment. For derivatives, the Issuer sets customer limits to manage the credit risk involved and follow the same approval and control processes as applied for advances. On-going monitoring and stop-loss procedures are established.

In accordance with the Issuer's operating principle, the Issuer's principal subsidiaries have to formulate their own credit risk policies that are consistent with those of the Issuer's core principle. These subsidiaries are required to submit their credit risk management reports to the Issuer on a regular and ad-hoc basis.

### **Market Risk Management**

The Issuer defines market risk as the risk of losses arising from adverse movements in the value of foreign exchange and commodity positions and the trading book interest rate and equity positions held by the Issuer due to the volatility of financial market prices.

According to corporate governance in risk management, the Board of Directors and the RMC, senior management and functional departments and units perform their duties and responsibilities to manage the Issuer's market risk. The RMD is primarily responsible for managing market risk and assisting senior management to perform its day-to-day duties. The RMD is also responsible for independently monitoring the market risk profile and compliance of management policies and limits of the Issuer and ensuring the aggregate and individual market risks are within acceptable limits.

The Issuer sets up market risk indicators and limits to identify, measure, monitor and control market risk. Major risk indicators and limits include but are not limited to VaR, Stop Loss, Open Position, Stress Testing and Sensitivity Analysis (*e.g.*, Basis Point Value and Greeks). Major risk indicators and limits are classified into three levels and approved by the RMC, senior management or the head of the respective business unit respectively. Treasury business units of the Issuer and its subsidiaries (as for Group Limit) are required to conduct their business within approved market risk indicators and limits.

The Issuer recognises limitations by formulating stress test indicators and limits to assess and manage the market risk uncovered by VaR. The stress testing programme of the trading book includes sensitivity testing on changes in risk factors with various degrees of severity, as well as scenario analysis on historical events including but not limited to the 1987 Equity Market Crash, 1994 Bond Market Crash, the 1997 Asian Financial Crisis, the 11 September 2001 terrorist attacks and 2008 Financial Crisis.

### **Banking Book Interest Rate Risk (“IRRBB”) Management**

Interest rate risk means the risks to a bank’s earnings and economic value arising from adverse movements in interest rate and term structures of the bank’s asset and liability positions. The Issuer’s interest rate risk exposures are mainly structural. The major types of interest rate risk are:

- Gap risk — mismatches in the maturity or re-pricing periods of assets and liabilities that may affect net interest income and economic value;
- Basis risk — different pricing basis for different transactions resulting that the yield on assets and cost of liabilities may change by different amounts within the same re-pricing period; and
- Option risk — exercise of the options embedded in assets, liabilities or off-balance sheet items that can cause a change in the cashflows of assets and liabilities.

The Issuer’s risk management framework also applies to interest rate risk management. The Assets and Liabilities Management Committee (“ALCO”) exercises its oversight of interest rate risk in accordance with the interest rate risk management policy as approved by the RMC. The RMD is the unit responsible for interest rate risk management. With the cooperation of the Financial Management Department and the investment management unit, RMD assists the ALCO to manage day-to-day interest rate risk positions. Its roles include, but are not limited to, formulation of management policies, selection of methodologies, setting risk indicators and limits, assessment of target balance sheet, monitoring compliance with policies and limits, and submission of interest rate risk management reports to the RMC and senior management.

The Issuer sets out interest rate risk indicators and limits to identify, measure, monitor and control interest rate risk. The indicators and limits include, but are not limited to, re-pricing gap limits, basis risk, duration, price value of a basis point (“PVBPP”), net interest income sensitivity ratio and economic value sensitivity ratio.

### **Liquidity Risk Management**

The Issuer defines liquidity risk as the risk that the Issuer fails to provide sufficient funds to grow assets or pay the due obligations and the need to bear an unacceptable loss. The Issuer maintains sound liquidity risk appetite to provide stable, reliable and adequate sources of cash to meet liquidity needs under normal circumstances and stressed scenarios.

The Issuer’s liquidity risk management objective is to effectively manage the liquidity of on-balance sheet and off-balance sheet items with reasonable cost based on liquidity risk appetite to achieve sound operation and sustainable profitability. Customer deposits are the Issuer’s primary source of funds. To ensure stable and sufficient sources of funds are in place, the Issuer actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market or by issuing bills in the capital market. Depending on different term maturities and the results of funding needs estimated from stressed scenarios, the Issuer adjusts its asset structure (including loans, bonds investment and interbank

placement) to maintain sufficient liquid assets in support of normal business needs and ensure its ability to raise enough funds at a reasonable cost to serve external claims in case of emergency. The Issuer is committed to diversifying the source of funds and the use of funds to avoid excessive concentration of assets and liabilities and prevent problems arise in one concentrated funding source from triggering liquidity risk due to the break of funding strand. The Issuer also pays attention to manage liquidity risk created by off-balance sheet activities, such as loan commitments, derivatives, options and other complex structured products. The Issuer has an overall liquidity risk management strategy to cover the liquidity management of foreign currency assets and liabilities, intra-day liquidity, intra-group liquidity, the liquidity risk arising from other risk, etc., and has formulated corresponding funding contingency plans.

The Issuer's liquidity risk management framework comprises three levels — the RMC, ALCO and RMD. The RMC is the decision-making authority of liquidity risk management and assumes the ultimate responsibility of liquidity risk management. As authorised by the RMC, the ALCO exercises its oversight of liquidity risk and ensures the daily operations of the Issuer are conducted based on the risk appetite and policies as set by the RMC. The Risk Management Department is the unit responsible for overseeing liquidity risk. It cooperates with the Financial Management Department and the investment management unit to assist ALCO to perform liquidity management functions according to their specific responsibilities.

The Issuer established liquidity risk management indicators and limits to identify, measure, monitor and control liquidity risk. These indicators and limits include, but are not limited to, liquidity coverage ratio (“LCR”), net stable funding ratio (“NSFR”), loan-to-deposit ratio, Maximum Cumulative Cash Outflow (“MCO”) and liquidity cushion. The Issuer applies cash flow analysis to assess the Issuer's liquidity condition under normal conditions and it also performs a liquidity stress test (including institution- specific, general market crisis and combined crisis) and other methods at least on monthly basis to assess the Issuer's capability to withstand various severe liquidity crises. Also, relevant management information systems such as the Assets and Liabilities Management System and Basel Liquidity Ratio Management System are developed to provide data and the preparation for regular management reports to facilitate liquidity risk management duties.

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

The Issuer has established a set of uniform liquidity risk management policies which serve as standards and guidance to all the Issuer's subsidiaries for liquidity risk management. On the basis of the Issuer's uniform policy, each of the subsidiaries develops its own liquidity management policies according to its own characteristics (subject to approval by the Issuer) and assumes its own liquidity risk management responsibility. Subsidiaries are required to report their respective liquidity positions on a regular basis to the RMD, which consolidates such information and monitors group-wide liquidity risk.

### **Operational Risk Management**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk is inherent in every aspect of the Issuer's business operations and its day-to-day operational activities.

The Issuer has implemented the “Three Lines of Defence” for its operational risk management. All departments or functional units, as the first line of defence, are the first parties responsible for operational risk management and carrying out the duties and functions of self-risk control in the process of business operation through self-assessment and self-enhancement. The Legal & Compliance and Operational Risk Management Department (“LCO”), together with certain specialist functional units in relation to operational risk management within the Issuer, including the Human Resources Department, Corporate Services Department, Financial Crime Compliance Department, Financial Management Department, Treasury and General Accounting & Accounting Policy Department (collectively known as “**specialist functional units**”), are the second line of defence. They are responsible for assessing and monitoring the operational risk condition in the first line of defence and providing them with guidance. LCO, being independent from business units, is responsible for assisting Management in managing the Issuer’s operational risk, including the establishment and review of the operational risk management policy and framework, designing the operational risk management tools and reporting mechanism, and assessing and reporting the overall operational risk position to the Management and the RMC. Specialist functional units are required to carry out their managerial duties of the second line of defence with respect to some specific aspects of operational risk and issues that are related to their respective departments. Besides taking charge of operational risk management in their own units, these units are also required to provide other units with professional advice/training in respect of certain operational risk categories and to lead the group-wide operational risk management. Group Audit is the third line of defence which provides independent assessment of the effectiveness and adequacy of the operational risk management framework and is required to conduct periodic audits on the operational risk management activities of various departments or functional units within the Issuer regarding their compliance and effectiveness and to put forward recommendations for remedial actions.

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

### **Reputation Risk Management**

Reputation risk is the risk where negative publicity about the Issuer’s business practices, whether genuine or not, will cause potential decline in its customer base, or lead to costly litigation or decrease in revenue. Reputation risk is inherent in other types of risk and in every aspect of business operations. It covers a wide spectrum of issues.

In order to mitigate reputation risk, the Issuer has formulated and duly followed its Reputation Risk Management Policy. The policy aims to identify and proactively prevent reputation risk at an early stage when an incident occurs. Since reputation risk is often caused by various types of operational and strategic issues that negatively impact the trust and perception of the Issuer, all operational and key risks identified are assessed through the established Key Control Self-Assessment Framework, including risk assessment tools, to evaluate the severity of their impact on the Issuer, including the damage to reputation.

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

### **Legal and Compliance Risk Management**

Legal risk is the risk that unenforceable contracts, lawsuits or adverse judgments may disrupt or otherwise negatively affect the Issuer's operations or financial condition. Compliance risk is the risk of legal or regulatory sanctions, financial loss or loss in reputation that the Issuer may suffer as a result of any failure to comply with applicable laws and regulations. Legal and compliance risks are managed by LCO, while the risks related to money laundering, terrorist financing, fraud, bribery and corruption are independently managed and monitored by the Financial Crime Compliance Department ("FCC"). Both LCO and FCC report directly to the Deputy Chief Executive. As part of the Issuer's corporate governance framework, the policies for the management of legal and compliance risks, and money laundering, terrorist financing and financial crime compliance risks are approved by the Board committees as delegated by the Board of Directors.

### **Strategic Risk Management**

Strategic risk generally refers to the risks that may induce immediate or future negative impact on the Issuer's financial and market positions because of poor strategic decisions, improper implementation of strategies and inadequacies in the response to the market. The Board of Directors reviews and approves the policy for the management of strategic risks. Key strategic issues have to be fully evaluated and properly endorsed by senior management and the Board of Directors.

The Issuer will regularly review its business strategies to cope with the latest market condition and developments.

### **Capital Management**

The major objective of the Issuer's capital management is to maximise total shareholders' return while maintaining a capital adequacy position in relation to the Issuer's overall risk profile. The ALCO periodically reviews its capital structure and adjusts the capital mix where appropriate to maintain an optimal balance among risk, return and capital adequacy. The Issuer has developed and maintained a sound framework of policies and controls on capital management to support the development of the Group's business and to meet the statutory capital adequacy ratio. The ALCO monitors the Issuer's capital adequacy and ensure that the Issuer has complied with all the statutory capital requirements of the HKMA for the reported periods.

To comply with HKMA's requirements as stated in the Supervisory Policy Manual "Supervisory Review Process", the Issuer has established the Internal Capital Adequacy Assessment Process ("ICAAP") and reviews it annually. Based on the HKMA's guidelines on Pillar II, the ICAAP has been initiated to assess the extra capital needed to cover the material risks not captured or not adequately captured under Pillar I, and therefore minimum Common Equity Tier 1 capital ratio, minimum Tier 1 capital ratio and minimum Total capital ratio are also determined. Meanwhile, operating ranges for the aforementioned capital ratios have also been established, which enable the flexibility for future business growth and efficiency of capital utilisation.

## **Anti-Money Laundering and Counter Terrorist Financing Measures**

The Issuer has organised its operations and activities in accordance with all applicable laws, regulations and guidelines, including the HKMA's anti-money laundering guidelines. The Issuer places great importance on its anti-money laundering/counter terrorist financing monitoring and set up an anti-money laundering committee to supervise and coordinate activities in this area. The objectives of this committee include:

- managing the Issuer's risk exposure in relation to anti-money laundering/counter terrorist financing;
- ensuring that proper anti-money laundering/counter terrorist financing control procedures have been properly implemented with reference to prevailing guidelines and circulars of legal and regulatory bodies; and
- coordinating among various departments and branches on anti-money laundering/counter terrorist financing activities.

The Issuer has implemented internal anti-money laundering/counter terrorist financing guidelines and suspicious transaction reporting procedures to facilitate its staff's understanding of their anti-money laundering/counter terrorist financing obligations and responsibilities. Regular and on-going training will be provided to the Issuer's employees. The Issuer has also set up a suspicious transaction reporting system to facilitate the identification, monitoring and reporting of suspicious transactions.

In addition, the Issuer continually seeks to improve its anti-money laundering/counter terrorist financing controls and procedures by identifying areas which require improvement and taking appropriate measures to implement more stringent internal monitoring and control procedures.

## **BACK OFFICE PROCESSING**

The Issuer's bank-wide operation unit is responsible for the delivering of banking services to the Issuer's customers in a timely and cost-effective manner. The Issuer adopts the centralised processing approach in its bank-wide operation unit. Major functions supported by this unit include the following:

- account opening;
- loan processing;
- trade finance processing;
- remittance processing;
- cheque processing;
- confirmation and settlement of treasury products;
- Renminbi clearing;
- distribution and collection of bank notes;
- cash management services;

- corporate customer services;
- account reconciliation; and
- branch services support.

The Issuer's bank-wide operation unit has established performance metrics for the measurement of productivity and is committed to providing reliable back office service through various process re-engineering initiatives. Manual data input functions of the Issuer's bank-wide operation unit are being relocated to a low-cost processing centre in the Mainland to improve the cost effectiveness of the Issuer's back office processing.

## **TECHNOLOGY**

The IT department has an experienced team of professionals providing technological support to the Issuer's operations, including customer services, transaction processing, risk management and financial management. A robust system environment is the key to the achievement of the Issuer's overall business strategies and will enhance its overall efficiency, the quality of its customer service and its risk and financial management. The use of latest FinTech has also enhanced the customer experience and security of the banking services. The Issuer has invested and will continue to invest in its IT systems. In the past, it has engaged external IT consultants for major IT projects. Currently, the Issuer also engages external experts to improve its systems and to leverage its substantial industry knowledge and ensure that the best practices can be implemented. The Issuer's IT hardware and software are sourced from various vendors which are well-known brands in their respective areas of expertise.

The Issuer has adopted a variety of security measures, including advanced firewall technologies, digital security certificates, intruder detection software and internet security strategies to provide a high level of network security. To enhance the reliability of its operations, the Issuer has also established operational disaster recovery centres in Hong Kong away from headquarters.

## **COMPETITION**

The Issuer faces intense competitions from peer banks, other financial investment services and FinTech companies. As of December 2020, according to statistics published by the HKMA, there were 161 international and local licensed banks competing for a population of approximately 7.47 million people according to the Hong Kong Census and Statistics Department. Competition from both Hong Kong-incorporated and foreign licenced banks is intense as the Issuer is competing for customers with restricted license banks, deposit-taking companies and insurance companies in certain areas of business. Furthermore, the Issuer competes with consumer finance companies for personal banking services and investment banks and other financial intermediaries for investment and other financial services. The Issuer also competes with rising FinTech companies, internet finance, and e-commerce companies in consumer financing, mobile payments and merchant businesses. Virtual banking is likely to be a competition in the future as HKMA encourages the development of virtual banking in Hong Kong and has published a revised Guideline on Authorisation of Virtual Banks on 30 May 2018 after a public consultation. Competition in the Hong Kong banking industry is primarily based on the range and quality of the product and service offerings, customer convenience and pricing. For additional information, see the section headed "*Risk Factors — Risks Relating to the Issuer's Business — The increasing competition in Hong Kong and the Mainland banking industry could adversely affect the Issuer's profitability*".

In addition, the Hong Kong banking industry is undergoing consolidation, with a number of significant mergers and acquisitions taking place in recent years. In particular, international and PRC financial institutions have been establishing or strengthening their presence, and larger domestic financial institutions have been consolidating their market position in the Hong Kong banking market through acquisitions of banks, finance companies and stock brokerage firms. The Issuer expects that further consolidation in the industry, in particular among mid-cap Hong Kong banks, will continue to intensify competition.

Despite fierce competitions in the market, the Issuer believes that it can maintain its competitive edge by its strong market reputation and leading presence in the commercial banking market in Hong Kong, its commitment to technological innovation, as well as BOC's strong support in the Mainland. In personal banking, the Issuer's integrated banking services, together with its large customer base and extensive distribution network, provide it with significant cross-selling opportunities with its individual customers. The Issuer's extensive experience in serving its Mainland customers and its relationship with BOC also allow it to develop its customer base. In corporate banking, the Issuer has increasingly benefited from its continued active participation in syndicated loans and diverse trade finance products and services. The Issuer's relationships with BOC have also been a competitive advantage in expanding its customer base in the Mainland. In addition, the restructuring of Southeast Asia businesses with BOC extends the Issuer's businesses and footprint to Southeast Asia, which is an important node of the Belt and Road initiative. For a further discussion of the risks of competition the Issuer faces in Hong Kong and the Mainland, see "*Risk Factors — Risks Relating to the Issuer's Business — The increasing competition in Hong Kong and the Mainland banking industry could adversely affect the Issuer's profitability*".

## **EMPLOYEES**

The Issuer had approximately 14,865 full-time employees as of 31 December 2020. The Issuer has not experienced any strikes or other material labour disputes, and the Issuer considers its relations with its employees to be good. Most of its employees do not belong to any labour union. Substantially all of its employees are located in Hong Kong. The Issuer has no current intention to retrench its staff.

The Issuer's staff compensation packages include a performance-based bonus which is linked to risk-adjusted performance in individual, business-unit and firm-wide level, as well as adherence to the Group's corporate culture.

The Issuer has adopted a performance measurement system under which its employees are evaluated annually. This performance measurement system applies to every level of the Issuer's permanent employees and some of the non-permanent employees. Under the system, each supervisor of an employee conducts an annual review of the employee's performance based on a number of different criteria. The result of the review is the basis for promotions, pay rises, bonuses or remedial actions.

In addition to basic compensation, the Issuer currently offers its employees residential mortgage loan scheme at preferential interest rates and rental reimbursement scheme. Moreover, the Issuer's employees are eligible to participate in its exempted retirement schemes, MPF and other employee benefit plans. Under the exempted retirement schemes, the employee contributes five per cent. of his or her salary to the schemes on a monthly basis whereas the Issuer contributes five per cent. to fifteen per cent. of the employee's salary to the schemes on a monthly basis, depending on his or her years of service. The MPF, to which both the Issuer and the Issuer's employees contribute, is a retirement scheme required by Hong Kong law. Under the mandatory provident fund requirements, the Issuer and each employee are



required to contribute five per cent. of the employee's relevant income to the fund on a monthly basis as mandatory contributions. The Issuer also makes voluntary contributions to employees who have served the Issuer for five years or more. The Issuer has made all required contributions to date.

The Issuer believes that training of its employees is essential in promoting corporate culture in its organisation. The Human Resources Department of the Issuer focuses on facilitating changes in its corporate, risk management and marketing culture through continuous training of its employees. The Issuer has a dedicated learning and talent development centre where it conducts regular training programmes for its employees. Management trainees normally undergo a training module of approximately 18 months in length. The Issuer also offers courses conducted by both internal and external providers. In addition to on-going on-the-job training, the Issuer provides courses in specific areas or specialised operations to employees on a need-based basis, with customised training programme modules, covering subjects such as risk management procedures and anti-money laundering control procedures.

## **PROPERTIES**

The Issuer's registered office is located at 14/F, Bank of China Tower, No. 1 Garden Road, Hong Kong. As of 31 December 2020, the Issuer had over 190 branches in Hong Kong and over 30 branches in Southeast Asia, where over 100 branches are located on properties owned by the Issuer, with the remaining facilities were located on leased properties. The Issuer also has properties owned or leased by its subsidiaries in Hong Kong, the Mainland and a number of countries in Southeast Asia.

## **INSURANCE**

The Issuer utilises a broad insurance programme, which provides its operations with coverage that it believes is appropriate for the associated risks. Where appropriate, the Issuer takes out: (i) cash-in-transit insurance, (ii) cash-in-bank, (iii) contractors' all risks insurance, (iv) public liability insurance, (v) accidental damage to property insurance, (vi) directors and officers liability, (vii) banker's blanket bond and (viii) insurance to mitigate unforeseeable operational risks. Most of the Issuer's insurance protections include coverage for physical loss and damage as well as third party liability. The Issuer periodically reviews its insurance coverage to ensure that it has adequate coverage. The Issuer considers its insurance coverage to be in line with what the customary practice in the banking industry.

## **LEGAL PROCEEDINGS**

The Issuer is party to various legal proceedings in the ordinary course of its business. Although the Issuer cannot accurately predict the outcome of these matters, it does not expect any proceeding to have material adverse effect on its business, consolidated financial position or results of operations. The Issuer makes provision for potential liabilities which it deems probable and reasonably estimable. These provisions are based on current information and legal advice and are adjusted from time to time according to developments of pending cases.

## ASSETS AND LIABILITIES AND SELECTED STATISTICAL DATA

### ASSETS

The three principal components of the Issuer's interest-earning assets consist of loans to banks, interest-earning securities and loans and advances to customers. The following table sets forth, for the periods indicated, the daily average balances of the principal components of the Issuer's assets:

	Year ended 31 December		
	2018 <sup>(1)</sup>	2019	2020
	(audited)		
(daily average balance, HK\$ in millions)			
Balances and placements with banks and other			
financial institutions . . . . .	376,643	319,206	351,212
Debt securities investments and other debt instruments	712,783	785,657	755,372
Advances to customers and other accounts . . . . .	1,258,223	1,344,432	1,517,613
Other interest-earning assets . . . . .	17,354	21,801	18,396
<b>Total interest-earning assets . . . . .</b>	<b>2,365,003</b>	<b>2,471,096</b>	<b>2,642,593</b>
Non interest-earning assets . . . . .	319,056	356,210	490,322
<b>Total assets . . . . .</b>	<b>2,684,059</b>	<b>2,827,306</b>	<b>3,132,915</b>

(1) Comparative information contained in the Issuer's audited consolidated financial statements as of and for the year ended 31 December 2019 have been restated as a result of the transfer of the Branch Interests in Bank of China Limited, Vientiane Branch in Laos from BOC to the Issuer in January 2019. The Issuer has applied the merger accounting method for the business combination under common control. The comparative amounts in the financial statements have been restated as if the business of BOC Vientiane Branch had always been carried out by the Group.

### Foreign Exposure

The Issuer had foreign exposure with respect to each of the three principal components of its assets. The HKMA defines "exposure" as all potential losses which might result should a counterparty default. This includes, amongst other things, claims and contingent liabilities recorded both on and off the Issuer's balance sheet and any exposure to a counterparty that is liable as a guarantor.

The Issuer believes that, given the generally high credit quality of both the foreign counterparties with respect to its loans to banks and the issuers of its interest-earning securities, its exposure to these entities does not exhibit a significant level of risk. Its exposures to foreign banks were primarily related to high-quality international institutions in both the Mainland and elsewhere and the Issuer generally does not consider these entities to present significant credit risks.

The Issuer's interest-earning debt securities of foreign issuers were largely issued by banks and other financial institutions, and included securities issued by governments and central banks as well as public sector entities in G-7 countries and in Australia, which the Issuer also considers to be low risk.

Additionally, to the above foreign exposure to banks and other financial institutions, the Issuer is also exposed to foreign risk with respect to loans to entities with exposure to the Mainland. Its Mainland exposure consists of non-bank Mainland exposures ("NBMCEs") as defined by the HKMA.

NBMCEs consist of exposures to the following non-bank counterparties:

- Central government, central government-owned entities and their majority-owned subsidiaries and majority-owned joint ventures incorporated in or outside the Mainland;
- Local governments, local government-owned entities and their majority owned subsidiaries and majority-owned joint ventures incorporated in or outside the Mainland;
- PRC nationals residing in the Mainland whether the credit is for use in or outside the Mainland or other entities incorporated in the Mainland including those that are minority-owned by central or local governments. Majority-owned subsidiaries and majority-owned joint ventures of “other entities incorporated in the Mainland “and incorporated outside the Mainland should also be included;
- Other entities incorporated outside the Mainland and minority-owned by the central government not reported in the first bullet point above;
- Other entities incorporated outside the Mainland and minority-owned by the local governments not reported in the second bullet point above;
- PRC nationals residing outside the Mainland or entities incorporated outside the Mainland other than those reported under the first through fifth bullet point above where the credit is granted for use in the Mainland. For avoidance of doubt, credit granted for use outside the Mainland to PRC nationals residing outside the Mainland is outside the reporting scope of this return; and
- Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland exposures.

The following table sets forth the NBMCEs of the Issuer as of 31 December 2020:

	<u>As of 31 December 2020</u>		
	<u>(audited)</u>		
	<u>On-balance sheet exposure</u>	<u>Off-balance sheet exposure</u>	<u>Total exposure</u>
	(HK\$ in millions)		
Central government, central government-owned entities and their subsidiaries and joint ventures . . .	349,405	36,110	385,515
Local governments, local government-owned entities and their subsidiaries and joint ventures . . . . .	69,104	11,230	80,334
PRC nationals residing in the Mainland or other entities incorporated in the Mainland and their subsidiaries and joint ventures . . . . .	109,921	23,386	133,307
Other entities of central government not reported in line 1 above . . . . .	32,628	4,765	37,393
Other entities of local governments not reported in line 2 above. . . . .	1,002	—	1,002
PRC nationals residing outside the Mainland or entities incorporated outside the Mainland where the credit is granted for use in the Mainland . . . . .	83,664	8,477	92,141
Other counterparties where the exposures are considered to be non-bank Mainland exposures . . .	<u>1,849</u>	<u>10</u>	<u>1,859</u>
<b>Total</b> . . . . .	<b><u>647,573</u></b>	<b><u>83,978</u></b>	<b><u>731,551</u></b>

NBMCEs may be subject to political, regulatory, systemic, operational, and management risks associated with operating in the Mainland. As part of its business strategy, the Issuer intends to capitalise on its relationship with BOC to further access the Mainland financial markets. This may result in an increase in the volume of its loans to borrowers located in the Mainland. However, the Issuer believes that its credit approval, monitoring and evaluation practices will allow it to manage the credit quality of its loans to these borrowers.

The following table illustrates the major foreign currency exposures arising from trading and non-trading positions as of 31 December 2020, and is prepared with reference to the completion instructions for HKMA return of foreign currency position. The net options position is calculated based on the basis of delta-weighted positions of all foreign exchange options contracts.

	As of 31 December 2020							
	(audited)							
	U.S. Dollars	Pound Sterling	Japanese Yen	Euro	Renminbi	Australian Dollars	Other foreign currencies	Total foreign currencies
	(HK\$ in millions)							
Spot assets . . . . .	910,330	30,074	160,779	45,926	381,197	36,620	62,007	1,626,933
Spot liabilities . . . . .	(830,528)	(25,986)	(8,006)	(27,974)	(366,800)	(30,815)	(60,400)	(1,350,509)
Forward purchases . . . . .	616,841	23,737	18,050	39,254	365,271	15,063	54,352	1,132,568
Forward sales . . . . .	(676, 931)	(27,641)	(170,914)	(57,474)	(382,087)	(20,758)	(56,136)	(1,391,941)
Net options position . . . . .	650	7	—	(2)	(406)	(1)	(1)	247
<b>Net long/(short) position . . . . .</b>	<b>20,362</b>	<b>191</b>	<b>(91)</b>	<b>(270)</b>	<b>(2,825)</b>	<b>109</b>	<b>(178)</b>	<b>17,298</b>

The following table sets forth, at the dates indicated, gross advances to customers categorised by the locations of the counterparties, after taking into account the transfer of risk in respect of such advances where appropriate:

	As of 31 December		
	2018 <sup>(1)</sup>	2019	2020
	(audited)		
	(HK\$ in millions)		
Hong Kong . . . . .	1,007,394	1,124,352	1,218,025
The Mainland . . . . .	127,348	126,075	112,527
Other locations . . . . .	131,785	144,996	166,704
	<b>1,266,527</b>	<b>1,395,423</b>	<b>1,497,256</b>

(1) Comparative information contained in the Issuer's audited consolidated financial statements as of and for the year ended 31 December 2019 have been restated as a result of the transfer of the Branch Interests in Bank of China Limited, Vientiane Branch in Laos from BOC to the Issuer in January 2019. The Issuer has applied the merger accounting method for the business combination under common control. The comparative amounts in the financial statements have been restated as if the business of BOC Vientiane Branch had always been carried out by the Group.

## Gross Loans and Advances to Customers

### Concentration of Advances to Customers by Industry Sectors

The following table sets forth, at the dates indicated, gross advances to customers by loans used inside or outside Hong Kong by industry sectors of the borrowers and as a percentage of gross advances to customers:

	As of 31 December					
	2018 <sup>(1)</sup>		2019		2020	
	(audited)					
	% of gross advances to customers	% of gross advances to customers		% of gross advances to customers		% of gross advances to customers
Amount	Amount	Amount	Amount	Amount	Amount	Amount
(HK\$ in millions, except percentages)						
<b>Loans for use in Hong Kong Industrial, commercial and financial</b>						
Property development . . . . .	126,328	10.0	137,663	9.9	132,966	8.9
Property investment . . . . .	50,223	4.0	49,073	3.5	64,768	4.3
Financial concerns . . . . .	22,345	1.8	29,411	2.1	25,066	1.7
Stockbrokers . . . . .	1,171	0.1	815	0.0	1,656	0.1
Wholesale and retail trade . . . . .	38,147	3.0	39,880	2.9	30,523	2.0
Manufacturing . . . . .	51,093	4.0	42,719	3.0	53,629	3.6
Transport and transport equipment . . . . .	66,256	5.2	66,511	4.8	74,633	5.0
Recreational activities . . . . .	1,675	0.1	2,161	0.2	198	0.0
Information technology . . . . .	18,006	1.4	22,464	1.6	25,579	1.7
Others . . . . .	118,574	9.4	125,909	9.0	131,571	8.8
<b>Individuals</b>						
Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme . . . . .						
	11,150	0.9	19,855	1.4	27,809	1.9
Loans for purchase of other residential properties . . . . .	243,963	19.3	277,288	19.9	311,070	20.8
Credit card advances . . . . .	15,613	1.2	14,663	1.1	10,959	0.7
Others . . . . .	76,468	6.0	95,862	6.9	100,422	6.7
<b>Total loans for use in Hong Kong . . . . .</b>	<b>841,012</b>	<b>66.4</b>	<b>924,274</b>	<b>66.3</b>	<b>990,849</b>	<b>66.2</b>
<b>Trade financing . . . . .</b>	<b>65,437</b>	<b>5.2</b>	<b>75,764</b>	<b>5.4</b>	<b>66,497</b>	<b>4.4</b>
<b>Loans for use outside Hong Kong . . . . .</b>	<b>360,078</b>	<b>28.4</b>	<b>395,385</b>	<b>28.3</b>	<b>439,910</b>	<b>29.4</b>
<b>Gross advances to customers . . . . .</b>	<b>1,266,527</b>	<b>100.0</b>	<b>1,395,423</b>	<b>100.0</b>	<b>1,497,256</b>	<b>100.0</b>

- (1) Comparative information contained in the Issuer's audited consolidated financial statements as of and for the year ended 31 December 2019 have been restated as a result of the transfer of the Branch Interests in Bank of China Limited, Vientiane Branch in Laos from BOC to the Issuer in January 2019. The Issuer has applied the merger accounting method for the business combination under common control. The comparative amounts in the financial statements have been restated as if the business of BOC Vientiane Branch had always been carried out by the Group.

## Maturities of Loans

The following table sets forth the maturities of the Issuer's loan portfolio as of 31 December 2020.

	As of 31 December 2020							Total
	(audited)							
	On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	
	(HK\$ in millions)							
<b>Assets</b>								
Advances and other accounts	<u>224,172</u>	<u>41,197</u>	<u>83,024</u>	<u>183,549</u>	<u>622,363</u>	<u>344,001</u>	<u>1,502</u>	<u>1,499,808</u>

## Distribution by Product Type

The following table sets forth, as of the dates indicated, the Issuer's advances and other accounts before loan impairment allowances categorised by product type:

	As of 31 December		
	2018 <sup>(1)</sup>	2019	2020
	(audited)		
	(HK\$ in millions)		
Advances to customers			
Personal			
— Mortgages . . . . .	256,723	298,914	340,587
— Credit cards . . . . .	15,640	14,688	10,981
— Others . . . . .	80,442	100,754	105,445
Corporate			
— Commercial loans . . . . .	848,285	905,303	973,746
— Trade finance . . . . .	<u>65,437</u>	<u>75,764</u>	<u>66,497</u>
	1,266,527	1,395,423	1,497,256
Trade bills . . . . .	17,361	20,727	9,826
Advances to banks and other financial institutions . . .	<u>3,822</u>	<u>3,387</u>	<u>1,898</u>
<b>Gross advances and other accounts before impairment allowances . . . . .</b>	<b><u>1,287,710</u></b>	<b><u>1,419,537</u></b>	<b><u>1,508,980</u></b>

(1) Comparative information contained in the Issuer's audited consolidated financial statements as of and for the year ended 31 December 2019 have been restated as a result of the transfer of the Branch Interests in Bank of China Limited, Vientiane Branch in Laos from BOC to the Issuer in January 2019. The Issuer has applied the merger accounting method for the business combination under common control. The comparative amounts in the financial statements have been restated as if the business of BOC Vientiane Branch had always been carried out by the Group.

## Borrower Concentration

In accordance with the Part 7 of the Banking (Exposures Limits) Rules and the HKMA's guidelines, the Issuer's exposure to any single counterparty and group of linked counterparties must not exceed 25.0 per cent. of its Tier 1 capital. Certain types of exposure are disregarded for the purposes of the Banking (Exposures Limits) Rules, such as an exempted sovereign entity (including, in relation to the Hong Kong SAR Government, the holding of Exchange Fund Bills and Exchange Fund Notes for the account of the Exchange Fund). Credit Risk Migration is also applied to the exposures valuation. The Issuer's aggregate non-exempted credit exposures other than exposures to banks (including multilateral

development banks) that are equal to or greater than 10.0 per cent. of its Tier 1 capital must be within the HKMA's clustering limit approved by its Board of Directors and agreed with the HKMA. Further, the Issuer must be in compliance with the HKMA's Supervisory Policy Manual with respect to large exposures and risk concentrations.

## **Classified or Impaired Loans**

### ***Loan Impairment Policies***

Since 1 January 2018, the Issuer has adopted and implemented the new expected credit loss impairment model under HKFRS 9. The Issuer accounts for expected credit losses within the next 12 months as Stage 1 when those financial instruments are initially recognised. If there have been significant increases in credit risk since the initial recognition, the Issuer will recognise lifetime expected credit losses as Stage 2. Lifetime expected credit losses for credit-impaired financial instruments will be recognised as Stage 3 if one or more events that have a detrimental impact on the estimated future cash flows of that financial assets have occurred and interest accrual will then be accrued net of the impairment amount of Stage 3 financial assets.

The assessment of credit risk and measurement of expected credit losses (“ECL”) are required to be based on unbiased and probability-weighted possible outcomes, and reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions. Significant management judgements and estimates are involved in the development and the application of models and the choices of inputs in the calculation of ECL, including: (1) segmentation of financial assets according to credit risk characteristics; (2) estimation of probability of defaults, loss given defaults, exposure at defaults and macroeconomic factor forecasts; (3) criteria on significant credit deterioration; and (4) selection of forward-looking macroeconomic scenarios and their probability weightings.

### ***Loan Grading System***

As of 31 December 2020, the Issuer continued to adopt loan grading criteria which divide credit assets into five categories with reference to HKMA's guidelines, as below:

“Pass” represents loans where the borrower is current in meeting its repayment obligations and full repayment of interest and principal is not in doubt.

“Special Mention” represents loans where the borrower is experiencing difficulties which may threaten the Issuer's recoverability of the loan principal and interest. Ultimate loss is not expected at this stage but could occur if adverse conditions persist.

“Substandard” represents loans where the borrower displays a definable weakness that is likely to jeopardise repayment.

“Doubtful” represents loans where collection in full is improbable and the Issuer expects to sustain a loss of principal and/or interest, taking into account the net realisable value of the collateral.

“Loss” represents loans which are considered uncollectible after all collection options (such as the realisation of collateral or the institution of legal proceedings) have been exhausted.

## Impairment Allowances

The following table sets forth, at the dates indicated, the Issuer's impairment allowances by loans used inside or outside Hong Kong by industry sectors of the borrowers.

	As of 31 December					
	2018 <sup>(1)</sup>		2019		2020	
	(audited)					
Impairment allowances — Stage 3	Impairment allowances — Stages 1 and 2	Impairment allowances — Stage 3	Impairment allowances — Stages 1 and 2	Impairment allowances — Stage 3	Impairment allowances — Stages 1 and 2	
(HK\$ in millions)						
<b>Loans for use in Hong Kong Industrial, commercial and financial</b>						
Property development . . . . .	—	543	—	695	—	803
Property investment . . . . .	—	44	—	62	15	186
Financial concerns . . . . .	—	37	—	53	—	54
Stockbrokers . . . . .	—	1	—	1	—	3
Wholesale and retail trade . . . . .	3	179	87	210	109	411
Manufacturing . . . . .	134	87	95	174	4	290
Transport and transport equipment . . . . .	9	150	—	180	—	598
Recreational activities . . . . .	—	2	—	3	—	2
Information technology . . . . .	1	107	—	76	13	33
Others . . . . .	7	269	4	365	4	409
<b>Individuals</b>						
Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme. . . . .						
	—	4	—	10	—	17
Loans for purchase of other residential properties . . . . .						
	—	58	—	97	1	137
Credit card advances . . . . .						
	118	150	113	159	95	151
Others . . . . .						
	52	397	63	358	81	384
<b>Total loans for use in Hong Kong</b> . . . . .	<b>324</b>	<b>2,028</b>	<b>362</b>	<b>2,443</b>	<b>322</b>	<b>3,478</b>
<b>Trade financing</b> . . . . .	<b>194</b>	<b>124</b>	<b>237</b>	<b>154</b>	<b>372</b>	<b>202</b>
<b>Loans for use outside Hong Kong</b> . . . . .	<b>608</b>	<b>2,141</b>	<b>1,576</b>	<b>2,263</b>	<b>1,958</b>	<b>2,840</b>
<b>Gross advances to customers</b> . . . . .	<b>1,126</b>	<b>4,293</b>	<b>2,175</b>	<b>4,860</b>	<b>2,652</b>	<b>6,520</b>

(1) Comparative information contained in the Issuer's audited consolidated financial statements as of and for the year ended 31 December 2019 have been restated as a result of the transfer of the Branch Interests in Bank of China Limited, Vientiane Branch in Laos from BOC to the Issuer in January 2019. The Issuer has applied the merger accounting method for the business combination under common control. The comparative amounts in the financial statements have been restated as if the business of BOC Vientiane Branch had always been carried out by the Group.

The following table sets forth, at the dates indicated, the new impairment allowances charged to income statement, and classified or impaired loans written off during the year by loans used inside Hong Kong for industry sectors constitute not less than 10% of the Issuer's gross advances to customers.

	As of 31 December					
	2018 <sup>(1)</sup>		2019		2020	
	(audited)					
New impairment allowances	Classified or impaired loans <sup>(2)</sup> written-off	New impairment allowances	Classified or impaired loans <sup>(1)</sup> written-off	New impairment allowances	Classified or impaired loans <sup>(1)</sup> written-off	
<b>Loans for use in Hong Kong Industrial, commercial and financial</b>						
Property development . . . . .	337	—	370	—	—	—
<b>Individuals</b>						
Loans for purchase of other residential properties . . . . .	27	—	50	—	52	—



- (1) Comparative information contained in the Issuer's audited consolidated financial statements as of and for the year ended 31 December 2019 have been restated as a result of the transfer of the Branch Interests in Bank of China Limited, Vientiane Branch in Laos from BOC to the Issuer in January 2019. The Issuer has applied the merger accounting method for the business combination under common control. The comparative amounts in the financial statements have been restated as if the business of BOC Vientiane Branch had always been carried out by the Group.
- (2) Classified or impaired loans represent advances which are either classified as "substandard", "doubtful" or "loss" under the Issuer's classification of loan quality, or classified as Stage 3.

### *Classified or Impaired and Overdue Loans*

The following table shows the distribution of the Issuer's (i) classified or impaired and (ii) overdue loans to customers as of the dates indicated, by loans used inside or outside Hong Kong by industry sectors of the borrowers.

	As of 31 December					
	2018 <sup>(1)</sup>		2019		2020	
	(audited)					
Classified or impaired <sup>(2)</sup>	Overdue <sup>(3)</sup>	Classified or impaired <sup>(2)</sup>	Overdue <sup>(3)</sup>	Classified or impaired <sup>(2)</sup>	Overdue <sup>(3)</sup>	
(HK\$ in millions)						
<b>Loans for use in Hong Kong Industrial, commercial and financial</b>						
Property development . . . . .	—	—	—	9	—	1
Property investment . . . . .	37	117	—	158	111	184
Financial concerns . . . . .	—	—	—	—	—	—
Stockbrokers . . . . .	—	—	—	—	—	—
Wholesale and retail trade . . . . .	21	127	88	283	198	239
Manufacturing . . . . .	136	148	193	222	8	9
Transport and transport equipment . . . . .	867	17	325	69	260	—
Recreational activities . . . . .	—	—	—	—	—	—
Information technology . . . . .	1	220	—	48	97	99
Others . . . . .	9	166	6	138	18	200
<b>Individuals</b>						
Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme . . . . .						
	18	166	18	161	18	183
Loans for purchase of other residential properties . . . . .	65	1,534	96	1,374	140	1,332
Credit card advances . . . . .	135	558	127	579	106	366
Others . . . . .	60	634	71	504	126	537
<b>Total loans for use in Hong Kong . . . . .</b>	<b>1,349</b>	<b>3,687</b>	<b>924</b>	<b>3,545</b>	<b>1,082</b>	<b>3,150</b>
<b>Trade financing . . . . .</b>	<b>206</b>	<b>232</b>	<b>318</b>	<b>340</b>	<b>569</b>	<b>573</b>
<b>Loans for use outside Hong Kong . . . . .</b>	<b>828</b>	<b>970</b>	<b>1,975</b>	<b>1,988</b>	<b>2,343</b>	<b>2,217</b>
<b>Gross advances to customers . . . . .</b>	<b>2,383</b>	<b>4,889</b>	<b>3,217</b>	<b>5,873</b>	<b>3,994</b>	<b>5,940</b>

- (1) Comparative information contained in the Issuer's audited consolidated financial statements as of and for the year ended 31 December 2019 have been restated as a result of the transfer of the Branch Interests in Bank of China Limited, Vientiane Branch in Laos from BOC to the Issuer in January 2019. The Issuer has applied the merger accounting method for the business combination under common control. The comparative amounts in the financial statements have been restated as if the business of BOC Vientiane Branch had always been carried out by the Group.
- (2) Classified or impaired advances to customers represent advances which are either classified as "substandard", "doubtful" or "loss" under the Issuer's classification of loan quality, or classified as Stage 3.
- (3) Advances with a specific repayment date are classified as overdue when the principal or interest is past due and remains unpaid.

## Summary of Loan Impairment Allowances

The following table sets forth an analysis of the Issuer's loan impairment allowances as of the dates indicated:

	As of 31 December							
	2019				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	(audited) (HK\$ million)							
As of 1 January. . . . .	3,748	546	1,130	5,424	4,564	297	2,175	7,036
Transfer to Stage 1. . . . .	154	(143)	(11)	—	96	(94)	(2)	—
Transfer to Stage 2. . . . .	(26)	103	(77)	—	(166)	177	(11)	—
Transfer to Stage 3. . . . .	(15)	(184)	199	—	(8)	(19)	27	—
Changes arising from transfer of stage . . . . .	(131)	84	1,216	1,169	(76)	782	772	1,478
Charge for the year . . . . .	2,368	50	342	2,760	2,894	104	300	3,298
Reversal for the year . . . . .	(1,536)	(155)	(386)	(2,077)	(1,920)	(132)	(235)	(2,287)
Write-offs. . . . .	—	—	(462)	(462)	—	—	(561)	(561)
Recoveries . . . . .	—	—	213	213	—	—	136	136
Exchange difference and others . . . . .	2	(4)	11	9	21	—	51	72
<b>As of 31 December. . . . .</b>	<b>4,564</b>	<b>297</b>	<b>2,175</b>	<b>7,036</b>	<b>5,405</b>	<b>1,115</b>	<b>2,652</b>	<b>9,172</b>
Charged to income statement. . . . .				1,852				2,489
	As of 31 December							
	2018 <sup>(1)</sup>				2019			
	(audited) (HK\$ million)							
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
As of 1 January. . . . .	3,692	651	618	4,961	3,748	546	1,130	5,424
Transfer to Stage 1. . . . .	267	(253)	(14)	—	154	(143)	(11)	—
Transfer to Stage 2. . . . .	(38)	53	(15)	—	(26)	103	(77)	—
Transfer to Stage 3. . . . .	(7)	(240)	247	—	(15)	(184)	199	—
Changes arising from transfer of stage . . . . .	(241)	293	815	867	(131)	84	1,216	1,169
Other changes (including new assets and derecognised assets)	79	43	194	316	832	(105)	(44)	683
Write-offs. . . . .	—	—	(834)	(834)	—	—	(462)	(462)
Recoveries . . . . .	—	—	120	120	—	—	213	213
Unwind of discount on impairment allowances . . . . .	—	—	(1)	(1)	—	—	(4)	(4)
Exchange difference. . . . .	(4)	(1)	—	(5)	2	(4)	15	13
<b>As of 31 December. . . . .</b>	<b>3,748</b>	<b>546</b>	<b>1,130</b>	<b>5,424</b>	<b>4,564</b>	<b>297</b>	<b>2,175</b>	<b>7,036</b>
Charged to income statement. . . . .				1,183				1,852

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## Collateral

The Issuer collateralises its loans primarily with real property mortgages. Additionally, to a lesser extent, the Issuer secures loans with general fixed and floating charges on assets and obtain guarantees from borrowers and related entities.

Under the Issuer's existing policies and practices, acceptable collateral should have the following characteristics:

- Marketable and there exists a readily available secondary market for disposing of the asset;
- market value that can be easily determined or reasonably established and verified;
- clear and unencumbered title; and
- the Issuer's right to repossess the asset is legally enforceable and without impediment.

Security interests in real property in Hong Kong are perfected by the registration of a deed of mortgage or legal charge with the Hong Kong Land Registry; security interests in equity securities and certain property and undertakings of Hong Kong companies may need to be perfected by registration with the Hong Kong Companies Registry.

In Hong Kong, foreclosure on real property or current assets generally requires a written application to a court, which may result in delays. The sale of equity securities and other property pursuant to a security interest does not usually require court proceedings. The Issuer generally sells collateral through private sales, tenders or public auctions.

Collateral held against overdue or impaired loans is primarily covered by charges over assets such as commercial, residential premises, aircrafts and vessels for corporate loans and mortgages over residential properties for personal loans. The Hong Kong property market is cyclical, and property prices in general have been volatile in the past decade, with the result that the security coverage of the Issuer's loans may be affected.

The Issuer's policy is to revalue collateral of its loans on an annual basis for pass loans, on a semi-annual basis for special mention, and on a quarterly basis for substandard, doubtful and loss loans. The Issuer immediately revalues the collateral of a loan once the loan has been overdue for more than three months and updates on a quarterly basis. Additionally, the Issuer revalues collateral when it determines that an event has occurred that could affect the value of the collateral or when the Issuer otherwise determines that a revaluation is appropriate. The Issuer establishes a mechanism to update the value of collateral including using an independent appraiser or using publicly available property indices on a portfolio basis. Before accepting a guarantee, the Issuer evaluates the financial condition of the guarantor and the performance of other loans guaranteed by the guarantor.

The Issuer occasionally encounters difficulties in realising the full value of its collateral in respect of real property due to, amongst other things, delays in forced sale proceedings, defects in the perfection of collateral, fraudulent transfers by borrowers and unfavourable market conditions.

Administrative or other delays generally do not result in significant decreases in the value of the assets collateralising the Issuer's loans.

For syndicated loans, the Issuer has consortium banking arrangements with other banks, and the risk of each borrower is limited to the amount of the Issuer's participation. The agent of a syndicate will arrange for an independent valuation of the collateral to be provided to each of the participants when necessary.

## Securities Investments

The Issuer's securities investments consist of listed and unlisted debt and equity securities issued primarily by sovereigns, public sector entities, banks and other financial institutions, and corporate entities.

The following table sets forth, as of the dates indicated, information as to the carrying value of the Issuer's investment securities at fair value through other comprehensive income and amortised cost.

	As of 31 December		
	2018 <sup>(1)</sup>	2019	2020
	(audited)		
	(HK\$ in millions)		
Investment in securities at fair value through other comprehensive income . . . . .	471,096	670,945	734,776
Investment in securities at amortised cost . . . . .	69,759	68,390	55,093
<b>Total securities</b> . . . . .	<b>540,855</b>	<b>739,335</b>	<b>789,869</b>
<b>Securities investments issued by:</b>			
Sovereigns . . . . .	184,665	356,432	421,152
Public sector entities . . . . .	44,984	46,790	26,363
Banks and other financial institutions . . . . .	185,110	196,167	231,489
Corporate entities . . . . .	126,096	139,946	110,865
<b>Total securities</b> . . . . .	<b>540,855</b>	<b>739,335</b>	<b>789,869</b>

(1) Comparative information contained in the Issuer's audited consolidated financial statements as of and for the year ended 31 December 2019 have been restated as a result of the transfer of the Branch Interests in Bank of China Limited, Vientiane Branch in Laos from BOC to the Issuer in January 2019. The Issuer has applied the merger accounting method for the business combination under common control. The comparative amounts in the financial statements have been restated as if the business of BOC Vientiane Branch had always been carried out by the Group.

The following table sets forth the carrying values and maturities of the Issuer's investment securities at fair value through other comprehensive income and amortised cost, as of 31 December 2020.

	As of 31 December 2020						Total
	(audited)						
	Up to one month	One to three months	Three to twelve months	One to five years	Over five years	Indefinite	
	(HK\$ in millions)						
<b>Assets</b>							
Investment in securities							
— at fair value through other comprehensive income . . . . .	125,559	199,549	108,528	196,028	101,671	3,441	734,776
— at amortised cost . . . . .	5,222	3,880	13,015	20,145	12,831	—	55,093
<b>Total</b> . . . . .	<b>130,781</b>	<b>203,429</b>	<b>121,543</b>	<b>216,173</b>	<b>114,502</b>	<b>3,441</b>	<b>789,869</b>

The Issuer had significant exposure to banks and other financial institutions in the form of:

- balances with central banks;
- balances with banks and other financial institutions;

- placements (maturing within one month);
- placements (maturing between one and 12 months);
- advances to banks and other financial institutions; and
- trade bills.

The following table sets forth, at the dates indicated, the amount of the Issuer's loans to banks and other financial institutions by loan type:

	As of 31 December		
	2018 <sup>(1)</sup>	2019	2020
	(audited)		
	(HK\$ in millions)		
Balances with central banks . . . . .	158,355	150,249	141,803
Balances with other banks and other financial institutions . . . . .	119,968	75,455	187,459
Placements with central banks maturing within one month. . . . .	9,572	9,541	36,842
Placements with other banks and other financial institutions maturing within one month . . . . .	65,949	80,971	19,588
Placement with central banks maturing between one and twelve months . . . . .	2,697	2,444	3,379
Placement with other banks and other financial institutions maturing between one and twelve months . . . . .	54,154	28,166	33,974
Placements with central banks maturing over one year	396	785	1,547
Placements with other banks and other financial institutions maturing over one year . . . . .	—	—	310
Advances to banks and other financial institutions . . .	3,822	3,387	1,898
Trade bills . . . . .	17,361	20,727	9,826
<b>Total loans to banks and other financial institutions</b>	<b>432,274</b>	<b>371,725</b>	<b>436,626</b>
<b>Total loans to banks and other financial institutions (net)<sup>(2)</sup> . . . . .</b>	<b>55,753</b>	<b>104,068</b>	<b>110,385</b>

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(2) Net of deposits and balances from banks and other financial institutions.

## LIABILITIES AND SOURCES OF FUNDS

The Issuer's funding operations are designed to ensure both a stable source of funds and effective liquidity management. The Issuer continuously adjusts its funding operations to minimise funding costs and, to the extent necessary, match currencies and maturities with those of its asset portfolio.

The Issuer funds its customer loan and securities investment operations principally through customer deposits and short term deposits of banks and other financial institutions, which are primarily short term in nature. The Issuer's customer deposits consist of retail savings, time and current deposit accounts, as well as specialised fixed, foreign currency and other deposit products.

A significant majority of the Issuer's deposits mature in three months or less. The Issuer believes that its core deposit base is stable. The following table sets forth the exposure to interest rate risk of the Issuer's liabilities as of 31 December 2020 categorised by the earlier of contractual re-pricing or maturity dates:

	As of 31 December 2020						Total
	(audited)						
	Up to one month	One to three months	Three to twelve months	One to five years	Over five years	Non-interest bearing	
	(HK\$ in millions)						
<b>Liabilities</b>							
Hong Kong SAR currency notes in circulation	—	—	—	—	—	189,550	189,550
Deposits and balances from banks and other financial institutions . . . . .	226,607	565	1,322	1,243	—	96,504	326,241
Financial liabilities at fair value through profit or loss . . . . .	11,551	4,346	3,690	387	362	—	20,336
Derivative financial instruments . . . . .	—	—	—	—	—	60,355	60,355
Deposits from customers . . . . .	1,577,362	246,117	111,002	1,715	—	254,126	2,190,322
Debt securities and certificates of deposit in issue . . . . .	233	—	193	—	—	—	426
Other accounts and provisions (including current and deferred tax liabilities) . . . . .	18,477	4	93	1,139	447	40,582	60,742
Subordinated liabilities . . . . .	—	—	—	—	—	—	—
<b>Total liabilities . . . . .</b>	<b>1,834,230</b>	<b>251,032</b>	<b>116,300</b>	<b>4,484</b>	<b>809</b>	<b>641,117</b>	<b>2,847,972</b>
<b>Interest sensitivity gap . . . . .</b>	<b>(87,985)</b>	<b>173,570</b>	<b>50,909</b>	<b>245,038</b>	<b>122,671</b>	<b>(207,645)</b>	<b>296,558</b>

## AVERAGE BALANCE SHEETS AND AVERAGE RATES

The following table sets forth, for the periods indicated, the Issuer's average balances and average interest rates. Average balances are based on a daily average, which are considered to be representative of the Issuer's operations.

	Year ended 31 December					
	2018 <sup>(1)</sup>		2019		2020	
	(audited)					
	Average balance (Restated previously)	Average yield (%) (Restated previously)	Average balance	Average yield (%)	Average balance	Average yield (%)
	(HK\$ in millions, except percentages)					
Balances and placements with banks and other financial institutions . . . . .	376,643	1.87%	319,206	1.76%	351,212	0.88%
Debt securities investments and other debt instruments . . . . .	712,783	2.21%	785,657	2.20%	755,372	1.52%
Advances to customers and other accounts . . . . .	1,258,223	2.83%	1,344,432	3.06%	1,517,613	2.08%
Other interest-earning assets . . . . .	17,354	2.13%	21,801	2.58%	18,396	1.20%
<b>Total interest earning assets . . . . .</b>	<b>2,365,003</b>	<b>2.49%</b>	<b>2,471,096</b>	<b>2.61%</b>	<b>2,642,593</b>	<b>1.75%</b>
Non interest-earning assets . . . . .	319,056	—	356,210	—	490,322	—
<b>Total assets . . . . .</b>	<b>2,684,059</b>	<b>2.19%</b>	<b>2,827,306</b>	<b>2.28%</b>	<b>3,132,915</b>	<b>1.48%</b>

- (1) Comparative information contained in the Issuer's audited consolidated financial statements as of and for the year ended 31 December 2019 have been restated as a result of the transfer of the Branch Interests in Bank of China Limited, Vientiane Branch in Laos from BOC to the Issuer in January 2019. The Issuer has applied the merger accounting method for the business combination under common control. The comparative amounts in the financial statements have been restated as if the business of BOC Vientiane Branch had always been carried out by the Group.

	Year ended 31 December					
	2018 <sup>(1)</sup>		2019		2020	
	(audited)					
Average balance (Restated previously)	Average rate (%) (Restated previously)	Average balance	Average rate (%)	Average balance	Average rate (%)	
(HK\$ in millions, except percentages)						
Deposits and balances from banks and other financial institutions . . . . .	225,660	1.09%	191,105	1.18%	198,556	0.56%
Current, savings and time deposits . . . . .	1,728,881	1.03%	1,867,307	1.26%	2,084,877	0.65%
Subordinated liabilities . . . . .	18,237	5.44%	13,093	5.49%	1,452	5.51%
Other interest-bearing liabilities . . . . .	55,167	1.94%	39,642	1.75%	27,257	1.12%
<b>Total interest bearing liabilities . . . . .</b>	<b>2,027,945</b>	<b>1.10%</b>	<b>2,111,147</b>	<b>1.29%</b>	<b>2,312,142</b>	<b>0.65%</b>
Shareholders' funds and other non interest-bearing deposits and liabilities . . . . .	656,114	—	716,159	—	820,773	—
<b>Total liabilities . . . . .</b>	<b>2,684,059</b>	<b>0.83%</b>	<b>2,827,306</b>	<b>0.96%</b>	<b>3,132,915</b>	<b>0.48%</b>

- (1) Comparative information contained in the Issuer's audited consolidated financial statements as of and for the year ended 31 December 2019 have been restated as a result of the transfer of the Branch Interests in Bank of China Limited, Vientiane Branch in Laos from BOC to the Issuer in January 2019. The Issuer has applied the merger accounting method for the business combination under common control. The comparative amounts in the financial statements have been restated as if the business of BOC Vientiane Branch had always been carried out by the Group.

## Analysis of Net Interest Income

The following table sets forth the Issuer's net interest income by changes in volume and by changes in rate for 2019 compared to 2018 and 2020 compared to 2019. Information is provided with respect to: (i) effects attributable to changes in volume (changes in volume multiplied by prior rate); and (ii) effects attributable to changes in rate, and variances caused by changes in both volume and rate have been allocated to rate.

	2018 <sup>(1)</sup> vs. 2019			2019 vs. 2020		
	(audited)					
	Change in average volume <sup>(2)</sup>	Change in average rate <sup>(3)</sup>	Net change	Change in average volume <sup>(2)</sup>	Change in average rate <sup>(3)</sup>	Net change
(a)	(b)	(a)+(b)	(a)	(b)	(a)+(b)	
(HK\$ in millions)						
Balances and placements with banks and other financial institutions . . . . .	(1,072)	(346)	(1,418)	563	(3,084)	(2,521)
Debt securities investments and other debt instruments . . . . .	1,614	(140)	1,474	(665)	(5,087)	(5,752)
Advances to customers and other accounts . . . . .	2,443	3,012	5,455	5,295	(14,790)	(9,495)
Other interest-earning assets . . . . .	95	99	194	(88)	(253)	(341)
<b>Total interest-earning assets . . . . .</b>	<b>3,080</b>	<b>2,625</b>	<b>5,705</b>	<b>5,105</b>	<b>(23,214)</b>	<b>(18,109)</b>
Deposits and balances from banks and other financial institutions . . . . .	(377)	163	(214)	88	(1,222)	(1,134)
Current, savings and time deposits . . . . .	2,059	3,720	5,779	1,685	(11,663)	(9,978)
Subordinated liabilities . . . . .	(280)	7	(273)	(639)	0	(639)
Other interest-bearing liabilities . . . . .	(302)	(76)	(378)	(220)	(171)	(391)
<b>Total interest-bearing liabilities . . . . .</b>	<b>1,100</b>	<b>3,814</b>	<b>4,914</b>	<b>914</b>	<b>(13,056)</b>	<b>(12,142)</b>

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- (2) Changes in volume multiplied by prior rate.
- (3) Variances caused by changes in both volume and rate have been allocated to rate.

## DEPOSITS

The following table sets forth the daily average balances of the Issuer's deposits and the average rates paid on its deposits for the periods indicated:

	Year ended 31 December					
	2018 <sup>(1)</sup>	2019		2020		
	(audited)					
	Average balance (Restated previously)	Average rate (%) (Restated previously)	Average balance	Average rate (%)	Average balance	Average rate (%)
	(HK\$ in millions, except percentages)					
Demand deposits and current accounts . . .	106,720	1.11%	102,603	1.50%	243,548	0.61%
Savings deposits . . . . .	878,839	0.25%	918,071	0.41%	1,036,570	0.12%
Time, call and notice deposits . . . . .	<u>743,322</u>	1.94%	<u>846,633</u>	2.17%	<u>804,759</u>	1.35%
<b>Total interest-bearing deposits . . . . .</b>	<b><u>1,728,881</u></b>	<b>1.03%</b>	<b><u>1,867,307</u></b>	<b>1.26%</b>	<b><u>2,084,877</u></b>	<b>0.65%</b>
Non interest-bearing deposits . . . . .	<u>143,351</u>	—	<u>131,389</u>	—	<u>149,628</u>	—
<b>Total deposits . . . . .</b>	<b><u>1,872,232</u></b>	<b>0.95%</b>	<b><u>1,998,696</u></b>	<b>1.18%</b>	<b><u>2,234,505</u></b>	<b>0.61%</b>

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## Maturities of Deposits from Customers

The following table sets forth the remaining maturities of the Issuer's total deposits from customers as of 31 December 2020.

	<b>Total Deposits</b> <b>(audited)</b> <b>(HK\$ in millions)</b>
On demand . . . . .	1,465,055
Up to one month . . . . .	366,433
One to three months . . . . .	246,117
Three to 12 months . . . . .	111,002
Over 12 months . . . . .	<u>1,715</u>
<b>Total . . . . .</b>	<b><u>2,190,322</u></b>



## PROFITABILITY RATIOS AND OTHER DATA

	Year ended 31 December		
	2018 <sup>(1)</sup>	2019	2020
Return on average total assets <sup>(2)</sup> . . . . .	1.18%	1.18%	0.88%
Return on average shareholders' equity <sup>(3)</sup> . . . . .	12.73%	12.09%	9.45%
Dividend payout ratio <sup>(4)</sup> . . . . .	51.21%	47.47%	44.38%
Net interest spread <sup>(5)</sup> . . . . .	1.39%	1.32%	1.10%
Net interest margin <sup>(6)</sup> . . . . .	1.54%	1.51%	1.18%
Net interest margin (adjusted) <sup>(7)</sup> . . . . .	1.55%	1.61%	1.24%
Cost to income ratio <sup>(8)</sup> . . . . .	27.79%	28.26%	29.91%
Cost to average assets ratio <sup>(9)</sup> . . . . .	0.55%	0.57%	0.50%
Loan to deposit ratio <sup>(10)</sup> . . . . .	66.61%	69.28%	68.36%

(1) Comparative information contained in the Issuer's audited consolidated financial statements as of and for the year ended 31 December 2019 have been restated as a result of the transfer of the Branch Interests in Bank of China Limited, Vientiane Branch in Laos from BOC to the Issuer in January 2019. The Issuer has applied the merger accounting method for the business combination under common control. The comparative amounts in the financial statements have been restated as if the business of BOC Vientiane Branch had always been carried out by the Group.

(2) Profit for the year/period divided by daily average balance of total assets.

(3) Profit attributable to equity holders divided by average of the beginning and ending balance of capital and reserves attributable to equity holders and other equity instruments of the Bank. The balances of capital and reserves used in the calculation have been restated to reflect the Issuer's acquisition of Southeast Asian entity, in a way consistent with the restatement of profit attributable to the equity holders in respective years.

(4) Dividend divided by profit attributable to the equity holders of the Bank.

(5) Average interest yield of total interest-earning assets less average interest rate of total interest-bearing liabilities.

(6) Net interest income divided by daily average balance of interest-earning assets.

(7) Adjusted net interest margin with the funding income or cost of foreign currency swap contracts included. Foreign exchange swap contracts are normally used for the Issuer's liquidity management and funding activities. The exchange difference (funding income or cost) between the spot and forward contracts is recognised as a foreign exchange gain or loss (as included in "net trading gain"), while the corresponding interest differential between the surplus funds in the original currency and swapped currency is reflected in net interest income.

(8) Operating expenses divided by net operating income before impairment allowances.

(9) Operating expenses divided by daily average balance of total assets.

(10) Advances to customers divided by customers' deposits (including structured deposits).

## MANAGEMENT

### DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth, as of the date of this Offering Circular, information concerning the Issuer's Directors and senior management:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr. Liu Liange . . . . .	60	Chairman of the Board of Directors and Non-executive Director
Mr. Sun Yu . . . . .	48	Vice Chairman of the Board of Directors, Executive Director and Chief Executive
Mr. Lin Jingzhen . . . . .	56	Non-executive Director
Mdm. Cheng Eva . . . . .	61	Independent Non-executive Director
Dr. Choi Koon Shum . . . . .	63	Independent Non-executive Director
Mr. Koh Beng Seng . . . . .	70	Independent Non-executive Director
Mr. Law Yee Kwan Quinn . . . . .	68	Independent Non-executive Director
Mr. Tung Savio Wai-Hok . . . . .	70	Independent Non-executive Director
Mdm. Jiang Xin . . . . .	50	Chief Risk Officer
Mdm. Wang Qi . . . . .	58	Deputy Chief Executive
Mr. Yuan Shu . . . . .	58	Deputy Chief Executive
Mr. Zhong Xiangqun . . . . .	51	Chief Operating Officer
Mr. Wang Bing . . . . .	49	Deputy Chief Executive
Mdm. Sui Yang . . . . .	47	Chief Financial Officer
Mrs. Kung Yeung Ann Yun Chi . . . . .	58	Deputy Chief Executive

The Board of Directors provides guidance and strategic direction with respect to the Issuer's operations and supervises its operations through its committees, comprising the Audit Committee, the Risk Committee, the Nomination and Remuneration Committee, the Strategy and Budget Committee and the Sustainability Committee.

The Issuer's day-to-day operations are directed by its senior management. The senior management, designated by the Board of Directors, which is responsible for oversight of the firm-wide strategy or material business lines, includes the Chief Executive, the Chief Risk Officer, the Deputy Chief Executives, the Chief Operating Officer, the Chief Financial Officer, the Board Secretary and the General Manager of Group Audit.

Each of the subsidiaries of the Issuer, including BOC-CC, Po Sang Securities and Futures Limited, Bank of China (Malaysia) Berhad and Bank of China (Thai) Public Company Limited, continues to conduct its business as a separate legal entity with its own operational and governance structure. The Issuer maintains its supervision over the management of its subsidiaries, in particular, in the areas of its business operations, finance, risk management, audit, through its representation on their boards of directors.

### DIRECTORS

**Mr. Liu Liange**, age 60, is currently the Chairman of the Board of Directors, Non-executive Director, the Chairman of the Strategy and Budget Committee of BOCHK (Holdings) and the Issuer. He has been appointed as Non-executive Director of BOCHK (Holdings) and the Issuer since December 2018, Vice

Chairman of BOCHK (Holdings) and the Issuer from December 2018 to July 2019 and Chairman of BOCHK (Holdings) and the Issuer since July 2019. He has also been appointed as the Chairman of BOC since July 2019 and was the Vice Chairman of BOC from October 2018 to July 2019. Mr. Liu has been Executive Director of BOC from October 2018 and was the President of BOC from August 2018 to June 2019. He is also a Director of BOC Hong Kong (BVI) Limited and BOC Hong Kong (Group) Limited. Prior to joining BOC in 2018, Mr. Liu served as Vice Chairman and President of the Export-Import Bank of China from July 2015 to June 2018. Mr. Liu served as Vice President of the Export-Import Bank of China from March 2007 to February 2015. He also served as Director of the African Export-Import Bank from September 2007 to February 2015, Chairman of the Board of Supervisors of Sino-Italian Mandarin Capital Partners from March 2009 to June 2015, and Chairman of the Board of Directors of Regional Credit Guarantee and Investment Facility (Asia) from March 2014 to May 2015. Mr. Liu worked in the People's Bank of China for many years, and successively served as Deputy Director-General of the International Department of the People's Bank of China, President of the Fuzhou Central Sub-branch of the People's Bank of China and Director of the Fujian Branch of the State Administration of Foreign Exchange, Director General of the Anti-Money Laundering Bureau (the Security Bureau) of the People's Bank of China. Mr. Liu graduated from Graduate School of the People's Bank of China and received a Master's Degree in Economics in 1987. He holds the title of Senior Economist.

**Mr. Sun Yu**, age 48, has been re-designated as Executive Director and appointed as the Vice Chairman and Chief Executive of BOCHK (Holdings) and the Issuer since December 2020. He is also a member of the Strategy and Budget Committee and the Sustainability Committee. Prior to the re-designation, Mr. Sun was a Non-executive Director and a member of the Risk Committee of BOCHK (Holdings) and the Issuer from March 2020 to December 2020. Mr. Sun joined BOC in 1998. He served as the Executive Vice President of BOC from February 2019 to December 2020, and as Chief Overseas Business Officer of BOC from September 2018 to February 2019. From March 2015 to November 2018, Mr. Sun served as General Manager of London Branch of BOC, CEO of Bank of China (UK) Limited, and also served as General Manager of London Trading Center of BOC from December 2015 to November 2018. Mr. Sun previously served as Director of Global Financial Markets Department, Director of Financial Markets Unit (Client Business), Director of Financial Markets Unit (Securities Investments) and Deputy General Manager of the Shanghai Branch of BOC. He served as General Manager of Global Markets of the Issuer from July 2012 to December 2014. He served as Chairman of the Board of Directors of BOC Aviation Limited (listed in Hong Kong) from February 2019 to December 2020, President of Shanghai RMB Trading Unit of BOC from November 2019 to December 2020 and General Manager of Beijing Branch of BOC from December 2019 to December 2020. Mr. Sun holds other roles with the BOC Group currently, including Director of Bank of China (UK) Limited since March 2015, Chairman of the Board of Directors of Bank of China (UK) Limited since December 2018, Chairman of BOC Insurance (International) Holdings Company Limited and Chairman of BOCHK Charitable Foundation since December 2020, and Chairman of BOC Group Life Assurance Company Limited (“**BOC Life**”) since February 2021. Mr. Sun also holds a number of public offices in Hong Kong. He serves as Chairman of the Chinese Banking Association of Hong Kong, and sits on the Exchange Fund Advisory Committee, the Banking Advisory Committee, the Council of Treasury Markets Association, the General Committee of the Hong Kong General Chamber of Commerce, and the Belt and Road and Greater Bay Area Committee of the Hong Kong Trade Development Council. He is also Director of Hong Kong Note Printing Limited, as well as Vice President of the Hong Kong Institute of Bankers. Mr. Sun graduated from Nankai University with a Master's Degree in Economics in 1998.

**Mr. Lin Jingzhen**, age 56, is a Non-executive Director and a member of the Strategy and Budget Committee of BOCHK (Holdings) and the Issuer. He has been the Executive Vice President of BOC since March 2018 and the Executive Director of BOC since February 2019. He joined BOC in 1987. Mr. Lin served as Deputy Chief Executive of the Company and BOCHK from May 2015 to January 2018. He served as General Manager of Corporate Banking Department from March 2014 to May 2015 and General Manager (Corporate Banking) of the Corporate Banking Unit of BOC from October 2010 to March 2014. He previously served as Deputy General Manager of Corporate Banking Department and Deputy General Manager of Corporate Banking Unit of BOC. Mr. Lin served as Chairman of the Board of Directors of BOC International Holdings Limited from April 2018 to December 2020. He has been serving as Chairman of BOC International (China) Co, Ltd (listed in Shanghai) since May 2018. Mr. Lin graduated from Xiamen University in 1987 and received a Master's Degree in Business Administration from Xiamen University in 2000.

**Mdm. Cheng Eva**, age 61, is an Independent Non-executive Director, Chairman of the Sustainability Committee and a member of each of the Audit Committee and the Strategy and Budget Committee of BOCHK (Holdings) and the Issuer. She was the former Secretary for Transport and Housing of the Hong Kong SAR Government. She joined the government's Administrative Service in August 1983 and was posted to various bureaus and departments, including serving as the Permanent Secretary for Economic Development and Labour (Economic Development) and Commissioner for Tourism. She retired from the Hong Kong SAR Government on 30 June 2012. Mdm. Cheng holds a Bachelor's Degree in Social Sciences from the University of Hong Kong.

**Dr. Choi Koon Shum**, age 63, is an Independent Non-executive Director, the Chairman of the Nomination and Remuneration Committee as well as a member of each of the Strategy and Budget Committee and the Sustainability Committee of BOCHK (Holdings) and the Issuer. Dr. Choi is the Chairman of Sunwah Group, Sunwah International Limited (listed in Toronto), Sunwah Kingsway Capital Holdings Limited (listed in Hong Kong) and Vietnam VinaCapital. He is also an Independent Non-executive Director of Hui Xian Asset Management Limited, the Manager of Hui Xian Real Estate Investment Trust (listed in Hong Kong). Dr. Choi has extensive experience in the food industry, real estate development, and international trade, as well as technology and finance related business.

Dr. Choi is a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference ("CPPCC") of the PRC. He also holds a number of public positions, including Honorary President of the Chinese General Chamber of Commerce in Hong Kong, Standing Committee Member of the All-China Federation of Industry and Commerce, Chairman of Guangdong-HK-Macao Bay Area Entrepreneurs Union, Chairman of Professional Services Advancement Support Scheme Vetting Committee of the Hong Kong SAR Government, Chairman of The Advisory Committee on Agriculture and Fisheries of the Hong Kong SAR Government, Economic Advisor to the President of the Chinese Academy of Sciences, Founding Patron and Senior Advisor to the President of the Academy of Sciences of Hong Kong, Executive Director of the China Overseas Friendship Association, Council Member of the Hong Kong Trade Development Council, Founding Chairman of the Hong Kong-Vietnam Chamber of Commerce, Founding Chairman of the Hong Kong-Korea Business Council, Honorary Ambassador of Foreign Investment Promotion for the Republic of Korea, Chairman of the China-India Software Association, Chairman of the China Hong Kong Israel Technology Cooperation and Promotion Center and Chairman of the U.S.-China Center for Research on Educational Excellence of the Michigan State University. Dr. Choi is a Court or Council Member of a number of universities including Fudan University, Nanjing University, United College of the Chinese University of Hong Kong and the Hong Kong Polytechnic University.

Dr. Choi was conferred Honorary Doctor of Humanities by the Michigan State University in the United States in 2005. He became University Fellow of the Hong Kong Polytechnic University in 2007. He was also conferred Honorary Professor by the University of Glamorgan in the United Kingdom in 2009, Honorary Doctor of Social Sciences by the Lingnan University in Hong Kong in 2011, Honorary Doctor by the Vietnam National University, Hanoi in 2013, Honorary Doctor of Business Administration by the De Montfort University in the United Kingdom in 2014, Honorary Doctor of Law by the University of Alberta in Canada in 2015 and Honorary Doctor of Business Administration by the Open University of Hong Kong in 2020.

**Mr. Koh Beng Seng**, age 70, is an Independent Non-executive Director, the Chairman of the Risk Committee and a member of each of the Audit Committee, the Nomination and Remuneration Committee and the Sustainability Committee of BOCHK (Holdings) and the Issuer. Mr. Koh is currently the Chief Executive Officer of Octagon Advisors Pte Ltd, a business and management consulting company based in Singapore. He is also the Non-executive Chairman of Great Eastern Holdings Limited and Independent Non-executive Director of Oversea-Chinese Banking Corporation Limited, both listed in Singapore. He was formerly a Director of Sing Han International Financial Services Limited and a Director of Hon Sui Sen Endowment CLG Limited, and was also an Independent Non-executive Director of Singapore Technologies Engineering Ltd and United Engineers Limited, companies listed in Singapore. Mr. Koh was Deputy President of United Overseas Bank (“**UOB**”) and a member of UOB’s Executive Committee from 2000 to 2004. During this period, he was in charge of UOB’s operations, delivery channels, information technology, corporate services, risk management and compliance functions. Prior to that, Mr. Koh has spent over 24 years at the Monetary Authority of Singapore where he made significant contributions to the development and supervision of the Singapore financial sector in his capacity as Deputy Managing Director, Banking & Financial Institutions Group. He has also served as a Director of Chartered Semiconductor Manufacturing and as a part-time adviser to the International Monetary Fund. Mr. Koh holds a Bachelor’s Degree in Commerce from Nanyang University in Singapore and a Master’s Degree in Business Administration from Columbia University in the United States.

**Mr. Law Yee Kwan Quinn**, age 68, is an Independent Non-executive Director and a member of each of the Audit Committee, the Risk Committee and the Sustainability Committee of BOCHK (Holdings) and the Issuer. He currently serves as a court member of The Hong Kong University of Science and Technology (“**HKUST**”), a governing board member of HKUST (Guangzhou), and an advisor of Hong Kong Business Accountants Association. He previously served as a council member cum audit committee chairman and standing committee member of the HKUST, and also as member of a number of committees of Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), including Corporate Governance Committee, Professional Accountants in Business Committee, Professional Conduct Committee and Ethics Committee. He held directorships in several listed companies both in Hong Kong and overseas in the past. He was formerly Deputy Chairman and Managing Director of Urban Renewal Authority, and Director of The Wharf (Holdings) Limited. Mr. Law is currently Independent Non-executive Director of Bank of Tianjin Co., Ltd., ENN Energy Holdings Limited and HKBN Limited, all of which are listed in Hong Kong. Mr. Law is a certified public accountant and also a fellow member of HKICPA, a fellow member of The Association of Chartered Certified Accountants and an associate member of The Chartered Governance Institute. He is an honorary fellow of HKUST.

**Mr. Tung Savio Wai-Hok**, age 70, is an Independent Non-executive Director, the Chairman of the Audit Committee and member of each of the Nomination and Remuneration Committee, the Sustainability Committee, the Risk Committee and the Strategy and Budget Committee of BOCHK (Holdings) and the Issuer. Mr. Tung is currently the Chairman of Investcorp Technology Partners and

Senior Advisor of Investcorp. He previously served as Chief Investment Officer of Investcorp, and is one of the founding partners of Investcorp. Mr. Tung served as Director and a member of the Compensation Committee of Tech Data Corporation, a company previously listed on NASDAQ, until his resignation in June 2020. Before joining Investcorp in 1984, he worked for Chase Manhattan Bank for about 11 years, holding various positions in its front, middle and back offices and served in its offices in New York, Bahrain, Abu Dhabi and London. He has served on the boards of many of Investcorp portfolio companies, including Club Car, Circle K, Saks Fifth Avenue, Simmons Mattresses, Star Market, and Stratus Computer. He is also a board member and treasurer of the Aaron Diamond AIDS Research Center, an affiliate of Columbia University. Mr. Tung is a trustee emeritus and a member of the Columbia University Medical Center Board of Visitors. He holds a Bachelor of Science in Chemical Engineering from Columbia University of New York.

#### **OTHER SENIOR MANAGEMENT PERSONNEL**

**Mdm. Jiang Xin**, age 50, is the Chief Risk Officer of the Group, overseeing the Group's overall risk control and management, and the Risk Management Department of the Issuer. Prior to joining the Group, she was General Manager of Corporate Banking Department of BOC. Mdm. Jiang joined BOC in 1993 and had held various positions including General Manager of e-Banking Department, General Manager of Channel Management Department, and General Manager of Qingdao Branch. Mdm. Jiang has extensive experience in the financial industry with solid professional knowledge and an international vision. She graduated from Sun Yat-sen University with a Bachelor's Degree in International Trade. She also obtained a Master's Degree in Business Administration at the University of Cambridge in the United Kingdom.

**Mdm. Wang Qi**, age 58, is the Deputy Chief Executive of the Group, overseeing the Legal & Compliance and Operational Risk Management Department, as well as Financial Crime Compliance Department. Mdm. Wang is also Director of BOC Life. Prior to joining the Group, she was General Manager and Chief Compliance Officer of Internal Control, Legal and Compliance Department of BOC. Mdm. Wang has held various positions in BOC since she joined BOC in 1984. She served as Deputy General Manager of Legal Affairs Department, General Manager of Legal and Compliance Department, General Manager (Operational Risk Management) of Risk Management Department, and General Manager of Internal Control Department of BOC. Mdm. Wang has a solid legal and compliance professional background as well as extensive management experience. She graduated from Peking University with a Bachelor's Degree in Economic Law. She also obtained a Master's Degree in Banking and Financial Development at the University of Pavia in Italy. She is an arbitrator of China International Economic and Trade Arbitration Commission (CIETAC).

**Mr. Yuan Shu**, age 58, is the Deputy Chief Executive of the Group in charge of the financial market business, including Global Markets, Investment Management, Asset Management and other capital market-related businesses. He is Chairman of BOCHK Asset Management Limited and Director of BOC Insurance (International) Holdings Company Limited. Mr. Yuan has over 30 years of experience in the industry with solid professional expertise and management experience. He has held different positions in the financial market businesses at Head Office and in various overseas branches of BOC. Mr. Yuan joined the Trading Department of BOC in 1983, then held positions in the Paris and Tokyo branches, as well as the Trading Department and Global Financial Markets Department of BOC Head Office. He was Director (Trading) of the Global Financial Markets Department in 2006 and was promoted to General Manager (Trading) of the Financial Markets Unit in 2010. Prior to joining the Group as Deputy Chief Executive (Financial Markets) in November 2015, he served as General Manager of the Hong Kong Branch, BOC. Mr. Yuan graduated from Renmin University of China majoring in International Finance.

**Mr. Zhong Xiangqun**, age 51, is the Chief Operating Officer of the Group, overseeing the Bank-wide Operation Department, Information Technology Department, Innovation and Optimisation Centre and Corporate Services Department. He is also the Chairman of Livi Bank Limited and a Director of BOC-CC. Prior to joining the Group, Mr. Zhong served as General Manager of the E-Finance Department of BOC in charge of the development of e-finance business, covering mobile payment, e-business, e-financing and big data application. Since joining BOC in 1994, Mr. Zhong has held management positions in the Information Technology Department, Personal Banking Unit, Card Centre and Innovation & Development Department. He was a Director of China UnionPay and a Member of the China Financial Standardisation Technical Committee. Mr. Zhong has solid expertise in information technology and cyber security as well as practical business experience. Mr. Zhong graduated from Peking University with a Bachelor's Degree in Information Science, specialising in Software and a Master's Degree in Applied Mathematics.

**Mr. Wang Bing**, age 49, is the Deputy Chief Executive of the Group, overseeing Global Corporate Banking Department, Commercial Banking Department, Institutional Business Department, Transaction Banking Department, Custody and Trust Services, as well as the Southeast Asia Business. He is Director and Chairman of BOCI-Prudential Trustee as well as BOC Group Trustee Company Limited. Prior to joining the Group, Mr. Wang served as General Manager of Jiangsu Branch of BOC. Since joining BOC in 1996, he has held management positions in various institutions including Suzhou, Ningbo and Jiangsu branches. He served as Deputy General Manager of Jiangsu Branch and General Manager of Ningbo Branch, etc. He is innovative with sound professional capabilities in corporate banking as well as extensive business and management experience. Mr. Wang graduated from Soochow University with a Bachelor's and Master's Degree in English. He also obtained a Master's Degree in Business Administration at the City University of London in the United Kingdom.

**Mdm. Sui Yang**, age 47, is the Chief Financial Officer of the Group overseeing the Financial Management Department, General Accounting and Accounting Policy Department, Treasury, as well as the Economics & Strategic Planning Department. Prior to joining the Group in August 2014, Mdm. Sui served as Deputy General Manager of Financial Management Department of BOC. She joined BOC in April 1997 and assumed various positions in Finance & Accounting Department of BOC including Assistant General Manager of Management Information System ("MIS") Centre and Finance & Accounting Department of BOC from August 2006 to March 2007, Assistant General Manager of MIS Centre of BOC from March 2007 to September 2008 and Deputy General Manager of MIS Centre of BOC from September 2008 to March 2011. Mdm. Sui possesses extensive knowledge and experience in financial management. She obtained a Bachelor's Degree and a Master's Degree in Economics from the Central University of Finance & Economics (formerly the Central Institute of Finance and Banking), as well as a PhD Degree in Finance from Southwestern University of Finance and Economics. Mdm. Sui is a member of the Chinese Institute of Certified Public Accountants.

**Mrs. Kung Yeung Ann Yun Chi**, age 58, is the Deputy Chief Executive of the Group in charge of the Personal Banking and Wealth Management Department, Personal Digital Banking Product Department, Private Banking, BOC-CC, Personal Banking Risk and Integrated Management Department, as well as BOC Life. She is also the Chairman of BOC-CC and a Director of BOC Insurance (International) Holdings Company Limited and BOC Life. Mrs. Kung joined BOCHK in August 2007 as the Head of Channel Management. She was appointed as the Head of Personal Banking in April 2011 and was promoted to her current role in March 2015. Prior to joining the Group, Mrs. Kung had held various senior positions in Standard Chartered Bank (Hong Kong) Limited. With over 30 years of experience in the industry, Mrs. Kung possesses extensive knowledge in personal banking and a strong background in financial services. Mrs. Kung graduated from the University of Southern California in the United States

of America, where she obtained her Bachelor of Science Degree in Business Administration, with a concentration in Accounting. In addition to business pursuits, Mrs. Kung plays an active role in the business community and public service in Hong Kong.

## **BOARD PRACTICES**

The Board of Directors consists of eight Directors, one of whom is Executive Director, two of whom are Non-executive Directors and five of whom are Independent Non-executive Directors. The Issuer's shareholders may by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the Board of Directors. In addition, the Directors have the power, under the Articles of Association, to appoint any other person as a Director, either to fill a casual vacancy or as an addition to the Board of Directors. The Chairman of the Board of Directors is elected by the Directors.

The Board of Directors is at the core of the Issuer's corporate governance framework, and there is clear division of responsibilities between the Board of Directors and the management. The Board of Directors is responsible for providing high-level guidance and effective oversight of the management. It operates under the well-defined Board's Mandate which sets out matters specially reserved for its deliberation. Generally, the Board of Directors is responsible for:

- formulating the Group's medium and long-term strategies and monitoring the implementation thereof;
- reviewing and approving the annual business plans and financial budgets;
- approving the annual results, interim results and quarterly financial and business reviews;
- reviewing and monitoring the Group's risk management and internal control;
- ensuring good corporate governance of the Group and effective compliance; and
- monitoring the performance of the management.

To enable the Board of Directors to discharge these responsibilities effectively, the Issuer's senior management provides detailed reports on its performance to the Board of Directors on a regular basis.

The Board of Directors functions either as a full Board or through committees. The Board of Directors has established the Audit Committee, the Nomination and Remuneration Committee, the Risk Committee, the Strategy and Budget Committee and the Sustainability Committee to focus on specific issues. These Board Committees meet regularly. All Board Committees adopt the same governance process as the Board as far as possible and report regularly to the Board on their decisions and their recommendations.

## **AUDIT COMMITTEE**

The Audit Committee currently has four members, all of which are Independent Non-executive Directors. The Committee is chaired by Mr. Tung Savio Wai-Hok.

The Committee assists the Board of Directors in fulfilling its oversight role over the Issuer and its subsidiaries in, amongst others, the following areas:

- integrity of financial statements and financial reporting process;



- monitoring of risk management and internal control systems;
- effectiveness of internal audit function and performance appraisal of the General Manager of Group Audit;
- appointment of external auditor and assessment of its qualification, independence and performance and, with authorisation of the Board of Directors and shareholders at general meeting, determination of its remuneration;
- periodic review and annual audit of the Issuer's and the Group's financial statements, and financial and business review;
- compliance with applicable accounting standards as well as legal and regulatory requirements on financial disclosures; and
- corporate governance framework of the Group and implementation thereof.

#### **NOMINATION AND REMUNERATION COMMITTEE**

The Nomination and Remuneration Committee currently has three members, all of whom are Independent Non-executive Directors. The Committee is chaired by Dr. Choi Koon Shum.

The Committee assists the Board of Directors in fulfilling its oversight role over the Issuer and its subsidiaries in, amongst others, the following areas:

- review of overall human resources strategy of the Group;
- selection and nomination of Directors, Board Committee members and senior management;
- regular monitoring and review of structure, size and composition (including but not limited to gender, age, cultural and educational background, ethnicity, geographical location, professional experience, skills, knowledge and track records, etc.) of the Board of Directors and Board Committees;
- review of the effectiveness of the Board of Directors and Board Committees;
- ensuring the participation in training and continuous professional development of Directors and senior management;
- review and recommendation of remuneration strategy and incentive framework of the Group; and
- setting of the remuneration of Directors, Board Committee members, Senior Management and Key Personnel.

#### **RISK COMMITTEE**

The Risk Committee currently has three members, all of whom are Independent Non-executive Directors. The Committee is chaired by Mr. Koh Beng Seng.

The Committee assists the Board of Directors in fulfilling its oversight role over the Issuer and its subsidiaries in, amongst others, the following areas:

- formulation of the risk appetite and risk management strategy of the Group and determination of the Group's risk profile;
- identification, assessment and management of material risks faced by various business units of the Group;
- review and assessment of the adequacy and effectiveness of the Group's risk management policies, systems and internal controls;
- review and monitoring of the Group's capital management;
- review and approval of the Group's target balance sheet;
- review and monitoring of the Group's compliance with risk management policies, systems and internal controls, including the Group's compliance with prudential, legal and regulatory requirements governing the businesses of the Group;
- review and approval of high-level risk-related policies of the Group;
- review and approval of significant or high risk exposures or transactions; and
- review of risk management reports, including risk exposure reports, model development and validation reports, and credit risk model performance reports.

#### **STRATEGY AND BUDGET COMMITTEE**

The Strategy and Budget Committee comprises six members, including three Independent Non-executive Directors, two Non-executive Directors as well as the Chief Executive and Executive Director of the Issuer. The Committee is chaired by Mr. Liu Liange.

The Committee assists the Board of Directors in fulfilling its oversight role over the Issuer and its subsidiaries in, amongst others, the following areas:

- review of the Group's medium to long-term strategic plans for Board's approval;
- monitoring of the Group's implementation of medium to long-term strategy, provide guidance on strategic direction for the management;
- review of major investments, capital expenditure and strategic commitments of the Group, and make recommendations to the Board of Directors;
- review and monitoring of the Group's regular/periodic (including annual) business plans; and
- review of budget for Board of Director's approval and monitoring of performance against budgeted targets.

## **SUSTAINABILITY COMMITTEE**

The Sustainability Committee comprises six members, including five Independent Non-executive Directors as well as the Chief Executive and Executive Director of the Issuer. The Committee is chaired by Mdm. Eva Cheng.

The Committee assists the Board of Directors in fulfilling its oversight role over the Issuer and its subsidiaries in, amongst others, the following areas:

- review of the Group's sustainability strategies, goals and priorities as well as material sustainability related policies;
- review of environmental, social and governance issues which are material to the Group and the related measures;
- oversight of the Group's sustainability performance;
- oversight of corporate culture of the Group and review of related policies; and
- determination of the appropriate reporting principles and boundaries and review of the Sustainability Report.

## **COMMITTEES UNDER THE ISSUER'S CHIEF EXECUTIVE**

To assist the Issuer's Chief Executive in the execution of his duties, the Issuer has established 13 committees that report directly to him or other members of senior management: the Management Committee, the Asset and Liability Management Committee, the Investor Relations Committee, the Credit Risk Assessment Committee, the Anti-Money Laundering Committee, the Information Technology Committee (the "**IT Committee**"), the Procurement Committee, the Treasury Product Committee, the Operation Committee, the Risk Management and Internal Control Committee, the Information Security Committee, the Business Continuity Management Committee and the Sustainability Executive Committee. Each of these committees consists primarily of the heads of the Issuer's functional and business units.

The Management Committee's primary functions are to develop and monitor the Issuer's business strategies, identify long-term business opportunities and ensure synergy amongst its business units. The Asset and Liability Management Committee's primary functions include managing the Issuer's targeted balance sheet to maintain an appropriate mix of asset and liability structure, managing adequate capital to support its business growth, developing appropriate liquidity and interest rate risk management policies and monitoring its liquidity risk and interest rate risk within its risk appetite. The Investor Relations Committee is responsible for the formulation of the Issuer's investor relations strategies and the overview of the investor relations programmes. The Credit Risk Assessment Committee has primary responsibility for independent risk assessment on material credit transactions. The Anti-Money Laundering Committee is responsible for managing the Issuer's money laundering risk exposure and ensuring implementation of proper anti-money laundering policies and control procedures. The IT Committee is responsible for aligning the IT development strategy with the business strategy by overseeing the planning, coordination and management of the IT development strategy. The Procurement Committee is primarily responsible for review of the material transactions of procurement and asset disposal. The Treasury Product Committee is primarily responsible for overseeing the Group's overall development of treasury business. The Operation Committee is primarily responsible for studying,

establishing and implementing the optimal operation model of the Group, which strikes a balance amongst operation efficiency, cost-benefit efficiency, risk management and customer service. The Risk Management and Internal Control Committee is primarily responsible for driving the unification of risk prevention measures in view of the Group's development strategy, risk preferences and principles of management, to monitor its risk management and the implementation of relevant policies in internal control. The Information Security Committee is primarily responsible for coordination, direction and supervision of the Group's information security, to ensure the confidentiality, integrity and availability of the Group's information assets. The Business Continuity Management Committee is primarily responsible for establishing the business continuity planning policy and the bank-wide business continuity plan (“**BCP**”), and monitoring the implementation of BCP of the bank, including setting out the organizational structure, management responsibilities, reporting mechanism, internal and external communication arrangement. The Sustainability Executive Committee is primarily responsible for the promotion and implementation of the Group's sustainability matters, charity-related matters, corporate culture matters and protection of consumer rights.

### **SENIOR MANAGEMENT COMPENSATION SYSTEM**

The Issuer's compensation system links the financial interest of its senior management, being the Chief Executive, Deputy Chief Executives, Chief Financial Officer, Chief Risk Officer, Chief Operating Officer, Board Secretary and General Manager of Group Audit including that of its executive Director, with its results of operations. Under this system, its senior management's compensation has three components: basic salary, benefits and performance bonus. The performance bonus component is linked to the attainment of business performance targets measured by, in particular, profit, risk-adjusted return on capital, return on equity, costs to income ratio and asset quality, risk related targets, as well as qualitative targets measured by effectiveness on strategy implementation, corporate culture promotion and staff stability, etc.

Since 2010, the “**Risk Adjustment Method**” has been introduced, which enables the Issuer to fix the variable remuneration pool after considering risk-adjusted performance results. Payout of the variable remuneration for staff reaching prescribed thresholds will be deferred for up to three years to link remuneration to the time horizon of the risk of the Issuer.

### **EMOLUMENTS OF DIRECTORS**

The Issuer's shareholders may determine from time to time by ordinary resolution the remuneration of the Directors for their services as Directors.

As disclosed in the Issuer's Annual Report for 2020, the aggregate amount of emoluments (including directors' fees, basic salaries, allowances, bonuses, benefits in kind and contributions to pension schemes) that the Issuer paid to its then current Directors during 2020 was HK\$7.9 million.

## SUPERVISION AND REGULATION

### SUPERVISION AND REGULATION 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 HKMA. The Banking Ordinance provides that only authorized institutions (that is, banks which have been granted a banking licence (“**licence**”) by the HKMA) may carry on banking business (as defined in the Banking Ordinance) in Hong Kong and contains controls and restrictions on such banks (“**authorized institutions**”).

#### Supervision of Authorized Institutions in Hong Kong

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

1. each authorized institution must submit a monthly return to the HKMA setting out the assets and liabilities of its principal place of business in Hong Kong and all local branches and a further comprehensive quarterly return relating to its principal place of business in Hong Kong and all local branches, although the HKMA has the right to allow returns to be made at less frequent intervals;
2. the HKMA may order an authorized institution, any of its subsidiaries, its holding company or any subsidiaries of its holding company to provide such further information (either specifically or periodically) as it may reasonably require for the exercise of its functions under the Banking Ordinance or as it may consider necessary to be submitted in the interests of the depositors or potential depositors of the authorized institution concerned. Such information shall be submitted within such period and in such manner as the HKMA may require. The HKMA may in certain circumstances also require such information or any return submitted to it to be accompanied by a certificate or report of the authorized institution’s auditors (approved by the HKMA for the purpose of preparing the report) confirming compliance with the Banking Ordinance and certain matters;
3. authorized institutions may be required to provide information to the HKMA regarding companies in which they have an aggregate of 20.0 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 authorized institution’s business;
4. in addition, authorized institutions are obliged to report to the HKMA immediately of their likelihood of becoming unable to meet their obligations or of the commencement of material civil proceedings applicable only to authorized institutions incorporated in Hong Kong;
5. the HKMA may direct an authorized institution to appoint an auditor to report to the HKMA on the state of affairs and/or profit and loss of the authorized institution or the adequacy of the systems of control of the authorized institution or other matters as the HKMA may reasonably require;

6. the HKMA may, at any time, with or without prior notice, examine the books, accounts and transactions of any authorized institution, and in the case of an authorized institution incorporated in Hong Kong, any local branch, overseas branch, overseas representative office or subsidiary, whether local or overseas, of such institution; such inspections are carried out by the HKMA on a regular basis; and
7. authorized institutions are required to give written notice to the HKMA immediately of any proposal to remove an auditor before the expiration of his term of office or replace an auditor at the expiration of his term of office.

In order to detect problems, if any, at an early stage, the HKMA has adopted a risk-based supervisory approach, which involves continuous supervision through on-site examinations, off-site reviews, prudential meetings, cooperation with external auditors and sharing information with other supervisors.

### **Exercise of Powers over Authorized Institutions**

The HKMA may exercise certain powers over the conduct of authorized institutions in any of the following circumstances:

1. when an authorized institution informs the HKMA that it is likely to become unable to meet its obligations, that it is insolvent, or that it is about to suspend payment;
2. when an authorized institution becomes unable to meet its obligations or suspends payment;
3. if, after an examination or investigation, the HKMA is of the opinion that an authorized institution:
  - (a) is carrying on its business in a manner detrimental to the interests of its depositors or potential depositors or of its creditors or of holders or potential holders of multi-purpose cards issued by it or the issue of which is facilitated by it;
  - (b) is insolvent or is likely to become unable to meet its obligations or is about to suspend payment;
  - (c) has contravened or failed to comply with any of the provisions of the Banking Ordinance; or
  - (d) has contravened or failed to comply with any condition attached to its licence or certain conditions in the Banking Ordinance; and
4. where the Financial Secretary advises the HKMA that he considers it in the public interest to do so.

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

1. to require the authorized institution, by notice in writing served on it, forthwith to take any action or to do any act or thing whatsoever in relation to its affairs, business and property as the HKMA may consider necessary;
2. to direct the authorized institution to seek advice on the management of its affairs, business and property from an adviser approved by the HKMA;

3. to assume control of, carry on the business of, or direct some other person to assume control of and carry on the business of the authorized institution; or
4. to report to the Chief Executive in Council in certain circumstances (in which case the Chief Executive in Council may exercise a number of powers, including directing the Financial Secretary to present a petition to the Court of First Instance for the winding-up of the authorized institution).

### **Revocation and Suspension of Banking Licence**

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

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

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

### **Principal Obligations of Authorized Institutions**

The obligations of an authorized institution under the Banking Ordinance, which are enforced by the HKMA through the system described above, include, but are not limited to, the following:

#### ***Capital Adequacy***

An authorized institution incorporated in Hong Kong must at all times maintain a total capital adequacy ratio of at least 8.0 per cent., calculated as the ratio (expressed as a percentage) of its capital base to its risk-weighted assets as more fully described below. In relation to an authorized institution with subsidiaries, the HKMA may require the ratio to be calculated on a consolidated basis, or on both a consolidated and a solo-consolidated basis, or on a consolidated basis only in respect of such subsidiaries of the authorized institution as may be specified by the HKMA. The HKMA may, after consultation with the authorized institution concerned, increase the ratio for any particular authorized

institution. An authorized institution is under a duty to inform the HKMA immediately of a failure to maintain the required capital adequacy ratio and to provide the HKMA with such particulars as it may require. It is an indictable offence not to do so, and the HKMA is entitled to prescribe remedial action.

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

The risk-weighted exposure is determined by:

1. multiplying risk-weight factors to the book value of various categories of assets (including but not limited to notes and coins, Hong Kong SAR 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, trade related contingencies, repurchase contracts, note issuance facilities and exchange rate contracts) to determine their credit equivalent amount;
3. aggregating the amounts determined pursuant to (1) and (2); and
4. subtracting from the amount determined pursuant to (3) the value of general provisions not included in the capital base of the authorised institution.

The capital adequacy standards described above are commonly known as Basel II, and there are four approaches under Basel II to calculate credit risks, namely the basic approach, the standardised approach, the foundation internal rating based approach and the advanced internal ratings based approach. Authorised institutions in Hong Kong under Basel II can choose either one out of the four approaches, with the foundation internal rating based approach and advanced internal ratings based approach requiring approval from the HKMA. The Issuer has adopted the foundation internal ratings based approach to calculate the credit risk capital charge for the majority of its non-securitisation exposures.

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. Amongst other things, Basel III increased the minimum capital adequacy ratio requirements in relation to risk-weighted amounts, with the Tier 1 common equity requirement rising from 2.0 per cent. to 4.5 per cent. of risk-weighted assets and the Tier 1 capital requirements rising from 4.0 per cent. to 6.0 per cent. of risk-weighted assets. The total minimum capital ratio remains unchanged at 8.0 per cent. of risk-weighted assets (excluding buffers). The Basel Committee expected its member jurisdictions to begin the implementation of Basel III from 1 January 2013, with full implementation by 1 January 2019. The HKMA took 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 which began in 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 HKMA to:

- (a) prescribe capital requirements for authorized 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 buffer 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 Hong Kong “Resolution Regime”**

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

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

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

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

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

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

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

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

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

### ***Liquidity***

Category 1 authorised institutions must maintain at all times (i) a liquidity coverage ratio, calculated as the ratio (expressed as a percentage) of the amount of its "high quality liquid assets" to the amount of its "total net cash outflows" over a period of 30 calendar days and (ii) net stable funding ratio, calculated as the ratio (expressed as a percentage) of the amount of its "available stable funding" to the amount of its "required stable funding". In relation to an unauthorised institution with subsidiaries, the HKMA may require that ratio to be calculated on a consolidated basis, or both on a consolidated basis and an unconsolidated basis, or on a consolidated basis only in respect of such subsidiaries of the authorised institution as may be specified by the HKMA.

High quality liquid assets ("**HQLA**") are unencumbered assets that can be easily and immediately monetizable at all times within the LCR period with little or no loss of value.

Total net cash outflows is the total expected cash outflows after deduction of its total expected cash inflows over a period of 30 calendar days.

Available stable funding (“**ASF**”) is measured based on the broad characteristics of the relative stability of an institution’s funding sources, including the contractual maturity of its liabilities and the differences in the propensity of different types of funding providers to withdraw their funding. The amount of ASF is calculated by multiplying the carrying value of an institution’s capital and liabilities by its associated ASF factor, and the total ASF is the sum of the weighted amounts.

Required stable funding (“**RSF**”) is measured based on the broad characteristics of the liquidity risk profile of an institution’s assets and off-balance sheet exposures. The amount of RSF is calculated by multiplying the carrying value of an institution’s assets and off-balance sheet activity by its associated RSF factor, and the total RSF is the sum of the weighted amounts.

### ***Financial Exposure to Any One Customer***

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

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

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

The calculation of financial exposure does not include financial exposure to the Hong Kong SAR Government, any other government (except those not being accepted by HKMA), authorized institutions, banks incorporated outside Hong Kong (in the opinion of HKMA that being adequately supervised) or multilateral development bank; or any financial exposure is accepted by HKMA, either generally or in any particular case to the extent it is secured by cash deposit, guarantee, undertaking, securities or letter of comfort.

If a person, company or combination thereof to the definition of related persons to whom an authorized institution is financially exposed is a trustee of more than one trust, the HKMA may by notice in writing specify the authorized institution’s financial exposure to that person, company or combination thereof, may exceed an amount equivalent to 25 per cent. of the capital base of the licensed bank by an amount not more than the amount specified in that notice.

### **Other Restrictions on Lending**

The Banking Ordinance also provides that:

1. authorized institutions may not grant any loan, advance or credit facility (including letters of credit) or give any guarantee against the security of their own shares (or, except with the approval of the HKMA, that of their respective holding companies, subsidiaries or fellow subsidiaries of such holding companies);

2. the amount of the facilities which a Hong Kong incorporated authorised institution may make available on an unsecured basis to its controllers, its directors, their relatives or certain of its employees and persons or non-listed companies associated with any of them shall be subject to the restrictions set out therein; and
3. authorized institutions shall not, without the written consent of the HKMA given generally or in any particular case or class of case, provide to any one of its employees any specified unsecured facility to an aggregate amount of such facilities in excess of one year's salary for the employee.

#### ***Restrictions on Investments in Land***

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

#### ***Shareholding in Other Companies***

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

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

#### ***Other Restrictions on Investment***

The aggregate of the outstanding amounts of all facilities granted to or on behalf of an authorised institution's controllers, directors, their relatives, certain of its employees and their associates; the value of all holdings of share capital in other companies; and the value of all holdings of interests in land (including land purchased or held which is necessary for the conduct of business or the provision of housing or amenities for the staff of the institution), without taken into account those exempted or excluded exposures, shall not exceed 80 per cent. of its capital base.

#### ***Charges***

An authorised institution incorporated in Hong Kong is not permitted to create any charges over its assets if either the aggregate value of all charges existing over its total assets (excluding contra items) 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 (including that first-mentioned charge) over its total assets (excluding contra items) to be more than 5 per cent. of the value of those total assets.

### *Restrictions on Overseas Activities*

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

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

### **Controllers, Chief Executives and Directors**

#### *Limitations on Controllers*

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

1. a person who, either alone or with any associate(s), is entitled to exercise, or control the exercise of, 10.0 per cent. or more, but not more than 50 per cent., of the voting power at any general meeting of the authorized institution or of another company of which it is a subsidiary; or
2. a person who, either alone or with any associate(s), is entitled to exercise, or control the exercise of, more than 50.0 per cent. of the voting power at any general meeting of the authorized institution or of another company of which it is a subsidiary; or
3. a person in accordance with whose directions or instructions the directors of the authorized institution or of another company of which it is a subsidiary are accustomed to act (but does not include any professional advisers or managers appointed by the HKMA to manage the authorized institution).

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

Within the three-month period, the HKMA may object to the applicant’s proposal, unless it is satisfied that the applicant is a fit and proper person to become a controller; that depositors’ or potential depositors’ interests will not be threatened by that person being such a controller; and having regard to the applicant’s likely influence on that institution as a controller, the authorized institution is likely to continue to conduct its business prudently or that the applicant is likely to undertake adequate remedial action to ensure that the authorized institution will conduct its business prudently.

The HKMA may also object to the continuation of a person as a controller on similar grounds as in respect of new controllers.

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

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

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

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

#### ***Limitations on Persons Becoming Chief Executives or Directors***

All authorized institutions must have a chief executive ordinarily resident in Hong Kong. A person requires the written consent of the HKMA before becoming a chief executive and alternative chief executive.

The consent of the HKMA is also required for a person to become a director of a Hong Kong incorporated authorized institution.

#### **Domestic Systemically Important Authorized Institution**

The Issuer is currently designated as a Domestic Systemically Important Authorized Institution (“**D-SIB**”) by the HKMA. Generally, D-SIBs will be subject to more intensive supervision by the HKMA than banks which are not so designated. In particular, the HKMA may impose increased capital adequacy or liquidity requirements on D-SIBs, including the Issuer.

#### **Supervision of Securities Business**

The Securities and Futures Ordinance (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 requirement set by the SFC. Likewise, staff engaged by banks in securities business will have to meet the fit and proper requirement applicable to staff of licensed corporations who conduct regulated activities. 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 and their securities staff will also have to comply with the various regulatory requirements set by the HKMA and the SFC in relation to their securities

business. Under the SFO, banks and their securities staff will be subject to the same range of disciplinary actions that are applicable to licensed corporations and their staff in case they are guilty of misconduct or otherwise not fit and proper.

With the introduction of a new licensing regime under the SFO, corresponding changes have been made to the Banking Ordinance by way of the introduction of the Banking (Amendment) Ordinance 2002. Such ordinance came into operation simultaneously with the SFO and has enabled the HKMA to enhance their regulatory functions in relation to the securities businesses of banks and other authorized institutions that are registered under the SFO. Every Registered Institution (“**RI**”) shall appoint not less than two executive officers to be responsible for directly supervising the conduct of each business in Hong Kong conducted by the RI that constitutes a regulated activity. In order to clearly define roles, responsibilities and accountability, every RI must also identify: (i) at least one individual to be principally responsible for the overall management of the RI’s entire business, and (ii) an individual to manage each of the RI’s businesses or functions listed in paragraphs two to eight of the Fourteenth Schedule to the Banking Ordinance, to the extent that these individuals are involved in the management of the business constituting any regulated activities of the RI.

## TAXATION

The following is a general description of certain tax considerations relating to the Notes and is based on law and relevant interpretations thereof in effect as of the date of this Offering Circular, all of which are subject to change, and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective holders of Notes who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction are advised to consult their own professional advisers.

### HONG KONG

#### Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the 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 BOCHK is expected to constitute a deposit to which the above exemption from payment will apply.



Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

### **Stamp Duty**

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

- (i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong) (the “**SDO**”).

If stamp duty is payable it is payable by the Issuer on the issue of Bearer Notes at a rate of three 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).

At present, if stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the value of consideration. With the enactment of the Revenue (Stamp Duty) Ordinance 2021, the relevant rate of stamp duty payable by each of the seller and purchaser will increase from 0.1 per cent. to 0.13 per cent. (for a total stamp duty payable of 0.26 per

cent.), with effect from 1 August 2021. 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.

## **THE PROPOSED FINANCIAL TRANSACTION TAX (“FTT”)**

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under current proposals, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the 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 the 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. FEDERAL INCOME TAXATION**

Each taxpayer should seek advice based on such person’s particular circumstances from an independent tax adviser

The following summary discusses the principal U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes. Except as specifically noted below, this discussion applies only to:

- Notes purchased on original issuance at their issue price (as defined below);
- Notes held as capital assets;
- U.S. Noteholders (as defined below); and
- Notes with an original maturity of 30 years or less.

This discussion does not describe all of the tax consequences that may be relevant in light of a Noteholder’s particular circumstances or to Noteholders subject to special rules, such as:

- financial institutions;
- insurance companies;
- dealers in securities or foreign currencies;

- investors liable for the alternative minimum tax;
- individual retirement accounts and other tax deferred accounts;
- tax-exempt organisations;
- persons holding Notes as part of a hedging transaction, straddle, conversion transaction or other integrated transaction;
- U.S. Noteholders whose functional currency is not the U.S. dollar;
- partnerships or other entities or arrangements classified as partnerships for U.S. federal income tax purposes;
- former citizens and residents of the United States;
- investors holding the Notes in connection with a trade a business conducted outside the United States; or
- U.S. Noteholders that are required to take certain amounts into income no later than the time such amounts are reflected on an applicable financial statement.

This summary is based on the Internal Revenue Code of 1986, as amended, administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury Regulations all as of the date of this Offering Circular and any of which may at any time be repealed, revised or subject to differing interpretation, possibly retroactively so as to result in U.S. federal income tax consequences different from those described below. Persons considering the purchase of the Notes should consult the relevant Final Terms for any additional discussion regarding U.S. federal income taxation and should consult their tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

This summary does not discuss Notes that by their terms may be retired for an amount less than their principal amount and Notes subject to special rules. The tax treatment of certain Notes such as, for example, undated perpetual Notes with no fixed maturity, may be specified in the relevant Final Terms. Moreover, this summary does not discuss Bearer Notes. In general, U.S. federal income tax law imposes significant limitations on U.S. Noteholders of Bearer Notes which are not being marketed to U.S. persons.

U.S. Noteholders should consult their tax advisers regarding the tax consequences with respect to the acquisition, ownership and disposition of Notes.

As used herein, the term “**U.S. Noteholder**” means a beneficial owner of a Note that is for U.S. federal income tax purposes:

- an individual that is a citizen or resident of the United States;
- a corporation created or organised in or under the laws of the United States or of any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds Notes, the U.S. federal income tax treatment of a partner in such partnership will generally depend on the status of the partner and upon the activities of the partnership. Partners of partnerships holding Notes should consult with their tax advisers regarding the U.S. federal tax consequences of an investment in the Notes.

### **Payments of Stated Interest**

Interest paid on a Note will be taxable to a U.S. Noteholder as ordinary interest income at the time it accrues or is received in accordance with the Noteholder's method of accounting for U.S. federal income tax purposes, **provided that** the interest is "qualified stated interest" (as defined below). Interest income earned by a U.S. Noteholder with respect to a Note will constitute foreign source income for U.S. federal income tax purposes, which may be relevant in calculating the Noteholder's foreign tax credit limitation. The rules regarding foreign tax credits are complex and prospective investors should consult their tax advisers about the application of such rules to them in their particular circumstances. Special rules governing the treatment of interest paid with respect to original issue discount Notes and foreign currency Notes are described under "*— Original Issue Discount*", "*— Contingent Payment Debt Notes*" and "*— Foreign Currency Notes*".

### **Original Issue Discount**

A Note, other than a Note with a term of one year or less (a "**short-term note**"), that has an "issue price" that is less than its "stated redemption price at maturity" will be considered to have been issued at an original discount for U.S. federal income tax purposes (and will be referred to as an "**original issue discount Note**") unless the Note satisfies a *de minimis* threshold (as described below). The "issue price" of a Note generally will be the first price at which a substantial amount of the Notes is sold to the public (which does not include sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers). The "stated redemption price at maturity" of a Note generally will equal the sum of all payments required to be made under the Note other than payments of "qualified stated interest." "Qualified stated interest" is stated interest unconditionally payable (other than in Notes of the issuer) at least annually during the entire term of the Note at a single fixed rate of interest, at a single qualified floating rate of interest or at a rate that is determined at a single fixed formula that is based on objective financial or economic information. A rate is a qualified floating rate if variations in the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Note is denominated.

If the difference between a Note's stated redemption price at maturity and its issue price is less than a *de minimis* amount, i.e., one quarter of one per cent. of the stated redemption price at maturity multiplied by the number of complete years to maturity, the Note will not be considered to have original issue discount.

U.S. Noteholders of the Notes with a *de minimis* amount of original issue discount will include this original issue discount in income as capital gain, on a *pro rata* basis as principal payments are made on the Note.

U.S. Noteholders of original issue discount Notes that mature more than one year from their date of issuance will be required to include original issue discount in income for U.S. federal tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, regardless of whether cash attributable to this income is received. Under these rules, U.S. Noteholders generally will have to include in taxable income, increasingly greater amounts of original issue discount in successive accrual periods.

A U.S. Noteholder may make an election to include in gross income all interest that accrues on any particular Note (including stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium or acquisition premium) in accordance with a constant yield method based on the compounding of interest, and generally may revoke such election (a “**constant yield election**”) only with the permission of the U.S. Internal Revenue Service (“**IRS**”). If a U.S. Noteholder makes a constant yield election with respect to a Note with market discount (discussed below), the U.S. Noteholder will be treated as having made an election to include market discount in income currently over the life of all debt instruments with market discount acquired by the electing U.S. Noteholder on or after the first day of the first taxable year to which such election applies. U.S. Noteholders should consult their tax advisers about making this election in light of their particular circumstances.

### **Market Discount**

If a U.S. Noteholder purchases a Note (other than a short-term Note) for an amount that is less than its stated redemption price at maturity or, in the case of an original issue discount Note, its adjusted issue price, the amount of the difference will be treated as market discount for U.S. federal income tax purposes, unless this difference is less than a specified *de minimis* amount.

A U.S. Noteholder will be required to treat any principal payment (or, in the case of an original issue discount Note, any payment that does not constitute qualified stated interest) on, or any gain on the sale, exchange, retirement or other disposition of a Note, including disposition in certain non-recognition transactions, as ordinary income to the extent of the market discount accrued on the Note at the time of the payment or disposition unless this market discount has been previously included in income by the U.S. Noteholder pursuant to an election by the Noteholder to include market discount in income as it accrues. An election to include market discount in income as it accrues applies to all debt instruments with market discount acquired by the electing U.S. Noteholder on or after the first day of the first taxable year to which such election applies and may not be revoked without the consent of the IRS. In addition, a U.S. Noteholder that does not elect to include market discount in income currently may be required to defer, until the maturity of the Note or its earlier disposition (including certain non-taxable transactions), the deduction of all or a portion of the interest expense on any indebtedness incurred or maintained to purchase or carry such Note.

Market discount will accrue on a straight line basis unless a U.S. Noteholder makes an election on a Note to accrue on the basis of a constant interest rate. This election is irrevocable once made.

### **Acquisition Premium and Amortisable Bond Premium**

A U.S. Noteholder who purchases a Note for an amount that is greater than the Note’s adjusted issue price but less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, will be considered to have purchased the Note at an

acquisition premium. Under the acquisition premium rules, the amount of original issue discount that the U.S. Noteholder must include in its gross income with respect to the Note for any taxable year will be reduced by the portion of acquisition premium properly allocable to that year.

If a U.S. Noteholder purchases a Note for an amount that is greater than the stated redemption price at maturity, the Noteholder will be considered to have purchased the Note with amortisable bond premium equal in amount to the excess of the purchase price over the amount payable at maturity. The Noteholder may elect to amortise this premium, using a constant yield method, over the remaining term of the Note. A Noteholder who elects to amortise bond premium must reduce its tax basis in the Note by the amount of the premium amortised in any year. An election to amortise bond premium applies to all taxable debt obligations then owned and thereafter acquired by the Noteholder and may be revoked only with the consent of the IRS.

If a U.S. Noteholder makes a constant yield election (as described under “— *Original Issue Discount*”) for a Note with amortisable bond premium, such election will result in a deemed election to amortise bond premium for all of the Noteholder’s debt instruments with amortisable bond premium.

### **Short-Term Notes**

In general, an individual or other cash basis U.S. Noteholder of a short-term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any qualified stated interest in income as the interest is received). Accrual basis U.S. Noteholders and certain other U.S. Noteholders are required to accrue OID on short-term Notes on a straight-line basis or, if the U.S. Noteholder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Noteholder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the short-term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Noteholders who are not required and do not elect to accrue OID on short-term Notes will be required to defer deductions for interest on borrowings allocable to short-term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a short-term Note are included in the short-term Note’s stated redemption price at maturity. A U.S. Noteholder may elect to determine OID on a short-term Note as if the short-term Note had been originally issued to the U.S. Noteholder at the U.S. Noteholder’s purchase price for the short-term Note. This election will apply to all obligations with a maturity of one year or less acquired by the U.S. Noteholder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

### **Sale, Exchange or Retirement of the Notes**

Upon the sale, exchange or retirement of a Note, a U.S. Noteholder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the Noteholder’s adjusted tax basis in the Note. A U.S. Noteholder’s adjusted tax basis in a Note generally will equal the acquisition cost of the Note increased by the amount of original issue discount and market discount included in the U.S. Noteholder’s gross income and decreased by any bond premium or acquisition premium previously amortised and by the amount of any payment received from the Issuer other than a payment of qualified stated interest. Gain or loss, if any, will generally be U.S. source income for purposes of computing a U.S. Noteholder’s foreign tax credit limitation. For these purposes,

the amount realised does not include any amount attributable to accrued but unpaid interest on the Note. Amounts attributable to accrued but unpaid interest are treated as payments of interest as described under “— *Payments of Stated Interest*”.

Except as described below, gain or loss realised on the sale, exchange or retirement of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the U.S. Noteholder has held the Note for more than one year. Exceptions to this general rule apply to the extent of any accrued market discount or, in the case of a short-term Note, to the extent of any accrued discount not previously included in the Noteholder’s taxable income. See “— *Original Issue Discount*” and “— *Market Discount*”. In addition, other exceptions to this general rule apply in the case of foreign currency Notes, and contingent payment debt Notes. See “— *Foreign Currency Notes*” and “— *Contingent Payment Debt Notes*”. Long-term capital gains recognised by an individual U.S. Noteholder generally are subject to tax at a lower rate than short-term capital gains or ordinary income. The deductibility of capital losses is subject to limitations.

### **Contingent Payment Debt Instruments**

If the terms of the Notes provide for certain contingencies that affect the timing and amount of payments (including Notes with a variable rate or rates that do not qualify as “variable rate debt instruments” for purposes of the original issue discount rules) they generally will be “contingent payment debt instruments” for U.S. federal income tax purposes. Under the rules that govern the treatment of contingent payment debt instruments, no payment on such Notes qualifies as qualified stated interest. Rather, a U.S. Noteholder must account for interest for U.S. federal income tax purposes based on a “comparable yield” and the differences between actual payments on the Note and the Note’s “projected payment schedule” as described below. The comparable yield is determined by the Issuer at the time of issuance of the Notes. The comparable yield may be greater than or less than the stated interest, if any, with respect to the Notes. Solely for the purpose of determining the amount of interest income that a U.S. Noteholder will be required to accrue on a contingent payment debt instrument, the Issuer will be required to construct a “projected payment schedule” that represents a series of payments the amount and timing of which would produce a yield to maturity on the contingent payment debt instrument equal to the comparable yield.

### **Neither the comparable yield nor the projected payment schedule constitutes a representation by the Issuer regarding the actual amount, if any, that the contingent payment debt Note will pay**

For U.S. federal income tax purposes, a U.S. Noteholder will be required to use the comparable yield and the projected payment schedule established by the Issuer in determining interest accruals and adjustments, unless the Noteholder timely discloses and justifies the use of a different comparable yield and projected payment schedule to the IRS.

A U.S. Noteholder, regardless of the Noteholder’s method of accounting for U.S. federal income tax purposes, will be required to accrue interest income on a contingent payment debt instrument at the comparable yield, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of any contingent payments on the contingent payment instrument (as set forth below).

A U.S. Noteholder will be required to recognise interest income equal to the amount of any net positive adjustment, i.e., the excess of actual payments over projected payments, in respect of a contingent payment debt instrument for a taxable year. A net negative adjustment, i.e., the excess of projected payments over actual payments, in respect of a contingent payment debt instrument for a taxable year:

- will first reduce the amount of interest in respect of the contingent payment debt instrument that a Noteholder would otherwise be required to include in income in the taxable year; and
- to the extent of any excess, will give rise to an ordinary loss equal to so much of this excess as does not exceed the excess of:
  - the amount of all previous interest inclusions under the contingent payment debt instrument over; and
  - the total amount of the U.S. Noteholder’s net negative adjustments treated as ordinary loss on the contingent payment debt instrument in prior taxable years.

A net negative adjustment will not be subject to the two per cent. floor limitation imposed on miscellaneous deductions when miscellaneous deductions become available again to individual U.S. Holders for tax years beginning on or after 1 January 2026. Any net negative adjustment in excess of the amounts described above will be carried forward to offset future interest income in respect of the contingent payment debt instrument or to reduce the amount realised on a sale, exchange or retirement of the contingent payment debt instrument. Where a U.S. Noteholder purchases a contingent payment debt instrument for a price other than its adjusted issue price, the difference between the purchase price and the adjusted issue price must be reasonably allocated to the daily portions of interest or projected payments with respect to the contingent payment debt instrument over its remaining term and treated as a positive or negative adjustment, as the case may be, with respect to each period to which it is allocated.

Upon a sale, exchange or retirement of a contingent payment debt instrument, a U.S. Noteholder generally will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the Noteholder’s adjusted basis in the contingent payment debt instrument. A U.S. Noteholder’s adjusted basis in a Note that is a contingent payment debt instrument generally will be the acquisition cost of the Note, increased by the interest previously accrued by the U.S. Noteholder on the Note under these rules, disregarding any net positive and net negative adjustments, and decreased by the amount of any noncontingent payments and the projected amount of any contingent payments previously made on the Note. A U.S. Noteholder generally will treat any gain as interest income, and any loss as ordinary loss to the extent of the excess of previous interest inclusions in excess of the total net negative adjustments previously taken into account as ordinary losses, and the balance as capital loss. Gain or loss recognised by a U.S. Noteholder on the sale, exchange or retirement of a contingent payment debt instrument will generally be foreign source. The deductibility of capital losses is subject to limitations. In addition, if a Noteholder recognises loss above certain thresholds, the Noteholder may be required to file a disclosure statement with the IRS (as described under “— *Reportable Transactions*”).

A U.S. Noteholder will have a tax basis in any property, other than cash, received upon the retirement of a contingent payment debt instrument equal to the fair market value of the property, determined at the time of retirement. The Noteholder’s holding period for the property will commence on the day immediately following its receipt. Special rules apply to contingent payment debt instruments that are denominated, or provide for payments, in a currency other than the U.S. dollar (“**Foreign Currency Contingent Payment Debt Instruments**”). Very generally, these Notes are accounted for like a contingent payment debt instrument, as described above, but in the currency of the Foreign Currency Contingent Payment Debt Instruments. The relevant amounts must then be translated into U.S. dollars.



The rules applicable to Foreign Currency Contingent Payment Debt Instruments are complex and U.S. Noteholders are urged to consult their own tax advisers regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition of such Notes.

### **Foreign Currency Notes**

The following discussion summarises the principal U.S. federal income tax consequences to a U.S. Noteholder of the ownership and disposition of the Notes that are denominated in a specified currency other than the U.S. dollar or the payments of interest or principal on which are payable in a currency other than the U.S. dollar (“**foreign currency Notes**”).

The rules applicable to foreign currency Notes could require some or all gain or loss on the sale, exchange or other disposition of a foreign currency Note to be recharacterised as ordinary income or loss. The rules applicable to foreign currency Notes are complex and may depend on the Noteholder’s particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a Noteholder should make any of these elections may depend on the Noteholder’s particular U.S. federal income tax situation. U.S. Noteholders are urged to consult their tax advisers regarding the U.S. federal income tax consequences of the ownership and disposition of foreign currency Notes.

A U.S. Noteholder who uses the cash method of accounting and who receives a payment of qualified stated interest in a foreign currency with respect to a foreign currency Note will be required to include in income the U.S. dollar value of the foreign currency payment (determined on the date the payment is received) regardless of whether the payment is in fact converted to U.S. dollars at the time, and this U.S. dollar value will be the U.S. Noteholder’s tax basis in the foreign currency.

An accrual method U.S. Noteholder will be required to include in income the U.S. dollar value of the amount of interest income (including original issue discount or market discount, but reduced by acquisition premium and amortisable bond premium, to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a foreign currency Note during an accrual period. The U.S. dollar value of the accrued income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. The U.S. Noteholder will recognise ordinary income or loss with respect to accrued interest income on the date the income is actually received. The amount of ordinary income or loss recognised will equal the difference between the U.S. dollar value of the foreign currency payment received (determined on the date the payment is received) in respect of the accrual period and the U.S. dollar value of interest income that has accrued during the accrual period (as determined above). Rules similar to these rules apply in the case of a cash method taxpayer required to currently accrue original issue discount or market discount.

An accrual method U.S. Noteholder or cash method U.S. Noteholder accruing original issue discount may elect to translate interest income (including original issue discount) into U.S. dollars at the spot rate on the last day in the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the partial accrual period in the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. Noteholder that makes this election must apply it consistently to all Notes from year to year and cannot change the election without the consent of the IRS.

Original issue discount, market discount, acquisition premium and amortisable bond premium on a foreign currency Note are to be determined in the relevant foreign currency. Where the taxpayer elects to include market discount in income currently, the amount of market discount will be determined for any accrual period in the relevant foreign currency and then translated into U.S. dollars on the basis of the average rate in effect during the accrual period. Exchange gain or loss realised with respect to such accrued market discount shall be determined in accordance with the rules relating to accrued interest described above. Accrued market discount (other than market discount currently included in income) taken into account upon the receipt of any partial principal payment or upon the sale, retirement or other disposition of a Note is translated into U.S. dollars at the spot rate on such payment or disposition date.

If an election to amortise bond premium is made, amortisable bond premium taken into account on a current basis shall reduce interest income in units of the relevant foreign currency. Exchange gain or loss is realised on amortised bond premium with respect to any period by treating the bond premium amortised in the period in the same manner as on the sale, exchange or retirement of the foreign currency Note. Any exchange gain or loss will be ordinary income or loss as described below. If the election to amortise bond premium is not made, any loss realised on the sale, exchange or retirement of a foreign currency Note with amortisable bond premium will be a capital loss to the extent of the bond premium.

A U.S. Noteholder's tax basis in a foreign currency Note, and the amount of any subsequent adjustment to the Noteholder's tax basis, will be the U.S. dollar value amount of the foreign currency amount paid for such foreign currency Note, or of the foreign currency amount of the adjustment, determined on the date of the purchase or adjustment, or the settlement date for the purchase, in the case of Notes traded on an established securities market that are purchased by a cash basis U.S. Noteholder (or an accrual basis U.S. Noteholder that so elects). A U.S. Noteholder who purchases a foreign currency Note with previously owned foreign currency will recognise ordinary income or loss in an amount equal to the difference, if any, between such U.S. Noteholder's tax basis in the foreign currency and the U.S. dollar fair market value of the foreign currency Note on the date of purchase.

Gain or loss realised upon the sale, exchange or retirement of a foreign currency Note that is attributable to fluctuation in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the payment is received or the Note is disposed of, and (ii) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the U.S. Noteholder acquired the Note. For purposes of computing foreign currency gain or loss in respect of principal, the principal amount of a Note is the U.S. Noteholder's purchase price in the units of the foreign currency that such Note is denominated in. Payments received attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on foreign currency Notes described above. The foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by the Noteholder on the sale, exchange or retirement of the foreign currency Note. The source of the foreign currency gain or loss will be determined by reference to the residence of the Noteholder on whose books the Note is properly reflected. Any gain or loss realised by these Noteholders in excess of the foreign currency gain or loss will be capital gain or loss except to the extent of any accrued market discount or, in the case of a short-term Note, to the extent of any discount not previously included in the Noteholder's income **provided that** the Note is not a Foreign Currency Contingent Payment Debt Instrument. Noteholders should consult their tax advisers with respect to the tax consequences of receiving payments in a currency different from the currency in which payments with respect to such Note accrue.

A U.S. Noteholder will have a tax basis in any foreign currency received on the sale, exchange or retirement of a foreign currency Note equal to the U.S. dollar value of the foreign currency, determined at the time of sale, exchange or retirement. A cash method taxpayer who buys or sells a foreign currency Note that is traded on an established securities market is required to translate units of foreign currency paid or received into U.S. dollars at the spot rate on the settlement date of the purchase or sale. Accordingly, no exchange gain or loss will result from currency fluctuations between the trade date and the settlement date of the purchase or sale. An accrual method taxpayer may elect the same treatment for all purchases and sales of foreign currency obligations **provided that** the Notes are traded on an established securities market. This election cannot be changed without the consent of the IRS. If either (i) the Note is not traded on an established securities market or (ii) it is and the Noteholder is an accrual method taxpayer that does not make the election described above with respect to such Note, exchange gain or loss may result from currency fluctuations between the trade date and the settlement date of the purchase or sale. Any gain or loss realized by a U.S. Noteholder on a sale or other disposition of foreign currency (including its exchange for U.S. dollars or its use to purchase foreign currency Notes) will be ordinary income or loss.

### **Backup Withholding and Information Reporting**

Information returns may be filed with the IRS in connection with payments on the Notes and the proceeds from a sale or other disposition of the Notes. A U.S. Noteholder may be subject to U.S. backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Noteholder will be allowed as a credit against the Noteholder's U.S. federal income tax liability and may entitle them to a refund, **provided that** the required information is furnished to the IRS.

### **Reporting Requirements**

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Noteholder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if the loss exceeds U.S.\$50,000 in a single taxable year if the U.S. Noteholder is an individual or trust, or higher amounts for other U.S. Noteholders. In the event the acquisition, ownership or disposition of the Notes constitutes participation in a "reportable transaction" for purposes of these rules, a U.S. Noteholder will be required to disclose its investment by filing Form 8886 with the IRS.

U.S. Noteholders should consult their tax advisers regarding the application of these rules as well as any additional filing or reporting obligations that may apply to the acquisition, ownership or disposition of the Notes, including reporting requirements related to the holding of certain foreign financial assets. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

**The U.S. federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a Noteholder's particular situation. Noteholders should consult their tax advisers with respect to the tax consequences to them of the ownership and disposition of the Notes, including the tax consequences under state, local, foreign and other tax laws and the possible effects of changes in U.S. federal or other tax laws.**

## CERTAIN ERISA AND OTHER U.S. CONSIDERATIONS

### GENERAL

The U.S. Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), and Section 4975 of the Code, prohibit certain transactions involving: (i) employee benefit plans or other plans, including individual retirement accounts or Keogh plans, which are subject to Title I of ERISA or are defined in and subject to Section 4975 of the Code (collectively, “**Plans**”), or any entities whose underlying assets include plan assets of such employee benefit plans or other plans for the purposes of Title I of ERISA or Section 4975 of the Code (together with Plans, “**Benefit Plan Investors**”); and (ii) persons who have certain specified relationships to Plans (“parties in interest” under ERISA and “disqualified persons” under Section 4975 of the Code and collectively, “**Parties in Interest**”). A violation of these “prohibited transaction” rules may result in the imposition of an excise tax, the rescission of the transaction or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless relief is available under an applicable statutory or administrative exemption. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may apply depending in part on the type of Plan fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA (relating to certain transactions between a plan and a non-fiduciary service provider), Prohibited Transaction Class Exemption (PTCE) 95-60 (relating to investments by insurance company general accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a “qualified professional asset manager”), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by an in-house asset manager). There can be no assurance that any of these class exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

Employee benefit plans which are not Benefit Plan Investors, including governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA), and non-U.S. plans (as described in Section 4(b)(4) of ERISA), may be subject to U.S. federal, state or local, or non-U.S., laws, which are substantially similar to the prohibited transaction provisions of ERISA or Section 4975 of the Code (“**Similar Law**”). Fiduciaries of such plans should consult with their counsel before they purchase any of the Notes or any interest therein.

Under Section 3(42) of ERISA and regulations issued by the U.S. Department of Labor at 29 C.F.R. Section 2510.3-101 (collectively, the “**Plan Assets Regulation**”), when Benefit Plan Investors acquire 25.0 per cent. or more of any class of equity in an entity that is not an operating company within the meaning of the Plan Assets Regulation, the underlying assets owned by that entity will be treated as if they were plan assets of such Benefit Plan Investors, unless an exception otherwise applies. For the purposes of calculating the 25.0 per cent. threshold under the Plan Assets Regulation, the value of any equity interest held by a person (other than a Benefit Plan Investor) who has discretionary authority or control with respect to the assets of the entity or that provides investment advice for a fee (direct or indirect) with respect to such assets (or an affiliate of such person) is disregarded. If the assets of the Issuer were deemed to be plan assets of such Benefit Plan Investors, the Issuer would be subject to certain fiduciary obligations under ERISA, and certain transactions that the Issuer might enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under ERISA and Section 4975 of the Code.

Accordingly, unless otherwise stated in the Pricing Supplement, as the case may be, each purchaser and transferee of any Note will be deemed to represent and agree that either: (i) it has concluded that the Issuer is an operating company within the meaning of the Plan Assets Regulation or (ii) the Note constitutes indebtedness without substantial equity features.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any of the Notes are acquired by a Benefit Plan Investor with respect to which the Issuer is a Party in Interest. Accordingly, unless otherwise stated in the Final Terms or the Pricing Supplement, as the case may be, each purchaser and transferee of any Note will be deemed to represent and agree that either: (i) it is not using the assets of and shall not at any time hold such Note for or on behalf of a Benefit Plan Investor or a governmental, church or non-U.S. plan which is subject to Similar Law; or (ii) its acquisition, holding and disposition of such Note or of any interest therein will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or, in the case of a governmental, church or non-U.S. plan, a violation of any applicable Similar Law. Any purported purchase or transfer of such a Note that does not comply with the foregoing shall be null and void *ab initio*. In addition, each purchaser and transferee of any Note that is a Benefit Plan Investor will be deemed to represent and agree that (i) none of the Issuer, the Arrangers, the Dealers or any of their respective affiliates (each, a “**Transaction Party**”) has provided any investment recommendation or investment advice on which it, or any fiduciary to it, has relied in connection with the decision to purchase, hold or transfer the Notes, and no Transaction Party is otherwise acting as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Benefit Plan Investor or its fiduciary in connection with the Benefit Plan Investor’s acquisition, holding or disposition of Notes; and (ii) the Benefit Plan Investor’s fiduciary is exercising its own independent judgment in evaluating the transaction.

## CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear, Clearstream, Luxembourg 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, Luxembourg**

Euroclear and Clearstream, Luxembourg 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, Luxembourg provide to their respective participants, amongst other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg 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, Luxembourg 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, Luxembourg participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg 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 HKMA for the safe custody and electronic trading between the members of this service (“**CMU Members**”) of Exchange Fund Bills and Notes Clearing and Settlement Service securities and capital markets instruments (together, “**CMU 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 all financial institutions regulated by the 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, Luxembourg in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU.

## **DTC**

DTC has advised as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

## **BOOK-ENTRY OWNERSHIP**

### **Bearer Notes**

The Issuer has made applications to Euroclear and Clearstream, Luxembourg 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, Luxembourg 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, Luxembourg.

### **Registered Notes**

The Issuer may make applications to Euroclear and Clearstream, Luxembourg 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 Registered Notes to be represented by a Global Certificate accepted for clearance through the CMU. The Issuer, and a relevant U.S. agent appointed for such purpose that is an eligible DTC participant, may also make application to DTC for acceptance in its book-entry settlement system in respect of the Notes to be represented by a Global Certificate. Each Global Certificate may

have an International Securities Identification Number (“ISIN”), a Common Code and a CUSIP number. Investors in Notes of such Series may hold their interests in a Global Certificate through Euroclear, Clearstream, Luxembourg or the CMU (if applicable).

Each Restricted 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 “*Transfer Restrictions*”. In certain circumstances, as described below in “*Transfers of Registered Notes*”, transfers of interests in a Restricted Global Certificate may be made as a result of which such legend may no longer be required.

In the case of a Tranche of Registered Notes to be cleared through the facilities of DTC, the Custodian, with whom the Global Certificates are deposited, and DTC will electronically record the nominal amount of the Notes held within the DTC system. Investors may hold their beneficial interests in a Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Payments of the principal of, and interest on, each Global Certificate registered in the name of DTC’s nominee will be to, or to the order of, its nominee as the registered owner of such Global Certificate. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants’ accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant Global Certificate as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of beneficial interests in such Global Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. Neither the Issuer nor any Paying Agent or any Transfer Agent will have any responsibility or liability for any aspect of the records relating, to or payments made on account of, ownership interests in any Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of an Unrestricted Global Certificate and/or a Restricted 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.

### **Payments through DTC**

Payments in U.S. dollars of principal and interest in respect of a Global Certificate registered in the name of a nominee of DTC will be made to the order of such nominee as the registered holder of such Note. Payments of principal and interest in a currency other than U.S. dollars in respect of Notes evidenced by a Global Certificate registered in the name of a nominee of DTC will be made or procured to be made by the Paying Agent in such currency in accordance with the following provisions. The amounts in such currency payable by the Paying Agent or its agent to DTC with respect to Notes held by DTC or its nominee will be received from the Issuer by the Paying Agent who will make payments in such currency by wire transfer of same day funds to the designated bank account in such currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of payments of interest, on or prior to the third business day in New York City after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least 12 business days in New York City prior to the relevant payment date, to receive that payment in such currency. The Paying Agent will convert amounts in such currency into U.S. dollars and deliver such



U.S. dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such currency. The Agency Agreement sets out the manner in which such conversions are to be made.

### **Transfers of Registered Notes**

Transfers of interests in Global Certificates within Euroclear, Clearstream, Luxembourg, the CMU and DTC will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Restricted Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Restricted Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Beneficial interests in an Unrestricted Global Certificate may only be held through Euroclear, Clearstream, Luxembourg or the CMU. In the case of Registered Notes to be cleared through Euroclear, Clearstream, Luxembourg and/or DTC, transfers may be made at any time by a holder of an interest in an Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through a Restricted Global Certificate for the same Series of Notes **provided that** any such transfer made on or prior to the expiration of the distribution compliance period (as used in “*Subscription and Sale*”) relating to the Notes represented by such Unrestricted Global Certificate will only be made upon receipt by any Transfer Agent of a written certificate from Euroclear or Clearstream, Luxembourg, as the case may be, (based on a written certificate from the transferor of such interest) to the effect that such transfer is being made to a person whom the transferor, and any person acting on its behalf, reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. Any such transfer made thereafter of the Notes represented by such Unrestricted Global Certificate will only be made upon request through Euroclear or Clearstream, Luxembourg by the holder of an interest in the Unrestricted Global Certificate to the Issuing and Paying Agent of details of that account at DTC to be credited with the relevant interest in the Restricted Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through an Unrestricted Global Certificate will only be made upon delivery to any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear or Clearstream, Luxembourg, as the case may be, and DTC to be credited and debited, respectively, with an interest in each relevant Global Certificate.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under “*Transfer Restrictions*”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Issuing and Paying Agent.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Euroclear and/or Clearstream, Luxembourg and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear or Clearstream, Luxembourg and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant Global Certificates will be effected through the Issuing and Paying Agent, the Custodian, the relevant Registrar and any applicable Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (ii) two business days after receipt by the Issuing and Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see “*Transfer Restrictions*”.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of Restricted Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Restricted Global Certificates are credited and only in respect of such portion of the aggregate nominal amount of the relevant Restricted Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant Restricted Global Certificates for exchange for Individual Certificates (which will, in the case of Restricted Notes, bear the legend applicable to transfers pursuant to Rule 144A).

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates amongst participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer, nor any Paying Agent nor any Transfer Agent will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a Global Certificate is lodged with DTC or Euroclear, Clearstream, Luxembourg, Notes represented by Individual Certificates will not be eligible for clearing or settlement through Euroclear, Clearstream, Luxembourg or DTC.

### **Individual Certificates**

Registration of title to Registered Notes in a name other than a depository or its nominee for Euroclear, Clearstream, Luxembourg, the CMU or for DTC will be permitted only (i) in the case of Restricted Global Certificates in the circumstances set forth in “*Summary of Provisions Relating to the Notes while in Global Form — Exchange — Restricted Global Certificates*” (**provided that** Restricted Global Certificates will not be cleared through the CMU) or (ii) in the case of Unrestricted Global Certificates in the circumstances set forth in “*Summary of Provisions Relating to the Notes while in Global Form — Exchange — Unrestricted Global Certificates*”. In such circumstances, the Issuer will cause sufficient

individual Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with:

- (i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Individual Certificates; and
- (ii) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual Certificates issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

### **Pre-issue Trades Settlement**

It is expected that delivery of Notes will be made against payment therefor on the relevant Issue Date, which could be more than two business days following the date of pricing. Under Rule 15c6-1 of the Exchange Act, trades in the U.S. secondary market generally are required to settle within two business days (“T+2”), unless the parties to any such trade expressly agree otherwise. Accordingly, in the event that an Issue Date is more than two business days following the relevant date of pricing, purchasers who wish to trade Registered Notes in the United States between the date of pricing or the next succeeding business day will be required, by virtue of the fact that such Notes initially will settle beyond T+2, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and, in the event that an Issue Date is more than two business days following the relevant date of pricing, purchasers of Notes who wish to trade Notes between on the date of pricing or the next succeeding business day should consult their own adviser.

## TRANSFER RESTRICTIONS

### RESTRICTED NOTES

Each purchaser of Restricted Notes, by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged that:

- (i) It is (a) a QIB, (b) acquiring such Restricted Notes for its own account, or for the account of one or more QIBs, and (c) aware, and each beneficial owner of the Restricted Notes has been advised, that the sale of the Restricted Notes to it is being made in reliance on Rule 144A.
- (ii) (i) The Restricted Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) in each case in accordance with any applicable securities laws of any State of the United States and (ii) it will, and each subsequent holder of the Restricted Notes is required to, notify any purchaser of the Restricted Notes from it or it of the resale restrictions on the Restricted Notes.
- (iii) It understands that the Restricted Notes, unless the Issuer determines otherwise in accordance with applicable law, will bear a legend (the “**Rule 144A Legend**”) in or substantially in the following form:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A “**QIB**”) THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER RULE 144 UNDER THE SECURITIES ACT (“**RULE 144**”), IF AVAILABLE, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR REALES OF THIS NOTE.

- (iv) It understands that the Issuer, each Registrar, the relevant Dealer(s) and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

- (v) It understands that the Restricted Notes will be represented by a Restricted Global Certificate. Before any interest in a Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate or as the case may be, Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

**Potential investors hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.**

## **UNRESTRICTED NOTES**

Each purchaser of Unrestricted Notes and each subsequent purchaser of such Unrestricted Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Offering Circular and the Unrestricted Notes, will be deemed to have represented, agreed and acknowledged that:

- (i) It is, or at the time Unrestricted Notes are purchased will be, the beneficial owner of such Unrestricted Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.
- (ii) It understands that such Unrestricted Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Unrestricted Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account, or for the account of one or more QIBs or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.
- (iii) It understands that the Unrestricted Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend in or substantially in the following form:

“THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.”
- (iv) It understands that the Issuer, each Registrar, the relevant Dealer(s) and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.
- (v) It understands that the Unrestricted Notes will be represented by an Unrestricted Global Certificate, or as the case may be, a Global Note. Prior to the expiration of the distribution compliance period, before any interest in an Unrestricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Restricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

## SUBSCRIPTION AND SALE

### SUMMARY OF DEALER AGREEMENT

Subject to the terms and on the conditions contained in an Amended and Restated Dealer Agreement dated 29 June 2021, as further supplemented, amended, restated and/or replaced (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 jointly and 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 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 and the Dealers and certain 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 Arrangers and 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 and the Dealers or 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).

In the ordinary course of their various business activities, the Arrangers and Dealers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, including the Notes and could adversely affect the trading price and liquidity of the Notes. The Arrangers and the Dealers and their respective affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments of the Issuer.

Application has been made for permission to deal in, and for listing of, any Notes which are agreed at the time of issue to be so listed on the Hong Kong Stock Exchange. 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.

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

### **United States**

The Notes have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Notes in bearer form having a maturity of more than one year 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. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder. Restrictions with respect to Notes in bearer form are described further below.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it has not offered, sold or, in the case of Notes sold in Bearer form, delivered, and will not offer, sell or, in the case of Notes sold in Bearer form, deliver the Notes of any identifiable Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Paying Agent, or in the case of Notes issued on a syndicated basis, the Dealer or Dealers, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period (other than resales pursuant to Rule 144A) 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 the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Dealer Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Registered Notes within the United States only to QIBs in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from the registration requirements of the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.\$100,000 (or the approximate equivalent thereof in any other currency).

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States or to any U.S. person, other than any QIB to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of this Offering Circular by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of their contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

Unless the Pricing Supplement or the Subscription Agreement relating to one or more Tranches specifies that the applicable TEFRA exemption is either “TEFRA C” or “not applicable”, each Dealer has represented and agreed in relation to each Tranche of Notes in bearer form:

- (i) except to the extent permitted under U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”)) (“TEFRA D”):
  - (a) it has not offered or sold, and during a 40 day restricted period shall not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person; and
  - (b) it has not delivered and shall not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;
- (ii) it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by TEFRA D;



- (iii) if it is a United States person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it shall only do so in accordance with the requirements of U.S. Treasury Regulations §1.163-5(c)(2)(i)(D)(6) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code);
- (iv) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, it either (a) repeats and confirms the representations contained in sub-paragraphs (i), (ii) and (iii) on behalf of such affiliate or (b) agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations contained in sub-paragraphs (i), (ii) and (iii); and
- (v) that it has not and agrees that it will not enter into any written contract (other than a confirmation or other notice of the transaction) pursuant to which any other party to the contract (other than one of its affiliates or another Dealer) has offered or sold, or during the restricted period will offer or sell, any Notes, except where pursuant to the contract the Dealer has obtained or will obtain from that party, for the benefit of the Issuer and the several Dealers, the representations contained in, and that party's agreement to comply with, the provisions of clauses (i), (ii), (iii) and (iv).

Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including TEFRA D.

To the extent that the Pricing Supplement or the Subscription Agreement relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is “TEFRA C”, under U.S. Treasury Regulations §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (“TEFRA C”), Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer has represented and agreed that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. Further, in connection with their original issuance of Notes in bearer form, it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions or otherwise involve its U.S. office in the offer or sale of Notes in bearer form. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including TEFRA C.

Each issuance of commodity-or currency-linked Notes shall be subject to such additional U.S. selling restrictions as the relevant Dealer(s) shall agree with the Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each relevant Dealer has agreed that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

#### **Prohibition of Sales to EEA Retail Investors**

Unless the Pricing Supplement in respect of any Notes specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or

otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the EEA. 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 Mediation 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 Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”); and
- (b) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

#### **Prohibition of Sales to UK Retail Investors**

Unless the Pricing Supplement in respect of any Notes specifies the “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

- (c) 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 (the “**EUWA**”); or
  - (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement 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 Prospectus Regulation as it forms part of domestic law by virtue of the EUWA; and
- (d) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

## **Under the Prospectus Regulation**

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 EEA (each, a “**Relevant State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant State, except that it may make an offer of Notes to the public in that Relevant State:

- (i) 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 Relevant State (a “**Non-exempt Offer**”), following the date of publication of an offering circular in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such offering circular 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 offering circular or Pricing Supplement, as applicable and the Relevant Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (ii) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (iii) 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 Relevant Issuer for any such offer; or
- (iv) at any time in any other circumstances falling within 1(4) of the Prospectus Regulation,

**provided that** no such offer of Notes referred to in paragraphs (ii) to (iv) above shall require the Relevant 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 Relevant 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.

## **Public Offer Selling Restriction under the UK Prospectus Regulation**

If the Pricing Supplement in respect of any Notes specifies the “Prohibition of Sales to UK Retail Investors” as ‘Not Applicable’, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will

not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the UK except that it may make an offer of such Notes to the public in the UK:

- (i) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a “**Public Offer**”), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by Pricing Supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;
- (ii) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (iii) 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 UK subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (iv) 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) 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 and the expression “**UK Prospectus Regulation**” means the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA.

#### **Other regulatory restrictions in the UK**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **Hong Kong**

In relation to each Tranche of Notes issued by the Issuer, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than to (a) “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the 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.

### **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 “**Financial Instruments and Exchange Act**”).

Accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

### **Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act

(Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where 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)(i)(B) 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.

## **GENERAL**

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

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, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Offering Circular, any other offering material or any Pricing Supplement and none of the Issuer nor any other Dealer shall have responsibility therefor.

## GENERAL INFORMATION

- (1) The update of the Programme and the issue of Notes thereunder have been duly authorised by resolutions of the Board of Directors of the Issuer dated 23 June 2011. The Issuer has obtained and has agreed to obtain from time to time all necessary internal consents, approvals and authorisations for the issue of Notes under the Programme. The issue of this Offering Circular has been duly authorised by resolutions of the Board of Directors of the Issuer dated 23 June 2011. The Management Committee has also reviewed and approved such issuance on 31 May 2021. The Legal Entity Identifier of the Issuer is KNPC1X7GHDZW8U2ZSF89.
- (2) The Issuer has obtained all necessary consents, approvals and authorisations in Hong Kong in connection with the establishment of the Programme.
- (3) 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 2020 and no material adverse change in the financial position or prospects of the Issuer or of the Group since 31 December 2020.
- (4) Neither the Issuer nor any of its Subsidiaries is or has been involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of the issue of the Notes. Furthermore, the Issuer is not aware of any such litigation or arbitration being pending or threatened.
- (5) 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”.
- (6) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg 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. In addition, the Issuer may make an application for any Restricted Notes to be accepted for trading in book-entry form by DTC. Acceptance by DTC of such Notes will be confirmed in the relevant Notes. The relevant ISIN, the Common Code, the Committee on the Uniform Security Identification Procedure (“CUSIP”) number 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, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg and the address of DTC is 55 Water Street, New York, New York 10041. The address of any alternative clearing system will be specified in the relevant Pricing Supplement.

- (7) Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only during the 12 months after the date of this Offering Circular. Application will be made to the Hong Kong Stock Exchange for permission to

deal in, and for listing of, any Notes which are agreed at the time of issue to be so listed on the Hong Kong Stock Exchange. There can be no assurance that an application to the Hong Kong Stock Exchange will be approved.

- (8) 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 office of the Issuer and of the Paying Agents:
- (i) the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons) and the Agency Agreement;
  - (ii) the Dealer Agreement;
  - (iii) the Memorandum and Articles of Association of the Issuer;
  - (iv) the audited consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2019 and 2020;
  - (v) the most recently published audited annual consolidated financial statements of the Issuer and the most recently published unaudited interim financial information of the Issuer from time to time (the Issuer currently prepares unaudited interim consolidated financial information on a half-yearly basis);
  - (vi) a copy of this Offering Circular together with any Supplement to this Offering Circular or further Offering Circular;
  - (vii) a copy of the subscription agreement for Notes issued on a syndicated basis that are listed on any stock exchange; and
  - (viii) each Pricing Supplement (save that Pricing Supplement relating to a Note which is neither admitted to trading on a regulated market within the EEA nor offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Regulation will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Issuing and Paying Agent as to its holding of Notes and identity).
- (9) 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.
- (10) Ernst & Young have audited the consolidated financial statements of the Issuer for each of the two financial years ended 31 December 2019 and 2020 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. They have given and not withdrawn their written consent to the issue of this Offering Circular with their reports included or incorporated in the form and context in which they are included or incorporated.



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*Note:* The Independent Auditor's Report on the consolidated financial statements of the Issuer for the year ended 31 December 2019 and 2020 as set out herein are reproduced from the Issuer's annual reports for the years ended 31 December 2019 and 2020, and page references included in the Independent Auditor's Report refer to pages set out in such annual report. The financial information of the Issuer for the year ended 31 December 2018 as set out in this Offering Circular is derived from the Issuer's annual report for the year ended 31 December 2019.

## Independent Auditor's Report



**Ernst & Young**  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

**To the members of Bank of China (Hong Kong) Limited**  
(Incorporated in Hong Kong with limited liability)

### Opinion

We have audited the consolidated financial statements of Bank of China (Hong Kong) Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 50 to 300, which comprise the consolidated balance sheet as at 31 December 2020, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## Independent Auditor's Report (continued)

Key audit matters:	How our audit addressed the key audit matters:
<p><b><i>Impairment assessment of advances to customers</i></b></p> <p>Refer to significant accounting policies in Note 2.14, critical accounting estimates and judgements in applying accounting policies in Note 3.1, and disclosures on credit risk and loan impairment allowances in Note 4.1 and Note 23 to the financial statements.</p> <p>The Group has adopted a forward-looking “expected-loss” impairment model to recognise the expected credit losses (“ECL”) of its advances to customers. The assessment of credit risk and the measurement of ECL are required to be based on unbiased and probability-weighted possible outcomes, and reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions. Significant management judgements and estimates are involved in the development and the application of models and the choices of inputs in the calculation of ECL, including:</p> <ol style="list-style-type: none"> <li>1) segmentation of financial assets according to credit risk characteristics;</li> <li>2) estimation of probability of defaults, loss given defaults, exposure at defaults and macroeconomic factor forecasts;</li> <li>3) criteria on significant credit deterioration; and</li> <li>4) selection of forward-looking macroeconomic scenarios and their probability weightings.</li> </ol> <p>As at 31 December 2020, gross advances to customers amounted to HK\$1,497,256 million, representing 47.6% of total assets; and the impairment allowance for advances to customers amounted to HK\$9,172 million, representing 90.7% of total impairment allowance on financial instruments.</p> <p>In view of the significance of the impairment allowance recorded by the Group and the management judgements and estimates involved, impairment assessment of advances to customers is considered a key audit matter.</p>	<p>We obtained an understanding of the Group's credit management and practices and evaluated the Group's impairment methodology, including the management judgement over the segmentation of portfolio, the criteria on significant credit deterioration and the measurement approach of expected credit losses. We tested the design and the operating effectiveness of the key controls over the processes of credit assessment, loan classification, stage classification and calculation of impairment allowances. Our control testing on the loan impairment process included an evaluation of the governance over the use of economic scenarios and the system interfaces of inputs or other data sources such as internal loan gradings and probability of default.</p> <p>We adopted a risk-based sampling approach for our loan review procedures. We selected samples based on risk characteristics of individual items including the industry and geographic location of the operations of borrowers, internal loan grading and past due history. We formed an independent view on the loan staging through reviewing the borrowers' detailed information about their financial performance, recoverable cash flows, valuation of collaterals and other available information.</p> <p>For the impairment allowance as at 31 December 2020, we performed testing on the relevant data quality by sample checking to the relevant data source and re-computed management's calculation of the impairment allowance. In addition, we assessed management's consideration of forward-looking information including macroeconomic factor forecasts and probability weighted economic scenarios. For Stage 3 advances, on a sample basis we re-calculated the impairment allowance with consideration of recoverable cash flows and valuation of collaterals.</p> <p>In connection with the COVID-19 pandemic, we expanded our loan review samples' selection criteria and assessed the loan classification, changes of internal rating and loan staging taking into account the additional risk control measures implemented by management. In addition, we assessed the forward-looking macroeconomic factor forecasts and probability weighted economic scenarios adopted by management considering the uncertainties in economic conditions due to COVID-19.</p> <p>We also evaluated and tested the design and operating effectiveness of the Group's key controls related to disclosures on credit risk in Note 4.1 to the financial statements, and assessed the adequacy of disclosures for compliance with the relevant accounting standards.</p>

## Independent Auditor's Report (continued)

Key audit matters:	How our audit addressed the key audit matters:
<p><b>Valuation of financial instruments</b></p> <p>Refer to significant accounting policies in Note 2.12, critical accounting estimates and judgements in applying accounting policies in Note 3.2, and disclosures on fair values of financial instruments in Notes 5.1 and 5.2 to the financial statements.</p> <p>The Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques, in particular those requiring significant observable inputs other than quoted prices and significant unobservable inputs, involve management using subjective judgements and assumptions. With different valuation techniques and assumptions applied, the valuation results can vary significantly.</p> <p>As at 31 December 2020, the Group's financial assets and liabilities measured at fair value amounted to HK\$820,332 million and HK\$80,691 million respectively, representing 26.1% and 2.8% of total assets and total liabilities respectively. Financial instruments which had significant observable inputs other than quoted prices in the valuation were categorised within level 2 of the fair value hierarchy, whereas financial instruments which had significant unobservable inputs in the valuation were categorised within level 3 of the fair value hierarchy. Higher degree of uncertainty was involved in valuation of financial instruments categorised within level 3 of the fair value hierarchy.</p> <p>As at 31 December 2020, the Group's financial assets measured at fair value which were categorised within level 2 and level 3 amounted to HK\$558,788 million and HK\$2,367 million respectively, representing 68.1% and 0.3% of the Group's financial assets measured at fair value, respectively.</p>	<p>We evaluated and tested the design and operating effectiveness of key controls related to the valuation of financial instruments, including independent price verification, independent model validation and approval.</p> <p>We focused on the valuation methodologies and assumptions of financial instruments that were classified as level 2 and level 3 in the fair value hierarchy. We involved our valuation specialists in evaluating the valuation techniques, inputs and assumptions through comparison with the valuation techniques that are commonly used in the market, the validation of observable inputs using external market data, and comparison with valuation outcomes obtained from various pricing sources.</p> <p>We also evaluated and tested the design and operating effectiveness of the Group's key controls related to the fair value disclosures in Notes 5.1 and 5.2 to the financial statements, and assessed the adequacy of disclosures for compliance with the relevant accounting standards.</p>
<p><b>Recognition of deferred tax assets</b></p> <p>Refer to significant accounting policies in Note 2.23, critical accounting estimates and judgements in applying accounting policies in Note 3.3, and disclosures on deferred taxation in Note 34 to the financial statements.</p> <p>As at 31 December 2020, the Group recognised deferred tax assets of HK\$1,152 million relating to temporary differences arising from impairment allowances, HK\$15 million relating to temporary differences arising from tax losses and HK\$454 million relating to other temporary differences and tax credits. The majority of other temporary differences and tax credits related to tax credits recoverable from the tax authorities in Hong Kong under double tax treaty arrangements, arising from withholding income taxes payable in other jurisdictions on certain income. Application for such tax credits will be made to the tax authorities in Hong Kong after the corresponding withholding income taxes payable are settled and evidenced by respective payment receipts issued from the corresponding tax authorities. These deferred tax assets, where required by accounting standards, were offset against and included within deferred tax liabilities as shown in Note 34 to the financial statements. The recognition of the deferred tax assets involved significant management judgements and assumptions, based upon the estimation of available tax credits and the likelihood of recovering the tax assets recognised.</p>	<p>Our audit procedures included, amongst others, the involvement of our tax specialists to assist in evaluating the judgements and assumptions adopted by management to determine the recognition and recoverability of the deferred tax assets, in light of current tax laws. We also assessed management's estimates of the Group's entitlement to the tax credits and examined correspondences between the Group and relevant tax authorities.</p> <p>In addition, we also assessed the adequacy of disclosures in Note 34 to the financial statements with respect to compliance with the relevant accounting standards.</p>

## Independent Auditor's Report (continued)

### Other information included in the Annual Report

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors of the Bank 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 of the Bank either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

## Independent Auditor's Report (continued)

### Auditor's responsibilities for the audit of the consolidated financial statements (continued)

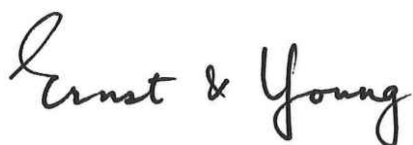
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is LEE Shun Yi, Jasmine.



**Ernst & Young**  
Certified Public Accountants  
Hong Kong, 30 March 2021

**綜合收益表**
**Consolidated Income Statement**

截至 12 月 31 日止年度	For the year ended 31 December	附註 Notes	2020	2019
			港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
利息收入	Interest income		<b>46,430</b>	64,538
以實際利息法計算的利息收入	Interest income calculated using the effective interest method		<b>45,966</b>	62,755
其他	Others		<b>464</b>	1,783
利息支出	Interest expense		<b>(15,132)</b>	(27,273)
<b>淨利息收入</b>	<b>Net interest income</b>	6	<b>31,298</b>	37,265
服務費及佣金收入	Fee and commission income		<b>13,658</b>	15,421
服務費及佣金支出	Fee and commission expense		<b>(2,260)</b>	(3,216)
<b>淨服務費及佣金收入</b>	<b>Net fee and commission income</b>	7	<b>11,398</b>	12,205
淨交易性收益	Net trading gain	8	<b>4,763</b>	5,649
其他以公平值變化計入損益之金融工具淨收益	Net gain on other financial instruments at fair value through profit or loss	9	<b>157</b>	328
其他金融資產之淨收益	Net gain on other financial assets	10	<b>4,383</b>	771
其他經營收入	Other operating income	11	<b>737</b>	831
<b>提取減值準備前之淨經營收入</b>	<b>Net operating income before impairment allowances</b>		<b>52,736</b>	57,049
減值準備淨撥備	Net charge of impairment allowances	12	<b>(2,671)</b>	(2,015)
<b>淨經營收入</b>	<b>Net operating income</b>		<b>50,065</b>	55,034
經營支出	Operating expenses	13	<b>(15,775)</b>	(16,124)
<b>經營溢利</b>	<b>Operating profit</b>		<b>34,290</b>	38,910
投資物業處置／公平值調整之淨（虧損）／收益	Net (loss)/gain from disposal of/fair value adjustments on investment properties	14	<b>(1,641)</b>	288
處置／重估物業、器材及設備之淨虧損	Net loss from disposal/revaluation of properties, plant and equipment	15	<b>(63)</b>	(1)
應佔聯營公司及合資企業之稅後業績	Share of results after tax of associates and joint ventures	25	<b>42</b>	137
<b>除稅前溢利</b>	<b>Profit before taxation</b>		<b>32,628</b>	39,334
稅項	Taxation	16	<b>(5,095)</b>	(5,980)
<b>年度溢利</b>	<b>Profit for the year</b>		<b>27,533</b>	33,354
<b>應佔溢利：</b>	<b>Profit attributable to:</b>			
本銀行股東	Equity holders of the Bank		<b>27,352</b>	33,186
非控制權益	Non-controlling interests		<b>181</b>	168
			<b>27,533</b>	33,354
<b>股息</b>	<b>Dividends</b>	17	<b>12,138</b>	15,754

第 58 至 300 頁之附註屬本財務報表之組成部分。

The notes on pages 58 to 300 are an integral part of these financial statements.

## 綜合全面收益表

截至 12 月 31 日止年度

## Consolidated Statement of Comprehensive Income

For the year ended 31 December

		附註 Notes	2020 港幣百萬元 HK\$m	2019 港幣百萬元 HK\$m
<b>年度溢利</b>	<b>Profit for the year</b>		<b>27,533</b>	<b>33,354</b>
其後不可重新分類至收益表內的項目：	Items that will not be reclassified subsequently to income statement:			
房產：	Premises:			
房產重估	Revaluation of premises	27	(1,692)	1,054
遞延稅項	Deferred tax	34	292	(130)
			<b>(1,400)</b>	924
以公平值變化計入其他全面收益之股權工具：	Equity instruments at fair value through other comprehensive income:			
公平值變化	Change in fair value		139	474
遞延稅項	Deferred tax		(5)	-
			<b>134</b>	474
自身信貸風險：	Own credit risk:			
界定為以公平值變化計入損益之金融負債的自身信貸風險之公平值變化	Change in fair value of own credit risk of financial liabilities designated at fair value through profit or loss		1	(45)
遞延稅項	Deferred tax		-	7
			<b>1</b>	<b>(38)</b>
			<b>(1,265)</b>	1,360



綜合全面收益表 (續)

**Consolidated Statement of Comprehensive Income  
(continued)**

截至 12 月 31 日止年度	For the year ended 31 December	附註 Notes	2020 港幣百萬元 HK\$m	2019 港幣百萬元 HK\$m
其後可重新分類至收益表內的項目：	Items that may be reclassified subsequently to income statement:			
以公平值變化計入其他全面收益之債務工具：	Debt instruments at fair value through other comprehensive income:			
公平值變化	Change in fair value		5,505	5,190
減值準備變化借記收益表	Change in impairment allowances charged to income statement	12	90	19
因處置/贖回之轉撥重新分類至收益表	Release upon disposal/redemption reclassified to income statement	10	(4,411)	(795)
公平值對沖調整累計金額之攤銷重新分類至收益表	Amortisation of accumulated amount of fair value hedge adjustment reclassified to income statement		89	8
遞延稅項	Deferred tax		(165)	(702)
			1,108	3,720
貨幣換算差額	Currency translation difference		239	262
			1,347	3,982
年度除稅後其他全面收益	Other comprehensive income for the year, net of tax		82	5,342
年度全面收益總額	Total comprehensive income for the year		27,615	38,696
應佔全面收益總額：	Total comprehensive income attributable to:			
本銀行股東	Equity holders of the Bank		27,434	38,528
非控制權益	Non-controlling interests		181	168
			27,615	38,696

第 58 至 300 頁之附註屬本財務報表之組成部分。

The notes on pages 58 to 300 are an integral part of these financial statements.

**綜合資產負債表**
**Consolidated Balance Sheet**

於 12 月 31 日	As at 31 December	附註 Notes	2020	2019
			港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
<b>資產</b>	<b>ASSETS</b>			
庫存現金及在銀行及其他金融機構之結餘及定期存放	Cash and balances and placements with banks and other financial institutions	20	<b>463,081</b>	366,636
以公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss	21	<b>32,745</b>	46,662
衍生金融工具	Derivative financial instruments	22	<b>52,811</b>	31,167
香港特別行政區政府負債證明書	Hong Kong SAR Government certificates of indebtedness		<b>189,550</b>	163,840
貸款及其他賬項	Advances and other accounts	23	<b>1,499,808</b>	1,412,501
證券投資	Investment in securities	24	<b>789,869</b>	739,335
聯營公司及合資企業權益	Interests in associates and joint ventures	25	<b>663</b>	619
投資物業	Investment properties	26	<b>18,740</b>	20,428
物業、器材及設備	Properties, plant and equipment	27	<b>46,504</b>	51,173
應收稅項資產	Current tax assets		<b>69</b>	45
遞延稅項資產	Deferred tax assets	34	<b>95</b>	63
其他資產	Other assets	28	<b>50,595</b>	42,085
資產總額	Total assets		<b>3,144,530</b>	2,874,554
<b>負債</b>	<b>LIABILITIES</b>			
香港特別行政區流通紙幣	Hong Kong SAR currency notes in circulation	29	<b>189,550</b>	163,840
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions		<b>326,241</b>	267,657
以公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	30	<b>20,336</b>	19,206
衍生金融工具	Derivative financial instruments	22	<b>60,355</b>	32,833
客戶存款	Deposits from customers	31	<b>2,190,322</b>	2,014,092
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	32	<b>426</b>	116
其他賬項及準備	Other accounts and provisions	33	<b>51,086</b>	66,945
應付稅項負債	Current tax liabilities		<b>3,878</b>	7,906
遞延稅項負債	Deferred tax liabilities	34	<b>5,778</b>	6,375
後償負債	Subordinated liabilities	35	<b>-</b>	12,954
負債總額	Total liabilities		<b>2,847,972</b>	2,591,924

**綜合資產負債表 (續) Consolidated Balance Sheet (continued)**

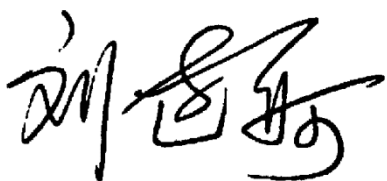
於 12 月 31 日	As at 31 December	附註 Notes	2020	2019
			港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
<b>資本</b>	<b>EQUITY</b>			
股本	Share capital	36	<b>43,043</b>	43,043
儲備	Reserves		<b>229,749</b>	215,829
本銀行股東應佔股本和儲備	Capital and reserves attributable to equity holders of the Bank		<b>272,792</b>	258,872
本銀行其他股權工具	Other equity instruments of the Bank	37	<b>23,476</b>	23,476
非控制權益	Non-controlling interests		<b>290</b>	282
資本總額	Total equity		<b>296,558</b>	282,630
負債及資本總額	Total liabilities and equity		<b>3,144,530</b>	2,874,554

第 58 至 300 頁之附註屬本財務報表之組成部分。

The notes on pages 58 to 300 are an integral part of these financial statements.

經董事會於 2021 年 3 月 30 日通過核准並由以下人士代表簽署：

Approved by the Board of Directors on 30 March 2021 and signed on behalf of the Board by:



**劉連綱**      **LIU Liange**  
董事      Director



**孫煜**      **SUN Yu**  
董事      Director

**綜合權益變動表**
**Consolidated Statement of Changes in Equity**

 歸屬於本銀行股東  
 Attributable to equity holders of the Bank

		儲備 Reserves								其他 股權工具 Other equity instruments		非控制權益 Non- controlling interests	資本總額 Total equity
		股本 Share capital	房產 重估儲備 Premises revaluation reserve	公平值 變動儲備 Reserve for fair value changes	自身信貸 風險儲備 Reserve for own credit risk	監管儲備* Regulatory reserve*	換算儲備 Translation reserve	合併儲備** Merger reserve**	留存盈利 Retained earnings	總計 Total	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
於 2019 年 1 月 1 日	At 1 January 2019	43,043	38,581	(1,870)	5	10,496	(832)	350	153,177	242,950	23,476	278	266,704
年度溢利	Profit for the year	-	-	-	-	-	-	-	33,186	33,186	-	168	33,354
其他全面收益：	Other comprehensive income:												
房產	Premises	-	924	-	-	-	-	-	-	924	-	-	924
以公平值變化 計入其他全 面收益之股 權工具	Equity instruments at fair value through other comprehensive income	-	-	474	-	-	-	-	-	474	-	-	474
自身信貸風險	Own credit risk	-	-	-	(38)	-	-	-	-	(38)	-	-	(38)
以公平值變化 計入其他全 面收益之債 務工具	Debt instruments at fair value through other comprehensive income	-	-	3,720	-	-	-	-	-	3,720	-	-	3,720
貨幣換算差額	Currency translation difference	-	-	11	-	-	251	-	-	262	-	-	262
全面收益總額	Total comprehensive income	-	924	4,205	(38)	-	251	-	33,186	38,528	-	168	38,696
因處置以公平值變 化計入其他全 面收益之股權工具 之轉撥：	Release upon disposal of equity instruments at fair value through other comprehensive income:												
轉撥	Transfer	-	-	1	-	-	-	-	(1)	-	-	-	-
收購受共同控制之 實體	Acquisition of entity under common control	-	-	-	-	-	-	(728)	-	(728)	-	-	(728)
轉撥自留存盈利	Transfer from retained earnings	-	-	-	-	581	-	378	(959)	-	-	-	-
支付其他股權工具 持有者股息	Dividend paid to other equity instruments holders	-	-	-	-	-	-	-	(1,390)	(1,390)	-	-	(1,390)
股息	Dividends	-	-	-	-	-	-	-	(20,488)	(20,488)	-	(164)	(20,652)
於 2019 年 12 月 31 日	At 31 December 2019	43,043	39,505	2,336	(33)	11,077	(581)	-	163,525	258,872	23,476	282	282,630

**綜合權益變動表 (續) Consolidated Statement of Changes in Equity (continued)**

		歸屬於本銀行股東 Attributable to equity holders of the Bank											
		儲備 Reserves									其他 股權工具 Other equity instruments	非控制權益 Non- controlling interests	資本總額 Total equity
		股本 Share capital	房產 重估儲備 Premises revaluation reserve	公平值 變動儲備 Reserve for fair value changes	自身信貸 風險儲備 Reserve for own credit risk	監管儲備* Regulatory reserve*	換算儲備 Translation reserve	合併儲備** Merger reserve**	留存盈利 Retained earnings	總計 Total	其他 股權工具 Other equity instruments	非控制權益 Non- controlling interests	資本總額 Total equity
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
於 2020 年 1 月 1 日	At 1 January 2020	43,043	39,505	2,336	(33)	11,077	(581)	-	163,525	258,872	23,476	282	282,630
年度溢利	Profit for the year	-	-	-	-	-	-	-	27,352	27,352	-	181	27,533
其他全面收益：	Other comprehensive income:												
房產	Premises	-	(1,400)	-	-	-	-	-	-	(1,400)	-	-	(1,400)
以公平值變化計入其他全面收益之股權工具	Equity instruments at fair value through other comprehensive income	-	-	134	-	-	-	-	-	134	-	-	134
自身信貸風險	Own credit risk	-	-	-	1	-	-	-	-	1	-	-	1
以公平值變化計入其他全面收益之債務工具	Debt instruments at fair value through other comprehensive income	-	-	1,108	-	-	-	-	-	1,108	-	-	1,108
貨幣換算差額	Currency translation difference	-	-	161	-	-	78	-	-	239	-	-	239
全面收益總額	Total comprehensive income	-	(1,400)	1,403	1	-	78	-	27,352	27,434	-	181	27,615
因處置以公平值變化計入其他全面收益之股權工具之轉撥：	Release upon disposal of equity instruments at fair value through other comprehensive income:												
轉撥	Transfer	-	-	(7)	-	-	-	-	7	-	-	-	-
遞延稅項	Deferred tax	-	-	1	-	-	-	-	-	1	-	-	1
應付稅項	Current tax	-	-	-	-	-	-	-	(1)	(1)	-	-	(1)
因贖回界定為以公平值變化計入損益之金融負債之轉撥：	Release upon redemption of financial liabilities designated at fair value through profit or loss:												
轉撥	Transfer	-	-	-	38	-	-	-	(38)	-	-	-	-
遞延稅項	Deferred tax	-	-	-	(6)	-	-	-	-	(6)	-	-	(6)
應付稅項	Current tax	-	-	-	-	-	-	-	6	6	-	-	6
轉撥至留存盈利	Transfer to retained earnings	-	-	-	-	(6,297)	-	-	6,297	-	-	-	-
支付其他股權工具持有者股息	Dividend paid to other equity instrument holders	-	-	-	-	-	-	-	(1,376)	(1,376)	-	-	(1,376)
股息	Dividends	-	-	-	-	-	-	-	(12,138)	(12,138)	-	(173)	(12,311)
於 2020 年 12 月 31 日	At 31 December 2020	43,043	38,105	3,733	-	4,780	(503)	-	183,634	272,792	23,476	290	296,558

\* 除按香港財務報告準則第 9 號對貸款提取減值準備外，按金管局要求撥轉部分留存盈利至監管儲備作銀行一般風險之用（包括未來損失或其他不可預期風險）。

\*\* 合併儲備乃因合併受共同控制之實體而採用合併會計處理而產生。

\* In accordance with the requirements of the HKMA, the amounts are set aside for general banking risks, including future losses or other unforeseeable risks, in addition to the loan impairment allowances recognised under HKFRS 9.

\*\* Merger reserve was arising on the application of merger accounting method in relation to the combination with entity under common control.

第 58 至 300 頁之附註屬本財務報表之組成部分。

The notes on pages 58 to 300 are an integral part of these financial statements.

## 綜合現金流量表

## Consolidated Cash Flow Statement

截至 12 月 31 日止年度	For the year ended 31 December	附註 Notes	2020 港幣百萬元 HK\$'m	2019 港幣百萬元 HK\$'m
<b>經營業務之現金流量</b>	<b>Cash flows from operating activities</b>			
除稅前經營現金之流入／(流出)	Operating cash inflow/(outflow) before taxation	38(a)	148,682	(264,203)
支付香港利得稅	Hong Kong profits tax paid		(9,306)	(77)
支付海外利得稅	Overseas profits tax paid		(348)	(625)
<b>經營業務之現金流入／(流出)淨額</b>	<b>Net cash inflow/(outflow) from operating activities</b>		<b>139,028</b>	<b>(264,905)</b>
<b>投資業務之現金流量</b>	<b>Cash flows from investing activities</b>			
增置物業、器材及設備	Additions of properties, plant and equipment		(1,297)	(1,418)
處置物業、器材及設備所得款項	Proceeds from disposal of properties, plant and equipment		11	1
增置投資物業	Additions of investment properties	26	(9)	(35)
收購受共同控制之實體	Acquisition of entity under common control		-	(728)
<b>投資業務之現金流出淨額</b>	<b>Net cash outflow from investing activities</b>		<b>(1,295)</b>	<b>(2,180)</b>
<b>融資業務之現金流量</b>	<b>Cash flows from financing activities</b>			
支付本銀行股東股息	Dividend paid to equity holders of the Bank		(12,138)	(20,488)
支付其他股權工具持有者股息	Dividend paid to other equity instrument holders		(1,376)	(1,390)
支付非控制權益股息	Dividend paid to non-controlling interests		(173)	(164)
贖回後償負債所付款項	Payment for redemption of subordinated liabilities	38(b)	(12,603)	-
支付後償負債利息	Interest paid for subordinated liabilities	38(b)	(350)	(707)
支付租賃負債	Payment of lease liabilities	38(b)	(692)	(608)
<b>融資業務之現金流出淨額</b>	<b>Net cash outflow from financing activities</b>		<b>(27,332)</b>	<b>(23,357)</b>
現金及等同現金項目增加／(減少)	Increase/(decrease) in cash and cash equivalents		110,401	(290,442)
於 1 月 1 日之現金及等同現金項目	Cash and cash equivalents at 1 January		331,459	625,895
匯率變動對現金及等同現金項目的影響	Effect of exchange rate changes on cash and cash equivalents		13,568	(3,994)
<b>於 12 月 31 日之現金及等同現金項目</b>	<b>Cash and cash equivalents at 31 December</b>	38(c)	<b>455,428</b>	<b>331,459</b>

第 58 至 300 頁之附註屬本財務報表之組成部分。

The notes on pages 58 to 300 are an integral part of these financial statements.

## 財務報表附註

## Notes to the Financial Statements

### 1. 主要業務

### 1. Principal activities

本集團主要從事提供銀行及相關之金融服務。

The Group is principally engaged in the provision of banking and related financial services.

本銀行是一家於香港成立的有限債務公司。公司註冊地址是香港花園道 1 號中銀大廈 14 樓。

The Bank is a limited liability company incorporated in Hong Kong. The address of its registered office is 14/F, Bank of China Tower, 1 Garden Road, Hong Kong.

### 2. 主要會計政策

### 2. Significant accounting policies

用於編製本綜合財務報表之主要會計政策詳列如下。

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

除特別註明外，該等會計政策均被一致地應用於所有列示之財務年度中。

These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 編製基準

#### 2.1 Basis of preparation

本集團之綜合財務報表乃按照香港會計師公會頒佈之香港財務報告準則（香港財務報告準則為一統稱，當中包括所有適用之香港財務報告準則、香港會計準則及詮釋）編製，並符合香港《公司條例》之規定。

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs is a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA and the Hong Kong Companies Ordinance.

本綜合財務報表乃按歷史成本法編製，惟就重估以公平值變化計入其他全面收益之金融資產、以公平值變化計入損益之金融資產及金融負債（包括衍生金融工具）、以公平值列賬之貴金屬、以公平值列賬之投資物業及以公平值或重估扣除累計折舊及累計減值損失後列賬之房產作出調整。待出售之處置組合及收回資產會以其賬面值及公平值扣除出售成本之較低者列賬，並已分別列載於附註 2.2 及 2.24。

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, precious metals at fair value, investment properties which are carried at fair value and premises which are carried at fair value or revalued amount less accumulated depreciation and accumulated impairment losses. Disposal group and repossessed assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in Notes 2.2 and 2.24 respectively.

按照香港財務報告準則編製財務報表時，需採用若干重大之會計估算。管理層亦需於採用本集團之會計政策時作出有關判斷。當中涉及高度判斷、複雜之範疇、或對綜合財務報表而言屬重大影響之假設及估算，已載於附註 3。

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the Management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.1 編製基準 (續)

#### 2.1 Basis of preparation (continued)

(a) 於 2020 年 1 月 1 日起  
開始的會計年度首次採  
用之修訂

(a) Amendments that are initially adopted for the financial year beginning on 1  
January 2020

修訂 Amendments	內容 Content	起始適用之年度 Applicable for financial years beginning on/after	於本年度 與本集團相關 Currently relevant to the Group
香港會計準則第 1 號及香港會計準則第 8 號 (經修訂) HKAS 1 and HKAS 8 (Amendments)	重大性的定義 Definition of Material	2020 年 1 月 1 日 1 January 2020	是 Yes
香港會計準則第 39 號、香港財務報告準則第 7 號及香港財務報告準則第 9 號 (經修訂) HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	基準利率改革 Interest Rate Benchmark Reform	2020 年 1 月 1 日 1 January 2020	是 Yes
香港財務報告準則第 3 號 (經修訂) HKFRS 3 (Amendments)	對業務的定義 Definition of a Business	2020 年 1 月 1 日 1 January 2020	是 Yes
香港財務報告準則第 16 號 (經修訂) HKFRS 16 (Amendments)	新冠肺炎相關的租金寬免 COVID-19-Related Rent Concessions	2020 年 6 月 1 日 1 June 2020	是 Yes



## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.1 編製基準 (續)

##### (a) 於 2020 年 1 月 1 日起 開始的會計年度首次採 用之修訂 (續)

- 香港會計準則第 1 號及香港會計準則第 8 號(經修訂)「重大性的定義」。該項修訂對資訊的重大性之定義作澄清，並使各準則中使用的定義一致。該修訂被前瞻性採用，應用該修訂對本集團的財務報表沒有重大影響。
- 香港會計準則第 39 號、香港財務報告準則第 7 號及香港財務報告準則第 9 號(經修訂)「基準利率改革」。該修訂旨在修改一些特定的對沖會計條件，提供暫時性豁免允許原已採用對沖會計的對沖組合在基準利率改革產生對對沖組合現金流的不確定性下繼續應用對沖會計。按該修訂規定，豁免將會於以下較早者被視為終止(i)當基準利率改革產生對對沖組合現金流的不確定性終止時；(ii)當採用豁免的對沖組合終止時，或在現金流對沖下，當與被終止對沖關係相關的現金流對沖儲備金額全數被從分類至損益時。

該修訂被追溯性應用，附註 22 提供了集團採用此修訂下之豁免的對沖關係的資料。應用該修訂對本集團的財務報表沒有重大影響。

#### 2.1 Basis of preparation (continued)

##### (a) Amendments that are initially adopted for the financial year beginning on 1 January 2020 (continued)

- HKAS 1 and HKAS 8 (Amendments), "Definition of Material". The amendments clarify the definition of materiality of information and align the definition used across other accounting standards. The amendments have been applied prospectively. The application of the amendments does not have a material impact on the Group's financial statements.
- HKAS 39, HKFRS 7 and HKFRS 9 (Amendments), "Interest Rate Benchmark Reform". The amendments modify certain specific hedge accounting requirements to provide temporary relief allowing the continuous use of hedge accounting under the uncertainties caused by interest rate benchmark reform ("IBOR reform") on the cash flows of the hedge relationships. Pursuant to the amendments, the relief would deem to be ended at the earlier of (i) when there is no longer uncertainty arising from IBOR reform over the cash flows of the hedging relationships, and (ii) when the hedging relationship to which the relief applied is discontinued, or in case of cash flow hedges, when the entire amount accumulated in the cash flow hedge reserve with respect to the discontinued hedging relationship has been reclassified to profit or loss.

The amendments have been applied retrospectively. Note 22 provides information about the hedging relationships for which the Group has applied the reliefs set out in the amendments. The application of the amendments does not have a material impact on the Group's financial statements.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續) 2. Significant accounting policies (continued)

#### 2.1 編製基準 (續)

##### (a) 於 2020 年 1 月 1 日起 開始的會計年度首次採 用之修訂 (續)

- 香港財務報告準則第 3 號(經修訂)「對業務的定義」。該修訂旨在澄清業務的定義，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。該修訂被前瞻性採用，應用該修訂對本集團的財務報表沒有重大影響。
- 香港財務報告準則第 16 號(經修訂)「新冠肺炎相關的租金寬免」。該修訂旨在提供可選擇性的實務豁免以允許承租人可選擇不需評估合資格之租金寬免是否屬於租賃變更，而是將此等變更當為非租賃變更核算。實務豁免僅適用於因新冠肺炎疫情形勢下直接引起的租金寬免。

該修訂於 2020 年 6 月 1 日生效，並適用於由 2020 年 1 月 1 日始至 2021 年 6 月 30 日期間因新冠肺炎疫情引起的租金寬免所減少的租賃付款額。本集團選擇提早採用此修訂並將實務豁免應用於本集團於本報告期內全部被授予的合資格與新冠肺炎疫情相關的租金寬免。應用該修訂對本集團的財務報表沒有重大影響。

#### 2.1 Basis of preparation (continued)

##### (a) Amendments that are initially adopted for the financial year beginning on 1 January 2020 (continued)

- HKFRS 3 (Amendments), "Definition of a Business". The amendments 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 amendments have been applied prospectively. The application of the amendments does not have a material impact on the Group's financial statements.
- HKFRS 16 (Amendments), "COVID-19-Related Rent Concessions". The amendments provide an optional practical expedient allowing lessees to elect not to evaluate whether qualifying rent concessions are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic.

The amendments are effective on 1 June 2020 and applicable to COVID-19-related rent concessions that reduce lease payments from 1 January 2020 to 30 June 2021. The Group has elected to early adopt the amendments and applied the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the reporting period. The application of the amendments does not have a material impact on the Group's financial statements.

**財務報表附註 (續)      Notes to the Financial Statements (continued)**
**2. 主要會計政策 (續)      2. Significant accounting policies (continued)**
**2.1 編製基準 (續)**
**2.1 Basis of preparation (continued)**

(b) 已頒佈但尚未強制性生效及沒有被本集團於2020年提前採納之修訂及詮釋

(b) Amendments/Interpretation issued that are not yet mandatorily effective and have not been early adopted by the Group in 2020

修訂/詮釋 Amendments/Interpretation	內容 Content	起始適用之年度 Applicable for financial years beginning on/after	於本年度與本集團相關 Currently relevant to the Group
香港會計準則第1號(經修訂)	流動或非流動負債之分類	2023年1月1日	是
HKAS 1 (Amendments)	Classification of Current or Non-current Liabilities	1 January 2023	Yes
香港會計準則第16號(經修訂)	物業、器材及設備達到預定用途前所獲收入	2022年1月1日	是
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022	Yes
香港會計準則第28號(2011)及香港財務報告準則第10號(經修訂)	投資者與其聯營或合資企業之間的資產出售或注入	待定	是
HKAS 28 (2011) and HKFRS 10 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined	Yes
香港會計準則第37號(經修訂)	虧損合同 - 履行合同的成本	2022年1月1日	是
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022	Yes
香港會計準則第39號、香港財務報告準則第4號、香港財務報告準則第7號、香港財務報告準則第9號及香港財務報告準則第16號(經修訂)	基準利率改革 - 第二階段	2021年1月1日	是
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2	1 January 2021	Yes
香港財務報告準則第3號(經修訂)	財務報告概念框架的引用	2022年1月1日	是
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022	Yes
香港詮釋第5號(2020)	財務報表的呈示 - 借款人對包含即時償還條款的定期貸款之分類	2023年1月1日	是
HK Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023	Yes

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.1 編製基準 (續)

##### (b) 已頒佈但尚未強制性生效及沒有被本集團於2020年提前採納之修訂及詮釋 (續)

預計與本集團相關之香港財務報告準則描述如下：

- 香港會計準則第1號(經修訂)「流動或非流動負債之分類」。該項修訂旨在協助企業評估附有不確定清償日之債務或其他負債在資產負債表上屬於流動(於一年內到期或可能到期清償)或非流動負債以提倡規定應用之一致性。該修訂對企業如何劃分可以轉換為自身權益作清償之債務的要求作出澄清。該項修訂需追溯性採用及允許企業提前採納。本集團正在評估該修訂對本集團的財務報表的影響。
- 香港會計準則第16號(經修訂)「物業、器材及設備達到預定用途前所獲收入」。該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。應用該修訂對本集團的財務報表沒有重大影響。

#### 2.1 Basis of preparation (continued)

##### (b) Amendments/Interpretation issued that are not yet mandatorily effective and have not been early adopted by the Group in 2020 (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

- HKAS 1 (Amendments), "Classification of Current or Non-current liabilities". The amendments aim to promote consistency in applying the requirements by helping entities determine whether, in the balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt an entity might settle by converting it into equity. The amendments are applied retrospectively. Early adoption is permitted. The Group is considering the impact of the amendments on the Group's financial statements.
- HKAS 16 (Amendments), "Property, Plant and Equipment: Proceeds before Intended Use". The amendments 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 or 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 the amendments will not have a material impact on the Group's financial statements.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.1 編製基準 (續)

(b) 已頒佈但尚未強制性生效及沒有被本集團於2020年提前採納之修訂及詮釋 (續)

- 香港會計準則第28號(2011)及香港財務報告準則第10號(經修訂)「投資者與其聯營或合資企業之間的資產出售或注入」。該項修訂針對香港會計準則第28號(2011)與香港財務報告準則第10號之間有關投資者與其聯營或合資企業之間的資產出售或注入的不一致規定。準則修訂之主要影響為當一筆涉及一個營運體的交易(無論其是否屬於附屬公司),應確認全額損益;當一筆交易涉及資產,但該資產並不構成一個營運體(即使屬附屬公司資產),應確認部分損益。該項修訂需前瞻性採用及允許企業提前採納。採用該修訂對本集團的財務報表沒有重大影響。

#### 2.1 Basis of preparation (continued)

(b) Amendments/Interpretation issued that are not yet mandatorily effective and have not been early adopted by the Group in 2020 (continued)

- HKAS 28 (2011) and HKFRS 10 (Amendments), "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture". The amendments address an acknowledged inconsistency between the requirements in HKAS 28 (2011) and those in HKFRS 10, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are to be applied prospectively and early application is permitted. The application of the amendments will not have a material impact on the Group's financial statements.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.1 編製基準 (續)

##### (b) 已頒佈但尚未強制性生效及沒有被本集團於2020年提前採納之修訂及詮釋 (續)

- 香港會計準則第 37 號(經修訂)「虧損合同－履行合同的成本」。該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。比較信息不予重述。應用該修訂對本集團的財務報表沒有重大影響。

#### 2.1 Basis of preparation (continued)

##### (b) Amendments/Interpretation issued that are not yet mandatorily effective and have not been early adopted by the Group in 2020 (continued)

- HKAS 37 (Amendments), "Onerous Contracts – Cost of Fulfilling a Contract". The amendments 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 the amendments will not have a material impact on the Group's financial statements.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.1 編製基準 (續)

(b) 已頒佈但尚未強制性生效及沒有被本集團於 2020 年提前採納之修訂及詮釋 (續)

- 香港會計準則第 39 號、香港財務報告準則第 4 號、香港財務報告準則第 7 號、香港財務報告準則第 9 號及香港財務報告準則第 16 號 (經修訂)「基準利率改革 – 第二階段」。該修訂旨在應對企業因基準利率改革而需以替代基準利率取代舊有基準利率所引起的影響。該修訂補充 2019 年頒佈之相關修訂並與以下內容相關：

- 合約現金流之變更 – 企業不需要對於由改革所直接引致且其變化是經濟上等同之變更而作出終止確認或賬面值調整的處理，而是將實際利率更新以反映替代基準利率之變更。
- 對沖會計 – 若該對沖符合其他對沖會計條件而僅為改革所觸發終止對沖會計，企業可以無需作出終止處理；另一方面，若企業可以合理地預期替代基準利率能夠在 24 個月內單獨識別，即使在指定日期未能單獨識別，仍可指定為非合同明確指定的風險成份；及

#### 2.1 Basis of preparation (continued)

(b) Amendments/Interpretation issued that are not yet mandatorily effective and have not been early adopted by the Group in 2020 (continued)

- HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments), “Interest Rate Benchmark Reform – Phase 2”. The amendments address issues that might affect financial reporting when an entity replaces the old interest rate benchmark with an alternative benchmark rate as a result of the IBOR Reform. The amendments complement those issued in 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 that are direct consequence of the reform and occur on an economically equivalent basis, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting – a company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; furthermore, if an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it can designate the alternative reference rate as a non-contractually specified risk component even if it is not separately identifiable at the designation date; and

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.1 編製基準 (續)

(b) 已頒佈但尚未強制性生效及沒有被本集團於2020年提前採納之修訂及詮釋 (續)

- 披露項目 – 企業需就改革所衍生的風險及過渡至替代基準利率的管理措施作出相關披露。

除指定對沖關係外，該項修訂需追溯性採用並允許企業提前採納，惟比較數字無需重新列示。本集團正在評估該修訂對本集團的財務報表的財務影響。

- 香港財務報告準則第3號(經修訂)「財務報告概念框架的引用」。該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。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。該項修訂需前瞻性採用。該項修訂允許將同時或之前已採納在2018年6月頒佈香港財務報告準則中對概念性框架之提述的修訂的企業提前採納。應用該修訂對本集團的財務報表沒有重大影響。

#### 2.1 Basis of preparation (continued)

(b) Amendments/Interpretation issued that are not yet mandatorily effective and have not been early adopted by the Group in 2020 (continued)

- disclosures – a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The amendments are applied retrospectively, except regarding designation of hedging relationships. The comparatives are not restated. Early application is permitted. The Group is considering the financial impact of the amendments on the Group's financial statements.

- HKFRS 3 (Amendments), "Reference to the Conceptual Framework". The amendments 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 amendments are applied prospectively. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in HKFRS Standards, issued in June 2018. The application of the amendments will not have a material impact on the Group's financial statements.



## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.1 編製基準 (續)

**(b) 已頒佈但尚未強制性生效及沒有被本集團於 2020 年提前採納之修訂及詮釋 (續)**

- 香港詮釋第 5 號 (2020)「財務報表的呈示—借款人對包含即時償還條款的定期貸款之分類」。此詮釋為因應 2020 年 8 月頒佈之香港會計準則第 1 號 (經修訂)「流動或非流動負債之分類」所引致之修訂,以保持相應的措辭的一致性而不構成結論之變更。該項修訂需追溯性採用及允許企業提前採納。本集團正在評估該詮釋的影響和採用的時間。

**(c) 完善香港財務報告準則**

「完善香港財務報告準則」包含多項被香港會計師公會認為非緊急但有需要的修訂。當中包括引致在列示、確認或計量方面出現會計變更的修訂,以及多項與個別香港財務報告準則相關之術語或編輯上的修訂。此等修訂對本集團的財務報表將不會帶來重大影響。

#### 2.1 Basis of preparation (continued)

**(b) Amendments/Interpretation issued that are not yet mandatorily effective and have not been early adopted by the Group in 2020 (continued)**

- HK Int 5 (2020), "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". This interpretation is revised as a consequence of HKAS 1 (Amendments), "Classification of Current or Non-current Liabilities" issued in August 2020, to align the corresponding wordings with no change in conclusion. The amendments are applied retrospectively. Early adoption is permitted. The Group is considering the impact of the interpretation and the timing of its application.

**(c) Improvements to HKFRSs**

"Improvements to HKFRSs" contains a number of amendments to HKFRSs which the HKICPA considers not urgent but necessary. It comprises amendments that result in accounting changes for presentation, recognition or measurement purpose as well as terminology or editorial amendments related to a variety of individual HKFRSs. These improvements will not have a material impact on the Group's financial statements.

## 財務報表附註（續）      Notes to the Financial Statements (continued)

### 2. 主要會計政策（續）      2. Significant accounting policies (continued)

#### 2.2 綜合財務報表

綜合財務報表包含本銀行及所有其附屬公司截至 2020 年 12 月 31 日的財務報表。

##### (1) 附屬公司

附屬公司是指由本集團直接或非直接控制的企業（包括結構性實體）。控制體現為本集團涉及，或有權從參與被投資企業業務中取得可變動回報，並有權力通過被投資企業影響自身回報（即賦予本集團現行權力以指引被投資企業的相關活動）。當本集團對被投資企業的直接或間接表決權或類似權利少於大多數時，本集團會考慮所有相關的事實及情況，以評估是否對該被投資企業存在控制權，包括：(a) 與被投資企業其他表決者的合同安排；(b) 由其他合同安排所產生的權利；及(c) 本集團的表決權及潛在表決權。附屬公司於控制權轉入本集團之日起完全納入合併，並於本集團的控制權終止當日不再納入合併。

#### 2.2 Consolidation

The consolidated financial statements include the financial statements of the Bank and all of its subsidiaries for the year ended 31 December 2020.

##### (1) Subsidiaries

Subsidiaries are entities (including structured entities), directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee). When the Group has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and (c) the Group's voting rights and potential voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.2 綜合財務報表 (續)

#### 2.2 Consolidation (continued)

##### (1) 附屬公司 (續)

如本集團對附屬公司失去控制權，將會終止確認 (i) 該附屬公司的資產（包括商譽）及負債，(ii) 非控制權益的賬面值；並確認 (i) 收取作價的公平值，(ii) 保留對該前附屬公司之尚餘投資的公平值；按直接出售有關資產或負債相同的基準，以合適的做法，將之前已確認於其他全面收益的金額重分類至收益表或留存盈利；於收益表將最終差額確認為盈虧。

如本集團董事會已議決一項涉及失去附屬公司控制權（處置組合）的出售計劃，且不大可能撤回或作重大改變，並於報告日或以前符合以下所有條件：(i) 將主要通過出售交易而非繼續使用以回收其賬面值；(ii) 該附屬公司的現況（除受制於類似交易的慣常條款外）可即時出售而該出售交易之可能性很大，包括股東批准的可能性很高（如需要）；(iii) 已啟動一活躍的計劃，以合理的價格尋求買家，及將於一年內完成相關交易，無論本集團於出售後會否保留非控制性權益，本集團會將該附屬公司的資產及負債分類為待出售。處置組合（除投資物業及金融工具外）以其賬面值及公平值扣除出售成本之較低者作初始確認及後續計量。待出售的物業、器材及設備不會進行折舊。

##### (1) Subsidiaries (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment in that former subsidiary retained; reclassifies the amounts previously recognised in other comprehensive income to the income statement or retained earnings, as appropriate, on the same basis as directly disposed of the related assets or liabilities; recognises any resulting differences as gain or loss in the income statement.

If the Group is committed by the Board to a sale plan involving loss of control of a subsidiary (a disposal group) that is unlikely to be withdrawn or changed significantly, the Group shall classify all the assets and liabilities of that subsidiary as held for sale only when the following criteria are met on or before the end of the reporting period: (i) the carrying amount will be recovered principally through a sale transaction rather than through continuing use; (ii) the subsidiary is available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of its kind and its sale must be highly probable, including a high probability of shareholders' approval, if needed; (iii) an active programme to locate a buyer at a reasonable price has been initiated and to complete the sale within one year, regardless of whether the Group will or will not retain a non-controlling interest after the sale. Disposal group (other than investment properties and financial instruments) is initially recognised and subsequently remeasured at the lower of its carrying amount and fair value less costs to sell. Properties, plant and equipment classified as held for sale are not depreciated.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.2 綜合財務報表 (續)

#### 2.2 Consolidation (continued)

##### (1) 附屬公司 (續)

##### (1) Subsidiaries (continued)

###### (i) 非受共同控制的業務合併

###### (i) Business combinations not under common control

收購非受共同控制之業務時，應以收購法進行會計處理。業務合併的代價乃集團因換取被收購方的控制權，而在收購當日所轉讓的資產的公平值、所產生的負債(包括或然代價安排)、以及所發行的權益。與收購相關的成本會於發生時於收益表內確認。

Acquisitions of businesses not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is the fair values at the acquisition date of the assets transferred, the liabilities incurred (including contingent consideration arrangement) and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed in the income statement as incurred.

轉讓的代價、持有被收購方的非控制權益金額、以及本集團之前已持有被收購方之權益的公平值(如有)之總和，其高於收購日的被收購可識別資產及需承擔負債的淨值，被計量為商譽。如經評估後，被收購方的可識別淨資產的公平值高於轉讓的代價、持有被收購方的非控制權益金額、以及本集團之前已持有被收購方之權益的公平值(如有)之總和，多出的部分將即時於收益表內被確認為優惠收購收益。之後，需至少每年對商譽進行減值測試。

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If after assessment, the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held interest in the acquiree (if any), the excess is recognised immediately in the income statement as a gain on bargain. Subsequently, goodwill is subject to impairment testing at least annually.

財務報表附註 (續)      **Notes to the Financial Statements (continued)**

2. 主要會計政策 (續)      **2. Significant accounting policies (continued)**

2.2 綜合財務報表 (續)

**2.2 Consolidation (continued)**

(1) 附屬公司 (續)

**(1) Subsidiaries (continued)**

(i) 非受共同控制的業務  
合併 (續)

**(i) Business combinations not under common control (continued)**

當集團於業務合併時轉讓的代價包含因或然代價安排而產生的資產或負債時，有關的或然代價將按收購日的公平值計量，並被視為業務合併時所轉讓代價的一部分。符合作為計量期間調整的或然代價的公平值變動，需以追溯方式進行調整，並需於商譽或優惠收購收益內進行相應的調整。計量期間調整是指於計量期間，取得與收購日已存在的事實或情況相關的額外資訊而產生的調整。計量期間為自收購日起計的一年之內。

以逐項收購為基準，本集團可選擇以公平值或按非控制權益之比例攤佔被收購方之可識別淨資產之公平值，來確認被收購方之非控制權益。

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at fair value at the acquisition date and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. The measurement period does not exceed one year from the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.2 綜合財務報表 (續)

#### 2.2 Consolidation (continued)

##### (1) 附屬公司 (續)

##### (1) Subsidiaries (continued)

##### (ii) 受共同控制的業務 合併

##### (ii) Business combinations under common control

合併會計處理會被應用於合併受共同控制之公司。合併會計的原則是按被收購方之業務乃一直由收購方經營的假設，去合併受共同控制之公司。本集團的綜合財務報表之綜合業績，綜合現金流量及綜合財務狀況，會按本銀行與被收購方自最初受到共同控制後，即進行合併的假設而編製（即在合併日不需進行公平值調整）。在合併時的代價與賬面值的差額，將於權益內確認。在編製本集團的綜合財務報表時，對於所有本集團與被收購方之間的交易，不論是在合併前或是在合併後發生，其影響均會被對銷。比較數據乃按被收購方之業務於之前會計結算日經已合併來列示。合併之交易成本會於收益表上被列支為費用。

For a combination with a company under common control, the merger accounting method will be applied. The principle of merger accounting is a way to combine companies under common control as though the business of the acquiree had always been carried out by the acquirer. The Group's consolidated financial statements represent the consolidated results, consolidated cash flows and consolidated financial position of the Group as if any such combination had occurred from the date when the Bank and the acquiree first came under common control (i.e. no fair value adjustment on the date of combination is required). The difference between the consideration and carrying amount at the time of combination is recognised in equity. The effects of all transactions between the Group and the acquiree, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements of the Group. Comparative amounts are presented as if the acquiree had been combined at the beginning of the previous reporting period. The transaction costs for the combination will be expensed in the income statement.

集團內部交易、交易餘額、以及未實現收益已被對銷；除非能提供集團內交易所轉讓資產已發生減值的證據，否則未實現損失也將被對銷。如有需要，附屬公司的會計政策會作出適當調整，以確保本集團所採用會計政策的一致性。

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.2 綜合財務報表 (續)

#### 2.2 Consolidation (continued)

##### (1) 附屬公司 (續)

##### (1) Subsidiaries (continued)

於本銀行的資產負債表內，對附屬公司的投資是以成本扣除減值損失準備列賬。本銀行按照已收及應收股息基準確認附屬公司之業績。當本銀行具有權利收取附屬公司的派息時，將於收益表內確認。

In the Bank's balance sheet, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Bank on the basis of dividends received and receivable. Dividend income from subsidiaries is recognised in the income statement when the right to receive payment is established.

##### (2) 與非控制權益的交易

##### (2) Transactions with non-controlling interests

在沒有改變控制權益的情況下，與非控制權益的交易被視為與持有本集團權益者之交易。若從非控制權益購入，付出之代價及攤佔有關附屬公司的淨資產賬面值的差額，於權益內確認。出售權益予非控制權益的收益或虧損，亦需於權益內確認。

The Group treats transactions with non-controlling interests without change of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recognised in equity. Gains or losses on disposals to non-controlling interests are also recognised in equity.

當本集團對附屬公司失去控制權或重大影響力時，任何保留之權益應以公平值重新計量，賬面值的變動在收益表內確認。該公平值乃日後計量繼續持有該等聯營公司、合資企業或金融資產之保留權益的初始賬面值。此外，過往曾經於其他全面收益內確認之有關該公司的金額，將按本集團直接出售有關資產或負債處理。先前已計入其他全面收益的金額會適當地重新分類至收益表或留存盈利內。

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. Amounts previously recognised in other comprehensive income are reclassified to the income statement or retained earnings, as appropriate.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.2 綜合財務報表 (續)

#### 2.2 Consolidation (continued)

##### (3) 聯營公司及合資企業

聯營公司是指本集團對其雖無控制或共同控制權但能夠施加重大影響的企業，通常本集團擁有其 20% 至 50% 的表決權。

合資企業為合資安排的一種，雙方協議對該合資企業的淨資產擁有共同控制權。共同控制為合同認可的共同控制權，只會在相關業務的決定需各控制方一致同意時出現。

本集團對聯營公司及合資企業的股權投資按照初始投資成本計量，並採用權益法進行核算，除非該股權投資被分類為待出售（或包括在待出售之處置組合內）。本集團對聯營公司及合資企業的投資包含扣除累計減值損失後之商譽及任何有關之累計外幣換算差額。

本集團購買聯營公司或合資企業後，於收益表中確認應佔的購入後收益或虧損，及於儲備內確認應佔的購入後儲備變動，並將於投資成本中調整購買聯營公司或合資企業後其發生的累計變動。除非本集團已為聯營公司或合資企業承擔債務或已為其墊付資金，否則本集團在確認應佔聯營公司或合資企業發生的虧損時，將以投資賬面價值為限。

##### (3) Associates and joint ventures

An associate is the entity over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The Group's investments in associates and joint ventures include goodwill, net of accumulated impairment loss and any related accumulated foreign currency translation difference.

The Group's share of the post-acquisition profits or losses of associates or joint ventures is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The accumulated post-acquisition movements are adjusted against the cost of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses unless the Group has incurred obligations or made payments on behalf of the associates or joint ventures.



## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.2 綜合財務報表 (續)

#### 2.2 Consolidation (continued)

##### (3) 聯營公司及合資企業 (續)

##### (3) Associates and joint ventures (continued)

本集團與聯營公司或合資企業間交易的未實現收益按本集團在聯營公司或合資企業的投資比例進行抵銷；除非交易提供了轉讓資產已發生減值的證據，否則未實現損失也將被抵銷。

Unrealised gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

若對聯營公司或合資企業的權益減少但影響力保留，只需按比例將過往曾在其他全面收益內確認的金額重新分類至收益表或未分配利潤內。

If the ownership interest in an associate or a joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the income statement or retained earnings, where appropriate.

#### 2.3 分類報告

#### 2.3 Segmental reporting

分類的經營業績與呈報予管理委員會的內部報告方式一致，管理委員會乃本集團的總體營運決策核心，負責資源分配及對營運分類的表現評估。在釐定經營分類表現時，將會包括與各分類直接相關的收入及支出。

The operating result of segments are reported in a manner consistent with the internal reporting provided to the Management Committee, which is the chief operating decision maker of the Group, that allocates resources and assesses the performance of operating segments. Income and expenses directly associated with each segment are included in determining operating segment performance.

#### 2.4 外幣換算

#### 2.4 Foreign currency translation

本集團各企業的財務報表所載項目均按各企業於主要經濟環境營運的貨幣計量（「功能貨幣」）。本綜合財務報表以港幣列示，即本銀行之功能及呈列貨幣。

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Bank's functional and presentation currency.

外幣交易均按交易或重新計量項目之估值當日的即期匯率換算為功能貨幣。外幣交易以交易日之匯率結算所引致的匯兌損益，以及以外幣為本位的貨幣性資產及負債按會計結算日的匯率換算的匯兌損益，均直接於收益表確認，惟於其他全面收益內遞延作為合資格現金流對沖或合資格淨投資對沖除外。

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or exchange rates at the end of the reporting period for items that are re-measured. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions using the exchange rates prevailing at the dates of the transactions and monetary assets and liabilities denominated in foreign currencies translated at the exchange rate at the end of the reporting period are recognised directly in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.4 外幣換算 (續)

以公平值變化計入損益的貨幣性證券的兌換差額會列作公平值收益或虧損的一部分。對於被分類為以公平值變化計入其他全面收益，以外幣為本位的貨幣性證券，其公平值變動可分為源自證券攤餘成本變動的兌換差額和證券賬面值的其他兌換變動兩部分。源自證券攤餘成本變動的兌換差額會於收益表內確認，而證券賬面值的其他兌換變動則被確認於其他全面收益。

對於非貨幣性項目（例如以公平值變化計入損益之股權投資），其兌換差額會列作公平值收益或虧損的一部分。而非貨幣性金融資產（例如以公平值變化計入其他全面收益之股權投資）的兌換差額會包含在其他全面收益內。

所有本集團內非以港幣為功能貨幣的企業，其業績及財務狀況按以下方式換算為港幣：

- 資產及負債按會計結算日之收市匯率換算；
- 收入及支出按平均匯率換算；及
- 所有產生之換算差額確認於權益項目下之貨幣換算儲備內。

於合併財務報表時，換算對外國企業之淨投資、借款及其他被界定為對沖此投資的貨幣工具所產生之換算差額需列入其他全面收益及分別累計於貨幣換算儲備中。當出售該外國企業投資時，此外幣兌換差額需列作為出售收益或虧損的一部分，並由權益中重新分類至收益表內。

#### 2.4 Foreign currency translation (continued)

Translation differences on monetary securities held at fair value through profit or loss are reported as part of the fair value gain or loss. Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as fair value through other comprehensive income are included in other comprehensive income.

The results and financial position of all the group entities that have a functional currency different from Hong Kong dollars are translated into Hong Kong dollars as follows:

- assets and liabilities are translated at the closing rate at the end of the reporting period;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognised in the currency translation reserve in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, borrowings and other currency instruments designated as hedges of such investments are taken to other comprehensive income and are accumulated separately in the translation reserve. When a foreign entity is disposed, such exchange differences are reclassified from equity to the income statement, as part of the gain or loss on sale.

## 財務報表附註（續）      Notes to the Financial Statements (continued)

### 2. 主要會計政策（續）      2. Significant accounting policies (continued)

#### 2.5 衍生金融工具及對沖會計

衍生金融工具以衍生交易合同簽訂當日的公平值進行初始確認，並以公平值進行後續計量。公平值從活躍市場上的公開市場報價中取得，包括最近的市場交易，或通過使用估值方法，包括貼現現金流量分析模型、期權定價模型（如適用）。當公平值為正值時，衍生金融工具將被列為資產；當公平值為負值時，則被列為負債。

若干衍生金融工具會嵌藏在金融負債中，當其經濟特徵和風險與主合同沒有緊密關聯，而主合同並非以公平值變化計入損益時，這些嵌藏式衍生金融工具需要單獨以公平值計量，並且其公平值變化計入收益表。

除非衍生金融工具已被界定為用作對沖，並且是屬於有效之對沖工具，則需按對沖會計之要求計量，否則，將被分類為持作交易用途，其公平值變動即時於收益表內確認。

#### 2.5 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and through the use of valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

Derivatives are categorised as held for trading and changes in their fair value are recognised immediately in the income statement unless they are designated as hedges and are effective hedging instruments, then they are subject to measurement under the hedge accounting requirements.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.5 衍生金融工具及對沖會計 (續)

對於在有效對沖中被界定為對沖工具的衍生金融工具，確認其收益或虧損的方法是按被對沖項目的性質而定。本集團界定若干衍生金融工具為以下其中一項：

- (a) 對沖已確認之資產、負債或為確切承擔之公平值作對沖(公平值對沖)；或
- (b) 對沖與已確認之資產、負債相關，或與高度可能發生的預期交易相關，並高度可能發生的未來現金流的某一特定風險(現金流對沖)。

本集團於交易發生時會記錄對沖工具與相關被對沖項目之關係、風險管理目的和進行各類對沖交易時所採取之策略。本集團並於對沖活動發生時及期間，評估其經濟關係、信貸風險、對沖比例，及對沖工具能否有效抵銷相關被對沖項目之公平值或現金流變動，並作出記錄。此等乃符合採用對沖會計方法處理之先決條件。對沖會計可能會因對沖工具和被對沖項目失去經濟關係，或交易對手的信用風險重大變化主導對沖工具和被對沖項目的公平值變化而無效。

#### 2.5 Derivative financial instruments and hedge accounting (continued)

For derivative instruments being designated as hedging instrument in an effective hedge, the method of recognising the resulting fair value gain or loss depends on the nature of the item being hedged. The Group designates certain derivatives as either:

- (a) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or
- (b) hedges of a particular risk associated with a highly probable future cash flow attributable to a recognised asset or liability, or a highly probable forecast transaction (cash flow hedge).

The Group documents at inception the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of the economic relationship, credit risks, the hedge ratio and an evaluation of the effectiveness of the hedging instruments in offsetting changes in fair values or cash flows of hedged items. These criteria should be met before a hedge can be qualified to be accounted for under hedge accounting. Hedge accounting may become ineffective if the hedging instrument and the hedged item lose economic relationship, or a significant change of the counterparties' credit risks that dominates the fair value change of the hedging instruments or the hedged items.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.5 衍生金融工具及對沖會計 (續)

##### (a) 公平值對沖

被界定為有效之公平值對沖，其衍生金融工具之公平值變動，連同被對沖風險之資產或負債相關之公平值變動，一併於收益表內確認。

當公平值對沖會計被應用以攤餘成本作計量的金融工具時，被對沖項目的賬面值會按已被衍生工具對沖的利率風險的公平值變動金額而調整，而不是以攤餘成本列賬，該賬面值的調整與用作對沖之衍生工具的公平值變化，將一併於收益表內確認。

若對沖關係不再符合對沖會計之要求或對沖關係終止，但並非基於被對沖項目還款等原因而終止確認，則尚未完成攤銷的被對沖項目賬面值調整餘額（即在對沖關係終止時，被對沖項目的賬面值，與假設對沖從沒有存在的情況下的賬面值，兩者之間的差異），將按被對沖項目的剩餘年期，以實際利息法被攤銷至收益表內。如被對沖項目被終止確認，未完成攤銷的賬面值調整餘額將即時於收益表內確認。

#### 2.5 Derivative financial instruments and hedge accounting (continued)

##### (a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as effective fair value hedges are recognised in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

When fair value hedge accounting is applied to financial instruments carried at amortised costs, the carrying values of the hedged items are adjusted for changes in fair value that are attributable to the interest rate risk being hedged with the derivative instruments rather than carried at amortised cost, such carrying value adjustment is recognised in the income statement together with the changes in fair value of the hedging derivatives.

If the hedge relationship no longer meets the criteria for hedge accounting or is terminated for reasons other than derecognition, e.g. due to repayment of the hedged item, the unamortised carrying value adjustment (the difference between the carrying value of the hedged item at the time of termination and the value at which it would have been carried had the hedge never existed) to the hedged item is amortised to the income statement over the remaining life of the hedged item by the effective interest method. If the hedged item is derecognised, the unamortised carrying value adjustment is recognised immediately in the income statement.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.5 衍生金融工具及對沖會計 (續)

##### (a) 公平值對沖 (續)

當公平值對沖會計中被對沖項目為公平值計入其他全面收益的債務金融工具時，在對沖會計期間其公平值變動金額應計入收益表。若對沖關係不再符合對沖會計之要求或對沖關係終止，但並非基於被對沖項目還款等原因而終止確認，其以於收益表內確認與對沖有效之部分相關的公平值變化應以實際利息法被攤銷回估值儲備內。而當被對沖項目被終止確認時，未完成攤銷的賬面值調整餘額將即時重分類至估值儲備。

##### (b) 現金流對沖

對於已被界定為符合採用現金流對沖，並且有效的衍生金融工具，其公平值變動的有效部分將會於其他全面收益內確認及於權益內累計。無效部分的收益或虧損即時於收益表內確認。於權益內累計的金額，會於被對沖項目影響損益期間重新分類至收益表內。

#### 2.5 Derivative financial instruments and hedge accounting (continued)

##### (a) Fair value hedge (continued)

For fair value hedge relationships where the hedged items are debt instruments carried at FVOCI, changes in fair value are recorded in the income statement whilst hedge accounting is in place. When the hedge relationship no longer meets the criteria for hedge accounting or is terminated for reasons other than derecognition, the cumulative effective hedged portion of fair value change recognised in the income statements are amortised by the effective interest method back to the revaluation reserve. If the hedged item is derecognised, the unamortised cumulative effective hedged portion of fair value change recognised in the income statement are reclassified to revaluation reserve immediately.

##### (b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit or loss.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.5 衍生金融工具及對沖會計 (續)

#### 2.5 Derivative financial instruments and hedge accounting (continued)

##### (b) 現金流對沖 (續)

##### (b) Cash flow hedge (continued)

當對沖工具到期或被出售，或當對沖不再符合對沖會計之要求，任何已記入權益的累計收益或虧損仍保留於權益內，直至預期交易最終被確認時，才確認於收益表內。當預期交易預計不會再發生時，累計於權益的收益或虧損會即時被重新分類至收益表內。

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any accumulated gain or loss existing in equity at that time remains in equity and is recognised in the income statement when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the accumulated gain or loss that was reported in equity is immediately reclassified to the income statement.

##### (c) 淨投資對沖

##### (c) Net investment hedge

對海外運作淨投資對沖與現金流對沖的處理方法相似。對沖工具有效對沖部分的收益或虧損，會於其他全面收益內確認及於權益內累計；無效部分的收益或虧損即時於收益表內確認。之前於其他全面收益中累計的收益或虧損金額會列作出售收益或虧損的一部分，並於出售海外運作時被重新分類至收益表內。

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. A gain or loss on the effective portion of the hedging instrument is recognised in other comprehensive income and accumulated in equity; a gain or loss on the ineffective portion is recognised immediately in the income statement. Accumulated gains and losses previously recognised in other comprehensive income are reclassified to the income statement upon disposal of the foreign operation as part of the gain or loss on disposal.

#### 2.6 金融工具之抵銷

#### 2.6 Offsetting financial instruments

若存在法律上可行使的權利，可對已確認入賬之項目進行抵銷，且有意以淨額方式結算，或將資產變現並同時清償債務，則金融資產及金融負債可予抵銷，並把淨額於資產負債表內列賬。

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet 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.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.7 收入及支出

#### 2.7 Income and expense

##### (1) 利息收入及支出

##### (1) Interest income and expense

所有以攤餘成本及以公平值變化計入其他全面收益計量的金融資產和金融負債，其利息收入和支出按實際利息法在收益表中確認。類似由以公平值變化計入損益計量的非衍生工具類資產產生的利息收入及支出亦以類似方法但剔除交易費用計算。

Interest income and expense are recognised in the income statement for all financial assets carried at amortised cost and fair value through other comprehensive income, and financial liabilities using the effective interest method. Similar interest income and expense arising from non-derivative financial assets and liabilities carried at fair value through profit or loss are determined using similar method, but excluding their transaction costs.

實際利息法是一種計算金融資產或金融負債的攤餘成本以及在相關期間分攤利息收入或利息支出的方法。實際利率是在金融工具預計到期日或較短期間（如適用）內，將其未來收到或付出的現金流貼現為金融資產或金融負債賬面淨額所使用的利率。在計算實際利率時，本集團在估計未來現金流時，會考慮金融工具的所有合同條款（如提前還款權或為住宅按揭貸款客戶提供的優惠），但不會考慮未來的信用損失。計算範圍包括訂約各方所支付或所收取的費用、溢價或折讓和點子，以及貸款貸出時產生而屬於整體有效利息一部分之相關費用及成本。

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 future cash flows considering all contractual terms of the financial instrument (e.g. prepayment options or incentives relating to residential mortgage loans) but does not consider future credit losses. The calculation includes fees, premiums or discounts and basis points paid or received between parties to the contract, and directly attributable origination fees and costs which represent an integral part of the effective yield.

對於所有以利率為被對沖風險的對沖交易，源自息債務證券或定息後償票據等被對沖工具的利息收入或利息支出，與源自利率掉期等對沖工具的利息收入／支出合併，以淨額為基準作出披露。

For all hedge transactions where interest rate is the hedged risk, interest income or interest expense from hedged instruments such as fixed rate debt securities or fixed rate subordinated notes are disclosed on a net basis together with net interest income/expense arising from the hedging instrument such as interest rate swap.



## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.7 收入及支出 (續)

#### 2.7 Income and expense (continued)

##### (2) 非利息收入及支出

##### (2) Non-interest income and expense

當集團在某一時點或在一段時間以客戶獲得對服務的控制權為基準完成履行其履約義務即確認收入。

Income from service is recognised when the Group fulfils its performance obligation, either over time or at a point in time on a basis when a customer obtains control of the service.

當在合同規定下相關服務需要在一定時間內提供包括戶口服務及信用卡費用，該服務之費用收入應按有系統性之基準以固定或可變價格在協議有效期內隨時間所確認。若在交易為基礎之安排下，服務費收入應在服務完整地提供予客戶後之單一時間點確認，包括經紀服務及銀團貸款安排費。

Fee income from services are recognised over time at a fixed or variable price on a systematic basis over the life of the agreement when the contract requires services to be provided over time such as account service and credit card fees, or recognised at a point in time under transaction-based arrangements when service has been fully provided to the customer such as broking services and loan syndication arrangement.

股息收入在當具有權利收取該股息時確認。

Dividend income is recognised when the right to receive payment is established.

#### 2.8 金融資產

#### 2.8 Financial assets

本集團將金融資產於初始確認時分類為以下計量類別：以公平值變化計入損益作後續計量、以攤餘成本作後續計量及以公平值變化計入其他全面收益作後續計量。該分類取決於企業管理金融工具的業務模型，以及該工具的合約現金流特徵，或企業對公平值選擇權的決定。所有金融資產以公平值作初始確認。除以公平值變化計入損益之金融資產外，其他金融資產之交易成本均已包含於初始賬面值內。

The Group classifies its financial assets into one of the following measurement categories at initial recognition as subsequently measured at: fair value through profit or loss ("FVPL"), amortised cost and fair value through other comprehensive income ("FVOCI"). The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments, or the election of fair value option. All financial assets are recognised initially at fair value. Except for financial assets carried at FVPL, all transaction costs of financial assets are included in their initial carrying amounts.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.8 金融資產 (續)

##### (1) 以公平值變化計入損益之金融資產

此分類包含兩個子分類：交易發生時即界定為以公平值變化計入損益之金融資產及強制要求以公平值計量的金融資產，包括持作交易用途的金融資產。

如果取得該金融資產主要是以短期沽售為目的，或屬於組合一部分並共同管理的可識別金融工具，若有證據表明其短期獲利行為，則被分類為持作交易用途。除被界定為有效對沖工具外，所有衍生金融工具均被分類為持作交易用途類別。

除持作交易用途或強制要求以公平值計量的金融資產外，如可以消除或明顯減少因按不同基準計量金融資產之價值，或確認其收益或虧損，而出現不一致之計量或確認情況（一般被稱為「會計錯配」），且被管理層因此作出界定，該金融資產會被界定為以公平值變化計入損益之金融資產。

這些資產以公平值進行初始確認，交易費用直接計入收益表，並以公平值進行後續計量。

#### 2.8 Financial assets (continued)

##### (1) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets designated at fair value through profit or loss at inception, or financial assets mandatorily required to be measured at fair value through profit or loss, including those held for trading.

A financial asset which has been acquired or incurred principally for the purpose of selling in the short term or is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking is classified as held for trading. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

A financial asset, other than those held for trading or mandatorily measured at fair value, will be designated as a financial asset at FVPL, if it 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, and is so designated by the Management.

These assets are recognised initially at fair value, with transaction costs taken directly to the income statement, and are subsequently re-measured at fair value.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.8 金融資產 (續)

##### (1) 以公平值變化計入損益之金融資產 (續)

該等資產的公平值變化所產生的損益(不包括利息部分)計入淨交易性收益/虧損或界定為以公平值變化計入損益之金融工具淨收益/虧損。而利息部分則計入作為利息收入之一部分。此類資產項下之股份權益工具,其股息於本集團收取股息之權利確定時,於淨交易性收益/虧損或界定為以公平值變化計入損益之金融工具淨收益/虧損內確認。

##### (2) 以攤餘成本計量之金融資產

如金融資產達到以下兩個條件,則分類為以攤餘成本作後續計量:(i)該金融資產是以收取合約現金流為目的業務模型持有,及(ii)該金融資產的合約條款在指定日期產生的現金流僅為本金和未償還本金餘額之利息的支付。此類金融資產以公平值加上直接相關的交易費用進行初始入賬,隨後以實際利息法計算攤餘成本扣除減值損失作後續計量。包括折溢價攤銷的利息收入將按照實際利息法計算確認在收益表中。資產終止確認、修改或減值產生的收益或損失在損益中確認。

#### 2.8 Financial assets (continued)

##### (1) Financial assets at fair value through profit or loss (continued)

Gains and losses from changes in the fair value of such assets (excluding the interest component) are reported in net trading gain/loss or net gain/loss on financial instruments designated at FVPL. The interest component is reported as part of the interest income. Dividends on equity instruments of this category are also recognised in net trading gain/loss or net gain/loss on financial instruments designated at FVPL when the Group's right to receive payment is established.

##### (2) Financial assets at amortised cost

Financial assets are classified as subsequently measured at amortised cost if both of the following conditions are met: (i) the financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows ("hold-to-collect" business model), and (ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates. They are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method less allowances for impairment losses. Interest income which includes the amortisation of premium or discount is calculated using the effective interest method and is recognised in the income statement, gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.8 金融資產 (續)

##### (3) 以公平值變化計入其他全面收益之金融資產

如達到以下兩個條件，則金融工具分類為公平值變化計入其他全面收益作後續計量之金融資產：(i)該金融資產是以收取合約現金流和出售為目的的業務模型持有；及(ii)該金融資產的合約條款在指定日期產生的現金流僅為本金和未償還本金餘額之利息的支付。

以公平值變化計入其他全面收益之金融資產以公平值加上直接相關的交易費用進行初始確認，並以公平值進行後續計量。因該等金融資產之公平值變化而產生之未實現收益或虧損直接確認在其他全面收益中；當該類金融資產終止確認或減值時，之前確認於權益中的累計收益或虧損將轉入收益表內。惟包括折溢價攤銷的利息收入將按照實際利息法計算確認在收益表中。

對於股權投資，可以在初始確認時進行不可撤銷的選擇，確認其未實現和已實現的公平值收益或虧損在其他全面收益中，即使在處置時也無需將公平值損益重新分類至收益表。分類為以公平值變化計入其他全面收益之股份權益工具，其股息於本集團收取股息之權利確定時於其他經營收入內確認。指定為公平值計入其他全面收益的股權投資無需進行減值評估。

#### 2.8 Financial assets (continued)

##### (3) Financial assets at fair value through other comprehensive income

Debt instruments are classified as subsequently measured at FVOCI if both of the following conditions are met: (i) the financial assets are held within a business model with the objective of both holding to collect contractual cash flows and selling, and (ii) the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Financial assets at FVOCI are initially recognised at fair value plus any directly attributable transaction costs, and are subsequently measured at fair value. Unrealised gains or losses arising from changes in the fair value of the financial assets are recognised directly in other comprehensive income, until the financial asset is derecognised or impaired at which time the accumulated gain or loss previously recognised in equity should be transferred to the income statement. However, interest income which includes the amortisation of premium and discount is calculated using the effective interest method and is recognised in the income statement.

For equity investments, an irrevocable election can be made at initial recognition to recognise unrealised and realised fair value gains or losses in other comprehensive income without subsequent reclassification of fair value gains or losses to the income statement even upon disposal. Dividends on equity instruments classified as FVOCI are recognised in other operating income when the Group's right to receive payment is established. Equity instruments designated at FVOCI are not subject to impairment assessment.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.8 金融資產 (續)

#### 2.8 Financial assets (continued)

##### (3) 以公平值變化計入其他全面收益之金融資產 (續)

##### (3) Financial assets at fair value through other comprehensive income (continued)

以公平值變化計入其他全面收益之證券的兌換差額的處理方法已詳列於附註 2.4。

The treatment of translation differences on FVOCI securities is dealt with in Note 2.4.

#### 2.9 金融負債

#### 2.9 Financial liabilities

本集團按以下類別分類金融負債：交易性負債、界定為以公平值變化計入損益之金融負債、存款、已發行債務證券及存款證、後償負債及其他負債。所有金融負債於交易發生時界定其分類並以公平值進行初始確認，非以公平值變化計入損益之金融負債則需加減交易成本。

The Group classifies its financial liabilities under the following categories: trading liabilities, financial liabilities designated at fair value through profit or loss, deposits, debt securities and certificates of deposit in issue, subordinated liabilities, and other liabilities. All financial liabilities are classified at inception and recognised initially at fair value, and in the case of financial liability not at fair value through profit or loss, plus or minus transaction costs.

##### (1) 交易性負債

##### (1) Trading liabilities

旨在短期內購回之金融負債被分類為持作交易用途之負債。交易性負債以公平值列賬，公平值之變動所產生的收益或虧損確認於收益表內，利息部分則計入作為利息支出的一部分。

A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing in the short term. It is measured at fair value and any gains and losses from changes in fair value are recognised in the income statement, with interest component being reported as part of the interest expenses.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.9 金融負債 (續)

##### (2) 界定為以公平值變化計入損益之金融負債

金融負債於交易時被界定為以公平值變化計入損益之金融負債。被界定為此類別之金融負債包括若干已發行之存款證及若干嵌藏衍生金融工具之客戶存款。符合以下其中之一項條件之金融負債一般會被界定為此類別：

- 可以消除或明顯減少因按不同基準計量金融負債之價值，或確認其收益或虧損，而出現不一致之計量或確認情況（一般被稱為「會計錯配」）；或
- 應用於一組金融資產、金融負債、或兩者兼有的組合，其管理是依據事先書面確立的風險管理或投資策略來運作，其表現是按公平值為基礎來衡量，並按此基礎將該組金融工具的資訊向主要管理層作出內部報告；或
- 與包含一個或多個嵌藏式衍生金融工具的金融負債相關，且這些嵌藏式衍生金融工具對該等金融負債的現金流產生重大影響。

#### 2.9 Financial liabilities (continued)

##### (2) Financial liabilities designated at fair value through profit or loss

A financial liability can be designated at fair value through profit or loss if it is so designated at inception. Financial liabilities so designated include certain certificates of deposit in issue and certain deposits received from customers that are embedded with derivatives. A financial liability is so designated if it meets one of the following criteria:

- 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; or
- applies to a group of financial assets, financial liabilities or both that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the key management; or
- relates to financial liabilities containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial liabilities.

財務報表附註 (續)      **Notes to the Financial Statements (continued)**

2. 主要會計政策 (續)      **2. Significant accounting policies (continued)**

2.9 金融負債 (續)

2.9 Financial liabilities (continued)

(2) 界定為以公平值變化計入損益之金融負債 (續)

被界定為以公平值變化計入損益之金融負債以公平值列賬，因公平值變化而產生之收益或虧損確認於收益表內，除了因自身信用風險產生的公平值變化會被計入其他全面收益及往後被終止確認時被重分類至留存盈利，除非該變化會構成或擴大收益表之會計錯配，所有公平值變化而產生之收益或虧損則確認於收益表內。

(2) Financial liabilities designated at fair value through profit or loss (continued)

Financial liabilities designated at fair value through profit or loss are measured at fair value and any gains and losses from changes in fair value are recognised in the 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, unless such would create or enlarge an accounting mismatch in profit or loss, then all gains and losses from changes in fair value are recognised in the income statement.

(3) 存款、已發行債務證券及存款證、後償負債及其他負債

除被分類為交易性負債或界定以公平值變化計入損益之金融負債外，其他存款、已發行債務證券及存款證、後償負債及其他負債均以攤餘成本列賬。扣除交易費用後之淨收款和贖回價值的差額（如有），按照實際利息法於期內在收益表中確認。

(3) Deposits, debt securities and certificates of deposit in issue, subordinated liabilities and other liabilities

Deposits, debt securities and certificates of deposit in issue, together with subordinated liabilities and other liabilities, other than those classified as trading liabilities or designated at fair value through profit or loss are carried at amortised cost. Any difference (if available) between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period using the effective interest method.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.10 財務擔保合同及未提取 貸款承諾

財務擔保合同是指簽發人在指定的債務人未能根據持有人與債務人之間的債務合同條款而履行還款責任時，需向持有人償付由此而產生之損失的指定付款之合同。

財務擔保合同以合同簽發當日的公平值初始確認為金融負債。及後，本集團之責任將按以下兩者之較高者計量：(i)如附註 2.14 所述的預期信用損失減值準備；及(ii)初始確認之金額減按直線法於擔保有效期內確認之累計攤銷（如適用）。財務擔保合同負債的變動則於收益表中確認。

未提取貸款承諾是指集團在承諾期間需要以既定的合同條款向客戶發放貸款的承諾。此等合同亦在附註 2.14 所述之預期信用損失減值準備要求之範圍內。

本集團將財務擔保合同和貸款承諾的預期信用損失減值準備列示於財務報表內的「其他賬項及準備」項下。

#### 2.10 Financial guarantee contracts and undrawn loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a contract between the holder and the debtor.

Financial guarantee contracts are initially recognised as financial liabilities at fair value on the date the guarantees were given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of (i) an ECL provision as set out in Note 2.14 and (ii) the amount initially recognised less, where appropriate, accumulated amortisation recognised over the life of the guarantee on a straight-line basis. Any changes in the liability relating to financial guarantee contracts are taken to the income statement.

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements as set out in Note 2.14.

The ECL provision for financial guarantees and loan commitments are reported under "Other accounts and provisions" in the financial statements.



## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.11 金融工具的確認、終止確認和變更

以公平值變化計入損益作後續計量的金融資產、以公平值變化計入其他全面收益作後續計量及以攤餘成本作後續計量的證券，其買賣會於交易當日（即本集團購入或售出生產當日）確認。貸款及放款及其他金融資產於付出現金予交易對手時確認。在從該等金融資產取得現金流之權利完結或本集團已轉讓實質上所有風險及回報時，將終止對該等金融資產之確認。當本集團未有轉讓或未有保留已轉讓金融資產之實質上所有風險及回報，但仍保留對其控制時，本集團會按持續參與的部分繼續確認該等已轉讓的金融資產；若本集團已失去對其控制時，則終止確認。以攤餘成本及以公平值變化計入其他全面收益計量的金融工具的合同現金流若重新協訂或變更，應以原實際利率將重訂後的合同現金流進行折現，並與現時減值前的攤餘成本餘額比較。如差異重大，需終止確認原有金融工具，並作重新確認。否則，按照上述折現值調整金融工具的賬面值；相關調整計入損益。

交易性負債、被界定為以公平值變化計入損益之金融負債，及已發行債務證券及存款證於交易當日確認。未被界定為以公平值變化計入損益的存款在收到客戶款項時確認，而其他負債於有關責任產生時確認。只有當合同中的指定責任被履行、取消或到期，該金融負債才可從資產負債表上終止確認。如本集團回購本身的債務，則該債務將從資產負債表上終止，而該債務之賬面值及支付金額的差額被確認於損益；如有來自被界定為以公平值變化計入損益之負債的自身信用風險部分則除外。

#### 2.11 Recognition, derecognition and modification of financial instruments

Purchases and sales of financial assets subsequently measured at FVPL, securities measured at FVOCI and amortised costs are recognised on the trade date, the date on which the Group purchases or sells the assets. Loans and advances and other financial assets are recognised when cash is advanced to the counterparties. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. When the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group either continues to recognise the transferred financial asset to the extent of its continuing involvement if control remains or derecognise it if there is no retained control. If the contractual cashflow of financial instruments measured at amortised cost or FVOCI are renegotiated or modified, the modified contractual cashflow should be discounted using the original effective interest rate, and compared with the original amortised cost before impairment. If the difference is material, the original financial instrument should be derecognised and then re-recognised with the present value aforementioned. Otherwise, the difference is adjusted to the original carrying value and accounted for in the profit or loss.

Trading liabilities, financial liabilities designated at FVPL and debt securities and certificates of deposit in issue are recognised on the trade date. Deposits that are not designated at FVPL are recognised when money is received from customers, other liabilities are recognised when such obligations arise. Financial liabilities are derecognised from the balance sheet when and only when the obligation specified in the contract is discharged, cancelled or expires. If the Group purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of a liability and the consideration paid is included in profit or loss, except the own credit risk component for those designated at FVPL.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.11 金融工具的確認、終止確認和變更 (續)

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」或借出證券於初始時按已向交易對手所取得之實際現金額，確認為應付銀行款項或銀行及其他金融機構之存款及結餘（如適用）。用作抵押回購協議之金融資產不會被終止確認，並仍列為投資證券或以公平值變化計入損益之金融資產。以收取合約現金流為目的及合約現金流純屬本金及未償付本金餘額之利息的支付的「反向回購」或借入證券則於初始時按已付予交易對手之實際現金額，於資產負債表內初始確認為庫存現金及應收銀行款項或在銀行及其他金融機構的結餘及存款（如適用）。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為資產負債表上。出售價與回購價之差額則以實際利息法於協議年內分期確認為利息收入或利息支出。

#### 2.11 Recognition, derecognition and modification of financial instruments (continued)

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 resell to the counterparty at a pre-determined price on a specified future date under a resale agreement are referred to as reverse repos.

Repos or securities lending are initially recognised as due to banks, placements from banks and other financial institutions, as appropriate, at the actual amount of cash received from the counterparty. Financial assets given as collateral for repurchase agreements are not derecognised and are recorded as investment in securities or financial assets at FVPL. Reverse repos or securities borrowings with a “hold-to-collect” business model and contractual cash flow of solely payments of principal and interest on the principal outstanding are initially recognised in the balance sheet as cash and due from banks or placements with banks and other financial institutions, as appropriate, at the actual amount of cash paid to the counterparty. Financial assets received as collateral under reverse repurchase agreements are not recognised on the balance sheet. The difference between the sale and the repurchase price is recognised as interest income or interest expense over the life of the agreements using the effective interest method.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.12 公平值計量

本集團於每個會計結算日以公平值計量房產及投資物業、貴金屬及部分金融工具。公平值是指在估值日當期集團可接觸的主要交易市場或最有利之市場狀況下，市場參與者進行有序交易出售資產或轉移負債之價格。

計量資產或負債公平值運用的假設為市場參與者在其最佳經濟利益的情況下，所採用的資產或負債計價。

本集團採用的價格乃買賣差價內最能代表金融工具公平值的價格，如適合，亦包括應用於本集團以市場風險淨頭盤所管理的金融資產及金融負債，並經風險對銷後的剩餘金融資產或金融負債組合。雖然本集團以淨額基準計量此等金融工具組合的公平值，除非能滿足載於附註 2.6 的抵銷條件，所有相關的金融資產及金融負債仍會分別列示於本財務報表內。

非金融資產之公平值計量為考慮市場參與者使用該資產所產生的最高及最佳經濟利益，或出售予另一市場參與者而該參與者可產生的最高及最佳經濟利益。

#### 2.12 Fair value measurement

The Group measures its premises and investment properties, precious metals and certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in its principal market or the most advantageous market accessible by the Group at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Group uses the price within the bid-offer spread that is most representative of the fair value of financial instruments, where appropriate, includes using the residual of the net offsetting risk position of portfolios of financial assets and financial liabilities in cases the Group manages such groups of financial assets and liabilities according to their net market risk exposures. Despite the Group measures the fair value of these groups of financial instruments on a net basis, the underlying financial assets and financial liabilities are separately presented in the financial statements unless the offsetting criteria stated in Note 2.6 are fulfilled.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.12 公平值計量 (續)

若資產或負債所處之市場並不活躍，本集團會在合適並有足夠數據的情況下，採用估值方法釐定其公平值，包括運用當時之公平市場交易、貼現現金流量分析、期權定價模型及其他市場參與者通用之估值方法，並會盡可能使用市場上可觀察的相關參數，減少使用不可觀察的參數。

#### 2.12 Fair value measurement (continued)

If the market for assets or liabilities is not active, the Group uses valuation techniques, including the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

#### 2.13 貴金屬

貴金屬包括黃金、銀及其他貴金屬。貴金屬以其公平值作初始確認和其後重估。貴金屬於進行市場劃價後所產生之收益或虧損，將包括於淨交易性收益／虧損內。

#### 2.13 Precious metals

Precious metals comprise gold, silver and other precious metals. Precious metals are initially recognised and subsequently re-measured at fair value. Mark-to-market gains or losses on precious metals are included in net trading gain/loss.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.14 金融資產減值

本集團就下列項目確認預期信用損失的損失準備：

- 以攤餘成本計量的金融資產；
- 以公平值變化計入其他全面收益計量的債務證券；和
- 非以公平值變化計入損益作計量的已發出的貸款承諾及財務擔保。

以公平值計量的金融資產，包括債券基金單位、以公平值變化計入損益作計量的股份證券、界定為以公平值變化計入其他全面收益的股份證券（非循環）及衍生金融資產，均不需進行預期信用損失評估。

預期信用損失是信用損失的概率加權估計。信用損失按所有預期現金缺口（即根據合約應付本集團的現金流量與本集團預期收到的現金流量之間的差額）的現值計量。

就未提取貸款承諾及財務擔保而言，預期現金缺口按兩者之間的差額計量(i)當貸款承諾持有人／財務擔保受益人提取貸款／索賠財務擔保，其應付本集團之合約現金流及(ii)如貸款被提取／財務擔保被索賠，本集團預期收到的現金流。

如折現的影響重大，預期的現金缺口會以折現值計算。估計預期信用損失時考慮的最長期限是集團面臨信用風險的最長合同期。在金融工具同時包含已提取及未提取貸款承諾的情況下，例如可循環信用額貸款，預期信用損失應於集團需承擔未能按信用風險管理措施而轉移的信用風險之期間內計算。

#### 2.14 Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost;
- debt securities measured at FVOCI; and
- loan commitments and financial guarantees issued, which are not measured at FVPL.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments and financial guarantees outstanding, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder/beneficiary of the loan commitment/financial guarantee draws down/claims on the loan/financial guarantee and (ii) the cash flows that the Group expects to receive if the loan is drawn down/financial guarantee is claimed.

The expected cash shortfalls are discounted where the effect of discounting is material. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. Where the financial instrument such as revolving credit facilities includes both a drawn and undrawn commitment, ECL is measured over the period that the Group remains exposed to credit risk that is not mitigated by management actions in respect of credit risk.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.14 金融資產減值 (續)

在計量預期信用損失時，集團已採用合理且可支持的信息。此包括已發生之事件、當前狀況和預測未來經濟狀況的信息。

預期信用損失在以下其中一個基礎上測量：

- 12 個月的預期信用損失：即預計在報告日期後 12 個月內可能發生的違約事件造成的損失；或
- 存續期間的預期信用損失：即預期信用損失模型適用之資產於預計存續期間內的所有可能發生的違約事件導致的損失。

於金融工具作初始確認時，本集團將在未來 12 個月內的預期信用損失計入第一階段；並且，在初始確認後出現信用風險顯著增加的情況時，將存續期間的預期信用損失確認為第二階段。如對該金融資產的估計未來現金流量產生不利影響的一項或多項事件已發生，將對信用減值金融工具的終生預期信用損失確認為第三階段，並按扣除減值準備後的相關第三階段金融資產的淨值計提利息收入。

#### 2.14 Impairment of financial assets (continued)

In measuring ECLs, the Group takes into account reasonable and supportable information that is available. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within 12 months after the reporting date; or
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group will account for expected credit losses within the next 12 months as Stage 1 when those financial instruments are initially recognised; and to recognise lifetime expected credit losses as Stage 2 when there has been significant increases in credit risk since initial recognition. Lifetime expected credit losses will be recognised for credit-impaired financial instruments as Stage 3 if one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred and interest will then be accrued net of the impairment amount of the respective Stage 3 financial assets.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.14 金融資產減值 (續)

在評估自初始確認後金融工具的信貸風險是否顯著增加時，本集團將報告日評估的金融工具違約風險與初始確認日評估的風險進行比較。

在評估自初始確認後信用風險是否顯著增加時，尤其會考慮以下信息：

- 未能在合同到期日後三十日內支付本金或利息；
- 金融工具的外部或內部信用評級（如果有）有實際或預期顯著惡化；
- 債務人經營業績的實際或預期顯著惡化；和
- 技術性、市場、經濟或法律環境的現有或預測變化，此對債務人履行其對集團義務的能力產生重大不利影響的。

就貸款承諾及財務擔保而言，為評估預期信用損失而初始確認的日期被視為本集團成為不可撤銷承諾的一方的日期。在評估自初步確認貸款承諾及財務擔保以來信貸風險是否顯著增加時，本集團會考慮貸款承諾／財務擔保所涉及的貸款及墊款發生違約風險的變動。

#### 2.14 Impairment of financial assets (continued)

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest 30 days after their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

For loan commitments and financial guarantees, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment or a financial guarantee, the Group considers changes in the risk of default occurring on the loan and advances to which the loan commitment/financial guarantee relates.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.14 金融資產減值 (續)

根據金融工具的性質，對信用風險顯著增加的評估是在個別基礎上或共同基礎上進行的。當評估在共同基礎上進行時，金融工具根據共享信用風險特徵進行分類，例如逾期狀態和信用風險評級。

本集團認為當有關以下事件的可觀察證據出現時，金融資產即發生信用減值：

- 債務人出現重大的財務困難；
- 出現違約事件，例如不履行或逾期償還本金或利息；
- 當債務人出現財務困難，本集團基於經濟或法律因素考慮而特別給予債務人貸款條件上的優惠；
- 有證據顯示債務人將會破產或進行財務重整；或
- 其他明顯訊息反映有關貸款的未來現金流將會出現明顯下降。

本集團會獨立考慮合理及具支持性的定量及定性信息，包括歷史經驗及無需付出不合理成本或努力已能獲取的前瞻性信息。

#### 2.14 Impairment of financial assets (continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group considers that a financial instrument is credit-impaired when there is observable data about:

- significant financial difficulty incurred by the debtor;
- a breach of contract, such as a default or delinquency in principal or interest payment;
- for economic or legal reasons related to the debtor's financial difficulty, the Group has granted to the debtor a concession that it would not otherwise consider;
- probable that the debtor will become bankrupt or undergo other financial reorganisation; or
- other observable data indicating that there is a measurable decrease in the estimated future cash flows from such advances.

The Group considers on an individual basis both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.



## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.14 金融資產減值 (續)

預期信用損失於每個報告日期重新計量，以反映自初始確認以來金融工具信用風險的變化。預期信用損失金額的任何變動均於損益內確認為減值回撥或損失。本集團確認所有相關金融工具的減值損益，並通過損失準備對其賬面金額進行相應調整，但以公平值變化計入其他全面收益計量的債務證券投資其損失準備於公平值儲備作記錄。

根據附註2.7利息收入以金融資產的賬面總值計算確認，除非該金融資產屬於信貸減值（第三階段），在此情況下，利息收入乃按金融資產的攤餘成本（即賬面總值扣除損失準備）計算。確定信用減值金融資產之基準列載於附註4.1。

當金融資產無法收回時，在完成所有必要程序及確定損失金額後，本集團對該等資產進行撇銷，並沖減金融資產的賬面總值及相應的減值損失準備。該等已撇銷資產仍受制於執行活動。撇銷後收回的金額沖減在收益表中的減值損失。

#### 2.14 Impairment of financial assets (continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all relevant financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI, for which the loss allowance is recorded in the fair value reserve.

Interest income recognised in accordance with Note 2.7 is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired (Stage 3), in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. The determination of credit-impaired financial asset is further explained in Note 4.1.

When a financial asset is uncollectible, it is written off against the gross carry amount of the financial asset and the related allowance for impairment losses. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. The assets written off are still subject to enforcement activity. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses in the income statement.

## 財務報表附註（續）      Notes to the Financial Statements (continued)

### 2. 主要會計政策（續）      2. Significant accounting policies (continued)

#### 2.15 對附屬公司、聯營公司及 合資企業之投資及非金融 資產之減值

如因發生事件或情況已改變，並顯示資產之賬面值或將無法被收回，則會進行減值重檢。潛在減值跡象包括運用資產之科技、市場、經濟或法律環境已出現明顯變壞或資產價值大幅或長期下跌至低於其成本值。

「大幅」是以投資的原成本值作評價，而「長期」是以公平值低於其原成本值之時期作評價。就沒有固定可用期限的無形資產，則會每年進行減值測試。

資產的賬面值超過其可收回金額的部分會被確認為減值損失。可收回金額是指資產的公平值扣除出售成本後與其使用價值的較高者。為作出減值評估，資產乃按其最小的可分開識別現金流（現金產出單元）層次分類。於每一財務報告日，會對已發生減值的資產進行重檢以確定需否回撥。

在本銀行的資產負債表，如果附屬公司、聯營公司或合資企業宣派的股息超過其在該宣派年度的全面收益總額，或其在在本銀行的賬面值超過在其綜合資產負債表內已包括商譽的淨資產值時，則需要做投資減值測試。

#### 2.15 Impairment of investments in subsidiaries, associates, joint ventures and non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Potential indications of impairment may include significant adverse changes in the technological, market, economic or legal environment in which the assets operate or whether there has been a significant or prolonged decline in value below their cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Impairment of intangible assets with indefinite useful life are tested for impairment annually.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impaired assets are reviewed for possible reversal of the impairment at each reporting date.

In the Bank's balance sheet, impairment testing of the investment in a subsidiary, associate or joint venture is also required upon receiving dividend from that entity if the dividend exceeds the total comprehensive income of that entity concerned in the period the dividend is declared or if the carrying amount of that entity in the Bank's balance sheet exceeds the carrying amount of that entity's net assets including goodwill in its consolidated balance sheet.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.16 投資物業

持作賺取長期租金收益或資本增值或兩者兼備者，並且非集團旗下各公司所佔用之物業（包括由物業所在的租賃土地產生的使用權資產），均列作投資物業。出租予本集團內公司之物業，於個別公司之財務報表中分類為投資物業，及於綜合財務報表中分類為房產。

投資物業初始以成本值（包括相關交易成本）計量。經初始確認後，投資物業按公平值計量。

只有在與項目相關的未來經濟利益很有可能流入本集團，並能夠可靠地計量其成本的情況下，本集團才會將其後續支出計入為資產賬面值之一部分。該等後續支出以公平值列賬。至於所有其他修理及維護費用，均需於產生時確認於當期收益表內。

任何公平值之變動會直接於收益表內確認。

若投資物業改為自用，會被重新分類為房產，其於重新分類日之公平值會成為其會計賬上的成本值。若房產項目因其用途改變而成為投資物業，則根據香港會計準則第 16 號「物業、器材及設備」將此項目於轉分類日之賬面值與其公平值之間的差額作為房產重估，確認於其他全面收益內。惟若公平值增值抵銷以往之重估損失或減值損失，該增值則於收益表內確認，並以過往已確認的損失金額為限。

#### 2.16 Investment properties

Properties (including right-of-use assets arising from leases over leasehold land on which properties are situated), that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the companies in the Group, are classified as investment properties. Properties leased out within group companies are classified as investment properties in individual companies' financial statements and as premises in consolidated financial statements.

Investment properties are recognised initially at cost, including related transaction costs. After initial recognition, investment properties are measured at fair value.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The work in progress item is stated at fair value. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Any changes in fair value are recognised directly in the income statement.

If an investment property becomes owner-occupied, it is reclassified as premises, and its fair value at the date of reclassification becomes its cost for accounting purposes. If an item of premises becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income as a revaluation of premises under HKAS 16 "Property, Plant and Equipment". However, if a fair value gain reverses a previous revaluation loss or impairment loss classified under premises, the gain is recognised in the income statement up to the amount previously debited.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.17 物業、器材及設備

物業(包括由物業所在的租賃土地產生的使用權資產)主要為分行及辦公樓房產。房產需定期但最少每年以取自外間獨立估價師之公平值扣除任何隨後發生之累計折舊及資產減值損失列示。重估當日之累計折舊額需先沖銷資產之賬面毛值,沖減後之淨額則重新調整至該資產之重估價值。相隔期間由董事參考相近物業之公開市值以檢討房產之賬面值,如董事認為該房產價值有重大變動則會作出相應調整。

房產重估後之賬面增值通過其他全面收益撥入房產重估儲備中。與同一個別資產早前之增值作對銷之減值部分,通過其他全面收益於房產重估儲備中扣減;餘下之減值額則確認於收益表內。其後任何增值將撥入收益表(以早前扣減之金額為限),然後撥至房產重估儲備內。出售房產時,房產重估儲備中與先前估值有關之已實現部分,將從房產重估儲備撥轉至留存盈利。

所有器材及設備及除租賃土地外的使用權資產(見附註2.19)均以歷史成本扣除累計折舊及減值損失列賬。歷史成本包括因取得及安裝該項目而直接產生之費用。

#### 2.17 Properties, plant and equipment

Properties (including right-of-use assets arising from leases over leasehold land on which properties are situated) are mainly branches and office premises. Premises are stated at fair value based on periodic, at least annually, valuations by external independent valuers less any subsequent accumulated depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. In the intervening periods, the directors review the carrying amount of premises, by reference to the open market value of similar properties, and adjustments are made when there has been a material change.

Increases in the carrying amount arising on revaluation of premises are credited to the premises revaluation reserve through other comprehensive income. Decreases that offset previous increases of the same individual asset are charged against premises revaluation reserve through other comprehensive income; all other decreases are expensed in the income statement. Any subsequent increases are credited to the income statement up to the amount previously debited, and then to the premises revaluation reserve. Upon disposal of premises, the relevant portion of the premises revaluation reserve realised in respect of previous valuations is released and transferred from the premises revaluation reserve to retained earnings.

All plant and equipment and right-of-use assets other than leasehold land (see Note 2.19) are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition and installation of the items.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.17 物業、器材及設備 (續)

與資產有關的後續支出，只有當其產生的未來經濟利益很可能流入本集團，並且該支出能夠可靠地計量時，才能將其計入資產的賬面價值或作為單獨的一項資產進行確認(如適當)。該等後續支出以扣除減值後之成本列賬直至其開始產生經濟利益，之後則根據相關資產之後續計量基準進行計量。所有其他修理及維護費用均在發生時計入當期收益表。

折舊以直線法，將資產之成本值或重估值於其如下估計可用年限內攤銷：

- 物業  
按政府土地租約年期
- 器材及設備  
2至15年
- 使用權資產  
資產可用年期及租約年期之較短者

本集團在每個會計結算日重檢資產的可用年限，並已按適當情況作出調整。

#### 2.17 Properties, plant and equipment (continued)

Subsequent costs are included in an asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The item is stated at cost less impairment until it begins to generate economic benefits, then the item is subsequently measured according to the measurement basis of its respective assets class. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred or provided for.

Depreciation is calculated on the straight-line method to write down the cost or revalued amount of such assets over their estimated useful lives as follows:

- Properties  
Over the life of government land leases
- Plant and equipment  
2 to 15 years
- Right-of-use asset  
Shorter of useful lives and lease terms

The useful lives of assets are reviewed, and adjusted if appropriate, as at the end of each reporting period.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.17 物業、器材及設備 (續)

在每個會計結算日，源自內部及外界之資料均會被用作評定物業、器材及設備是否出現減值之跡象。如該跡象存在，則估算資產之可收回價值，及在合適情況下將減值損失確認以將資產減至其可收回價值。該等減值損失在收益表內確認，但假若某資產乃按估值列賬，而減值損失又不超過同一資產之重估盈餘，此等損失則當作重估減值。可收回價值指該資產之公平值扣除出售成本後之金額，與其使用價值之較高者。減值損失會按情況於房產重估儲備或收益表內回撥。

出售之收益或虧損是按扣除稅項及費用之出售淨額與有關資產賬面值之差額而釐定，並於出售日在收益表內確認。任何有關重估盈餘會由房產重估儲備撥轉至留存盈利，不會重新分類至收益表內。

#### 2.17 Properties, plant and equipment (continued)

At the end of each reporting period, both internal and external sources of information are considered to determine whether there is any indication that properties, plant and equipment are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such an impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Impairment loss is reversed through the premises revaluation reserve or the income statement as appropriate.

Gains or losses on disposals are determined as the difference between the net disposal proceeds and the carrying amount, relevant taxes and expenses. These are recognised in the income statement on the date of disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained earnings and is not reclassified to the income statement.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.18 無形資產

無形資產是本集團持有及控制之可識別非貨幣性資產，主要為電腦應用軟件。無形資產以購入成本扣除累計攤銷及減值損失計量。

年期有限定的無形資產之攤銷按直線法於預期資產可用年限內計入損益。下列年期有限定的無形資產均自可供使用日期開始攤銷，其預期可用年限如下：

- 資產化之電腦應用軟件：3至5年

本集團在每年重檢可用年限及攤銷方法。

出售之收益或虧損是按扣除稅項及費用之出售淨額與有關資產賬面值之差額而釐定，並於出售日在收益表內確認。

#### 2.19 租賃

在簽訂合同時，集團會評估該合同是否或有否包含租賃。如果一份合同在一段期間內，為換取對價而讓渡一項可識別資產使用的控制權，則該合同是一項租賃或包含一項租賃。在承租人同時擁有主導資產的使用的權利及從使用中獲得幾乎全部的經濟利益的情況下，控制權即已渡讓。

#### 2.18 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance owned and controlled by the Group, mainly computer application software. Intangible assets are stated at acquisition cost less accumulated amortisation and impairment.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Capitalised computer application software: 3 to 5 years

Both the period and method of amortisation are reviewed annually.

Gains or losses on disposals are determined as the difference between the net disposal proceeds and the carrying amount, relevant taxes and expenses. These are recognised in the income statement on the date of disposal.

#### 2.19 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use over the contract period.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.19 租賃 (續)

##### (1) 作為承租人

在租賃開始日期時，除為期 12 個月或以內的短期租賃和低價值資產的租賃外，集團會確認相應的使用權資產及租賃負債。如集團簽訂了與低價值資產相關的租賃，集團則會按每張合同決定是否將租賃合同資產化。不被資產化之租賃合同的相關租賃付款額會在租賃期內系統地確認為支出。

當租賃合同被資產化後，租賃負債會以租約內租賃付款的未來現金流，(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)，以租賃合同中的內含利率，或如該等利率不能被有效確定時，則使用承租人於租賃開始日期的增量借貸利率折現成現值，作為初始確認金額。租賃付款額包括扣除租賃激勵後的固定付款額(包含實質固定的付款額)、取決於指數或利率的可變租賃付款額及餘值擔保下的預計付款額。租賃付款額亦包括集團合理確定會行使的購買選擇權的行使價，以及合理確定會行使的提早終止選項下終止租約所需支付的罰款。

#### 2.19 Leases (continued)

##### (1) As a lessee

On the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, after taking into account payments to be made in the optional period if the extension option is reasonably certain to be exercised, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate.



## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.19 租賃 (續)

##### (1) 作為承租人 (續)

在初始確認後，租賃負債會以攤餘成本計量，利息支出則會以固定期間利率計算。不取決於指數或利率的可變付款額並不包含於租賃負債的計量，因此會在發生的會計年度內計入收益表。

租賃合同被資產化後而確認的使用權資產，於初始時以成本計量，而成本則由租賃負債的初始金額，加上租賃開始日期當天或之前已付的租賃付款額及初始直接費用組成。在適用範圍下，使用權資產的金額亦包含估算的拆卸及移除相關資產、復原使用資產或其所在的地點之費用的現值、並扣除已收取的租賃激勵。除下列種類的使用權資產外，使用權資產後續以成本扣除累計折舊及減值損失計量(見附註 2.17)，並於租賃負債被重新計量時作出調整：

- 符合投資物業定義的使用權資產會按附註 2.16 以公平值計量；及
- 不符合投資物業定義及與集團已註冊為擁有人的租賃土地及建築物相關的使用權資產會按附註 2.17 以重估值計量。

#### 2.19 Leases (continued)

##### (1) As a lessee (continued)

After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using a constant periodic rate of interest. Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and hence are charged to income statement in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, then discounted to its present value, and less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2.17), and adjusted when the lease liabilities are remeasured, except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value in accordance with Note 2.16; and
- right-of-use assets related to leasehold land and buildings that do not meet the definition of investment property and where the Group is the registered owner of the leasehold interest are carried at revalued amount in accordance with Note 2.17.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.19 租賃 (續)

##### (1) 作為承租人 (續)

當未來租賃付款額受指數或利率的變化而發生改變，或集團估算在餘值擔保安排下的應付款項將會發生改變，或租期發生改變，或集團對於是否合理確定行使某一購買、續租或終止租約選項作出重新評估時，租賃負債會被重新計量。當在這些情況下重新計量租賃負債後，相應的調整會計入使用權資產的賬面金額，或如使用權資產的賬面價值已減記至零，則將調整計入收益表。

集團將不符合投資物業定義的使用權資產披露於「物業、器材及設備」項下，及將租賃負債列示於「其他賬項及準備」項下。

##### (2) 作為出租人

集團作為出租人時，會在簽訂租賃合同時判斷每份租賃合同應為融資租賃或是經營租賃。如租約已實質上轉讓了幾乎所有因擁有相關資產產生的風險及回報，該租賃應歸類為融資租賃。如非此等情況，則租賃應被分類為經營租賃。

如合同內含有租賃及非租賃成份，集團會將合同內的對價以各成份各自獨立的銷售價的基礎分配。來自經營租賃的租金收入會在租期內以直線法確認。

#### 2.19 Leases (continued)

##### (1) As a lessee (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or a rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change of lease terms, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "Properties, plant and equipment" and presents lease liabilities in "Other accounts and provisions".

##### (2) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised on a straight-line basis over the lease term.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.20 現金及等同現金項目

就綜合現金流量表而言，現金及等同現金項目指按原來到期日，於購入日期起計三個月內到期之結餘，包括現金、銀行及其他金融機構之結餘、短期票據及被分類為投資證券及存款證之票據。

#### 2.21 準備

當本集團因為已發生之事件而須承擔法律性或推定性之現有責任，而解除該責任時有可能消耗有經濟利益之資源，需在責任金額能夠可靠地作出估算之情況下，為確認有關責任而撥備。

#### 2.20 Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise balances with original maturity less than three months from the date of acquisition, including cash, balances with banks and other financial institutions, short-term bills and notes classified as investment securities and certificates of deposit.

#### 2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.22 僱員福利

##### (1) 退休福利成本

本集團根據認可職業退休計劃或強積金計劃之定額供款退休計劃作出供款，集團僱員均可參與。在職業退休計劃下，集團與僱員之供款按僱員基本薪金之百分比計算，在強積金計劃下該等供款則按強積金規例計算。退休福利計劃成本代表本集團應向此等計劃支付之供款，會於產生時在收益表支取。僱員於全數享有其應得之集團供款部分前退出此職業退休計劃，因而被沒收之本集團供款，會被本集團用作扣減其目前供款負擔或根據職業退休計劃信託契據條款沖減其開支。

退休計劃之資產與本集團之資產分開持有，並由獨立管理基金保管。

#### 2.22 Employee benefits

##### (1) Retirement benefit costs

The Group contributes to defined contribution retirement schemes under either recognised ORSO schemes or MPF schemes that are available to the Group's employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries for the ORSO schemes and in accordance with the MPF rules for MPF schemes. The retirement benefit scheme costs are charged to the income statement as incurred and represent contributions payable by the Group to the schemes. Contributions made by the Group that are forfeited by those employees who leave the ORSO scheme prior to the full vesting of their entitlement to the contributions are used by the Group to reduce the existing level of contributions or to meet its expenses under the trust deed of the ORSO schemes.

The assets of the schemes are held in independently-administered funds separate from those of the Group.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.22 僱員福利 (續)

##### (2) 有償缺勤

僱員獲享之年度休假及病假在累積時確認，本集團會對僱員服務至會計結算日所累積，但尚未使用之年度休假及預計所需支付之病假作出估算及撥備。

除病假及經特別批准之年度休假外，其他有償缺勤均不允許累積。若僱員於獲享有償缺勤之年度內未能悉數享用該等可用缺勤，剩餘之可用缺勤將被取消。除未到期之休假外，僱員於離職時亦無權收取現金以彌補任何未被使用之可用缺勤。

##### (3) 獎金計劃

若因僱員提供之服務而令集團產生法律性或推定性之現有責任，而該責任之金額亦能可靠地作出估算，集團需確認該預期之獎金支出並以負債列賬。如獎金計劃之負債金額重大，且預期會於12個月後才被償付，會以貼現處理。

#### 2.22 Employee benefits (continued)

##### (2) Leave entitlements

Employee entitlements to annual leave and sick leave are recognised when they accrue to employees. A provision is made for the estimated liability for unused annual leave and the amount of sick leave expected to be paid as a result of services rendered by employees up to the end of the reporting period.

Compensated absences other than sick leave and special approved annual leave are non-accumulating; they lapse if the current period's entitlement is not used in full. Except for unexpired annual leave, they do not entitle employees to a cash payment for unused entitlement on leaving the Group.

##### (3) Bonus plans

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans that are expected to be settled longer than twelve months will be discounted if the amounts are significant.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續) 2. Significant accounting policies (continued)

#### 2.23 本期及遞延所得稅項

在有關期間的稅務支出包括本期及遞延稅項。除因有關項目乃直接記於其他全面收益而需於其他全面收益內確認其稅項外，稅項於收益表內確認。

基於溢利而需支付之所得稅，是根據本銀行、附屬公司、聯營公司及合資企業在營運及產生應課稅收入之司法管轄地區於會計結算日已執行或實際會執行之適用稅法計算，並於溢利產生當期確認為本期所得稅項支出。

所有因綜合財務報表內資產及負債之稅務基礎與其賬面值之暫時性差異而產生之遞延所得稅項均以資產負債表負債法提撥。遞延所得稅項是按會計結算日已執行或實際會執行之稅率及稅法，及預期於相關之遞延所得稅資產實現時或遞延所得稅負債需清付時所適用之稅率計算。

主要之暫時性差異源於資產減值準備、房產及設備之折舊、以及若干資產之重估，包括以公平值變化計入其他全面收益之證券及房產。除業務合併外，若資產或負債在交易初始確認時，並未有對會計損益或應課稅損益構成影響，則無需確認遞延所得稅項。

所有因應課稅暫時性差異而產生之遞延所得稅負債均會被確認。當未來之應課稅利潤預計可被用作抵扣可抵扣之暫時性差異、結轉之未使用稅務抵免及未使用稅務虧損時，因該等可抵扣之暫時性差異、結轉之未使用稅務抵免及未使用稅務虧損而產生之遞延所得稅資產將被確認。

#### 2.23 Current and deferred income taxes

Tax expenses for the period comprise current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is also recognised in other comprehensive income.

Income tax payable on profits, based on the applicable tax law enacted or substantially enacted at the end of the reporting period in each jurisdiction where the Bank and its subsidiaries, associates and joint ventures operate and generate taxable income, is recognised as a current income tax expense in the period in which profits arise.

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from asset impairment provisions, depreciation of premises and equipment, and revaluation of certain assets including securities at FVOCI and premises. However, the deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax liabilities are provided in full on all taxable temporary differences. Deferred income tax assets are recognised on deductible temporary differences, the carry forward of any unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.23 本期及遞延所得稅項 (續)

遞延所得稅項乃記於收益表內。但因以公平值變化計入其他全面收益之證券的公平值重新計量及對房產之重估記入其他全面收益內，故由此產生的遞延所得稅項也記入其他全面收益內，並於以後隨著相關遞延收益和虧損的確認而一同確認在收益表中。

投資物業的遞延稅項負債或遞延稅項資產的計算方法是假設該等投資物業是通過出售來回收其重估賬面值及採用相關的稅率計算。

#### 2.24 收回資產

收回資產按其收回日之公平值扣除出售成本後之淨值及有關貸款之攤餘成本之較低者列賬。有關貸款及應收款及有關已提準備於資產負債表中予以註銷。其後，收回資產取其成本及公平值扣除出售成本後之淨值中之較低者計量，並被確認為「待出售非流動資產」，包括於「其他資產」項下。

#### 2.25 信託業務

本集團一般以信託人或其他授託人身分，代表個人、信託及其他機構持有或管理資產。由於該等資產並不屬於本集團，該等資產及據此而產生之任何收益或虧損，將不計入本財務報表內。

#### 2.23 Current and deferred income taxes (continued)

Deferred income tax is charged or credited in the income statement except for deferred income tax relating to fair value re-measurement of securities at FVOCI and revaluation of premises which are charged or credited to other comprehensive income, in which case the deferred income tax is also credited or charged to other comprehensive income and is subsequently recognised in the income statement together with the realisation of the deferred gain and loss.

Deferred tax liability or deferred tax asset arising from an investment property is determined based on the presumption that the revaluation amount of such investment property will be recovered through sale with the relevant tax rate applied.

#### 2.24 Repossessed assets

Repossessed assets are initially recognised at the lower of their fair value less costs to sell and the amortised cost of the related outstanding loans on the date of repossession, and the related loans and advances together with the related impairment allowances are derecognised from the balance sheet. Subsequently, repossessed assets are measured at the lower of their cost and fair values less costs to sell and are reported as "non-current assets held for sale" included in "Other assets".

#### 2.25 Fiduciary activities

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are excluded from these financial statements, as they are not assets of the Group.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.26 或然負債及或然資產

或然負債是指由過去已發生的事件引起的可能需要履行的責任，其存在將由一宗或多宗本集團所不能完全控制的未來不確定事件出現與否來確認。或然負債也可能是由於過去已發生事件而引致的現有責任，但由於估計不會導致經濟利益的流出或因不能可靠地計量責任金額，故未有被確認。

或然負債不會被確認為準備，但會在財務報表附註中加以披露。如情況發生變化，使經濟利益的流出變得很有可能時，則會將其確認為準備。

或然資產是指由過去已發生的事件引起的可能產生之資產，其存在將由一宗或多宗本集團所不能完全控制的未來不確定事件出現與否來確認。

或然資產不會被確認，但如有可能收到經濟利益時，會在財務報表附註中披露。若將會收到之經濟利益可被實質確定時，將確認為資產。

#### 2.27 有關連人士

就此等財務報表而言，若一方人士(i)能控制、共同控制本集團、或對本集團有重大影響力；(ii)與本集團同屬一財務報告集團的成員，例如：母公司、附屬公司、同系附屬公司；(iii)為本集團或母公司集團中的聯營公司或合資企業；(iv)為本集團或母公司的主要高層人員；(v)與本集團受到共同控制；(vi)被識別為受第(iv)類人士所控制的企業；及(vii)向本集團或本集團之母公司提供主要管理人員服務，則該等人士被視為有關連人士。有關連人士可為個人或企業。

#### 2.26 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised as a provision but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When the inflow is virtually certain, it will be recognised as an asset.

#### 2.27 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if that party (i) controls, jointly controls or has significant influence over the Group; (ii) is a member of the same financial reporting group, such as parents, subsidiaries and fellow subsidiaries; (iii) is an associate or a joint venture of the Group or parent reporting group; (iv) is a key management personnel of the Group or parents; (v) is subject to common control with the Group; (vi) is an entity in which a person identified in (iv) controls; and (vii) provides key management personnel services to the Group or its parent. Related parties may be individuals or entities.



## 財務報表附註（續）      Notes to the Financial Statements (continued)

### 3. 應用會計政策時之重大會計估計及判斷      3. Critical accounting estimates and judgements in applying accounting policies

本集團作出的會計估計和假設通常會影響下一會計結算日的資產和負債的賬面價值。該等估計及判斷是根據過往歷史經驗及於有關情況下被認為合理之其他因素，包括對未來事件的預期而作出，並會持續接受評估。對因必要的估計及判斷轉變，而會影響其賬面值的資產及負債項目範圍，將列示如下。如可釐定，重要假設或其他估量所存在之不明朗因素及其轉變所帶來之影響將於以下列出。而未來有可能根據實際情況的變化對這些會計估計做出重大調整。

#### 3.1 金融資產之減值準備

本集團至少每季對信貸組合的減值損失情況進行一次評估。按香港財務報告準則第9號要求，量度不同類別金融資產的減值損失皆涉及判斷，特別是在估計未來現金流的金額及時間和抵押品價值，以及評估信貸風險顯著上升之情況。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。

本集團的預期信用損失是採用複雜模型計算，選取的變數及其相互依存關係存在一系列的假設。在考慮可行性和可用性的情況後，本集團會利用在巴塞爾資本協定二下的內部評級(IRB)模型及其他內部實施的模型的參數建立預期信用損失模型。預期信用損失模型考慮之會計判斷及估計包括以下元素：

The Group makes estimates and assumptions that affect the carrying amounts of assets and liabilities within the next reporting period. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas susceptible to changes in essential estimates and judgements, which affect the carrying amount of assets and liabilities, are set out below. The effects of changes to either the key assumptions or other estimation uncertainties are presented below if it is practicable to determine. It is possible that actual results may require material adjustments to the estimates referred to below.

#### 3.1 Impairment of financial assets

The Group reviews its credit portfolios to assess impairment at least on a quarterly basis. Under HKFRS 9, the measurement of impairment losses across all categories of financial asset requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes of which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models. The choice of variable inputs and their interdependencies involves a series of assumptions. ECL models are developed by leveraging on the parameters implemented under Basel II Internal Ratings-Based ("IRB") models and internal models, where feasible and available. Elements of the ECL models that are considered accounting judgements and estimates include:

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 3. 應用會計政策時之重大會計估計及判斷 (續)      3. Critical accounting estimates and judgements in applying accounting policies (continued)

#### 3.1 金融資產之減值準備 (續)      3.1 Impairment of financial assets (continued)

- 本集團內部信貸評級模型，以定出個別評級對應之違約概率，請參閱本集團2020年之監管披露的CRE第7項對本集團內部模型的描述；
  - 在評估信貸是否已出現顯著惡化導致相關之金融資產需按整個存續期計提預期信用損失準備金時，所採用的集團標準（包括內部評級下降、逾期天數、市場劃價下跌及定性評估）；
  - 當採用組合模式評估金融資產之預期信用損失時，根據信貸風險特徵（組合包括主權、銀行、企業、零售中小企、住宅按揭貸款及信用卡）對金融資產所進行之組合劃分；
  - 預期信用損失模型的構建，包括對宏觀經濟情境的預測（包括本地生產總值增長、消費者物價指數、物業價格指數和失業率），以及其對違約概率、違約損失率及違約風險承擔的影響；以及
  - 對前瞻性宏觀經濟情境（包括良好、基礎及低迷三個獨立情景）的選擇及其加權概率。
- The Group's internal credit rating models, which assign Probability of Defaults to the individual ratings. Please refer to CRE of section 7 of the Group's Regulatory Disclosures for 2020 for a description of the Group's internal models;
  - The Group's significant credit deterioration criteria (including internal credit rating downgrade, days past due, drop in Mark-to-Market and qualitative assessment) for assessing whether the financial assets' impairment allowances should be measured on a lifetime ECL basis;
  - The segmentation of financial assets according to credit risk characteristics (portfolios including Sovereign, Bank, Corporates, Retail Small Medium-sized Enterprise, Residential Mortgage Loan and Credit Card) when their ECLs are assessed on a collective basis;
  - Development of ECL models, including the determination of macroeconomic factor forecasts (including Gross Domestic Product growth, Consumer Price Index, Property Price Index and Unemployment Rate) and the effect on Probability of Defaults, Loss Given Defaults and Exposure at Defaults; and
  - Selection of forward-looking macroeconomic scenarios (including three independent scenarios i.e. good, baseline and bad) and their probability weightings.

本集團政策規定需定期按實際損失經驗重檢有關模型，在需要時進行模型調整。

截至2020年12月31日的貸款、應收款及證券投資之賬面值已列示於附註23及24。

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Carrying amounts of loans and advances and investment in securities as at 31 December 2020 are shown in Notes 23 and 24 respectively.

## 財務報表附註（續）      Notes to the Financial Statements (continued)

### 3. 應用會計政策時之重大會計估計及判斷（續）      3. Critical accounting estimates and judgements in applying accounting policies (continued)

#### 3.2 衍生金融工具及其他金融工具的公平值

沒有活躍市場報價之衍生金融工具及其他金融工具，其公平值會根據估值方法釐定。所採用之估值方法包括使用近期公平市場交易價格，貼現現金流量分析，以及從外間購入，並被業內廣泛採用之財務分析或風險管理系統之內置模型，如期權定價模型，及其他普遍使用的市場定價模型。在實際操作可行的情況下，定價模型會採用可觀察數據。若估值模型未有考慮某些因素，如信貸風險，估值調整將有可能被採用。選用適合的估值參數、假設和模型技術需要管理層的判斷和估計。

本集團通過常規的覆核和審批程序對估值技術所採用的假設和估計進行評估，包括檢查模型的假設條件和定價因素，模型假設條件的變化，市場參數性質，市場是否活躍，未被模型涵蓋的公允價值調整因素，以及各期間估值技術運用的一致性。估值技術經過有效性測試並被定期檢驗，且在適當情況下進行更新以反映財務報告日的市場情況。具體詳情可參閱附註5。

#### 3.2 Fair values of derivative financial instruments and other financial instruments

The fair values of derivative financial instruments and other financial instruments that are not quoted in active markets are determined by using valuation techniques. Valuation techniques used include the use of recent arm's length transactions, discounted cash flows analysis and models with built-in functions available in externally acquired financial analysis or risk management systems widely used by the industry such as option pricing models, and other commonly used market pricing models. To the extent practical, the models use observable data. In addition, valuation adjustments may be adopted if factors such as credit risk are not considered in the valuation models. Management judgement and estimates are required for the selection of appropriate valuation parameters, assumptions and modelling techniques.

The Group assesses assumptions and estimates used in valuation techniques including review of valuation model assumptions and characteristics, changes to model assumptions, the quality of market data, whether markets are active or inactive, other fair value adjustments not specifically captured by models and consistency of application of techniques between reporting periods as part of its normal review and approval processes. Valuation techniques are validated and periodically reviewed and, where appropriate, have been updated to reflect market conditions at the financial reporting date. Further details will be discussed in Note 5.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 3. 應用會計政策時之重大會計估計及判斷 (續)      3. Critical accounting estimates and judgements in applying accounting policies (continued)

#### 3.3 遞延稅項資產

按未使用的稅務虧損及稅務抵免而確認之遞延稅項資產，在釐定其金額時需要管理層作出重大判斷。按未使用的稅務虧損而確認之遞延稅項資產乃以預計可被運用作抵扣該等虧損之應課稅溢利金額為限，釐定遞延稅項資產的確認金額時，需判斷基於未來最有可能產生應課稅溢利的時間及其金額。就稅務抵免之遞延稅項資產而言，需根據對可運用的稅務抵免之估算及收回此等已確認之遞延稅項資產的可能性而作出判斷。

#### 3.4 確定租賃的租賃期

本集團確定的租賃期為租賃之不可撤銷的期限，以及合理確定會行使的續租權或合理確定不會行使的終止權所涵蓋的任何期限。

本集團在部分租約下可選擇續租資產的額外時期為3至9年。於租賃開始日，本集團會作出判斷以評估能否合理確定集團將行使續租權。在此評估過程中，集團會考慮所有構成行使續租權之經濟誘因的相關因素。在租約生效日期之後，如有在本集團的控制範圍內發生重大事件或情況發生變化並影響集團行使（或不行使）續租之選擇權（例如：業務策略變更），則本集團會重新評估租賃期。

截至2020年12月31日的使用權資產賬面值已列示於附註27。

#### 3.3 Deferred tax assets

Deferred tax assets on unused tax losses and unused tax credits are recognised and the determination of the amount to be recognised requires significant management judgement. Deferred tax asset on unused tax losses are recognised to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. For deferred tax assets on unused tax credits, judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the estimation of available tax credits and the possibility to recover such deferred tax assets recognised.

#### 3.4 Determination of lease terms of leases

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to renew the leases for additional terms of three to nine years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option on the lease commencement date. During the evaluation, the Group considers all relevant factors that create an economic incentive for it to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Carrying amounts of right-of-use assets as at 31 December 2020 are shown in Note 27.

## 財務報表附註（續） Notes to the Financial Statements (continued)

### 4. 金融風險管理

本集團因從事各類業務而涉及金融風險。主要金融風險包括信貸風險、市場風險（包括外匯風險及利率風險）及流動資金風險。本附註概述本集團的這些風險承擔，以及其目標、風險管理的管治架構、政策與程序及量度這些風險的方法。

#### 金融風險管理架構

本集團風險管理管治架構覆蓋業務發展的全部過程，以保證在業務經營中的各類風險都能得到有效管理及控制。本集團擁有完善的風險管理架構，並有一套全面的風險管理政策及程序，用以識別、量度、監察及控制可能出現的各類風險。本集團亦定期重檢及更新風險管理政策及程序，以配合市場及業務策略的轉變。不同層面的風險承擔者分別負責與其相關的風險管理責任。

董事會代表著股東的利益，是本集團風險管理的最高決策機構，並對風險管理負最終責任。董事會在其屬下委員會的協助下，負責確定本集團的風險管理策略、風險偏好和風險文化，並確保本集團具備有效的風險管理系統以落實執行有關策略。

風險委員會是董事會成立的常設委員會，負責監察本集團的各類風險；審批第一層風險管理政策，並監督其執行；審批重大的或高風險的風險承擔或交易。審計委員會協助董事會履行內部監控系統的監控職責。

### 4. Financial risk management

The Group is exposed to financial risks as a result of engaging in a variety of business activities. The principal financial risks are credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. This note summarises the Group's exposures to these risks, as well as its objectives, risk management governance structure, policies and processes for managing and the methods used to measure these risks.

#### Financial risk management framework

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

The Board of Directors, representing the interests of shareholders, is the highest decision-making authority of the Group and has the ultimate responsibility for risk management. The Board, with the assistance of its committees, has the primary responsibility for the formulation of risk management strategies, risk appetite and risk culture and ensuring that the Group has an effective risk management system to implement these strategies.

The Risk Committee ("RMC"), a standing committee established by the Board of Directors, is responsible for overseeing the Group's various types of risks, approving Level I risk management policies and monitoring their implementation, and approving significant or high risk exposures or transactions. The Audit Committee assists the Board in fulfilling its role in overseeing the internal control system.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 金融風險管理架構 (續)

總裁負責管理本集團各類風險，在董事會授權範圍內審批重大風險承擔或交易。副總裁負責協助總裁履行日常管理各類風險的職責，在總裁授權範圍內審批重大風險承擔或交易。分管法律合規、操作風險和防洗錢副總裁和風險總監一起協助總裁履行日常管理各類風險以及內控的職責；負責提出新的風險管理策略、項目和措施以配合監管要求的變化，從而更好地監察及管理新業務、產品及營運環境轉變而引致的風險；並在授權範圍內負責審核重大風險承擔或交易。各高層管理人員在董事會批准風險管理政策分層原則下，亦需負責審批其主管業務範圍的風險管理辦法。

本集團的不同單位都有其相應的風險管理責任。業務單位是風險管理的第一道防線，而風險管理單位則獨立於業務單位，負責各類風險的日常管理，以及草擬、檢查和更新各類風險管理政策和程序。

本集團的主要附屬銀行亦採用與本集團一致的風險管理政策。中銀香港風險管理單位按照各自分工，監督附屬公司的相關風險管理情況。

本集團建立了合適的內部控制程序，包括設立權責分立清晰的組織架構，以監察業務運作是否符合既定政策、程序及限額。適當的匯報機制也充分地使監控職能獨立於業務範疇，同時促成機構內適當的職責分工，有助營造適當的內部控制環境。

#### Financial risk management framework (continued)

The Chief Executive ("CE") is responsible for managing the Group's various types of risks, and approving material risk exposures or transactions within his authority delegated by the Board of Directors. The Deputy Chief Executives ("DCEs") assist the CE in fulfilling his responsibilities on the day-to-day management of various types of risk, and are responsible for approving material risk exposures or transactions within their authorities delegated by the CE. The Deputy Chief Executive in charge of legal, compliance, operational risk and anti-money laundering together with the Chief Risk Officer ("CRO") assist the CE in fulfilling his responsibilities on day-to-day management of various types of risks and internal control; responsible for initiating new risk management strategies, projects and measures in response to regulatory changes that will enable the Group to better monitor and manage any risks that may arise from time to time from new businesses, products and changes in the operating environment and responsible for reviewing material risk exposures or transactions within the delegated authority. In accordance with the principle of setting the hierarchy of risk management policies approved by the Board, senior management is also responsible for approving the detailed risk management policies of their areas.

Various units of the Group have their respective risk management responsibilities. Business units act as the first line of defence while risk management units, which are independent from the business units, are responsible for the day-to-day management of different kinds of risks. Risk management units have the primary responsibility for drafting, reviewing and updating various risk management policies and procedures.

The Group's principal banking subsidiaries are subjected to risk management policies that are consistent with those of the Group. Risk management units of BOCHK monitor the risk management status of these subsidiaries.

The Group has put in place appropriate internal control systems, including the establishment of an organisation structure that sets clear lines of authority and responsibility for monitoring compliance with policies, procedures and limits. Proper reporting lines also provide sufficient independence of the control functions from the business areas, as well as adequate segregation of duties throughout the organisation which helps to promote an appropriate internal control environment.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 產品開發及風險監控

為了提高風險評估及監控工作的有效性，本集團建立了一套完善的產品開發及風險監控管理制度。在產品開發過程中，本集團各單位具有清晰的職責及分工，並制定了適當的風險盡職審查程序。

根據董事會及管理層提出的發展目標，產品管理單位負責提出相應的業務發展和產品開發計劃，進行具體的產品開發工作。策略發展部門負責確保業務發展和產品開發計劃符合集團整體策略；風險管理、法律、合規及財務等方面的專責部門負責對風險評估結果進行審核。

除負責本單位新產品開發項目的管理工作外，產品管理單位將與風險評估部門共同負責識別和評估項目所涉及的各項風險。風險評估部門需要對項目的風險評估結果和風險管理措施進行獨立審查，只有在風險評估部門滿意盡職審查結果，有關產品才可推出市場。

對於提供予客戶的財資產品則採納更審慎的方法，所有新的財資產品在推出前，都必須經由專責委員會審批同意通過。

#### 4.1 信貸風險

信貸風險指因客戶或交易對手未能或不願意履行償債責任而造成損失的風險。本集團的交易賬和銀行賬、以及資產負債表內和表外之交易均存在這種風險。信貸風險主要來自借貸、貿易融資及資金業務。

#### Product development and risk monitoring

To ensure the effectiveness of risk assessment and monitoring, the Group has a comprehensive product development and risk monitoring system where roles and responsibilities of all related units are clearly defined and proper due diligence processes on product development are in place.

In accordance with the strategic objectives set by the Board and the Management, respective product management units are responsible for formulating business and product development plans, and proceeding to specific product development activities. The department of strategic development shall ensure the plans are aligned with the Group's overall strategies. Departments that are responsible for risk management, legal, compliance and finance, etc. are accountable for review of the risk assessment results.

Apart from product development, respective product management units shall work closely with relevant risk evaluating departments to identify and assess the risks of new products. Risk evaluating departments shall conduct independent review on the risk assessment results and the corresponding risk management measures. Products can only be launched upon completion of the product due diligence process to the satisfaction of all risk evaluating departments.

A prudent approach is adopted in offering treasury products to our clients. All new treasury products require approval from a special committee before launching.

#### 4.1 Credit risk

Credit risk is the risk of loss that a customer or counterparty is unable to or unwilling to meet its contractual obligations. Credit risk exists in the trading book and banking book, as well as from on- and off-balance sheet transactions of the Group. It arises principally from lending, trade finance and treasury businesses.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### 信貸風險管理架構

本集團制定了一套全面的信貸風險管理政策與程序和恰當的信貸風險限額，用以管理及控制信貸風險。本集團定期重檢及更新該等政策與程序及信貸風險限額，以配合市場及業務策略的轉變。

本集團的組織架構制定了明確的授權及職責，以監控遵守政策、程序及限額的情況。

信貸風險總監負責主持各類信貸風險管理工作，直接向風險總監匯報，並在與本集團制定的信貸風險管理原則及要求相一致前提下管控附屬機構的信貸風險承擔。本集團的不同單位都有其相應的信貸風險管理責任。業務單位是風險管理的第一道防線，而風險管理部則獨立於業務單位，負責信貸風險的日常管理，對信貸風險的識別、量度、監督和控制做獨立的盡職調查，確保有效的制約與平衡，以及草擬、檢查和更新信貸風險管理政策與程序。風險管理部同時負責設計、開發及維護本集團的內部評級體系，並確保符合相關的監管要求。後線支援單位負責授信執行、對落實發放貸款前條件提供操作支援及監督。

根據本集團的營運總則，本集團的主要附屬機構制定與本集團核心原則一致的信貸風險管理政策。這些附屬機構須定期向本集團管理層提交風險管理報告。

#### 4.1 Credit risk (continued)

##### Credit risk management framework

The Group has formulated a comprehensive set of credit risk management policies and procedures, and appropriate credit risk limits to manage and control credit risk that may arise. These policies, procedures and credit risk limits are regularly reviewed and updated to cope with changes in market conditions and business strategies.

The Group's organisation structure establishes a clear set of authority and responsibility for monitoring compliance with policies, procedures and limits.

The Chief Credit Officer, who reports directly to the CRO, takes charge of credit risk management and is also responsible for the control of credit risk exposures of subsidiaries in line with the credit risk management principles and requirements set by the Group. Various units of the Group have their respective credit risk management responsibilities. Business units act as the first line of defence in risk management. The Risk Management Department ("RMD"), which is independent from the business units, is responsible for the day-to-day management of credit risks and provides an independent due diligence through identifying, measuring, monitoring and controlling credit risk to ensure an effective checks and balances, as well as drafting, reviewing and updating credit risk management policies and procedures. It is also responsible for the design, development and maintenance of the Group's internal rating system and ensures the system complies with the relevant regulatory requirements. Back offices are responsible for credit administration, providing operations support and supervision on the implementation of prerequisite terms and conditions of credit facilities.

In accordance with the Group's operating principle, the Group's principal subsidiaries have to formulate their own credit risk policies that are consistent with those of the Group's core principle. These subsidiaries are required to submit their risk management reports to the Group's Management on a regular basis.



## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### 信貸風險管理架構 (續)

總裁在董事會授予之信貸審批權限內按管理需要轉授權予相關下級人員。本集團按照信貸業務性質、評級、交易風險的程度、信貸風險承擔大小，設置信貸業務的審批權限。

##### 信貸風險評估及監控

因應迅速變化的市場情況，本集團已持續重檢信貸策略，並對關注的組合開展嚴格的信貸重檢。

##### 貸款

不同客戶、交易對手或交易會根據其風險程度採用不同的信貸審批及監控程序。信貸評審委員會由信貸和其他業務專家組成，負責對副總裁級或以上人員審批的重大信貸申請進行獨立評審。非零售風險承擔信貸申請由風險管理單位進行獨立審核、客觀評估，並確定債務人評級（按照違約概率程度）和授信等級（按照違約損失率程度）以支持信貸審批；零售信貸交易包括零售風險承擔下的小企業貸款、住宅按揭貸款、私人貸款及信用卡等利用零售內部評級系統進行信貸風險評估。本集團會應用貸款分類級別、債務人評級、授信等級和損失預測結果（如適用）於支持信貸審批。

#### 4.1 Credit risk (continued)

##### Credit risk management framework (continued)

The Board of Directors delegates credit approval authority to the CE. The CE can further delegate to the subordinates within his limit authorised by the Board of Directors. The Group sets the limits of credit approval authority according to the credit business nature, rating, the level of transaction risk, and the extent of the credit exposure.

##### Credit risk measurement and control

In view of the rapidly changing market conditions, the Group has been continuously revisiting its credit strategies and conducting rigorous reviews on the concerned portfolios.

##### Advances

Different credit approval and control procedures are adopted according to the level of risk associated with the customer, counterparty or transaction. The Credit Risk Assessment Committee, comprising experts from credit and other functions, is responsible for making an independent assessment of material credit applications which require the approval of DCEs or above. Credit applications for non-retail exposures are independently reviewed and objectively assessed by risk management units. Obligor ratings (in terms of probability of default) and facility ratings (in terms of loss given default) are assigned to these portfolios to support credit approval. Retail internal rating systems are deployed in the risk assessment of retail credit transactions, including small business loans under retail exposures, residential mortgage loans, personal loans and credit cards, etc. Loan grades, obligor and facility ratings as well as loss estimates (if applicable) are used to support credit approval.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### 信貸風險評估及監控(續)

##### 貸款 (續)

本集團亦會應用貸款分類級別、債務人評級和損失預測結果(如適用)於支持信貸監控、信貸風險報告及分析。對於非零售風險承擔,本集團會對較高風險的客戶採取更頻密的評級重檢及更密切的監控;對於零售風險承擔則會在組合層面應用每月更新的內部評級及損失預測結果進行監察,對識別為高風險組別客戶,會進行更全面檢討。

本集團使用的內部評級總尺度表能與標準普爾(Standard & Poor's)外部信用評級相對應。該內部評級總尺度表結構符合香港《銀行業條例》項下《銀行業(資本)規則》的要求。

風險管理部定期提供信貸風險管理報告,並按管理委員會、風險委員會及董事會的特別要求,提供專題報告,以供其持續監控信貸風險。

#### 4.1 Credit risk (continued)

##### Credit risk measurement and control (continued)

##### Advances (continued)

The Group also uses loan grades, obligor ratings and loss estimates (if applicable) to support credit monitoring, reporting and analysis of credit risk information. For non-retail exposures, more frequent rating review and closer monitoring are required for higher-risk customers. For retail exposures, monthly updated internal ratings and loss estimates are used for credit monitoring on a portfolio basis. More comprehensive review is required for obligors being identified under high-risk pools.

The Group employs an internal master rating scale that can be mapped to Standard & Poor's external credit ratings. The structure of internal master rating scale is in compliance with the requirement of the Banking (Capital) Rules under the Hong Kong Banking Ordinance.

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

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### 信貸風險評估及監控 (續)

##### 貸款 (續)

本集團也會按照行業、地區、客戶或交易對手等維度識別信貸風險集中度，並監察每一交易對手信貸風險、信貸資產組合質素、信貸風險集中度的變化，定期向本集團管理層匯報。

本集團參照金管局貸款分類制度的指引，實施信貸資產的五級分類如下：

「合格」是指借款人目前有履行還款責任的貸款，同時全數償還利息及本金的機會也不成疑問。

「需要關注」是指借款人正面對困難，可能會影響本集團收回貸款的本金及利息。現時並未預期出現最終損失，但如不利情況持續，有可能出現最終損失。

「次級」是指借款人正出現明顯問題，以致可能影響還款的貸款。

「呆滯」是指不大可能全數收回，而本集團在扣除抵押品的可變現淨值後預計會承受本金和／或利息虧損的貸款。

「虧損」是指用盡所有追討欠款方法後(如變賣抵押品、提出法律訴訟等)仍被視為無法收回的貸款。

#### 4.1 Credit risk (continued)

##### Credit risk measurement and control (continued)

##### Advances (continued)

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

The Group adopts loan grading criteria which divide credit assets into five categories with reference to the HKMA's guidelines, as below:

"Pass" represents loans where the borrower is current in meeting its repayment obligations and full repayment of interest and principal is not in doubt.

"Special Mention" represents loans where the borrower is experiencing difficulties which may threaten the Group's recoverability of the loan principal and interest. Ultimate loss is not expected at this stage but could occur if adverse conditions persist.

"Substandard" represents loans where the borrower displays a definable weakness that is likely to jeopardise repayment.

"Doubtful" represents loans where collection in full is improbable and the Group expects to sustain a loss of principal and/or interest, taking into account the net realisable value of the collateral.

"Loss" represents loans which are considered uncollectible after all collection options (such as the realisation of collateral or the institution of legal proceedings) have been exhausted.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續)      4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### 信貸風險評估及監控 (續)

##### 債務證券及衍生產品

對於債務證券及證券化資產的投資，本集團會應用債務人評級或外部信用評級、通過評估證券相關資產的質素及設定客戶及證券發行人信貸限額，以管理債務證券及證券化資產投資的信貸風險；對於衍生產品，本集團會採用客戶限額及採用與貸款一致的審批及監控程序管理信貸風險，並制定持續監控及止損程序。

結算風險主要來自交易對手相關外匯交易，以及來自任何以現金、證券或股票支付但未能如期相應收回該交易對手的現金、證券或股票的衍生產品交易。本集團對各交易對手或客戶制定每日結算限額，以涵蓋任何單一日子本集團的交易而產生的所有結算風險。

#### 4.1 Credit risk (continued)

##### Credit risk measurement and control (continued)

##### Debt securities and derivatives

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

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

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### 預期信用損失(ECL)方法論

對於減值評估，根據香港財務報告準則第9號引入減值模型，其要求在確認金融工具的預期信用損失(ECL)時需按攤餘成本計量及以公平值變化計入其他全面收益。在香港財務報告準則第9號下，預期信用損失分類為三個階段進行評估，而金融資產、貸款承諾及財務擔保需在三個階段中歸類為其中一個階段。

第一階段：如果金融工具在初始日起不屬信貸減值資產，以及在初始確認後信貸風險沒有出現顯著增加的情況，減值準備為12個月內的預期信用損失；

第二階段：如果金融工具在初始日起不屬信貸減值資產，但在初始確認後信貸風險出現顯著增加的情況，減值準備為整個存續期的預期信用損失；

第三階段：如果金融工具為信貸減值資產，且未來現金流量已受到一項或多項事件的不良影響，減值準備為整個存續期的預期信用損失。

本集團已建立重大信貸風險惡化條件框架來判斷各金融工具的所屬階段，此框架包括定量及定性的評估，考慮因素例如逾期天數、內部評級變化、低信貸風險門檻及監察名單等。

#### 4.1 Credit risk (continued)

##### Expected Credit Loss ("ECL") Methodology

For impairment assessment, an impairment model is introduced in compliance with HKFRS 9, it requires the recognition of ECL for financial instrument held at amortised cost and fair value through other comprehensive income. Under HKFRS 9, ECL is assessed in three stages and the financial assets, loan commitments and financial guarantees are classified in one of the three stages.

Stage 1: if the financial instruments are not credit-impaired during origination and their credit risk has not increased significantly since origination, and the impairment allowance is measured at an amount up to 12-month ECL;

Stage 2: if the financial instruments are not credit-impaired during origination but their credit risk has increased significantly since origination, and the impairment allowance is measured at an amount equal to the lifetime ECL;

Stage 3: if the financial instruments are credit-impaired and their future cash flows of that financial instruments are adversely affected by one or more events, and the impairment allowance is also measured at an amount equal to the lifetime ECL.

The Group has established the significant credit deterioration criteria framework to determine the stage of the financial instrument. The framework incorporates both quantitative and qualitative assessment, taking into account of factors such as number of days past due, change in IRB rating, low credit risk threshold and the watchlist.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### 預期信用損失(ECL)方法論 (續)

本集團利用巴塞爾資本協定二的內部評級(IRB)模型及其他可行和可用內部模型的參數來評估預期信用損失。對於沒有模型的組合，本集團則使用所有合理及有證據支持的資料，例如歷史資料、相關損失經驗或替代方法。而預期信用損失的計量是金融工具違約概率(PD)、違約損失率(LGD)和違約風險承擔(EAD)於報告日以實際利率折現後的計算結果。

預期信用損失是透過無偏頗及概率加權計算的金額，而此金額是通過評估一系列可能的結果、金額的時間價值，以及過去事件、當前狀況和未來經濟狀況預測的合理及有證據支持的資料來評估。本集團在預期信用損失計量中採用三個經濟情景以滿足香港財務報告準則第9號的要求。「基礎」情景代表最可能的結果，而另外兩個情景，分別為「良好」情景和「低迷」情景，則代表較低可能的結果，與基礎情景相比，此兩個情景的結果較為樂觀或悲觀。

基礎情景由本集團發展規劃部提供。為確保情景合理和有證據支持，本集團亦使用歷史數據、經濟趨勢、官方和非官方組織的外部經濟預測等資料作為參考。至於良好情景和低迷情景，本集團參考歷史宏觀經濟數據設定。

#### 4.1 Credit risk (continued)

##### Expected Credit Loss ("ECL") Methodology (continued)

The Group leverages the parameters implemented under Basel II Internal Ratings-Based ("IRB") models and internal models where feasible and available to assess ECL. For the portfolios without models, all other reasonable and supportable information such as historical information, relevant loss experience or proxies are utilised. The measurement of ECL is the product of the financial instrument's probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") discounted at the effective interest rate to the reporting date.

ECL is measured at an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The Group adopts three economic scenarios in the ECL measurement to meet the requirements of HKFRS 9. The "Baseline" scenario represents a most likely outcome and the other two scenarios, referred to as "Good" scenario and "Bad" scenario, represent less likely outcomes which are more optimistic or more pessimistic compared to Baseline scenario.

The Baseline scenario is prepared by our Economics & Strategic Planning Department. Historical data, economic trend, external forecast from governmental and non-governmental organisation, etc. are also used as benchmarks to ensure the scenario is reasonable and supportable. For the Good and Bad scenarios, the Group makes reference to the historical macroeconomics data.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### 預期信用損失(ECL)方法論 (續)

本集團在設定經濟情景時，採用主要經營國家／地區的宏觀經濟因素，如本地生產總值增長、消費者物價指數、物業價格指數和失業率。這些宏觀經濟因素在預期信用損失統計分析和業務意見上，均具有相當重要意義。

本集團對經濟環境的觀點反映於每個情景所分配的概率，而本集團採用審慎及貫徹的信貸策略，以確保減值準備的充足性。基礎情景獲分配較高的概率以反映最可能的結果，而良好和低迷情景獲分配較低的概率以反映較低可能的結果。於2020年12月，本集團基礎情景的概率高於良好及低迷情景之總和。

本集團用於評估預期信用損失的其中一個關鍵宏觀經濟因素：

宏觀經濟因素 Macroeconomic Factor	情景加權數值 Scenario Weighted Value
2021年香港本地生產總值增長 2021 Hong Kong GDP Growth	3.05%

預期信用損失的計算受宏觀經濟因素及經濟情景所影響，若模型以較悲觀的宏觀經濟因素進行評估或增加概率至低迷情景，將會導致預期信用損失上升。本集團根據既定機制每季度對減值模型所使用的宏觀經濟因素及經濟情景的概率進行重檢。

#### 4.1 Credit risk (continued)

##### Expected Credit Loss (“ECL”) Methodology (continued)

The macroeconomic factors in the major countries/regions the Group operates such as Gross Domestic Product growth, Consumer Price Index, Property Price Index and Unemployment Rate are applied in the economic scenarios. These macroeconomic factors are considered to be important to the Group's ECL in statistical analysis and business opinion.

The probability assigned for each scenario reflects the Group's view for the economic environment, which implements the Group's prudent and consistent credit strategy of ensuring the adequacy of impairment allowance. A higher probability is assigned to the Baseline scenario to reflect the most likely outcome and a lower probability is assigned to the Good and Bad scenarios to reflect the less likely outcomes. As of December of 2020, the probability weight of the Group's Baseline scenario is higher than the sum of probability weight of Good and Bad scenarios.

One of essential macroeconomic factor used by the Group to assess ECL:

## 財務報表附註（續） Notes to the Financial Statements (continued)

### 4. 金融風險管理（續） 4. Financial risk management (continued)

#### 4.1 信貸風險（續）

##### 預期信用損失(ECL)方法論（續）

風險委員會負責審批預期信用損失方法論，管理層負責預期信用損失模型的應用。信貸風險管理負責維護預期信用損失方法論，包括常規性的模型重檢及參數更新。獨立模型驗證團隊負責每年的預期信用損失模型驗證。如預期信用損失方法論有任何變更，本集團將按既定的程序進行審批。

##### 抵押品及其他改善信貸條件

本集團制定抵押品估值及管理的信貸風險管理政策與程序，明確抵押品的接受準則、法律有效性、貸款與估值比率、估損折扣比率、估值及保險等規定。本集團須定期重估抵押品價值，並按抵押品種類、授信性質及風險狀況而採用不同的估值頻率及方式。物業抵押品是本集團主要押品，本集團已建立機制包括利用指數以組合形式對物業進行估值。抵押品須購買保險並以本集團作為第一受益人。個人貸款以房地產、存款及證券作為主要抵押品；工商貸款的抵押品包括房地產、證券、現金存款、船舶等。

對於由第三者提供擔保的貸款，本集團會評估擔保人的財政狀況、信貸紀錄及履約能力。

#### 4.1 Credit risk (continued)

##### Expected Credit Loss (“ECL”) Methodology (continued)

RMC is responsible for approving ECL methodology and the Management is responsible for the ECL model implementation. Credit Risk Management is responsible for the maintenance of ECL methodology including models review and parameters update on a regular basis. Independent Model Validation Team is responsible for the annual validation of ECL models. If there is any change in ECL methodology, the Group will follow the proper approval process.

##### Collateral held as security and other credit enhancements

The valuation and management of collateral have been documented in the credit risk management policies and procedures which cover acceptance criteria, validity of collateral, loan-to-value ratio, haircut ratio, valuation and insurance, etc. The collateral is revalued on a regular basis, though the frequency and the method used varies with the type of collateral involved and the nature and the risk of the underlying credit. The Group has established a mechanism to update the value of its main type of collateral, property collateral including the use of public indices on a portfolio basis. Collateral is insured with the Group as the primary beneficiary. In the personal sector, the main types of collateral are real estate, cash deposits and securities. In the commercial and industrial sector, the types of collateral include real estate, securities, cash deposits, vessels, etc.

For loans guaranteed by a third party, the Group will assess the guarantor's financial condition, credit history and ability to meet obligations.



## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### 抵押品及其他改善信貸條件 (續)

於 2020 年 12 月 31 日，本集團持有允許於借款人未違約情況下出售或再抵押之抵押品公平值為港幣 51.68 億元 (2019 年：港幣 63.35 億元)。本集團並無出售或再抵押該等抵押品 (2019 年：無)。該等交易乃按反向回購及借入證券協議之一般及慣常條款進行。

##### (A) 信貸風險承擔

本集團之最高信貸風險承擔是未考慮任何抵押品或其他改善信貸條件的最大風險承擔。對於資產負債表內資產，最高信貸風險承擔相等於其賬面值。對於開出擔保函，最高信貸風險承擔是被擔保人要求本集團代為償付債務的最高金額。對於貸款承諾及其他信貸有關負債，最高信貸風險承擔為授信承諾的全額。

以下為所持抵押品及其他改善信貸條件的性質及其對本集團各類金融資產的財務影響。

##### 在銀行及其他金融機構之結餘及定期存放

考慮到交易對手的性質，一般會視為低風險承擔。因此一般不會就此等資產尋求抵押品。

#### 4.1 Credit risk (continued)

##### Collateral held as security and other credit enhancements (continued)

As at 31 December 2020, the fair value of collateral held by the Group that was permitted to sell or re-pledge in the absence of default by the borrower amounted to HK\$5,168 million (2019: HK\$6,335 million). The Group had not sold or re-pledged such collateral (2019: Nil). These transactions are conducted under terms that are usual and customary to reverse repurchase and securities borrowing agreements.

##### (A) Credit exposures

The maximum credit exposure is the worst case scenario of exposure to the Group without taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the maximum exposure to credit risk equals their carrying amount. For letters of guarantee issued, the maximum exposure to credit risk is the maximum amount that the Group could be required to pay if the guarantees are called upon. For loan commitment and other credit related liabilities, the maximum exposure to credit risk is the full amount of the committed facilities.

The nature of the collateral held and other credit enhancements and their financial effect to the different classes of the Group's financial assets are as follows.

##### Balances and placements with banks and other financial institutions

These exposures are generally considered to be low risk due to the nature of the counterparties. Collateral is generally not sought on these assets.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### (A) 信貸風險承擔 (續)

##### 以公平值變化計入損益之金融資產及證券投資

一般不會就債務證券尋求抵押品。

##### 衍生金融工具

本集團傾向以國際掉期及衍生工具協會出版的主協議(「ISDA 主協議」)作為衍生工具業務的協議文件。該 ISDA 主協議為做場外衍生交易提供合約框架,並載有於發生違約事件或終止事件後終止交易時所採用之淨額結算條款。此外,亦會視乎需要考慮於 ISDA 主協議之附約中附加信用支持附件(CSA)。根據 CSA,抵押品會按情況由交易一方轉交另一方,以緩解信貸風險承擔。

##### 貸款及其他賬項、或然負債及承擔

一般抵押品種類已載於第 131 頁。本集團根據對貸款及其他賬項、或然負債及承擔的個別風險承擔的評估,考慮適當之抵押品。有關客戶貸款之抵押品覆蓋率已分析於第 147 至 148 頁。或然負債及承擔之主要組合及性質已載於附註 39,就不需事先通知的無條件撤銷之承諾,如客戶的信貸質素下降,本集團會評估撤回其授信額度的需要性。於 2020 年 12 月 31 日,有抵押品覆蓋之或然負債及承擔為 13.19%(2019 年: 14.15%)。

#### 4.1 Credit risk (continued)

##### (A) Credit exposures (continued)

##### Financial assets at fair value through profit or loss and investment in securities

Collateral is generally not sought on debt securities.

##### Derivative financial instruments

The Master Agreement published by the International Swaps and Derivatives Association, Inc. ("ISDA Master Agreement") is the preferred agreement for documenting derivative activities of the Group. It provides the contractual framework under which dealing activities of over-the-counter ("OTC") transactions are conducted, and sets out close-out netting provisions upon termination following the occurrence of an event of default or a termination event. In addition, if deemed necessary, Credit Support Annex ("CSA") will be included to form part of the Schedule to the ISDA Master Agreement. Under a CSA, collateral is passed from one counterparty to another, as appropriate, to mitigate the credit exposures.

##### Advances and other accounts, contingent liabilities and commitments

The general types of collateral are disclosed on page 131. Advances and other accounts, contingent liabilities and commitments are collateralised to the extent considered appropriate by the Group taking account of the risk assessment of individual exposures. The collateral coverage of advances to customers is analysed on pages 147 to 148. The components and nature of contingent liabilities and commitments are disclosed in Note 39. Regarding the commitments that are unconditionally cancellable without prior notice, the Group would assess the necessity to withdraw the credit line in case where the credit quality of a borrower deteriorates. For contingent liabilities and commitments, 13.19% (2019: 14.15%) were covered by collateral as at 31 December 2020.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### (B) 貸款及其他賬項

提取減值準備前之總  
貸款及其他賬項按產  
品類別概述如下：

客戶貸款  
個人  
- 按揭  
- 信用卡  
- 其他  
公司  
- 商業貸款  
- 貿易融資

貿易票據  
銀行及其他金融機構  
貸款

有明確到期日之貸款，若其本金或利息已逾期及仍未償還，則列作逾期貸款。須定期分期償還之貸款，若其中一次分期還款已逾期及仍未償還，則列作逾期處理。須即期償還之貸款若已向借款人送達還款通知，但借款人未按指示還款，或貸款一直超出借款人獲通知之批准貸款限額，亦列作逾期處理。

#### 4.1 Credit risk (continued)

##### (B) Advances and other accounts

Gross advances and other accounts before impairment allowances are summarised by product type as follows:

Advances to customers

Personal

- Mortgages  
- Credit cards  
- Others

Corporate

- Commercial loans  
- Trade finance

Trade bills

Advances to banks and other financial institutions

	2020	2019
	港幣百萬元 HK\$m	港幣百萬元 HK\$m
	<b>340,587</b>	298,914
	<b>10,981</b>	14,688
	<b>105,445</b>	100,754
	<b>973,746</b>	905,303
	<b>66,497</b>	75,764
	<b>1,497,256</b>	1,395,423
	<b>9,826</b>	20,727
	<b>1,898</b>	3,387
	<b>1,508,980</b>	1,419,537

Advances with a specific repayment date are classified as overdue when the principal or interest is past due and remains unpaid. Advances repayable by regular instalments are classified as overdue when an instalment payment is past due and remains unpaid. Advances repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction or when the advances have remained continuously to exceed the approved limit that was advised to the borrower.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### (B) 貸款及其他賬項 (續)

當發生一項或多項事件對授信的未來現金流產生不利的影響，例如超過90天以上逾期，或借款人可能無法全額支付本集團的債務，有關授信將視為違約授信。信貸減值授信被確定為第三階段需按整個存續期計提預期信用損失。

根據以下可觀察證據來決定授信是減值貸款：

- 借款人出現重大的財務困難；
- 出現違約事件，例如不履行或逾期償還本金或利息；
- 當借款人出現財務困難，本集團基於經濟或法律因素考慮而特別給予借款人貸款條件上的優惠；
- 有證據顯示借款人將會破產或進行財務重整；或
- 其他明顯訊息反映有關貸款的未來現金流將會出現明顯下降。

#### 4.1 Credit risk (continued)

##### (B) Advances and other accounts (continued)

Advances are default when one or more events that have a detrimental impact on the estimated future cash flows have occurred such as past due for more than 90 days or the borrower is unlikely to pay in full for the credit obligations to the Group. Credit-impaired advances are classified as Stage 3 and lifetime expected credit losses will be recognised.

Evidence that an advance is credit-impaired include observable data about the following events:

- Significant financial difficulty incurred by the borrower;
- A breach of contract, such as a default or delinquency in principal or interest payment;
- For economic or legal reasons related to the borrower's financial difficulty, the Group has granted to the borrower a concession that it would not otherwise consider;
- Probable that the borrower will become bankrupt or undergo other financial reorganisation; or
- Other observable data indicating that there is a measurable decrease in the estimated future cash flows from such advances.

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**4. 金融風險管理 (續) 4. Financial risk management (continued)**
**4.1 信貸風險 (續)**
**(B) 貸款及其他賬項  
(續)**

當貸款受全數抵押擔保，即使被界定為第三階段，亦未必導致減值損失。

提取減值準備前之總貸款及其他賬項按內部信貸評級及階段分析如下：

**4.1 Credit risk (continued)**
**(B) Advances and other accounts (continued)**

Advances classified as Stage 3 may not necessarily result in impairment loss where the advances are fully collateralised.

Gross advances and other accounts before impairment allowances are analysed by internal credit grade and stage classification as follows:

		2020			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>客戶貸款</b>	<b>Advances to customers</b>				
合格	Pass	1,466,038	20,352	-	1,486,390
需要關注	Special mention	3,846	3,026	-	6,872
次級或以下	Substandard or below	-	-	3,994	3,994
		<b>1,469,884</b>	<b>23,378</b>	<b>3,994</b>	<b>1,497,256</b>
<b>貿易票據</b>	<b>Trade bills</b>				
合格	Pass	9,826	-	-	9,826
需要關注	Special mention	-	-	-	-
次級或以下	Substandard or below	-	-	-	-
		<b>9,826</b>	<b>-</b>	<b>-</b>	<b>9,826</b>
<b>銀行及其他金融機構 貸款</b>	<b>Advances to banks and other financial institutions</b>				
合格	Pass	1,898	-	-	1,898
需要關注	Special mention	-	-	-	-
次級或以下	Substandard or below	-	-	-	-
		<b>1,898</b>	<b>-</b>	<b>-</b>	<b>1,898</b>
		<b>1,481,608</b>	<b>23,378</b>	<b>3,994</b>	<b>1,508,980</b>
減值準備	Impairment allowances	<b>(5,405)</b>	<b>(1,115)</b>	<b>(2,652)</b>	<b>(9,172)</b>
		<b>1,476,203</b>	<b>22,263</b>	<b>1,342</b>	<b>1,499,808</b>

財務報表附註 (續) **Notes to the Financial Statements (continued)**

4. 金融風險管理 (續) **4. Financial risk management (continued)**

4.1 信貸風險 (續)

4.1 Credit risk (continued)

(B) 貸款及其他賬項  
(續)

(B) Advances and other accounts (continued)

		2019			
		第一階段	第二階段	第三階段	總計
		Stage 1	Stage 2	Stage 3	Total
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
		HK\$m	HK\$m	HK\$m	HK\$m
<b>客戶貸款</b>	<b>Advances to customers</b>				
合格	Pass	1,385,310	1,592	-	1,386,902
需要關注	Special mention	2,683	2,621	-	5,304
次級或以下	Substandard or below	-	-	3,217	3,217
		<u>1,387,993</u>	<u>4,213</u>	<u>3,217</u>	<u>1,395,423</u>
<b>貿易票據</b>	<b>Trade bills</b>				
合格	Pass	20,727	-	-	20,727
需要關注	Special mention	-	-	-	-
次級或以下	Substandard or below	-	-	-	-
		<u>20,727</u>	<u>-</u>	<u>-</u>	<u>20,727</u>
<b>銀行及其他金融機構 貸款</b>	<b>Advances to banks and other financial institutions</b>				
合格	Pass	3,387	-	-	3,387
需要關注	Special mention	-	-	-	-
次級或以下	Substandard or below	-	-	-	-
		<u>3,387</u>	<u>-</u>	<u>-</u>	<u>3,387</u>
		<u>1,412,107</u>	<u>4,213</u>	<u>3,217</u>	<u>1,419,537</u>
減值準備	Impairment allowances	(4,564)	(297)	(2,175)	(7,036)
		<u>1,407,543</u>	<u>3,916</u>	<u>1,042</u>	<u>1,412,501</u>

財務報表附註 (續) **Notes to the Financial Statements (continued)**

4. 金融風險管理 (續) **4. Financial risk management (continued)**

4.1 信貸風險 (續)

4.1 Credit risk (continued)

(B) 貸款及其他賬項  
(續)

(B) Advances and other accounts (continued)

貸款及其他賬項之減  
值準備及總額變動情  
況列示如下：

Reconciliation of impairment allowances and gross amount for advances and other  
accounts is as follows:

	2020			
	第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>減值準備</b>	<b>Impairment allowances</b>			
於 2020 年 1 月 1 日	4,564	297	2,175	7,036
轉至第一階段	96	(94)	(2)	-
轉至第二階段	(166)	177	(11)	-
轉至第三階段	(8)	(19)	27	-
階段轉撥產生之變動	(76)	782	772	1,478
本年撥備	2,894	104	300	3,298
本年撥回	(1,920)	(132)	(235)	(2,287)
撤銷	-	-	(561)	(561)
收回已撤銷賬項	-	-	136	136
匯兌差額及其他	21	-	51	72
於 2020 年 12 月 31 日	<u>5,405</u>	<u>1,115</u>	<u>2,652</u>	<u>9,172</u>
借記收益表 (附註 12)	Charged to income statement (Note 12)			<u>2,489</u>

財務報表附註 (續) **Notes to the Financial Statements (continued)**

4. 金融風險管理 (續) **4. Financial risk management (continued)**

4.1 信貸風險 (續)

4.1 Credit risk (continued)

(B) 貸款及其他賬項  
(續)

(B) Advances and other accounts (continued)

		2020			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>總額</b>	<b>Gross amount</b>				
於 2020 年 1 月 1 日	At 1 January 2020	1,412,107	4,213	3,217	1,419,537
轉至第一階段	Transfer to Stage 1	1,207	(1,197)	(10)	-
轉至第二階段	Transfer to Stage 2	(22,369)	22,384	(15)	-
轉至第三階段	Transfer to Stage 3	(804)	(403)	1,207	-
貸款敞口淨變化	Net change in exposures	87,157	(1,628)	62	85,591
撇銷	Write-offs	-	-	(561)	(561)
匯兌差額及其他	Exchange difference and others	4,310	9	94	4,413
於 2020 年 12 月 31 日	At 31 December 2020	<u>1,481,608</u>	<u>23,378</u>	<u>3,994</u>	<u>1,508,980</u>



**財務報表附註 (續) Notes to the Financial Statements (continued)**
**4. 金融風險管理 (續) 4. Financial risk management (continued)**
**4.1 信貸風險 (續)**
**4.1 Credit risk (continued)**
**(B) 貸款及其他賬項  
(續)**
**(B) Advances and other accounts (continued)**

		2019			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
<b>減值準備</b>	<b>Impairment allowances</b>				
於2019年1月1日	At 1 January 2019	3,748	546	1,130	5,424
轉至第一階段	Transfer to Stage 1	154	(143)	(11)	-
轉至第二階段	Transfer to Stage 2	(26)	103	(77)	-
轉至第三階段	Transfer to Stage 3	(15)	(184)	199	-
階段轉撥產生之變動	Changes arising from transfer of stage	(131)	84	1,216	1,169
本年撥備	Charge for the year	2,368	50	342	2,760
本年撥回	Reversal for the year	(1,536)	(155)	(386)	(2,077)
撇銷	Write-offs	-	-	(462)	(462)
收回已撇銷賬項	Recoveries	-	-	213	213
匯兌差額及其他	Exchange difference and others	2	(4)	11	9
		<u>2</u>	<u>(4)</u>	<u>11</u>	<u>9</u>
於2019年12月31日	At 31 December 2019	<u>4,564</u>	<u>297</u>	<u>2,175</u>	<u>7,036</u>
借記收益表(附註12)	Charged to income statement (Note 12)				<u>1,852</u>

財務報表附註 (續) **Notes to the Financial Statements (continued)**

4. 金融風險管理 (續) **4. Financial risk management (continued)**

4.1 信貸風險 (續)

4.1 Credit risk (continued)

(B) 貸款及其他賬項  
(續)

(B) Advances and other accounts (continued)

		2019			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>總額</b>	<b>Gross amount</b>				
於 2019 年 1 月 1 日	At 1 January 2019	1,277,171	8,152	2,387	1,287,710
轉至第一階段	Transfer to Stage 1	3,103	(2,614)	(489)	-
轉至第二階段	Transfer to Stage 2	(1,783)	1,927	(144)	-
轉至第三階段	Transfer to Stage 3	(1,048)	(729)	1,777	-
貸款敞口淨變化	Net change in exposures	135,085	(2,507)	140	132,718
撇銷	Write-offs	-	-	(462)	(462)
匯兌差額及其他	Exchange difference and others	(421)	(16)	8	(429)
於 2019 年 12 月 31 日	At 31 December 2019	<u>1,412,107</u>	<u>4,213</u>	<u>3,217</u>	<u>1,419,537</u>

財務報表附註 (續) **Notes to the Financial Statements (continued)**

4. 金融風險管理 (續) **4. Financial risk management (continued)**

4.1 信貸風險 (續)

4.1 Credit risk (continued)

(B) 貸款及其他賬項  
(續)

(B) Advances and other accounts (continued)

(a) 減值貸款

(a) Impaired advances

減值之客戶貸款  
分析如下：

Impaired advances to customers are analysed as follows:

	2020		2019	
	減值 Impaired 港幣百萬元 HK\$m	特定分類或 減值 Classified or impaired 港幣百萬元 HK\$m	減值 Impaired 港幣百萬元 HK\$m	特定分類或 減值 Classified or impaired 港幣百萬元 HK\$m
客戶貸款總額	3,994	3,994	3,217	3,217
佔客戶貸款總額百分比	0.27%	0.27%	0.23%	0.23%
就上述貸款作出 之減值準備	2,652	2,652	2,175	2,175

特定分類或減值之客戶貸款是指按本集團貸款質量分類的「次級」、「呆滯」或「虧損」貸款或分類為第三階段的貸款。

Classified or impaired advances to customers represent advances which are either classified as “substandard”, “doubtful” or “loss” under the Group’s classification of loan quality, or classified as Stage 3.

減值準備已考慮上述貸款之抵押品價值。

The impairment allowances were made after taking into account the value of collateral in respect of the credit-impaired advances.

財務報表附註 (續) **Notes to the Financial Statements (continued)**

4. 金融風險管理 (續) **4. Financial risk management (continued)**

4.1 信貸風險 (續)

4.1 Credit risk (continued)

(B) 貸款及其他賬項  
(續)

(B) Advances and other accounts (continued)

(a) 減值貸款 (續)

(a) Impaired advances (continued)

		<u>2020</u>	<u>2019</u>
		港幣百萬元	港幣百萬元
		HK\$'m	HK\$'m
就上述有抵押品覆蓋之減值客戶貸款之抵押品市值	Current market value of collateral held against the covered portion of impaired advances to customers	<u>3,046</u>	<u>2,187</u>
上述有抵押品覆蓋之減值客戶貸款	Covered portion of impaired advances to customers	<u>1,558</u>	<u>1,011</u>
上述沒有抵押品覆蓋之減值客戶貸款	Uncovered portion of impaired advances to customers	<u>2,436</u>	<u>2,206</u>

於 2020 年 12 月 31 日，沒有減值之貿易票據和銀行及其他金融機構貸款 (2019 年：無)。

As at 31 December 2020, there were no impaired trade bills and advances to banks and other financial institutions (2019: Nil).

財務報表附註 (續) **Notes to the Financial Statements (continued)**

4. 金融風險管理 (續) **4. Financial risk management (continued)**

4.1 信貸風險 (續)

4.1 Credit risk (continued)

(B) 貸款及其他賬項  
(續)

(B) Advances and other accounts (continued)

(b) 逾期超過 3 個月之貸款

(b) Advances overdue for more than three months

逾期超過 3 個月之  
貸款總額分析如  
下：

The gross amount of advances overdue for more than three months is analysed as follows:

	2020		2019	
	金額 Amount 港幣百萬元 HK\$m	佔客戶貸款總額 百分比 % of gross advances to customers	金額 Amount 港幣百萬元 HK\$m	佔客戶貸款總額 百分比 % of gross advances to customers
客戶貸款總額， 已逾期：				
- 超過 3 個月 但不超過 6 個月	174	0.01%	145	0.01%
- 超過 6 個月 但不超過 1 年	718	0.05%	836	0.06%
- 超過 1 年	2,137	0.14%	948	0.07%
逾期超過 3 個月 之貸款	<u>3,029</u>	<u>0.20%</u>	<u>1,929</u>	<u>0.14%</u>
就上述貸款作出之 減值準備				
- 第三階段	<u>2,332</u>		<u>1,651</u>	

財務報表附註 (續) **Notes to the Financial Statements (continued)**

4. 金融風險管理 (續) **4. Financial risk management (continued)**

4.1 信貸風險 (續)

4.1 Credit risk (continued)

(B) 貸款及其他賬項  
(續)

(B) Advances and other accounts (continued)

(b) 逾期超過 3 個月  
之貸款 (續)

(b) Advances overdue for more than three months (continued)

	2020	2019
	港幣百萬元	港幣百萬元
	HK\$m	HK\$m
就上述有抵押品覆蓋的客戶貸款之抵押品市值	<u>1,312</u>	<u>487</u>
上述有抵押品覆蓋之客戶貸款	<u>913</u>	<u>315</u>
上述沒有抵押品覆蓋之客戶貸款	<u>2,116</u>	<u>1,614</u>

逾期貸款或減值貸款的抵押品主要包括公司授信戶項下的商用資產如商業、住宅樓宇及船舶、個人授信戶項下的住宅按揭物業。

Collateral held against overdue or impaired loans is principally represented by charges over business assets such as commercial, residential premises and vessels for corporate loans and mortgages over residential properties for personal loans.

於 2020 年 12 月 31 日，沒有逾期超過 3 個月之貿易票據和銀行及其他金融機構貸款 (2019 年：無)。

As at 31 December 2020, there were no trade bills and advances to banks and other financial institutions overdue for more than three months (2019: Nil).

財務報表附註 (續) **Notes to the Financial Statements (continued)**

4. 金融風險管理 (續) **4. Financial risk management (continued)**

4.1 信貸風險 (續)

4.1 Credit risk (continued)

(B) 貸款及其他賬項  
(續)  
(c) 經重組貸款

(B) Advances and other accounts (continued)  
(c) Rescheduled advances

	2020		2019	
	金額	% of gross advances to customers	金額	% of gross advances to customers
	Amount		Amount	
	港幣百萬元		港幣百萬元	
	HK\$m		HK\$m	
經重組客戶貸款淨額(已扣減包含於「逾期超過3個月之貸款」部分)				
Rescheduled advances to customers net of amounts included in "Advances overdue for more than three months"	178	0.01%	239	0.02%

經重組貸款指因借款人財務狀況轉壞或無法按原定還款時間表還款，經銀行與借款人重新協定還款計劃的重組貸款，且修訂後的有關利息或還款期等還款條件對集團而言屬於「非商業性」。修訂還款計劃後之經重組貸款如仍逾期超過3個月，則包括在「逾期超過3個月之貸款」內。

Rescheduled advances are those advances that have been restructured and renegotiated between the bank and borrowers because of deterioration in the financial position of the borrower or the inability of the borrower to meet the original repayment schedule, and the revised repayment terms, either of interest or the repayment period, are "non-commercial" to the Group. Rescheduled advances, which have been overdue for more than three months under the revised repayment terms, are included in "Advances overdue for more than three months".

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**4. 金融風險管理 (續) 4. Financial risk management (continued)**
**4.1 信貸風險 (續)**
**4.1 Credit risk (continued)**
**(B) 貸款及其他賬項  
(續)**
**(B) Advances and other accounts (continued)**
**(d) 客戶貸款集中度**
**(d) Concentration of advances to customers**
**(i) 按行業分類之  
客戶貸款總額**
**(i) Sectoral analysis of gross advances to customers**

以下關於客戶貸款總額之行業分類分析，其行業分類乃參照有關貸款及墊款之金管局報表的填報指示而編製。

The following analysis of the gross advances to customers by industry sector is based on the categories with reference to the completion instructions for the HKMA return of loans and advances.

		2020					
		客戶貸款總額 Gross advances to customers	抵押品或 其他抵押覆 蓋之百分比 % covered by collateral or other security	特定分類 或減值 Classified or impaired	逾期 Overdue	減值準備 - 第三階段 Impairment allowances - Stage 3	減值準備 - 第一和第二 階段 Impairment allowances - Stages 1 and 2
		港幣百萬元 HK\$m		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
在香港使用之貸款	Loans for use in Hong Kong						
工商金融業	Industrial, commercial and financial						
- 物業發展	- Property development	132,966	27.12%	-	1	-	803
- 物業投資	- Property investment	64,768	67.95%	111	184	15	186
- 金融業	- Financial concerns	25,066	0.73%	-	-	-	54
- 股票經紀	- Stockbrokers	1,656	78.86%	-	-	-	3
- 批發及零售業	- Wholesale and retail trade	30,523	43.12%	198	239	109	411
- 製造業	- Manufacturing	53,629	8.05%	8	9	4	290
- 運輸及運輸設備	- Transport and transport equipment	74,633	23.05%	260	-	-	598
- 休閒活動	- Recreational activities	198	9.90%	-	-	-	2
- 資訊科技	- Information technology	25,579	0.81%	97	99	13	33
- 其他	- Others	131,571	47.23%	18	200	4	409
個人	Individuals						
- 購買居者有其屋計劃、私人機構參建居屋計劃及租者置其屋計劃樓宇之貸款	- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	27,809	99.33%	18	183	-	17
- 購買其他住宅物業之貸款	- Loans for purchase of other residential properties	311,070	99.92%	140	1,332	1	137
- 信用卡貸款	- Credit card advances	10,959	-	106	366	95	151
- 其他	- Others	100,422	94.34%	126	537	81	384
在香港使用之貸款總額	Total loans for use in Hong Kong	990,849	61.74%	1,082	3,150	322	3,478
貿易融資	Trade financing	66,497	15.36%	569	573	372	202
在香港以外使用之貸款	Loans for use outside Hong Kong	439,910	5.29%	2,343	2,217	1,958	2,840
客戶貸款總額	Gross advances to customers	1,497,256	43.10%	3,994	5,940	2,652	6,520



**財務報表附註 (續) Notes to the Financial Statements (continued)**
**4. 金融風險管理 (續) 4. Financial risk management (continued)**
**4.1 信貸風險 (續)**
**4.1 Credit risk (continued)**
**(B) 貸款及其他賬項  
(續)**
**(B) Advances and other accounts (continued)**
**(d) 客戶貸款集中度  
(續)**
**(d) Concentration of advances to customers (continued)**
**(i) 按行業分類之  
客戶貸款總額  
(續)**
**(i) Sectoral analysis of gross advances to customers (continued)**

		2019					
		客戶貸款總額 Gross advances to customers	抵押品或 其他抵押覆 蓋之百分比 % covered by collateral or other security	特定分類 或減值 Classified or impaired	逾期 Overdue	減值準備 - 第三階段 Impairment allowances - Stage 3	減值準備 - 第一和第二 階段 Impairment allowances - Stages 1 and 2
		港幣百萬元 HK\$m		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
在香港使用之貸款	Loans for use in Hong Kong						
工商金融業	Industrial, commercial and financial						
- 物業發展	- Property development	137,663	21.53%	-	9	-	695
- 物業投資	- Property investment	49,073	81.98%	-	158	-	62
- 金融業	- Financial concerns	29,411	0.88%	-	-	-	53
- 股票經紀	- Stockbrokers	815	98.27%	-	-	-	1
- 批發及零售業	- Wholesale and retail trade	39,880	36.86%	88	283	87	210
- 製造業	- Manufacturing	42,719	12.98%	193	222	95	174
- 運輸及運輸設備	- Transport and transport equipment	66,511	27.29%	325	69	-	180
- 休閒活動	- Recreational activities	2,161	1.19%	-	-	-	3
- 資訊科技	- Information technology	22,464	0.90%	-	48	-	76
- 其他	- Others	125,909	47.30%	6	138	4	365
個人	Individuals						
- 購買居者有其屋計劃、私人機構參建居屋計劃及租者置其屋計劃樓宇之貸款	- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	19,855	99.68%	18	161	-	10
- 購買其他住宅物業之貸款	- Loans for purchase of other residential properties	277,288	99.93%	96	1,374	-	97
- 信用卡貸款	- Credit card advances	14,663	-	127	579	113	159
- 其他	- Others	95,862	90.94%	71	504	63	358
在香港使用之貸款總額	Total loans for use in Hong Kong	924,274	59.85%	924	3,545	362	2,443
貿易融資	Trade financing	75,764	14.75%	318	340	237	154
在香港以外使用之貸款	Loans for use outside Hong Kong	395,385	6.74%	1,975	1,988	1,576	2,263
客戶貸款總額	Gross advances to customers	1,395,423	42.35%	3,217	5,873	2,175	4,860

財務報表附註 (續) **Notes to the Financial Statements (continued)**

4. 金融風險管理 (續) **4. Financial risk management (continued)**

4.1 信貸風險 (續)

(B) 貸款及其他賬項  
(續)

(d) 客戶貸款集中度  
(續)

(i) 按行業分類之  
客戶貸款總額  
(續)

就構成本集團客戶貸款總額不少於 10% 的行業，於收益表撥備之新提減值準備，及當年撇銷特定分類或減值貸款如下：

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

(d) Concentration of advances to customers (continued)

(i) Sectoral analysis of gross advances to customers (continued)

For those industry sectors constitute not less than 10% of the Group's gross advances to customers, the amounts of new impairment allowances charged to the income statement, and classified or impaired loans written off during the year are shown below:

		2020		2019	
		新提減值準備	撇銷特定分類或減值貸款	新提減值準備	撇銷特定分類或減值貸款
		New impairment allowances	Classified or impaired loans written off	New impairment allowances	Classified or impaired loans written off
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
		HK\$m	HK\$m	HK\$m	HK\$m
在香港使用之貸款	Loans for use in Hong Kong				
個人	Individuals				
- 購買其他住宅物業之貸款	- Loans for purchase of other residential properties	52	-	50	-

財務報表附註 (續) **Notes to the Financial Statements (continued)**

4. 金融風險管理 (續) **4. Financial risk management (continued)**

4.1 信貸風險 (續)

(B) 貸款及其他賬項  
(續)

(d) 客戶貸款集中度  
(續)

(ii) 按地理區域分  
類之客戶貸款  
總額

下列關於客戶貸款之地理區域分析是根據交易對手之所在地，並已顧及風險轉移因素。若客戶貸款之擔保人所在地與客戶所在地不同，則風險將轉移至擔保人之所在地。

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

(d) Concentration of advances to customers (continued)

(ii) Geographical analysis of gross advances to customers

The following geographical analysis of advances to customers is based on the locations of the counterparties, after taking into account the transfer of risk. For an advance to customer guaranteed by a party situated in a location different from the customer, the risk will be transferred to the location of the guarantor.

客戶貸款總額

Gross advances to customers

		<u>2020</u>	<u>2019</u>
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
香港	Hong Kong	1,218,025	1,124,352
中國內地	Chinese Mainland	112,527	126,075
其他	Others	<u>166,704</u>	<u>144,996</u>
		<u><u>1,497,256</u></u>	<u><u>1,395,423</u></u>

就客戶貸款總  
額作出之減  
值準備 -  
第一和第二  
階段

Impairment allowances made in  
respect of the gross advances to  
customers - Stages 1 and 2

香港	Hong Kong	4,551	3,228
中國內地	Chinese Mainland	656	492
其他	Others	<u>1,313</u>	<u>1,140</u>
		<u><u>6,520</u></u>	<u><u>4,860</u></u>

財務報表附註 (續) **Notes to the Financial Statements (continued)**

4. 金融風險管理 (續) **4. Financial risk management (continued)**

4.1 信貸風險 (續)

4.1 Credit risk (continued)

(B) 貸款及其他賬項  
(續)

(B) Advances and other accounts (continued)

(d) 客戶貸款集中度  
(續)

(d) Concentration of advances to customers (continued)

(ii) 按地理區域分  
類之客戶貸款  
總額 (續)

(ii) Geographical analysis of gross advances to customers (continued)

逾期貸款

Overdue advances

		<u>2020</u>	<u>2019</u>
		港幣百萬元	港幣百萬元
		HK\$'m	HK\$'m
香港	Hong Kong	4,115	4,341
中國內地	Chinese Mainland	567	607
其他	Others	1,258	925
		<u>5,940</u>	<u>5,873</u>

就逾期貸款作  
出之減值準  
備 - 第三階  
段

Impairment allowances made in respect  
of the overdue advances - Stage 3

香港	Hong Kong	1,308	975
中國內地	Chinese Mainland	320	423
其他	Others	908	489
		<u>2,536</u>	<u>1,887</u>

財務報表附註 (續) **Notes to the Financial Statements (continued)**

4. 金融風險管理 (續) **4. Financial risk management (continued)**

4.1 信貸風險 (續)

4.1 Credit risk (continued)

(B) 貸款及其他賬項  
(續)

(B) Advances and other accounts (continued)

(d) 客戶貸款集中度  
(續)

(d) Concentration of advances to customers (continued)

(ii) 按地理區域分  
類之客戶貸款  
總額 (續)

(ii) Geographical analysis of gross advances to customers (continued)

特定分類或減  
值貸款

Classified or impaired advances

香港  
中國內地  
其他

Hong Kong  
Chinese Mainland  
Others

**2020**  
港幣百萬元  
HK\$'m

**2019**  
港幣百萬元  
HK\$'m

**2,194**

1,766

**404**

507

**1,396**

944

**3,994**

3,217

就特定分類或  
減值貸款作  
出之減值準  
備 - 第三階  
段

Impairment allowances made in respect  
of the classified or impaired  
advances - Stage 3

香港  
中國內地  
其他

Hong Kong  
Chinese Mainland  
Others

**1,410**

1,132

**331**

436

**911**

607

**2,652**

2,175

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### (C) 收回資產

於年內，本集團通過對抵押品行使收回資產權而取得並於12月31日持有的資產，其種類及賬面值概述如下：

工業物業  
住宅物業

本集團於2020年12月31日持有的收回資產之估值為港幣0.67億元(2019年：港幣0.33億元)。這包括本集團通過對抵押取得處置或控制權的物業(如通過法律程序或業主自願交出抵押資產方式取得)而對借款人的債務進行全數或部分減除。

當收回資產的變現能力受到影響時，本集團將按情況以下列方式處理：

- 調整出售價格
- 連同抵押資產一併出售貸款
- 安排債務重組

#### 4.1 Credit risk (continued)

##### (C) Repossessed assets

During the year, the Group obtained assets by taking possession of collateral held as security. The nature and carrying value of these assets held as at 31 December are summarised as follows:

	2020	2019
	港幣百萬元	港幣百萬元
	HK\$m	HK\$m
Industrial properties	5	-
Residential properties	18	7
	<u>23</u>	<u>7</u>

The estimated market value of repossessed assets held by the Group as at 31 December 2020 amounted to HK\$67 million (2019: HK\$33 million). The repossessed assets comprise properties in respect of which the Group has acquired access or control (e.g. through court proceedings or voluntary actions by the proprietors concerned) for release in full or in part of the obligations of the borrowers.

When the repossessed assets are not readily convertible into cash, the Group may consider the following alternatives:

- adjusting the selling prices
- selling the loans together with the assets
- arranging loan restructuring

財務報表附註 (續) **Notes to the Financial Statements (continued)**

4. 金融風險管理 (續) **4. Financial risk management (continued)**

4.1 信貸風險 (續)

(D) 在銀行及其他金融機構之結餘及定期存放

提取減值準備前之在銀行及其他金融機構之結餘及定期存放按內部信貸評級及階段分析如下：

4.1 Credit risk (continued)

(D) Balances and placements with banks and other financial institutions

Balances and placements with banks and other financial institutions before impairment allowances are analysed by internal credit grade and stage classification as follows:

		2020			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
<b>中央銀行</b>	<b>Central banks</b>				
合格	Pass	183,571	-	-	183,571
需要關注	Special mention	-	-	-	-
次級或以下	Substandard or below	-	-	-	-
		<b>183,571</b>	<b>-</b>	<b>-</b>	<b>183,571</b>
<b>其他銀行及其他金融機構</b>	<b>Other banks and other financial institutions</b>				
合格	Pass	241,331	-	-	241,331
需要關注	Special mention	-	-	-	-
次級或以下	Substandard or below	-	-	-	-
		<b>241,331</b>	<b>-</b>	<b>-</b>	<b>241,331</b>
		<b>424,902</b>	<b>-</b>	<b>-</b>	<b>424,902</b>
減值準備	Impairment allowances	(8)	-	-	(8)
		<b>424,894</b>	<b>-</b>	<b>-</b>	<b>424,894</b>

財務報表附註 (續) **Notes to the Financial Statements (continued)**

4. 金融風險管理 (續) **4. Financial risk management (continued)**

4.1 信貸風險 (續)

4.1 Credit risk (continued)

(D) 在銀行及其他金融機構之結餘及定期存放  
(續)

(D) Balances and placements with banks and other financial institutions  
(continued)

		2019			
		第一階段	第二階段	第三階段	總計
		Stage 1	Stage 2	Stage 3	Total
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
		HK\$m	HK\$m	HK\$m	HK\$m
<b>中央銀行</b>	<b>Central banks</b>				
合格	Pass	163,019	-	-	163,019
需要關注	Special mention	-	-	-	-
次級或以下	Substandard or below	-	-	-	-
		<u>163,019</u>	<u>-</u>	<u>-</u>	<u>163,019</u>
<b>其他銀行及其他金融機構</b>	<b>Other banks and other financial institutions</b>				
合格	Pass	184,592	-	-	184,592
需要關注	Special mention	-	-	-	-
次級或以下	Substandard or below	-	-	-	-
		<u>184,592</u>	<u>-</u>	<u>-</u>	<u>184,592</u>
		347,611	-	-	347,611
減值準備	Impairment allowances	(3)	-	-	(3)
		<u>347,608</u>	<u>-</u>	<u>-</u>	<u>347,608</u>



財務報表附註 (續) **Notes to the Financial Statements (continued)**

4. 金融風險管理 (續) **4. Financial risk management (continued)**

4.1 信貸風險 (續)

(D) 在銀行及其他金融機構之結餘及定期存放 (續)

在銀行及其他金融機構之結餘及定期存放之減值準備變動情況列示如下：

4.1 Credit risk (continued)

(D) Balances and placements with banks and other financial institutions (continued)

Reconciliation of impairment allowances for balances and placements with banks and other financial institutions is as follows:

		2020			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
於 2020 年 1 月 1 日	At 1 January 2020	3	-	-	3
階段轉撥產生之變動	Changes arising from transfer of stage	-	-	-	-
本年淨撥備	Net charge for the year	5	-	-	5
匯兌差額及其他	Exchange difference and others	-	-	-	-
		<u>8</u>	<u>-</u>	<u>-</u>	<u>8</u>
於 2020 年 12 月 31 日	At 31 December 2020				
借記收益表 (附註 12)	Charged to income statement (Note 12)				<u>5</u>

		2019			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
於 2019 年 1 月 1 日	At 1 January 2019	15	-	-	15
階段轉撥產生之變動	Changes arising from transfer of stage	-	-	-	-
本年淨撥回	Net reversal for the year	(12)	-	-	(12)
匯兌差額及其他	Exchange difference and others	-	-	-	-
		<u>3</u>	<u>-</u>	<u>-</u>	<u>3</u>
於 2019 年 12 月 31 日	At 31 December 2019				
貸記收益表 (附註 12)	Credited to income statement (Note 12)				<u>(12)</u>

於 2020 年 12 月 31 日，沒有逾期或減值之在銀行及其他金融機構之結餘及定期存放 (2019 年：無)。

As at 31 December 2020, there were no overdue or impaired balances and placements with banks and other financial institutions (2019: Nil).

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**4. 金融風險管理 (續) 4. Financial risk management (continued)**
**4.1 信貸風險 (續)**
**4.1 Credit risk (continued)**
**(E) 債務證券及存款證**
**(E) Debt securities and certificates of deposit**

下表為以發行評級及階段分析之債務證券及存款證賬面值。在無發行評級的情況下，則會按發行人的評級報告。

The following tables present an analysis of the carrying value of debt securities and certificates of deposit by issue rating and stage classification. In the absence of such issue ratings, the ratings designated for the issuers are reported.

		2020	2019
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>以公平值變化計入其他全面收益之證券投資</b>	<b>Investment in securities at fair value through other comprehensive income</b>		
- 第一階段	- Stage 1		
Aaa	Aaa	115,062	105,381
Aa1 至 Aa3	Aa1 to Aa3	151,807	170,367
A1 至 A3	A1 to A3	429,534	351,809
A3 以下	Lower than A3	19,064	18,655
無評級	Unrated	15,868	21,445
		<b>731,335</b>	<b>667,657</b>
- 第二階段	- Stage 2	-	-
- 第三階段	- Stage 3	-	-
		<b>731,335</b>	<b>667,657</b>
其中：減值準備	Of which: impairment allowances	<b>(238)</b>	<b>(147)</b>
<b>以攤餘成本計量之證券投資</b>	<b>Investment in securities at amortised cost</b>		
- 第一階段	- Stage 1		
Aaa	Aaa	42,880	57,569
Aa1 至 Aa3	Aa1 to Aa3	3,194	2,748
A1 至 A3	A1 to A3	4,563	5,081
A3 以下	Lower than A3	3,573	2,230
無評級	Unrated	894	782
		<b>55,104</b>	<b>68,410</b>
- 第二階段	- Stage 2	-	-
- 第三階段	- Stage 3	-	-
		<b>55,104</b>	<b>68,410</b>
減值準備	Impairment allowances	<b>(11)</b>	<b>(20)</b>
		<b>55,093</b>	<b>68,390</b>

財務報表附註 (續) **Notes to the Financial Statements (continued)**

4. 金融風險管理 (續) **4. Financial risk management (continued)**

4.1 信貸風險 (續)

4.1 Credit risk (continued)

(E) 債務證券及存款證  
(續)

(E) Debt securities and certificates of deposit (continued)

		<u>2020</u>	<u>2019</u>
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
以公平值變化計入損 益之金融資產	<b>Financial assets at fair value through profit or loss</b>		
Aaa	Aaa	<b>1,095</b>	2,844
Aa1 至 Aa3	Aa1 to Aa3	<b>22,573</b>	26,442
A1 至 A3	A1 to A3	<b>3,216</b>	7,058
A3 以下	Lower than A3	<b>1,070</b>	1,962
無評級	Unrated	<b>1,324</b>	3,019
		<u><b>29,278</b></u>	<u>41,325</u>

財務報表附註 (續) **Notes to the Financial Statements (continued)**

4. 金融風險管理 (續) **4. Financial risk management (continued)**

4.1 信貸風險 (續)

(E) 債務證券及存款證  
(續)

債務證券及存款證  
之減值準備變動情  
況列示如下：

4.1 Credit risk (continued)

(E) Debt securities and certificates of deposit (continued)

Reconciliation of impairment allowances for debt securities and certificates of deposit  
is as follows:

		2020			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
以公平值變化計入其 他全面收益之證 券投資	Investment in securities at fair value through other comprehensive income				
於 2020 年 1 月 1 日	At 1 January 2020	147	-	-	147
階段轉撥產生之變動	Changes arising from transfer of stage	-	-	-	-
本年淨撥備	Net charge for the year	90	-	-	90
匯兌差額及其他	Exchange difference and others	1	-	-	1
於 2020 年 12 月 31 日	At 31 December 2020	238	-	-	238
借記收益表 (附註 12)	Charged to income statement (Note 12)				90
以攤餘成本計量之證 券投資	Investment in securities at amortised cost				
於 2020 年 1 月 1 日	At 1 January 2020	20	-	-	20
階段轉撥產生之變動	Changes arising from transfer of stage	-	-	-	-
本年淨撥回	Net reversal for the year	(9)	-	-	(9)
於 2020 年 12 月 31 日	At 31 December 2020	11	-	-	11
貸記收益表 (附註 12)	Credited to income statement (Note 12)				(9)

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**4. 金融風險管理 (續) 4. Financial risk management (continued)**
**4.1 信貸風險 (續)**
**4.1 Credit risk (continued)**
**(E) 債務證券及存款證  
(續)**
**(E) Debt securities and certificates of deposit (continued)**

		2019			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>以公平值變化計入其 他全面收益之證 券投資</b>	<b>Investment in securities at fair value through other comprehensive income</b>				
於 2019 年 1 月 1 日	At 1 January 2019	128	-	-	128
階段轉撥產生之變動	Changes arising from transfer of stage	-	-	-	-
本年淨撥備	Net charge for the year	19	-	-	19
匯兌差額及其他	Exchange difference and others	-	-	-	-
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
於 2019 年 12 月 31 日	At 31 December 2019	<u>147</u>	<u>-</u>	<u>-</u>	<u>147</u>
借記收益表 (附註 12)	Charged to income statement (Note 12)				<u>19</u>
<b>以攤餘成本計量之證 券投資</b>	<b>Investment in securities at amortised cost</b>				
於 2019 年 1 月 1 日	At 1 January 2019	10	-	-	10
階段轉撥產生之變動	Changes arising from transfer of stage	-	-	-	-
本年淨撥備	Net charge for the year	10	-	-	10
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
於 2019 年 12 月 31 日	At 31 December 2019	<u>20</u>	<u>-</u>	<u>-</u>	<u>20</u>
借記收益表 (附註 12)	Charged to income statement (Note 12)				<u>10</u>
於 2020 年 12 月 31 日，沒有逾期或減值 之債務證券及存款 證 (2019 年：無)。	As at 31 December 2020, there were no overdue or impaired debt securities and certificates of deposit (2019: Nil).				

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**4. 金融風險管理 (續) 4. Financial risk management (continued)**
**4.1 信貸風險 (續)**
**(F) 貸款承諾及財務擔保合同**

貸款承諾及財務擔保合同按內部信貸評級及階段分析如下：

**4.1 Credit risk (continued)**
**(F) Loan commitments and financial guarantee contracts**

Loan commitments and financial guarantee contracts are analysed by internal credit grade and stage classification as follows:

		2020			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
<b>貸款承諾及財務擔保合同</b>	<b>Loan commitments and financial guarantee contracts</b>				
合格	Pass	763,841	3,007	-	766,848
需要關注	Special mention	1,640	1,225	-	2,865
次級或以下	Substandard or below	-	-	36	36
		<b>765,481</b>	<b>4,232</b>	<b>36</b>	<b>769,749</b>
		2019			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
<b>貸款承諾及財務擔保合同</b>	<b>Loan commitments and financial guarantee contracts</b>				
合格	Pass	683,020	477	-	683,497
需要關注	Special mention	1,769	749	-	2,518
次級或以下	Substandard or below	-	-	38	38
		<b>684,789</b>	<b>1,226</b>	<b>38</b>	<b>686,053</b>

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### (F) 貸款承諾及財務擔保合同 (續)

貸款承諾及財務擔保合同之減值準備變動情況列示如下：

#### 4.1 Credit risk (continued)

##### (F) Loan commitments and financial guarantee contracts (continued)

Reconciliation of impairment allowances for loan commitments and financial guarantee contracts is as follows:

		2020			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
於 2020 年 1 月 1 日	At 1 January 2020	535	22	20	577
轉至第一階段	Transfer to Stage 1	13	(13)	-	-
轉至第二階段	Transfer to Stage 2	(3)	3	-	-
轉至第三階段	Transfer to Stage 3	-	-	-	-
階段轉撥產生之變動	Changes arising from transfer of stage	(12)	35	-	23
本年淨撥備 / (撥回)	Net charge/(reversal) for the year	57	(3)	-	54
匯兌差額及其他	Exchange difference and others	4	-	-	4
		<u>594</u>	<u>44</u>	<u>20</u>	<u>658</u>
於 2020 年 12 月 31 日	At 31 December 2020				
借記收益表 (附註 12)	Charged to income statement (Note 12)				<u>77</u>
		2019			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
於 2019 年 1 月 1 日	At 1 January 2019	375	20	43	438
轉至第一階段	Transfer to Stage 1	14	(13)	(1)	-
轉至第二階段	Transfer to Stage 2	(2)	2	-	-
轉至第三階段	Transfer to Stage 3	-	-	-	-
階段轉撥產生之變動	Changes arising from transfer of stage	(12)	11	-	(1)
本年淨撥備 / (撥回)	Net charge/(reversal) for the year	161	1	(25)	137
匯兌差額及其他	Exchange difference and others	(1)	1	3	3
		<u>535</u>	<u>22</u>	<u>20</u>	<u>577</u>
於 2019 年 12 月 31 日	At 31 December 2019				
借記收益表 (附註 12)	Charged to income statement (Note 12)				<u>136</u>

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### (G) 應對新冠肺炎疫情的 信貸風險管理

2020年，新冠肺炎疫情對全球的經濟造成嚴重影響。在疫情仍然反覆的情況下，客戶的經營及財務狀況持續受到壓力。本集團已採取一連串的風險管控措施以應對疫情帶來的影響及不確定性：

- 本集團配合金管局為個人及工商客戶推行一系列的紓困措施，以緩解其面對的財務壓力及疫情的影響。審批紓困措施相關貸款與其他授信准入標準一致，還款條款也是按商業準則進行調整，因此紓困措施項下貸款不會自動觸發階段遷移至第二階段及第三階段，亦不會分類為經重組貸款。
- 防疫措施的實施，對部分行業造成重大打擊，當中包括貿易、零售、航空、旅遊（含酒店業）、餐飲、娛樂等。本集團對有關行業的客戶進行風險評估，就客戶受到疫情的影響、應對措施及短期再融資方案逐一評估，以識別受影響客戶，並納入觀察名單以作持續密切監控，客戶的資產評級及內部評級會根據其最新狀況重檢。

#### 4.1 Credit risk (continued)

##### (G) Credit risk management in response to COVID-19 pandemic

The prolonged COVID-19 pandemic has caused significant adverse impact to the global economy during 2020. While the pandemic remains volatile, the operating and financial situations of borrowers will continue to suffer from pressure. The Group has taken a series of risk control measures in response to the adverse impact and the uncertainty from the pandemic:

- The Group coordinated with the HKMA in launching various relief measures for individuals and commercial borrowers, in order to alleviate the financial pressure and the impact of the pandemic. The underwriting standards of the loans under relief measures are consistent with other credits and the repayment terms are revised on commercial basis. Therefore, loans under relief measures do not automatically trigger the migration to Stage 2 and Stage 3, and are not classified as rescheduled advances.
- As the implementation of quarantine measures, several industries are severely hit, including Trading, Retail, Aviation, Tourism (including hospitality), Catering, Entertainment etc. The Group has conducted risk-based assessments on the borrowers within these industries. The impacts of the pandemic on the affected borrowers, their respective mitigation measures and short-term refinancing plans were also assessed, vulnerable borrowers were identified and put into the watchlist for on-going close monitoring. The loan classification and internal ratings of these borrowers were reviewed according to their latest situation.



## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### (G) 應對新冠肺炎疫情的 信貸風險管理 (續)

- 本集團定期以不同影響程度的新冠肺炎疫情情景進行壓力測試，以評估對信用損失及資產質量的潛在影響。
- 本集團重檢及更新預期信用損失模型所使用的宏觀經濟參數，以反映經濟前景的不確定性。此外，本集團對新冠肺炎疫情影響而納入監察名單中主要客戶的內部評級進行重檢，受影響的客戶評級因此下調，帶動第一階段及第二階段減值準備的增提，從而加強抵禦未來因經濟不明朗帶來的衝擊。

本集團會持續監察疫情對經濟的影響，並將繼續採用審慎的資產質量管理，避免資產質量出現顯著惡化。

#### 4.1 Credit risk (continued)

##### (G) Credit risk management in response to COVID-19 pandemic (continued)

- The Group performed stress tests of different scenarios of containment of COVID-19 pandemic regularly to assess the potential impacts on credit loss and asset quality.
- The Group reviewed and updated the forward looking macroeconomic factors used in ECL computation to reflect the uncertain economic outlook due to impact of COVID-19 pandemic. In addition, the Group performed internal rating review of major borrowers being put into watchlist due to COVID-19 pandemic impacts, resulting in downgrades of those affected borrowers hence leading to additional Stage 1 and Stage 2 impairment allowance to withstand the uncertainty of future economic conditions.

The Group will closely monitor the situation brought by the COVID-19 pandemic on the economy and will continue to adopt prudent asset quality management for avoiding significant deterioration in asset quality.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險

市場風險是指因金融市場價格(匯率、利率、股票價格、商品價格)波動導致銀行外匯、利率、股票和商品持倉值出現變化而可能給本集團帶來的損失。本集團採取適中的市場風險偏好,實現風險與收益的平衡。市場風險管理的目標,是根據本集團的風險偏好和資金業務發展策略,依靠完善的風險管理制度和相關管理手段,有效管理本集團業務中可能產生的市場風險,促進資金業務健康發展。

本集團按照風險管理企業管治原則管理市場風險,董事會及風險委員會、高層管理人員和職能部門/單位,各司其職,各負其責。風險管理部負責本集團市場風險管理,協助高層管理人員履行日常管理職責,獨立監察本集團及中銀香港的市場風險狀況以及管理政策和限額執行情況,並確保整體和個別市場風險均控制在可接受水平內。

#### 4.2 Market risk

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

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

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險 (續)

本集團市場風險管理的範圍，包括中銀香港及附屬機構。本集團制訂市場風險管理政策，規範中銀香港及附屬機構的市場風險管理，同時，設置集團風險值及壓力測試限額，並根據業務需求和風險承受能力統一配置和監督使用。在符合集團政策規定的前提下，附屬機構制訂具體的政策及程序，承擔其日常市場風險管理責任。

本集團設有市場風險指標及限額，用於識別、計量、監測和控制市場風險。主要風險指標和限額包括但不限於風險值、止損額、敞口額、壓力測試以及敏感性分析(基點價值、期權敏感度)等。主要風險指標和限額視管理需要劃分為三個層級，分別由風險委員會、高層管理人員或業務單位主管批准，中銀香港資金業務單位及附屬機構(就集團限額而言)必須在批核的市場風險指標和限額範圍內開展業務。

#### 4.2 Market risk (continued)

The Group's market risk management covers BOCHK and its subsidiaries. The Group establishes market risk management policies to regulate BOCHK's and its subsidiaries' market risk management; meanwhile, the Group sets up the Group's VaR and stress test limits, which are allocated and monitored across the Group according to the business requirements and risk tolerance levels. In line with the requirements set in the Group's policy, the subsidiaries formulate the detailed policies and procedures and are responsible for managing their daily market risk.

The Group sets up market risk indicators and limits to identify, measure, monitor and control market risk. Major risk indicators and limits include but are not limited to VaR, Stop Loss, Open Position, Stress Testing and Sensitivity Analysis (Basis Point Value, Greeks), etc. To meet management's requirements, major risk indicators and limits are classified into three levels, and are approved by the RMC, senior management or the head of the respective business unit respectively. The treasury business units of BOCHK and subsidiaries (as for Group Limit) are required to conduct their business within approved market risk indicators and limits.

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**4. 金融風險管理 (續) 4. Financial risk management (continued)**
**4.2 市場風險 (續)**
**(A) 風險值**

本集團採用風險值量度一般市場風險，並定期向風險委員會和高層管理人員報告。本集團採用統一的風險值計量模型，運用歷史模擬法，以過去2年歷史市場數據為參照，計算99%置信水平下及1天持有期內集團層面及各附屬機構的風險值，並設定本集團和各附屬機構的風險值限額。

下表詳述本集團一般市場風險持有的風險值<sup>1</sup>。

**4.2 Market risk (continued)**
**(A) VaR**

The Group uses the VaR to measure and report general market risks to the RMC and senior management on a periodic basis. The Group adopts a uniformed VaR calculation model, using a historical simulation approach and two years of historical market data, to calculate the VaR of the Group and its subsidiaries over a one-day holding period with a 99% confidence level, and sets up the VaR limit of the Group and its subsidiaries.

The following table sets out the VaR for all general market risk exposures<sup>1</sup> of the Group.

		年份	於 12 月 31 日	全年	全年	全年
		Year	At	最低數值	最高數值	平均數值
			31 December	Minimum for the year	Maximum for the year	Average for the year
			港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
			HK\$m	HK\$m	HK\$m	HK\$m
全部市場風險之風險值	VaR for all market risk	2020	27.4	17.5	50.1	31.1
		2019	26.6	17.6	52.3	31.0
匯率風險之風險值	VaR for foreign exchange risk	2020	27.8	6.5	30.8	21.1
		2019	9.3	7.2	21.1	12.7
交易賬利率風險之風險值	VaR for interest rate risk in the trading book	2020	10.1	5.8	35.6	18.5
		2019	25.3	9.8	41.6	21.3
交易賬股票風險之風險值	VaR for equity risk in the trading book	2020	0.8	0.3	2.9	1.0
		2019	0.7	0.2	2.5	0.8
商品風險之風險值	VaR for commodity risk	2020	2.5	0.0	11.2	1.8
		2019	1.7	0.2	43.7	16.1

註：

1. 不包括結構性外匯敞口的風險值。

Note:

1. Structural FX positions have been excluded.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險 (續)

##### (A) 風險值 (續)

雖然風險值是量度市場風險的一項重要指標，但也有其局限性，例如：

- 採用歷史市場數據估計未來動態未能顧及所有可能出現的情況，尤其是一些極端情況；
- 1天持有期的計算方法假設所有頭盤均可以在一日內套現或對沖。這項假設未必能完全反映市場風險，尤其在市場流通度極低時，可能未及在1天持有期內套現或對沖所有頭盤；
- 根據定義，當採用99%置信水平時，即未有考慮在此置信水平以外或會出現的虧損；以及
- 風險值是以營業時間結束時的頭盤作計算基準，因此並不一定反映交易時段內的風險。

#### 4.2 Market risk (continued)

##### (A) VaR (continued)

Although there is a valuable guide to market risk, VaR should always be viewed in the context of its limitations. For example:

- the use of historical market data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- the use of a one-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;
- the use of a 99% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence; and
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險 (續)

##### (A) 風險值 (續)

本集團充分了解風險值指標的局限性，因此，制定了壓力測試指標及限額以評估和管理風險值不能涵蓋的市場風險。市場風險壓力測試包括按不同風險因素改變的嚴峻程度所作的敏感性測試，以及對歷史事件的情景分析，如1987股災、1994債券市場危機、1997亞洲金融風暴、2001年美國911事件以及2008金融海嘯等。

##### (B) 外匯風險

本集團的資產及負債集中在港元、美元及人民幣等主要貨幣。為確保外匯風險承擔保持在可接受水平，本集團利用風險限額（例如頭盤及風險值限額）作為監控工具。此外，本集團致力於減少同一貨幣的資產與負債錯配，並通常利用外匯合約（例如外匯掉期）管理由外幣資產負債所產生的外匯風險。

#### 4.2 Market risk (continued)

##### (A) VaR (continued)

The Group recognises these limitations by formulating stress test indicators and limits to assess and manage the market risk uncovered by VaR. The stress testing programme of the market risk includes sensitivity testing on changes in risk factors with various degrees of severity, as well as scenario analysis on historical events including the 1987 Equity Market Crash, 1994 Bond Market Crash, 1997 Asian Financial Crisis, 2001 9-11 event and 2008 Financial Tsunami, etc.

##### (B) Currency risk

The Group's assets and liabilities are denominated in major currencies, particularly HK Dollar, US Dollar and Renminbi. To ensure the currency risk exposure of the Group is kept to an acceptable level, risk limits (e.g. Position and VaR limit) are used to serve as a monitoring tool. Moreover, the Group seeks to minimise the gap between assets and liabilities in the same currency. Foreign exchange contracts (e.g. FX swaps) are usually used to manage FX risk associated with foreign currency-denominated assets and liabilities.

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**4. 金融風險管理 (續) 4. Financial risk management (continued)**
**4.2 市場風險 (續)**
**(B) 外匯風險 (續)**

下表列出本集團因自營交易、非自營交易及結構性倉盤而產生之主要外幣風險額，並參照有關持有外匯情況之金管局報表的填報指示而編製。期權盤淨額乃根據所有外匯期權合約之「得爾塔加權持倉」為基礎計算。

**4.2 Market risk (continued)**
**(B) Currency risk (continued)**

The following is a summary of the Group's major foreign currency exposures arising from trading, non-trading and structural positions and is prepared with reference to the completion instructions for the HKMA return of foreign currency position. The net options position is calculated based on the basis of delta-weighted positions of all foreign exchange options contracts.

		2020							
		港幣百萬元等值							
		Equivalent in million of HK\$							
		美元 US Dollars	英鎊 Pound Sterling	日圓 Japanese Yen	歐羅 Euro	人民幣 Renminbi	澳元 Australian Dollars	其他外幣 Other foreign currencies	外幣總額 Total foreign currencies
現貨資產	Spot assets	910,330	30,074	160,779	45,926	381,197	36,620	62,007	1,626,933
現貨負債	Spot liabilities	(830,528)	(25,986)	(8,006)	(27,974)	(366,800)	(30,815)	(60,400)	(1,350,509)
遠期買入	Forward purchases	616,841	23,737	18,050	39,254	365,271	15,063	54,352	1,132,568
遠期賣出	Forward sales	(676,931)	(27,641)	(170,914)	(57,474)	(382,087)	(20,758)	(56,136)	(1,391,941)
期權盤淨額	Net options position	650	7	-	(2)	(406)	(1)	(1)	247
長 / (短) 盤淨額	Net long/(short) position	20,362	191	(91)	(270)	(2,825)	109	(178)	17,298
		2019							
		港幣百萬元等值							
		Equivalent in million of HK\$							
		美元 US Dollars	英鎊 Pound Sterling	日圓 Japanese Yen	歐羅 Euro	人民幣 Renminbi	澳元 Australian Dollars	其他外幣 Other foreign currencies	外幣總額 Total foreign currencies
現貨資產	Spot assets	836,139	29,513	123,344	40,611	272,977	37,785	70,894	1,411,263
現貨負債	Spot liabilities	(800,834)	(17,530)	(13,099)	(25,326)	(262,978)	(24,821)	(67,571)	(1,212,159)
遠期買入	Forward purchases	987,222	21,177	35,349	49,566	529,913	20,718	50,291	1,694,236
遠期賣出	Forward sales	(1,021,888)	(33,139)	(145,612)	(64,801)	(538,243)	(33,632)	(54,187)	(1,891,502)
期權盤淨額	Net options position	144	56	4	(86)	(293)	(15)	(24)	(214)
長 / (短) 盤淨額	Net long/(short) position	783	77	(14)	(36)	1,376	35	(597)	1,624

財務報表附註(續) **Notes to the Financial Statements (continued)**

4. 金融風險管理(續) **4. Financial risk management (continued)**

4.2 市場風險(續)

4.2 Market risk (continued)

(B) 外匯風險(續)

(B) Currency risk (continued)

		2020					
		港幣百萬元等值					
		Equivalent in million of HK\$					
		美元 US Dollars	泰銖 Baht	馬來西亞 林吉特 Malaysian Ringgit	菲律賓披索 Philippine Peso	其他外幣 Other foreign currencies	外幣總額 Total foreign currencies
結構性倉盤淨額	Net structural position	30,042	2,697	3,024	1,881	4,677	42,321
		2019					
		港幣百萬元等值					
		Equivalent in million of HK\$					
		美元 US Dollars	泰銖 Baht	馬來西亞 林吉特 Malaysian Ringgit	菲律賓披索 Philippine Peso	其他外幣 Other foreign currencies	外幣總額 Total foreign currencies
結構性倉盤淨額	Net structural position	29,052	2,625	2,903	1,737	4,523	40,840



## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險 (續)

##### (C) 利率風險

利率風險是指因利率水平、資產負債期限結構等要素發生變動而可能導致銀行整體收益和經濟價值承受損失的風險。本集團的利率風險承擔主要來自結構性持倉。結構性持倉的主要利率風險類別為：

- 利率重訂風險：資產與負債的到期日或重訂價格期限可能錯配，進而影響淨利息收入及經濟價值；
- 利率基準風險：不同交易的定價基準不同，令資產的收益率和負債的成本可能會在同一重訂價格期間以不同的幅度變化；及
- 期權風險：由於資產、負債或表外項目附設有期權，當期權行使時會改變相關資產或負債的現金流。

#### 4.2 Market risk (continued)

##### (C) Interest rate risk

Interest rate risk means the risks to a bank's earnings and economic value arising from movements in interest rate and term structures of the bank's asset and liability positions. The Group's interest rate risk exposures are mainly structural. The major types of interest rate risk from structural positions are:

- Gap risk: mismatches in the maturity or repricing periods of assets and liabilities that may affect net interest income and economic value;
- Basis risk: different pricing basis for different transactions resulting that the yield on assets and cost of liabilities may change by different amounts within the same repricing period; and
- Option risk: exercise of the options embedded in assets, liabilities or off-balance sheet items that can cause a change in the cash flows of assets and liabilities.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險 (續)

##### (C) 利率風險 (續)

本集團風險管理架構同樣適用於利率風險管理。根據風險委員會批准的《中銀香港集團銀行賬利率風險管理政策》，資產負債管理委員會(ALCO)具體履行管理集團利率風險的職責。風險管理部負責本集團利率風險管理，在財務管理部及投資管理等的配合下，協助資產負債管理委員會開展日常的利率風險管理工作，包括但不限於起草管理政策，選擇管理方法，設立風險指標和限額，評估目標資產負債表，監督利率風險管理政策與限額執行情況，向高層管理人員以及風險委員會提交利率風險管理報告等。

#### 4.2 Market risk (continued)

##### (C) Interest rate risk (continued)

The Group's risk management framework applies also to interest rate risk management. The Asset and Liability Management Committee ("ALCO") exercises its oversight of interest rate risk in accordance with the "BOCHK Group Banking Book Interest Rate Risk Management Policy" approved by the RMC. The RMD is responsible for the Group's interest rate risk management. With the cooperation of the Financial Management Department and Investment Management, etc., RMD assists the ALCO to perform day-to-day interest rate risk management. Its roles include, but are not limited to, the formulation of management policies, selection of methodologies, setting of risk indicators and limits, assessment of target balance sheet, monitoring of the compliance with policies and limits, and submission of interest rate risk management reports to senior management and the RMC, etc.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險 (續)

##### (C) 利率風險 (續)

本集團設定利率風險指標及限額，每日用於識別、計量、監測和控制利率風險。主要風險指標和限額包括但不限於重訂價缺口、利率基準風險、久期、基點現值(PVBP)、淨利息波動比率(NII)、經濟價值波動比率(EV)等。主要風險指標和限額劃分不同層級，按不同層級分別由財務總監、風險總監、資產負債管理委員會及風險委員會批准。承擔利率風險的各業務單位必須在利率風險指標限額範圍內開展相關業務。本集團推出銀行賬新產品或新業務前，相關單位須先執行風險評估程序，包括評估潛在的利率風險，並考慮現行的風險監控機制是否足夠。如在風險評估程序中發現對銀行利率風險造成重大影響，須上報風險委員會審批。

#### 4.2 Market risk (continued)

##### (C) Interest rate risk (continued)

The Group sets out interest rate risk indicators and limits to identify, measure, monitor and control interest rate risk on a daily basis. The indicators and limits include, but are not limited to, repricing gap limits, basis risk, duration, price value of a basis point ("PVBP"), net interest income sensitivity ratio ("NII"), economic value sensitivity ratio ("EV"), etc. The indicators and limits are classified into different levels, which are approved by the CFO, CRO, ALCO and RMC accordingly. Risk-taking business units are required to conduct their business within the boundary of the interest rate risk limits. Before launching a new product or business in the banking book, the relevant departments are required to go through a risk assessment process, which includes the assessment of underlying interest rate risk and consideration of the adequacy of current risk monitoring mechanism. Any material impact on interest rate risk noted during the risk assessment process will be submitted to the RMC for approval.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險 (續)

##### (C) 利率風險 (續)

淨利息波動比率(NII)和經濟價值波動比率(EV)反映利率變動對集團淨利息收入和資本基礎的影響,是本集團管理利率風險的重要風險指標。前者衡量利率變動導致的淨利息收入變動佔當年預期淨利息收入的比率;後者衡量利率變化對銀行經濟價值(即按市場利率折算的資產、負債及表外業務預測現金流的淨現值)的影響佔最新一級資本的比率。風險委員會為這兩項指標設定限額,用來監測和控制本集團銀行賬利率風險。

本集團採用情景分析和壓力測試方法,評估不利市況下銀行賬可能承受的利率風險。情景分析和壓力測試同時用於測試儲蓄存款客戶擇權、按揭客戶提早還款,以及內含期權債務證券提前還款對銀行淨利息收入和經濟價值的影響。

#### 4.2 Market risk (continued)

##### (C) Interest rate risk (continued)

NII and EV assess the impact of interest rate movement on the Group's net interest income and capital base. They are the Group's key interest rate risk indicators. The former assesses the impact of interest rate movement on net interest income as a percentage to the projected net interest income for the year. The latter assesses the impact of interest rate movement on economic value (i.e. the net present value of cash flows of assets, liabilities and off-balance sheet items discounted using the market interest rate) as a percentage to the latest Tier 1 capital. Limits are set by the RMC on these two indicators to monitor and control the Group's banking book interest rate risk.

The Group uses scenario analyses and stress tests to assess the banking book interest rate risk that the Group would face under adverse circumstances. Scenario analyses and stress tests are also used to assess the impact on net interest income and economic value arising from the optionality of savings deposits, the prepayment of mortgage loans and the prepayment of debt securities with embedded options.

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**4. 金融風險管理 (續) 4. Financial risk management (continued)**
**4.2 市場風險 (續)**
**4.2 Market risk (continued)**
**(C) 利率風險 (續)**
**(C) Interest rate risk (continued)**

本集團主要面對港元、美元及人民幣利率風險。截至 2020 年 12 月 31 日，若市場利率的收益率曲線平行移動 100 個基點，其他因素不變情況下，對本集團未來 12 個月的淨利息收入及對儲備的敏感度如下：

The Group is principally exposed to HK Dollar, US Dollar and Renminbi in terms of interest rate risk. As at 31 December 2020, if market interest rates had a 100 basis point parallel shift of the yield curve with other variables held constant, the sensitivities on net interest income over a twelve-month period and on reserves for the Group would have been as follows:

		於 12 月 31 日對未來 12 個月 淨利息收入的影響 Impact on net interest income over the next twelve months at 31 December		於 12 月 31 日對儲備的影響 Impact on reserves at 31 December	
		2020	2019	2020	2019
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>收益率曲線平行 上移 100 個基點</b>	<b>100 basis point parallel up of yield curve</b>				
合計	Total	<u>2,589</u>	<u>2,305</u>	<u>(7,827)</u>	<u>(6,482)</u>
其中：	Of which:				
港元	HK Dollar	4,148	3,583	(576)	(263)
美元	US Dollar	158	(387)	(3,826)	(3,585)
人民幣	Renminbi	<u>(1,448)</u>	<u>(623)</u>	<u>(2,599)</u>	<u>(2,017)</u>
<b>收益率曲線平行 下移 100 個基點</b>	<b>100 basis point parallel down of yield curve</b>				
合計	Total	<u>(2,589)</u>	<u>(2,309)</u>	<u>7,827</u>	<u>6,482</u>
其中：	Of which:				
港元	HK Dollar	(4,148)	(3,583)	576	263
美元	US Dollar	(158)	387	3,826	3,585
人民幣	Renminbi	<u>1,448</u>	<u>623</u>	<u>2,599</u>	<u>2,017</u>

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險 (續)

##### (C) 利率風險 (續)

在收益率曲線平行上移 100 個基點的情況下，2020 年上述貨幣的整體淨利息收入為正面影響。同時，預計債券組合及對沖會計下的利率衍生工具因收益率曲線平行上移 100 個基點出現估值減少而令集團儲備減少。淨利息收入正面影響較 2019 年增加及儲備減少幅度較 2019 年增加乃由於資本市場之債券組合規模及久期增加。

在收益率曲線平行下移 100 個基點的情況下，2020 年上述貨幣的整體淨利息收入為負面影響。同時，預計債券組合及對沖會計下的利率衍生工具因收益率曲線平行下移 100 個基點出現估值增加而令集團儲備增加。淨利息收入負面影響較 2019 年增加及儲備較 2019 年增加乃由於資本市場之債券組合規模及久期增加。

#### 4.2 Market risk (continued)

##### (C) Interest rate risk (continued)

In a parallel shift up of 100 basis points of yield curve, the overall impact on net interest income of the above currencies is positive in 2020. Reserves of the Group would have been reduced because of the expected reduction in valuation of the debt securities portfolio and relevant interest rate derivatives under hedge accounting due to a parallel shift up of 100 basis points in the yield curve. The positive impact on net interest income is increased and the reduction of reserves is increased compared with 2019 because the size and duration of the debt securities portfolio in capital market increased.

In a parallel shift down of 100 basis points of yield curve, the overall impact on net interest income of the above currencies is negative in 2020. Reserves of the Group would have been increased because of the expected increase in valuation of the debt securities portfolio and relevant interest rate derivatives under hedge accounting due to a parallel shift down of 100 basis points in the yield curve. The negative impact on net interest income is increased and the reserves is increased compared with 2019 because the size and duration of the debt securities portfolio in capital market increased.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險 (續)

##### (C) 利率風險 (續)

上述敏感度計算僅供說明用途，當中包括（但不限於）下列假設，如相關貨幣息口的相關性變化、利率平行移動、未計及為減低利率風險可能採取的緩釋風險行動、對沖會計的有效性、所有持倉均計至到期日為止、實際重訂息日與合約重訂息日有差異或沒有到期日之產品的習性假設。上述風險承擔只為本集團整體利率風險承擔的一部分。

#### 4.2 Market risk (continued)

##### (C) Interest rate risk (continued)

The sensitivities above are for illustration only and are based on several assumptions, including, but not limited to, the change in the correlation between interest rates of relevant currencies, parallel movement of interest rates, the absence of actions that would be taken to mitigate the impact of interest rate risk, the effectiveness of hedge accounting, all positions being assumed to run to maturity, behavioural assumptions of products in which the actual repricing date differs from the contractual repricing date or products without contractual maturity. The above exposures form only a part of the Group's overall interest rate risk exposures.

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**4. 金融風險管理 (續) 4. Financial risk management (continued)**
**4.2 市場風險 (續)**
**4.2 Market risk (continued)**
**(C) 利率風險 (續)**
**(C) Interest rate risk (continued)**

下表概述了本集團於12月31日之資產負債表內的利率風險承擔。表內以賬面值列示資產及負債，並按合約重訂息率日期或到期日(以較早者為準)分類。

The tables below summarise the Group's on-balance sheet exposure to interest rate risk as at 31 December. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing date and maturity date.

		2020						
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	不計息	總計
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
		HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
<b>資產</b>	<b>Assets</b>							
庫存現金及在銀行及其他金融機構之結餘及定期存放	Cash and balances and placements with banks and other financial institutions	338,481	25,591	12,516	1,101	-	85,392	463,081
以公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss	4,404	17,991	4,760	3,185	2,356	49	32,745
衍生金融工具	Derivative financial instruments	-	-	-	-	-	52,811	52,811
香港特別行政區政府負債證明書	Hong Kong SAR Government certificates of indebtedness	-	-	-	-	-	189,550	189,550
貸款及其他賬項	Advances and other accounts	1,246,590	163,720	36,230	40,454	6,438	6,376	1,499,808
證券投資	Investment in securities							
- 以公平值變化計入其他全面收益	- At FVOCI	130,866	213,464	100,294	184,893	101,818	3,441	734,776
- 以攤餘成本計量	- At amortised cost	5,091	3,836	13,409	19,889	12,868	-	55,093
聯營公司及合資企業權益	Interests in associates and joint ventures	-	-	-	-	-	663	663
投資物業	Investment properties	-	-	-	-	-	18,740	18,740
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	46,504	46,504
其他資產(包括應收稅項及遞延稅項資產)	Other assets (including current and deferred tax assets)	20,813	-	-	-	-	29,946	50,759
<b>資產總額</b>	<b>Total assets</b>	<b>1,746,245</b>	<b>424,602</b>	<b>167,209</b>	<b>249,522</b>	<b>123,480</b>	<b>433,472</b>	<b>3,144,530</b>



**財務報表附註 (續) Notes to the Financial Statements (continued)**
**4. 金融風險管理 (續) 4. Financial risk management (continued)**
**4.2 市場風險 (續)**
**4.2 Market risk (continued)**
**(C) 利率風險 (續)**
**(C) Interest rate risk (continued)**

		2020						
		一個月內 Up to 1 month	一至 三個月 1 to 3 months	三至 十二個月 3 to 12 months	一至五年 1 to 5 years	五年以上 Over 5 years	不計息 Non- interest bearing	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>負債</b>	<b>Liabilities</b>							
香港特別行政區流通紙幣	Hong Kong SAR currency notes in circulation	-	-	-	-	-	189,550	189,550
銀行及其他金融機構之存款 及結餘	Deposits and balances from banks and other financial institutions	226,607	565	1,322	1,243	-	96,504	326,241
以公平值變化計入損益之金 融負債	Financial liabilities at fair value through profit or loss	11,551	4,346	3,690	387	362	-	20,336
衍生金融工具	Derivative financial instruments	-	-	-	-	-	60,355	60,355
客戶存款	Deposits from customers	1,577,362	246,117	111,002	1,715	-	254,126	2,190,322
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	233	-	193	-	-	-	426
其他賬項及準備 (包括應付 稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	18,477	4	93	1,139	447	40,582	60,742
後償負債	Subordinated liabilities	-	-	-	-	-	-	-
<b>負債總額</b>	<b>Total liabilities</b>	<b>1,834,230</b>	<b>251,032</b>	<b>116,300</b>	<b>4,484</b>	<b>809</b>	<b>641,117</b>	<b>2,847,972</b>
利率敏感度缺口	Interest sensitivity gap	(87,985)	173,570	50,909	245,038	122,671	(207,645)	296,558

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險 (續)

#### 4.2 Market risk (continued)

##### (C) 利率風險 (續)

##### (C) Interest rate risk (continued)

		2019						
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	不計息	總計
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
<b>資產</b>	<b>Assets</b>							
庫存現金及在銀行及其他金融機構之結餘及定期存放	Cash and balances and placements with banks and other financial institutions	247,810	25,193	6,201	-	-	87,432	366,636
以公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss	9,684	17,216	7,740	8,871	3,111	40	46,662
衍生金融工具	Derivative financial instruments	-	-	-	-	-	31,167	31,167
香港特別行政區政府負債證明書	Hong Kong SAR Government certificates of indebtedness	-	-	-	-	-	163,840	163,840
貸款及其他賬項	Advances and other accounts	1,141,861	178,504	35,698	43,576	5,126	7,736	1,412,501
證券投資	Investment in securities							
- 以公平值變化計入其他全面收益	- At FVOCI	123,257	165,711	109,874	167,811	101,004	3,288	670,945
- 以攤餘成本計量	- At amortised cost	1,849	4,888	10,080	38,407	13,166	-	68,390
聯營公司及合資企業權益	Interests in associates and joint ventures	-	-	-	-	-	619	619
投資物業	Investment properties	-	-	-	-	-	20,428	20,428
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	51,173	51,173
其他資產 (包括應收稅項及遞延稅項資產)	Other assets (including current and deferred tax assets)	14,170	-	-	-	-	28,023	42,193
<b>資產總額</b>	<b>Total assets</b>	<b>1,538,631</b>	<b>391,512</b>	<b>169,593</b>	<b>258,665</b>	<b>122,407</b>	<b>393,746</b>	<b>2,874,554</b>

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**4. 金融風險管理 (續) 4. Financial risk management (continued)**
**4.2 市場風險 (續)**
**4.2 Market risk (continued)**
**(C) 利率風險 (續)**
**(C) Interest rate risk (continued)**

		2019						
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	不計息	總計
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
<b>負債</b>	<b>Liabilities</b>							
香港特別行政區流通紙幣	Hong Kong SAR currency notes in circulation	-	-	-	-	-	163,840	163,840
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	236,747	1,271	897	1,628	-	27,114	267,657
以公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	2,843	6,046	9,202	724	391	-	19,206
衍生金融工具	Derivative financial instruments	-	-	-	-	-	32,833	32,833
客戶存款	Deposits from customers	1,411,486	295,979	139,866	4,577	-	162,184	2,014,092
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	-	116	-	-	-	-	116
其他賬項及準備 (包括應付稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	19,556	6	114	968	721	59,861	81,226
後償負債	Subordinated liabilities	-	12,954	-	-	-	-	12,954
<b>負債總額</b>	<b>Total liabilities</b>	<b>1,670,632</b>	<b>316,372</b>	<b>150,079</b>	<b>7,897</b>	<b>1,112</b>	<b>445,832</b>	<b>2,591,924</b>
利率敏感度缺口	Interest sensitivity gap	(132,001)	75,140	19,514	250,768	121,295	(52,086)	282,630

**4.3 流動資金風險**
**4.3 Liquidity risk**

流動資金風險是指銀行無法以合理成本及時獲得充足資金，履行到期義務的風險。本集團遵循穩健的流動資金風險偏好，確保在正常情況及壓力情景下均有能力提供穩定、可靠和足夠的現金來源，滿足流動資金需求。

Liquidity risk is the risk that banks may not be able to obtain sufficient and timely funding at a reasonable cost to meet their obligations as they fall due. The Group maintains a sound liquidity risk appetite to provide stable, reliable and adequate sources of cash to meet liquidity needs under normal circumstances and stressed scenarios.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

本集團按照風險管理企業管治原則管理流動資金風險，董事會及風險委員會、高層管理人員和職能部門／單位，各司其職，各負其責。風險委員會是流動資金風險管理決策機構，並對流動資金風險承擔最終管理責任。風險委員會授權資產負債管理委員會管理日常的流動資金風險，確保本集團的業務經營符合風險委員會設定的流動資金風險偏好和政策規定。風險管理部負責本集團流動資金風險管理，它與財務管理部及投資管理等合作，根據各自的職責分工協助資產負債管理委員會履行具體的流動資金管理職能。

#### 4.3 Liquidity risk (continued)

In accordance with the Group's corporate governance principles in respect of risk management, the Board and the RMC, senior management and functional departments/units perform their duties and responsibilities to manage the Group's liquidity risk. The RMC is the decision-making authority of liquidity risk management, and assumes the ultimate responsibility of liquidity risk management. As authorised by the RMC, ALCO exercises its oversight of liquidity risk and ensures the daily operations of the Group are in accordance with the risk appetite and policies as set by the RMC. The RMD is responsible for the Group's liquidity risk management. It cooperates with the Financial Management Department and Investment Management, etc. to assist the ALCO to perform liquidity management functions according to their specific responsibilities.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

本集團管理流動資金風險的目標，是按照流動資金風險偏好，以合理的成本有效管理資產負債表內及表外業務的流動性，實現穩健經營和持續盈利。本集團以客戶存款為主要的資金來源，積極吸納和穩定核心存款，並輔以同業市場拆入款項及在資本市場發行票據，確保穩定和充足的資金來源。本集團根據不同期限及壓力情景下的流動資金需求，調整資產組合的結構（包括貸款、債券投資及拆放同業等），保持充足的流動資產，以便提供足夠的流動資金支持正常業務需要，及在緊急情況下有能力以合理的成本及時籌集到資金，保證對外支付。本集團致力實現融資渠道及期限和資金運用的多樣化，以避免資產負債過於集中，防止因資金來源或運用過於集中在某個方面，當其出現問題時，導致整個資金供應鏈斷裂，觸發流動資金風險。為了管理此類風險，集團對抵押品和資金來源設置了管理集中度的限額，如第一類流動資產佔總流動資產比率、首十大存戶比率和大存戶比率等。必要時，本集團可採取緩釋措施改善流動性狀況，措施包括但不限於通過銀行同業拆借或在貨幣市場進行回購獲得資金，在二手市場出售債券或挽留現有及吸納新的客戶存款。除了增加資金外，集團還將與交易對手、母行和監管機構保持良好溝通，以加強相互信任。

#### 4.3 Liquidity risk (continued)

The Group's liquidity risk management objective is to effectively manage the liquidity of on- and off-balance sheet items with a reasonable cost based on the liquidity risk appetite to achieve sound operation and sustainable profitability. Deposits from customers are the Group's primary source of funds. To ensure stable and sufficient sources of funds are in place, the Group actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market and by issuing bills in the capital market. According to different term maturities and the results of funding needs estimated from stressed scenarios, the Group adjusts its asset structure (including loans, bonds investment, interbank placement, etc.) to maintain sufficient liquid assets which provides adequate funds in support of normal business needs and ensure its ability to raise funds at a reasonable cost to serve external claims in case of emergency. The Group is committed to diversify the sources, tenors and use of funding to avoid excessive concentration of assets and liabilities; and prevent triggering liquidity risk due to the break of funding strand resulting from over-concentration of sources and use of funding in a particular area where problems occur. In order to manage such risk, the Group sets concentration limits on collateral pools and sources of funding such as Tier 1 high-quality readily liquefiable assets to total high-quality readily liquefiable assets ratio, top ten depositors ratio and large depositors ratio. Whenever necessary, the Group could improve the liquidity position by taking mitigation actions including, but not limited to obtaining funding through interbank borrowings or repos in the money market, selling bonds in the secondary market or retaining existing and attracting new customer deposits. Apart from increasing the funding, the Group would maintain good communication with the counterparties, the parent bank and the regulators to enhance mutual confidence.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

本集團制訂了集團內部流動資金風險管理指引，管理集團內各成員之間的流動資金，避免相互間在資金上過度依賴。本集團亦注重管理表外業務可能產生的流動資金風險，如貸款承諾、衍生工具、期權及其他複雜的結構性產品。本集團的流動資金風險管理策略涵蓋了外幣資產負債流動管理、抵押品、即日流動性、集團內流動性以及其他風險引致的流動資金風險等，並針對流動資金風險制訂了應急計劃。

本集團設定流動資金風險指標和限額，每日用來識別、計量、監測和控制流動資金風險，包括但不限於流動性覆蓋比率、穩定資金淨額比率、貸存比率、最大累計現金流出、以及流動資金緩衝等。本集團採用現金流量分析以評估本集團於正常情況下的流動資金狀況，並最少每月進行流動資金風險壓力測試（包括自身危機、市場危機情況及合併危機）和其他方法，評估本集團抵禦各種嚴峻流動資金危機的能力。本集團亦建立了相關管理資訊系統如資產負債管理系統及巴塞爾流動比率管理系統，提供數據及協助編製常規管理報表，以管理好流動資金風險。

#### 4.3 Liquidity risk (continued)

The Group has established intra-group liquidity risk management guidelines to manage the liquidity funding among different entities within the Group, and to restrict their reliance of funding on each other. The Group also pays attention to manage liquidity risk created by off-balance sheet activities, such as loan commitments, derivatives, options and other complex structured products. The Group has an overall liquidity risk management strategy to cover the liquidity management of foreign currency assets and liabilities, collateral, intra-day liquidity, intra-group liquidity, the liquidity risk arising from other risks, etc., and has formulated corresponding contingency plan.

The Group established liquidity risk management indicators and limits to identify, measure, monitor and control liquidity risk on a daily basis. These indicators and limits include, but are not limited to liquidity coverage ratio ("LCR"), net stable funding ratio ("NSFR"), loan-to-deposit ratio, Maximum Cumulative Cash Outflow ("MCO") and liquidity cushion. The Group applies a cash flow analysis to assess the Group's liquidity condition under normal conditions and also performs a liquidity stress test (including institution specific, general market crisis and combined crisis) and other methods at least on a monthly basis to assess the Group's capability to withstand various severe liquidity crises. Also, relevant management information systems such as the Assets and Liabilities Management System and the Basel Liquidity Ratio Management System are developed to provide data and to prepare for regular management reports to facilitate liquidity risk management duties.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

本集團根據金管局頒佈之監管政策手冊 LM-2 《穩健的流動資金風險管理系統及管控措施》中的要求，落實對現金流分析及壓力測試當中所採用的習性模型及假設，以強化本集團於日常及壓力情景下的現金流分析。在日常情況下的現金流分析，本集團對各項應用於表內項目（如客戶存款）及表外項目（如貸款承諾）作出假設。因應不同資產、負債及表外項目的特性，根據合約到期日、客戶習性假設及資產負債規模變化假設，以預測本集團的未來現金流量狀況。本集團設定「最大累計現金流出」指標，根據以上假設預測在日常情況下的未來 30 日之最大累計現金淨流出，以評估本集團的融資能力是否足以應付該現金流缺口，以達到持續經營的目的。於 2020 年 12 月 31 日，在沒有考慮出售未到期有價證券的現金流入之情況下，中銀香港之 30 日累計現金流是淨流入，為港幣 1,863.03 億元（2019 年：港幣 1,160.71 億元），符合內部限額要求。

#### 4.3 Liquidity risk (continued)

In accordance with the requirements of Supervisory Policy Manual LM-2 “Sound Systems and controls for Liquidity Risk Management” issued by the HKMA, the Group has implemented a behaviour model and assumptions of cash flow analysis and stress test to enhance the Group’s cash flow analysis under both normal and stressed conditions. In cash flow analysis under normal circumstances, assumptions have been made relating to on-balance sheet items (such as deposits from customers) and off-balance sheet items (such as loan commitments). According to various characteristics of the assets, liabilities and off-balance sheet items, the Group forecasts the future cash flow based on the contractual maturity date and the assumptions of customer behaviour and balance sheet changes. The Group establishes the MCO indicator which predicts the future 30 days maximum cumulative net cash outflow in normal situations based on the above assumptions, to assess if the Group has sufficient financing capacity to meet the cash flow gap in order to achieve the objective of continuing operations. As at 31 December 2020, before taking the cash inflow through the sale of outstanding marketable securities into consideration, BOCHK’s 30-day cumulative cash flow was a net cash inflow, amounting to HK\$186,303 million (2019: HK\$116,071 million) and was in compliance with the internal limit requirements.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

在流動資金風險壓力測試中，本集團設立了自身危機、市場危機及合併危機情景，合併危機情景結合自身危機及市場危機，並採用一套更嚴謹的假設，以評估本集團於更嚴峻的流動資金危機情況下的抵禦能力。壓力測試的假設包括零售存款、批發存款及同業存款之流失率，貸款承諾及與貿易相關的或然負債之提取率，貸款逾期比例及滾動發放比率，同業拆出及有價證券的折扣率等。於2020年12月31日，本集團在以上三種壓力情景下都能維持現金淨流入，表示本集團有能力應付壓力情景下的融資需要。此外，本集團的管理政策要求本集團維持流動資金緩衝，當中包括的高質素或質素相若有價證券為由官方實體、中央銀行、公營單位或多邊發展銀行發行或擔保，而其風險權重為0%或20%，或由非金融企業發行的有價證券，其外部信用評級相等於A-或以上，以確保在壓力情況下的資金需求。於2020年12月31日，中銀香港流動資金緩衝（折扣前）為港幣6,457.16億元（2019年：港幣5,313.88億元）。應急計劃明確了需根據壓力測試結果和預警指標結果為啟動方案的條件，並詳述了相關行動計劃、程序以及各相關部門的職責。

#### 4.3 Liquidity risk (continued)

In the liquidity stress test, institution specific, general market crisis and combined crisis scenarios have been set up, a combined crisis scenario is a combination of institution specific and general market crisis to assess the Group's capability to withstand a more severe liquidity crisis, with a more stringent set of assumptions being adopted. Stress test assumptions include the run-off rate of retail, wholesale and interbank deposits; the drawdown rate of loan commitments and trade-related contingent liabilities; the delinquency ratio and rollover rate of customer loans; and haircut of interbank placement and marketable securities. As at 31 December 2020, the Group was able to maintain a net cash inflow under the three stressed scenarios, indicating the Group has the ability to meet financing needs under stressed conditions. In addition, the Group has a policy in place to maintain a liquidity cushion which includes high quality or comparable quality marketable securities issued or guaranteed by sovereigns, central banks, public sector entities or multilateral development banks with 0% or 20% risk weight or marketable securities issued by non-financial corporate with a corresponding external credit rating of A- or above to ensure funding needs even under stressed scenarios. As at 31 December 2020, the liquidity cushion (before haircut) of BOCHK was HK\$645,716 million (2019: HK\$531,388 million). A contingency plan is being established which details the conditions to trigger the plan based on stress test results and early warning indicators, the action plans and relevant procedures and responsibility of relevant departments.



## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

金管局指定本集團為第一類認可機構，並需要根據《銀行業(流動性)規則》以綜合基礎計算流動性覆蓋比率及穩定資金淨額比率。於2020年，本集團須維持流動性覆蓋比率及穩定資金淨額比率不少於100%。

在部分衍生工具合約中，交易對手有權基於對本集團的信用狀況的關注而向本集團收取額外的抵押品。

本集團對流動資金風險的管理，同時適用於新產品或新業務。在新產品或業務推出前，相關單位必須先履行風險評估程序，包括評估潛在的流動資金風險，並考慮現行的風險監控機制是否足夠。如在風險評估程序中發現對銀行流動資金風險造成重大影響，須上報風險委員會審批。

#### 4.3 Liquidity risk (continued)

The Group, being classified as a category 1 authorised institution by the HKMA, is required to calculate the LCR and NSFR on a consolidated basis in accordance with the Banking (Liquidity) Rules. The Group is required to maintain a LCR and NSFR not less than 100% in 2020.

In certain derivative contracts, the counterparties have the right to request from the Group additional collateral if they have concerns about the Group's creditworthiness.

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

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

本集團制訂統一的流動資金風險管理政策，規範和指導所有集團成員的流動資金風險管理；各附屬機構根據集團的統一政策，結合自身特點制訂具體的管理辦法，並各自承擔管理本管機構流動資金風險的責任。各附屬機構須定期向中銀香港報告流動資金風險管理信息及相關流動資金比率，中銀香港風險管理部匯總各附屬機構的信息，對整個集團的流動資金風險狀況進行評估，確保滿足相關要求。

#### (A) 流動性覆蓋比率及穩定資金淨額比率

流動性覆蓋比率的平均值

- 第一季度
- 第二季度
- 第三季度
- 第四季度

流動性覆蓋比率的平均值是基於該季度的每個工作日終結時的流動性覆蓋比率的算術平均數及有關流動性狀況之金管局報表列明的計算方法及指示計算。

#### 4.3 Liquidity risk (continued)

The Group has established a set of uniform liquidity risk management policies which serve as standards and guidance to all the Group's members for liquidity risk management. On the basis of the Group's uniform policies, each of the subsidiaries develops its own liquidity management policies according to its own characteristics, and assumes its own liquidity risk management responsibility. Subsidiaries are required to report their respective liquidity positions with relevant liquidity ratios on a regular basis to the RMD of BOCHK, which consolidates this information and evaluates group-wide liquidity risk to ensure relevant requirements are satisfied.

#### (A) Liquidity coverage ratio and net stable funding ratio

	2020	2019
Average value of liquidity coverage ratio		
- First quarter	<b>150.45%</b>	183.00%
- Second quarter	<b>131.38%</b>	156.57%
- Third quarter	<b>130.98%</b>	142.85%
- Fourth quarter	<b>132.76%</b>	146.53%

Average value of liquidity coverage ratio is calculated based on the arithmetic mean of the liquidity coverage ratio as at the end of each working day in the quarter and the calculation methodology and instructions set out in the HKMA return of liquidity position.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

#### 4.3 Liquidity risk (continued)

##### (A) 流動性覆蓋比率及 穩定資金淨額比率 (續)

##### (A) Liquidity coverage ratio and net stable funding ratio (continued)

		2020	2019
穩定資金淨額比率 的季度終結值	Quarter-end value of net stable funding ratio		
- 第一季度	- First quarter	<b>116.60%</b>	121.36%
- 第二季度	- Second quarter	<b>117.49%</b>	119.15%
- 第三季度	- Third quarter	<b>115.30%</b>	116.47%
- 第四季度	- Fourth quarter	<b>125.31%</b>	118.00%

穩定資金淨額比率的季度終結值是基於有關穩定資金狀況之金管局報表列明的計算方法及指示計算。

Quarter-end value of net stable funding ratio is calculated based on the calculation methodology and instructions set out in the HKMA return of stable funding position.

流動性覆蓋比率及穩定資金淨額比率是以綜合基礎計算，並根據《銀行業（流動性）規則》由中銀香港及其部分金管局指定之附屬公司組成。

Liquidity coverage ratio and net stable funding ratio are computed on the consolidated basis which comprise the positions of BOCHK and certain subsidiaries specified by the HKMA in accordance with the Banking (Liquidity) Rules.

有關流動性覆蓋比率及穩定資金淨額比率披露的補充資料可於中銀香港網頁 [www.bochk.com](http://www.bochk.com) 中「監管披露」一節瀏覽。

The additional information of liquidity coverage ratio and net stable funding ratio disclosures is available under the section "Regulatory Disclosures" on BOCHK's website at [www.bochk.com](http://www.bochk.com).

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

#### 4.3 Liquidity risk (continued)

##### (B) 到期日分析

##### (B) Maturity analysis

下表為本集團於12月31日之資產及負債的到期日分析，按於結算日時，資產及負債相距合約到期日的剩餘期限分類。

The tables below analyse the Group's assets and liabilities as at 31 December into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

		2020							
		即期	一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定	總計
		On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
		港幣	港幣	港幣	港幣	港幣	港幣	港幣	港幣
		百萬元	百萬元	百萬元	百萬元	百萬元	百萬元	百萬元	百萬元
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
<b>資產</b>	<b>Assets</b>								
庫存現金及在銀行及其他金融機構之結餘及定期存放	Cash and balances and placements with banks and other financial institutions	367,448	56,425	25,217	12,134	1,857	-	-	463,081
以公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss	-	4,411	17,816	4,231	3,707	2,152	428	32,745
衍生金融工具	Derivative financial instruments	15,506	3,614	6,174	8,883	12,076	6,558	-	52,811
香港特別行政區政府負債證明書	Hong Kong SAR Government certificates of indebtedness	189,550	-	-	-	-	-	-	189,550
貸款及其他賬項	Advances and other accounts	224,172	41,197	83,024	183,549	622,363	344,001	1,502	1,499,808
證券投資	Investment in securities								
- 以公平值變化計入其他全面收益	- At FVOCI	-	125,559	199,549	108,528	196,028	101,671	3,441	734,776
- 以攤餘成本計量	- At amortised cost	-	5,222	3,880	13,015	20,145	12,831	-	55,093
聯營公司及合資企業權益	Interests in associates and joint ventures	-	-	-	-	-	-	663	663
投資物業	Investment properties	-	-	-	-	-	-	18,740	18,740
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	-	46,504	46,504
其他資產 (包括應收稅項及遞延稅項資產)	Other assets (including current and deferred tax assets)	32,711	15,153	463	476	116	2	1,838	50,759
<b>資產總額</b>	<b>Total assets</b>	<b>829,387</b>	<b>251,581</b>	<b>336,123</b>	<b>330,816</b>	<b>856,292</b>	<b>467,215</b>	<b>73,116</b>	<b>3,144,530</b>

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**4. 金融風險管理 (續) 4. Financial risk management (continued)**
**4.3 流動資金風險 (續) 4.3 Liquidity risk (continued)**
**(B) 到期日分析 (續) (B) Maturity analysis (continued)**

		2020							
		即期	一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定日期	總計
		On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
<b>負債</b>	<b>Liabilities</b>								
香港特別行政區流通紙幣	Hong Kong SAR currency notes in circulation	189,550	-	-	-	-	-	-	189,550
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	269,742	53,371	564	1,322	1,242	-	-	326,241
以公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	-	11,552	4,348	3,690	386	360	-	20,336
衍生金融工具	Derivative financial instruments	11,253	5,065	7,052	9,480	16,786	10,719	-	60,355
客戶存款	Deposits from customers	1,465,055	366,433	246,117	111,002	1,715	-	-	2,190,322
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	-	233	-	193	-	-	-	426
其他賬項及準備 (包括應付稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	31,973	16,882	1,926	2,742	7,086	133	-	60,742
後償負債	Subordinated liabilities	-	-	-	-	-	-	-	-
<b>負債總額</b>	<b>Total liabilities</b>	<b>1,967,573</b>	<b>453,536</b>	<b>260,007</b>	<b>128,429</b>	<b>27,215</b>	<b>11,212</b>	<b>-</b>	<b>2,847,972</b>
流動資金缺口	Net liquidity gap	(1,138,186)	(201,955)	76,116	202,387	829,077	456,003	73,116	296,558

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**4. 金融風險管理 (續) 4. Financial risk management (continued)**
**4.3 流動資金風險 (續) 4.3 Liquidity risk (continued)**
**(B) 到期日分析 (續) (B) Maturity analysis (continued)**

		2019							
		即期	一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定	總計
		On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
		港幣	港幣	港幣	港幣	港幣	港幣	港幣	港幣
		百萬元	百萬元	百萬元	百萬元	百萬元	百萬元	百萬元	百萬元
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
<b>資產</b>	<b>Assets</b>								
庫存現金及在銀行及其他金融機構之結餘及定期存放	Cash and balances and placements with banks and other financial institutions	244,731	90,511	24,799	5,810	785	-	-	366,636
以公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss	-	9,649	16,903	7,794	9,182	3,094	40	46,662
衍生金融工具	Derivative financial instruments	11,662	2,561	3,574	4,981	5,399	2,990	-	31,167
香港特別行政區政府負債證明書	Hong Kong SAR Government certificates of indebtedness	163,840	-	-	-	-	-	-	163,840
貸款及其他賬項	Advances and other accounts	210,109	47,032	58,341	167,062	619,292	309,478	1,187	1,412,501
證券投資	Investment in securities								
- 以公平值變化計入其他全面收益	- At FVOCI	-	113,573	141,875	118,179	191,726	102,304	3,288	670,945
- 以攤餘成本計量	- At amortised cost	-	2,031	4,962	9,742	38,517	13,138	-	68,390
聯營公司及合資企業權益	Interests in associates and joint ventures	-	-	-	-	-	-	619	619
投資物業	Investment properties	-	-	-	-	-	-	20,428	20,428
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	-	51,173	51,173
其他資產 (包括應收稅項及遞延稅項資產)	Other assets (including current and deferred tax assets)	25,481	16,016	270	355	61	-	10	42,193
<b>資產總額</b>	<b>Total assets</b>	<b>655,823</b>	<b>281,373</b>	<b>250,724</b>	<b>313,923</b>	<b>864,962</b>	<b>431,004</b>	<b>76,745</b>	<b>2,874,554</b>

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**4. 金融風險管理 (續) 4. Financial risk management (continued)**
**4.3 流動資金風險 (續) 4.3 Liquidity risk (continued)**
**(B) 到期日分析 (續) (B) Maturity analysis (continued)**

		2019							
		即期	一至	三至					
		On	三個月	十二個月	一至五年	五年以上	不確定		
		demand	1 to 3	3 to 12	1 to 5	Over	日期		總計
		港幣	港幣	港幣	港幣	港幣	港幣	港幣	港幣
		百萬元	百萬元	百萬元	百萬元	百萬元	百萬元	百萬元	百萬元
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
<b>負債</b>	<b>Liabilities</b>								
香港特別行政區流通紙幣	Hong Kong SAR currency notes in circulation	163,840	-	-	-	-	-	-	163,840
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	168,004	95,857	1,271	897	1,628	-	-	267,657
以公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	-	2,843	6,049	9,202	724	388	-	19,206
衍生金融工具	Derivative financial instruments	9,576	2,517	3,051	5,184	7,549	4,956	-	32,833
客戶存款	Deposits from customers	1,110,519	463,151	295,979	139,866	4,577	-	-	2,014,092
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	-	-	116	-	-	-	-	116
其他賬項及準備 (包括應付稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	31,959	35,525	2,110	3,444	8,011	177	-	81,226
後償負債	Subordinated liabilities	-	-	12,954	-	-	-	-	12,954
<b>負債總額</b>	<b>Total liabilities</b>	<b>1,483,898</b>	<b>599,893</b>	<b>321,530</b>	<b>158,593</b>	<b>22,489</b>	<b>5,521</b>	<b>-</b>	<b>2,591,924</b>
流動資金缺口	Net liquidity gap	(828,075)	(318,520)	(70,806)	155,330	842,473	425,483	76,745	282,630

## 財務報表附註 (續) **Notes to the Financial Statements (continued)**

### 4. 金融風險管理 (續) **4. Financial risk management (continued)**

#### 4.3 流動資金風險 (續)

#### 4.3 Liquidity risk (continued)

##### (B) 到期日分析 (續)

##### (B) Maturity analysis (continued)

按尚餘到期日對債務證券之分析是根據合約到期日分類。所作披露不代表此等證券將持有至到期日。

The analysis of debt securities by remaining period to maturity is based on contractual maturity date. The disclosure does not imply that the securities will be held to maturity.



**財務報表附註 (續) Notes to the Financial Statements (continued)**
**4. 金融風險管理 (續) 4. Financial risk management (continued)**
**4.3 流動資金風險 (續)**
**(C) 按合約到期日分析  
之未折現現金流**
**(a) 非衍生工具之現  
金流**

下表概述了本集團於12月31日之非衍生金融負債以剩餘合約到期日列示之現金流。

**4.3 Liquidity risk (continued)**
**(C) Analysis of undiscounted cash flows by contractual maturities**
**(a) Non-derivative cash flows**

The tables below summarise the cash flows of the Group as at 31 December for non-derivative financial liabilities by remaining contractual maturity.

		2020					
		一至	三至				
		一個月內	三個月	十二個月	一至五年	五年以上	總計
		Up to	1 to 3	3 to 12	1 to 5	Over	Total
		1 month	months	months	years	5 years	Total
		港幣	港幣	港幣	港幣	港幣	港幣
		百萬元	百萬元	百萬元	百萬元	百萬元	百萬元
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
<b>金融負債</b>	<b>Financial liabilities</b>						
香港特別行政區流通紙幣	Hong Kong SAR currency notes in circulation	189,550	-	-	-	-	189,550
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	323,133	568	1,342	1,251	-	326,294
以公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	11,552	4,349	3,698	409	342	20,350
客戶存款	Deposits from customers	1,831,558	246,406	111,827	1,754	-	2,191,545
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	233	-	194	-	-	427
後償負債	Subordinated liabilities	-	-	-	-	-	-
租賃負債	Lease liabilities	61	112	468	1,011	134	1,786
其他金融負債	Other financial liabilities	45,158	275	143	4	6	45,586
<b>金融負債總額</b>	<b>Total financial liabilities</b>	<b>2,401,245</b>	<b>251,710</b>	<b>117,672</b>	<b>4,429</b>	<b>482</b>	<b>2,775,538</b>
		2019					
		一至	三至				
		一個月內	三個月	十二個月	一至五年	五年以上	總計
		Up to	1 to 3	3 to 12	1 to 5	Over	Total
		1 month	months	months	years	5 years	Total
		港幣	港幣	港幣	港幣	港幣	港幣
		百萬元	百萬元	百萬元	百萬元	百萬元	百萬元
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
<b>金融負債</b>	<b>Financial liabilities</b>						
香港特別行政區流通紙幣	Hong Kong SAR currency notes in circulation	163,840	-	-	-	-	163,840
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	263,879	1,275	903	1,688	-	267,745
以公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	2,845	6,066	9,291	777	406	19,385
客戶存款	Deposits from customers	1,574,045	297,100	141,446	4,696	-	2,017,287
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	-	117	-	-	-	117
後償負債	Subordinated liabilities	-	12,991	-	-	-	12,991
租賃負債	Lease liabilities	56	111	443	1,153	181	1,944
其他金融負債	Other financial liabilities	61,615	233	242	4	6	62,100
<b>金融負債總額</b>	<b>Total financial liabilities</b>	<b>2,066,280</b>	<b>317,893</b>	<b>152,325</b>	<b>8,318</b>	<b>593</b>	<b>2,545,409</b>

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

##### (C) 按合約到期日分析 之未折現現金流 (續)

##### (b) 衍生工具之現金 流

下表概述了本集團於 12 月 31 日以剩餘合約到期日列示之現金流，包括按淨額基準結算之衍生金融負債，及所有按總額基準結算之衍生金融工具（不論有關合約屬資產或負債）。除部分衍生工具以公平值列示外，下表披露的其他金額均為未經折現的合同現金流。

本集團按淨額基準結算之衍生金融工具主要包括利率掉期，而按總額基準結算之衍生金融工具主要包括貨幣遠期及貨幣掉期。

#### 4.3 Liquidity risk (continued)

##### (C) Analysis of undiscounted cash flows by contractual maturities (continued)

##### (b) Derivative cash flows

The tables below summarise the cash flows of the Group by remaining contractual maturity as at 31 December for derivative financial liabilities that will be settled on a net basis, together with all derivative financial instruments that will be settled on a gross basis regardless of whether the contract is in an asset or liability position. The amounts disclosed in the tables are the contractual undiscounted cash flows, except for certain derivatives which are disclosed at fair value.

The Group's derivative financial instruments that will be settled on a net basis mainly include interest rate swaps whereas derivative financial instruments that will be settled on a gross basis mainly include currency forwards and currency swaps.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

#### 4.3 Liquidity risk (continued)

##### (C) 按合約到期日分析 之未折現現金流 (續)

##### (C) Analysis of undiscounted cash flows by contractual maturities (continued)

##### (b) 衍生工具之現金 流 (續)

##### (b) Derivative cash flows (continued)

		2020					
		一 個月內 Up to 1 month	一至 三個月 1 to 3 months	三至 十二個月 3 to 12 months	一至五年 1 to 5 years	五年以上 Over 5 years	總計 Total
		港幣 百萬元 HK\$m	港幣 百萬元 HK\$m	港幣 百萬元 HK\$m	港幣 百萬元 HK\$m	港幣 百萬元 HK\$m	港幣 百萬元 HK\$m
按淨額基準結 算之衍生金 融負債	Derivative financial liabilities settled on a net basis	(12,478)	(1,822)	(6,454)	(15,829)	(2,184)	(38,767)
按總額基準結 算之衍生金 融工具	Derivative financial instruments settled on a gross basis						
總流入	Total inflow	431,957	354,366	372,964	130,734	5,646	1,295,667
總流出	Total outflow	(433,487)	(355,490)	(373,384)	(130,260)	(5,573)	(1,298,194)

		2019					
		一 個月內 Up to 1 month	一至 三個月 1 to 3 months	三至 十二個月 3 to 12 months	一至五年 1 to 5 years	五年以上 Over 5 years	總計 Total
		港幣 百萬元 HK\$m	港幣 百萬元 HK\$m	港幣 百萬元 HK\$m	港幣 百萬元 HK\$m	港幣 百萬元 HK\$m	港幣 百萬元 HK\$m
按淨額基準結 算之衍生金 融負債	Derivative financial liabilities settled on a net basis	(10,065)	(736)	(2,531)	(7,443)	(1,614)	(22,389)
按總額基準結 算之衍生金 融工具	Derivative financial instruments settled on a gross basis						
總流入	Total inflow	593,459	436,313	687,147	119,126	964	1,837,009
總流出	Total outflow	(592,945)	(432,346)	(687,051)	(118,885)	(967)	(1,832,194)

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

#### 4.3 Liquidity risk (continued)

##### (C) 按合約到期日分析 之未折現現金流 (續)

##### (C) Analysis of undiscounted cash flows by contractual maturities (continued)

##### (c) 資產負債表外 項目

##### (c) Off-balance sheet items

##### 貸款承諾

##### Loan commitments

有關本集團於2020年12月31日向客戶承諾延長信貸及其他融資之表外金融工具，其合約金額為港幣7,092.17億元(2019年：港幣6,236.53億元)；此等貸款承諾可於一年內提取。

The contractual amounts of the Group's off-balance sheet financial instruments as at 31 December 2020 that the Group commits to extend credit to customers and other facilities amounted to HK\$709,217 million (2019: HK\$623,653 million). Those loan commitments can be drawn within one year.

##### 財務擔保合同

##### Financial guarantee contracts

本集團於2020年12月31日之財務擔保及其他財務融資金額為港幣605.32億元(2019年：港幣624.00億元)；其到期日少於一年。

Financial guarantees and other financial facilities of the Group as at 31 December 2020 amounting to HK\$60,532 million (2019: HK\$62,400 million) are maturing no later than one year.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.4 資本管理

本集團資本管理的主要目標是維持與集團整體風險狀況相稱的資本充足水平，同時為股東帶來最大回報。資產負債管理委員會定期檢討本集團資本結構，並在需要時進行調整以保持風險、回報與資本充足性的最佳平衡。

本集團已經建立一套有效的資本管理政策和調控機制，並且運行良好。此套機制保證集團在支持業務發展的同時，滿足法定資本充足率的要求。資產負債管理委員會負責監控集團的資本充足性。本集團在報告時段內就銀行業務符合各項金管局的法定資本規定，詳述如下：

本集團已採用基礎內部評級基準計算法計算大部分非證券化類別風險承擔的信貸風險資本要求。剩餘小部分信貸風險承擔按標準（信貸風險）計算法計算。本集團採用標準信貸估值調整方法，計算具有信貸估值調整風險的交易對手資本要求。

#### 4.4 Capital management

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

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

The Group has adopted the foundation internal ratings-based ("FIRB") approach to calculate the credit risk capital charge for the majority of its non-securitisation exposures. Small residual credit exposures are remained under the standardised (credit risk) ("STC") approach. The Group has adopted the standardised credit valuation adjustment ("CVA") method to calculate the capital charge for the CVA risk of the counterparty.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.4 資本管理 (續)

本集團繼續採用內部模式計算法計算外匯及利率的一般市場風險資本要求，並獲金管局批准豁免計算結構性外匯敞口產生的市場風險資本要求。本集團繼續採用標準(市場風險)計算法計算其餘市場風險資本要求。

本集團繼續採用標準(業務操作風險)計算法計算操作風險資本要求。

本集團於2020年繼續採用內部資本充足評估程序以符合金管局監管政策手冊「監管審查程序」內的要求。按金管局對第二支柱的指引，內部資本充足評估程序主要用以評估在第一支柱下未有涵蓋或充分涵蓋的重大風險所需的額外資本，從而設定本集團最低普通股權一級資本比率、最低一級資本比率及最低總資本比率。同時，本集團亦就前述的資本比率設定了運作區間，以支持業務發展需要及促進資本的有效運用。本集團認為內部資本充足評估程序是一個持續的資本管理過程，並會因應自身的整體風險狀況而定期重檢及按需要調整其資本結構。

#### 4.4 Capital management (continued)

The Group continues to adopt the internal models (“IMM”) approach to calculate the general market risk capital charge for foreign exchange and interest rate exposures and, with the approval from the HKMA, exclude its structural FX positions in the calculation of the market risk capital charge. The Group continues to adopt the standardised (market risk) (“STM”) approach to calculate the market risk capital charge for the remaining exposures.

The Group continues to adopt the standardised (operational risk) (“STO”) approach to calculate the operational risk capital charge.

The Group has continued to adopt an internal capital adequacy assessment process (“ICAAP”) to comply with the HKMA’s requirements in the Supervisory Policy Manual “Supervisory Review Process” in 2020. Based on the HKMA’s guidelines on Pillar II, ICAAP has been initiated to assess the extra capital needed to cover the material risks not captured or not adequately captured under Pillar I, and therefore minimum Common Equity Tier 1 capital ratio, minimum Tier 1 capital ratio and minimum Total capital ratio are determined. Meanwhile, operating ranges for the aforementioned capital ratios have also been established which enable the flexibility for future business growth and efficiency of capital utilisation. The Group considers this ICAAP as an on-going process for capital management and periodically reviews and adjusts its capital structure where appropriate in relation to the overall risk profile.

## 財務報表附註（續） Notes to the Financial Statements (continued)

### 4. 金融風險管理（續） 4. Financial risk management (continued)

#### 4.4 資本管理（續）

此外，本集團每年制定年度資本規劃，由資產負債管理委員會審議後呈董事會批准。資本規劃從業務策略、股東回報、風險偏好、信用評級、監管要求等多維度評估對資本充足性的影響，從而預測未來資本需求及資本來源，以保障集團能維持良好的資本充足性及資本組合結構，配合業務發展，保持風險、回報與資本充足性的最佳平衡。

#### (A) 監管綜合基礎

監管規定的綜合基礎乃根據《銀行業（資本）規則》由中銀香港及其部分金管局指定之附屬公司組成。在會計處理方面，則按照香港財務報告準則綜合附屬公司，其名單載於「附錄－本銀行之附屬公司」。

#### 4.4 Capital management (continued)

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

#### (A) Basis of regulatory consolidation

The consolidation basis for regulatory purposes comprises the positions of BOCHK and certain subsidiaries specified by the HKMA in accordance with the Banking (Capital) Rules. For accounting purposes, subsidiaries are consolidated in accordance with HKFRSs and the list of subsidiaries is set out in "Appendix – Subsidiaries of the Bank".

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.4 資本管理 (續)

#### 4.4 Capital management (continued)

##### (A) 監管綜合基礎 (續)

##### (A) Basis of regulatory consolidation (continued)

包括在會計準則綜合範圍，而不包括在監管規定綜合範圍內的附屬公司之詳情如下：

The particulars of subsidiaries which are included within the accounting scope of consolidation but not included within the regulatory scope of consolidation are as follows:

名稱	Name	2020		2019	
		資產總額 Total assets 港幣百萬元 HK\$'m	資本總額 Total equity 港幣百萬元 HK\$'m	資產總額 Total assets 港幣百萬元 HK\$'m	資本總額 Total equity 港幣百萬元 HK\$'m
中銀集團信託人有限公司	BOC Group Trustee Company Limited	200	200	200	200
中銀國際英國保誠信託有限公司	BOCI-Prudential Trustee Limited	553	498	612	483
China Bridge (Malaysia) Sdn. Bhd.	China Bridge (Malaysia) Sdn. Bhd.	13	9	56	36
中國銀行(香港)代理人有限公司	Bank of China (Hong Kong) Nominees Limited	-	-	-	-
中國銀行(香港)信託有限公司	Bank of China (Hong Kong) Trustees Limited	11	11	12	11
中銀金融服務(南寧)有限公司	BOC Financial Services (Nanning) Company Limited	248	43	173	42
中銀信息科技(深圳)有限公司	BOCHK Information Technology (Shenzhen) Co., Ltd.	387	265	401	255
中銀信息技術服務(深圳)有限公司	BOCHK Information Technology Services (Shenzhen) Co., Ltd.	421	360	418	348
浙興(代理人)有限公司	Che Hsing (Nominees) Limited	-	-	1	1
寶生金融投資服務有限公司	Po Sang Financial Investment Services Company Limited	364	345	364	345
寶生證券及期貨有限公司	Po Sang Securities and Futures Limited	952	375	664	373
新僑企業有限公司*	Sin Chiao Enterprises Corporation, Limited*	N/A	N/A	6	6
新華信託有限公司	Sin Hua Trustee Limited	5	5	5	5
Billion Express Development Inc.	Billion Express Development Inc.	-	-	-	-
Billion Orient Holdings Ltd.	Billion Orient Holdings Ltd.	-	-	-	-
Elite Bond Investments Ltd.	Elite Bond Investments Ltd.	-	-	-	-
Express Capital Enterprise Inc.	Express Capital Enterprise Inc.	-	-	-	-



**財務報表附註 (續) Notes to the Financial Statements (continued)**
**4. 金融風險管理 (續) 4. Financial risk management (continued)**
**4.4 資本管理 (續)**
**4.4 Capital management (continued)**
**(A) 監管綜合基礎 (續)**
**(A) Basis of regulatory consolidation (continued)**

名稱	Name	2020		2019	
		資產總額	資本總額	資產總額	資本總額
		Total assets	Total equity	Total assets	Total equity
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
		HK\$'m	HK\$'m	HK\$'m	HK\$'m
Express Charm Holdings Corp.	Express Charm Holdings Corp.	-	-	-	-
Express Shine Assets Holdings Corp.	Express Shine Assets Holdings Corp.	-	-	-	-
Express Talent Investment Ltd.	Express Talent Investment Ltd.	-	-	-	-
Gold Medal Capital Inc.	Gold Medal Capital Inc.	-	-	-	-
Gold Tap Enterprises Inc.	Gold Tap Enterprises Inc.	-	-	-	-
Maxi Success Holdings Ltd.	Maxi Success Holdings Ltd.	-	-	-	-
Smart Linkage Holdings Inc.	Smart Linkage Holdings Inc.	-	-	-	-
Smart Union Capital Investments Ltd.	Smart Union Capital Investments Ltd.	-	-	-	-
Success Trend Development Ltd.	Success Trend Development Ltd.	-	-	-	-
Wise Key Enterprises Corp.	Wise Key Enterprises Corp.	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

\*新僑企業有限公司已於2020年12月28日正式解散。

\*Sin Chiao Enterprises Corporation, Limited was dissolved on 28 December 2020.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.4 資本管理 (續)

##### (A) 監管綜合基礎 (續)

以上附屬公司的主要業務載於「附錄—本銀行之附屬公司」。

於2020年12月31日，並無任何附屬公司只包括在監管規定綜合範圍，而不包括在會計準則綜合範圍(2019年：無)。

於2020年12月31日，亦無任何附屬公司同時包括在會計準則和監管規定綜合範圍而使用不同綜合方法(2019年：無)。

本集團在不同國家／地區經營附屬公司，這些公司的資本須受當地規則監管，而本集團成員公司之間相互轉讓資金或監管資本，亦可能受到限制。

##### (B) 資本比率

資本比率分析如下：

普通股權一級資本比率

一級資本比率

總資本比率

#### 4.4 Capital management (continued)

##### (A) Basis of regulatory consolidation (continued)

The principal activities of the above subsidiaries are set out in "Appendix – Subsidiaries of the Bank".

There were no subsidiaries which are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation as at 31 December 2020 (2019: Nil).

There were also no subsidiaries which are included within both the accounting scope of consolidation and the regulatory scope of consolidation where the methods of consolidation differ as at 31 December 2020 (2019: Nil).

The Group operates subsidiaries in different countries/regions where capital is governed by local rules and there may be restrictions on the transfer of funds or regulatory capital between the members of the Group.

##### (B) Capital ratio

The capital ratios are analysed as follows:

	<u>2020</u>	<u>2019</u>
CET1 capital ratio	<u>17.75%</u>	17.76%
Tier 1 capital ratio	<u>19.67%</u>	<u>19.90%</u>
Total capital ratio	<u>22.10%</u>	<u>22.89%</u>

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.4 資本管理 (續)

##### (B) 資本比率 (續)

用於計算以上資本比率之扣減後的綜合資本基礎分析如下：

#### 4.4 Capital management (continued)

##### (B) Capital ratio (continued)

The consolidated capital base after deductions used in the calculation of the above capital ratios is analysed as follows:

	2020 港幣百萬元 HK\$m	2019 港幣百萬元 HK\$m
普通股權一級(CET1)資本：票據及儲備		
直接發行的合資格 CET1 資本票據	43,043	43,043
保留溢利	184,230	164,113
已披露儲備	45,100	51,309
監管扣減之前的 CET1 資本	<u>272,373</u>	<u>258,465</u>
CET1 資本：監管扣減		
估值調整	(24)	(65)
其他無形資產（已扣除相聯的遞延稅項負債）	(1,502)	-
遞延稅項資產（已扣除相聯的遞延稅項負債）	(91)	(62)
按公平價值估值的負債因本身的信用風險變動所產生的損益	(21)	237
因土地及建築物（自用及投資用途）進行價值重估而產生的累積公平價值收益	(49,413)	(52,459)
一般銀行業務風險監管儲備	(4,780)	(11,077)
對 CET1 資本的監管扣減總額	<u>(55,831)</u>	<u>(63,426)</u>
CET1 資本	<u>216,542</u>	<u>195,039</u>
AT1 資本：票據		
合資格 AT1 資本票據根據適用會計準則列為股本類別	23,476	23,476
AT1 資本	<u>23,476</u>	<u>23,476</u>
一級資本	<u>240,018</u>	<u>218,515</u>

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.4 資本管理 (續)

##### (B) 資本比率 (續)

#### 4.4 Capital management (continued)

##### (B) Capital ratio (continued)

		<u>2020</u>	<u>2019</u>
		港幣百萬元	港幣百萬元
		HK\$'m	HK\$'m
二級資本：票據及準備金 須從二級資本逐步遞減 的資本票據	Tier 2 capital: instruments and provisions Capital instruments subject to phase-out arrangements from Tier 2 capital	-	2,505
合資格計入二級資本的 集體準備金及一般銀 行業務風險監管儲備	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	<u>7,322</u>	<u>6,743</u>
監管扣減之前的二級資本	Tier 2 capital before regulatory deductions	<u>7,322</u>	<u>9,248</u>
二級資本：監管扣減 加回合資格計入二級資 本的因土地及建築物 (自用及投資用途) 進行價值重估而產生 的累積公平價值收益	Tier 2 capital: regulatory deductions Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	<u>22,236</u>	<u>23,607</u>
對二級資本的監管扣減 總額	Total regulatory adjustments to Tier 2 capital	<u>22,236</u>	<u>23,607</u>
二級資本	Tier 2 capital	<u>29,558</u>	<u>32,855</u>
監管資本總額	Total regulatory capital	<u>269,576</u>	<u>251,370</u>

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.4 資本管理 (續)

##### (B) 資本比率 (續)

緩衝資本比率分析如下：

防護緩衝資本比率

較高吸收虧損能力比率

逆周期緩衝資本比率

有關資本比率披露的補充資料可於中銀香港網頁 [www.bochk.com](http://www.bochk.com) 中「監管披露」一節瀏覽。

#### 4.4 Capital management (continued)

##### (B) Capital ratio (continued)

The capital buffer ratios are analysed as follows:

	<u>2020</u>	<u>2019</u>
Capital conservation buffer ratio	<u>2.500%</u>	<u>2.500%</u>
Higher loss absorbency ratio	<u>1.500%</u>	<u>1.500%</u>
Countercyclical capital buffer ratio	<u>0.790%</u>	<u>1.552%</u>

The additional information of capital ratio disclosures is available under the section "Regulatory Disclosures" on BOCHK's website at [www.bochk.com](http://www.bochk.com).

##### (C) 槓桿比率

槓桿比率分析如下：

一級資本

槓桿比率風險承擔

槓桿比率

有關槓桿比率披露的補充資料可於中銀香港網頁 [www.bochk.com](http://www.bochk.com) 中「監管披露」一節瀏覽。

##### (C) Leverage ratio

The leverage ratio is analysed as follows:

	<u>2020</u>	<u>2019</u>
	港幣百萬元 HK\$m	港幣百萬元 HK\$m
Tier 1 capital	<u>240,018</u>	<u>218,515</u>
Leverage ratio exposure	<u>3,036,425</u>	<u>2,799,606</u>
Leverage ratio	<u>7.90%</u>	<u>7.81%</u>

The additional information of leverage ratio disclosures is available under the section "Regulatory Disclosures" on BOCHK's website at [www.bochk.com](http://www.bochk.com).

## 財務報表附註（續） Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 5. Fair values of assets and liabilities

所有以公平值計量或在財務報表內披露的資產及負債，均按香港財務報告準則第13號「公平值計量」的定義，於公平值層級表內分類。該等分類乃參照估值方法所採用的因素之可觀察性及重大性，並基於對整體公平值計量有重大影響之最低層級因素來釐定：

- 第一層級：相同資產或負債在活躍市場中的報價（未經調整）。此層級包括在交易所上市的股份證券、部分政府發行的債務工具及若干場內交易的衍生工具合約。

- 第二層級：乃基於估值技術所採用的最低層級因素（同時需對整體公平值計量有重大影響）可被直接或間接地觀察。此層級包括大部分場外交易的衍生工具合約、從估值服務供應商獲取價格的債務證券及存款證、發行的結構性存款，以及其他債務工具。同時亦包括對可觀察的市場因素進行了不重大調整或校準的若干外匯合約、貴金屬及物業。

- 第三層級：乃基於估值技術所採用的最低層級因素（同時需對整體公平值計量有重大影響）屬不可被觀察。此層級包括有重大不可觀察因素的股份投資、債務工具及若干場外交易的衍生工具合約。同時亦包括對可觀察的市場因素進行了重大調整的物業。

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as defined in HKFRS 13, "Fair value measurement". The categorisation are determined with reference to the observability and significance of the inputs used in the valuation methods and based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities. This category includes equity securities listed on exchange, debt instruments issued by certain governments and certain exchange-traded derivative contracts.

- Level 2: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly. This category includes majority of the OTC derivative contracts, debt securities and certificates of deposit with quote from pricing services vendors, issued structured deposits and other debt instruments. It also includes certain foreign exchange contracts, precious metals and properties with insignificant adjustments or calibrations made to observable market inputs.

- Level 3: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. This category includes equity investment, debt instruments and certain OTC derivative contracts with significant unobservable components. It also includes properties with significant adjustments made to observable market inputs.

## 財務報表附註（續） Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

對於以重複基準確認於財務報表的資產及負債，本集團會於每一財務報告週期的結算日重新評估其分類（基於對整體公平值計量有重大影響之最低層級因素），以確定有否在公平值層級之間發生轉移。

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### 5.1 以公平值計量的金融工具

#### 5.1 Financial instruments measured at fair value

本集團建立了完善的公平值管治及控制架構，公平值數據由獨立於前線的控制單位確定或核實。各控制單位負責獨立核實前線業務之估值結果及重大公平值數據。其他特定控制程序包括核實可觀察的估值參數、審核新的估值模型及任何模型改動、根據可觀察的市場交易價格校準及回顧測試所採用的估值模型、深入分析日常重大估值變動、評估重大不可觀察估值參數及估值調整。重大估值事項將向高層管理人員、風險委員會及審計委員會匯報。

The Group has an established governance structure and controls framework to ensure that fair values are either determined or validated by control units independent of the front offices. Control units have overall responsibility for independent verification of valuation results from front line businesses and all other significant fair value measurements. Other specific controls include verification of observable pricing inputs; review and approval for new models and changes to models; calibration and back-testing of models against observed market transactions; analysis and investigation of significant daily valuation movements; review of significant unobservable inputs and valuation adjustments. Significant valuation issues are reported to senior management, Risk Committee and Audit Committee.

一般而言，金融工具以單一工具為計量基礎。香港財務報告準則第13號允許在滿足特定條件的前提下，可以選用會計政策以同一投資組合下的金融資產及金融負債的淨敞口作為公平值的計量基礎。本集團的估值調整以單一工具為基礎，與金融工具的計量基礎一致。根據衍生金融工具的風險管理政策及系統，一些滿足特定條件的組合的公平值是按其淨風險敞口所獲得或支付的價格計量。組合層面的估值調整會以淨風險敞口佔比分配到單一資產或負債。

Generally, the unit of account for a financial instrument is the individual instrument. HKFRS 13 permits a portfolio exception, through an accounting policy election, to measure the fair value of a portfolio of financial assets and financial liabilities on the basis of the net open risk position when certain criteria are met. The Group applies valuation adjustments at an individual instrument level, consistent with that unit of account. According to its risk management policies and systems to manage derivative financial instruments, the fair value of certain derivative portfolios that meet those criteria is measured on the basis of the price to be received or paid for net open risk. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of its relative net risk exposure to the portfolio.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 5. Fair values of assets and liabilities (continued) (續)

#### 5.1 以公平值計量的金融工具 (續)

當無法從公開市場獲取報價時，本集團通過一些估值技術或經紀／交易商之詢價來確定金融工具的公平值。

對於本集團所持有的金融工具，其估值技術使用的主要參數包括債券價格、利率、匯率、權益及股票價格、商品價格、波幅及相關系數、交易對手信貸利差及其他等，主要為可從公開市場觀察及獲取的參數。

用以釐定以下金融工具公平值的估值方法如下：

##### 債務證券及存款證及其他債務工具

此類工具的公平值由交易所、交易商或外間獨立估值服務供應商提供的市場報價或使用貼現現金流模型分析而決定。貼現現金流模型是一個利用預計未來現金流，以一個可反映市場上相類似風險的工具所需信貸息差之貼現率或貼現差額計量而成現值的估值技術。這些參數是市場上可觀察或由可觀察或不可觀察的市場數據證實。

##### 資產抵押債券

這類工具由外間獨立第三者提供報價。有關的估值視乎交易性質以市場標準的現金流模型及估值參數(包括可觀察或由近似發行的價格矩陣編輯而成的貼現率差價、違約及收回率、及提前預付率)估算。

#### 5.1 Financial instruments measured at fair value (continued)

The Group uses valuation techniques or broker/dealer quotations to determine the fair value of financial instruments when unable to obtain the open market quotation in active markets.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stock prices, commodity prices, volatilities and correlations, counterparty credit spreads and others, which are mostly observable and obtainable from open market.

The technique used to calculate the fair value of the following financial instruments is as below:

##### Debt securities and certificates of deposit and other debt instruments

The fair value of these instruments is determined by obtaining quoted market prices from exchange, dealer or independent pricing service vendors or using discounted cash flow technique. Discounted cash flow model is a valuation technique that measures present value using estimated expected future cash flows from the instruments and then discounts these flows using a discount rate or discount margin that reflects the credit spreads required by the market for instruments with similar risk. These inputs are observable or can be corroborated by observable or unobservable market data.

##### Asset backed securities

For this class of instruments, external prices are obtained from independent third parties. The valuation of these securities, depending on the nature of transaction, is estimated from market standard cash flow models with input parameter which include spreads to discount rates, default and recovery rates and prepayment rates that may be observable or compiled through matrix pricing for similar issues.



## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 5. Fair values of assets and liabilities (continued) (續)

#### 5.1 以公平值計量的金融工具 (續) 5.1 Financial instruments measured at fair value (continued)

##### 衍生工具

場外交易的衍生工具合約包括外匯、利率、股票、商品或信貸的遠期、掉期及期權合約。衍生工具合約的公平值主要由貼現現金流模型及期權計價模型等估值技術釐定。所使用的參數為可觀察或不可觀察市場數據。可觀察的參數包括利率、匯率、權益及股票價格、商品價格、信貸違約掉期利差、波幅及相關系數。不可觀察的參數可用於嵌藏於結構性存款中非交易頻繁的期權類產品。對一些複雜的衍生工具合約，公平值將按經紀/交易商之報價為基礎。

本集團對場外交易的衍生工具作出了信貸估值調整及債務估值調整。調整分別反映對市場因素變化、交易對手信譽及本集團自身信貸息差的期望。有關調整主要是按每一交易對手，以未來預期敞口、違約率及收回率釐定。

##### Derivatives

OTC derivative contracts include forward, swap and option contracts on foreign exchange, interest rate, equity, commodity or credit. The fair values of these contracts are mainly measured using valuation techniques such as discounted cash flow models and option pricing models. The inputs can be observable or unobservable market data. Observable inputs include interest rate, foreign exchange rates, equity and stock prices, commodity prices, credit default swap spreads, volatilities and correlations. Unobservable inputs may be used for less commonly traded option products which are embedded in structured deposits. For certain complex derivative contracts, the fair values are determined based on broker/dealer price quotations.

Credit valuation adjustments ("CVAs") and debit valuation adjustments ("DVAs") are applied to the Group's OTC derivatives. These adjustments reflect market factors movement, expectations of counterparty creditworthiness and the Group's own credit spread respectively. They are mainly determined for each counterparty and are dependent on expected future values of exposures, default probabilities and recovery rates.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 5. Fair values of assets and liabilities (continued) (續)

#### 5.1 以公平值計量的金融工具 (續) 5.1 Financial instruments measured at fair value (continued)

##### 後償負債

後償票據之公平值是按市場價格或經紀／交易商之報價為基礎。後償票據之自身信貸調整計算為市值與利用最新基準利率及估值計量期初的自身信貸利差匡算的淨現值之差。

##### Subordinated liabilities

Fair value for subordinated notes is based on market prices or broker/dealer price quotations. Own credit adjustment for subordinated notes is calculated as the difference between the market value and the net present value calculated by the latest benchmark interest rate and own credit spreads of the subordinated notes determined on the beginning of measurement period.

#### (A) 公平值的等級

#### (A) Fair value hierarchy

		2020			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
<b>金融資產</b>	<b>Financial assets</b>				
交易性資產 (附註 21)	Trading assets (Note 21)				
- 債務證券及存款證	- Debt securities and certificates of deposit	-	26,817	-	26,817
- 股份證券	- Equity securities	49	-	-	49
- 其他債務工具	- Other debt instruments	-	3,300	-	3,300
其他強制分類為以公平值變化計入損益之金融資產 (附註 21)	Other financial assets mandatorily classified at fair value through profit or loss (Note 21)				
- 債務證券及存款證	- Debt securities and certificates of deposit	-	1,154	-	1,154
- 股份證券	- Equity securities	-	-	-	-
界定為以公平值變化計入損益之金融資產 (附註 21)	Financial assets designated at fair value through profit or loss (Note 21)				
- 債務證券及存款證	- Debt securities and certificates of deposit	720	587	-	1,307
- 其他債務工具	- Other debt instruments	-	118	-	118
衍生金融工具 (附註 22)	Derivative financial instruments (Note 22)	8	52,803	-	52,811
以公平值變化計入其他全面收益之證券投資 (附註 24)	Investment in securities at FVOCI (Note 24)				
- 債務證券及存款證	- Debt securities and certificates of deposit	258,400	472,935	-	731,335
- 股份證券	- Equity securities	-	1,074	2,367	3,441

財務報表附註 (續) **Notes to the Financial Statements (continued)**

**5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)**

**5.1 以公平值計量的金融工具 (續) 5.1 Financial instruments measured at fair value (continued)**

**(A) 公平值的等級 (續) (A) Fair value hierarchy (continued)**

		2020			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
<b>金融負債</b>	<b>Financial liabilities</b>				
以公平值變化計入損益 之金融負債 (附註 30)	Financial liabilities at fair value through profit or loss (Note 30)				
- 交易性負債	- Trading liabilities	-	20,336	-	20,336
衍生金融工具 (附註 22)	Derivative financial instruments (Note 22)	29	60,326	-	60,355
後償負債 (附註 35)	Subordinated liabilities (Note 35)				
- 後償票據	- Subordinated notes	-	-	-	-

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)**
**5.1 以公平值計量的金融工具 (續) 5.1 Financial instruments measured at fair value (continued)**
**(A) 公平值的等級 (續)**
**(A) Fair value hierarchy (continued)**

		2019			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
<b>金融資產</b>	<b>Financial assets</b>				
交易性資產 (附註 21)	Trading assets (Note 21)				
- 債務證券及存款證	- Debt securities and certificates of deposit	133	37,457	-	37,590
- 股份證券	- Equity securities	37	-	-	37
- 其他債務工具	- Other debt instruments	-	5,297	-	5,297
其他強制分類為以公平值變化計入損益之金融資產 (附註 21)	Other financial assets mandatorily classified at fair value through profit or loss (Note 21)				
- 債務證券及存款證	- Debt securities and certificates of deposit	-	744	-	744
- 股份證券	- Equity securities	3	-	-	3
界定為以公平值變化計入損益之金融資產 (附註 21)	Financial assets designated at fair value through profit or loss (Note 21)				
- 債務證券及存款證	- Debt securities and certificates of deposit	708	2,283	-	2,991
- 其他債務工具	- Other debt instruments	-	-	-	-
衍生金融工具 (附註 22)	Derivative financial instruments (Note 22)	11,673	19,483	11	31,167
以公平值變化計入其他全面收益之證券投資 (附註 24)	Investment in securities at FVOCI (Note 24)				
- 債務證券及存款證	- Debt securities and certificates of deposit	197,156	470,501	-	667,657
- 股份證券	- Equity securities	-	1,134	2,154	3,288

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)**
**5.1 以公平值計量的金融工具 (續) 5.1 Financial instruments measured at fair value (continued)**
**(A) 公平值的等級 (續)**
**(A) Fair value hierarchy (continued)**

		2019			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>金融負債</b>	<b>Financial liabilities</b>				
以公平值變化計入損益之金融負債 (附註 30)	Financial liabilities at fair value through profit or loss (Note 30)				
- 交易性負債	- Trading liabilities	-	19,206	-	19,206
衍生金融工具 (附註 22)	Derivative financial instruments (Note 22)	9,687	23,146	-	32,833
後償負債 (附註 35)	Subordinated liabilities (Note 35)				
- 後償票據	- Subordinated notes	-	12,954	-	12,954

由於本集團對若干金融工具之市場可觀察因素進行了校準，於2020年內將港幣154.98億元之衍生金融資產及港幣112.27億元之衍生金融負債由第一層級轉移至第二層級。相關校準對有關金融工具公平值計量影響不重大。本集團之其他金融資產及負債於年內均沒有第一層級及第二層級之間的重大轉移(2019年：無)。

There were transfers of derivative financial assets of HK\$15,498 million and derivative financial liabilities of HK\$11,227 million from level 1 to level 2 for the Group during 2020 as a result of calibrations of market observable inputs on certain financial instruments. The impact arising from such calibrations was insignificant to the fair value measurement of the relevant financial instruments. There were no other significant financial asset and liability transfers between level 1 and level 2 for the Group during the year (2019: Nil).

財務報表附註 (續) **Notes to the Financial Statements (continued)**

5. 資產和負債的公平值 (續) **5. Fair values of assets and liabilities (continued)**

5.1 以公平值計量的金融工具 (續) **5.1 Financial instruments measured at fair value (continued)**

(B) 第三層級的項目變動

(B) Reconciliation of level 3 items

		2020	
		金融資產	
		Financial assets	
		以公平值變化 計入其他全面 收益之證券投資	Investment in securities at FVOCI
		衍生 金融工具	股份證券 Equity securities
		Derivative financial instruments	Equity securities
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
於 2020 年 1 月 1 日	At 1 January 2020	11	2,154
收益	Gains		
- 收益表	- Income statement		
- 淨交易性收益	- Net trading gain	146	-
- 其他全面收益	- Other comprehensive income		
- 公平值變化	- Change in fair value	-	213
增置	Additions	-	-
轉出第三層級	Transfer out of level 3	(157)	-
於 2020 年 12 月 31 日	At 31 December 2020	-	2,367
於 2020 年 12 月 31 日 持有的金融資產於 年內計入收益表的 未實現收益總額	Total unrealised gains for the year included in income statement for financial assets held as at 31 December 2020		
- 淨交易性收益	- Net trading gain	-	-

財務報表附註 (續) **Notes to the Financial Statements (continued)**

**5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)**

**5.1 以公平值計量的金融工具 (續) 5.1 Financial instruments measured at fair value (continued)**

**(B) 第三層級的項目變動 (續) (B) Reconciliation of level 3 items (continued)**

		2019	
		金融資產	
		Financial assets	
		以公平值變化 計入其他全面 收益之證券投資	
		Investment in securities at FVOCI	
		衍生 金融工具	
		Derivative financial instruments	
		股份證券	
		Equity securities	
		港幣百萬元	港幣百萬元
		HK\$m	HK\$m
於 2019 年 1 月 1 日	At 1 January 2019	7	1,144
收益	Gains		
- 收益表	- Income statement		
- 淨交易性收益	- Net trading gain	11	-
- 其他全面收益	- Other comprehensive income		
- 公平值變化	- Change in fair value	-	446
增置	Additions	-	564
轉出第三層級	Transfer out of level 3	(7)	-
於 2019 年 12 月 31 日	At 31 December 2019	11	2,154
於 2019 年 12 月 31 日 持有的金融資產於年 內計入收益表的未實 現收益總額	Total unrealised gains for the year included in income statement for financial assets held as at 31 December 2019		
- 淨交易性收益	- Net trading gain	11	-

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

#### 5.1 以公平值計量的金融工具 (續) 5.1 Financial instruments measured at fair value (continued)

##### (B) 第三層級的項目變動 (續)

於 2020 年 12 月 31 日及 2019 年 12 月 31 日，分類為第三層級的金融工具主要包括非上市股權及若干場外交易的衍生工具合約。

對於若干場外交易的衍生工具合約，其交易對手信貸利差為不可觀察參數並對其估值有重大影響。因此本集團將這些金融工具劃分至第三層級。於 2020 年及 2019 年轉出第三層級乃因估值可觀察性改變。本集團已建立相關內部控制程序監控集團對此類金融工具的敞口。

##### (B) Reconciliation of level 3 items (continued)

As at 31 December 2020 and 2019, financial instruments categorised as level 3 are mainly comprised of unlisted equity shares and certain OTC derivative contracts.

For certain OTC derivative contracts, the counterparty credit spreads used in valuation techniques are unobservable inputs with significant impact on valuation. Therefore, these instruments have been classified by the Group as level 3. Transfers out of level 3 during 2020 and 2019 were due to change of valuation observability. The Group has established internal control procedures to control the Group's exposure to such financial instruments.



## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

#### 5.1 以公平值計量的金融工具 (續)

#### 5.1 Financial instruments measured at fair value (continued)

##### (B) 第三層級的項目變動 (續)

##### (B) Reconciliation of level 3 items (continued)

以公平值變化計入其他全面收益之非上市股權的公平值乃參考 (i) 最新市場成交價；或 (ii) 可供比較的上市公司之平均市價／銷售額倍數；或 (iii) 該股權投資之股息貼現模型計算結果；或 (iv) 若沒有合適可供比較的公司或沒有適用的股息貼現模型，則按其資產淨值釐定。公平值與市場成交價、適合採用之可比較市價／銷售額倍數比率、預估未來派發的股息流或資產淨值存在正向關係，並與可供比較的上市公司之平均市價／銷售額倍數或股息貼現模型採用的貼現率成反向關係。

若所有估值技術中所應用的重大不可觀察因素發生 5% 有利變化／不利變化 (2019 年：5%)，則本集團之其他全面收益將分別增加港幣 0.55 億元或減少港幣 0.54 億元 (2019 年：增加港幣 0.98 億元或減少港幣 0.93 億元)。

The fair values of unlisted FVOCI equity shares are determined with reference to (i) latest market transaction price; or (ii) multiples of comparable listed companies, such as average of the price/sales ratios of comparables; or (iii) dividend discount model calculation of the underlying equity investments; or (iv) net asset value, if neither appropriate comparables nor dividend discount model calculation is available or applicable. The fair value is positively correlated to the market transaction price, price/sales ratios of appropriate comparables, forecasted stream of future dividend payout or net asset values, and is negatively correlated to the discount rate used in the average of price/sales ratios of comparables or dividend discount model.

Had all of the significant unobservable inputs applied on the valuation techniques favourably changed/unfavourably changed by 5% (2019: 5%), the Group's other comprehensive income would have increased/decreased by HK\$55 million and HK\$54 million, respectively (2019: HK\$98 million and HK\$93 million, respectively).

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

#### 5.2 非以公平值計量的金融工具

公平值是以在一特定時點按相關市場資料及不同金融工具之資料來評估。以下之方法及假設已按實際情況應用於評估各類金融工具之公平值。

##### 存放／尚欠銀行及其他金融機構之結餘及貿易票據

大部分之金融資產及負債將於結算日後一年內到期，其賬面值與公平值相若。

##### 客戶貸款及銀行及其他金融機構貸款

大部分之客戶貸款及銀行及其他金融機構貸款是浮動利率，按市場息率計算利息，其賬面值與公平值相若。

##### 以攤餘成本計量之證券投資

以攤餘成本計量之證券之公平值釐定與附註 5.1 內以公平值計量的債務證券及存款證和資產抵押債券採用之方法相同。除此之外，若干以攤餘成本計量之證券採用以現時收益率曲線相對應剩餘限期之利率為基礎的貼現現金流模型計算。

#### 5.2 Financial instruments not measured at fair value

Fair value estimates are made at a specific point in time based on relevant market information and information about various financial instruments. The following methods and assumptions have been used to estimate the fair value of each class of financial instrument as far as practicable.

##### Balances with/from banks and other financial institutions and trade bills

Substantially all the financial assets and liabilities mature within one year from the balance sheet date and their carrying value approximates fair value.

##### Advances to customers and banks and other financial institutions

Substantially all the advances to customers and banks and other financial institutions are on floating rate terms, bear interest at prevailing market interest rates and their carrying value approximates fair value.

##### Investment in securities at amortised cost

The fair value of securities at amortised cost is determined by using the same approach as those debt securities and certificates of deposit and asset backed securities measured at fair value as described in Note 5.1. Besides, a discounted cash flow model is used for certain securities at amortised cost based on a current yield curve appropriate for the remaining term to maturity.

財務報表附註（續） **Notes to the Financial Statements (continued)**

**5. 資產和負債的公平值 (續)** **5. Fair values of assets and liabilities (continued)**

**5.2 非以公平值計量的金融工具 (續)**

客戶存款

大部分之客戶存款將於結算日後一年內到期，其賬面值與公平值相若。

已發行債務證券及存款證

此類工具之公平值釐定與附註 5.1 內以公平值計量的債務證券及存款證採用之方法相同。

除以上其賬面值與公平值相若的金融工具外，下表為非以公平值計量的金融工具之賬面值和公平值。

**5.2 Financial instruments not measured at fair value (continued)**

Deposits from customers

Substantially all the deposits from customers mature within one year from the balance sheet date and their carrying value approximates fair value.

Debt securities and certificates of deposit in issue

The fair value of these instruments is determined by using the same approach as those debt securities and certificates of deposit measured at fair value as described in Note 5.1.

The following tables set out the carrying values and fair values of the financial instruments not measured at fair value, except for the above with their carrying values being approximation of fair values.

	2020		2019	
	賬面值 Carrying value	公平值 Fair value	賬面值 Carrying value	公平值 Fair value
	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>金融資產</b>	<b>Financial assets</b>			
以攤餘成本計量之證券投資 (附註 24)	Investment in securities at amortised cost (Note 24)			
	<b>55,093</b>	<b>56,097</b>	68,390	68,883
<b>金融負債</b>	<b>Financial liabilities</b>			
已發行債務證券及存款證 (附註 32)	Debt securities and certificates of deposit in issue (Note 32)			
	<b>426</b>	<b>426</b>	116	116

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

#### 5.2 非以公平值計量的金融工具 (續)

下表列示已披露其公平值的金融工具之公平值等級。

#### 5.2 Financial instruments not measured at fair value (continued)

The following tables show the fair value hierarchy for financial instruments with fair values disclosed.

		2020			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>金融資產</b>	<b>Financial assets</b>				
以攤餘成本計量之證券投資	Investment in securities at amortised cost	957	54,752	388	56,097
<b>金融負債</b>	<b>Financial liabilities</b>				
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	-	426	-	426
		2019			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>金融資產</b>	<b>Financial assets</b>				
以攤餘成本計量之證券投資	Investment in securities at amortised cost	1,002	67,099	782	68,883
<b>金融負債</b>	<b>Financial liabilities</b>				
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	-	116	-	116

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

#### 5.3 以公平值計量的非金融工具

本集團通過一些估值技術或活躍市場報價來確定非金融工具的公平值。

##### 投資物業及房產

本集團之物業可分為投資物業及房產。所有本集團之投資物業及房產已於年底進行重估。本年之估值由獨立特許測量師萊坊測量師行有限公司進行，其擁有具備香港測量師學會資深專業會員及專業會員資格之人員，並在估值物業所處地區及種類上擁有經驗。當估值於每半年末及年末進行時，本集團管理層會跟測量師討論估值方法、估值假設及估值結果。除一個於年內開展的投資物業重建項目採用剩餘估值法外，估值方法於年內沒有改變，亦與去年一致。

#### (i) 第二層級公平值計量採用的估值方法及因素

被分類為第二層級之物業的公平值，乃參考可比較物業之近期出售成交價（市場比較法）或參考市場租金及資本化率（收入資本法），再對可比較物業及被評估物業之間的差異作出適當調整。此等調整被認為對整體計量並不構成重大影響。

#### 5.3 Non-financial instruments measured at fair value

The Group uses valuation techniques or quoted market prices in active market to determine the fair value of non-financial instruments.

##### Investment properties and premises

The Group's properties can be divided into investment properties and premises. All of the Group's investment properties and premises were revalued as at year end. This year, the valuations were carried out by an independent firm of chartered surveyors, Knight Frank Petty Limited, who have among their staff Fellow and Members of The Hong Kong Institute of Surveyors with recent experience in the locations and categories of properties being valued. The Group's Management had discussions with the surveyors on the valuation methods, valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date. Except for a site redevelopment of investment property that has been commenced during the year using the residual approach valuation, there has been no change in valuation methods during the year and the methods used are consistent with last year.

#### (i) Valuation methods and inputs used in Level 2 fair value measurements

The fair value of properties classified as Level 2 is determined using either the market comparison approach by reference to recent sales price of comparable properties or the income capitalisation approach by reference to market rent and capitalisation rate, with appropriate adjustments to reflect the differences between the comparable properties and the subject properties. These adjustments are considered as insignificant to the entire measurement.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

#### 5.3 以公平值計量的非金融工具 (續)

##### 投資物業及房產 (續)

- (i) 第二層級公平值計量採用的估值方法及因素 (續)

本集團之物業均位於香港、若干內地、泰國及馬來西亞之主要城市，被認為是活躍及透明的物業市場。可比較物業之出售價、市場租金及資本化率一般均可在此等市場上被直接或間接觀察得到。

- (ii) 有關第三層級公平值計量的資料

除銀行金庫外，被分類為第三層級的本集團物業之公平值均採用市場比較法或收入資本法，再按本集團物業相對於可比較物業之性質作折溢價調整來釐定。

由於銀行金庫之獨特性質，並無市場交易實例可資比較，其公平值乃採用折舊重置成本法釐定。主要的因素為現時土地的市值、重置該建築物的現時成本及折舊率，並作適當的調整以反映物業的獨特性質。

#### 5.3 Non-financial instruments measured at fair value (continued)

##### Investment properties and premises (continued)

- (i) Valuation methods and inputs used in Level 2 fair value measurements (continued)

The Group's properties are located in Hong Kong, certain major cities in the mainland, Thailand and Malaysia where the property markets are considered active and transparent. Sales price, market rent and capitalisation rate of comparable properties are generally observable either directly or indirectly in these markets.

- (ii) Information about Level 3 fair value measurements

The fair value of all of the Group's properties classified as Level 3, except for the bank vault, is determined using either the market comparison approach or the income capitalisation approach, adjusted for a premium or a discount specific to the features of the Group's properties compared to the comparable properties.

The fair value of the bank vault is determined using the depreciated replacement cost approach as no direct comparable is available given the specialised nature of the property. The major inputs are the market value of the existing land, the current cost of replacing the property and the depreciation rate. Appropriate adjustments are made to reflect the specialised nature of the property.

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)**
**5.3 以公平值計量的非金融工具 (續)**
**5.3 Non-financial instruments measured at fair value (continued)**
投資物業及房產 (續)
Investment properties and premises (continued)

## (ii) 有關第三層級公平值計量的資料 (續)

## (ii) Information about Level 3 fair value measurements (continued)

以下為在公平值計量時對被分類為第三層級之本集團物業所採用的估值方法及重大不可觀察因素：

The valuation methods and significant unobservable inputs used in the fair value measurement of the Group's properties classified as Level 3 are as follows:

	估值方法 Valuation method	重大不可觀察因素 Significant unobservable inputs	加權平均 Weighted average	不可觀察因素與公平值的關係 Relationship of unobservable inputs to fair value
銀行金庫 Bank vault	折舊重置成本法 Depreciated replacement cost approach	折舊率 Depreciation rate	每年2% (2019年：2%) 2% (2019: 2%) per year	折舊率愈高，公平值愈低。 The higher the depreciation rate, the lower the fair value.
		物業獨特性質之溢價 Premium on specialised nature of the property	建築成本+15% (2019年：+15%) +15% (2019: +15%) to building cost	溢價愈高，公平值愈高。 The higher the premium, the higher the fair value.
其他物業 Other properties	市場比較法或收入資本法 Market comparison approach or income capitalisation approach	物業相對可比較物業在性質上之溢價／(折價) Premium/(discount) on features of the property compared to comparable properties	-8% (2019: -11%)	溢價愈高，公平值愈高。 The higher the premium, the higher the fair value.  折價愈高，公平值愈低。 The higher the discount, the lower the fair value.

物業相對可比較物業在性質上之溢價／(折價)乃參考與可比較物業在不同因素上的差異，例如成交後之市場變動、位置、便達性、樓齡／狀況、樓層、面積、佈局等而釐定。

Premium/(discount) on features of a property is determined after taken into account various factors, such as time for market movement, location, accessibility, building age/condition, floor level, size, layout, etc., with reference to the differences in features with comparable properties.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 5. Fair values of assets and liabilities (continued) (續)

#### 5.3 以公平值計量的非金融 工具 (續)

##### 投資物業及房產 (續)

##### (ii) 有關第三層級公平值 計量的資料 (續)

對於已有重建計劃的投資物業之公平值，會按採用剩餘估值法的重建基準來計量其價值。剩餘估值法一般是用於土地發展的估值方法。首先會按市場比較法來釐定重建項目的總發展價值。市場比較法是參考近期成交的可比物業的成交價，並按可比物業與集團發展項目的質素差異來作折溢價調整。最終得出的公平值乃總發展價值的現值於扣除發展成本（包括專業費用、拆卸成本、建築成本等）及發展利潤的現值後所剩餘的價值。總發展價值愈高，公平值會愈高；發展成本及折現率愈高，公平值會愈低。

#### 5.3 Non-financial instruments measured at fair value (continued)

##### Investment properties and premises (continued)

##### (ii) Information about Level 3 fair value measurements (continued)

For the fair value of the investment property with a redevelopment plan, it is measured on a redevelopment basis by adopting residual approach which is a valuation method generally used to value development of lands. Gross Development Value ("GDV") is first determined using market comparison approach by reference to recent transactions of comparable properties and adjusted for a premium or a discount specific to the quality of the Group's development compared to the comparable properties. The ultimate fair value of the redevelopment is the residual value after deducting the present value of the development costs (including professional fees, demolition cost, constructions cost etc.) and developer's profit from the present value of the GDV. The higher the GDV, the higher the fair value; the higher the development costs and the discount rate, the lower is the fair value.



## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

#### 5.3 以公平值計量的非金融工具 (續)

##### 貴金屬

貴金屬之公平值是按活躍市場報價或有若干調整的市場報價為基礎。

#### (A) 公平值的等級

##### 非金融資產

投資物業 (附註 26)  
物業、器材及設備  
(附註 27)  
- 房產  
其他資產 (附註 28)  
- 貴金屬

##### 非金融資產

投資物業 (附註 26)  
物業、器材及設備  
(附註 27)  
- 房產  
其他資產 (附註 28)  
- 貴金屬

#### 5.3 Non-financial instruments measured at fair value (continued)

##### Precious metals

The fair values of precious metals are determined by obtaining quoted market prices in active market or market quote with certain adjustments.

#### (A) Fair value hierarchy

2020			
第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>非金融資產</b>			
投資物業 (附註 26)	-	715	18,740
物業、器材及設備 (附註 27)			
- 房產	-	2,583	43,249
其他資產 (附註 28)			
- 貴金屬	-	10,697	10,697

2019			
第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>非金融資產</b>			
投資物業 (附註 26)	-	396	20,428
物業、器材及設備 (附註 27)			
- 房產	-	1,020	46,024
其他資產 (附註 28)			
- 貴金屬	6,542	2,719	9,261

由於本集團對貴金屬之市場可觀察因素進行了校準，於 2020 年內之貴金屬由第一層級至第二層級的轉移為港幣 57.21 億元。相關校準對貴金屬公平值計量影響不重大。本集團之其他非金融資產於年內沒有第一層級及第二層級之間的轉移 (2019 年：無)。

There were transfers of HK\$5,721 million of precious metals from level 1 to level 2 for the Group during 2020 as a result of calibrations of market observable inputs on precious metals. The impact arising from such calibrations was insignificant to the fair value measurement of precious metals. There were no other non-financial asset transfers between level 1 and level 2 for the Group during the year (2019: Nil).

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

#### 5.3 以公平值計量的非金融工具 (續) 5.3 Non-financial instruments measured at fair value (continued)

##### (B) 第三層級的項目變動 (B) Reconciliation of level 3 items

		2020	
		非金融資產	
		Non-financial assets	
		投資物業	物業、器材及設備
		Investment properties	Properties, plant and equipment
		房產	Premises
		港幣百萬元	港幣百萬元
		HK\$m	HK\$m
於 2020 年 1 月 1 日	At 1 January 2020	20,032	45,004
虧損	Losses		
- 收益表	- Income statement		
- 投資物業公平值調整之淨虧損	- Net loss from fair value adjustments on investment properties	(1,641)	-
- 重估房產之淨虧損	- Net loss from revaluation of premises	-	(57)
- 其他全面收益	- Other comprehensive income		
- 房產重估	- Revaluation of premises	-	(1,705)
折舊	Depreciation	-	(1,153)
增置	Additions	9	87
轉入第三層級	Transfer into level 3	-	-
轉出第三層級	Transfer out of level 3	(295)	(1,590)
重新分類	Reclassification	(80)	80
匯兌差額	Exchange difference	-	-
於 2020 年 12 月 31 日	At 31 December 2020	<b>18,025</b>	<b>40,666</b>
於 2020 年 12 月 31 日持有的非金融資產於年內計入收益表的未實現虧損總額	Total unrealised losses for the year included in income statement for non-financial assets held as at 31 December 2020		
- 投資物業公平值調整之淨虧損	- Net loss from fair value adjustments on investment properties	(1,641)	-
- 重估房產之淨虧損	- Net loss from revaluation of premises	-	(57)
		<b>(1,641)</b>	<b>(57)</b>

財務報表附註 (續) **Notes to the Financial Statements (continued)**

**5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)**

**5.3 以公平值計量的非金融工具 (續)**

**5.3 Non-financial instruments measured at fair value (continued)**

**(B) 第三層級的項目變動 (續)**

**(B) Reconciliation of level 3 items (continued)**

		2019	
		非金融資產	
		Non-financial assets	
		投資物業	物業、器材及設備
		Investment properties	Properties, plant and equipment
		房產	Premises
		Premises	Premises
		港幣百萬元	港幣百萬元
		HK\$m	HK\$m
於 2019 年 1 月 1 日	At 1 January 2019	19,602	45,063
收益	Gains		
- 收益表	- Income statement		
- 投資物業公平值調整之淨收益	- Net gain from fair value adjustments on investment properties	279	-
- 重估房產之淨收益	- Net gain from revaluation of premises	-	11
- 其他全面收益	- Other comprehensive income		
- 房產重估	- Revaluation of premises	-	1,015
折舊	Depreciation	-	(1,138)
增置	Additions	32	133
轉入第三層級	Transfer into level 3	54	155
轉出第三層級	Transfer out of level 3	(136)	(35)
重新分類	Reclassification	201	(201)
匯兌差額	Exchange difference	-	1
於 2019 年 12 月 31 日	At 31 December 2019	<u>20,032</u>	<u>45,004</u>
於 2019 年 12 月 31 日持有的非金融資產於年內計入收益表的未實現收益總額	Total unrealised gains for the year included in income statement for non-financial assets held as at 31 December 2019		
- 投資物業公平值調整之淨收益	- Net gain from fair value adjustments on investment properties	279	-
- 重估房產之淨收益	- Net gain from revaluation of premises	-	11
		<u>279</u>	<u>11</u>

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

#### 5.3 以公平值計量的非金融工具 (續)

#### 5.3 Non-financial instruments measured at fair value (continued)

##### (B) 第三層級的項目變動 (續)

##### (B) Reconciliation of level 3 items (continued)

轉入及轉出第三層級的物業乃因該等被估物業相對其可比較物業在性質上之溢價／(折價)於年內出現變化所引致。性質上之溢價／(折價)乃取決於被估物業與近期成交之可比較物業在性質上的差異。由於每年來自近期市場成交之可比較物業均會不盡相同，被估物業與可比較物業在性質上之溢價／(折價)會相應每年有所變化，從而對可觀察的市場因素所進行之調整之重大性亦會隨之變化，引致物業被轉入及轉出第三層級。

The transfer of properties into and out of level 3 is due to change in the premium/(discount) on features applied between the subject and comparable properties during the year. Premium/(discount) on features is determined with reference to differences in features between the subject properties and the comparable properties recently transacted in the market. As comparable properties that come from recent market transactions may be different in each year, the premium/(discount) on features applied between the subject and comparable properties would change from year to year accordingly. As a result, the significance of adjustments made to observable market inputs may vary and lead to the transfer of properties into and out of level 3.

財務報表附註 (續) **Notes to the Financial Statements (continued)**

6. 淨利息收入

6. Net interest income

	2020	2019
	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>利息收入</b>		
客戶貸款、存放銀行及其他 金融機構的款項	<b>34,703</b>	46,718
證券投資及以公平值變化計 入損益之金融資產	<b>11,505</b>	17,257
其他	<b>222</b>	563
	<b>46,430</b>	64,538
<b>利息支出</b>		
客戶存款、銀行及其他金融 機構存放的款項	<b>(14,747)</b>	(25,859)
已發行債務證券及存款證	<b>(2)</b>	(79)
後償負債	<b>(80)</b>	(719)
租賃負債	<b>(53)</b>	(54)
其他	<b>(250)</b>	(562)
	<b>(15,132)</b>	(27,273)
<b>淨利息收入</b>	<b>31,298</b>	37,265

按攤餘成本及以公平值變化計入其他全面收益作計量之金融資產的利息收入分別為港幣 364.91 億元 (2019 年: 港幣 491.09 億元) 及港幣 94.75 億元 (2019 年: 港幣 136.46 億元)。

Included within interest income are HK\$36,491 million (2019: HK\$49,109 million) and HK\$9,475 million (2019: HK\$13,646 million) for financial assets measured at amortised cost and at fair value through other comprehensive income respectively.

非以公平值變化計入損益作計量之金融負債的利息支出為港幣 148.89 億元 (2019 年: 港幣 261.86 億元)。

Included within interest expense are HK\$14,889 million (2019: HK\$26,186 million) for financial liabilities that are not measured at fair value through profit or loss.

財務報表附註 (續) **Notes to the Financial Statements (continued)**

7. 淨服務費及佣金收入 **7. Net fee and commission income**

		2020	2019
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>服務費及佣金收入</b>	<b>Fee and commission income</b>		
證券經紀	Securities brokerage	3,567	2,113
貸款佣金	Loan commissions	2,314	2,675
信用卡業務	Credit card business	1,868	2,985
保險	Insurance	1,480	2,577
基金分銷	Funds distribution	783	816
繳款服務	Payment services	740	716
信託及託管服務	Trust and custody services	700	660
匯票佣金	Bills commissions	591	700
保管箱	Safe deposit box	306	294
買賣貨幣	Currency exchange	226	599
其他	Others	1,083	1,286
		<b>13,658</b>	<b>15,421</b>
<b>服務費及佣金支出</b>	<b>Fee and commission expense</b>		
信用卡業務	Credit card business	(1,179)	(2,044)
證券經紀	Securities brokerage	(415)	(255)
其他	Others	(666)	(917)
		<b>(2,260)</b>	<b>(3,216)</b>
<b>淨服務費及佣金收入</b>	<b>Net fee and commission income</b>	<b>11,398</b>	<b>12,205</b>
其中源自：	Of which arise from:		
非以公平值變化計入損益 之金融資產或金融負債	Financial assets or financial liabilities not at fair value through profit or loss		
- 服務費及佣金收入	- Fee and commission income	2,592	3,141
- 服務費及佣金支出	- Fee and commission expense	(7)	(12)
		<b>2,585</b>	<b>3,129</b>
信託及其他受託活動	Trust and other fiduciary activities		
- 服務費及佣金收入	- Fee and commission income	899	850
- 服務費及佣金支出	- Fee and commission expense	(30)	(28)
		<b>869</b>	<b>822</b>

財務報表附註 (續) **Notes to the Financial Statements (continued)**

**8. 淨交易性收益** **8. Net trading gain**

	<u>2020</u>	<u>2019</u>
	港幣百萬元 HK\$m	港幣百萬元 HK\$m
淨收益／(虧損)源自：		
外匯交易及外匯交易產品	5,066	5,732
利率工具及公平值對沖的項目	(800)	(530)
商品	361	366
股權及信貸衍生工具	136	81
	<u>4,763</u>	<u>5,649</u>

**9. 其他以公平值變化計入損益之金融工具淨收益** **9. Net gain on other financial instruments at fair value through profit or loss**

	<u>2020</u>	<u>2019</u>
	港幣百萬元 HK\$m	港幣百萬元 HK\$m
其他強制分類為以公平值變化計入損益之金融工具淨收益	36	61
界定為以公平值變化計入損益之金融工具淨收益	121	267
	<u>157</u>	<u>328</u>

**財務報表附註 (續) Notes to the Financial Statements (continued)**

**10. 其他金融資產之淨收益** **10. Net gain on other financial assets**

	2020	2019
	港幣百萬元	港幣百萬元
	HK\$'m	HK\$'m
處置/贖回以公平值變化計入其他全面收益之證券投資之淨收益	4,411	795
贖回以攤餘成本計量之證券投資之淨虧損	(35)	(41)
其他	7	17
	<b>4,383</b>	<b>771</b>

**11. 其他經營收入** **11. Other operating income**

	2020	2019
	港幣百萬元	港幣百萬元
	HK\$'m	HK\$'m
股息收入		
- 來自年內被終止確認之以公平值變化計入其他全面收益之證券投資	11	3
- 來自年底仍持有之以公平值變化計入其他全面收益之證券投資	93	114
投資物業之租金總收入	597	670
減：有關投資物業之支出	(61)	(60)
其他	97	104
	<b>737</b>	<b>831</b>

「有關投資物業之支出」包括年內未出租投資物業之直接經營支出港幣 4 百萬元 (2019 年：港幣 1 百萬元)。

Included in the "Outgoings in respect of investment properties" is HK\$4 million (2019: HK\$1 million) of direct operating expenses related to investment properties that were not let during the year.



財務報表附註（續） **Notes to the Financial Statements (continued)**

12. 減值準備淨撥備

12. Net charge of impairment allowances

		2020	2019
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
減值準備淨（撥備）／撥回：	Net (charge)/reversal of impairment allowances on:		
貸款及其他賬項	Advances and other accounts	(2,489)	(1,852)
在銀行及其他金融機構之結 餘及定期存放	Balances and placements with banks and other financial institutions	(5)	12
證券投資	Investment in securities		
- 以公平值變化計入其他 全面收益	- At FVOCI	(90)	(19)
- 以攤餘成本計量	- At amortised cost	9	(10)
		(81)	(29)
貸款承諾及財務擔保合同	Loan commitments and financial guarantee contracts	(77)	(136)
其他	Others	(19)	(10)
減值準備淨撥備	Net charge of impairment allowances	<b>(2,671)</b>	<b>(2,015)</b>

財務報表附註 (續)      **Notes to the Financial Statements (continued)**

**13. 經營支出**

**13. Operating expenses**

		<u>2020</u>	<u>2019</u>
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
人事費用 (包括董事酬金)	Staff costs (including directors' emoluments)		
- 薪酬及其他費用	- Salaries and other costs	<b>8,541</b>	8,488
- 退休成本	- Pension cost	<b>525</b>	497
		<b>9,066</b>	8,985
房產及設備支出 (不包括折舊)	Premises and equipment expenses (excluding depreciation)		
- 短期租賃、低價值資產租賃及浮動租金租賃	- Short-term leases, leases of low-value assets and variable lease payments	<b>10</b>	198
- 其他	- Others	<b>1,204</b>	1,323
		<b>1,214</b>	1,521
折舊 (附註 27)	Depreciation (Note 27)	<b>2,978</b>	2,823
核數師酬金	Auditor's remuneration		
- 審計服務	- Audit services	<b>28</b>	27
- 非審計服務	- Non-audit services	<b>13</b>	9
其他經營支出	Other operating expenses	<b>2,476</b>	2,759
		<b>15,775</b>	16,124

財務報表附註 (續)      **Notes to the Financial Statements (continued)**

**14. 投資物業處置／公平  
 值調整之淨（虧損）  
 ／收益**      **14. Net (loss)/gain from disposal of/fair value adjustments on  
 investment properties**

	<u>2020</u>	<u>2019</u>
	港幣百萬元 HK\$m	港幣百萬元 HK\$m
投資物業公平值調整之 淨（虧損）／收益（附註 26）	<u>(1,641)</u>	<u>288</u>

**15. 處置／重估物業、器  
 材及設備之淨虧損**      **15. Net loss from disposal/revaluation of properties, plant and  
 equipment**

	<u>2020</u>	<u>2019</u>
	港幣百萬元 HK\$m	港幣百萬元 HK\$m
處置設備、固定設施及裝備 之淨虧損	(4)	(7)
重估房產之淨（虧損）／收 益（附註 27）	<u>(59)</u>	<u>6</u>
	<u>(63)</u>	<u>(1)</u>

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 16. 稅項

### 16. Taxation

收益表內之稅項組成如下：

Taxation in the income statement represents:

	2020	2019
	港幣百萬元	港幣百萬元
	HK\$m	HK\$m
本期稅項		
香港利得稅		
- 年內計入稅項	5,367	5,706
- 往年超額撥備	(147)	(88)
	<u>5,220</u>	5,618
海外稅項		
- 年內計入稅項	412	643
- 往年超額撥備	(25)	(135)
	<u>5,607</u>	6,126
遞延稅項		
暫時性差額之產生及撥回 及未使用稅項抵免 (附註 34)	(512)	(146)
	<u><u>5,095</u></u>	<u><u>5,980</u></u>

香港利得稅乃按照本年度估計於香港產生的應課稅溢利依稅率 16.5% (2019 年：16.5%) 提撥。海外溢利之稅款按照本年度估計應課稅溢利依本集團經營業務所在國家/地區之現行稅率計算。

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries/regions in which the Group operates.

本集團除稅前溢利產生的實際稅項，與根據香港利得稅率計算的稅項差異如下：

The taxation on the Group's profit before taxation that differs from the theoretical amount that would arise using the taxation rate of Hong Kong is as follows:

	2020	2019
	港幣百萬元	港幣百萬元
	HK\$m	HK\$m
除稅前溢利	32,628	39,334
按稅率 16.5% (2019 年：16.5%) 計算的稅項	5,384	6,490
其他國家/地區稅率差異的影響	75	166
無需課稅之收入	(295)	(936)
稅務上不可扣減之開支	447	589
使用往年未確認的稅務虧損	-	(2)
往年超額撥備	(172)	(223)
海外預提稅	(117)	125
其他	(227)	(229)
計入稅項	<u>5,095</u>	<u>5,980</u>
實際稅率	<u>15.6%</u>	<u>15.2%</u>

財務報表附註 (續)      **Notes to the Financial Statements (continued)**

17. 股息

17. Dividends

	2020		2019	
	每股 港元 Per share HK\$	總額 港幣百萬元 Total HK\$m	每股 港元 Per share HK\$	總額 港幣百萬元 Total HK\$m
股息	<b>0.282</b>	<b>12,138</b>	0.366	15,754

於 2020 年 8 月 30 日，董事會宣派中期股息每股普通股港幣 0.110 元，總額約為港幣 47.35 億元，並已於 2020 年 9 月 22 日支付。

On 30 August 2020, the Board declared an interim dividend of HK\$0.110 per ordinary share amounting to approximately HK\$4,735 million, which was paid on 22 September 2020.

於 2020 年 12 月 11 日，董事會宣派中期股息每股普通股港幣 0.172 元，總額約為港幣 74.03 億元，並已於 2020 年 12 月 30 日支付。

On 11 December 2020, the Board declared an interim dividend of HK\$0.172 per ordinary share amounting to approximately HK\$7,403 million, which was paid on 30 December 2020.

## 財務報表附註 (續)

### 18. 退休福利成本

本集團提供退休福利予集團內合資格的員工。在香港，提供予本集團員工的定額供款計劃主要為獲《強積金條例》豁免之職業退休計劃及中銀保誠簡易強積金計劃。

根據職業退休計劃，僱員須向職業退休計劃之每月供款為其基本薪金之 5%，而僱主之每月供款為僱員基本月薪之 5% 至 15% 不等（視乎僱員之服務年期）。僱員有權於退休、提前退休或僱用期終止且服務年資滿 10 年或以上等情況下收取 100% 之僱主供款。服務滿 3 年至 9 年的員工，因其他原因而終止僱用期（被即時解僱除外），可收取 30% 至 90% 之僱主供款。僱員收取的僱主供款，須受《強積金條例》所限。

隨著《強積金條例》於 2000 年 12 月 1 日實施，本集團亦按法例要求設立了強積金計劃，並於 2019 年起，對服務年資滿 5 年的員工增設行方自願性供款。該計劃之受託人為中銀國際英國保誠信託有限公司，投資管理人為中銀國際英國保誠資產管理有限公司，此兩間公司均為本銀行之有關連人士。

截至 2020 年 12 月 31 日止年度，在扣除約港幣 0.10 億元（2019 年：約港幣 0.10 億元）之沒收供款後，職業退休計劃之供款總額約為港幣 3.75 億元（2019 年：約港幣 3.58 億元），而本集團向強積金計劃之供款總額則約為港幣 1.10 億元（2019 年：約港幣 0.99 億元）。

## Notes to the Financial Statements (continued)

### 18. Retirement benefit costs

Retirement benefits are provided to eligible employees of the Group. In Hong Kong, defined contribution schemes for the Group's employees are ORSO schemes exempted under the MPF Schemes Ordinance and the BOC-Prudential Easy Choice MPF Scheme.

Under the ORSO schemes, employees make monthly contributions to the ORSO schemes equal to 5% of their basic salaries, while the employer makes monthly contributions equal to 5% to 15% of the employees' monthly basic salaries, depending on years of service. The employees are entitled to receive 100% of the employer's contributions upon retirement, early retirement or termination of employment after completing 10 years of service. Employees with 3 to 9 years of service are entitled to receive the employer's contributions at a scale ranging from 30% to 90% upon termination of employment for other reasons other than summary dismissal. All employer's contributions received by employee are subject to MPF Schemes Ordinance.

With the implementation of the MPF Schemes Ordinance on 1 December 2000, the Group also launched the MPF Scheme according to the regulatory requirement. Since 2019, employees with 5 years of service or above are entitled to employer's voluntary contribution. The trustee of the Scheme is BOCI-Prudential Trustee and the investment manager is BOCI-Prudential Asset Management, which are related parties of the Bank.

The Group's total contributions made to the ORSO schemes for the year ended 31 December 2020 amounted to approximately HK\$375 million (2019: approximately HK\$358 million), after a deduction of forfeited contributions of approximately HK\$10 million (2019: approximately HK\$10 million). For the MPF Scheme, the Group contributed approximately HK\$110 million (2019: approximately HK\$99 million) for the year ended 31 December 2020.

財務報表附註 (續) **Notes to the Financial Statements (continued)**

**19. 董事、高層管理人員及主要人員酬金** **19. Directors', senior management's and key personnel's emoluments**

**(a) 董事及高層管理人員酬金**

**(a) Directors' and senior management's emoluments**

**(i) 董事酬金**

**(i) Directors' emoluments**

本年度本集團就本銀行董事為本銀行及管理附屬公司提供之服務而已付及其應收未收之酬金詳情如下：

Details of the emoluments paid to or receivable by the directors of the Bank in respect of their services rendered for the Bank and managing the subsidiaries within the Group during the year are as follows:

		2020				
		董事袍金 Directors' fee	基本薪金、 津貼及 實物福利 Basic salaries, allowances and benefits in kind	花紅 Bonus	其他付款# Other payments#	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
<b>執行董事</b>	<b>Executive Directors</b>					
孫煜 (總裁) <sup>註1</sup>	SUN Yu (Chief Executive) <sup>Note 1</sup>	-	140	31	-	171
高迎欣 (總裁) <sup>註2</sup>	GAO Yingxin (Chief Executive) <sup>Note 2</sup>	-	3,041	1,636	-	4,677
		-	3,181	1,667	-	4,848
<b>非執行董事</b>	<b>Non-executive Directors</b>					
劉連舸	LIU Liange	-	-	-	-	-
王江 <sup>註1</sup>	WANG Jiang <sup>Note 1</sup>	-	-	-	-	-
林景臻	LIN Jingzhen	-	-	-	-	-
鄭汝樺*	CHENG Eva*	600	-	-	-	600
蔡冠深*	CHOI Koon Shum*	600	-	-	-	600
高銘勝*	KOH Beng Seng*	650	-	-	-	650
羅義坤*	LAW Yee Kwan Quinn*	550	-	-	-	550
童偉鶴*	TUNG Savio Wai-Hok*	700	-	-	-	700
		3,100	-	-	-	3,100
		3,100	3,181	1,667	-	7,948

註 1：於年內委任。

Note 1: Appointed during the year.

註 2：於年內辭任。

Note 2: Resigned during the year.

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**19. 董事、高層管理人員及主要人員酬金 (續) 19. Directors', senior management's and key personnel's emoluments (continued)**
**(a) 董事及高層管理人員酬金 (續)**
**(a) Directors' and senior management's emoluments (continued)**
**(i) 董事酬金 (續)**
**(i) Directors' emoluments (continued)**

		2019				
		董事袍金 Directors' fee	基本薪金、 津貼及 實物福利 Basic salaries, allowances and benefits in kind	花紅 Bonus	其他付款# Other payments#	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
<b>執行董事</b>	<b>Executive Directors</b>					
高迎欣 (總裁)	GAO Yingxin (Chief Executive)	-	7,142	4,247	-	11,389
李久仲	LI Jiuzhong	-	1,008	533	-	1,541
		-	8,150	4,780	-	12,930
<b>非執行董事</b>	<b>Non-executive Directors</b>					
劉連舸	LIU Liange	-	-	-	-	-
林景臻	LIN Jingzhen	-	-	-	-	-
鄭汝樺*	CHENG Eva*	502	-	-	-	502
蔡冠深*	CHOI Koon Shum*	551	-	-	-	551
高銘勝*	KOH Beng Seng*	601	-	-	-	601
羅義坤*	LAW Yee Kwan Quinn*	404	-	-	-	404
童偉鶴*	TUNG Savio Wai-Hok*	651	-	-	-	651
陳四清	CHEN Siqing	-	-	-	-	-
		2,709	-	-	-	2,709
		2,709	8,150	4,780	-	15,639

\* 獨立非執行董事

\* Independent Non-executive Directors

# 包括為董事所付的退休金計劃供款金額、為促使董事加盟及為補償董事因失去董事職位已支付或應付的款項。

# Including the contributions to pension scheme for directors, inducement to join the Group and the compensation for the loss of office paid to or receivable by directors.

截至2020年12月31日止年度，沒有董事放棄其酬金（2019年：無）。

There were no directors waived emoluments for the year ended 31 December 2020 (2019: Nil).



財務報表附註 (續) **Notes to the Financial Statements (continued)**

**19. 董事、高層管理人員及主要人員酬金 (續)** **19. Directors', senior management's and key personnel's emoluments (continued)**

**(a) 董事及高層管理人員酬金 (續)**

**(ii) 五位最高薪酬人士**

本集團年內五位最高薪酬人士沒有包括任何董事 (2019年: 1名)。5名 (2019年: 4名) 最高薪酬人士之酬金分析如下:

基本薪金及津貼  
花紅  
退休金計劃供款

年內就彼等任期內已付及其應收未收之酬金組別如下:

**(a) Directors' and senior management's emoluments (continued)**

**(ii) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year do not include any (2019: one) directors. The emoluments payable to the five (2019: four) individuals during the year are as follows:

Basic salaries and allowances  
Bonus  
Contributions to pension schemes

Emoluments paid to or receivable by individuals during the year with reference to their tenure are within the following bands:

	2020	2019
	港幣百萬元	港幣百萬元
	HK\$m	HK\$m
基本薪金及津貼	23	16
花紅	10	11
退休金計劃供款	1	1
	<b>34</b>	<b>28</b>

港幣 6,000,001 元至港幣 6,500,000 元  
港幣 6,500,001 元至港幣 7,000,000 元  
港幣 7,000,001 元至港幣 7,500,000 元  
港幣 7,500,001 元至港幣 8,000,000 元

HK\$6,000,001 to HK\$6,500,000  
HK\$6,500,001 to HK\$7,000,000  
HK\$7,000,001 to HK\$7,500,000  
HK\$7,500,001 to HK\$8,000,000

	人數	
	Number of individuals	
	2020	2019
港幣 6,000,001 元至港幣 6,500,000 元	1	1
港幣 6,500,001 元至港幣 7,000,000 元	1	1
港幣 7,000,001 元至港幣 7,500,000 元	2	-
港幣 7,500,001 元至港幣 8,000,000 元	1	2

**財務報表附註 (續) Notes to the Financial Statements (continued)**

**19. 董事、高層管理人員及主要人員酬金 (續) 19. Directors', senior management's and key personnel's emoluments (continued)**

**(a) 董事及高層管理人員酬金 (續)**

**(iii) 高層管理人員酬金**

高層管理人員年內就彼等任期內已付及其應收未收之酬金組別如下：

**(a) Directors' and senior management's emoluments (continued)**

**(iii) Senior management's emoluments**

Emoluments paid to or receivable by individuals during the year with reference to their tenure as senior management are within the following bands:

		人數 Number of individuals	
		2020	2019
港幣 0 元至港幣 500,000 元	HK\$0 to HK\$500,000	1	-
港幣 500,001 元至港幣 1,000,000 元	HK\$500,001 to HK\$1,000,000	-	1
港幣 1,500,001 元至港幣 2,000,000 元	HK\$1,500,001 to HK\$2,000,000	-	1
港幣 2,000,001 元至港幣 2,500,000 元	HK\$2,000,001 to HK\$2,500,000	-	1
港幣 3,500,001 元至港幣 4,000,000 元	HK\$3,500,001 to HK\$4,000,000	1	-
港幣 4,500,001 元至港幣 5,000,000 元	HK\$4,500,001 to HK\$5,000,000	1	-
港幣 5,000,001 元至港幣 5,500,000 元	HK\$5,000,001 to HK\$5,500,000	2	2
港幣 5,500,001 元至港幣 6,000,000 元	HK\$5,500,001 to HK\$6,000,000	1	2
港幣 6,000,001 元至港幣 6,500,000 元	HK\$6,000,001 to HK\$6,500,000	1	1
港幣 6,500,001 元至港幣 7,000,000 元	HK\$6,500,001 to HK\$7,000,000	1	-
港幣 7,000,001 元至港幣 7,500,000 元	HK\$7,000,001 to HK\$7,500,000	1	-
港幣 7,500,001 元至港幣 8,000,000 元	HK\$7,500,001 to HK\$8,000,000	1	1
港幣 11,000,001 元至港幣 11,500,000 元	HK\$11,000,001 to HK\$11,500,000	-	1

財務報表附註 (續) **Notes to the Financial Statements (continued)**

**19. 董事、高層管理人員及主要人員酬金 (續)** **19. Directors', senior management's and key personnel's emoluments (continued)**

**(b) CG-5 下高級管理人員及主要人員的薪酬**

就披露用途，高級管理人員及主要人員定義如下：

- 高級管理人員：董事會指定的高級管理人員，負責總體策略或重要業務，包括總裁、副總裁、財務總監、風險總監、營運總監、董事會秘書以及集團審計總經理。
- 主要人員：個人業務活動涉及重大風險承擔，對風險暴露有重大影響，或個人職責對風險管理有直接、重大影響，或對盈利有直接影響的人員，包括業務盈利規模較大的單位主管、本集團主要附屬公司第一責任人、東南亞機構高職人員、交易主管，以及對風險管理有直接影響的職能單位第一責任人。

本年度本集團之高級管理人員及主要人員的薪酬詳情如下：

**(i) 於財政年度內給予的薪酬**

		2020	2019
		高級管理人員 Senior Management 港幣百萬元 HK\$m	主要人員 Key Personnel 港幣百萬元 HK\$m
固定薪酬	Fixed remuneration		
現金	Cash-based	45	141
其中：遞延	Of which: deferred	-	-
浮動薪酬	Variable remuneration		
現金	Cash-based	18	57
其中：遞延	Of which: deferred	5	13
薪酬總額	Total remuneration	<b>63</b>	<b>198</b>
員工數目	Number of employees		
固定薪酬	Fixed remuneration	13	56
浮動薪酬	Variable remuneration	13	55

**(b) Remuneration for Senior Management and Key Personnel under CG-5**

For the purpose of disclosure, Senior Management and Key Personnel are defined as follows:

- Senior Management: The senior executives designated by the Board who are responsible for oversight of the firm-wide strategy or material business lines, including the Chief Executive, Deputy Chief Executives, Chief Financial Officer, Chief Risk Officer, Chief Operating Officer, Board Secretary and General Manager of Group Audit.
- Key Personnel: The employees whose individual business activities involve the assumption of material risk which may have significant impact on risk exposure, or whose individual responsibilities are directly and materially linked to the risk management, or those who have direct influence to the profit, including heads of material business lines, heads of major subsidiaries, senior executives of Southeast Asian entities, head of trading, as well as heads of risk control functions.

Details of the remuneration for Senior Management and Key Personnel of the Group during the year are as follows:

**(i) Remuneration awarded during financial year**

		2020	2019
		高級管理人員 Senior Management 港幣百萬元 HK\$m	主要人員 Key Personnel 港幣百萬元 HK\$m
固定薪酬	Fixed remuneration		
現金	Cash-based	42	137
其中：遞延	Of which: deferred	-	-
浮動薪酬	Variable remuneration		
現金	Cash-based	19	85
其中：遞延	Of which: deferred	5	22
薪酬總額	Total remuneration	<b>61</b>	<b>222</b>
員工數目	Number of employees		
固定薪酬	Fixed remuneration	12	56
浮動薪酬	Variable remuneration	12	55

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**19. 董事、高層管理人員及主要人員酬金 19. Directors', senior management's and key personnel's emoluments (continued)**
**(b) CG-5 下高級管理人員及主要人員的薪酬 (續) (b) Remuneration for Senior Management and Key Personnel under CG-5 (continued)**
**(ii) 特別付款**
**(ii) Special payments**

		2020		2019	
		高級管理人員 Senior Management 港幣千元 HK\$'000	主要人員 Key Personnel 港幣千元 HK\$'000	高級管理人員 Senior Management 港幣千元 HK\$'000	主要人員 Key Personnel 港幣千元 HK\$'000
簽約獎金	Sign-on awards	-	333	-	-
員工數目	Number of employees	-	1	-	-

截至 2020 年 12 月 31 日止年度，沒有給予高級管理人員及主要人員保證花紅及遣散費 (2019 年：無)。

There were no guaranteed bonuses and severance payments to Senior Management and Key Personnel for the year ended 31 December 2020 (2019: Nil).

**(iii) 遞延薪酬**
**(iii) Deferred remuneration**

		2020				
		未支付的遞延薪酬總額 Total amount of outstanding deferred remuneration 港幣百萬元 HK\$'m	其中：可能受在宣布給予後出現的外在及／或在調整影響的未支付遞延及保留薪酬總額 Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment 港幣百萬元 HK\$'m	在有關於財政年度內在宣布給予後作出的外在調整而被修訂的薪酬總額 Total amount of amendment during the year due to ex post explicit adjustments 港幣百萬元 HK\$'m	在有關於財政年度內在宣布給予後出現的內在調整而被修訂的薪酬總額 Total amount of amendment during the year due to ex post implicit adjustments 港幣百萬元 HK\$'m	在有關於財政年度內發放的遞延薪酬總額 Total amount of deferred remuneration paid out in the financial year 港幣百萬元 HK\$'m
高級管理人員 現金	Senior Management Cash	10	10	-	-	(5)
主要人員 現金	Key Personnel Cash	34	34	-	-	(18)
總額	Total	44	44	-	-	(23)
		2019				
		未支付的遞延薪酬總額 Total amount of outstanding deferred remuneration 港幣百萬元 HK\$'m	其中：可能受在宣布給予後出現的外在及／或在調整影響的未支付遞延及保留薪酬總額 Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment 港幣百萬元 HK\$'m	在有關於財政年度內在宣布給予後作出的外在調整而被修訂的薪酬總額 Total amount of amendment during the year due to ex post explicit adjustments 港幣百萬元 HK\$'m	在有關於財政年度內在宣布給予後出現的內在調整而被修訂的薪酬總額 Total amount of amendment during the year due to ex post implicit adjustments 港幣百萬元 HK\$'m	在有關於財政年度內發放的遞延薪酬總額 Total amount of deferred remuneration paid out in the financial year 港幣百萬元 HK\$'m
高級管理人員 現金	Senior Management Cash	10	10	-	-	(5)
主要人員 現金	Key Personnel Cash	39	39	-	-	(14)
總額	Total	49	49	-	-	(19)

財務報表附註 (續) **Notes to the Financial Statements (continued)**

**20. 庫存現金及在銀行及其他金融機構之結餘及定期存放**      **20. Cash and balances and placements with banks and other financial institutions**

		2020 港幣百萬元 HK\$'m	2019 港幣百萬元 HK\$'m
庫存現金	Cash	<u>38,187</u>	<u>19,028</u>
存放中央銀行之結餘	Balances with central banks	<b>141,803</b>	150,249
在中央銀行一個月內到期之定期存放	Placements with central banks maturing within one month	<b>36,842</b>	9,541
在中央銀行一至十二個月內到期之定期存放	Placements with central banks maturing between one and twelve months	<b>3,379</b>	2,444
在中央銀行超過一年到期之定期存放	Placements with central banks maturing over one year	<u>1,547</u>	<u>785</u>
		<b>183,571</b>	<b>163,019</b>
存放其他銀行及其他金融機構之結餘	Balances with other banks and other financial institutions	<b>187,459</b>	75,455
在其他銀行及其他金融機構一個月內到期之定期存放	Placements with other banks and other financial institutions maturing within one month	<b>19,588</b>	80,971
在其他銀行及其他金融機構一至十二個月內到期之定期存放	Placements with other banks and other financial institutions maturing between one and twelve months	<b>33,974</b>	28,166
在其他銀行及其他金融機構超過一年到期之定期存放	Placements with other banks and other financial institutions maturing over one year	<u>310</u>	<u>-</u>
		<b>241,331</b>	<b>184,592</b>
減值準備	Impairment allowances	<b>463,089</b>	366,639
- 第一階段	- Stage 1	<b>(8)</b>	(3)
- 第二階段	- Stage 2	-	-
- 第三階段	- Stage 3	-	-
		<u>463,081</u>	<u>366,636</u>

財務報表附註 (續) **Notes to the Financial Statements (continued)**

**21. 以公平值變化計入損益之金融資產**    **21. Financial assets at fair value through profit or loss**

		2020	2019
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
證券	Securities		
交易性資產	Trading assets		
- 庫券	- Treasury bills	1,349	21,025
- 存款證	- Certificates of deposit	171	2,953
- 其他債務證券	- Other debt securities	<u>25,297</u>	<u>13,612</u>
		26,817	37,590
- 股份證券	- Equity securities	<u>49</u>	<u>37</u>
		<u>26,866</u>	<u>37,627</u>
其他強制分類為以公平值 變化計入損益之金融 資產	Other financial assets mandatorily classified at fair value through profit or loss		
- 存款證	- Certificates of deposit	-	-
- 其他債務證券	- Other debt securities	<u>1,154</u>	<u>744</u>
		1,154	744
- 股份證券	- Equity securities	<u>-</u>	<u>3</u>
		<u>1,154</u>	<u>747</u>
界定為以公平值變化計入 損益之金融資產	Financial assets designated at fair value through profit or loss		
- 存款證	- Certificates of deposit	-	-
- 其他債務證券	- Other debt securities	<u>1,307</u>	<u>2,991</u>
		1,307	2,991
證券總額	Total securities	<u>29,327</u>	<u>41,365</u>
其他債務工具	Other debt instruments		
交易性資產	Trading assets	3,300	5,297
界定為以公平值變化計入 損益之金融資產	Financial assets designated at fair value through profit or loss	<u>118</u>	<u>-</u>
其他債務工具總額	Total other debt instruments	<u>3,418</u>	<u>5,297</u>
		<u>32,745</u>	<u>46,662</u>

**財務報表附註 (續) Notes to the Financial Statements (continued)**

**21. 以公平值變化計入損益之金融資產 (續) 21. Financial assets at fair value through profit or loss (continued)**

證券總額按上市地之分類如下：

Total securities are analysed by place of listing as follows:

		<u>2020</u>	<u>2019</u>
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
債務證券及存款證	Debt securities and certificates of deposit		
- 於香港上市	- Listed in Hong Kong	22,395	5,903
- 於香港以外上市	- Listed outside Hong Kong	2,479	4,192
- 非上市	- Unlisted	4,404	31,230
		<u>29,278</u>	<u>41,325</u>
股份證券	Equity securities		
- 於香港上市	- Listed in Hong Kong	49	37
- 於香港以外上市	- Listed outside Hong Kong	-	3
		<u>49</u>	<u>40</u>
證券總額	Total securities	<u>29,327</u>	<u>41,365</u>

證券總額按發行機構之分類如下：

Total securities are analysed by type of issuer as follows:

		<u>2020</u>	<u>2019</u>
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
官方實體	Sovereigns	26,102	30,302
公營單位	Public sector entities	535	1,526
銀行及其他金融機構	Banks and other financial institutions	2,204	7,506
公司企業	Corporate entities	486	2,031
證券總額	Total securities	<u>29,327</u>	<u>41,365</u>

## 財務報表附註（續） Notes to the Financial Statements (continued)

### 22. 衍生金融工具及對沖會計 22. Derivative financial instruments and hedge accounting

本集團訂立匯率、利率、商品、股權及信貸相關的衍生金融工具合約作買賣及風險管理之用。

貨幣遠期是指於未來某一日期買或賣外幣的承諾。利率期貨是指根據合約按照利率的變化收取或支付一個淨金額的合約，或在交易所管理的金融市場上按約定價格在未來的某一日期買進或賣出利率金融工具的合約。遠期利率協議是經單獨協商而達成的利率期貨合約，要求在未來某一日期根據合約利率與市場利率的差異及名義本金的金額進行計算及現金交割。

貨幣、利率及商品掉期是指交換不同現金流或商品的承諾。掉期的結果是交換不同貨幣、利率（如固定利率與浮動利率）或貴金屬（如白銀掉期）或以上的所有組合（如交叉貨幣利率掉期）。除某些貨幣掉期合約外，該等交易無需交換本金。

外匯、利率、貴金屬及股權期權是指期權的賣方（出讓方）為買方（持有方）提供未來某一特定日期或未來一定時期內按約定的價格買進（認購期權）或賣出（認沽期權）一定數量的金融工具的權利（而非承諾）的一種協議。考慮到外匯和利率風險，期權的賣方從購買方收取一定的期權費。本集團期權合約是與對手方在場外協商達成或透過交易所進行（如於交易所進行買賣之期權）。

The Group enters into exchange rate, interest rate, commodity, equity and credit related derivative financial instrument contracts for trading and risk management purposes.

Currency forwards represent commitments to purchase and sell foreign currency on a future date. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates or buy or sell interest rate financial instruments on a future date at an agreed price in the financial market under the administration of the stock exchange. Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contract rate of interest and the current market rate, based on a notional principal amount.

Currency, interest rate and commodity swaps are commitments to exchange one set of cash flows or commodity for another. Swaps result in an exchange of currencies, interest rates (for example, fixed rate for floating rate), or precious metals (for example, silver swaps) or a combination of all these (for example, cross-currency interest rate swaps). Except for certain currency swap contracts, no exchange of principal takes place.

Foreign currency, interest rate, precious metal and equity options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of the financial instrument at a predetermined price. In consideration for the assumption of foreign exchange and interest rate risk, the seller receives a premium from the purchaser. Options are negotiated over-the-counter between the Group and its counterparty or traded through the stock exchange (for example, exchange-traded stock option).



## 財務報表附註（續） Notes to the Financial Statements (continued)

### 22. 衍生金融工具及對沖會計（續） 22. Derivative financial instruments and hedge accounting (continued)

本集團之衍生金融工具合約／名義數額及其公平值詳列於下表。各類型金融工具的合約／名義數額僅顯示於資產負債表日未完成之交易量，而若干金融工具之合約／名義數額則提供了一個與資產負債表內所確認的資產或負債的公平值對比的基礎。但是，這並不反映所涉及的未來的現金流或當前的公平值，因而也不能反映本集團所面臨的信貸風險或市場風險。隨著與衍生金融工具合約條款相關的匯率、市場利率、商品價格或股權價格的波動，衍生金融工具的估值可能產生有利（資產）或不利（負債）的影響，這些影響可能在不同期間有較大的波動。

#### (a) 衍生金融工具

本集團進行場內及場外衍生產品交易的主要目的是開展客戶業務。集團與客戶及同業市場敘做的衍生產品交易均需嚴格遵從本集團各相關風險管理政策及規定。

衍生產品亦應用於管理銀行賬的利率風險，只有在獲批准之產品名單上載有的衍生產品方可進行交易。由衍生產品交易產生的風險承擔名義數額以設限控制，並制訂交易的最長期限。每宗衍生產品交易必須記錄於相應的系統，以進行結算、市場劃價、報告及監控。

The contract/notional amounts and fair values of derivative financial instruments held by the Group are set out in the following tables. The contract/notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet dates and certain of them provide a basis for comparison with the fair values of instruments recognised on the balance sheet. However, they do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates, market interest rates, commodity prices or equity prices relative to their terms. The aggregate fair values of derivative financial instruments can fluctuate significantly from time to time.

#### (a) Derivative financial instruments

The Group trades derivative products (both exchange-traded and OTC) mainly for customer business. The Group strictly follows risk management policies and requirements in providing derivative products to our customers and in trading of derivative products in the interbank market.

Derivatives are also used to manage the interest rate risk of the banking book. A derivative instrument must be included in the approved product list before any transactions for that instrument can be made. There are limits to control the notional amount of exposure arising from derivative transactions, and the maximum tenor of the deal is set. Every derivative transaction must be input into the relevant system for settlement, mark-to-market revaluation, reporting and control.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 22. 衍生金融工具及對沖會計 (續) 22. Derivative financial instruments and hedge accounting (continued)

#### (a) 衍生金融工具 (續)

下表概述各類衍生金融工具於 12 月 31 日之合約／名義數額及其公平值：

#### (a) Derivative financial instruments (continued)

The following tables summarise the contract/notional amounts and fair values of each class of derivative financial instrument as at 31 December:

		2020		
		合約／ 名義數額 Contract/ notional amounts	公平值 Fair values	
			資產 Assets	負債 Liabilities
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
匯率合約	Exchange rate contracts			
即期、遠期及期貨	Spot, forwards and futures	252,159	13,501	(9,918)
掉期	Swaps	1,161,386	18,641	(20,803)
期權	Options	21,443	147	(136)
		<u>1,434,988</u>	<u>32,289</u>	<u>(30,857)</u>
利率合約	Interest rate contracts			
期貨	Futures	488	-	-
掉期	Swaps	1,152,857	17,211	(26,218)
期權	Options	5,845	-	-
		<u>1,159,190</u>	<u>17,211</u>	<u>(26,218)</u>
商品合約	Commodity contracts	<u>42,819</u>	<u>3,282</u>	<u>(3,246)</u>
股權合約	Equity contracts	<u>2,468</u>	<u>29</u>	<u>(34)</u>
信貸衍生工具合約	Credit derivative contracts	-	-	-
		<u>2,639,465</u>	<u>52,811</u>	<u>(60,355)</u>

財務報表附註 (續) **Notes to the Financial Statements (continued)**

**22. 衍生金融工具及對沖會計 (續) 22. Derivative financial instruments and hedge accounting (continued)**

(a) 衍生金融工具 (續)

(a) Derivative financial instruments (continued)

		2019		
		合約/ 名義數額 Contract/ notional amounts	公平值 Fair values	
			資產 Assets	負債 Liabilities
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
匯率合約	Exchange rate contracts			
即期、遠期及期貨	Spot, forwards and futures	318,664	11,812	(8,105)
掉期	Swaps	1,559,311	10,992	(10,027)
期權	Options	49,544	132	(100)
		<u>1,927,519</u>	<u>22,936</u>	<u>(18,232)</u>
利率合約	Interest rate contracts			
期貨	Futures	1,126	2	-
掉期	Swaps	1,223,157	7,462	(12,002)
期權	Options	3,114	-	-
		<u>1,227,397</u>	<u>7,464</u>	<u>(12,002)</u>
商品合約	Commodity contracts	<u>48,446</u>	<u>756</u>	<u>(2,576)</u>
股權合約	Equity contracts	<u>1,301</u>	<u>11</u>	<u>(14)</u>
信貸衍生工具合約	Credit derivative contracts	<u>389</u>	<u>-</u>	<u>(9)</u>
		<u>3,205,052</u>	<u>31,167</u>	<u>(32,833)</u>

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 22. 衍生金融工具及對沖會計 (續) 22. Derivative financial instruments and hedge accounting (continued)

#### (b) 對沖會計

##### 公平值對沖

本集團利用利率掉期合約對沖由市場利率引致的金融資產及負債公平值變動。本集團應用對沖會計的利率風險來自定息債務證券，當基準利率浮動，它們的公平值亦會變動。由於定息債務證券的公平值變化會顯著受到基準利率浮動的影響，本集團只指定利率風險中的基準利率部分進行對沖。當經濟對沖關係符合對沖會計條件，對沖會計會被應用。

以下原因可能導致對沖無效：

- 對沖工具和被對沖項目的增加或減少；
- 交易對手信用風險重大變化。

下表概述了於 12 月 31 日以剩餘合約到期日列示之對沖工具的合約／名義數額。

#### (b) Hedge accounting

##### Fair value hedges

The Group uses interest rate swaps to hedge against change in fair value of financial assets and liabilities arising from movements in market interest rates. Interest rate risk to which the Group applies hedge accounting arises from fixed-rate debt securities, whose fair value fluctuates when benchmark interest rates change. The Group only designates interest rate risks to the extent of benchmark interest rates as the hedged risks because the changes in fair value of the fixed-rate debt securities are significantly influenced by the changes in the benchmark interest rates. Hedge accounting is applied where economic hedging relationships meet the hedge accounting criteria.

Possible sources of ineffectiveness are as follows:

- Increase or decrease in the amounts of hedged items or hedging instruments;
- Significant changes in counterparties' credit risk.

The table below summarises the contract/notional amounts of the hedging instruments as at 31 December by remaining contractual maturity.

		2020					
		一至	三至	一至五年	五年以上	總計	
		一個月內	三個月	十二個月	一至五年	五年以上	
		Up to	1 to 3	3 to 12	1 to 5	Over	
		1 month	months	months	years	5 years	
		港幣	港幣	港幣	港幣	港幣	
		百萬元	百萬元	百萬元	百萬元	百萬元	
		HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	
利率掉期	Interest rate swaps	1,875	2,011	8,382	61,441	37,545	111,254
		2019					
		一至	三至	一至五年	五年以上	總計	
		一個月內	三個月	十二個月	一至五年	五年以上	
		Up to	1 to 3	3 to 12	1 to 5	Over	
		1 month	months	months	years	5 years	
		港幣	港幣	港幣	港幣	港幣	
		百萬元	百萬元	百萬元	百萬元	百萬元	
		HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	
利率掉期	Interest rate swaps	849	1,575	6,065	67,336	38,066	113,891

財務報表附註 (續) **Notes to the Financial Statements (continued)**

**22. 衍生金融工具及對沖會計 (續) 22. Derivative financial instruments and hedge accounting (continued)**

(b) 對沖會計 (續)

公平值對沖 (續)

界定為對沖工具之相關金額如下：

(b) Hedge accounting (continued)

Fair value hedges (continued)

The amounts relating to items designated as hedging instruments are as follows:

		2020			
		合約/ 名義數額 Contract/ notional amounts 港幣百萬元 HK\$m	公平值 Fair values		用以確認對沖 無效部分之 公平值變動 Change in fair value used for recognising hedge ineffectiveness 港幣百萬元 HK\$m
			資產 Assets	負債 Liabilities	
			港幣百萬元 HK\$m	港幣百萬元 HK\$m	
衍生金融工具	Derivative financial instruments				
利率掉期	Interest rate swaps	111,254	50	(6,196)	(4,074)
		2019			
		合約/ 名義數額 Contract/ notional amounts 港幣百萬元 HK\$m	公平值 Fair values		用以確認對沖 無效部分之 公平值變動 Change in fair value used for recognising hedge ineffectiveness 港幣百萬元 HK\$m
			資產 Assets	負債 Liabilities	
			港幣百萬元 HK\$m	港幣百萬元 HK\$m	
衍生金融工具	Derivative financial instruments				
利率掉期	Interest rate swaps	113,891	330	(2,632)	(3,714)

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 22. 衍生金融工具及對沖會計 (續) 22. Derivative financial instruments and hedge accounting (continued)

#### (b) 對沖會計 (續)

##### 公平值對沖 (續)

被對沖項目之相關金額如下：

證券投資  
債務證券

證券投資  
債務證券

確認對沖無效部分如下：

淨交易性收益

#### (b) Hedge accounting (continued)

##### Fair value hedges (continued)

The amounts relating to hedged items are as follows:

Investment in securities  
Debt securities

Investment in securities  
Debt securities

Hedge ineffectiveness recognised is as follows:

Net trading gain

2020		
賬面值 Carrying amounts	計入賬面值的 公平值對沖 調整累計金額 Accumulated amount of fair value hedge adjustment included in the carrying amounts	用以確認對沖 無效部分之 價值變動 Change in value used for recognising hedge ineffectiveness
港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
119,092	6,538	4,302

2019		
賬面值 Carrying amounts	計入賬面值的 公平值對沖 調整累計金額 Accumulated amount of fair value hedge adjustment included in the carrying amounts	用以確認對沖 無效部分之 價值變動 Change in value used for recognising hedge ineffectiveness
港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
118,224	2,813	3,921

2020	2019
港幣百萬元 HK\$m	港幣百萬元 HK\$m
228	207

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 22. 衍生金融工具及對沖會計 (續) 22. Derivative financial instruments and hedge accounting (continued)

#### (c) 基準利率改革

香港會計準則第 39 號、香港財務報告準則第 7 號及香港財務報告準則第 9 號(經修訂)「基準利率改革」對特定對沖會計規定作出修改，從而允許實體在採用該對沖會計規定時，在幾乎無風險的替代利率取代現有基準利率之前不確定性的期間，可假設基準利率改革不改變被對沖項目現金流量和對沖工具現金流量所依據的基準利率。本集團自 2020 年 1 月 1 日起開始的會計年度首次採用該修訂。

本集團的公平值對沖會計關係涉及不同的基準利率，主要為美元倫敦銀行同業拆息。本集團實時管理監測基準利率向替代參考利率過渡的進展，以確保本集團對沖會計關係的平穩過渡。在轉換過程中，可能會由於對沖關係中包含的現有產品的轉換、預期規模的變化、新產品的合同條款變化或這些因素的組合導致一些對沖關係可能需要終止並且建立新的對沖關係，而另一些對沖關係可能會在全市場基準改革中繼續存在。

#### (c) IBOR reform

The HKAS 39, HKFRS 7 and HKFRS 9 (Amendments), "Interest Rate Benchmark Reform" modify some specific hedge accounting requirements. During the period of uncertainty arising from phasing-out of interest rate benchmarks with an alternative nearly risk-free interest rate ("RFR"), the entities that apply these hedge accounting requirements can assume that the interest rate benchmarks on which the hedged cash flows and cash flows of the hedging instrument are based are not altered as a result of IBOR reform. The Group has adopted the amendments for the financial year beginning on 1 January 2020.

The Group has fair value hedge accounting relationships that are exposed to different interbank offered rates, predominantly US Dollar LIBOR. External progress on the transition to RFRs is being monitored, with the objective of ensuring a smooth transition for the Group's hedge accounting relationships. The specific issues arising will vary with the details of each hedging relationship, but may arise due to the transition of existing products included in the designation, a change in expected volumes of products to be issued, a change in contractual terms of new products issued, or a combination of these factors. Some hedges may need to be de-designated and new relationships entered into, while others may survive the market-wide benchmarks reform.

財務報表附註（續） **Notes to the Financial Statements (continued)**

**22. 衍生金融工具及對沖會計（續）** **22. Derivative financial instruments and hedge accounting (continued)**

**(c) 基準利率改革（續）**

適用豁免的對沖會計關係的被對沖項目為債務證券，列示在綜合資產負債表的「證券投資」中。在識別適用豁免的對沖會計關係的被對沖項目時，本集團對預期不確定性何時終止，以及對相應的豁免終止時點進行了判斷。截至2020年12月31日，本集團認為不確定性仍然存在，因此該等豁免將仍適用於本集團所有因基準利率改革而需替換或受影響的對沖會計關係。

在對沖會計關係中指定的利率衍生產品合約／名義數額，代表本集團所管理的受全市場基準改革直接影響和適用豁免的對沖關係的風險承擔。在下表列出：

**(c) IBOR reform (continued)**

The hedged items that are affected by the adoption of the temporary exceptions in hedge accounting relationships are debt securities which are presented in the consolidated balance sheet as "Investment in securities". When identifying the hedged items that are affected by the adoption of the temporary exception, judgement has been exercised by the Group in determining when uncertainty is expected to be resolved and therefore when the temporary exceptions will cease to apply. As at 31 December 2020, the Group believed that the uncertainty continued to exist and so the temporary exceptions apply to all of the Group's hedge accounting relationships that reference benchmarks subject to reform or replacement.

The contract/notional amounts of interest rate derivatives designated in hedge accounting relationships represent the extent of the risk exposure managed by the Group that is directly affected by market-wide benchmarks reform and impacted by the temporary exceptions, which is presented as below:

	<b>2020</b>
	合約／ 名義數額 <b>Contract/ notional amounts</b>
	港幣百萬元 <b>HK\$'m</b>
利率掉期	<b>104,022</b>
Interest rate swaps	



**財務報表附註 (續) Notes to the Financial Statements (continued)**

**22. 衍生金融工具及對沖會計 (續) 22. Derivative financial instruments and hedge accounting (continued)**

**(c) 基準利率改革 (續)**

2020年10月，香港會計師公會發佈了香港會計準則第39號、香港財務報告準則第4號、香港財務報告準則第7號、香港財務報告準則第9號及香港財務報告準則第16號（經修訂）「基準利率改革 - 第二階段」。本集團將從2021年1月1日起開始的會計年度採用該修訂。

**(c) IBOR reform (continued)**

In October 2020, HKICPA issued HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments), "Interest Rate Benchmark Reform – Phase 2". The Group will adopt the amendments for the financial year beginning on 1 January 2021.

財務報表附註 (續)      **Notes to the Financial Statements (continued)**

**23. 貸款及其他賬項**      **23. Advances and other accounts**

		<b>2020</b>	<b>2019</b>
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
個人貸款	Personal loans and advances	<b>457,013</b>	414,356
公司貸款	Corporate loans and advances	<b>1,040,243</b>	981,067
客戶貸款	Advances to customers	<b>1,497,256</b>	1,395,423
減：減值準備	Less: Impairment allowances		
- 第一階段	- Stage 1	<b>(5,405)</b>	(4,563)
- 第二階段	- Stage 2	<b>(1,115)</b>	(297)
- 第三階段	- Stage 3	<b>(2,652)</b>	(2,175)
		<b>1,488,084</b>	1,388,388
貿易票據	Trade bills	<b>9,826</b>	20,727
減：減值準備	Less: Impairment allowances		
- 第一階段	- Stage 1	-	(1)
- 第二階段	- Stage 2	-	-
- 第三階段	- Stage 3	-	-
		<b>9,826</b>	20,726
銀行及其他金融機構貸款	Advances to banks and other financial institutions	<b>1,898</b>	3,387
		<b>1,499,808</b>	1,412,501

於2020年12月31日，客戶貸款包括應計利息港幣19.61億元(2019年：港幣27.56億元)。

As at 31 December 2020, advances to customers included accrued interest of HK\$1,961 million (2019: HK\$2,756 million).

財務報表附註（續）      **Notes to the Financial Statements (continued)**

**24. 證券投資**

**24. Investment in securities**

		<b>2020</b>	2019
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
以公平值變化計入其他全面 收益之證券投資	Investment in securities at fair value through other comprehensive income		
- 庫券	- Treasury bills	<b>122,583</b>	234,284
- 存款證	- Certificates of deposit	<b>46,029</b>	51,167
- 其他債務證券	- Other debt securities	<b>562,723</b>	382,206
		<b>731,335</b>	667,657
- 股份證券	- Equity securities	<b>3,441</b>	3,288
		<b>734,776</b>	670,945
以攤餘成本計量之證券投資	Investment in securities at amortised cost		
- 存款證	- Certificates of deposit	<b>966</b>	1,508
- 其他債務證券	- Other debt securities	<b>54,138</b>	66,902
		<b>55,104</b>	68,410
- 減值準備	- Impairment allowances		
第一階段	Stage 1	<b>(11)</b>	(20)
第二階段	Stage 2	-	-
第三階段	Stage 3	-	-
		<b>55,093</b>	68,390
		<b>789,869</b>	739,335

財務報表附註 (續)      **Notes to the Financial Statements (continued)**

**24. 證券投資 (續)**      **24. Investment in securities (continued)**

證券投資按上市地之分類如下：

Investment in securities is analysed by place of listing as follows:

		<b>2020</b>	<b>2019</b>
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
以公平值變化計入其他全面 收益之證券投資	Investment in securities at fair value through other comprehensive income		
債務證券及存款證	Debt securities and certificates of deposit		
- 於香港上市	- Listed in Hong Kong	<b>186,125</b>	65,315
- 於香港以外上市	- Listed outside Hong Kong	<b>141,918</b>	178,740
- 非上市	- Unlisted	<b>403,292</b>	423,602
		<b>731,335</b>	667,657
股份證券	Equity securities		
- 於香港上市	- Listed in Hong Kong	<b>345</b>	550
- 於香港以外上市	- Listed outside Hong Kong	<b>487</b>	584
- 非上市	- Unlisted	<b>2,609</b>	2,154
		<b>3,441</b>	3,288
		<b>734,776</b>	670,945
以攤餘成本計量之證券投資	Investment in securities at amortised cost		
債務證券及存款證	Debt securities and certificates of deposit		
- 於香港上市	- Listed in Hong Kong	<b>1,241</b>	1,227
- 於香港以外上市	- Listed outside Hong Kong	<b>38,385</b>	41,441
- 非上市	- Unlisted	<b>15,467</b>	25,722
		<b>55,093</b>	68,390
		<b>789,869</b>	739,335
以攤餘成本計量之上市證券 市值	Market value of listed securities at amortised cost	<b>40,429</b>	43,207

財務報表附註 (續) **Notes to the Financial Statements (continued)**

**24. 證券投資 (續) 24. Investment in securities (continued)**

證券投資按發行機構之分類如下：

Investment in securities is analysed by type of issuer as follows:

		<u>2020</u>	<u>2019</u>
		港幣百萬元	港幣百萬元
		HK\$m	HK\$m
官方實體	Sovereigns	421,152	356,432
公營單位	Public sector entities	26,363	46,790
銀行及其他金融機構	Banks and other financial institutions	231,489	196,167
公司企業	Corporate entities	110,865	139,946
		<u>789,869</u>	<u>739,335</u>

證券投資之變動概述如下：

The movements in investment in securities are summarised as follows:

		<u>2020</u>	
		以公平值變化計 入其他全面收益 At fair value through other comprehensive income	以攤餘成本計量 At amortised cost
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
於 2020 年 1 月 1 日	At 1 January 2020	670,945	68,390
增置	Additions	1,137,842	33,513
處置、贖回及到期	Disposals, redemptions and maturity	(1,095,867)	(47,130)
攤銷	Amortisation	436	140
公平值/公平值對沖調整 之變化	Change in fair value/fair value hedge adjustment	9,961	(15)
減值準備淨撥備	Net charge of impairment allowances	-	9
匯兌差額	Exchange difference	11,459	186
於 2020 年 12 月 31 日	At 31 December 2020	<u>734,776</u>	<u>55,093</u>

財務報表附註 (續)      **Notes to the Financial Statements (continued)**

**24. 證券投資 (續)**      **24. Investment in securities (continued)**

		2019	
		以公平值變化計 入其他全面收益 At fair value through other comprehensive income 港幣百萬元 HK\$m	以攤餘成本計量 At amortised cost 港幣百萬元 HK\$m
於 2019 年 1 月 1 日	At 1 January 2019	471,096	69,759
增置	Additions	1,033,786	14,388
處置、贖回及到期	Disposals, redemptions and maturity	(843,401)	(15,282)
攤銷	Amortisation	2,630	(116)
公平值／公平值對沖調整 之變化	Change in fair value/fair value hedge adjustment	9,546	42
減值準備淨撥備	Net charge of impairment allowances	-	(10)
匯兌差額	Exchange difference	(2,712)	(391)
於 2019 年 12 月 31 日	At 31 December 2019	<u>670,945</u>	<u>68,390</u>

本集團因以策略性持有作考慮，將部分股份證券選擇以公平值變化計入其他全面收益作計量。此包括後償額外一級證券，上市及非上市股權。

The Group has designated certain equity securities as equity securities at fair value through other comprehensive income. The fair value through other comprehensive income designation was made because these are held for strategic investments. Investments include subordinated Additional Tier 1 securities, listed and unlisted equity shares.

基於重新平衡投資組合及發行人贖回證券，本集團於年內終止確認若干以公平值變化計入其他全面收益之股份證券，其公平值為港幣 6.21 億元 (2019 年：港幣 0.78 億元)。

The Group derecognised certain equity securities at fair value through other comprehensive income with fair value of HK\$621 million (2019: HK\$78 million) during the year. The derecognition was made because of portfolio rebalancing and the redemption by issuer.

**財務報表附註 (續) Notes to the Financial Statements (continued)**

**25. 聯營公司及合資企業權益 25. Interests in associates and joint ventures**

		2020	2019
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
於 1 月 1 日	At 1 January	619	482
應佔業績	Share of results	67	179
應佔稅項	Share of tax	(25)	(42)
匯兌差額	Exchange difference	2	-
		<u>663</u>	<u>619</u>
於 12 月 31 日	At 31 December	<u>663</u>	<u>619</u>

本集團之聯營公司及合資企業均為非上市公司，詳情如下：

The particulars of the Group's associates and joint ventures, all of which are unlisted, are as follows:

名稱 Name	註冊及營業地點 Place of incorporation and operation	已發行股本 Issued share capital	持有權益 Interest held	主要業務 Principal activities
中銀金融商務有限公司 BOC Services Company Limited	中國 PRC	註冊資本 50,000,000 人民幣 Registered capital RMB50,000,000	45%	信用卡後台服務支援 Credit card back-end service support
銀聯通寶有限公司 Joint Electronic Teller Services Limited	香港 Hong Kong	10,026,000 港元 HK\$10,026,000	19.96%	為自動櫃員機服務提供 銀行私人訊息轉換網絡 Operation of a private inter-bank message switching network in respect of ATM services

上述聯營公司及合資企業單獨或者合併均對本集團無重大影響。

None of the above associates and joint ventures is considered individually or in aggregate material to the Group.

**財務報表附註 (續) Notes to the Financial Statements (continued)**

**26. 投資物業**

**26. Investment properties**

		<b>2020</b>	2019
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
於 1 月 1 日	At 1 January	<b>20,428</b>	19,988
增置	Additions	<b>9</b>	35
公平值 (虧損) / 收益 (附註 14)	Fair value (loss)/gain (Note 14)	<b>(1,641)</b>	288
重新分類 (轉至) / 轉自物業、器材及設備 (附註 27)	Reclassification (to)/from properties, plant and equipment (Note 27)	<b>(56)</b>	117
		<b>18,740</b>	20,428
於 12 月 31 日	At 31 December	<b>18,740</b>	20,428

投資物業之賬面值按租約剩餘期限分析如下：

The carrying value of investment properties is analysed based on the remaining terms of the leases as follows:

		<b>2020</b>	2019
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
在香港持有	Held in Hong Kong		
長期租約 (超過 50 年)	On long-term lease (over 50 years)	<b>5,016</b>	5,320
中期租約 (10 年至 50 年)	On medium-term lease (10 to 50 years)	<b>13,365</b>	14,746
在香港以外持有	Held outside Hong Kong		
中期租約 (10 年至 50 年)	On medium-term lease (10 to 50 years)	<b>328</b>	330
短期租約 (少於 10 年)	On short-term lease (less than 10 years)	<b>31</b>	32
		<b>18,740</b>	20,428

於 2020 年 12 月 31 日，列於資產負債表內之投資物業，乃依據獨立特許測量師萊坊測量師行有限公司於 2020 年 12 月 31 日以公平值為基準所進行之專業估值。公平值指在計量當日若有秩序成交的情況下向市場參與者出售每一項投資物業應取得的價格。

As at 31 December 2020, investment properties were included in the balance sheet at valuation carried out at 31 December 2020 on the basis of their fair value by an independent firm of chartered surveyors, Knight Frank Petty Limited. The fair value represents the price that would be received to sell each investment property in an orderly transaction with market participants at the measurement date.



財務報表附註（續） **Notes to the Financial Statements (continued)**

**27. 物業、器材及設備** **27. Properties, plant and equipment**

		設備、固定設施 及裝備 Equipment, fixtures and fittings	使用權資產 Right-of-use assets	總計 Total	
	房產 Premises	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	
於 2020 年 1 月 1 日之 賬面淨值	Net book value at 1 January 2020	46,024	3,259	1,890	51,173
增置	Additions	91	1,206	534	1,831
處置	Disposals	(2)	(13)	(10)	(25)
重估	Revaluation	(1,751)	-	-	(1,751)
年度折舊（附註 13）	Depreciation for the year (Note 13)	(1,169)	(1,085)	(724)	(2,978)
重新分類轉自投資物業 （附註 26）	Reclassification from investment properties (Note 26)	56	-	-	56
轉至其他資產 （附註 28）	Transfer to other assets (Note 28)	-	(1,808)	-	(1,808)
匯兌差額	Exchange difference	-	1	5	6
於 2020 年 12 月 31 日 之賬面淨值	Net book value at 31 December 2020	43,249	1,560	1,695	46,504
於 2020 年 12 月 31 日 成本值或估值	At 31 December 2020 Cost or valuation	43,249	6,928	2,910	53,087
累計折舊及減值	Accumulated depreciation and impairment	-	(5,368)	(1,215)	(6,583)
於 2020 年 12 月 31 日 之賬面淨值	Net book value at 31 December 2020	43,249	1,560	1,695	46,504
上述資產之成本值或估 值分析如下：	The analysis of cost or valuation of the above assets is as follows:				
於 2020 年 12 月 31 日	At 31 December 2020				
按成本值	At cost	-	6,928	2,910	9,838
按估值	At valuation	43,249	-	-	43,249
		43,249	6,928	2,910	53,087

賬面淨值為港幣 18.08 億元，成本為港幣 49.82 億元，累計攤銷為港幣 31.74 億元的應用軟件，於 2020 年 12 月 31 日轉為其他資產，並作為無形資產列報。

Application software with net book value of HK\$1,808 million, representing cost of HK\$4,982 million and accumulated amortisation of HK\$3,174 million, was transferred to other assets and presented as intangible assets on 31 December 2020.

財務報表附註 (續)

Notes to the Financial Statements (continued)

27. 物業、器材及設備  
(續)

27. Properties, plant and equipment (continued)

		房產 Premises	設備、固定設施 及裝備 Equipment, fixtures and fittings	使用權資產 Right-of-use assets	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
於 2019 年 1 月 1 日之 賬面淨值	Net book value at 1 January 2019	46,086	2,985	1,700	50,771
增置	Additions	147	1,271	861	2,279
處置	Disposals	-	(8)	-	(8)
重估	Revaluation	1,060	-	-	1,060
年度折舊 (附註 13)	Depreciation for the year (Note 13)	(1,153)	(993)	(677)	(2,823)
重新分類轉至投資物業 (附註 26)	Reclassification to investment properties (Note 26)	(117)	-	-	(117)
匯兌差額	Exchange difference	1	4	6	11
於 2019 年 12 月 31 日 之賬面淨值	Net book value at 31 December 2019	46,024	3,259	1,890	51,173
於 2019 年 12 月 31 日 成本值或估值	At 31 December 2019 Cost or valuation	46,024	11,313	2,567	59,904
累計折舊及減值	Accumulated depreciation and impairment	-	(8,054)	(677)	(8,731)
於 2019 年 12 月 31 日 之賬面淨值	Net book value at 31 December 2019	46,024	3,259	1,890	51,173
上述資產之成本值或估 值分析如下：	The analysis of cost or valuation of the above assets is as follows:				
於 2019 年 12 月 31 日	At 31 December 2019				
按成本值	At cost	-	11,313	2,567	13,880
按估值	At valuation	46,024	-	-	46,024
		46,024	11,313	2,567	59,904

財務報表附註 (續)

Notes to the Financial Statements (continued)

27. 物業、器材及設備  
(續)

27. Properties, plant and equipment (continued)

房產之賬面值按租約剩餘  
期限分析如下：

The carrying value of premises is analysed based on the remaining terms of the leases as follows:

		2020	2019
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
在香港持有	Held in Hong Kong		
長期租約 (超過 50 年)	On long-term lease (over 50 years)	12,608	13,420
中期租約 (10 年至 50 年)	On medium-term lease (10 to 50 years)	30,289	32,240
在香港以外持有	Held outside Hong Kong		
長期租約 (超過 50 年)	On long-term lease (over 50 years)	75	75
中期租約 (10 年至 50 年)	On medium-term lease (10 to 50 years)	277	289
		<b>43,249</b>	<b>46,024</b>

於 2020 年 12 月 31 日，列於資產負債表內之房產，乃依據獨立特許測量師萊坊測量師行有限公司於 2020 年 12 月 31 日以公平值為基準所進行之專業估值。公平值指在計量當日若有秩序成交的情況下向市場參與者出售每一項房產應取得的價格。

As at 31 December 2020, premises were included in the balance sheet at valuation carried out at 31 December 2020 on the basis of their fair value by an independent firm of chartered surveyors, Knight Frank Petty Limited. The fair value represents the price that would be received to sell each premises in an orderly transaction with market participants at the measurement date.

根據上述之重估結果，房產  
估值變動確認如下：

As a result of the above-mentioned revaluations, changes in value of the premises were recognised as follows:

		2020	2019
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
(借記) / 貸記收益表之 重估(減值) / 增值(附 註 15)	(Decrease)/increase in valuation (charged)/credited to income statement (Note 15)	(59)	6
(借記) / 貸記其他全面 收益之重估(減值) / 增值	(Decrease)/increase in valuation (charged)/credited to other comprehensive income	(1,692)	1,054
		<b>(1,751)</b>	<b>1,060</b>

於 2020 年 12 月 31 日，假若房產按成本值扣減累計折舊及減值損失列賬，本集團之資產負債表內之房產賬面淨值應為港幣 87.72 億元 (2019 年：港幣 87.46 億元)。

As at 31 December 2020, the net book value of premises that would have been included in the Group's balance sheet had the premises been carried at cost less accumulated depreciation and impairment losses was HK\$8,772 million (2019: HK\$8,746 million).

財務報表附註（續） **Notes to the Financial Statements (continued)**

**28. 其他資產**

**28. Other assets**

		2020	2019
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
收回資產	Reposessed assets	23	7
貴金屬	Precious metals	10,697	9,261
無形資產	Intangible assets	1,808	-
應收賬項及預付費用	Accounts receivable and prepayments	38,067	32,817
		<b>50,595</b>	<b>42,085</b>

**29. 香港特別行政區流通紙幣**

**29. Hong Kong SAR currency notes in circulation**

香港特別行政區流通紙幣由持有之香港特別行政區政府負債證明書之存款基金作擔保。

The Hong Kong SAR currency notes in circulation are secured by deposit of funds in respect of which the Hong Kong SAR Government certificates of indebtedness are held.

**30. 以公平值變化計入損益之金融負債**

**30. Financial liabilities at fair value through profit or loss**

		2020	2019
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
交易性負債	Trading liabilities		
- 外匯基金票據及債券 短盤	- Short positions in Exchange Fund Bills and Notes	20,336	19,206

財務報表附註 (續)      **Notes to the Financial Statements (continued)**

**31. 客戶存款**

**31. Deposits from customers**

		2020	2019
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
即期存款及往來存款	Demand deposits and current accounts		
- 公司	- Corporate	227,116	141,107
- 個人	- Personal	87,940	68,367
		<b>315,056</b>	<b>209,474</b>
儲蓄存款	Savings deposits		
- 公司	- Corporate	500,057	401,525
- 個人	- Personal	649,295	499,106
		<b>1,149,352</b>	<b>900,631</b>
定期、短期及通知存款	Time, call and notice deposits		
- 公司	- Corporate	456,318	518,816
- 個人	- Personal	269,596	385,171
		<b>725,914</b>	<b>903,987</b>
		<b>2,190,322</b>	<b>2,014,092</b>

**32. 已發行債務證券及存款證**

**32. Debt securities and certificates of deposit in issue**

		2020	2019
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
以攤餘成本計量	At amortised cost		
- 存款證	- Certificates of deposit	233	116
- 其他債務證券	- Other debt securities	193	-
		<b>426</b>	<b>116</b>

財務報表附註 (續) **Notes to the Financial Statements (continued)**

**33. 其他賬項及準備**

**33. Other accounts and provisions**

		2020	2019
		港幣百萬元	港幣百萬元
		HK\$'m	HK\$'m
其他應付賬項	Other accounts payable	48,745	64,558
租賃負債	Lease liabilities	1,683	1,810
貸款承諾及財務擔保合同	Impairment allowances on loan commitments		
減值準備	and financial guarantee contracts		
- 第一階段	- Stage 1	594	535
- 第二階段	- Stage 2	44	22
- 第三階段	- Stage 3	20	20
		<b>51,086</b>	<b>66,945</b>

**34. 遞延稅項**

**34. Deferred taxation**

遞延稅項是根據香港會計準則第12號「所得稅」計算，就資產負債之稅務基礎與其在財務報表內賬面值兩者之暫時性差額及未使用稅項抵免作提撥。

Deferred tax is recognised in respect of the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and unused tax credits in accordance with HKAS 12 "Income Taxes".

資產負債表內之遞延稅項（資產）／負債主要組合，以及其在年度內之變動如下：

The major components of deferred tax (assets)/liabilities recorded in the balance sheet, and the movements during the year are as follows:

		2020					
		加速折舊 免稅額	物業重估	虧損	減值準備	其他	總計
		Accelerated tax depreciation	Property revaluation	Losses	Impairment allowances	Others	Total
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
		HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
於2020年1月1日	At 1 January 2020	752	6,944	-	(803)	(581)	6,312
借記／(貸記) 收益表 (附註16)	Charged/(credited) to income statement (Note 16)	41	(141)	(15)	(349)	(48)	(512)
(貸記)／借記其他全面收益	(Credited)/charged to other comprehensive income	-	(292)	-	-	170	(122)
因處置以公平值變化計入其他全面收益之股權工具之轉撥	Release upon disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(1)	(1)
因贖回界定為以公平值變化計入損益之金融負債之轉撥	Release upon redemption of financial liabilities designated at fair value through profit or loss	-	-	-	-	6	6
於2020年12月31日	At 31 December 2020	<b>793</b>	<b>6,511</b>	<b>(15)</b>	<b>(1,152)</b>	<b>(454)</b>	<b>5,683</b>

財務報表附註 (續)      **Notes to the Financial Statements (continued)**

**34. 遞延稅項 (續)**      **34. Deferred taxation (continued)**

		2019					
		加速折舊 免稅額 Accelerated tax depreciation	物業重估 Property revaluation	虧損 Losses	減值準備 Impairment allowances	其他 Others	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
於2019年1月1日	At 1 January 2019	703	6,940	-	(723)	(1,287)	5,633
借記/(貸記)收益表(附註16)	Charged/(credited) to income statement (Note 16)	49	(126)	-	(80)	11	(146)
借記其他全面收益	Charged to other comprehensive income	-	130	-	-	695	825
於2019年12月31日	At 31 December 2019	752	6,944	-	(803)	(581)	6,312

當有法定權利可將現有稅項資產與現有稅項負債抵銷，而遞延稅項涉及同一財政機關，則可將個別法人的遞延稅項資產與遞延稅項負債互相抵銷。下列在資產負債表內列賬之金額，已計入適當抵銷：

Deferred tax assets and liabilities are offset on an individual entity basis when there is a legal right to set off current tax assets against current tax liabilities and when the deferred taxation relates to the same authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

		2020 港幣百萬元 HK\$m	2019 港幣百萬元 HK\$m
遞延稅項資產	Deferred tax assets	(95)	(63)
遞延稅項負債	Deferred tax liabilities	5,778	6,375
		5,683	6,312
		2020 港幣百萬元 HK\$m	2019 港幣百萬元 HK\$m
遞延稅項資產(超過12個月後收回)	Deferred tax assets to be recovered after more than twelve months	(84)	(43)
遞延稅項負債(超過12個月後支付)	Deferred tax liabilities to be settled after more than twelve months	6,195	6,914
		6,111	6,871

於2020年12月31日，本集團無未確認遞延稅項資產之稅務虧損(2019年：本集團未確認遞延稅項資產之稅務虧損為港幣0.09億元)。按照不同國家/地區的現行稅例，本集團的有關金額無作廢期限。

As at 31 December 2020, the Group has no unrecognised deferred tax assets in respect of tax losses (2019: the Group has not recognised deferred tax assets in respect of tax losses amounting to HK\$9 million). All of the amount for the Group has no expiry date under the current tax legislation in different countries/regions.

財務報表附註 (續)      **Notes to the Financial Statements (continued)**

**35. 後償負債**

**35. Subordinated liabilities**

	<b>2020</b>	<b>2019</b>
	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
後償票據		
- 界定為以公平值變化計入損益	-	12,954
Subordinated notes		
- designated at fair value through profit or loss	-	12,954

本金總額 16.23 億美元的上市後償票據，利息每半年支付一次，年利率 5.55%，已於 2020 年 2 月全數償還。按監管要求可作為二級資本票據之後償負債金額，於附註 4.4(B) 中列示。2019 年 12 月 31 日界定為以公平值變化計入損益之後償票據的賬面值比本集團於到期日約定支付予持有人之金額多港幣 0.41 億元。

Listed subordinated notes with aggregate principal amount of USD1,623 million, interest rate at 5.55% per annum payable semi-annually, has been fully repaid in February 2020. Amounts qualified as Tier 2 capital instruments for regulatory purposes are shown in Note 4.4(B). The carrying amount of subordinated notes designated at fair value through profit or loss as at 31 December 2019 was more than the amount that the Group would be contractually required to pay at maturity to the holders by HK\$41 million.



財務報表附註 (續) **Notes to the Financial Statements (continued)**

**36. 股本**

**36. Share capital**

		2020	2019
		港幣百萬元	港幣百萬元
		HK\$'m	HK\$'m
已發行及繳足：	Issued and fully paid:		
43,042,840,858 股普通股	43,042,840,858 ordinary shares	<b>43,043</b>	43,043

**37. 本銀行其他股權工具**

**37. Other equity instruments of the Bank**

		2020	2019
		港幣百萬元	港幣百萬元
		HK\$'m	HK\$'m
永續非累積次級額外一級資本票據	Undated non-cumulative subordinated Additional Tier 1 capital securities	<b>23,476</b>	23,476

於2018年9月，中銀香港發行30.00億美元的永續非累積次級額外一級資本票據。該資本票據為永續票據，不設固定贖回日，在首五年內不可贖回。其初期票息為每年5.90%，每半年支付一次，中銀香港有獨有酌情權決定是否取消支付票息。2020年支付其他股權工具持有者股息為港幣13.76億元（2019年：港幣13.90億元）。

In September 2018, BOCHK issued USD3,000 million undated non-cumulative subordinated Additional Tier 1 capital securities. The capital securities are perpetual securities in respect of which there is no fixed redemption date and are not callable within the first 5 years. They have an initial rate of distribution of 5.90% per annum payable semi-annually which may be cancelled at the sole discretion of BOCHK. Dividend paid to other equity instrument holders in 2020 amounted to HK\$1,376 million (2019: HK\$1,390 million).

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**38. 綜合現金流量表附註 38. Notes to consolidated cash flow statement**

(a) 經營溢利與除稅前經營現金之流入／(流出)對賬	(a) Reconciliation of operating profit to operating cash inflow/(outflow) before taxation	2020 港幣百萬元 HK\$m	2019 港幣百萬元 HK\$m
經營溢利	Operating profit	34,290	38,910
折舊	Depreciation	2,978	2,823
減值準備淨撥備	Net charge of impairment allowances	2,671	2,015
折現減值準備回撥	Unwind of discount on impairment allowances	(8)	(4)
已撇銷之貸款(扣除收回款額)	Advances written off net of recoveries	(425)	(249)
租賃負債之利息支出	Interest expense on lease liabilities	53	54
後償負債之變動	Change in subordinated liabilities	-	370
原到期日超過3個月之在銀行及其他金融機構之結餘及定期存放之變動	Change in balances and placements with banks and other financial institutions with original maturity over three months	3,800	9,276
以公平值變化計入損益之金融資產之變動	Change in financial assets at fair value through profit or loss	10,593	(4,898)
衍生金融工具之變動	Change in derivative financial instruments	5,878	5,809
貸款及其他賬項之變動	Change in advances and other accounts	(89,443)	(131,827)
證券投資之變動	Change in investment in securities	(22,160)	(198,488)
其他資產之變動	Change in other assets	(6,721)	(9,576)
銀行及其他金融機構之存款及結餘之變動	Change in deposits and balances from banks and other financial institutions	58,584	(108,864)
以公平值變化計入損益之金融負債之變動	Change in financial liabilities at fair value through profit or loss	1,130	3,671
客戶存款之變動	Change in deposits from customers	176,230	114,990
已發行債務證券及存款證之變動	Change in debt securities and certificates of deposit in issue	310	(9,337)
其他賬項及準備之變動	Change in other accounts and provisions	(15,825)	16,861
匯率變動之影響	Effect of changes in exchange rates	(13,253)	4,261
除稅前經營現金之流入／(流出)	Operating cash inflow/(outflow) before taxation	<b>148,682</b>	<b>(264,203)</b>
經營業務之現金流量中包括	Cash flows from operating activities included		
- 已收利息	- interest received	48,377	64,224
- 已付利息	- interest paid	17,617	26,180
- 已收股息	- dividend received	104	117

財務報表附註 (續) **Notes to the Financial Statements (continued)**

**38. 綜合現金流量表附註 (續)** **38. Notes to consolidated cash flow statement (continued)**

**(b) 融資業務產生的負債之對賬**

**(b) Reconciliation of liabilities arising from financing activities**

		<u>2020</u>	<u>2019</u>
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
後償負債 於 1 月 1 日	Subordinated liabilities At 1 January	12,954	13,246
現金流量：	Cash flows:		
贖回後償負債所付款項	Payment for redemption of subordinated liabilities	(12,603)	-
支付後償負債利息	Interest paid for subordinated liabilities	(350)	(707)
		<u>(12,953)</u>	<u>(707)</u>
非現金變動：	Non-cash changes:		
自身信貸風險之公平 值變化(貸記)/借 記其他全面收益	Change in fair value of own credit risk (credited)/charged to other comprehensive income	(1)	45
匯兌差額	Exchange difference	(39)	(72)
其他變動	Other changes	39	442
		<u>-</u>	<u>12,954</u>
於 12 月 31 日	At 31 December	<u>-</u>	<u>12,954</u>

		<u>2020</u>	<u>2019</u>
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
租賃負債 於 1 月 1 日	Lease liabilities At 1 January	1,810	1,684
現金流量：	Cash flows:		
支付租賃負債	Payment of lease liabilities	(692)	(608)
非現金變動：	Non-cash changes:		
新增	Additions	522	680
處置	Disposal	(10)	-
其他變動	Other changes	53	54
		<u>1,683</u>	<u>1,810</u>
於 12 月 31 日	At 31 December	<u>1,683</u>	<u>1,810</u>

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 38. 綜合現金流量表附註 (續) 38. Notes to consolidated cash flow statement (continued)

#### (c) 現金及等同現金項目結存分析

#### (c) Analysis of the balances of cash and cash equivalents

	2020 港幣百萬元 HK\$'m	2019 港幣百萬元 HK\$'m
庫存現金及原到期日在3個月內之在銀行及其他金融機構之結餘及定期存放	422,933	322,683
原到期日在3個月內之庫券、存款證及其他債務工具		
- 以公平值變化計入損益之金融資產	3,303	6,627
- 證券投資	29,192	2,149
	<b>455,428</b>	<b>331,459</b>

### 39. 或然負債及承擔

### 39. Contingent liabilities and commitments

或然負債及承擔乃參照有關資本充足比率之金管局報表的填報指示而編製，其每項重要類別之合約數額及總信貸風險加權數額概述如下：

The following is a summary of the contractual amounts of each significant class of contingent liability and commitment and the aggregate credit risk-weighted amount and is prepared with reference to the completion instructions for the HKMA return of capital adequacy ratio.

	2020 港幣百萬元 HK\$'m	2019 港幣百萬元 HK\$'m
直接信貸替代項目	2,487	5,455
與交易有關之或然負債	30,215	29,080
與貿易有關之或然負債	27,830	27,865
不需事先通知的無條件撤銷之承諾	514,326	449,306
其他承擔，原到期日為		
- 1年或以下	20,416	13,772
- 1年以上	174,475	160,575
	<b>769,749</b>	<b>686,053</b>
信貸風險加權數額	<b>88,017</b>	<b>76,911</b>

信貸風險加權數額是根據《銀行業(資本)規則》計算。此數額取決於交易對手之情況及各類合約之期限特性。

The credit risk-weighted amount is calculated in accordance with the Banking (Capital) Rules. The amount is dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 40. 資本承擔

本集團未於財務報表中撥備之資本承擔金額如下：

### 40. Capital commitments

The Group has the following outstanding capital commitments not provided for in the financial statements:

	2020	2019
	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
已批准及簽約但未撥備	274	188
已批准但未簽約	70	72
	<b>344</b>	<b>260</b>

以上資本承擔大部分為將購入之電腦硬件及軟件，以及本集團之樓宇裝修工程之承擔。

The above capital commitments mainly relate to commitments to purchase computer equipment and software, and to renovate the Group's premises.

### 41. 經營租賃承擔

#### 作為出租人

根據不可撤銷之經營租賃合約，下列為本集團與租客簽訂合約之未來有關租賃之最低應收租金：

### 41. Operating lease commitments

#### As lessor

The Group has contracted with tenants for the following future minimum lease receivables under non-cancellable operating leases:

	2020	2019
	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
物業及設備		
- 不超過 1 年	530	561
- 1 至 2 年	323	394
- 2 至 3 年	106	191
- 3 至 4 年	14	33
- 4 至 5 年	10	1
- 5 年後	-	-
	<b>983</b>	<b>1,180</b>

本集團以經營租賃形式租出投資物業；租賃年期通常由 1 年至 3 年。租約條款一般要求租客提交保證金。於續租約時，因應租務市場之狀況而調整租金。

The Group leases its investment properties under operating lease arrangements, with leases typically for a period from one to three years. The terms of the leases generally require the tenants to pay security deposits and provide for rent adjustments according to the prevailing market conditions upon the lease renewal.

## 財務報表附註（續） **Notes to the Financial Statements (continued)**

### 42. 訴訟

本集團正面對多項由獨立人士提出的索償及反索償。此等索償及反索償與本集團的正常商業活動有關。

由於董事認為本集團可對申索人作出有力抗辯或預計此等申索所涉及的數額不大，故並未對此等索償及反索償作出重大撥備。

### 42. Litigation

The Group has been served a number of claims and counterclaims by various independent parties. These claims and counterclaims are in relation to the normal commercial activities of the Group.

No material provision was made against these claims and counterclaims because the directors believe that the Group has meritorious defences against the claimants or the amounts involved in these claims are not expected to be material.

## 財務報表附註（續）      Notes to the Financial Statements (continued)

### 43. 分類報告

本集團主要按業務分類對業務進行管理，而集團的收入、稅前利潤和資產，超過 90% 來自香港。現時集團業務共分為三個業務分類，它們分別是個人銀行業務、企業銀行業務和財資業務。業務線的分類是基於不同客戶層及產品種類，這與集團推行的 RPC（客戶關係、產品及渠道）管理模型是一致的。

個人銀行和企業銀行業務線均會提供全面的銀行服務，包括各類存款、透支、貸款、信用卡、與貿易相關的產品及其他信貸服務、投資及保險產品、外幣業務及衍生產品。個人銀行業務線主要是服務個人及小企客戶，而企業銀行業務線主要是服務公司客戶。至於財資業務線，除了自營買賣外，還負責管理集團的流動資金、利率和外匯敞口。「其他」這一欄，主要包括本集團持有房地產、投資物業、股權投資、若干聯營公司與合資企業權益及東南亞機構業務。

業務線的資產、負債、收入、支出、經營成果及資本性支出是基於集團會計政策進行計量。分類資料包括直接屬於該業務線的績效以及可以合理攤分至該業務線的績效。跨業務線資金的定價，按集團內部資金轉移價格機制釐定，主要是以市場利率為基準，並考慮有關產品的特性。

本集團的主要收入來源為利息收入，並且高層管理人員主要按淨利息收入來管理業務，因此所有業務分類的利息收入及支出以淨額列示。

### 43. Segmental reporting

The Group manages the business mainly from a business segment perspective and over 90% of the Group's revenues, profits before tax and assets are derived from Hong Kong. Currently, three operating segments are identified: Personal Banking, Corporate Banking and Treasury. The classification of the Group's operating segments is based on customer segment and product type, which is aligned with the RPC (relationship, product and channel) management model of the Group.

Both Personal Banking and Corporate Banking provide general banking services including various deposit products, overdrafts, loans, credit cards, trade related products and other credit facilities, investment and insurance products, and foreign currency and derivative products. Personal Banking mainly serves retail customers and small enterprises, while Corporate Banking mainly deals with corporate customers. Treasury manages the funding and liquidity, and the interest rate and foreign exchange positions of the Group in addition to proprietary trades. "Others" mainly represents the Group's holdings of premises, investment properties, equity investments, certain interests in associates and joint ventures and the businesses of the Southeast Asian entities.

Measurement of segment assets, liabilities, income, expenses, results and capital expenditure is based on the Group's accounting policies. The segment information includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment funding is charged according to the internal funds transfer pricing mechanism of the Group, which is primarily based on market rates with the consideration of specific features of the product.

As the Group derives a majority of revenue from interest and the senior management relies primarily on net interest income in managing the business, interest income and expense for all reportable segments are presented on a net basis.

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**43. 分類報告 (續) 43. Segmental reporting (continued)**

		個人銀行 Personal Banking	企業銀行 Corporate Banking	財資業務 Treasury	其他 Others	小計 Subtotal	合併抵銷 Eliminations	綜合 Consolidated
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>截至 2020 年 12 月 31 日</b>	<b>Year ended 31 December 2020</b>							
淨利息收入 / (支出)	Net interest income/(expense)							
- 外來	- External	2,014	14,859	12,623	1,802	31,298	-	31,298
- 跨業務	- Inter-segment	10,955	(1,365)	(8,840)	(750)	-	-	-
		12,969	13,494	3,783	1,052	31,298	-	31,298
淨服務費及佣金收入 / (支出)	Net fee and commission income/(expense)	7,092	3,522	(26)	1,240	11,828	(430)	11,398
淨交易性收益	Net trading gain	1,004	1,311	2,012	437	4,764	(1)	4,763
其他以公平值變化計入損益之金融工具淨收益 / (虧損)	Net gain/(loss) on other financial instruments at fair value through profit or loss	-	-	160	(3)	157	-	157
其他金融資產之淨收益	Net gain on other financial assets	-	7	4,376	-	4,383	-	4,383
其他經營收入	Other operating income	18	5	76	2,009	2,108	(1,371)	737
<b>提取減值準備前之淨經營收入</b>	<b>Net operating income before impairment allowances</b>	<b>21,083</b>	<b>18,339</b>	<b>10,381</b>	<b>4,735</b>	<b>54,538</b>	<b>(1,802)</b>	<b>52,736</b>
減值準備淨撥備	Net charge of impairment allowances	(421)	(1,877)	(87)	(286)	(2,671)	-	(2,671)
淨經營收入	Net operating income	20,662	16,462	10,294	4,449	51,867	(1,802)	50,065
經營支出	Operating expenses	(9,684)	(3,427)	(1,160)	(3,306)	(17,577)	1,802	(15,775)
經營溢利	Operating profit	10,978	13,035	9,134	1,143	34,290	-	34,290
投資物業處置 / 公平值調整之淨虧損	Net loss from disposal of/fair value adjustments on investment properties	-	-	-	(1,641)	(1,641)	-	(1,641)
處置 / 重估物業、器材及設備之淨虧損	Net loss from disposal/ revaluation of properties, plant and equipment	(3)	-	-	(60)	(63)	-	(63)
應佔聯營公司及合資企業之稅後業績	Share of results after tax of associates and joint ventures	42	-	-	-	42	-	42
<b>除稅前溢利 / (虧損)</b>	<b>Profit/(loss) before taxation</b>	<b>11,017</b>	<b>13,035</b>	<b>9,134</b>	<b>(558)</b>	<b>32,628</b>	<b>-</b>	<b>32,628</b>
<b>於 2020 年 12 月 31 日</b>	<b>At 31 December 2020</b>							
<b>資產</b>	<b>ASSETS</b>							
分部資產	Segment assets	491,213	985,638	1,537,529	156,719	3,171,099	(27,232)	3,143,867
聯營公司及合資企業權益	Interests in associates and joint ventures	603	-	-	60	663	-	663
		491,816	985,638	1,537,529	156,779	3,171,762	(27,232)	3,144,530
<b>負債</b>	<b>LIABILITIES</b>							
分部負債	Segment liabilities	1,159,255	1,013,145	601,420	101,384	2,875,204	(27,232)	2,847,972
<b>截至 2020 年 12 月 31 日</b>	<b>Year ended 31 December 2020</b>							
<b>其他資料</b>	<b>Other information</b>							
資本性支出	Capital expenditure	29	8	-	1,803	1,840	-	1,840
折舊	Depreciation	1,274	281	101	1,345	3,001	(23)	2,978
證券攤銷	Amortisation of securities	-	-	406	170	576	-	576



**財務報表附註 (續) Notes to the Financial Statements (continued)**
**43. 分類報告 (續) 43. Segmental reporting (continued)**

		個人銀行 Personal Banking	企業銀行 Corporate Banking	財資業務 Treasury	其他 Others	小計 Subtotal	合併抵銷 Eliminations	綜合 Consolidated
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>截至 2019 年 12 月 31 日</b>	<b>Year ended 31 December 2019</b>							
淨利息收入 / (支出)	Net interest income/(expense)							
- 外來	- External	7	16,423	18,551	2,284	37,265	-	37,265
- 跨業務	- Inter-segment	13,300	(1,682)	(9,996)	(1,622)	-	-	-
		13,307	14,741	8,555	662	37,265	-	37,265
淨服務費及佣金收入	Net fee and commission income	7,077	3,939	303	1,149	12,468	(263)	12,205
淨交易性收益	Net trading gain	789	1,389	3,100	371	5,649	-	5,649
其他以公平值變化計入損益之金融工具淨(虧損)/收益	Net (loss)/gain on other financial instruments at fair value through profit or loss	(1)	-	328	1	328	-	328
其他金融資產之淨收益	Net gain on other financial assets	-	17	754	-	771	-	771
其他經營收入	Other operating income	101	2	42	2,023	2,168	(1,337)	831
<b>提取減值準備前之淨經營收入</b>	<b>Net operating income before impairment allowances</b>	21,273	20,088	13,082	4,206	58,649	(1,600)	57,049
減值準備淨撥備	Net charge of impairment allowances	(351)	(1,385)	(9)	(270)	(2,015)	-	(2,015)
<b>淨經營收入</b>	<b>Net operating income</b>	20,922	18,703	13,073	3,936	56,634	(1,600)	55,034
經營支出	Operating expenses	(9,820)	(3,394)	(1,086)	(3,424)	(17,724)	1,600	(16,124)
<b>經營溢利</b>	<b>Operating profit</b>	11,102	15,309	11,987	512	38,910	-	38,910
投資物業處置/公平值調整之淨收益	Net gain from disposal of fair value adjustments on investment properties	-	-	-	288	288	-	288
處置/重估物業、器材及設備之淨(虧損)/收益	Net (loss)/gain from disposal/ revaluation of properties, plant and equipment	(5)	-	-	4	(1)	-	(1)
應占聯營公司及合資企業之稅後業績	Share of results after tax of associates and joint ventures	137	-	-	-	137	-	137
<b>除稅前溢利</b>	<b>Profit before taxation</b>	<b>11,234</b>	<b>15,309</b>	<b>11,987</b>	<b>804</b>	<b>39,334</b>	<b>-</b>	<b>39,334</b>
<b>於 2019 年 12 月 31 日</b>	<b>At 31 December 2019</b>							
<b>資產</b>	<b>ASSETS</b>							
分部資產	Segment assets	442,694	947,164	1,353,860	152,718	2,896,436	(22,501)	2,873,935
聯營公司及合資企業權益	Interests in associates and joint ventures	559	-	-	60	619	-	619
		443,253	947,164	1,353,860	152,778	2,897,055	(22,501)	2,874,554
<b>負債</b>	<b>LIABILITIES</b>							
分部負債	Segment liabilities	1,079,821	907,381	521,156	106,067	2,614,425	(22,501)	2,591,924
<b>截至 2019 年 12 月 31 日</b>	<b>Year ended 31 December 2019</b>							
<b>其他資料</b>	<b>Other information</b>							
資本性支出	Capital expenditure	48	4	-	2,262	2,314	-	2,314
折舊	Depreciation	1,205	233	100	1,285	2,823	-	2,823
證券攤銷	Amortisation of securities	-	-	2,547	(33)	2,514	-	2,514

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**44. 金融工具之抵銷**

下表列示本集團已抵銷、受執行性淨額結算總協議和類似協議約束的金融工具詳情。

**44. Offsetting financial instruments**

The following tables present details of the Group's financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

		2020					
		於資產負債表中抵銷之已確認金融負債總額	於資產負債表中列示的金融資產淨額	未有於資產負債表中抵銷之相關金額			
		Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	金融工具	已收取之現金押品	淨額	
		港幣百萬元	港幣百萬元	Financial instruments	Cash collateral received	Net amount	
		HK\$'m	HK\$'m	港幣百萬元	港幣百萬元	港幣百萬元	
		HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	
<b>資產</b>	<b>Assets</b>						
衍生金融工具	Derivative financial instruments	35,525	-	35,525	(28,068)	(3,314)	4,143
反向回購協議	Reverse repurchase agreements	1,284	-	1,284	(1,284)	-	-
借入證券協議	Securities borrowing agreements	3,300	-	3,300	(3,300)	-	-
其他資產	Other assets	19,737	(14,300)	5,437	-	-	5,437
		<b>59,846</b>	<b>(14,300)</b>	<b>45,546</b>	<b>(32,652)</b>	<b>(3,314)</b>	<b>9,580</b>
		2020					
		於資產負債表中抵銷之已確認金融資產總額	於資產負債表中列示的金融負債淨額	未有於資產負債表中抵銷之相關金額			
		Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	金融工具	已抵押之現金押品	淨額	
		港幣百萬元	港幣百萬元	Financial instruments	Cash collateral pledged	Net amount	
		HK\$'m	HK\$'m	港幣百萬元	港幣百萬元	港幣百萬元	
		HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	
<b>負債</b>	<b>Liabilities</b>						
衍生金融工具	Derivative financial instruments	48,847	-	48,847	(28,068)	(16,858)	3,921
回購協議	Repurchase agreements	210	-	210	(210)	-	-
其他負債	Other liabilities	15,454	(14,300)	1,154	-	-	1,154
		<b>64,511</b>	<b>(14,300)</b>	<b>50,211</b>	<b>(28,278)</b>	<b>(16,858)</b>	<b>5,075</b>

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**44. 金融工具之抵銷 (續) 44. Offsetting financial instruments (continued)**

		2019					
		於資產負債表中抵銷之已確認金融負債總額	於資產負債表中列示的金融資產淨額	未有於資產負債表中抵銷之相關金額		淨額	
		Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	金融工具	已收取之現金押品	Net amount	
		港幣百萬元	港幣百萬元	Financial instruments	Cash collateral received	港幣百萬元	
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	
<b>資產</b>	<b>Assets</b>						
衍生金融工具	Derivative financial instruments	31,135	-	31,135	(22,120)	(2,380)	6,635
反向回購協議	Reverse repurchase agreements	3,138	-	3,138	(3,138)	-	-
借入證券協議	Securities borrowing agreements	2,900	-	2,900	(2,900)	-	-
其他資產	Other assets	12,622	(11,547)	1,075	-	-	1,075
		<u>49,795</u>	<u>(11,547)</u>	<u>38,248</u>	<u>(28,158)</u>	<u>(2,380)</u>	<u>7,710</u>

		2019					
		於資產負債表中抵銷之已確認金融資產總額	於資產負債表中列示的金融負債淨額	未有於資產負債表中抵銷之相關金額		淨額	
		Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	金融工具	已抵押之現金押品	Net amount	
		港幣百萬元	港幣百萬元	Financial instruments	Cash collateral pledged	港幣百萬元	
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	
<b>負債</b>	<b>Liabilities</b>						
衍生金融工具	Derivative financial instruments	32,660	-	32,660	(22,120)	(7,105)	3,435
回購協議	Repurchase agreements	562	-	562	(562)	-	-
其他負債	Other liabilities	13,427	(11,547)	1,880	-	-	1,880
		<u>46,649</u>	<u>(11,547)</u>	<u>35,102</u>	<u>(22,682)</u>	<u>(7,105)</u>	<u>5,315</u>

按本集團簽訂有關場外衍生工具、售後回購及證券借出借入交易的淨額結算總協議，倘若發生違約或其他事先議定的事件，則同一交易對手之相關金額可採用淨額結算。

For master netting agreements of OTC derivative, sale and repurchase and securities lending and borrowing transactions entered into by the Group, related amounts with the same counterparty can be offset if an event of default or other predetermined events occur.

**財務報表附註 (續)**
**Notes to the Financial Statements (continued)**
**45. 已抵押資產**

於 2020 年 12 月 31 日，本集團之負債港幣 152.93 億元（2019 年：港幣 158.62 億元）是以存放於中央保管系統以便利結算之資產作抵押。此外，本集團通過售後回購協議的債務證券抵押之負債為港幣 2.10 億元（2019 年：港幣 605.62 億元）。本集團為擔保此等負債而質押之資產金額為港幣 155.70 億元（2019 年：港幣 766.56 億元），並主要於「以公平值變化計入損益之金融資產」及「證券投資」內列賬。

**45. Assets pledged as security**

As at 31 December 2020, the liabilities of the Group amounting to HK\$15,293 million (2019: HK\$15,862 million) were secured by assets deposited with central depositories to facilitate settlement operations. In addition, the liabilities of the Group amounting to HK\$210 million (2019: HK\$60,562 million) were secured by debt securities related to sale and repurchase arrangements. The amount of assets pledged by the Group to secure these liabilities was HK\$15,570 million (2019: HK\$76,656 million) mainly included in "Financial assets at fair value through profit or loss" and "Investment in securities".

**46. 金融資產轉移**

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。

**46. Transfers of financial assets**

The transferred financial assets of the Group below that do not qualify for derecognition are debt securities held by counterparties as collateral under sale and repurchase agreements.

	2020		2019	
	已轉移資產 賬面值 Carrying amount of transferred assets 港幣百萬元 HK\$m	相關負債 賬面值 Carrying amount of associated liabilities 港幣百萬元 HK\$m	已轉移資產 賬面值 Carrying amount of transferred assets 港幣百萬元 HK\$m	相關負債 賬面值 Carrying amount of associated liabilities 港幣百萬元 HK\$m
回購協議		Repurchase agreements		
	<b>231</b>	<b>210</b>	590	562

**47. 董事貸款**

根據香港《公司條例》第 383 條及《公司（披露董事利益資料）規例》第三部的規定，向本銀行董事提供之貸款詳情如下：

**47. Loans to directors**

Particulars of loans made to directors of the Bank pursuant to section 383 of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2020 港幣百萬元 HK\$m	2019 港幣百萬元 HK\$m
於年末尚未償還之有關 交易總額	-	-
於年內未償還有關交易之 最高總額	-	-

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 48. 主要之有關連人士交易 48. Significant related party transactions

中華人民共和國國務院通過中國投資有限責任公司(「中投」)、其全資附屬公司中央匯金投資有限責任公司(「匯金」)及匯金擁有控制權益之中國銀行，對本集團實行控制。

#### (a) 與母公司及母公司控制之其他公司進行的交易

母公司的基本資料：

本集團受中國銀行控制。匯金是中國銀行之控股公司，亦是中投的全資附屬公司，而中投是從事外匯資金投資管理業務的國有獨資公司。

匯金於某些內地實體均擁有控制權益。

本集團在正常業務中與此等實體進行銀行業務交易，包括貸款、證券投資及貨幣市場交易。

大部分與中國銀行進行的交易源自貨幣市場活動。於2020年12月31日，本集團相關應收及應付中國銀行款項總額分別為港幣1,887.80億元(2019年：港幣980.43億元)及港幣1,103.89億元(2019年：港幣569.95億元)。截至2020年12月31日止年度，與中國銀行做此類業務過程中產生的收入及支出總額分別為港幣10.37億元(2019年：港幣19.71億元)及港幣1.57億元(2019年：港幣4.78億元)。

與中國銀行控制之其他公司並無重大交易。

The Group is subject to the control of the State Council of the PRC Government through China Investment Corporation ("CIC"), its wholly-owned subsidiary Central Huijin Investment Ltd. ("Central Huijin"), and BOC in which Central Huijin has controlling equity interests.

#### (a) Transactions with the parent companies and the other companies controlled by the parent companies

General information of the parent companies:

The Group is controlled by BOC. Central Huijin is the controlling entity of BOC, and it is a wholly-owned subsidiary of CIC which is a wholly state-owned company engaging in foreign currency investment management.

Central Huijin has controlling equity interests in certain other entities in the PRC.

The Group enters into banking transactions with these entities in the normal course of business which include loans, investment securities and money market transactions.

The majority of transactions with BOC arise from money market activities. As at 31 December 2020, the related aggregate amounts due from and to BOC of the Group were HK\$188,780 million (2019: HK\$98,043 million) and HK\$110,389 million (2019: HK\$56,995 million) respectively. The aggregate amounts of income and expenses of the Group arising from these transactions with BOC for the year ended 31 December 2020 were HK\$1,037 million (2019: HK\$1,971 million) and HK\$157 million (2019: HK\$478 million) respectively.

Transactions with other companies controlled by BOC are not considered material.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 48. 主要之有關連人士交易 (續) 48. Significant related party transactions (continued)

#### (b) 與政府機構、代理機構、附屬機構及其他國有控制實體的交易

中華人民共和國國務院通過中投及匯金對本集團實施控制，而中華人民共和國國務院亦通過政府機構、代理機構、附屬機構及其他國有控制實體直接或間接控制大量其他實體。本集團按一般商業條款與政府機構、代理機構、附屬機構及其他國有控制實體進行常規銀行業務交易。

這些交易包括但不局限於下列各項：

- 借貸、提供授信及擔保和接受存款；
- 銀行同業之存放及結餘；
- 出售、購買、包銷及贖回由其他國有控制實體所發行之債券；
- 提供外匯、匯款及相關投資服務；
- 提供信託業務；及
- 購買公共事業、交通工具、電信及郵政服務。

#### (b) Transactions with government authorities, agencies, affiliates and other state controlled entities

The Group is subject to the control of the State Council of the PRC Government through CIC and Central Huijin, which also directly or indirectly controls a significant number of entities through its government authorities, agencies, affiliates and other state controlled entities. The Group enters into banking transactions with government authorities, agencies, affiliates and other state controlled entities in the normal course of business at commercial terms.

These transactions include, but are not limited to, the following:

- lending, provision of credits and guarantees, and deposit taking;
- inter-bank balance taking and placing;
- sales, purchases, underwriting and redemption of bonds issued by other state controlled entities;
- rendering of foreign exchange, remittance and investment related services;
- provision of fiduciary activities; and
- purchase of utilities, transport, telecommunication and postage services.

## 財務報表附註（續） Notes to the Financial Statements (continued)

### 48. 主要之有關連人士交易 48. Significant related party transactions (continued) (續)

(c) 與聯營公司、合資企業及其他有關連人士在正常業務範圍內進行之交易摘要

與本集團之聯營公司、合資企業及其他有關連人士達成之有關連人士交易所產生之總收入／支出及結餘概述如下：

(c) Summary of transactions entered into during the ordinary course of business with associates, joint ventures and other related parties

The aggregate income/expenses and balances arising from related party transactions with associates, joint ventures and other related parties of the Group are summarised as follows:

		<b>2020</b>	2019
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
收益表項目	Income statement items		
聯營公司及合資企業	Associates and joint ventures		
- 利息支出	- Interest expenses	1	-
- 服務費及佣金支出	- Fee and commission expenses	-	6
- 其他經營支出	- Other operating expenses	80	84
其他有關連人士	Other related parties		
- 服務費及佣金收入	- Fee and commission income	12	11
資產負債表項目	Balance sheet item		
聯營公司及合資企業	Associates and joint ventures		
- 客戶存款	- Deposits from customers	124	-
- 其他賬項及準備	- Other accounts and provisions	7	1
		<b>7</b>	<b>1</b>

**財務報表附註 (續) Notes to the Financial Statements (continued)**

**48. 主要之有關連人士交易 48. Significant related party transactions (continued)**  
(續)

**(d) 主要高層人員**

主要高層人員是指某些能直接或間接擁有權力及責任來計劃、指導及掌管集團業務之人士，包括董事及高層管理人員。本集團在正常業務中會接受主要高層人員存款及向其提供貸款及信貸融資。於本年及去年，本集團並沒有與本銀行及其控股公司之主要高層人員或其有關連人士進行重大交易。

主要高層人員截至 12 月 31 日止年度之薪酬如下：

薪酬及其他短期員工福利

**(d) Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and senior management. The Group accepts deposits from and grants loans and credit facilities to key management personnel in the ordinary course of business. During both the current and prior years, no material transaction was conducted with key management personnel of the Bank and its holding companies, as well as parties related to them.

The compensation of key management personnel for the year ended 31 December is detailed as follows:

	<u>2020</u>	<u>2019</u>
	港幣百萬元 HK\$m	港幣百萬元 HK\$m
Salaries and other short-term employee Benefits	<u>55</u>	<u>53</u>

**(e) 與附屬公司的結餘**

於 2020 年 12 月 31 日，本銀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 115.69 億元(2019 年：港幣 109.63 億元)及港幣 29.05 億元(2019 年：港幣 22.19 億元)。

**(e) Balances with subsidiaries**

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\$11,569 million (2019: HK\$10,963 million) and HK\$2,905 million (2019: HK\$2,219 million) respectively.



**財務報表附註 (續) Notes to the Financial Statements (continued)**
**49. 國際債權**

以下分析乃參照有關國際銀行業統計之金管局報表的填報指示而編製。國際債權按照交易對手所在地計入風險轉移後以交易對手之最終風險承擔的地域分佈，其總和包括所有貨幣之跨地域債權及本地之外幣債權。若債權之擔保人所在地與交易對手所在地不同，則風險將轉移至擔保人之所在地。若債權屬銀行之海外分行，其風險將會轉移至該銀行之總行所在地。

本集團的個別國家／地區其已計及風險轉移後佔國際債權總額 10%或以上之債權如下：

**49. International claims**

The below analysis is prepared with reference to the completion instructions for the HKMA return of international banking statistics. International claims are exposures to counterparties on which the ultimate risk lies based on the locations of the counterparties after taking into account the transfer of risk, and represent the sum of cross-border claims in all currencies and local claims in foreign currencies. For a claim guaranteed by a party situated in a location different from the counterparty, the risk will be transferred to the location of the guarantor. For a claim on an overseas branch of a bank whose head office is located in another location, the risk will be transferred to the location where its head office is located.

Claims on individual countries/regions, after risk transfer, amounting to 10% or more of the aggregate international claims of the Group are shown as follows:

		2020				
		非銀行私人機構 Non-bank private sector				總計 Total
		銀行 Banks	官方機構 Official sector	非銀行 金融機構 Non-bank financial institutions	非金融 私人機構 Non-financial private sector	
				港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	
中國內地	Chinese Mainland	376,937	130,889	14,873	128,333	651,032
香港	Hong Kong	6,982	78	36,661	331,717	375,438
日本	Japan	5,377	155,963	888	3,735	165,963
美國	United States	2,590	135,997	16,574	17,066	172,227

		2019				
		非銀行私人機構 Non-bank private sector				總計 Total
		銀行 Banks	官方機構 Official sector	非銀行 金融機構 Non-bank financial institutions	非金融 私人機構 Non-financial private sector	
				港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	
中國內地	Chinese Mainland	284,001	108,716	14,599	136,156	543,472
香港	Hong Kong	6,718	96	36,143	352,962	395,919
日本	Japan	10,331	118,215	997	3,243	132,786
美國	United States	11,718	106,473	22,721	17,426	158,338

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**50. 非銀行的內地風險承擔**

對非銀行交易對手的內地相關風險承擔之分析乃參照有關內地業務之金管局報表的填報指示所列之機構類別及直接風險類別分類。此報表僅計及中銀香港的香港辦事處之內地風險承擔。

**50. Non-bank Mainland exposures**

The analysis of non-bank Mainland exposures is based on the categories of non-bank counterparties and the types of direct exposures with reference to the completion instructions for the HKMA return of Mainland activities, which includes the Mainland exposures extended by BOCHK's Hong Kong office only.

	金管局 報表項目 Items in the HKMA return	2020		總風險承擔 Total exposure 港幣百萬元 HK\$m	
		資產負債 表內的 風險承擔 On-balance sheet exposure 港幣百萬元 HK\$m	資產負債 表外的 風險承擔 Off-balance sheet exposure 港幣百萬元 HK\$m		
中央政府、中央政府持有的機構、其附屬公司及合資企業	Central government, central government-owned entities and their subsidiaries and joint ventures	1	349,405	36,110	385,515
地方政府、地方政府持有的機構、其附屬公司及合資企業	Local governments, local government-owned entities and their subsidiaries and joint ventures	2	69,104	11,230	80,334
中國籍境內居民或其他在境內註冊的機構、其附屬公司及合資企業	PRC nationals residing in Mainland or other entities incorporated in Mainland and their subsidiaries and joint ventures	3	109,921	23,386	133,307
不包括在上述第一項中央政府內的其他機構	Other entities of central government not reported in item 1 above	4	32,628	4,765	37,393
不包括在上述第二項地方政府內的其他機構	Other entities of local governments not reported in item 2 above	5	1,002	-	1,002
中國籍境外居民或在境外註冊的機構，其用於境內的信貸	PRC nationals residing outside Mainland or entities incorporated outside Mainland where the credit is granted for use in Mainland	6	83,664	8,477	92,141
其他交易對手而其風險承擔被視為非銀行的內地風險承擔	Other counterparties where the exposures are considered to be non-bank Mainland exposures	7	1,849	10	1,859
總計	Total	8	<u>647,573</u>	<u>83,978</u>	<u>731,551</u>
扣減準備金後的資產總額	Total assets after provision	9	<u>3,067,224</u>		
資產負債表內的風險承擔佔資產總額百分比	On-balance sheet exposures as percentage of total assets	10	<u>21.11%</u>		

**財務報表附註 (續)      Notes to the Financial Statements (continued)**
**50. 非銀行的內地風險承擔 (續)      50. Non-bank Mainland exposures (continued)**

	金管局 報表項目 Items in the HKMA return	2019		總風險承擔 Total exposure 港幣百萬元 HK\$m	
		資產負債 表內的 風險承擔 On-balance sheet exposure 港幣百萬元 HK\$m	資產負債 表外的 風險承擔 Off-balance sheet exposure 港幣百萬元 HK\$m		
中央政府、中央政府持有的 機構、其附屬公司及合資 企業	Central government, central government-owned entities and their subsidiaries and joint ventures	1	310,795	43,519	354,314
地方政府、地方政府持有的 機構、其附屬公司及合資 企業	Local governments, local government- owned entities and their subsidiaries and joint ventures	2	65,697	13,247	78,944
中國籍境內居民或其他在境 內註冊的機構、其附屬公 司及合資企業	PRC nationals residing in Mainland or other entities incorporated in Mainland and their subsidiaries and joint ventures	3	102,300	21,580	123,880
不包括在上述第一項中央政 府內的其他機構	Other entities of central government not reported in item 1 above	4	32,086	3,735	35,821
不包括在上述第二項地方政 府內的其他機構	Other entities of local governments not reported in item 2 above	5	500	2	502
中國籍境外居民或在境外註 冊的機構，其用於境內的 信貸	PRC nationals residing outside Mainland or entities incorporated outside Mainland where the credit is granted for use in Mainland	6	80,635	13,988	94,623
其他交易對手而其風險承擔 被視為非銀行的內地風險 承擔	Other counterparties where the exposures are considered to be non-bank Mainland exposures	7	1,770	-	1,770
總計	Total	8	<u>593,783</u>	<u>96,071</u>	<u>689,854</u>
扣減準備金後的資產總額	Total assets after provision	9	<u>2,800,915</u>		
資產負債表內的風險承擔 佔資產總額百分比	On-balance sheet exposures as percentage of total assets	10	<u>21.20%</u>		

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**51. 資產負債表及權益變動表 51. Balance sheet and statement of changes in equity**
**(a) 資產負債表**
**(a) Balance sheet**

於 12 月 31 日	As at 31 December	2020 港幣百萬元 HK\$m	2019 港幣百萬元 HK\$m
<b>資產</b>	<b>ASSETS</b>		
庫存現金及在銀行及其他金融機構之結餘及定期存放	Cash and balances and placements with banks and other financial institutions	459,069	359,946
以公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss	35,290	49,189
衍生金融工具	Derivative financial instruments	52,772	31,164
香港特別行政區政府負債證明書	Hong Kong SAR Government certificates of indebtedness	189,550	163,840
貸款及其他賬項	Advances and other accounts	1,470,216	1,383,685
證券投資	Investment in securities	781,300	732,101
附屬公司權益	Interests in subsidiaries	8,709	8,713
聯營公司及合資企業權益	Interests in associates and joint ventures	8	8
投資物業	Investment properties	19,510	21,633
物業、器材及設備	Properties, plant and equipment	44,799	49,033
遞延稅項資產	Deferred tax assets	29	22
其他資產	Other assets	49,841	41,135
資產總額	Total assets	<b>3,111,093</b>	<b>2,840,469</b>
<b>負債</b>	<b>LIABILITIES</b>		
香港特別行政區流通紙幣	Hong Kong SAR currency notes in circulation	189,550	163,840
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	323,149	264,282
以公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	20,336	19,206
衍生金融工具	Derivative financial instruments	60,317	32,829
客戶存款	Deposits from customers	2,165,742	1,989,108
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	426	116
其他賬項及準備	Other accounts and provisions	48,042	63,656
應付稅項負債	Current tax liabilities	3,848	7,794
遞延稅項負債	Deferred tax liabilities	5,372	5,925
後償負債	Subordinated liabilities	-	12,954
負債總額	Total liabilities	<b>2,816,782</b>	<b>2,559,710</b>

財務報表附註 (續) **Notes to the Financial Statements (continued)**

51. 資產負債表及權益變動表 (續) **51. Balance sheet and statement of changes in equity (continued)**

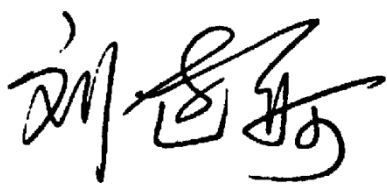
(a) 資產負債表 (續)

(a) Balance sheet (continued)

於 12 月 31 日	As at 31 December	<u>2020</u>	<u>2019</u>
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>資本</b>	<b>EQUITY</b>		
股本	Share capital	<b>43,043</b>	43,043
儲備	Reserves	<b>227,792</b>	214,240
本銀行股東應佔股本和儲備	Capital and reserves attributable to equity holders of the Bank	<b>270,835</b>	257,283
本銀行其他股權工具	Other equity instruments of the Bank	<b>23,476</b>	23,476
資本總額	Total equity	<b>294,311</b>	280,759
負債及資本總額	Total liabilities and equity	<b>3,111,093</b>	2,840,469

經董事會於 2021 年 3 月 30 日通過核准並由以下人士代表簽署：

Approved by the Board of Directors on 30 March 2021 and signed on behalf of the Board by:



劉連舫  
董事  
LIU Liange  
Director



孫煜  
董事  
SUN Yu  
Director

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**51. 資產負債表及權益變動表 (續) 51. Balance sheet and statement of changes in equity (continued)**
**(b) 權益變動表**
**(b) Statement of changes in equity**

		儲備 Reserves							留存盈利 Retained earnings	總計 Total	其他 股權工具 Other equity instruments	資本總額 Total equity
		股本 Share capital	房產 重估儲備 Premises revaluation reserve	公平值 變動儲備 Reserve for fair value changes	自身信貸 風險儲備 Reserve for own credit risk	監管儲備* Regulatory reserve*	換算儲備 Translation reserve	合併儲備** Merger reserve**				
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
於 2019 年 1 月 1 日	At 1 January 2019	43,043	35,607	(2,229)	5	10,433	(404)	350	155,342	242,147	23,476	265,623
年度溢利	Profit for the year	-	-	-	-	-	-	-	32,829	32,829	-	32,829
其他全面收益：	Other comprehensive income:											
房產	Premises	-	842	-	-	-	-	-	-	842	-	842
以公平值變化計入其他全面收益之股權工具	Equity instruments at fair value through other comprehensive income	-	-	343	-	-	-	-	-	-	343	343
自身信貸風險	Own credit risk	-	-	-	(38)	-	-	-	-	(38)	-	(38)
以公平值變化計入其他全面收益之債務工具	Debt instruments at fair value through other comprehensive income	-	-	3,704	-	-	-	-	-	3,704	-	3,704
貨幣換算差額	Currency translation difference	-	-	10	-	-	52	-	-	62	-	62
全面收益總額	Total comprehensive income	-	842	4,057	(38)	-	52	-	32,829	37,742	-	37,742
因處置以公平值變化計入其他全面收益之股權工具之轉撥：	Release upon disposal of equity instruments at fair value through other comprehensive income:											
轉撥	Transfer	-	-	1	-	-	-	-	(1)	-	-	-
遞延稅項	Deferred tax	-	-	-	-	-	-	-	-	-	-	-
應付稅項	Current tax	-	-	-	-	-	-	-	-	-	-	-
收購受共同控制之實體	Acquisition of entity under common control	-	-	-	-	-	-	(728)	-	(728)	-	(728)
轉撥自留存盈利	Transfer from retained earnings	-	-	-	-	574	-	378	(952)	-	-	-
支付其他股權工具持有者股息	Dividend paid to other equity instrument holders	-	-	-	-	-	-	-	(1,390)	(1,390)	-	(1,390)
股息	Dividends	-	-	-	-	-	-	-	(20,488)	(20,488)	-	(20,488)
於 2019 年 12 月 31 日	At 31 December 2019	43,043	36,449	1,829	(33)	11,007	(352)	-	165,340	257,283	23,476	280,759

**財務報表附註 (續) Notes to the Financial Statements (continued)**
**51. 資產負債表及權益變動表 (續) 51. Balance sheet and statement of changes in equity (continued)**
**(b) 權益變動表 (續)**
**(b) Statement of changes in equity (continued)**

		儲備 Reserves										
		股本	房產重估儲備	公平值變動儲備	自身信貸風險儲備	監管儲備*	換算儲備	合併儲備**	留存盈利	總計	其他股權工具	資本總額
		Share capital	Premises revaluation reserve	Reserve for fair value changes	Reserve for own credit risk	Regulatory reserve*	Translation reserve	Merger reserve**	Retained earnings	Total	Other equity instruments	Total equity
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
於 2020 年 1 月 1 日	At 1 January 2020	43,043	36,449	1,829	(33)	11,007	(352)	-	165,340	257,283	23,476	280,759
年度溢利	Profit for the year	-	-	-	-	-	-	-	27,037	27,037	-	27,037
其他全面收益：	Other comprehensive income:											
房產	Premises	-	(1,386)	-	-	-	-	-	-	(1,386)	-	(1,386)
以公平值變化計入其他全面收益之股權工具	Equity instruments at fair value through other comprehensive income	-	-	274	-	-	-	-	-	274	-	274
自身信貸風險	Own credit risk	-	-	-	1	-	-	-	-	1	-	1
以公平值變化計入其他全面收益之債務工具	Debt instruments at fair value through other comprehensive income	-	-	1,046	-	-	-	-	-	1,046	-	1,046
貨幣換算差額	Currency translation difference	-	-	62	-	-	32	-	-	94	-	94
全面收益總額	Total comprehensive income	-	(1,386)	1,382	1	-	32	-	27,037	27,066	-	27,066
因處置以公平值變化計入其他全面收益之股權工具之轉撥：	Release upon disposal of equity instruments at fair value through other comprehensive income:											
轉撥	Transfer	-	-	(7)	-	-	-	-	7	-	-	-
遞延稅項	Deferred tax	-	-	1	-	-	-	-	-	1	-	1
應付稅項	Current tax	-	-	-	-	-	-	-	(1)	(1)	-	(1)
因贖回界定為以公平值變化計入損益之金融負債之轉撥：	Release upon redemption of financial liabilities designated at fair value through profit or loss:											
轉撥	Transfer	-	-	-	38	-	-	-	(38)	-	-	-
遞延稅項	Deferred tax	-	-	-	(6)	-	-	-	-	(6)	-	(6)
應付稅項	Current tax	-	-	-	-	-	-	-	6	6	-	6
轉撥至留存盈利	Transfer to retained earnings	-	-	-	-	(6,261)	-	-	6,261	-	-	-
支付其他股權工具持有者股息	Dividend paid to other equity instrument holders	-	-	-	-	-	-	-	(1,376)	(1,376)	-	(1,376)
股息	Dividends	-	-	-	-	-	-	-	(12,138)	(12,138)	-	(12,138)
於 2020 年 12 月 31 日	At 31 December 2020	43,043	35,063	3,205	-	4,746	(320)	-	185,098	270,835	23,476	294,311

\* 除按香港財務報告準則第 9 號對貸款提取減值準備外，按金管局要求撥轉部分留存盈利至監管儲備作銀行一般風險之用（包括未來損失或其他不可預期風險）。

\*\* 合併儲備乃因合併受共同控制之實體而採用合併會計處理而產生。

\* In accordance with the requirements of the HKMA, the amounts are set aside for general banking risks, including future losses or other unforeseeable risks, in addition to the loan impairment allowances recognised under HKFRS 9.

\*\* Merger reserve was arising on the application of merger accounting method in relation to the combination with entity under common control.

**財務報表附註 (續)      Notes to the Financial Statements (continued)**
**52. 主要附屬公司**
**52. Principal subsidiaries**

本銀行所有直接及間接附屬公司之詳情載於「附錄－本銀行之附屬公司」。於 2020 年 12 月 31 日之主要附屬公司列示如下：

The particulars of all direct and indirect subsidiaries of the Bank are set out in "Appendix – Subsidiaries of the Bank". The following is a list of principal subsidiaries as at 31 December 2020:

名稱 Name	註冊及營業地點 Place of incorporation and operation	已發行股本 Issued share capital	持有權益 Interest held	主要業務 Principal activities
中銀信用卡(國際)有限公司 BOC Credit Card (International) Limited	香港 Hong Kong	565,000,000 港元 HK\$565,000,000	100%	信用卡服務 Credit card services
馬來西亞中國銀行 Bank of China (Malaysia) Berhad	馬來西亞 Malaysia	760,518,480 馬來西亞林吉特 RM760,518,480	100%	銀行業務 Banking business
中國銀行(泰國)股份有限公司 Bank of China (Thai) Public Company Limited	泰國 Thailand	10,000,000,000 泰銖 Baht10,000,000,000	#100%	銀行業務 Banking business
寶生證券及期貨有限公司 Po Sang Securities and Futures Limited	香港 Hong Kong	335,000,000 港元 HK\$335,000,000	*100%	證券及期貨業務 Securities and futures brokerage

# 本銀行直接持有 99.99% 股份及間接持有 0.01% 股份。

# 99.99% of the shares held directly and 0.01% of the shares held indirectly by the Bank.

\* 本銀行間接持有股份

\* Shares held indirectly by the Bank



**財務報表附註 (續)**

**Notes to the Financial Statements (continued)**

**53. 最終控股公司**

**53. Ultimate holding company**

中華人民共和國國務院通過中國投資有限責任公司、其全資附屬公司中央匯金投資有限責任公司(「匯金」)及匯金擁有控制權益之中國銀行,對本集團實行控制。

The Group is subject to the control of the State Council of the PRC Government through China Investment Corporation, its wholly-owned subsidiary Central Huijin Investment Ltd. ("Central Huijin"), and BOC in which Central Huijin has controlling equity interests.

**54. 財務報表核准**

**54. Approval of financial statements**

本財務報表於 2021 年 3 月 30 日經董事會通過及核准發佈。

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2021.

## 未經審計之 補充財務資料

## Unaudited Supplementary Financial Information

### 1. 監管披露

監管披露連同本年報內之披露，已載列金管局頒佈之《銀行業（披露）規則》及《金融機構（處置機制）（吸收虧損能力規定－銀行界）規則》要求的所有披露。監管披露可於中銀香港網頁 [www.bochk.com](http://www.bochk.com) 中「監管披露」一節瀏覽。

本年報及監管披露乃按照本集團之財務披露政策編製。財務披露政策建立一個健全的機制，在合法合規的情況下，披露本集團的財務信息，並釐訂財務披露的原則及內部監控措施，確保財務披露的及時性、公平性、準確性、真實性、完整性和合規性。

### 1. Regulatory Disclosures

The Regulatory Disclosures, together with the disclosures in this Annual Report, contained all the disclosures required by the Banking (Disclosure) Rules and Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules issued by the HKMA. The Regulatory Disclosures is available under the section “Regulatory Disclosures” on BOCHK’s website at [www.bochk.com](http://www.bochk.com).

This Annual Report and the Regulatory Disclosures are prepared according to the Group’s disclosure policy. The disclosure policy sets out a robust mechanism for the Group’s disclosures of financial information on a legitimate and compliant basis. It depicts the principles and internal control measures to ensure the timeliness, fairness, accuracy, integrity, completeness and legitimacy of financial disclosures.

### 2. 風險管理

#### 總覽

本集團深信良好的風險管理是企業成功的重要元素。在日常經營中，本集團高度重視風險管理，並強調風險控制與業務發展之間必須取得平衡。本集團業務的主要內在風險包括信貸風險、市場風險、利率風險、流動資金風險、操作風險、信譽風險、法律及合規風險及策略風險。本集團的風險管理目標是在提高股東價值的同時，確保風險控制在可接受的水平之內。本集團設有經董事會審批的風險偏好陳述，表達本集團在風險可控的前提下所願意承擔的風險類型與程度，以實現業務發展目標和達到利益相關者的期望。有關本集團風險管理管治架構的詳細資料，請見財務報表附註4。

### 2. Risk management

#### Overview

The Group believes that sound risk management is crucial to the success of any organisation. In its daily operation, the Group attaches a high degree of importance to risk management and emphasises that a balance must be struck between risk control and business development. The principal types of risk inherent in the Group’s businesses are credit risk, market risk, interest rate risk, liquidity risk, operational risk, reputation risk, legal and compliance risk, and strategic risk. The Group’s risk management objective is to enhance shareholder value by maintaining risk exposures within acceptable limits. The Group has a defined risk appetite statement approved by the Board, which is an expression of the types and level of risk that the Group is willing to take in a controllable way in order to achieve its business goals and to meet the expectations of its stakeholders. For details of the Group’s risk management governance structure, please refer to Note 4 to the Financial Statements.

未經審計之  
補充財務資料 (續)

**Unaudited Supplementary Financial Information (continued)**

**2. 風險管理 (續)**

**2. Risk management (continued)**

**信貸風險管理**

信貸風險指因客戶或交易對手未能或不願意履行償債責任而造成損失的風險。本集團的交易賬和銀行賬、以及資產負債表內和表外之交易均存在這種風險。信貸風險主要來自借貸、貿易融資及資金業務。有關本集團信貸風險管理之詳細資料，請見財務報表附註4.1。

**市場風險管理**

市場風險是指因金融市場價格（匯率、利率、股票價格、商品價格）波動導致銀行外匯、利率、股票和商品持倉值出現變化而可能給本集團帶來的損失。本集團採取適中的市場風險偏好，實現風險與收益的平衡。有關本集團市場風險管理之詳細資料，請見財務報表附註4.2。

**Credit risk management**

Credit risk is the risk of loss that a customer or counterparty is unable to or unwilling to meet its contractual obligations. Credit risk exists in the trading book and banking book, as well as from on- and off-balance sheet transactions of the Group. It arises principally from lending, trade finance and treasury businesses. For details of the Group's Credit Risk Management, please refer to Note 4.1 to the Financial Statements.

**Market risk management**

Market risk refers to the risk of loss arising from movements in the value of foreign exchange, interest rate, equity and commodity positions held by the Group due to the volatility of financial market price (foreign exchange rate, interest rate, equity price, commodity price). The Group adopts a moderate market risk appetite to achieve a balance between risk and return. For details of the Group's Market Risk Management, please refer to Note 4.2 to the Financial Statements.

未經審計之  
補充財務資料 (續)

Unaudited Supplementary Financial Information (continued)

2. 風險管理 (續)

2. Risk management (continued)

市場風險管理 (續)

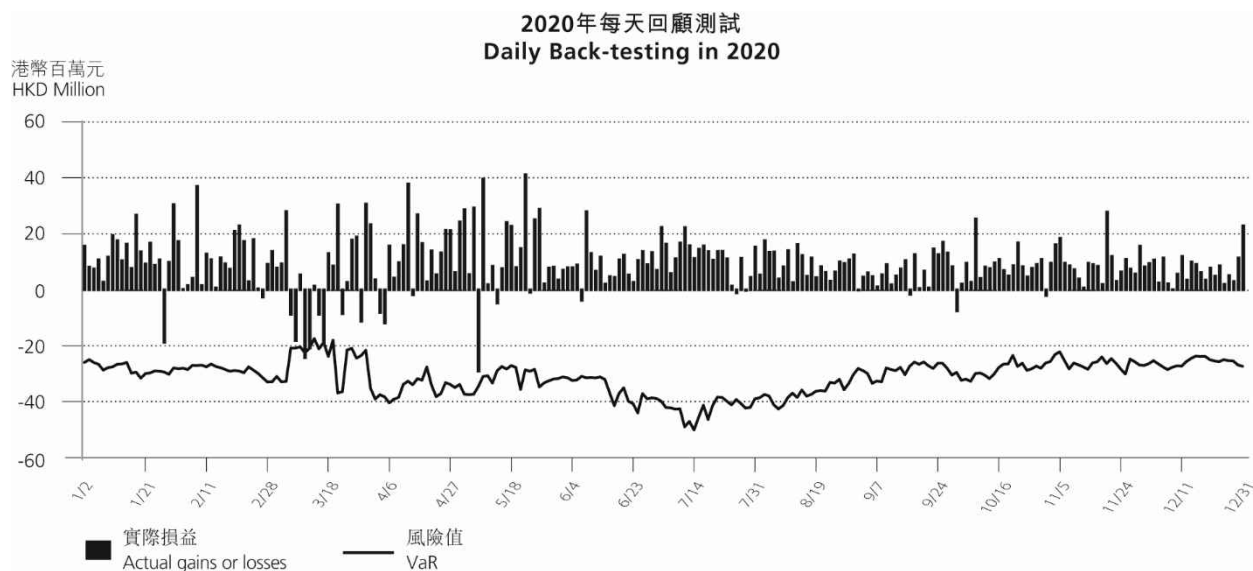
Market risk management (continued)

本集團採用風險值量度一般市場風險，並定期向風險委員會和高層管理人員報告。本集團採用統一的風險值計量模型，運用歷史模擬法，以過去2年歷史市場數據為參照，計算99%置信水平下及1天持有期內集團層面及各附屬機構的風險值，並設定本集團和各附屬機構的風險值限額。

The Group uses the VaR to measure and report general market risks to the Risk Committee (“RMC”) and senior management on a periodic basis. The Group adopts a uniformed VaR calculation model, using a historical simulation approach and two years of historical market data, to calculate the VaR of the Group and its subsidiaries over a one-day holding period with a 99% confidence level, and sets up the VaR limit of the Group and its subsidiaries.

本集團採用回顧測試衡量風險值模型計量結果的準確性。回顧測試是將每一交易日市場風險持倉的風險值數字與下一個交易日從這些持倉得到的實際及假設損益作出比較。一般而言，在99%置信水平下，在連續12個月內的例外情況應該不超過4次。下圖列示本集團風險值與實際損益比較之回顧測試結果。

The Group adopts back-testing to measure the accuracy of VaR model results. The back-testing compares the calculated VaR figure of market risk positions of each business day with the actual and hypothetical gains or losses arising from those positions on the next business day. Generally speaking, the number of back-testing exceptions in a rolling 12-month period will not exceed four times, given a 99% confidence level. The graph below shows the back-testing result of the VaR against actual gains or losses of the Group.



2020年內回顧測試結果顯示，本集團出現2次實際交易損失超過風險值的情況。主要原因是2020年3月份市場大幅波動，模型未能預測市場走勢。

There were two actual losses exceeding the VaR for the Group in 2020 as shown in the back-testing results. It was mainly due to unexpectedly high market volatility in March 2020 that the model failed to predict.

未經審計之  
補充財務資料 (續)

Unaudited Supplementary Financial Information (continued)

2. 風險管理 (續)

2. Risk management (continued)

利率風險管理

利率風險是指因利率水平、資產負債期限結構等要素發生變動而可能導致銀行整體收益和經濟價值承受損失的風險。本集團的利率風險承擔主要來自結構性持倉。結構性持倉的主要利率風險類別為利率重訂風險、利率基準風險及期權風險。有關本集團利率風險管理之詳細資料，請見財務報表附註4.2。

流動資金風險管理

流動資金風險是指銀行無法以合理成本及時獲得充足資金，履行到期義務的風險。本集團遵循穩健的流動資金風險偏好，確保在正常情況及壓力情景下均有能力提供穩定、可靠和足夠的現金來源，滿足流動資金需求。有關本集團流動資金風險管理之詳細資料，請見財務報表附註 4.3。

操作風險管理

操作風險是指由不完善或有問題的內部程序、人員、系統，以及外部事件所造成損失的風險。操作風險隱藏於業務操作的各個環節，是本集團在日常操作活動中面對的風險。

Interest rate risk management

Interest rate risk means the risks to a bank's earnings and economic value arising from movements in interest rate and term structures of the bank's asset and liability positions. The Group's interest rate risk exposures are mainly structural. The major types of interest rate risk from structural positions are gap risk, basis risk and option risk. For details of the Group's Interest Rate Risk Management, please refer to Note 4.2 to the Financial Statements.

Liquidity risk management

Liquidity risk is the risk that banks may not be able to obtain sufficient and timely funding at a reasonable cost to meet their obligations as they fall due. The Group maintains a sound liquidity risk appetite to provide stable, reliable and adequate sources of cash to meet liquidity needs under normal circumstances and stressed scenarios. For details of the Group's Liquidity Risk Management, please refer to Note 4.3 to the Financial Statements.

Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal process, people and system, or from external events. The risk is inherent in every aspect of business operations and confronted by the Group in its day-to-day operational activities.

未經審計之  
補充財務資料 (續)

Unaudited Supplementary Financial Information (continued)

2. 風險管理 (續)

2. Risk management (continued)

操作風險管理 (續)

Operational risk management (continued)

本集團實施操作風險管理「三道防線」體系：所有部門或功能單位為第一道防線，是操作風險管理的第一責任人，通過自我評估與自我提升來履行業務經營過程中自我風險控制職能。法律合規與操作風險管理部連同一些與操作風險管理相關的專門職能單位包括人力資源部、公司服務部、防範金融犯罪部、財務管理部、司庫與會計部（統稱為「專門職能單位」）為第二道防線，負責評估和監控第一道防線操作風險狀況，對其工作提供指導。獨立於業務單位的法律合規與操作風險管理部，負責協助管理層管理本集團的操作風險，包括制定和重檢操作風險管理政策和框架、設計操作風險的管理工具和匯報機制、評估及向管理層和風險委員會匯報總體操作風險狀況；專門職能單位對操作風險的一些特定的範疇或與其相關事項，履行第二道防線的牽頭管理責任，除負責本單位操作風險管理外，亦須就指定的操作風險管理範疇向其他單位提供專業意見／培訓並履行集團整體的操作風險牽頭管理。集團審計為第三道防線，對操作風險管理框架的有效性與充足性作獨立評估，需定期稽查本集團各部門或功能單位操作風險管理工作的合規性和有效性，並提出整改意見。

The Group has implemented the “Three Lines of Defence” for its operational risk management. All departments or functional units as the first line of defence are the first parties responsible for operational risk management, and carry out the duties and functions of self risk control in the process of business operation through self assessment and self enhancement. The Legal & Compliance and Operational Risk Management Department (“LCO”), together with certain specialist functional units in relation to operational risk management within the Group, including the Human Resources Department, Corporate Services Department, Financial Crime Compliance Department, Financial Management Department, Treasury and General Accounting & Accounting Policy Department (collectively known as “specialist functional units”), are the second line of defence. They are responsible for assessing and monitoring the operational risk conditions in the first line of defence, and providing them with guidance. The LCO, being independent from the business units, is responsible for assisting the Management in managing the Group’s operational risk, including the establishment and review of the operational risk management policy and framework, designing the operational risk management tools and reporting mechanism, and assessing and reporting the overall operational risk position to the Management and RMC. Specialist functional units are required to carry out their managerial duties of the second line of defence with respect to some specific aspects of operational risk and its related issues. Besides taking charge of operational risk management in their own units, these units are also required to provide other units with professional advice/training in respect of certain operational risk categories and to lead the group-wide operational risk management. Group Audit is the third line of defence which provides independent assessment to the effectiveness and adequacy of the operational risk management framework and is required to conduct periodic audit of the operational risk management activities of various departments or functional units within the Group regarding their compliance and effectiveness and to put forward recommendations for remedial actions.

未經審計之  
補充財務資料 (續)

**Unaudited Supplementary Financial Information (continued)**

**2. 風險管理 (續)**

**2. Risk management (continued)**

**操作風險管理 (續)**

**Operational risk management (continued)**

本集團建立了有效的內部控制程序，對所有重大活動訂下政策及監控措施。設置適當的職責分工和授權乃本集團堅守的基本原則。本集團採用關鍵風險指標、自我評估、操作風險事件匯報及檢查等不同的操作風險管理工具或方法來識別、評估、監察及控制潛在於業務活動及產品內的風險，同時透過購買保險將未能預見的操作風險減低。對支援緊急或災難事件時的業務運作備有持續業務運作計劃，並維持充足的後備設施及定期進行演練。

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

**信譽風險管理**

**Reputation risk management**

信譽風險是指因與本集團業務經營有關的負面報導（不論是否屬實），可能引致客戶基礎縮小、成本高昂的訴訟或收入減少等風險。信譽風險隱藏於其他風險及各業務運作環節，涉及層面廣泛。

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

為減低信譽風險，本集團制定並遵循信譽風險管理政策。此政策的目的是當信譽風險事件發生時本集團能夠盡早識別和積極防範。鑒於信譽風險往往是由各種可能令公眾對本集團信任受損的操作及策略失誤所引發，本集團建立關鍵控制自我評估機制包括相關風險評估工具，以評估各主要風險可能對本集團造成的嚴重影響，包括對本集團信譽的損害程度。

In order to mitigate reputation risk, the Group has formulated and duly followed its Reputation Risk Management Policy. The policy aims to identify and prevent reputation risk proactively at an early stage when an incident occurs. Since reputation risk is often caused by various types of operational and strategic issues that negatively impact the trust and perception of the Group, all operational and key risks identified are assessed through the established Key Control Self-Assessment framework, including risk assessment tools, to evaluate the severity of their impact on the Group, including the damage to reputation.

未經審計之  
補充財務資料 (續)

**Unaudited Supplementary Financial Information (continued)**

**2. 風險管理 (續)**

**2. Risk management (continued)**

**信譽風險管理 (續)**

此外，本集團建立完善機制持續監測金融界所發生的信譽風險事件，以有效管理、控制及減低信譽風險事件的潛在負面影響。本集團亦借助健全有效機制及時向利益相關者披露信息，由此建立公眾信心及樹立本集團良好公眾形象。

**法律及合規風險管理**

法律風險是指因不可執行合約、訴訟或不判決而可能使本集團運作或財務狀況出現混亂或負面影響的風險。合規風險是指因未有遵守適用法例及規則，而可能導致本集團需承受遭法律或監管機構制裁、引致財務損失或信譽損失的風險。法律及合規風險由法律合規與操作風險管理部管理，而關於洗錢、恐怖分子資金籌集、欺詐與貪腐風險則由防範金融犯罪部負責作獨立管理及監控。法律合規與操作風險管理部及防範金融犯罪部均直接向副總裁匯報。法律合規風險管理政策，以及防洗錢、反恐怖分子資金籌集及防範金融犯罪合規風險管理政策是集團公司治理架構的組成部分，由董事會屬下的風險管理委員會審批。

**Reputation risk management (continued)**

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

**Legal and compliance risk management**

Legal risk is the risk that unenforceable contracts, lawsuits or adverse judgments may disrupt or otherwise negatively affect the operations or financial conditions of the Group. Compliance risk is the risk of legal or regulatory sanctions, financial losses or losses in reputation the Group may suffer as a result of its failure to comply with applicable laws and regulations. Legal and compliance risks are managed by the LCO, while the risks related to money laundering, terrorist financing, fraud, bribery and corruption are independently managed and monitored by the Financial Crime Compliance Department ("FCC"). Both LCO and FCC report directly to the DCE. As part of the Group's corporate governance framework, the policies for the management of legal and compliance risks, and money laundering, terrorist financing and financial crime compliance risks are approved by the RMC as delegated by the Board.



未經審計之  
補充財務資料 (續)

Unaudited Supplementary Financial Information (continued)

2. 風險管理 (續)

2. Risk management (continued)

策略風險管理

策略風險指本集團在實施各項策略，包括宏觀戰略與政策，以及為執行戰略與政策而制訂各項具體的計劃、方案和制度時，由於在策略制訂、實施及調整過程中失當，從而使本集團的盈利、資本、信譽或市場地位受到影響的風險。董事會檢討和審批策略風險管理政策。重點戰略事項均得到高層管理人員與董事會的充分評估與適當的審批。

本集團會因應最新市場情況及發展，定期檢討業務策略。

資本管理

本集團資本管理的主要目標是維持與集團整體風險狀況相稱的資本充足水平，同時為股東帶來最大回報。資產負債管理委員會定期檢討本集團資本結構，並在需要時進行調整以保持風險、回報與資本充足性的最佳平衡。

為符合金管局監管政策手冊「監管審查程序」內的要求，本集團採用內部資本充足評估程序並每年作出重檢。按金管局對第二支柱的指引，內部資本充足評估程序主要用以評估在第一支柱下未有涵蓋或充分涵蓋的重大風險所需的額外資本，從而設定本集團最低普通股權一級資本比率、最低一級資本比率及最低總資本比率。同時，本集團亦就前述的資本比率設定了運作區間，以支持業務發展需要及促進資本的有效運用。

Strategic risk management

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

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

Capital management

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

To comply with the HKMA's requirements as stated in the Supervisory Policy Manual "Supervisory Review Process", the Group adopts the internal capital adequacy assessment process ("ICAAP") and reviews it annually. Based on the HKMA's guidelines on Pillar II, ICAAP has been initiated to assess the extra capital needed to cover the material risks not captured or not adequately captured under Pillar I, and therefore minimum Common Equity Tier 1 capital ratio, minimum Tier 1 capital ratio and minimum Total capital ratio are determined. Meanwhile, operating ranges for the aforementioned capital ratios have also been established which enable the flexibility for future business growth and efficiency of capital utilisation.

未經審計之  
補充財務資料 (續)

**Unaudited Supplementary Financial Information (continued)**

**2. 風險管理 (續)**

**2. Risk management (continued)**

**壓力測試**

本集團以壓力測試輔助各項風險的分析工作。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變化並產生極端不利的經營環境時銀行風險暴露的情況。本集團內各風險管理單位按金管局監管政策手冊「壓力測試」內的原則，定期進行壓力測試。資產負債管理委員會根據風險委員會批准的主要風險限額，對壓力測試的結果進行監控，財務管理部定期向董事會及風險委員會匯報本集團的綜合測試結果。

**Stress testing**

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

**附錄**
**Appendix**
**本銀行之附屬公司**
**Subsidiaries of the Bank**

附屬公司的具體情況如下：

The particulars of subsidiaries are as follows:

<b>名稱 Name</b>	<b>註冊／營業 地點及日期 Place and date of incorporation/ operation</b>	<b>已發行股本 Issued share capital</b>	<b>持有權益 Interest held</b>	<b>主要業務 Principal activities</b>
中銀信用卡（國際）有限公司 BOC Credit Card (International) Limited	香港 1980年9月9日 Hong Kong 9 September 1980	565,000,000 港元 HK\$565,000,000	100.00%	信用卡服務 Credit card services
中銀集團信託人有限公司 BOC Group Trustee Company Limited	香港 1997年12月1日 Hong Kong 1 December 1997	200,000,000 港元 HK\$200,000,000	66.00%	信託服務 Trustee services
中銀國際英國保誠信託有限公司 BOCI-Prudential Trustee Limited	香港 1999年10月11日 Hong Kong 11 October 1999	300,000,000 港元 HK\$300,000,000	42.24%*	信託服務 Trustee services
馬來西亞中國銀行 Bank of China (Malaysia) Berhad	馬來西亞 2000年4月14日 Malaysia 14 April 2000	760,518,480 馬來西亞林吉特 RM760,518,480	100.00%	銀行業務 Banking business
China Bridge (Malaysia) Sdn. Bhd.	馬來西亞 2009年4月24日 Malaysia 24 April 2009	1,000,000 馬來西亞林吉特 RM1,000,000	100.00%	受理中國簽證 China visa application
中國銀行（泰國）股份有限公司 Bank of China (Thai) Public Company Limited	泰國 2014年4月1日 Thailand 1 April 2014	10,000,000,000 泰銖 Baht10,000,000,000	100.00%	銀行業務 Banking business
中國銀行（香港）代理人有限公司 Bank of China (Hong Kong) Nominees Limited	香港 1985年10月1日 Hong Kong 1 October 1985	2 港元 HK\$2	100.00%	代理人服務 Nominee services
中國銀行（香港）信託有限公司 Bank of China (Hong Kong) Trustees Limited	香港 1987年11月6日 Hong Kong 6 November 1987	3,000,000 港元 HK\$3,000,000	100.00%	信託及代理服務 Trustee and agency services
中銀金融服務（南寧）有限公司** BOC Financial Services (Nanning) Company Limited**	中國 2019年2月19日 PRC 19 February 2019	註冊資本 60,000,000 港元 Registered capital HK\$60,000,000	100.00%	金融營運服務 Financial operational services
中銀信息科技（深圳）有限公司** BOCHK Information Technology (Shenzhen) Co., Ltd.**	中國 1990年4月16日 PRC 16 April 1990	註冊資本 70,000,000 港元 Registered capital HK\$70,000,000	100.00%	物業持有 Property holding

## 附錄 (續)

## Appendix (continued)

## 本銀行之附屬公司 (續) Subsidiaries of the Bank (continued)

名稱 Name	註冊/營業 地點及日期 Place and date of incorporation/ operation	已發行股本 Issued share capital	持有權益 Interest held	主要業務 Principal activities
中銀信息技術服務(深圳)有限公司** BOCHK Information Technology Services (Shenzhen) Co., Ltd.**	中國 1993年5月26日 PRC 26 May 1993	註冊資本 40,000,000 港元 Registered capital HK\$40,000,000	100.00%	信息技術服務 Information technology services
浙興(代理人)有限公司 Che Hsing (Nominees) Limited	香港 1980年4月23日 Hong Kong 23 April 1980	10,000 港元 HK\$10,000	100.00%	代理人服務 Nominee services
寶生金融投資服務有限公司 Po Sang Financial Investment Services Company Limited	香港 1980年9月23日 Hong Kong 23 September 1980	335,000,000 港元 HK\$335,000,000	100.00%	黃金買賣及 投資控股 Gold trading and investment holding
寶生證券及期貨有限公司 Po Sang Securities and Futures Limited	香港 1993年10月19日 Hong Kong 19 October 1993	335,000,000 港元 HK\$335,000,000	100.00%	證券及期貨業務 Securities and futures brokerage
新華信託有限公司 Sin Hua Trustee Limited	香港 1978年10月27日 Hong Kong 27 October 1978	3,000,000 港元 HK\$3,000,000	100.00%	信託服務 Trustee services
Billion Express Development Inc.	英屬維爾京群島 2014年2月7日 British Virgin Islands 7 February 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Billion Orient Holdings Ltd.	英屬維爾京群島 2014年2月3日 British Virgin Islands 3 February 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Elite Bond Investments Ltd.	英屬維爾京群島 2014年2月7日 British Virgin Islands 7 February 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Express Capital Enterprise Inc.	英屬維爾京群島 2014年2月3日 British Virgin Islands 3 February 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Express Charm Holdings Corp.	英屬維爾京群島 2014年2月7日 British Virgin Islands 7 February 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Express Shine Assets Holdings Corp.	英屬維爾京群島 2014年1月3日 British Virgin Islands 3 January 2014	1 美元 US\$1	100.00%	投資控股 Investment holding

**附錄 (續)**
**Appendix (continued)**
**本銀行之附屬公司 (續)**
**Subsidiaries of the Bank (continued)**

名稱 Name	註冊／營業 地點及日期 Place and date of incorporation/ operation	已發行股本 Issued share capital	持有權益 Interest held	主要業務 Principal activities
Express Talent Investment Ltd.	英屬維爾京群島 2014年2月13日 British Virgin Islands 13 February 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Gold Medal Capital Inc.	英屬維爾京群島 2014年1月3日 British Virgin Islands 3 January 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Gold Tap Enterprises Inc.	英屬維爾京群島 2014年2月13日 British Virgin Islands 13 February 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Maxi Success Holdings Ltd.	英屬維爾京群島 2014年2月7日 British Virgin Islands 7 February 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Smart Linkage Holdings Inc.	英屬維爾京群島 2014年2月13日 British Virgin Islands 13 February 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Smart Union Capital Investments Ltd.	英屬維爾京群島 2014年1月3日 British Virgin Islands 3 January 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Success Trend Development Ltd.	英屬維爾京群島 2014年2月18日 British Virgin Islands 18 February 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Wise Key Enterprises Corp.	英屬維爾京群島 2014年2月18日 British Virgin Islands 18 February 2014	1 美元 US\$1	100.00%	投資控股 Investment holding

\* 中銀國際英國保誠信託有限公司為本銀行屬下一家非全資附屬公司的附屬公司，憑藉本銀行對該公司的控制權，該公司被視為本銀行的附屬公司。

\* BOCI-Prudential Trustee Limited is a subsidiary of a non-wholly-owned subsidiary of the Bank and, accordingly, is accounted for as a subsidiary by virtue of the Bank's control over it.

\*\* 在中國註冊的有限責任公司。

\*\* It is registered as limited liability company in the PRC.

新僑企業有限公司已於 2020 年 12 月 28 日正式解散。

Sin Chiao Enterprises Corporation, Limited was dissolved on 28 December 2020.

中銀香港金融產品（開曼）有限公司已於 2020 年 12 月 29 日正式解散。

BOCHK Financial Products (Cayman) Ltd. was dissolved on 29 December 2020.

浙興（代理人）有限公司已於 2021 年 2 月 16 日正式解散。

Che Hsing (Nominees) Limited was dissolved on 16 February 2021.

## 釋義

在本年報中，除非文義另有所指，否則下列詞彙具有以下涵義：

詞彙	涵義
「中國銀行」	中國銀行股份有限公司，一家根據中國法例成立之商業銀行及股份制有限責任公司，其 H 股及 A 股股份分別於香港聯交所及上海證券交易所掛牌上市
「中銀香港（控股）」	中銀香港（控股）有限公司，根據香港法例註冊成立之公司
「中銀香港」或「本銀行」	中國銀行（香港）有限公司，根據香港法例註冊成立之公司，並為中銀香港（控股）有限公司之全資附屬公司
「中銀馬來西亞」	馬來西亞中國銀行，為中銀香港之全資附屬公司
「中銀泰國」	中國銀行（泰國）股份有限公司，為中銀香港之全資附屬公司
「董事會」	本銀行的董事會
「中投」	中國投資有限責任公司
「匯金」	中央匯金投資有限責任公司
「金管局」	香港金融管理局
「香港」	中華人民共和國香港特別行政區
「上市規則」	香港聯合交易所有限公司證券上市規則
「強積金」	強制性公積金
「強積金條例」	強制性公積金計劃條例，香港法例第 485 章（修訂）

釋義 (續)

詞彙	涵義
「標準普爾」	標準普爾評級服務
「聯交所」或「香港聯交所」	香港聯合交易所有限公司
「本集團」	本銀行及其附屬公司
「風險值」	風險持倉涉險值

## Definitions

In this Annual Report, unless the context otherwise requires, the following terms shall have the meanings set out below:

Terms	Meanings
“ALCO”	the Asset and Liability Management Committee
“AT1”	Additional Tier 1
“ATM”	Automated Teller Machine
“BOC”	Bank of China Limited, a joint stock commercial bank with limited liability established under the laws of the PRC, the H shares and A shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively
“BOCHK (Holdings)”	BOC Hong Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong
“BOCHK” or “the Bank”	Bank of China (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOC Hong Kong (Holdings) Limited
“BOCI-Prudential Asset Management”	BOCI-Prudential Asset Management Limited, a company incorporated under the laws of Hong Kong, in which BOCI Asset Management Limited, a wholly-owned subsidiary of BOC International Holdings Limited, and Prudential Corporation Holdings Limited hold equity interests of 64% and 36% respectively
“BOCI-Prudential Trustee”	BOCI-Prudential Trustee Limited, a company incorporated under the laws of Hong Kong, in which BOC Group Trustee Company Limited and Prudential Corporation Holdings Limited hold equity interests of 64% and 36% respectively
“BOC Malaysia”	Bank of China (Malaysia) Berhad, a wholly-owned subsidiary of BOCHK
“BOC Thailand”	Bank of China (Thai) Public Company Limited, a wholly-owned subsidiary of BOCHK
“Board” or “Board of Directors”	the Board of Directors of the Bank
“CE”	Chief Executive
“CET1”	Common Equity Tier 1
“CFO”	Chief Financial Officer
“CIC”	China Investment Corporation
“CRO”	Chief Risk Officer
“CVA”	Credit Valuation Adjustment



**Definitions (continued)**

<b>Terms</b>	<b>Meanings</b>
"Central Huijin"	Central Huijin Investment Ltd.
"DCE"	Deputy Chief Executive
"DVA"	Debit Valuation Adjustment
"ECL"	Expected Credit Loss
"EV"	Economic Value Sensitivity Ratio
"FCC"	the Financial Crime Compliance Department
"FIRB"	Foundation Internal Ratings-based
"FVOCI"	Fair value through other comprehensive income
"FVPL"	Fair value through profit or loss
"HKAS"	Hong Kong Accounting Standard
"HKFRS"	Hong Kong Financial Reporting Standard
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKMA"	Hong Kong Monetary Authority
"Hong Kong" or "Hong Kong SAR"	Hong Kong Special Administrative Region of the PRC
"IBOR reform"	Interest Rate Benchmark reform
"ICAAP"	Internal Capital Adequacy Assessment Process
"IMM"	Internal Models
"IT"	Information Technology
"LCO"	the Legal & Compliance and Operational Risk Management Department
"LCR"	Liquidity Coverage Ratio
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

**Definitions (continued)**

Terms	Meanings
"MC"	the Management Committee
"MCO"	Maximum Cumulative Cash Outflow
"MPF"	Mandatory Provident Fund
"MPF Schemes Ordinance"	the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong, as amended
"N/A"	Not applicable
"NII"	Net Interest Income Sensitivity Ratio
"NSFR"	Net Stable Funding Ratio
"ORSO schemes"	the Occupational Retirement Schemes under Occupational Retirement Schemes Ordinance, Chapter 426 of the Laws of Hong Kong
"OTC"	Over-the-counter
"PRC"	the People's Republic of China
"PVBP"	Price Value of a Basis Point
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RMC"	the Risk Committee
"RMD"	the Risk Management Department
"RWA"	Risk-weighted Assets
"SME"	Small and Medium-sized Enterprise
"STC"	Standardised (Credit Risk)
"STM"	Standardised (Market Risk)
"STO"	Standardised (Operational Risk)
"Standard & Poor's"	Standard & Poor's Ratings Services
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"the Group"	the Bank and its subsidiaries collectively referred as the Group
"US"	the United States of America
"VaR"	Value at Risk

## Independent Auditor's Report



**Ernst & Young**  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

**To the members of Bank of China (Hong Kong) Limited**  
(Incorporated in Hong Kong with limited liability)

### Opinion

We have audited the consolidated financial statements of Bank of China (Hong Kong) Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 50 to 293, which comprise the consolidated balance sheet as at 31 December 2019, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## Independent Auditor's Report (continued)

Key audit matters:	How our audit addressed the key audit matters:
<p><b><i>Impairment assessment of advances to customers</i></b></p> <p>Refer to significant accounting policies in Note 2.14, critical accounting estimates and judgements in applying accounting policies in Note 3.1, and disclosures on credit risk and loan impairment allowances in Note 4.1 and Note 23 to the financial statements.</p> <p>The Group has adopted a forward-looking “expected-loss” impairment model to recognise the expected credit losses (“ECL”) of its advances to customers. The assessment of credit risk and the measurement of ECL are required to be based on unbiased and probability-weighted possible outcomes, and reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions. Significant management judgements and estimates are involved in the development and the application of models and the choices of inputs in the calculation of ECL, including:</p> <ol style="list-style-type: none"> <li>1) segmentation of financial assets according to credit risk characteristics;</li> <li>2) estimation of probability of defaults, loss given defaults, exposure at defaults and macroeconomic factor forecasts;</li> <li>3) criteria on significant credit deterioration; and</li> <li>4) selection of forward-looking macroeconomic scenarios and their probability weightings.</li> </ol> <p>As at 31 December 2019, gross advances to customers amounted to HK\$1,395,423 million, representing 48.5% of total assets; and the impairment allowance for advances to customers amounted to HK\$7,035 million, representing 90.2% of total impairment allowance on financial instruments.</p> <p>In view of the significance of the impairment allowance recorded by the Group and the management judgements and estimates involved, impairment assessment of advances to customers is considered a key audit matter.</p>	<p>We obtained an understanding of the Group's credit management and practices and evaluated the Group's impairment methodology, including the management judgement over the segmentation of portfolio, the criteria on significant credit deterioration and the measurement approach of expected credit losses. We tested the design and the operating effectiveness of the key controls over the processes of credit assessment, loan classification, stage classification and calculation of impairment allowances. Our control testing on the loan impairment process included an evaluation of the governance over the use of economic scenarios and the system interfaces of inputs or other data sources such as internal loan gradings and probability of default.</p> <p>We adopted a risk-based sampling approach for our loan review procedures. We selected samples based on risk characteristics of individual items including the industry and geographic location of the operations of borrowers, internal loan grading and past due history. We formed an independent view on the loan staging through reviewing the borrowers' detailed information about their financial performance, recoverable cash flows, valuation of collaterals and other available information.</p> <p>For the impairment allowance as at 31 December 2019, we performed testing on the relevant data quality by sample checking to the relevant data source and re-computed management's calculation of the impairment allowance. In addition, we assessed management's consideration of forward-looking information including macroeconomic factor forecasts and probability weighted economic scenarios. For Stage 3 advances, on a sample basis we re-calculated the impairment allowance with consideration of recoverable cash flows and valuation of collaterals.</p> <p>We also evaluated and tested the design and operating effectiveness of the Group's key controls related to disclosures on credit risk in Note 4.1 to the financial statements.</p>

## Independent Auditor's Report (continued)

Key audit matters:	How our audit addressed the key audit matters:
<p><b>Valuation of financial instruments</b></p> <p>Refer to significant accounting policies in Note 2.12, critical accounting estimates and judgements in applying accounting policies in Note 3.2, and disclosures on fair values of financial instruments in Notes 5.1 and 5.2 to the financial statements.</p> <p>The Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques, in particular those that include significant unobservable inputs, involve management using subjective judgements and assumptions. With different valuation techniques and assumptions applied, the valuation results can vary significantly.</p> <p>As at 31 December 2019, the Group's financial assets and liabilities measured at fair value amounted to HK\$748,774 million and HK\$64,993 million respectively, representing 26.0% and 2.5% of total assets and total liabilities respectively. Financial instruments which had significant unobservable inputs in the valuation, and hence were categorised within level 3 of the fair value hierarchy, involved a higher degree of uncertainty in their valuation. As at 31 December 2019, 71.7% and 0.3% of the Group's financial assets measured at fair value were categorised within level 2 and level 3, respectively.</p>	<p>We evaluated and tested the design and operating effectiveness of key controls related to the valuation of financial instruments, including independent price verification, independent model validation and approval.</p> <p>We focused on the valuation methodologies and assumptions of financial instruments that were classified as level 2 and level 3 in the fair value hierarchy. We involved our valuation specialists in evaluating the valuation techniques, inputs and assumptions through comparison with the valuation techniques that are commonly used in the market, the validation of observable inputs using external market data, and comparison with valuation outcomes obtained from various pricing sources.</p> <p>We also evaluated and tested the design and operating effectiveness of the Group's key controls related to the fair value disclosures in Notes 5.1 and 5.2 to the financial statements.</p>
<p><b>Recognition of deferred tax assets</b></p> <p>Refer to significant accounting policies in Note 2.22, critical accounting estimates and judgements in applying accounting policies in Note 3.3, and disclosures on deferred taxation in Note 34 to the financial statements.</p> <p>As at 31 December 2019, the Group recognised deferred tax assets of HK\$803 million relating to temporary differences arising from impairment allowances and HK\$581 million relating to other temporary differences and tax credits. The majority of other temporary differences and tax credits related to tax credits recoverable from the tax authorities in Hong Kong under double tax treaty arrangements, arising from withholding income taxes payable in other jurisdictions on certain income. Application on such tax credits will be made to the tax authorities in Hong Kong after the corresponding withholding income taxes payable is settled and evidenced by respective payment receipts issued from the corresponding tax authorities. These deferred tax assets, where required by accounting standards, were offset against and included within deferred tax liabilities as shown in Note 34 to the financial statements. The recognition of the deferred tax assets involved significant management judgements and assumptions, based upon the estimation of available tax credits and the possibility to recover such deferred tax assets recognised.</p>	<p>Our audit procedures included, amongst others, the involvement of our tax specialists to assist in evaluating the judgements and assumptions adopted by management to determine the recognition and recoverability of the deferred tax assets, in light of current tax laws. We also assessed management's estimates of the Group's entitlement to the tax credits and examined correspondences between the Group and relevant tax authorities.</p> <p>In addition, we also assessed the adequacy of disclosures in Note 34 to the financial statements with respect to compliance with HKAS 12 – Income Taxes.</p>

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## Independent Auditor's Report (continued)

### Other information included in the Annual Report

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors of the Bank 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 of the Bank either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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## Independent Auditor's Report (continued)

### Auditor's responsibilities for the audit of the consolidated financial statements (continued)

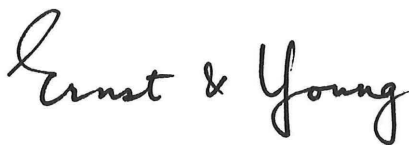
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is LEE Shun Yi, Jasmine.



**Ernst & Young**  
Certified Public Accountants  
Hong Kong, 27 March 2020

## 綜合收益表

## Consolidated Income Statement

截至 12 月 31 日止年度	For the year ended 31 December	附註 Notes	(重列) (Restated)	
			2019	2018
			港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
利息收入	Interest income		64,538	58,835
利息支出	Interest expense		(27,273)	(22,358)
<b>淨利息收入</b>	<b>Net interest income</b>	6	<b>37,265</b>	36,477
服務費及佣金收入	Fee and commission income		15,421	15,815
服務費及佣金支出	Fee and commission expense		(3,216)	(3,848)
<b>淨服務費及佣金收入</b>	<b>Net fee and commission income</b>	7	<b>12,205</b>	11,967
淨交易性收益	Net trading gain	8	5,649	3,276
其他以公平值變化計入損益之金融工具淨收益	Net gain on other financial instruments at fair value through profit or loss	9	328	518
其他金融資產之淨收益	Net gain on other financial assets	10	771	1
其他經營收入	Other operating income	11	831	738
<b>提取減值準備前之淨經營收入</b>	<b>Net operating income before impairment allowances</b>		<b>57,049</b>	52,977
減值準備淨撥備	Net charge of impairment allowances	12	(2,015)	(1,237)
<b>淨經營收入</b>	<b>Net operating income</b>		<b>55,034</b>	51,740
經營支出	Operating expenses	13	(16,124)	(14,722)
<b>經營溢利</b>	<b>Operating profit</b>		<b>38,910</b>	37,018
投資物業處置/公平值調整之淨收益	Net gain from disposal of/fair value adjustments on investment properties	14	288	921
處置/重估物業、器材及設備之淨(虧損)/收益	Net (loss)/gain from disposal/revaluation of properties, plant and equipment	15	(1)	19
應佔聯營公司及合資企業之稅後溢利扣減虧損	Share of profits less losses after tax of associates and joint ventures	25	137	69
<b>除稅前溢利</b>	<b>Profit before taxation</b>		<b>39,334</b>	38,027
稅項	Taxation	16	(5,980)	(6,342)
<b>年度溢利</b>	<b>Profit for the year</b>		<b>33,354</b>	31,685
<b>應佔溢利：</b>	<b>Profit attributable to:</b>			
本銀行股東	Equity holders of the Bank		33,186	31,521
非控制權益	Non-controlling interests		168	164
			<b>33,354</b>	31,685
<b>股息</b>	<b>Dividends</b>	17	<b>15,754</b>	16,141

第 58 至 293 頁之附註屬本財務報表之組成部分。

The notes on pages 58 to 293 are an integral part of these financial statements.



綜合全面收益表

Consolidated Statement of Comprehensive Income

截至 12 月 31 日止年度	For the year ended 31 December	附註 Notes	(重列) (Restated)	
			2019	2018
			港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>年度溢利</b>	<b>Profit for the year</b>		<b>33,354</b>	<b>31,685</b>
其後不可重新分類至收益表內的項目：	Items that will not be reclassified subsequently to income statement:			
房產：	Premises:			
房產重估	Revaluation of premises	27	1,054	2,118
遞延稅項	Deferred tax	34	(130)	(293)
			<b>924</b>	<b>1,825</b>
以公平值變化計入其他全面收益之股權工具：	Equity instruments at fair value through other comprehensive income:			
公平值變化	Change in fair value		474	31
遞延稅項	Deferred tax		-	(5)
			<b>474</b>	<b>26</b>
自身信貸風險：	Own credit risk:			
界定為以公平值變化計入損益之金融負債的自身信貸風險之公平值變化	Change in fair value of own credit risk of financial liabilities designated at fair value through profit or loss		(45)	25
遞延稅項	Deferred tax		7	-
			<b>(38)</b>	<b>25</b>
			<b>1,360</b>	<b>1,876</b>

**綜合全面收益表 (續)**      **Consolidated Statement of Comprehensive Income (continued)**

截至 12 月 31 日止年度	For the year ended 31 December	附註 Notes	(重列) (Restated)	
			2019 港幣百萬元 HK\$'m	2018 港幣百萬元 HK\$'m
其後可重新分類至收益表內的項目：	Items that may be reclassified subsequently to income statement:			
以公平值變化計入其他全面收益之債務工具：	Debt instruments at fair value through other comprehensive income:			
公平值變化	Change in fair value		5,190	(1,441)
減值準備變化借記收益表	Change in impairment allowances charged to income statement	12	19	18
因處置／贖回之轉撥重新分類至收益表	Release upon disposal/redemption reclassified to income statement	10	(795)	(35)
公平值對沖調整累計金額之攤銷重新分類至收益表	Amortisation of accumulated amount of fair value hedge adjustment reclassified to income statement		8	17
遞延稅項	Deferred tax		(702)	317
			3,720	(1,124)
貨幣換算差額	Currency translation difference		262	(98)
			3,982	(1,222)
年度除稅後其他全面收益	Other comprehensive income for the year, net of tax		5,342	654
年度全面收益總額	Total comprehensive income for the year		38,696	32,339
應佔全面收益總額：	Total comprehensive income attributable to:			
本銀行股東	Equity holders of the Bank		38,528	32,175
非控制權益	Non-controlling interests		168	164
			38,696	32,339

第 58 至 293 頁之附註屬本財務報表之組成部分。 The notes on pages 58 to 293 are an integral part of these financial statements.

## 綜合資產負債表

## Consolidated Balance Sheet

於 12 月 31 日	As at 31 December	附註 Notes	(重列) (Restated)	
			2019 港幣百萬元 HK\$m	2018 港幣百萬元 HK\$m
<b>資產</b>	<b>ASSETS</b>			
庫存現金及在銀行及其他金融機構之結餘及定期存放	Cash and balances and placements with banks and other financial institutions	20	<b>366,636</b>	433,068
以公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss	21	<b>46,662</b>	274,157
衍生金融工具	Derivative financial instruments	22	<b>31,167</b>	34,955
香港特別行政區政府負債證明書	Hong Kong SAR Government certificates of indebtedness		<b>163,840</b>	156,300
貸款及其他賬項	Advances and other accounts	23	<b>1,412,501</b>	1,282,286
證券投資	Investment in securities	24	<b>739,335</b>	540,855
聯營公司及合資企業權益	Interests in associates and joint ventures	25	<b>619</b>	482
投資物業	Investment properties	26	<b>20,428</b>	19,988
物業、器材及設備	Properties, plant and equipment	27	<b>51,173</b>	49,071
應收稅項資產	Current tax assets		<b>45</b>	-
遞延稅項資產	Deferred tax assets	34	<b>63</b>	82
其他資產	Other assets	28	<b>42,085</b>	32,541
資產總額	Total assets		<b>2,874,554</b>	2,823,785
<b>負債</b>	<b>LIABILITIES</b>			
香港特別行政區流通紙幣	Hong Kong SAR currency notes in circulation	29	<b>163,840</b>	156,300
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions		<b>267,657</b>	376,521
以公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	30	<b>19,206</b>	15,535
衍生金融工具	Derivative financial instruments	22	<b>32,833</b>	30,812
客戶存款	Deposits from customers	31	<b>2,014,092</b>	1,899,102
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	32	<b>116</b>	9,453
其他賬項及準備	Other accounts and provisions	33	<b>66,945</b>	47,960
應付稅項負債	Current tax liabilities		<b>7,906</b>	2,437
遞延稅項負債	Deferred tax liabilities	34	<b>6,375</b>	5,715
後償負債	Subordinated liabilities	35	<b>12,954</b>	13,246
負債總額	Total liabilities		<b>2,591,924</b>	2,557,081

**綜合資產負債表 (續) Consolidated Balance Sheet (continued)**

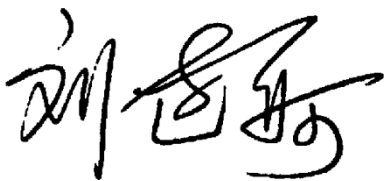
於 12 月 31 日	As at 31 December	附註 Notes	(重列) (Restated)	
			2019 港幣百萬元 HK\$'m	2018 港幣百萬元 HK\$'m
<b>資本</b>	<b>EQUITY</b>			
股本	Share capital	36	<b>43,043</b>	43,043
儲備	Reserves		<b>215,829</b>	199,907
本銀行股東應佔股本和儲備	Capital and reserves attributable to equity holders of the Bank		<b>258,872</b>	242,950
本銀行其他股權工具	Other equity instruments of the Bank	37	<b>23,476</b>	23,476
非控制權益	Non-controlling interests		<b>282</b>	278
資本總額	Total equity		<b>282,630</b>	266,704
負債及資本總額	Total liabilities and equity		<b>2,874,554</b>	2,823,785

第 58 至 293 頁之附註屬本財務報表之組成部分。

The notes on pages 58 to 293 are an integral part of these financial statements.

經董事會於 2020 年 3 月 27 日通過核准並由以下人士代表簽署：

Approved by the Board of Directors on 27 March 2020 and signed on behalf of the Board by:



劉連舸  
LIU Liange  
董事  
Director



高迎欣  
GAO Yingxin  
董事  
Director

綜合權益變動表

Consolidated Statement of Changes in Equity

歸屬於本銀行股東  
Attributable to equity holders of the Bank

		儲備 Reserves									其他 股權工具 Other equity instruments	非控制權益 Non- controlling interests	資本總額 Total equity
		股本 Share capital	房產 重估儲備 Premises revaluation reserve	公平值 變動儲備 Reserve for fair value changes	自身信貸 風險儲備 Reserve for own credit risk	監管儲備* Regulatory reserve*	換算儲備 Translation reserve	合併儲備** Merger reserve**	留存盈利 Retained earnings	總計 Total			
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
於 2018 年 1 月 1 日 之早期列賬	At 1 January 2018, as previously reported	43,043	36,756	(812)	-	9,474	(728)	1,062	139,638	228,433	-	271	228,704
合併受共同控制之 實體之影響	Effect of merger of entity under common control	-	-	-	-	-	21	350	25	396	-	-	396
於 2018 年 1 月 1 日 之重列	At 1 January 2018, as restated	43,043	36,756	(812)	-	9,474	(707)	1,412	139,663	228,829	-	271	229,100
年度溢利	Profit for the year	-	-	-	-	-	-	-	31,521	31,521	-	164	31,685
其他全面收益：	Other comprehensive income:												
房產 以公平值變化 計入其他全 面收益之股 權工具	Premises Equity instruments at fair value through other comprehensive income	-	1,825	-	-	-	-	-	-	1,825	-	-	1,825
自身信貸風險 以公平值變化 計入其他全 面收益之債 務工具	Own credit risk Debt instruments at fair value through other comprehensive income	-	-	26	-	-	-	-	-	26	-	-	26
貨幣換算差額	Currency translation difference	-	-	(1,124)	-	-	-	-	-	(1,124)	-	-	(1,124)
		-	-	27	-	-	(125)	-	-	(98)	-	-	(98)
全面收益總額	Total comprehensive income	-	1,825	(1,071)	25	-	(125)	-	31,521	32,175	-	164	32,339
因處置以公平值變 化計入其他全 面收益之股權工具 之轉撥：	Release upon disposal of equity instruments at fair value through other comprehensive income:												
轉撥	Transfer	-	-	16	-	-	-	-	(16)	-	-	-	-
遞延稅項	Deferred tax	-	-	(3)	-	-	-	-	-	(3)	-	-	(3)
應付稅項	Current tax	-	-	-	-	-	-	-	3	3	-	-	3
因贖回界定為以公 平值變化計入損 益之金融負債之 轉撥：	Release upon redemption of financial liabilities designated at fair value through profit or loss:												
轉撥	Transfer	-	-	-	(20)	-	-	-	20	-	-	-	-
應付稅項	Current tax	-	-	-	-	-	-	-	(3)	(3)	-	-	(3)
收購受共同控制之 實體	Acquisition of entities under common control	-	-	-	-	-	-	(2,168)	-	(2,168)	-	-	(2,168)
轉撥自留存盈利	Transfer from retained earnings	-	-	-	-	1,022	-	1,106	(2,128)	-	-	-	-
發行其他股權工具	Issue of other equity instruments	-	-	-	-	-	-	-	-	-	23,476	-	23,476
股息	Dividends	-	-	-	-	-	-	-	(15,883)	(15,883)	-	(157)	(16,040)
於 2018 年 12 月 31 日	At 31 December 2018	43,043	38,581	(1,870)	5	10,496	(832)	350	153,177	242,950	23,476	278	266,704

## 綜合權益變動表 (續) Consolidated Statement of Changes in Equity (continued)

		歸屬於本銀行股東 Attributable to equity holders of the Bank											
		儲備 Reserves									其他 股權工具 Other equity instruments	非控制權益 Non- controlling interests	資本總額 Total equity
		股本 Share capital	房產 重估儲備 Premises revaluation reserve	公平值 變動儲備 Reserve for fair value changes	自身信貸 風險儲備 Reserve for own credit risk	監管儲備* Regulatory reserve*	換算儲備 Translation reserve	合併儲備** Merger reserve**	留存盈利 Retained earnings	總計 Total			
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
於 2019 年 1 月 1 日 之早期列賬	At 1 January 2019, as previously reported	43,043	38,581	(1,870)	5	10,496	(853)	-	153,082	242,484	23,476	278	266,238
合併受共同控制之 實體之影響	Effect of merger of entity under common control	-	-	-	-	-	21	350	95	466	-	-	466
於 2019 年 1 月 1 日 之重列	At 1 January 2019, as restated	43,043	38,581	(1,870)	5	10,496	(832)	350	153,177	242,950	23,476	278	266,704
年度溢利	Profit for the year	-	-	-	-	-	-	-	33,186	33,186	-	168	33,354
其他全面收益：	Other comprehensive income:												
房產	Premises	-	924	-	-	-	-	-	-	924	-	-	924
以公平值變化 計入其他全面 收益之股 權工具	Equity instruments at fair value through other comprehensive income	-	-	474	-	-	-	-	-	474	-	-	474
自身信貸風險	Own credit risk	-	-	-	(38)	-	-	-	-	(38)	-	-	(38)
以公平值變化 計入其他全面 收益之債 務工具	Debt instruments at fair value through other comprehensive income	-	-	3,720	-	-	-	-	-	3,720	-	-	3,720
貨幣換算差額	Currency translation difference	-	-	11	-	-	251	-	-	262	-	-	262
全面收益總額	Total comprehensive income	-	924	4,205	(38)	-	251	-	33,186	38,528	-	168	38,696
因處置以公平值變 化計入其他全面 收益之股權工具 之轉撥：	Release upon disposal of equity instruments at fair value through other comprehensive income:												
轉撥	Transfer	-	-	1	-	-	-	-	(1)	-	-	-	-
收購受共同控制之 實體	Acquisition of entity under common control	-	-	-	-	-	-	(728)	-	(728)	-	-	(728)
轉撥自留存盈利	Transfer from retained earnings	-	-	-	-	581	-	378	(959)	-	-	-	-
支付其他股權工具 持有者股息	Dividend paid to other equity instrument holders	-	-	-	-	-	-	-	(1,390)	(1,390)	-	-	(1,390)
股息	Dividends	-	-	-	-	-	-	-	(20,488)	(20,488)	-	(164)	(20,652)
於 2019 年 12 月 31 日	At 31 December 2019	43,043	39,505	2,336	(33)	11,077	(581)	-	163,525	258,872	23,476	282	282,630

\* 除按香港財務報告準則第 9 號對貸款提取減值準備外，按金管局要求撥轉部分留存盈利至監管儲備作銀行一般風險之用（包括未來損失或其他不可預期風險）。

\* In accordance with the requirements of the HKMA, the amounts are set aside for general banking risks, including future losses or other unforeseeable risks, in addition to the loan impairment allowances recognised under HKFRS 9.

\*\* 合併儲備乃因合併受共同控制之實體而採用合併會計處理而產生。

\*\* Merger reserve was arising on the application of merger accounting method in relation to the combination with entities under common control.

第 58 至 293 頁之附註屬本財務報表之組成部分。

The notes on pages 58 to 293 are an integral part of these financial statements.

綜合現金流量表

Consolidated Cash Flow Statement

		(重列)	
		(Restated)	
截至 12 月 31 日止年度	For the year ended 31 December	附註 Notes	
			2019
			2018
			港幣百萬元 HK\$'m
			港幣百萬元 HK\$'m
<b>經營業務之現金流量</b>	<b>Cash flows from operating activities</b>		
除稅前經營現金之(流出)/流入	Operating cash (outflow)/inflow before taxation	38(a)	(264,203) 276,763
支付香港利得稅	Hong Kong profits tax paid		(77) (6,953)
支付海外利得稅	Overseas profits tax paid		(625) (625)
<b>經營業務之現金(流出)/流入淨額</b>	<b>Net cash (outflow)/inflow from operating activities</b>		<b>(264,905) 269,185</b>
<b>投資業務之現金流量</b>	<b>Cash flows from investing activities</b>		
增置物業、器材及設備	Additions of properties, plant and equipment		(1,418) (1,165)
處置物業、器材及設備所得款項	Proceeds from disposal of properties, plant and equipment		1 6
增置投資物業	Additions of investment properties	26	(35) (13)
收取聯營公司及合資企業股息	Dividend received from associates and joint ventures	25	- 2
收購受共同控制之實體	Acquisition of entities under common control		(728) (2,168)
<b>投資業務之現金流出淨額</b>	<b>Net cash outflow from investing activities</b>		<b>(2,180) (3,338)</b>
<b>融資業務之現金流量</b>	<b>Cash flows from financing activities</b>		
支付本銀行股東股息	Dividend paid to equity holders of the Bank		(20,488) (15,883)
支付其他股權工具持有者股息	Dividend paid to other equity instrument holders		(1,390) -
支付非控制權益股息	Dividend paid to non-controlling interests		(164) (157)
發行其他股權工具所得款項	Proceeds from issuance of other equity instruments		- 23,476
贖回後償負債所付款項	Payment for redemption of subordinated liabilities	38(b)	- (7,211)
支付後償負債利息	Interest paid for subordinated liabilities	38(b)	(707) (1,087)
支付租賃負債	Payment of lease liabilities	38(b)	(608) N/A
<b>融資業務之現金流出淨額</b>	<b>Net cash outflow from financing activities</b>		<b>(23,357) (862)</b>
現金及等同現金項目(減少)/增加	(Decrease)/increase in cash and cash equivalents		(290,442) 264,985
於 1 月 1 日之現金及等同現金項目	Cash and cash equivalents at 1 January		625,895 381,099
匯率變動對現金及等同現金項目的影響	Effect of exchange rate changes on cash and cash equivalents		(3,994) (20,189)
<b>於 12 月 31 日之現金及等同現金項目</b>	<b>Cash and cash equivalents at 31 December</b>	38(c)	<b>331,459 625,895</b>

第 58 至 293 頁之附註屬本財務報表之組成部分。

The notes on pages 58 to 293 are an integral part of these financial statements.

## 財務報表附註

## Notes to the Financial Statements

### 1. 主要業務

### 1. Principal activities

本集團主要從事提供銀行及相關之金融服務。

The Group is principally engaged in the provision of banking and related financial services.

本銀行是一家於香港成立的有限債務公司。公司註冊地址是香港花園道 1 號中銀大廈 14 樓。

The Bank is a limited liability company incorporated in Hong Kong. The address of its registered office is 14/F, Bank of China Tower, 1 Garden Road, Hong Kong.

### 2. 主要會計政策

### 2. Significant accounting policies

用於編製本綜合財務報表之主要會計政策詳列如下。

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

除特別註明外，該等會計政策均被一致地應用於所有列示之財務年度中。

These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 編製基準

#### 2.1 Basis of preparation

本集團之綜合財務報表乃按照香港會計師公會頒佈之香港財務報告準則（香港財務報告準則為一統稱，當中包括所有適用之香港財務報告準則、香港會計準則及詮釋）編製，並符合香港《公司條例》之規定。

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs is a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA and the Hong Kong Companies Ordinance.

本綜合財務報表乃按歷史成本法編製，惟就重估以公平值變化計入其他全面收益之金融資產、以公平值變化計入損益之金融資產及金融負債（包括衍生金融工具）、以公平值列賬之貴金屬、以公平值列賬之投資物業及以公平值或重估扣除累計折舊及累計減值損失後列賬之房產作出調整。待出售之處置組合及收回資產會以其賬面值及公平值扣除出售成本之較低者列賬，並已分別列載於附註 2.2 及 2.23。

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, precious metals at fair value, investment properties which are carried at fair value and premises which are carried at fair value or revalued amount less accumulated depreciation and accumulated impairment losses. Disposal group and repossessed assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in Notes 2.2 and 2.23 respectively.

按照香港財務報告準則編製財務報表時，需採用若干重大之會計估算。管理層亦需於採用本集團之會計政策時作出有關判斷。當中涉及高度判斷、複雜之範疇、或對綜合財務報表而言屬重大影響之假設及估算，已載於附註 3。

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the Management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.



## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.1 編製基準 (續)

(a) 於 2019 年 1 月 1 日起  
開始的會計年度首次採  
用之準則、修訂及詮釋

#### 2.1 Basis of preparation (continued)

(a) Standard, amendments and interpretation that are initially adopted for the  
financial year beginning on 1 January 2019

準則/修訂/詮釋 Standard/Amendments/ Interpretation	內容 Content	起始適用之年度 Applicable for financial years beginning on/after	於本年度 與本集團相關 Currently relevant to the Group
香港會計準則第 19 號(2011) (經修訂)	計劃修正、縮減或結算	2019 年 1 月 1 日	否
HKAS 19 (2011) (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019	No
香港會計準則第 28 號(2011) (經修訂)	於聯營及合資企業之長期權益	2019 年 1 月 1 日	是
HKAS 28 (2011) (Amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019	Yes
香港財務報告準則第 16 號	租賃	2019 年 1 月 1 日	是
HKFRS 16	Leases	1 January 2019	Yes
香港財務報告準則詮釋第 23 號	所得稅處理之不確定性	2019 年 1 月 1 日	是
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments	1 January 2019	Yes

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財務報表附註 (續)      **Notes to the Financial Statements (continued)**

2. 主要會計政策 (續)      **2. Significant accounting policies (continued)**

2.1 編製基準 (續)

(a) 於 2019 年 1 月 1 日起  
開始的會計年度首次採  
用之準則、修訂及詮釋  
(續)

- 香港會計準則第 28 號(2011) (經修訂) 「於聯營及合資企業之長期權益」。該修訂闡明凡不採用權益法處理的長期權益 (例如優先股或股東貸款等) 屬於香港財務報告準則第 9 號及香港會計準則第 28 號的範圍, 及解釋需先獨立地採用香港財務報告準則第 9 號的要求, 才按權益法分配損失。該修訂需追溯性採用, 但無需重列比較數字。採用該修訂對本集團的財務報表沒有重大影響。

2.1 Basis of preparation (continued)

(a) **Standard, amendments and interpretation that are initially adopted for the financial year beginning on 1 January 2019 (continued)**

- HKAS 28 (2011) (Amendments), "Long-term Interests in Associates and Joint Ventures". The amendments clarify that long-term interests such as preference shares or shareholder's loans, to which the equity method shall not be applied, are in the scope of both HKFRS 9 and HKAS 28 and explain that HKFRS 9 is applied independently before the allocation of losses under the equity method. The amendments are applied retrospectively, but restatement of prior periods is not required. The application of the amendments does not have a material impact on the Group's financial statements.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.1 編製基準 (續)

(a) 於 2019 年 1 月 1 日起  
開始的會計年度首次採  
用之準則、修訂及詮釋  
(續)

- 香港財務報告準則第 16 號「租賃」。香港財務報告準則第 16 號取代現有與租賃相關之會計準則及詮釋。承租人的會計處理引入重大的改變，不再區分經營租賃與融資租賃。承租人以香港會計準則第 17 號之下與融資租賃會計相似的方式對所有租賃合同進行核算，即承租人在租賃開始日期（即相關資產可供承租人使用的日期）確認相應的「使用權」資產及租賃負債，並按未來租賃付款額的現值作出計量。其後，承租人通過將租賃負債釋出之貼現額確認利息支出；以及確認使用權資產的折舊費用，而非如香港財務報告準則第 16 號實施之前，將經營租賃產生的支出確認為租賃費用。在實務豁免下，承租人可以選擇不將此會計模式應用於為期 12 個月或以內的短期租賃和低價值資產的租賃，在這種情況下，租賃費用將繼續以有系統的基準在租賃期內確認。出租人的會計處理與香港會計準則第 17 號下的會計處理基本上沒有重大變化。香港財務報告準則第 16 號的要求概述如下：

#### 2.1 Basis of preparation (continued)

(a) Standard, amendments and interpretation that are initially adopted for the financial year beginning on 1 January 2019 (continued)

- HKFRS 16, "Leases". HKFRS 16 supersedes the existing standard and interpretations related to leases. Significant changes to lessees' accounting are introduced, with the distinction between operating and finance leases removed. Lessees account for all leases in a similar way as the finance lease accounting under HKAS 17, i.e. the lessees recognise and measure the corresponding "right-of-use" asset and lease liability at the commencement date (the date when the underlying asset is available for use by lessees) of the lease by discounting the total future lease payment. Subsequently, the lessees recognise interest expense through the unwinding of the lease liability, and the expense on the depreciation of the right-of-use asset, instead of recognising as rental expenses under operating leases before the implementation of HKFRS 16. As a practical expedient, the lessees can elect not to apply this accounting model to short-term leases not more than 12 months and leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term. There are no significant changes to the lessors' accounting requirements as compared with HKAS 17. The requirements of HKFRS 16 are summarised as follows:

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.1 編製基準 (續)

(a) 於2019年1月1日起開始的會計年度首次採用之準則、修訂及詮釋 (續)

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貸利率折現的現值，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內以直線法折舊。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。

#### 2.1 Basis of preparation (continued)

(a) Standard, amendments and interpretation that are initially adopted for the financial year beginning on 1 January 2019 (continued)

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.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.1 編製基準 (續)

(a) 於 2019 年 1 月 1 日起開始的會計年度首次採用之準則、修訂及詮釋 (續)

本集團採納香港財務報告準則第 16 號時，選擇採用經修訂追溯法進行轉換，通過確認 2019 年 1 月 1 日的使用權資產及租賃負債之期初結餘以確認首次應用的累積影響，無需重列比較資料。首次應用影響了以往被分類為經營租賃的租約。

初始應用香港財務報告準則第 16 號時，首次確認的租賃負債及使用權資產分別約為港幣 16.84 億元（記錄於資產負債表中「其他賬項及準備」項下）及港幣 17.00 億元（記錄於資產負債表中「物業、器材及設備」項下），主要與物業租賃有關。租賃負債及使用權資產之間的差異源於在準則實施日時對當日的預付或應計租金的調整。按照準則轉換時的實務豁免，初始直接費用並沒有計算在使用權資產的期初調整內。而且對於包含相同或相似種類資產、相同租賃期及源自相同經濟環境的租賃合同組合採用單一折現率。於準則初始實施日一年內完結的租賃則按上述的短期租賃核算。

#### 2.1 Basis of preparation (continued)

(a) Standard, amendments and interpretation that are initially adopted for the financial year beginning on 1 January 2019 (continued)

The Group has elected to use the modified retrospective approach for the adoption of HKFRS 16 and recognised the cumulative effect of the initial application by initially recognising the opening balances of the right-of-use assets and lease liabilities at 1 January 2019 with no restatement of the comparative information. The initial application has affected lease contracts that are previously classified as operating leases.

The first time application of HKFRS 16 resulted in the initial recognition of lease liabilities (recorded under "Other accounts and provisions" in the balance sheet) of HK\$1,684 million and right-of-use assets (recorded under "Properties, plant and equipment" in the balance sheet) of HK\$1,700 million respectively, mainly related to lease of properties. The difference between lease liabilities and right-of-use assets is related to the adjustment arising from prepaid or accrued rent as at the initial adoption date. Initial direct costs were not included in the opening adjustment of right-of-use assets as permitted by the transition practical expedient of the standard. Furthermore, single discount rates have been applied to group of lease contracts with same or similar asset category, same lease terms and originated from the same economic environment. Lease contracts expired in one year from date of initial adoption of the standard are accounted for as short-term leases as described above.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續) 2. Significant accounting policies (continued)

#### 2.1 編製基準 (續)

(a) 於2019年1月1日起開始的會計年度首次採用之準則、修訂及詮釋 (續)

於2018年12月31日之經營租賃承擔與在香港財務報告準則第16號下2019年1月1日之租賃負債的差異列示如下：

#### 2.1 Basis of preparation (continued)

(a) Standard, amendments and interpretation that are initially adopted for the financial year beginning on 1 January 2019 (continued)

The operating lease commitments as at 31 December 2018 are reconciled as follows to the recognised lease liabilities under HKFRS 16 as at 1 January 2019:

經營租賃承擔與租賃負債的差異	Difference between operating lease commitments and lease liabilities	港幣百萬元 HK\$'m
於2018年12月31日之經營租賃承擔	Operating lease commitments at 31 December 2018	1,366
以準則初始實施日時集團的增量借款利率折現之現值	Discounted present value using the incremental borrowing rates of the Group at the date of initial adoption	1,247
- 豁免確認的短期租賃	- Recognition exemption for short-term leases	(79)
- 已簽約但未生效的租賃合約	- Leases with contract signed but not yet effective	(117)
- 合理確定會行使的續租權	- Extension options reasonably certain to be exercised	641
- 其他	- Others	(8)
<b>於2019年1月1日之租賃負債</b>	<b>Lease liabilities at 1 January 2019</b>	<b>1,684</b>

集團亦持有中國香港及內地的政府土地租賃權益，相關之租賃費用已全數支付，並於採納香港財務報告準則第16號之前被歸類為融資租賃及予以資產化。於香港財務報告準則第16號帶來的影響而言，集團不需要於初始應用香港財務報告準則第16號時，就此等租賃土地及其上蓋物業作出任何調整或重分類，而只需在相應資產的披露附註標示該些物業的餘額，並對權益的期初餘額沒有影響。

The Group also holds interests in government land leases in Hong Kong and the Mainland of which the lease payments have been paid, and had been classified as finance lease and capitalised as real estates before the adoption of HKFRS 16. So far as the impact on the adoption of HKFRS 16 is concerned, the Group is not required to make any adjustments or reclassification at the date of initial application of HKFRS 16 on leasehold lands and the properties located on top, other than identifying their carrying amounts in the disclosure notes of the corresponding assets. There is no impact on the opening balance of equity.

**財務報表附註 (續)**      **Notes to the Financial Statements (continued)**  
**2. 主要會計政策 (續)**      **2. Significant accounting policies (continued)**

**2.1 編製基準 (續)**

(a) 於 2019 年 1 月 1 日起開始的會計年度首次採用之準則、修訂及詮釋 (續)

- 香港財務報告準則詮釋第 23 號「所得稅處理之不確定性」。該詮釋列明企業需判斷稅務機關將會接納一項不確定稅務處理的可能性，以反映及計量該不確定性對所得稅核算的影響。該詮釋按修訂追溯性應用，採用該詮釋對本集團的財務報表沒有重大影響。

(b) 已頒佈但尚未強制性生效及沒有被本集團於 2019 年提前採納之修訂

**2.1 Basis of preparation (continued)**

(a) Standard, amendments and interpretation that are initially adopted for the financial year beginning on 1 January 2019 (continued)

- HK(IFRIC) - Int 23, "Uncertainty over Income Tax Treatments". The interpretation specifies how an entity should reflect and measure the effects of uncertainty in accounting for income taxes by determining how probable that a taxation authority will accept an uncertain tax treatment. The interpretation is applied on a modified retrospective basis. The application of this interpretation does not have a material impact on the Group's financial statements.

(b) Amendments issued that are not yet mandatorily effective and have not been early adopted by the Group in 2019

修訂 Amendments	內容 Content	起始適用之年度 Applicable for financial years beginning on/after	於本年度與本集團相關 Currently relevant to the Group
香港會計準則第 1 號及香港會計準則第 8 號 (經修訂) HKAS 1 and HKAS 8 (Amendments)	對重大性的定義 Definition of Material	2020 年 1 月 1 日 1 January 2020	是 Yes
香港會計準則第 28 號(2011)及香港財務報告準則第 10 號 (經修訂) HKAS 28 (2011) and HKFRS 10 (Amendments)	投資者與其聯營或合資企業之間的資產出售或注入 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	待定 To be determined	是 Yes
香港會計準則第 39 號、香港財務報告準則第 7 號及香港財務報告準則第 9 號 (經修訂) HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	基準利率改革 Interest Rate Benchmark Reform	2020 年 1 月 1 日 1 January 2020	是 Yes
香港財務報告準則第 3 號 (經修訂) HKFRS 3 (Amendments)	對企業的定義 Definition of a Business	2020 年 1 月 1 日 1 January 2020	是 Yes

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.1 編製基準 (續)

- (b) 已頒佈但尚未強制性生效及沒有被本集團於 2019 年提前採納之修訂 (續)

預計與本集團相關之香港財務報告準則描述如下：

- 香港會計準則第1號及香港會計準則第8號(經修訂)「對重大性的定義」。該項修訂涉及對重大性之定義的修訂，並使各準則中使用的定義一致。該項修訂需前瞻性採用及允許企業提前採納。預計採用該修訂對本集團的財務報表沒有重大影響。
- 香港會計準則第28號(2011)及香港財務報告準則第10號(經修訂)「投資者與其聯營或合資企業之間的資產出售或注入」。該項修訂針對香港會計準則第28號(2011)與香港財務報告準則第10號之間有關投資者與其聯營或合資企業之間的資產出售或注入的不一致規定。準則修訂之主要影響為當一筆涉及一個營運體的交易(無論其是否屬於附屬公司)，應確認全額損益；當一筆交易涉及資產，但該資產並不構成一個營運體(即使屬附屬公司資產)，應確認部分損益。該項修訂需前瞻性採用及允許企業提前採納。採用該修訂對本集團的財務報表沒有重大影響。

#### 2.1 Basis of preparation (continued)

- (b) Amendments issued that are not yet mandatorily effective and have not been early adopted by the Group in 2019 (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

- HKAS 1 and HKAS 8 (Amendments), "Definition of Material". The amendments clarify the definition of materiality of information and align the definition used across other accounting standards. The amendments are to be applied prospectively and early application is permitted. The application of these amendments will not have a material impact on the Group's financial statements.
- HKAS 28 (2011) and HKFRS 10 (Amendments), "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture". The amendments address an acknowledged inconsistency between the requirements in HKAS 28 (2011) and those in HKFRS 10, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are to be applied prospectively and early application is permitted. The application of these amendments will not have a material impact on the Group's financial statements.



## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.1 編製基準 (續)

(b) 已頒佈但尚未強制性生效及沒有被本集團於 2019 年提前採納之修訂 (續)

- 香港會計準則第 39 號、香港財務報告準則第 7 號及香港財務報告準則第 9 號 (經修訂)「基準利率改革」該修訂旨在修改一些特定的對沖會計條件從而減輕因基準利率改革的不確定性而引起的潛在影響。此外，該修訂要求公司向投資者提供關於受不確定性直接影響的對沖關係的額外資訊。該項修訂需追溯性採用及允許企業提前採納。預計採用該修訂對本集團的財務報表沒有重大影響。
- 香港財務報告準則第 3 號 (經修訂)「對企業的定義」該修訂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。該項修訂需前瞻性採用及允許企業提前採納。預計採用該修訂對本集團的財務報表沒有重大影響。

#### 2.1 Basis of preparation (continued)

(b) Amendments issued that are not yet mandatorily effective and have not been early adopted by the Group in 2019 (continued)

- HKAS 39, HKFRS 7 and HKFRS 9 (Amendments), "Interest Rate Benchmark Reform". The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are to be applied retrospectively and early application is permitted. The application of this amendment will not have a material impact on the Group's financial statements.
- HKFRS 3 (Amendments), "Definition of a Business". The amendments 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 amendments are to be applied prospectively and early application is permitted. The application of this amendment will not have a material impact on the Group's financial statements.

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財務報表附註 (續)      **Notes to the Financial Statements (continued)**

2. 主要會計政策 (續)      **2. Significant accounting policies (continued)**

2.1 編製基準 (續)

(c) 完善香港財務報告準則

「完善香港財務報告準則」包含多項被香港會計師公會認為非緊急但有需要的修訂。當中包括引致在列示、確認或計量方面出現會計變更的修訂，以及多項與個別香港財務報告準則相關之術語或編輯上的修訂。此等修訂對本集團的財務報表將不會帶來重大影響。

2.1 Basis of preparation (continued)

(c) Improvements to HKFRSs

“Improvements to HKFRSs” contains a number of amendments to HKFRSs which the HKICPA considers not urgent but necessary. It comprises amendments that result in accounting changes for presentation, recognition or measurement purpose as well as terminology or editorial amendments related to a variety of individual HKFRSs. These improvements will not have a material impact on the Group’s financial statements.

## 財務報表附註（續）      Notes to the Financial Statements (continued)

### 2. 主要會計政策（續）      2. Significant accounting policies (continued)

#### 2.2 綜合財務報表

綜合財務報表包含本銀行及所有其附屬公司截至2019年12月31日的財務報表。

##### (1) 附屬公司

附屬公司是指由本集團直接或非直接控制的企業（包括結構性實體）。控制體現為本集團涉及，或有權從參與被投資企業業務中取得可變動回報，並有權力通過被投資企業影響自身回報（即賦予本集團現行權力以指引被投資企業的相關活動）。當本集團對被投資企業的直接或間接表決權或類似權利少於大多數時，本集團會考慮所有相關的事實及情況，以評估是否對該被投資企業存在控制權，包括：(a) 與被投資企業其他表決者的合同安排；(b) 由其他合同安排所產生的權利；及(c) 本集團的表決權及潛在表決權。附屬公司於控制權轉入本集團之日起完全納入合併，並於本集團的控制權終止當日不再納入合併。

如本集團對附屬公司失去控制權，將會終止確認(i) 該附屬公司的資產（包括商譽）及負債，(ii) 非控制權益的賬面值；並確認(i) 收取作價的公平值，(ii) 保留對該前附屬公司之尚餘投資的公平值；按直接出售有關資產或負債相同的基準，以合適的做法，將之前已確認於其他全面收益的金額重分類至收益表或留存盈利；於收益表將最終差額確認為盈虧。

#### 2.2 Consolidation

The consolidated financial statements include the financial statements of the Bank and all of its subsidiaries for the year ended 31 December 2019.

##### (1) Subsidiaries

Subsidiaries are entities (including structured entities), directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee). When the Group has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and (c) the Group's voting rights and potential voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment in that former subsidiary retained; reclassifies the amounts previously recognised in other comprehensive income to the income statement or retained earnings, as appropriate, on the same basis as directly disposed of the related assets or liabilities; recognises any resulting differences as gain or loss in the income statement.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.2 綜合財務報表 (續)

#### 2.2 Consolidation (continued)

##### (1) 附屬公司 (續)

如本集團董事會已議決一項涉及失去附屬公司控制權(處置組合)的出售計劃,且不大可能撤回或作重大改變,並於報告日或以前符合以下所有條件:(i) 將主要通過出售交易而非繼續使用以回收其賬面值;(ii) 該附屬公司的現況(除受制於類似交易的慣常條款外)可即時出售而該出售交易之可能性很大,包括股東批准的可能性很高(如需要);(iii) 已啟動一活躍的計劃,以合理的價格尋求買家,及將於一年內完成相關交易,無論本集團於出售後會否保留非控制性權益,本集團會將該附屬公司的資產及負債分類為待出售。處置組合(除投資物業及金融工具外)以其賬面值及公平值扣除出售成本之較低者作初始確認及後續計量。待出售的物業、器材及設備不會進行折舊。

##### (i) 非受共同控制的業務合併

收購非受共同控制之業務時,應以收購法進行會計處理。業務合併的代價乃集團因換取被收購方的控制權,而在收購當日所轉讓的資產的公平值、所產生的負債(包括或然代價安排)、以及所發行的權益。與收購相關的成本會於發生時於收益表內確認。

##### (1) Subsidiaries (continued)

If the Group is committed by the Board to a sale plan involving loss of control of a subsidiary (a disposal group) that is unlikely to be withdrawn or changed significantly, the Group shall classify all the assets and liabilities of that subsidiary as held for sale only when the following criteria are met on or before the end of the reporting period: (i) the carrying amount will be recovered principally through a sale transaction rather than through continuing use; (ii) the subsidiary is available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of its kind and its sale must be highly probable, including a high probability of shareholders' approval, if needed; (iii) an active programme to locate a buyer at a reasonable price has been initiated and to complete the sale within one year, regardless of whether the Group will or will not retain a non-controlling interest after the sale. Disposal group (other than investment properties and financial instruments) is initially recognised and subsequently remeasured at the lower of its carrying amount and fair value less costs to sell. Properties, plant and equipment classified as held for sale are not depreciated.

##### (i) Business combinations not under common control

Acquisitions of businesses not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is the fair values at the acquisition date of the assets transferred, the liabilities incurred (including contingent consideration arrangement) and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed in the income statement as incurred.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.2 綜合財務報表 (續)

#### 2.2 Consolidation (continued)

##### (1) 附屬公司 (續)

##### (1) Subsidiaries (continued)

##### (i) 非受共同控制的業務合併 (續)

##### (i) Business combinations not under common control (continued)

轉讓的代價、持有被收購方的非控制權益金額、以及本集團之前已持有被收購方之權益的公平值(如有)之總和,其高於收購日的被收購可識別資產及需承擔負債的淨值,被計量為商譽。如經評估後,被收購方的可識別淨資產的公平值高於轉讓的代價、持有被收購方的非控制權益金額、以及本集團之前已持有被收購方之權益的公平值(如有)之總和,多出的部分將即時於收益表內被確認為優惠收購收益。之後,需至少每年對商譽進行減值測試。

當集團於業務合併時轉讓的代價包含因或然代價安排而產生的資產或負債時,有關的或然代價將按收購日的公平值計量,並被視為業務合併時所轉讓代價的一部分。符合作為計量期間調整的或然代價的公平值變動,需以追溯方式進行調整,並需於商譽或優惠收購收益內進行相應的調整。計量期間調整是指於計量期間,取得與收購日已存在的事實或情況相關的額外資訊而產生的調整。計量期間為自收購日起計的一年之內。

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If after assessment, the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held interest in the acquiree (if any), the excess is recognised immediately in the income statement as a gain on bargain. Subsequently, goodwill is subject to impairment testing at least annually.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at fair value at the acquisition date and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. The measurement period does not exceed one year from the acquisition date.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.2 綜合財務報表 (續)

#### 2.2 Consolidation (continued)

##### (1) 附屬公司 (續)

##### (1) Subsidiaries (continued)

###### (i) 非受共同控制的業務合併 (續)

###### (i) Business combinations not under common control (continued)

以逐項收購為基準，本集團可選擇以公平值或按非控制權益之比例攤佔被收購方之可識別淨資產之公平值，來確認被收購方之非控制權益。

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

###### (ii) 受共同控制的業務合併

###### (ii) Business combinations under common control

合併會計處理會被應用於合併受共同控制之公司。合併會計的原則是按被收購方之業務乃一直由收購方經營的假設，去合併受共同控制的公司。本集團的綜合財務報表之綜合業績，綜合現金流量及綜合財務狀況，會按本銀行與被收購方自最初受到共同控制後，即進行合併的假設而編製（即在合併日不需進行公平值調整）。在合併時的代價與賬面值的差額，將於權益內確認。在編製本集團的綜合財務報表時，對於所有本集團與被收購方之間的交易，不論是在合併前或是在合併後發生，其影響均會被對銷。比較數據乃按被收購方之業務於之前會計結算日經已合併來列示。合併之交易成本會於收益表上被列支為費用。

For a combination with a company under common control, the merger accounting method will be applied. The principle of merger accounting is a way to combine companies under common control as though the business of the acquiree had always been carried out by the acquirer. The Group's consolidated financial statements represent the consolidated results, consolidated cash flows and consolidated financial position of the Group as if any such combination had occurred from the date when the Bank and the acquiree first came under common control (i.e. no fair value adjustment on the date of combination is required). The difference between the consideration and carrying amount at the time of combination is recognised in equity. The effects of all transactions between the Group and the acquiree, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements of the Group. Comparative amounts are presented as if the acquiree had been combined at the beginning of the previous reporting period. The transaction costs for the combination will be expensed in the income statement.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續) 2. Significant accounting policies (continued)

#### 2.2 綜合財務報表 (續)

#### 2.2 Consolidation (continued)

##### (1) 附屬公司 (續)

##### (1) Subsidiaries (continued)

集團內部交易、交易餘額、以及未實現收益已被對銷；除非能提供集團內交易所轉讓資產已發生減值的證據，否則未實現損失也將被對銷。如有需要，附屬公司的會計政策會作出適當調整，以確保本集團所採用會計政策的一致性。

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

於本銀行的資產負債表內，對附屬公司的投資是以成本扣除減值損失準備列賬。本銀行按照已收及應收股息基準確認附屬公司之業績。當本銀行具有權利收取附屬公司的派息時，將於收益表內確認。

In the Bank's balance sheet, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Bank on the basis of dividends received and receivable. Dividend income from subsidiaries is recognised in the income statement when the right to receive payment is established.

##### (2) 與非控制權益的交易

##### (2) Transactions with non-controlling interests

在沒有改變控制權益的情況下，與非控制權益的交易被視為與持有本集團權益者之交易。若從非控制權益購入，付出之代價及攤佔有關附屬公司的淨資產賬面值的差額，於權益內確認。出售權益予非控制權益的收益或虧損，亦需於權益內確認。

The Group treats transactions with non-controlling interests without change of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recognised in equity. Gains or losses on disposals to non-controlling interests are also recognised in equity.

當本集團對附屬公司失去控制權或重大影響力時，任何保留之權益應以公平值重新計量，賬面值的變動在收益表內確認。該公平值乃日後計量繼續持有該等聯營公司、合資企業或金融資產之保留權益的初始賬面值。此外，過往曾經於其他全面收益內確認之有關該公司的金額，將按本集團直接出售有關資產或負債處理。先前已計入其他全面收益的金額會適當地重新分類至收益表或留存盈利內。

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. Amounts previously recognised in other comprehensive income are reclassified to the income statement or retained earnings, as appropriate.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.2 綜合財務報表 (續)

#### 2.2 Consolidation (continued)

##### (3) 聯營公司及合資企業

聯營公司是指本集團對其雖無控制或共同控制權但能夠施加重大影響的企業，通常本集團擁有其 20% 至 50% 的表決權。

合資企業為合資安排的一種，雙方協議對該合資企業的淨資產擁有共同控制權。共同控制為合同認可的共同控制權，只會在相關業務的決定需各控制方一致同意時出現。

本集團對聯營公司及合資企業的股權投資按照初始投資成本計量，並採用權益法進行核算，除非該股權投資被分類為待出售（或包括在待出售之處置組合內）。本集團對聯營公司及合資企業的投資包含扣除累計減值損失後之商譽及任何有關之累計外幣換算差額。

本集團購買聯營公司或合資企業後，於收益表中確認應佔的購入後收益或虧損，及於儲備內確認應佔的購入後儲備變動，並將於投資成本中調整購買聯營公司或合資企業後其發生的累計變動。除非本集團已為聯營公司或合資企業承擔債務或已為其墊付資金，否則本集團在確認應佔聯營公司或合資企業發生的虧損時，將以投資賬面價值為限。

##### (3) Associates and joint ventures

An associate is the entity over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The Group's investments in associates and joint ventures include goodwill, net of accumulated impairment loss and any related accumulated foreign currency translation difference.

The Group's share of the post-acquisition profits or losses of associates or joint ventures is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The accumulated post-acquisition movements are adjusted against the cost of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses unless the Group has incurred obligations or made payments on behalf of the associates or joint ventures.



## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.2 綜合財務報表 (續)

#### 2.2 Consolidation (continued)

##### (3) 聯營公司及合資企業 (續)

##### (3) Associates and joint ventures (continued)

本集團與聯營公司或合資企業間交易的未實現收益按本集團在聯營公司或合資企業的投資比例進行抵銷；除非交易提供了轉讓資產已發生減值的證據，否則未實現損失也將被抵銷。

Unrealised gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

若對聯營公司或合資企業的權益減少但影響力保留，只需按比例將過往曾在其他全面收益內確認的金額重新分類至收益表或未分配利潤內。

If the ownership interest in an associate or a joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the income statement or retained earnings, where appropriate.

#### 2.3 分類報告

#### 2.3 Segmental reporting

分類的經營業績與呈報予管理委員會的內部報告方式一致，管理委員會乃本集團的總體營運決策核心，負責資源分配及對營運分類的表現評估。在釐定經營分類表現時，將會包括與各分類直接相關的收入及支出。

The operating result of segments are reported in a manner consistent with the internal reporting provided to the Management Committee, which is the chief operating decision maker of the Group, that allocates resources and assesses the performance of operating segments. Income and expenses directly associated with each segment are included in determining operating segment performance.

#### 2.4 外幣換算

#### 2.4 Foreign currency translation

本集團各企業的財務報表所載項目均按各企業於主要經濟環境營運的貨幣計量（「功能貨幣」）。本綜合財務報表以港幣列示，即本銀行之功能及呈列貨幣。

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Bank's functional and presentation currency.

外幣交易均按交易或重新計量項目之估值當日的即期匯率換算為功能貨幣。外幣交易以交易日之匯率結算所引致的匯兌損益，以及以外幣為本位的貨幣性資產及負債按會計結算日的匯率換算的匯兌損益，均直接於收益表確認，惟於其他全面收益內遞延作為合資格現金流對沖或合資格淨投資對沖除外。

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or exchange rates at the end of the reporting period for items that are re-measured. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions using the exchange rates prevailing at the dates of the transactions and monetary assets and liabilities denominated in foreign currencies translated at the exchange rate at the end of the reporting period are recognised directly in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

## 財務報表附註（續）      Notes to the Financial Statements (continued)

### 2. 主要會計政策（續）      2. Significant accounting policies (continued)

#### 2.4 外幣換算（續）

以公平值變化計入損益的貨幣性證券的兌換差額會列作公平值收益或虧損的一部分。對於被分類為以公平值變化計入其他全面收益，以外幣為本位的貨幣性證券，其公平值變動可分為源自證券攤餘成本變動的兌換差額和證券賬面值的其他兌換變動兩部分。源自證券攤餘成本變動的兌換差額會於收益表內確認，而證券賬面值的其他兌換變動則被確認於其他全面收益。

對於非貨幣性項目（例如以公平值變化計入損益之股權投資），其兌換差額會列作公平值收益或虧損的一部分。而非貨幣性金融資產（例如以公平值變化計入其他全面收益之股權投資）的兌換差額會包含在其他全面收益內。

所有本集團內非以港幣為功能貨幣的企業，其業績及財務狀況按以下方式換算為港幣：

- 資產及負債按會計結算日之收市匯率換算；
- 收入及支出按平均匯率換算；及
- 所有產生之換算差額確認於權益項目下之貨幣換算儲備內。

於合併財務報表時，換算對外國企業之淨投資、借款及其他被界定為對沖此投資的貨幣工具所產生之換算差額需列入其他全面收益及分別累計於貨幣換算儲備中。當出售該外國企業投資時，此外幣兌換差額需列作為出售收益或虧損的一部分，並由權益中重新分類至收益表內。

#### 2.4 Foreign currency translation (continued)

Translation differences on monetary securities held at fair value through profit or loss are reported as part of the fair value gain or loss. Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as fair value through other comprehensive income are included in other comprehensive income.

The results and financial position of all the group entities that have a functional currency different from Hong Kong dollars are translated into Hong Kong dollars as follows:

- assets and liabilities are translated at the closing rate at the end of the reporting period;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognised in the currency translation reserve in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, borrowings and other currency instruments designated as hedges of such investments are taken to other comprehensive income and are accumulated separately in the translation reserve. When a foreign entity is disposed, such exchange differences are reclassified from equity to the income statement, as part of the gain or loss on sale.

## 財務報表附註（續）      Notes to the Financial Statements (continued)

### 2. 主要會計政策（續）      2. Significant accounting policies (continued)

#### 2.5 衍生金融工具及對沖會計

衍生金融工具以衍生交易合同簽訂當日的公平值進行初始確認，並以公平值進行後續計量。公平值從活躍市場上的公開市場報價中取得，包括最近的市場交易，或通過使用估值方法，包括貼現現金流量分析模型、期權定價模型（如適用）。當公平值為正值時，衍生金融工具將被列為資產；當公平值為負值時，則被列為負債。

若干衍生金融工具會嵌藏在金融負債中，當其經濟特徵和風險與主合同沒有緊密關聯，而主合同並非以公平值變化計入損益時，這些嵌藏式衍生金融工具需要單獨以公平值計量，並且其公平值變化計入收益表。

除非衍生金融工具已被界定為用作對沖，並且是屬於有效之對沖工具，則需按對沖會計之要求計量，否則，將被分類為持作交易用途，其公平值變動即時於收益表內確認。

#### 2.5 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and through the use of valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

Derivatives are categorised as held for trading and changes in their fair value are recognised immediately in the income statement unless they are designated as hedges and are effective hedging instruments, then they are subject to measurement under the hedge accounting requirements.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.5 衍生金融工具及對沖會計 (續)

對於在有效對沖中被界定為對沖工具的衍生金融工具，確認其收益或虧損的方法是按被對沖項目的性質而定。本集團界定若干衍生金融工具為以下其中一項：

- (a) 對沖已確認之資產、負債或為確切承擔之公平值作對沖(公平值對沖)；或
- (b) 對沖與已確認之資產、負債相關，或與高度可能發生的預期交易相關，並高度可能發生的未來現金流的某一特定風險(現金流對沖)。

本集團於交易發生時會記錄對沖工具與相關被對沖項目之關係、風險管理目的和進行各類對沖交易時所採取之策略。本集團並於對沖活動發生時及期間，評估其經濟關係、信貸風險、對沖比例，及對沖工具能否有效抵銷相關被對沖項目之公平值或現金流變動，並作出記錄。此等乃符合採用對沖會計方法處理之先決條件。對沖會計可能會因對沖工具和被對沖項目失去經濟關係，或交易對手的信用風險重大變化主導對沖工具和被對沖項目的公平值變化而無效。

#### 2.5 Derivative financial instruments and hedge accounting (continued)

For derivative instruments being designated as hedging instrument in an effective hedge, the method of recognising the resulting fair value gain or loss depends on the nature of the item being hedged. The Group designates certain derivatives as either:

- (a) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or
- (b) hedges of a particular risk associated with a highly probable future cash flow attributable to a recognised asset or liability, or a highly probable forecast transaction (cash flow hedge).

The Group documents at inception the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of the economic relationship, credit risks, the hedge ratio and an evaluation of the effectiveness of the hedging instruments in offsetting changes in fair values or cash flows of hedged items. These criteria should be met before a hedge can be qualified to be accounted for under hedge accounting. Hedge accounting may become ineffective if the hedging instrument and the hedged item lose economic relationship, or a significant change of the counterparties' credit risks that dominates the fair value change of the hedging instruments or the hedged items.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.5 衍生金融工具及對沖會計 (續)

##### (a) 公平值對沖

被界定為有效之公平值對沖，其衍生金融工具之公平值變動，連同被對沖風險之資產或負債相關之公平值變動，一併於收益表內確認。

當公平值對沖會計被應用以攤餘成本作計量的金融工具時，被對沖項目的賬面值會按已被衍生工具對沖的利率風險的公平值變動金額而調整，而不是以攤餘成本列賬，該賬面值的調整與用作對沖之衍生工具的公平值變化，將一併於收益表內確認。

若對沖關係不再符合對沖會計之要求或對沖關係終止，但並非基於被對沖項目還款等原因而終止確認，則尚未完成攤銷的被對沖項目賬面值調整餘額（即在對沖關係終止時，被對沖項目的賬面值，與假設對沖從沒有存在的情況下的賬面值，兩者之間的差異），將按被對沖項目的剩餘年期，以實際利息法被攤銷至收益表內。如被對沖項目被終止確認，未完成攤銷的賬面值調整餘額將即時於收益表內確認。

#### 2.5 Derivative financial instruments and hedge accounting (continued)

##### (a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as effective fair value hedges are recognised in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

When fair value hedge accounting is applied to financial instruments carried at amortised costs, the carrying values of the hedged items are adjusted for changes in fair value that are attributable to the interest rate risk being hedged with the derivative instruments rather than carried at amortised cost, such carrying value adjustment is recognised in the income statement together with the changes in fair value of the hedging derivatives.

If the hedge relationship no longer meets the criteria for hedge accounting or is terminated for reasons other than derecognition, e.g. due to repayment of the hedged item, the unamortised carrying value adjustment (the difference between the carrying value of the hedged item at the time of termination and the value at which it would have been carried had the hedge never existed) to the hedged item is amortised to the income statement over the remaining life of the hedged item by the effective interest method. If the hedged item is derecognised, the unamortised carrying value adjustment is recognised immediately in the income statement.

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財務報表附註 (續)      **Notes to the Financial Statements (continued)**

2. 主要會計政策 (續)      **2. Significant accounting policies (continued)**

2.5 衍生金融工具及對沖會計  
(續)

2.5 Derivative financial instruments and hedge accounting (continued)

(a) 公平值對沖 (續)

(a) Fair value hedge (continued)

當公平值對沖會計中被對沖項目為公平值計入其他收益的債務金融工具時，在對沖會計期間其公平值變動金額應計入收益表。若對沖關係不再符合對沖會計之要求或對沖關係終止，但並非基於被對沖項目還款等原因而終止確認，其以於收益表內確認與對沖有效之部分相關的公平值變化應以實質利息法被攤銷回估值儲備內。而當被對沖項目被終止確認時，未完成攤銷的賬面值調整餘額將即時重分類至估值儲備。

For fair value hedge relationships where the hedged items are debt instruments carried at FVOCI, changes in fair value are recorded in the income statement whilst hedge accounting is in place. When the hedge relationship no longer meets the criteria for hedge accounting or is terminated for reasons other than derecognition, the cumulative effective hedged portion of fair value change recognised in the income statements are amortised by the effective interest method back to the revaluation reserve. If the hedged item is derecognised, the unamortised cumulative effective hedged portion of fair value change recognised in the income statement are reclassified to revaluation reserve immediately.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.5 衍生金融工具及對沖會計 (續)

#### 2.5 Derivative financial instruments and hedge accounting (continued)

##### (b) 現金流對沖

##### (b) Cash flow hedge

對於已被界定為符合採用現金流對沖，並且有效的衍生金融工具，其公平值變動的有效部分將會於其他全面收益內確認及於權益內累計。無效部分的收益或虧損即時於收益表內確認。於權益內累計的金額，會於被對沖項目影響損益期間重新分類至收益表內。

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit or loss.

當對沖工具到期或被出售，或當對沖不再符合對沖會計之要求，任何已記入權益的累計收益或虧損仍保留於權益內，直至預期交易最終被確認時，才確認於收益表內。當預期交易預計不會再發生時，累計於權益的收益或虧損會即時被重新分類至收益表內。

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any accumulated gain or loss existing in equity at that time remains in equity and is recognised in the income statement when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the accumulated gain or loss that was reported in equity is immediately reclassified to the income statement.

##### (c) 淨投資對沖

##### (c) Net investment hedge

對海外運作淨投資對沖與現金流對沖的處理方法相似。對沖工具有效對沖部分的收益或虧損，會於其他全面收益內確認及於權益內累計；無效部分的收益或虧損即時於收益表內確認。之前於其他全面收益中累計的收益或虧損金額會列作出售收益或虧損的一部分，並於出售海外運作時被重新分類至收益表內。

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. A gain or loss on the effective portion of the hedging instrument is recognised in other comprehensive income and accumulated in equity; a gain or loss on the ineffective portion is recognised immediately in the income statement. Accumulated gains and losses previously recognised in other comprehensive income are reclassified to the income statement upon disposal of the foreign operation as part of the gain or loss on disposal.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.6 金融工具之抵銷

若存在法律上可行使的權利，可對已確認入賬之項目進行抵銷，且有意以淨額方式結算，或將資產變現並同時清償債務，則金融資產及金融負債可予抵銷，並把淨額於資產負債表內列賬。

#### 2.7 利息收入及支出、服務費及佣金收入及支出

所有金融資產和金融負債，其利息收入和支出按實際利息法在收益表中確認。

實際利息法是一種計算金融資產或金融負債的攤餘成本以及在相關期間分攤利息收入或利息支出的方法。實際利率是在金融工具預計到期日或較短期間(如適用)內，將其未來收到或付出的現金流貼現為金融資產或金融負債賬面淨額所使用的利率。在計算實際利率時，本集團在估計未來現金流時，會考慮金融工具的所有合同條款(如提前還款權或為住宅按揭貸款客戶提供的優惠)，但不會考慮未來的信用損失。計算範圍包括訂約各方所支付或所收取的費用、溢價或折讓和點子，以及貸款貸出時產生而屬於整體有效利息一部分之相關費用及成本。

對於所有以利率為被對沖風險的對沖交易，源自定息債務證券或定息後償票據等被對沖工具的利息收入或利息支出，與源自利率掉期等對沖工具的利息收入/支出合併，以淨額為基準作出披露。

#### 2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

#### 2.7 Interest income and expense and fee and commission income and expense

Interest income and expense are recognised in the income statement for all financial assets and financial liabilities 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 future cash flows considering all contractual terms of the financial instrument (e.g. prepayment options or incentives relating to residential mortgage loans) but does not consider future credit losses. The calculation includes fees, premiums or discounts and basis points paid or received between parties to the contract, and directly attributable origination fees and costs which represent an integral part of the effective yield.

For all hedge transactions where interest rate is the hedged risk, interest income or interest expense from hedged instruments such as fixed rate debt securities or fixed rate subordinated notes are disclosed on a net basis together with net interest income/expense arising from the hedging instrument such as interest rate swap.



## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.7 利息收入及支出、服務費及佣金收入及支出 (續)

不屬於整體有效利息一部分的服務費及佣金收入及支出，例如行政費、資產管理費和託管服務費，通常在提供相關服務時，以應計基準按比例地於服務期間內確認。當銀團貸款安排已完成且本集團未保留任何貸款或按適用於其他銀團成員的相同實際利率保留部分貸款時，銀團貸款服務費確認為收入。

#### 2.8 金融資產

本集團將金融資產於初始確認時分類為以下計量類別：以公平值變化計入損益作後續計量、以攤餘成本作後續計量及以公平值變化計入其他全面收益作後續計量。該分類取決於企業管理金融工具的業務模型，以及該工具的合約現金流特徵，或企業對公平值選擇權的決定。所有金融資產以公平值作初始確認。除以公平值變化計入損益之金融資產外，其他金融資產之交易成本均已包含於初始賬面值內。

#### 2.7 Interest income and expense and fee and commission income and expense (continued)

Fee and commission income and expenses that are not an integral part of the effective yield are recognised on an accrual basis ratably over the period when the related service is provided, such as administrative fee, asset management fee and custody services fee. Loan syndication fees are recognised as revenue when the related syndication arrangement has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as applicable to the other participants.

#### 2.8 Financial assets

The Group classifies its financial assets into one of the following measurement categories at initial recognition as subsequently measured at: fair value through profit or loss ("FVPL"), amortised cost and fair value through other comprehensive income ("FVOCI"). The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments, or the election of fair value option. All financial assets are recognised initially at fair value. Except for financial assets carried at FVPL, all transaction costs of financial assets are included in their initial carrying amounts.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.8 金融資產 (續)

##### (1) 以公平值變化計入損益之金融資產

此分類包含兩個子分類：交易發生時即界定為以公平值變化計入損益之金融資產及強制要求以公平值計量的金融資產，包括持作交易用途的金融資產。

如果取得該金融資產主要是以短期沽售為目的，或屬於組合一部分並共同管理的可識別金融工具，若有證據表明其短期獲利行為，則被分類為持作交易用途。除被界定為有效對沖工具外，所有衍生金融工具均被分類為持作交易用途類別。

除持作交易用途或強制要求以公平值計量的金融資產外，如可以消除或明顯減少因按不同基準計量金融資產之價值，或確認其收益或虧損，而出現不一致之計量或確認情況（一般被稱為「會計錯配」），且被管理層因此作出界定，該金融資產會被界定為以公平值變化計入損益之金融資產。

這些資產以公平值進行初始確認，交易費用直接計入收益表，並以公平值進行後續計量。

#### 2.8 Financial assets (continued)

##### (1) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets designated at fair value through profit or loss at inception, or financial assets mandatorily required to be measured at fair value through profit or loss, including those held for trading.

A financial asset which has been acquired or incurred principally for the purpose of selling in the short term or is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking is classified as held for trading. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

A financial asset, other than those held for trading or mandatorily measured at fair value, will be designated as a financial asset at FVPL, if it 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, and is so designated by the Management.

These assets are recognised initially at fair value, with transaction costs taken directly to the income statement, and are subsequently re-measured at fair value.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.8 金融資產 (續)

##### (1) 以公平值變化計入損益之金融資產 (續)

該等資產的公平值變化所產生的損益 (不包括利息部分) 計入淨交易性收益/虧損或界定為以公平值變化計入損益之金融工具淨收益/虧損。而利息部分則計入作為利息收入之一部分。此類資產項下之股份權益工具, 其股息於本集團收取股息之權利確定時, 於淨交易性收益/虧損或界定為以公平值變化計入損益之金融工具淨收益/虧損內確認。

##### (2) 以攤餘成本計量之金融資產

如金融資產達到以下兩個條件, 則分類為以攤餘成本作後續計量: (i) 該金融資產是以收取合約現金流為目的的業務模型持有, 及(ii)該金融資產的合約條款在指定日期產生的現金流僅為本金和未償還本金餘額之利息的支付。此類金融資產以公平值加上直接相關的交易費用進行初始入賬, 隨後以實際利息法計算攤餘成本扣除減值損失作後續計量。包括折溢價攤銷的利息收入將按照實際利息法計算確認在收益表中。資產終止確認、修改或減值產生的收益或損失在損益中確認。

#### 2.8 Financial assets (continued)

##### (1) Financial assets at fair value through profit or loss (continued)

Gains and losses from changes in the fair value of such assets (excluding the interest component) are reported in net trading gain/loss or net gain/loss on financial instruments designated at FVPL. The interest component is reported as part of the interest income. Dividends on equity instruments of this category are also recognised in net trading gain/loss or net gain/loss on financial instruments designated at FVPL when the Group's right to receive payment is established.

##### (2) Financial assets at amortised cost

Financial assets are classified as subsequently measured at amortised cost if both of the following conditions are met: (i) the financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows ("hold-to-collect" business model), and (ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates. They are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method less allowances for impairment losses. Interest income which includes the amortisation of premium or discount is calculated using the effective interest method and is recognised in the income statement, gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

## 財務報表附註（續）      Notes to the Financial Statements (continued)

### 2. 主要會計政策（續）      2. Significant accounting policies (continued)

#### 2.8 金融資產（續）

#### 2.8 Financial assets (continued)

##### (3) 以公平值變化計入其他全面收益之金融資產

##### (3) Financial assets at fair value through other comprehensive income

如達到以下兩個條件，則金融工具分類為公平值變化計入其他全面收益作後續計量之金融資產：(i)該金融資產是以收取合約現金流和出售為目的的業務模型持有；及(ii)該金融資產的合約條款在指定日期產生的現金流僅為本金和未償還本金餘額之利息的支付。

Debt instruments are classified as subsequently measured at FVOCI if both of the following conditions are met: (i) the financial assets are held within a business model with the objective of both holding to collect contractual cash flows and selling, and (ii) the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

以公平值變化計入其他全面收益之金融資產以公平值加上直接相關的交易費用進行初始確認，並以公平值進行後續計量。因該等金融資產之公平值變化而產生之未實現收益或虧損直接確認在其他全面收益中；當該類金融資產終止確認或減值時，之前確認於權益中的累計收益或虧損將轉入收益表內。惟包括折溢價攤銷的利息收入將按照實際利息法計算確認在收益表中。

Financial assets at FVOCI are initially recognised at fair value plus any directly attributable transaction costs, and are subsequently measured at fair value. Unrealised gains or losses arising from changes in the fair value of the financial assets are recognised directly in other comprehensive income, until the financial asset is derecognised or impaired at which time the accumulated gain or loss previously recognised in equity should be transferred to the income statement. However, interest income which includes the amortisation of premium and discount is calculated using the effective interest method and is recognised in the income statement.

對於股權投資，可以在初始確認時進行不可撤銷的選擇，確認其未實現和已實現的公平值收益或虧損在其他全面收益中，即使在處置時也無需將公平值損益重新分類至收益表。分類為以公平值變化計入其他全面收益之股份權益工具，其股息於本集團收取股息之權利確定時於其他經營收入內確認。指定為公平值計入其他全面收益的股權投資無需進行減值評估。

For equity investments, an irrevocable election can be made at initial recognition to recognise unrealised and realised fair value gains or losses in other comprehensive income without subsequent reclassification of fair value gains or losses to the income statement even upon disposal. Dividends on equity instruments classified as FVOCI are recognised in other operating income when the Group's right to receive payment is established. Equity instruments designated at FVOCI are not subject to impairment assessment.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.8 金融資產 (續)

#### 2.8 Financial assets (continued)

##### (3) 以公平值變化計入其他全面收益之金融資產 (續)

##### (3) Financial assets at fair value through other comprehensive income (continued)

以公平值變化計入其他全面收益之證券的兌換差額的處理方法已詳列於附註 2.4。

The treatment of translation differences on FVOCI securities is dealt with in Note 2.4.

#### 2.9 金融負債

#### 2.9 Financial liabilities

本集團按以下類別分類金融負債：交易性負債、界定為以公平值變化計入損益之金融負債、存款、已發行債務證券及存款證、後償負債及其他負債。所有金融負債於交易發生時界定其分類並以公平值進行初始確認，非以公平值變化計入損益之金融負債則需加減交易成本。

The Group classifies its financial liabilities under the following categories: trading liabilities, financial liabilities designated at fair value through profit or loss, deposits, debt securities and certificates of deposit in issue, subordinated liabilities, and other liabilities. All financial liabilities are classified at inception and recognised initially at fair value, and in the case of financial liability not at fair value through profit or loss, plus or minus transaction costs.

##### (1) 交易性負債

##### (1) Trading liabilities

旨在短期內購回之金融負債被分類為持作交易用途之負債。交易性負債以公平值列賬，公平值之變動所產生的收益或虧損確認於收益表內，利息部分則計入作為利息支出的一部分。

A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing in the short term. It is measured at fair value and any gains and losses from changes in fair value are recognised in the income statement, with interest component being reported as part of the interest expenses.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.9 金融負債 (續)

##### (2) 界定為以公平值變化計入損益之金融負債

金融負債於交易時被界定為以公平值變化計入損益之金融負債。被界定為此類別之金融負債包括若干已發行之存款證及若干嵌藏衍生金融工具之客戶存款。符合以下其中一項條件之金融負債一般會被界定為此類別：

- 可以消除或明顯減少因按不同基準計量金融負債之價值，或確認其收益或虧損，而出現不一致之計量或確認情況（一般被稱為「會計錯配」）；或
- 應用於一組金融資產、金融負債、或兩者兼有的組合，其管理是依據事先書面確立的風險管理或投資策略來運作，其表現是按公平值為基礎來衡量，並按此基礎將該組金融工具的資訊向主要管理層作出內部報告；或
- 與包含一個或多個嵌藏式衍生金融工具的金融負債相關，且這些嵌藏式衍生金融工具對該等金融負債的現金流產生重大影響。

被界定為以公平值變化計入損益之金融負債以公平值列賬，因公平值變化而產生之收益或虧損確認於收益表內，除了因自身信用風險產生的公平值變化會被計入其他全面收益及往後被終止確認時被重分類至留存盈利。

#### 2.9 Financial liabilities (continued)

##### (2) Financial liabilities designated at fair value through profit or loss

A financial liability can be designated at fair value through profit or loss if it is so designated at inception. Financial liabilities so designated include certain certificates of deposit in issue and certain deposits received from customers that are embedded with derivatives. A financial liability is so designated if it meets one of the following criteria:

- 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; or
- applies to a group of financial assets, financial liabilities or both that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the key management; or
- relates to financial liabilities containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial liabilities.

Financial liabilities designated at fair value through profit or loss are measured at fair value and any gains and losses from changes in fair value are recognised in the 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.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.9 金融負債 (續)

##### (3) 存款、已發行債務證券及存款證、後償負債及其他負債

除被分類為交易性負債或界定以公平值變化計入損益之金融負債外，其他存款、已發行債務證券及存款證、後償負債及其他負債均以攤餘成本列賬。扣除交易費用後之淨收款和贖回價值的差額（如有），按照實際利息法於期內在收益表中確認。

#### 2.10 財務擔保合同及未提取貸款承諾

財務擔保合同是指簽發人在指定的債務人未能根據持有人與債務人之間的債務合同條款而履行還款責任時，需向持有人償付由此而產生之損失的指定付款之合同。

財務擔保合同以合同簽發當日的公平值初始確認為金融負債。及後，本集團之責任將按以下兩者之較高者計量：(i)如附註 2.14 所述的預期信用損失減值準備；及(ii)初始確認之金額減按直線法於擔保有效期內確認之累計攤銷（如適用）。財務擔保合同負債的變動則於收益表中確認。

未提取貸款承諾是指集團在承諾期間需要以既定的合同條款向客戶發放貸款的承諾。此等合同亦在附註 2.14 所述之預期信用損失減值準備要求之範圍內。

#### 2.9 Financial liabilities (continued)

##### (3) Deposits, debt securities and certificates of deposit in issue, subordinated liabilities and other liabilities

Deposits, debt securities and certificates of deposit in issue, together with subordinated liabilities and other liabilities, other than those classified as trading liabilities or designated at fair value through profit or loss are carried at amortised cost. Any difference (if available) between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period using the effective interest method.

#### 2.10 Financial guarantee contracts and undrawn loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a contract between the holder and the debtor.

Financial guarantee contracts are initially recognised as financial liabilities at fair value on the date the guarantees were given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of (i) an ECL provision as set out in Note 2.14 and (ii) the amount initially recognised less, where appropriate, accumulated amortisation recognised over the life of the guarantee on a straight-line basis. Any changes in the liability relating to financial guarantee contracts are taken to the income statement.

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements as set out in Note 2.14.

## 財務報表附註（續）      Notes to the Financial Statements (continued)

### 2. 主要會計政策（續）      2. Significant accounting policies (continued)

#### 2.10 財務擔保合同及未提取 貸款承諾（續）

本集團將財務擔保合同和貸款承諾的預期信用損失減值準備列示於財務報表內的「其他賬項及準備」項下。

#### 2.11 金融工具的確認和終止確 認

以公平值變化計入損益作後續計量的金融資產、以公平值變化計入其他全面收益作後續計量及以攤餘成本作後續計量的證券，其買賣會於交易當日（即本集團購入或售出生產當日）確認。貸款及放款及其他金融資產於付出現金予交易對手時確認。在從該等金融資產取得現金流之權利完結或本集團已轉讓實質上所有風險及回報時，將終止對該等金融資產之確認。當本集團未有轉讓或未有保留已轉讓金融資產之實質上所有風險及回報，但仍保留對其控制時，本集團會按持續參與的部分繼續確認該等已轉讓的金融資產；若本集團已失去對其控制時，則終止確認。

交易性負債、被界定為以公平值變化計入損益之金融負債，及已發行債務證券及存款證於交易當日確認。未被界定為以公平值變化計入損益的存款在收到客戶款項時確認，而其他負債於有關責任產生時確認。只有當合同中的指定責任被履行、取消或到期，該金融負債才可從資產負債表上終止確認。如本集團回購本身的債務，則該債務將從資產負債表上終止，而該債務之賬面值及支付金額的差額被確認為於損益，如有來自被界定為以公平值變化計入損益核算之自身信用風險部分則除外。

#### 2.10 Financial guarantee contracts and undrawn loan commitments (continued)

The ECL provision for financial guarantees and loan commitments are reported under "Other accounts and provisions" in the financial statements.

#### 2.11 Recognition and derecognition of financial instruments

Purchases and sales of financial assets subsequently measured at FVPL, securities measured at FVOCI and amortised costs are recognised on the trade date, the date on which the Group purchases or sells the assets. Loans and advances and other financial assets are recognised when cash is advanced to the counterparties. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. When the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group either continues to recognise the transferred financial asset to the extent of its continuing involvement if control remains or derecognise it if there is no retained control.

Trading liabilities, financial liabilities designated at FVPL and debt securities and certificates of deposit in issue are recognised on the trade date. Deposits that are not designated at FVPL are recognised when money is received from customers, other liabilities are recognised when such obligations arise. Financial liabilities are derecognised from the balance sheet when and only when the obligation specified in the contract is discharged, cancelled or expires. If the Group purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of a liability and the consideration paid is included in profit or loss, except the own credit risk component for those designated at FVPL.



## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.11 金融工具的確認和終止確認 (續)

售出于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」或借出證券於初始時按已向交易對手所取得之實際現金額，確認為應付銀行款項或銀行及其他金融機構之存款及結餘（如適用）。用作抵押回購協議之金融資產不會被終止確認，並仍列為投資證券或以公平值變化計入損益之金融資產。以收取合約現金流為目的及合約現金流純屬本金及未償付本金餘額之利息的支付的「反向回購」或借入證券則於初始時按已付予交易對手之實際現金額，於資產負債表內初始確認為庫存現金及應收銀行款項或在銀行及其他金融機構的結餘及存款（如適用）。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資產負債表上。出售價與回購價之差額則以實際利息法於協議年期內分期確認為利息收入或利息支出。

#### 2.12 公平值計量

本集團於每個會計結算日以公平值計量房產及投資物業、貴金屬及部分金融工具。公平值是指在估值日當期集團可接觸的主要交易市場或最有利之市場狀況下，市場參與者進行有序交易出售資產或轉移負債之價格。

#### 2.11 Recognition and derecognition of financial instruments (continued)

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 or securities lending are initially recognised as due to banks, placements from banks and other financial institutions, as appropriate, at the actual amount of cash received from the counterparty. Financial assets given as collateral for repurchase agreements are not derecognised and are recorded as investment in securities or financial assets at FVPL. Reverse repos or securities borrowings with a “hold-to-collect” business model and contractual cash flow of solely payments of principal and interest on the principal outstanding are initially recognised in the balance sheet as cash and due from banks or placements with banks and other financial institutions, as appropriate, at the actual amount of cash paid to the counterparty. Financial assets received as collateral under reverse repurchase agreements are not recognised on the balance sheet. The difference between the sale and the repurchase price is recognised as interest income or interest expense over the life of the agreements using the effective interest method.

#### 2.12 Fair value measurement

The Group measures its premises and investment properties, precious metals and certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in its principal market or the most advantageous market accessible by the Group at the measurement date.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.12 公平值計量 (續)

計量資產或負債公平值運用的假設為市場參與者在其最佳經濟利益的情況下，所採用的資產或負債計價。

本集團採用的價格乃買賣差價內最能代表金融工具公平值的價格，如適合，亦包括應用於本集團以市場風險淨頭盤所管理的金融資產及金融負債，並經風險對銷後的剩餘金融資產或金融負債組合。雖然本集團以淨額基準計量此等金融工具組合的公平值，除非能滿足載於附註 2.6 的抵銷條件，所有相關的金融資產及金融負債仍會分別列示於本財務報表內。

非金融資產之公平值計量為考慮市場參與者使用該資產所產生的最高及最佳經濟利益，或出售予另一市場參與者而該參與者可產生的最高及最佳經濟利益。

若資產或負債所處之市場並不活躍，本集團會在合適並有足夠數據的情況下，採用估值方法釐定其公平值，包括運用當時之公平市場交易、貼現現金流量分析、期權定價模型及其他市場參與者通用之估值方法，並會盡可能使用市場上可觀察的相關參數，避免使用不可觀察的參數。

#### 2.13 貴金屬

貴金屬包括黃金、銀及其他貴金屬。貴金屬以其公平值作初始確認和其後重估。貴金屬於進行市場劃價後所產生之收益或虧損，將包括於淨交易性收益／虧損內。

#### 2.12 Fair value measurement (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses the price within the bid-offer spread that is most representative of the fair value of financial instruments, where appropriate, includes using on the residual of the net offsetting risk position of portfolios of financial assets and financial liabilities in cases the Group manages such groups of financial assets and liabilities according to their net market risk exposures. Despite the Group measures the fair value of these groups of financial instruments on a net basis, the underlying financial assets and financial liabilities are separately presented in the financial statements unless the offsetting criteria stated in Note 2.6 are fulfilled.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

If the market for assets or liabilities is not active, the Group uses valuation techniques, including the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

#### 2.13 Precious metals

Precious metals comprise gold, silver and other precious metals. Precious metals are initially recognised and subsequently re-measured at fair value. Mark-to-market gains or losses on precious metals are included in net trading gain/loss.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.14 金融資產減值

本集團就下列項目確認預期信用損失的損失準備：

- 以攤餘成本計量的金融資產；
- 以公平值變化計入其他全面收益計量的債務證券；和
- 非以公平值變化計入損益作計量的已發出的貸款承諾及財務擔保。

以公平值計量的金融資產，包括債券基金單位、以公平值變化計入損益作計量的股份證券、界定為以公平值變化計入其他全面收益的股份證券（非循環）及衍生金融資產，均不需進行預期信用損失評估。

預期信用損失是信用損失的概率加權估計。信用損失按所有預期現金缺口（即根據合約應付本集團的現金流量與本集團預期收到的現金流量之間的差額）的現值計量。

就未提取貸款承諾及財務擔保而言，預期現金缺口按兩者之間的差額計量(i)當貸款承諾持有人／財務擔保受益人提取貸款／索賠財務擔保，其應付本集團之合約現金流及(ii)如貸款被提取／財務擔保被索賠，本集團預期收到的現金流。

如折現的影響重大，預期的現金缺口會以折現值計算。估計預期信用損失時考慮的最長期限是集團面臨信用風險的最長合同期。

在計量預期信用損失時，集團已採用合理且可支持的信息。此包括已發生之事件、當前狀況和預測未來經濟狀況的信息。

#### 2.14 Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost;
- debt securities measured at FVOCI; and
- loan commitments and financial guarantees issued, which are not measured at FVPL.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments and financial guarantees outstanding, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder/beneficiary of the loan commitment/financial guarantee draws down/claims on the loan/financial guarantee and (ii) the cash flows that the Group expects to receive if the loan is drawn down/financial guarantee is claimed.

The expected cash shortfalls are discounted where the effect of discounting is material. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available. This includes information about past events, current conditions and forecasts of future economic conditions.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.14 金融資產減值 (續)

預期信用損失在以下其中一個基礎上測量：

- 12 個月的預期信用損失：即預計在報告日期後 12 個月內可能發生的違約事件造成的損失；或
- 存續期間的預期信用損失：即預期信用損失模型適用之資產於預計存續期間內的所有可能發生的違約事件導致的損失。

於金融工具作初始確認時，本集團將在未來 12 個月內的預期信用損失計入第一階段；並且，在初始確認後出現信用風險顯著增加的情況時，將存續期間的預期信用損失確認為第二階段。如對該金融資產的估計未來現金流量產生不利影響的一項或多項事件已發生，將對信用減值金融工具的終生預期信用損失確認為第三階段，並按扣除減值準備後的相關第三階段金融資產的淨值計提利息收入。

在評估自初始確認後金融工具的信貸風險（包括貸款承諾及財務擔保）是否顯著增加時，本集團將報告日評估的金融工具違約風險與初始確認日評估的風險進行比較。在進行重新評估時，本集團認為違約事件發生，當(i)借款人不太可能全額支付其對本集團的信貸責任時，而集團並無追討實現擔保的行動（如有任何保證）；或(ii)該金融資產逾期 90 天。本集團會考慮合理及具支持性的定量及定性信息，包括歷史經驗及無需付出不合理成本或努力已能獲取的前瞻性信息。

#### 2.14 Impairment of financial assets (continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within 12 months after the reporting date; or
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group will account for expected credit losses within the next 12 months as Stage 1 when those financial instruments are initially recognised; and to recognise lifetime expected credit losses as Stage 2 when there has been significant increases in credit risk since initial recognition. Lifetime expected credit losses will be recognised for credit-impaired financial instruments as Stage 3 if one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred and interest will then be accrued net of the impairment amount of the respective Stage 3 financial assets.

In assessing whether the credit risk of a financial instrument (including a loan commitment and financial guarantee) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising securities (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

## 財務報表附註（續）      Notes to the Financial Statements (continued)

### 2. 主要會計政策（續）      2. Significant accounting policies (continued)

#### 2.14 金融資產減值（續）

在評估自初始確認後信用風險是否顯著增加時，尤其會考慮以下信息：

- 未能在合同到期日支付本金或利息；
- 金融工具的外部或內部信用評級（如果有）有實際或預期顯著惡化；
- 債務人經營業績的實際或預期顯著惡化；和
- 技術性、市場、經濟或法律環境的現有或預測變化，此對債務人履行其對集團義務的能力產生重大不利影響的。

就貸款承諾及財務擔保而言，為評估預期信用損失而初始確認的日期被視為本集團成為不可撤銷承諾的一方的日期。在評估自初步確認貸款承諾及財務擔保以來信貸風險是否顯著增加時，本集團會考慮貸款承諾／財務擔保所涉及的貸款及墊款發生違約風險的變動。

根據金融工具的性质，對信用風險顯著增加的評估是在個別基礎上或共同基礎上進行的。當評估在共同基礎上進行時，金融工具根據共享信用風險特徵進行分類，例如逾期狀態和信用風險評級。

預期信用損失於每個報告日期重新計量，以反映自初始確認以來金融工具信用風險的變化。預期信用損失金額的任何變動均於損益內確認為減值回撥或損失。本集團確認所有金融工具的減值損益，並通過損失準備對其賬面金額進行相應調整，但以公平值變化計入其他全面收益計量的債務證券投資其損失準備於公平值儲備作記錄。

#### 2.14 Impairment of financial assets (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

For loan commitments and financial guarantees, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment or a financial guarantee, the Group considers changes in the risk of default occurring on the loan and advances to which the loan commitment/financial guarantee relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI, for which the loss allowance is recorded in the fair value reserve.

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財務報表附註 (續)      **Notes to the Financial Statements (continued)**

2. 主要會計政策 (續)      **2. Significant accounting policies (continued)**

2.14 金融資產減值 (續)

根據附註2.7利息收入以金融資產的賬面總值計算確認，除非該金融資產屬於信貸減值（第三階段），在此情況下，利息收入乃按金融資產的攤餘成本（即賬面總值扣除損失準備）計算。

當金融資產無法收回時，在完成所有必要程序及確定損失金額後，本集團對該等資產進行撇銷，並沖減相應的損失減值準備。該等已撇銷資產仍受制於執行活動。撇銷後收回的金額沖減在收益表中的減值損失。

2.14 Impairment of financial assets (continued)

Interest income recognised in accordance with Note 2.7 is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired (Stage 3), in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

When a financial asset is uncollectible, it is written off against the related allowance for impairment losses. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. The assets written off are still subject to enforcement activity. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses in the income statement.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.15 對附屬公司、聯營公司及合資企業之投資及非金融資產之減值

如因發生事件或情況已改變，並顯示資產之賬面值或將無法被收回，則會進行減值重檢。潛在減值跡象包括運用資產之科技、市場、經濟或法律環境已出現明顯變壞或資產價值大幅或長期下跌至低於其成本值。

「大幅」是以投資的原成本值作評價，而「長期」是以公平值低於其原成本值之時期作評價。

資產的賬面值超過其可收回金額的部分會被確認為減值損失。可收回金額是指資產的公平值扣除出售成本後與其使用價值的較高者。為作出減值評估，資產乃按其最小的可分開識別現金流（現金產出單元）層次分類。於每一財務報告日，會對已發生減值的資產進行重檢以確定需否回撥。

在本銀行的資產負債表，如果附屬公司、聯營公司或合資企業宣派的股息超過其在該宣派年度的全面收益總額，或其在在本銀行的賬面值超過在其綜合資產負債表內已包括商譽的淨資產值時，則需要做投資減值測試。

#### 2.15 Impairment of investments in subsidiaries, associates, joint ventures and non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Potential indications of impairment may include significant adverse changes in the technological, market, economic or legal environment in which the assets operate or whether there has been a significant or prolonged decline in value below their cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impaired assets are reviewed for possible reversal of the impairment at each reporting date.

In the Bank's balance sheet, impairment testing of the investment in a subsidiary, associate or joint venture is also required upon receiving dividend from that entity if the dividend exceeds the total comprehensive income of that entity concerned in the period the dividend is declared or if the carrying amount of that entity in the Bank's balance sheet exceeds the carrying amount of that entity's net assets including goodwill in its consolidated balance sheet.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.16 投資物業

持作賺取長期租金收益或資本增值或兩者兼備者，且並非集團旗下各公司所佔用之物業（包括由物業所在的租賃土地產生的使用權資產），均列作投資物業。出租予本集團內公司之物業，於個別公司之財務報表中分類為投資物業，及於綜合財務報表中分類為房產。

投資物業初始以成本值（包括相關交易成本）計量。經初始確認後，投資物業按公平值計量。

只有在與項目相關的未來經濟利益很有可能流入本集團，並能夠可靠地計量其成本的情況下，本集團才會將其後續支出計入為資產賬面值之一部分。該等後續支出以扣除減值後之成本列賬，並包括於投資物業的賬面值內。若其後開始產生經濟利益，則以公平值計量。至於所有其他修理及維護費用，均需於產生時確認於當期收益表內。

#### 2.16 Investment properties

Properties (including right-of-use assets arising from leases over leasehold land on which properties are situated), that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the companies in the Group, are classified as investment properties. Properties leased out within group companies are classified as investment properties in individual companies' financial statements and as premises in consolidated financial statements.

Investment properties are recognised initially at cost, including related transaction costs. After initial recognition, investment properties are measured at fair value.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The work in progress item is stated at cost less impairment and is included in the carrying amount of investment properties. Once the item begins to generate economic benefits, it is then measured at fair value. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.



## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.16 投資物業 (續)

任何公平值之變動會直接於收益表內確認。

若投資物業改為自用，會被重新分類為房產，其於重新分類日之公平值會成為其會計賬上的成本值。若房產項目因其用途改變而成為投資物業，則根據香港會計準則第 16 號「物業、器材及設備」將此項目於轉分類日之賬面值與其公平值之間的差額作為房產重估，確認於其他全面收益內。惟若公平值增值抵銷以往之重估損失或減值損失，該增值則於收益表內確認，並以過往已確認的損失金額為限。

#### 2019 年 1 月 1 日前的政策

持作賺取長期租金收益或資本增值或兩者兼備者，且並非集團旗下各公司所佔用之物業，均列作投資物業。出租予本集團內公司之物業，於個別公司之財務報表中分類為投資物業，及於綜合財務報表中分類為房產。若經營租賃之土地符合投資物業之其他定義，則會列作為投資物業。

#### 2.16 Investment properties (continued)

Any changes in fair value are recognised directly in the income statement.

If an investment property becomes owner-occupied, it is reclassified as premises, and its fair value at the date of reclassification becomes its cost for accounting purposes. If an item of premises becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income as a revaluation of premises under HKAS 16 "Property, Plant and Equipment". However, if a fair value gain reverses a previous revaluation loss or impairment loss classified under premises, the gain is recognised in the income statement up to the amount previously debited.

#### Policy prior to 1 January 2019

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the companies in the Group, are classified as investment properties. Properties leased out within group companies are classified as investment properties in individual companies' financial statements and as premises in consolidated financial statements. Land held under operating lease is classified and accounted for as investment property when the rest of the definition of investment property is met.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.17 物業、器材及設備

物業(包括由物業所在的租賃土地產生的使用權資產)主要為分行及辦公樓房產。房產需定期但最少每年以取自外間獨立估價師之公平值扣除任何隨後發生之累計折舊及資產減值損失列示。重估當日之累計折舊額需先沖銷資產之賬面毛值,沖減後之淨額則重新調整至該資產之重估值。相隔期間由董事參考相近物業之公開市值以檢討房產之賬面值,如董事認為該房產價值有重大變動則會作出相應調整。

房產重估後之賬面增值通過其他全面收益撥入房產重估儲備中。與同一個別資產早前之增值作對銷之減值部分,通過其他全面收益於房產重估儲備中扣減;餘下之減值額則確認於收益表內。其後任何增值將撥入收益表(以早前扣減之金額為限),然後撥至房產重估儲備內。出售房產時,房產重估儲備中與先前估值有關之已實現部分,將從房產重估儲備撥轉至留存盈利。

#### 2.17 Properties, plant and equipment

Properties (including right-of-use assets arising from leases over leasehold land on which properties are situated), are mainly branches and office premises. Premises are stated at fair value based on periodic, at least annually, valuations by external independent valuers less any subsequent accumulated depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. In the intervening periods, the directors review the carrying amount of premises, by reference to the open market value of similar properties, and adjustments are made when there has been a material change.

Increases in the carrying amount arising on revaluation of premises are credited to the premises revaluation reserve through other comprehensive income. Decreases that offset previous increases of the same individual asset are charged against premises revaluation reserve through other comprehensive income; all other decreases are expensed in the income statement. Any subsequent increases are credited to the income statement up to the amount previously debited, and then to the premises revaluation reserve. Upon disposal of premises, the relevant portion of the premises revaluation reserve realised in respect of previous valuations is released and transferred from the premises revaluation reserve to retained earnings.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.17 物業、器材及設備 (續)

所有器材及設備及除租賃土地外的使用權資產(見附註 2.18)均以歷史成本扣除累計折舊及減值損失列賬。歷史成本包括因取得及安裝該項目而直接產生之費用。

與資產有關的後續支出，只有當其產生的未來經濟利益很可能流入本集團，並且該支出能夠可靠地計量時，才能將其計入資產的賬面價值或作為單獨的一項資產進行確認(如適當)。該等後續支出以扣除減值後之成本列賬直至其開始產生經濟利益，之後則根據相關資產之後續計量基準進行計量。所有其他修理及維護費用均在發生時計入當期收益表。

折舊以直線法，將資產之成本值或重估值於其如下估計可用年限內攤銷：

- 物業  
按政府土地租約年期
- 器材及設備  
2至15年
- 使用權資產  
資產可用年期及租約年期之較短者

本集團在每個會計結算日重檢資產的可用年限，並已按適當情況作出調整。

#### 2.17 Properties, plant and equipment (continued)

All plant and equipment and right-of-use assets other than leasehold land (see Note 2.18) are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition and installation of the items.

Subsequent costs are included in an asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The item is stated at cost less impairment until it begins to generate economic benefits, then the item is subsequently measured according to the measurement basis of its respective assets class. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred or provided for.

Depreciation is calculated on the straight-line method to write down the cost or revalued amount of such assets over their estimated useful lives as follows:

- Properties  
Over the life of government land leases
- Plant and equipment  
2 to 15 years
- Right-of-use asset  
Shorter of useful lives and lease terms

The useful lives of assets are reviewed, and adjusted if appropriate, as at the end of each reporting period.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.17 物業、器材及設備 (續)

在每個會計結算日，源自內部及外界之資料均會被用作評定物業、器材及設備是否出現減值之跡象。如該跡象存在，則估算資產之可收回價值，及在合適情況下將減值損失確認以將資產減至其可收回價值。該等減值損失在收益表內確認，但假若某資產乃按估值列賬，而減值損失又不超過同一資產之重估盈餘，此等損失則當作重估減值。可收回價值指該資產之公平值扣除出售成本後之金額，與其使用價值之較高者。減值損失會按情況於房產重估儲備或收益表內回撥。

出售之收益或虧損是按扣除稅項及費用之出售淨額與有關資產賬面值之差額而釐定，並於出售日在收益表內確認。任何有關重估盈餘會由房產重估儲備撥轉至留存盈利，不會重新分類至收益表內。

#### 2.17 Properties, plant and equipment (continued)

At the end of each reporting period, both internal and external sources of information are considered to determine whether there is any indication that properties, plant and equipment are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such an impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Impairment loss is reversed through the premises revaluation reserve or the income statement as appropriate.

Gains or losses on disposals are determined as the difference between the net disposal proceeds and the carrying amount, relevant taxes and expenses. These are recognised in the income statement on the date of disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained earnings and is not reclassified to the income statement.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.18 租賃

在簽訂合同時，集團會評估該合同是否或有否包含租賃。如果一份合同在一段期間內，為換取對價而讓渡一項可識別資產使用的控制權，則該合同是一項租賃或包含一項租賃。在承租人同時擁有主導資產的使用的權利及從使用中獲得幾乎全部的經濟利益的情況下，控制權即已渡讓。

##### (1) 作為承租人

在租賃開始日期時，除為期 12 個月或以內的短期租賃和低價值資產的租賃外，集團會確認相應的使用權資產及租賃負債。如集團簽訂了與低價值資產相關的租賃，集團則會按每張合同決定是否將租賃合同資產化。不被資產化之租賃合同的相關租賃付款額會在租賃期內系統地確認為支出。

#### 2.18 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use over the contract period.

##### (1) As a lessee

On the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.18 租賃 (續)

#### 2.18 Leases (continued)

##### (1) 作為承租人 (續)

##### (1) As a lessee (continued)

當租賃合同被資產化後，租賃負債會以租約內租賃付款的未來現金流，(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)，以租賃合同中的內含利率，或如該等利率不能被有效確定時，則使用承租人於租賃開始日期的增量借貸利率折現成現值，作為初始確認金額。租賃付款額包括扣除租賃激勵後的固定付款額 (包含實質固定的付款額)、取決於指數或利率的可變租賃付款額及餘值擔保下的預計付款額。租賃付款額亦包括集團合理確定會行使的購買選擇權的行使價，以及合理確定會行使的提早終止選項下終止租約所需支付的罰款。

在初始確認後，租賃負債會以攤餘成本計量，利息支出則會以實際利息法計算。不取決於指數或利率的可變付款額並不包含於租賃負債的計量，因此會在發生的會計年度內計入收益表。

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, after taking into account payments to be made in the optional period if the extension option is reasonably certain to be exercised, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate.

After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and hence are charged to income statement in the accounting period in which they are incurred.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.18 租賃 (續)

#### 2.18 Leases (continued)

##### (1) 作為承租人 (續)

##### (1) As a lessee (continued)

租賃合同被資產化後而確認的使用權資產，於初始時以成本計量，而成本則由租賃負債的初始金額，加上租賃開始日期當天或之前已付的租賃付款額及初始直接費用組成。在適用範圍下，使用權資產的金額亦包含估算的清拆及移除相關資產、復原使用資產或其所在的地點之費用的現值，並扣除已收取的租賃激勵。除下列種類的使用權資產外，使用權資產後續以成本扣除累計折舊及減值損失計量（見附註 2.17），並於租賃負債被重新計量時作出調整：

- 符合投資物業定義的使用權資產會按附註 2.16 以公平值計量；及
- 與集團已註冊為擁有人的租賃土地及建築物相關的使用權資產會按附註 2.17 以重估值計量。

當未來租賃付款額受指數或利率的變化而發生改變，或集團估算在餘值擔保安排下的應付款項將會發生改變，或租期發生改變，或集團對於是否合理確定行使某一購買、續租或終止租約選項作出重新評估時，租賃負債會被重新計量。當在這些情況下重新計量租賃負債後，相應的調整會計入使用權資產的賬面金額，或如使用權資產的賬面價值已減記至零，則將調整計入收益表。

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, then discounted to its present value, and less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2.17) except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value in accordance with Note 2.16; and
- right-of-use assets related to leasehold land and buildings that do not meet the definition of investment property and where the Group is the registered owner of the leasehold interest are carried at revalued amount in accordance with Note 2.17.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or a rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change of lease terms, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in income statement if the carrying amount of the right-of-use asset has been reduced to zero.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.18 租賃 (續)

##### (1) 作為承租人 (續)

集團將不符合投資物業定義的使用權資產披露於「物業、器材及設備」項下，及將租賃負債分開列示於資產負債表中。

##### (2) 作為出租人

集團作為出租人時，會在簽訂租賃合同時判斷每份租賃合同應為融資租賃或是經營租賃。如租約已實質上轉讓了幾乎所有因擁有相關資產產生的風險及回報，該租賃應歸類為融資租賃。如非此等情況，則租賃應被分類為經營租賃。

如合同內含有租賃及非租賃成份，集團會將合同內的對價以各成份各自獨立的銷售價的基礎分配。來自經營租賃的租金收入會在租期內以直線法確認。

#### 2019年1月1日前的政策

##### 作為承租人

##### (1) 經營租賃

經營租賃是指實質上由出租人保留擁有資產之絕大部分風險及回報之租賃。經營租賃之總租金款額（扣除自出租人收取之任何回扣額），將於租賃期內以直線法在收益表中確認。或有租金以該支出產生的會計期間列作費用。

若經營租賃於租約到期前已結束，任何需繳付予出租人之罰款將於結束發生當期於收益表內確認為支出。經營租賃之租金收入在租約期內以直線法確認。

#### 2.18 Leases (continued)

##### (1) As a lessee (continued)

The Group presents right-of-use assets that do not meet the definition of investment property in “Properties, plant and equipment” and presents lease liabilities separately in the statement of financial position.

##### (2) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised on a straight-line basis over the lease term.

#### Policy prior to 1 January 2019

##### As a lessee

##### (1) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The total payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Contingent rental payable is recognised as an expense in the accounting period in which it is incurred.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place. Rental income from operating leases is recognised on a straight-line basis over the lease term.



## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.18 租賃 (續)

2019年1月1日前的政策  
(續)

作為承租人 (續)

##### (2) 融資租賃

如承租人已實質上獲得了所有風險及回報，該資產的租賃應歸類為融資租賃。由於位於香港之土地的最低租約付款的現值（即成交價）已實質上等同於土地的公平價值，因此香港政府土地的租賃被歸類為融資租賃，尤如屬無期業權。

融資租賃會在租賃開始時，按租賃資產之公平價值與其最低租約付款的現值之較低者予以資產化。每期租金均會分配於負債及財務費用，以達至一個每期於餘下負債上的固定息率。相應的租賃責任，在扣除財務費用後，會計入其他負債。按融資租賃方法購入的投資物業以公平價值列賬。

當資產按融資租賃租出，租金的現值會被確認為應收款項。租賃收入是以投資淨額方法於租賃期內確認，以反映固定的回報率。

#### 2.19 現金及等同現金項目

就綜合現金流量表而言，現金及等同現金項目指按原來到期日，於購入日期起計三個月內到期之結餘，包括現金、銀行及其他金融機構之結餘、短期票據及被分類為投資證券及存款證之票據。

#### 2.18 Leases (continued)

Policy prior to 1 January 2019 (continued)

As a lessee (continued)

##### (2) Finance leases

Leases of assets where lessee has obtained substantially all the risks and rewards of ownership are classified as finance leases. Government land leases in Hong Kong are classified as finance leases as the present value of the minimum lease payments (i.e. transaction price) of the land amounted to substantially all of the fair value of the land as if it were freehold.

Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other liabilities. Investment properties acquired under finance leases are carried at their fair value.

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

#### 2.19 Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise balances with original maturity less than three months from the date of acquisition, including cash, balances with banks and other financial institutions, short-term bills and notes classified as investment securities and certificates of deposit.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.20 準備

當本集團因為已發生之事件而須承擔法律性或推定性之現有責任，而解除該責任時有可能消耗有經濟利益之資源，需在責任金額能夠可靠地作出估算之情況下，為確認有關責任而撥備。

#### 2.21 僱員福利

##### (1) 退休福利成本

本集團根據認可職業退休計劃或強積金計劃之定額供款退休計劃作出供款，集團僱員均可參與。在職業退休計劃下，集團與僱員之供款按僱員基本薪金之百分比計算，在強積金計劃下該等供款則按強積金規例計算。退休福利計劃成本代表本集團應向此等計劃支付之供款，會於產生時在收益表支取。僱員於全數享有其應得之集團供款部分前退出此職業退休計劃，因而被沒收之本集團供款，會被本集團用作扣減其目前供款負擔或根據職業退休計劃信託契據條款沖減其開支。

退休計劃之資產與本集團之資產分開持有，並由獨立管理基金保管。

#### 2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

#### 2.21 Employee benefits

##### (1) Retirement benefit costs

The Group contributes to defined contribution retirement schemes under either recognised ORSO schemes or MPF schemes that are available to the Group's employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries for the ORSO schemes and in accordance with the MPF rules for MPF schemes. The retirement benefit scheme costs are charged to the income statement as incurred and represent contributions payable by the Group to the schemes. Contributions made by the Group that are forfeited by those employees who leave the ORSO scheme prior to the full vesting of their entitlement to the contributions are used by the Group to reduce the existing level of contributions or to meet its expenses under the trust deed of the ORSO schemes.

The assets of the schemes are held in independently-administered funds separate from those of the Group.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續)      2. Significant accounting policies (continued)

#### 2.21 僱員福利 (續)

##### (2) 有償缺勤

僱員獲享之年度休假及病假在累積時確認，本集團會對僱員服務至會計結算日所累積，但尚未使用之年度休假及預計所需支付之病假作出估算及撥備。

除病假及經特別批准之年度休假外，其他有償缺勤均不允許累積。若僱員於獲享有償缺勤之年度內未能悉數享用該等可用缺勤，剩餘之可用缺勤將被取消。除未到期之休假外，僱員於離職時亦無權收取現金以彌補任何未被使用之可用缺勤。

##### (3) 獎金計劃

若因僱員提供之服務而令集團產生法律性或推定性之現有責任，而該責任之金額亦能可靠地作出估算，集團需確認該預期之獎金支出並以負債列賬。如獎金計劃之負債金額重大，且預期會於12個月後才被償付，會以貼現處理。

#### 2.21 Employee benefits (continued)

##### (2) Leave entitlements

Employee entitlements to annual leave and sick leave are recognised when they accrue to employees. A provision is made for the estimated liability for unused annual leave and the amount of sick leave expected to be paid as a result of services rendered by employees up to the end of the reporting period.

Compensated absences other than sick leave and special approved annual leave are non-accumulating; they lapse if the current period's entitlement is not used in full. Except for unexpired annual leave, they do not entitle employees to a cash payment for unused entitlement on leaving the Group.

##### (3) Bonus plans

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans that are expected to be settled longer than twelve months will be discounted if the amounts are significant.

## 財務報表附註（續）      Notes to the Financial Statements (continued)

### 2. 主要會計政策（續）      2. Significant accounting policies (continued)

#### 2.22 本期及遞延所得稅項

在有關期間的稅務支出包括本期及遞延稅項。除因有關項目乃直接記於其他全面收益而需於其他全面收益內確認其稅項外，稅項於收益表內確認。

基於溢利而需支付之所得稅，是根據本銀行、附屬公司、聯營公司及合資企業在營運及產生應課稅收入之司法管轄地區於會計結算日已執行或實際會執行之適用稅法計算，並於溢利產生當期確認為本期所得稅項支出。

所有因綜合財務報表內資產及負債之稅務基礎與其賬面值之暫時性差異而產生之遞延所得稅項均以資產負債表負債法提撥。遞延所得稅項是按會計結算日已執行或實際會執行之稅率及稅法，及預期於相關之遞延所得稅資產實現時或遞延所得稅負債需清付時所適用之稅率計算。

主要之暫時性差異源於資產減值準備、房產及設備之折舊、以及若干資產之重估，包括以公平值變化計入其他全面收益之證券及房產。除業務合併外，若資產或負債在交易初始確認時，並未有對會計損益或應課稅損益構成影響，則無需確認遞延所得稅項。

所有因應課稅暫時性差異而產生之遞延所得稅負債均會被確認。當未來之應課稅利潤預計可被用作抵扣可抵扣之暫時性差異、結轉之未使用稅務抵免及未使用稅務虧損時，因該等可抵扣之暫時性差異、結轉之未使用稅務抵免及未使用稅務虧損而產生之遞延所得稅資產將被確認。

#### 2.22 Current and deferred income taxes

Tax expenses for the period comprise current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is also recognised in other comprehensive income.

Income tax payable on profits, based on the applicable tax law enacted or substantially enacted at the end of the reporting period in each jurisdiction where the Bank and its subsidiaries, associates and joint ventures operate and generate taxable income, is recognised as a current income tax expense in the period in which profits arise.

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from asset impairment provisions, depreciation of premises and equipment, and revaluation of certain assets including securities at FVOCI and premises. However, the deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax liabilities are provided in full on all taxable temporary differences. Deferred income tax assets are recognised on deductible temporary differences, the carry forward of any unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 2. 主要會計政策 (續) 2. Significant accounting policies (continued)

#### 2.22 本期及遞延所得稅項(續)

遞延所得稅項乃記於收益表內。但因以公平值變化計入其他全面收益之證券的公平值重新計量及對房產之重估記入其他全面收益內，故由此產生的遞延所得稅項也記入其他全面收益內，並於以後隨著相關遞延收益和虧損的確認而一同確認在收益表中。

投資物業的遞延稅項負債或遞延稅項資產的計算方法是假設該等投資物業是通過出售來回收其重估賬面值及採用相關的稅率計算。

#### 2.23 收回資產

收回資產按其收回日之公平值扣除出售成本後之淨值及有關貸款之攤餘成本之較低者列賬。有關貸款及應收款及有關已提準備於資產負債表中予以註銷。其後，收回資產取其成本及公平值扣除出售成本後之淨值中之較低者計量，並被確認為「待出售非流動資產」，包括於「其他資產」項下。

#### 2.24 信託業務

本集團一般以信託人或其他授託人身分，代表個人、信託及其他機構持有或管理資產。由於該等資產並不屬於本集團，該等資產及據此而產生之任何收益或虧損，將不計入本財務報表內。

#### 2.22 Current and deferred income taxes (continued)

Deferred income tax is charged or credited in the income statement except for deferred income tax relating to fair value re-measurement of securities at FVOCI and revaluation of premises which are charged or credited to other comprehensive income, in which case the deferred income tax is also credited or charged to other comprehensive income and is subsequently recognised in the income statement together with the realisation of the deferred gain and loss.

Deferred tax liability or deferred tax asset arising from an investment property is determined based on the presumption that the revaluation amount of such investment property will be recovered through sale with the relevant tax rate applied.

#### 2.23 Repossessed assets

Repossessed assets are initially recognised at the lower of their fair value less costs to sell and the amortised cost of the related outstanding loans on the date of repossession, and the related loans and advances together with the related impairment allowances are derecognised from the balance sheet. Subsequently, repossessed assets are measured at the lower of their cost and fair values less costs to sell and are reported as "non-current assets held for sale" included in "Other assets".

#### 2.24 Fiduciary activities

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are excluded from these financial statements, as they are not assets of the Group.

## 財務報表附註（續）      Notes to the Financial Statements (continued)

### 2. 主要會計政策（續）      2. Significant accounting policies (continued)

#### 2.25 或然負債及或然資產

或然負債是指由過去已發生的事件引起的可能需要履行的責任，其存在將由一宗或多宗本集團所不能完全控制的未來不確定事件出現與否來確認。或然負債也可能是由於過去已發生事件而引致的現有責任，但由於估計不會導致經濟利益的流出或因不能可靠地計量責任金額，故未有被確認。

或然負債不會被確認為準備，但會在財務報表附註中加以披露。如情況發生變化，使經濟利益的流出變得很有可能時，則會將其確認為準備。

或然資產是指由過去已發生的事件引起的可能產生之資產，其存在將由一宗或多宗本集團所不能完全控制的未來不確定事件出現與否來確認。

或然資產不會被確認，但如有可能收到經濟利益時，會在財務報表附註中披露。若將會收到之經濟利益可被實質確定時，將確認為資產。

#### 2.26 有關連人士

就此等財務報表而言，若一方人士(i)能控制、共同控制本集團、或對本集團有重大影響力；(ii)與本集團同屬一財務報告集團的成員，例如：母公司、附屬公司、同系附屬公司；(iii)為本集團或母公司集團中的聯營公司或合資企業；(iv)為本集團或母公司的主要高層人員；(v)與本集團受到共同控制；(vi)被識別為受第(iv)類人士所控制的企業；及(vii)向本集團或本集團之母公司提供主要管理人員服務，則該等人士被視為有關連人士。有關連人士可為個人或企業。

#### 2.25 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised as a provision but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When the inflow is virtually certain, it will be recognised as an asset.

#### 2.26 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if that party (i) controls, jointly controls or has significant influence over the Group; (ii) is a member of the same financial reporting group, such as parents, subsidiaries and fellow subsidiaries; (iii) is an associate or a joint venture of the Group or parent reporting group; (iv) is a key management personnel of the Group or parents; (v) is subject to common control with the Group; (vi) is an entity in which a person identified in (iv) controls; and (vii) provides key management personnel services to the Group or its parent. Related parties may be individuals or entities.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 3. 應用會計政策時之重大會計估計及判斷 3. Critical accounting estimates and judgements in applying accounting policies

本集團作出的會計估計和假設通常會影響下一會計結算日的資產和負債的賬面價值。該等估計及判斷是根據過往歷史經驗及於有關情況下被認為合理之其他因素，包括對未來事件的預期而作出，並會持續接受評估。對因必要的估計及判斷轉變，而會影響其賬面值的資產及負債項目範圍，將列示如下。如可釐定，重要假設或其他估量所存在之不明朗因素及其轉變所帶來之影響將於以下列出。而未來有可能根據實際情況的變化對這些會計估計做出重大調整。

#### 3.1 金融資產之減值準備

本集團至少每季對信貸組合的減值損失情況進行一次評估。按香港財務報告準則第9號要求，量度不同類別金融資產的減值損失皆涉及判斷，特別是在估計未來現金流的金額及時間和抵押品價值，以及評估信貸風險顯著上升之情況。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。

本集團的預期信用損失是採用複雜模型計算，選取的變數及其相互依存關係存在一系列的假設。在考慮可行性和可用性的情況後，本集團會利用在巴塞爾資本協定二下的內部評級(IRB)模型及其他內部實施的模型的參數建立預期信用損失模型。預期信用損失模型考慮之會計判斷及估計包括以下元素：

The Group makes estimates and assumptions that affect the carrying amounts of assets and liabilities within the next reporting period. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas susceptible to changes in essential estimates and judgements, which affect the carrying amount of assets and liabilities, are set out below. The effects of changes to either the key assumptions or other estimation uncertainties are presented below if it is practicable to determine. It is possible that actual results may require material adjustments to the estimates referred to below.

#### 3.1 Impairment of financial assets

The Group reviews its credit portfolios to assess impairment at least on a quarterly basis. Under HKFRS 9, the measurement of impairment losses across all categories of financial asset requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes of which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models. The choice of variable inputs and their interdependencies involves a series of assumptions. ECL models are developed by leveraging on the parameters implemented under Basel II Internal Ratings-Based ("IRB") models and internal models, where feasible and available. Elements of the ECL models that are considered accounting judgements and estimates include:

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 3. 應用會計政策時之重大會計估計及判斷 (續) 3. Critical accounting estimates and judgements in applying accounting policies (continued)

#### 3.1 金融資產之減值準備 (續) 3.1 Impairment of financial assets (continued)

- 本集團內部信貸評級模型，以定出個別評級對應之違約概率，請參閱本集團2019年之監管披露的CRE第7項對本集團內部模型之描述；
- 在評估信貸是否已出現顯著惡化導致相關之金融資產需按整個存續期計提預期信用損失準備金時，所採用的集團標準（包括內部評級下降、逾期天數、市場劃價下跌及定性評估）；
- 當採用組合模式評估金融資產之預期信用損失時，根據類近的風險及違約特徵（組合包括主權、銀行、企業、零售中小企、住宅按揭貸款及信用卡）對金融資產所進行之組合劃分；
- 預期信用損失模型的構建，包括對宏觀經濟情境的預測（包括國內生產總值增長、消費者物價指數、物業價格指數和失業率），以及其對違約概率、違約損失率及違約風險承擔的影響；以及
- 對前瞻性宏觀經濟情境（包括良好、基礎及低迷三個獨立情景）的選擇及其加權概率。

本集團政策規定需定期按實際損失經驗重檢有關模型，在需要時進行模型調整。

截至2019年12月31日的貸款、應收款及證券投資之賬面值已列示於附註23及24。

- The Group's internal credit rating models, which assign Probability of Defaults to the individual ratings. Please refer to CRE of section 7 of the Group's Regulatory Disclosures for 2019 for a description of the Group's internal models;
- The Group's significant credit deterioration criteria (including internal credit rating downgrade, days past due, drop in Mark-to-Market and qualitative assessment) for assessing whether the financial assets' impairment allowances should be measured on a lifetime ECL basis;
- The segmentation of financial assets according to similar risk and default characteristics (portfolios including Sovereign, Bank, Corporates, Retail Small Medium-sized Enterprise, Residential Mortgage Loan and Credit Card) when their ECLs are assessed on a collective basis;
- Development of ECL models, including the determination of macroeconomic factor forecasts (including Gross Domestic Product growth, Consumer Price Index, Property Price Index and Unemployment Rate) and the effect on Probability of Defaults, Loss Given Defaults and Exposure at Defaults; and
- Selection of forward-looking macroeconomic scenarios (including three independent scenarios i.e. good, baseline and bad) and their probability weightings.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Carrying amounts of loans and advances and investment in securities as at 31 December 2019 are shown in Notes 23 and 24 respectively.



## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 3. 應用會計政策時之重大會計估計及判斷 (續)      3. Critical accounting estimates and judgements in applying accounting policies (continued)

#### 3.2 衍生金融工具的公平值

沒有活躍市場報價之衍生金融工具，其公平值會根據估值方法釐定。所採用之估值方法包括貼現現金流量分析，以及從外間購入，並被業內廣泛採用之財務分析或風險管理系統之內置模型，如期權定價模型。在實際操作可行的情況下，定價模型會採用可觀察數據。若估值模型未有考慮某些因素，如信貸風險，估值調整將有可能被採用。選用適合的估值參數、假設和模型技術需要管理層的判斷和估計。具體詳情可參閱附註5。

截至2019年12月31日的衍生金融工具賬面值已列示於附註22。

#### 3.2 Fair values of derivative financial instruments

The fair values of derivative financial instruments that are not quoted in active markets are determined by using valuation techniques. Valuation techniques used include discounted cash flows analysis and models with built-in functions available in externally acquired financial analysis or risk management systems widely used by the industry such as option pricing models. To the extent practical, the models use observable data. In addition, valuation adjustments may be adopted if factors such as credit risk are not considered in the valuation models. Management judgement and estimates are required for the selection of appropriate valuation parameters, assumptions and modeling techniques. Further details will be discussed in Note 5.

Carrying amounts of derivative financial instruments as at 31 December 2019 are shown in Note 22.

#### 3.3 遞延稅項資產

按未使用的稅務虧損及稅務抵免而確認之遞延稅項資產，在釐定其金額時需要管理層作出重大判斷。按未使用的稅務虧損而確認之遞延稅項資產乃以預計可被運用作抵扣該等虧損之應課稅溢利金額為限，釐定遞延稅項資產的確認金額時，需判斷基於未來最有可能產生應課稅溢利的時間及其金額。就稅務抵免之遞延稅項資產而言，需根據對可運用的稅務抵免之估算及收回此等已確認之遞延稅項資產的可能性而作出判斷。

#### 3.3 Deferred tax assets

Deferred tax assets on unused tax losses and unused tax credits are recognised and the determination of the amount to be recognised requires significant management judgement. Deferred tax asset on unused tax losses are recognised to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. For deferred tax assets on unused tax credits, judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the estimation of available tax credits and the possibility to recover such deferred tax assets recognised.

## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 3. 應用會計政策時之重大會計估計及判斷 (續)      3. Critical accounting estimates and judgements in applying accounting policies (continued)

#### 3.4 確定租賃的租賃期

本集團確定的租賃期為租賃之不可撤銷的期限，以及合理確定會行使的續租權或合理確定不會行使的終止權所涵蓋的任何期限。

本集團在部分租約下可選擇續租資產的額外時期為3至9年。於租賃開始日，本集團會作出判斷以評估能否合理確定集團將行使續租權。在此評估過程中，集團會考慮所有構成行使續租權之經濟誘因的相關因素。在租約生效日期之後，如有在本集團的控制範圍內發生重大事件或情況發生變化並影響集團行使（或不行使）續租之選擇權（例如：業務策略變更），則本集團會重新評估租賃期。

截至2019年12月31日的使用權資產賬面值已列示於附註27。

#### 3.4 Determination of lease terms of leases

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to renew the leases for additional terms of three to nine years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option on the lease commencement date. During the evaluation, the Group considers all relevant factors that create an economic incentive for it to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Carrying amounts of right-of-use assets as at 31 December 2019 are shown in Note 27.

## 財務報表附註（續） Notes to the Financial Statements (continued)

### 4. 金融風險管理

本集團因從事各類業務而涉及金融風險。主要金融風險包括信貸風險、市場風險（包括外匯風險及利率風險）及流動資金風險。本附註概述本集團的這些風險承擔，以及其目標、風險管理的管治架構、政策與程序及量度這些風險的方法。

#### 金融風險管理架構

本集團風險管理管治架構覆蓋業務發展的全部過程，以保證在業務經營中的各類風險都能得到有效管理及控制。本集團擁有完善的風險管理架構，並有一套全面的風險管理政策及程序，用以識別、量度、監察及控制可能出現的各類風險。本集團亦定期重檢及更新風險管理政策及程序，以配合市場及業務策略的轉變。不同層面的風險承擔者分別負責與其相關的風險管理責任。

董事會代表著股東的利益，是本集團風險管理的最高決策機構，並對風險管理負最終責任。董事會在其屬下委員會的協助下，負責確定本集團的風險管理策略，並確保本集團具備有效的風險管理系統以落實執行有關策略。

風險委員會是董事會成立的常設委員會，負責監察本集團的各類風險；審批第一層風險管理政策，並監督其執行；審批重大的或高風險的風險承擔或交易。審計委員會協助董事會履行內部監控系統的監控職責。

### 4. Financial risk management

The Group is exposed to financial risks as a result of engaging in a variety of business activities. The principal financial risks are credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. This note summarises the Group's exposures to these risks, as well as its objectives, risk management governance structure, policies and processes for managing and the methods used to measure these risks.

#### Financial risk management framework

The Group's risk management governance structure is designed to cover all business processes and ensures various risks are properly managed and controlled in the course of conducting business. The Group has a robust risk management organisational structure with a comprehensive set of policies and procedures to identify, measure, monitor and control various risks that may arise. These risk management policies and procedures are regularly reviewed and updated to reflect changes in markets and business strategies. Various groups of risk takers assume their respective responsibilities for risk management.

The Board of Directors, representing the interests of shareholders, is the highest decision-making authority of the Group and has the ultimate responsibility for risk management. The Board, with the assistance of its committees, has the primary responsibility for the formulation of risk management strategies and ensuring that the Group has an effective risk management system to implement these strategies.

The Risk Committee ("RMC"), a standing committee established by the Board of Directors, is responsible for overseeing the Group's various types of risks, approving Level I risk management policies and monitoring their implementation, and approving significant or high risk exposures or transactions. The Audit Committee assists the Board in fulfilling its role in overseeing the internal control system.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 金融風險管理架構 (續)

總裁負責管理本集團各類風險，在董事會授權範圍內審批重大風險承擔或交易。副總裁負責協助總裁履行日常管理各類風險的職責，在總裁授權範圍內審批重大風險承擔或交易。風險總監負責協助總裁履行對各類風險日常管理的職責，提出新的風險管理策略、項目和措施以配合監管要求的變化，從而更好地監察及管理新業務、產品及營運環境轉變而引致的風險。風險總監還在授權範圍內負責審核重大風險承擔或交易。各高層管理人員在董事會批准的風險管理政策分層原則下，亦需負責審批其主管業務範圍的風險管理辦法。

本集團的不同單位都有其相應的風險管理責任。業務單位是風險管理的第一道防線，而風險管理單位則獨立於業務單位，負責各類風險的日常管理，以及草擬、檢查和更新各類風險管理政策和程序。

本集團的主要附屬銀行亦採用與本集團一致的風險管理政策。中銀香港風險管理單位按照各自分工，監督附屬公司的相關風險管理情況。

本集團建立了合適的內部控制程序，包括設立權責分立清晰的組織架構，以監察業務運作是否符合既定政策、程序及限額。適當的匯報機制也充分地使監控職能獨立於業務範疇，同時促成機構內適當的職責分工，有助營造適當的內部控制環境。

#### Financial risk management framework (continued)

The Chief Executive (“CE”) is responsible for managing the Group’s various types of risks, and approving material risk exposures or transactions within his authority delegated by the Board of Directors. The Deputy Chief Executives (“DCEs”) assist the CE in fulfilling his responsibilities on the day-to-day management of various types of risk, and are responsible for approving material risk exposures or transactions within their authorities delegated by the CE. The Chief Risk Officer (“CRO”) assists the CE in fulfilling his responsibilities for the day-to-day management of risks. The CRO is responsible for initiating new risk management strategies, projects and measures in response to regulatory changes that will enable the Group to better monitor and manage any risks that may arise from time to time from new businesses, products and changes in the operating environment. The CRO is also responsible for reviewing material risk exposures or transactions within his delegated authority. In accordance with the principle of setting the hierarchy of risk management policies approved by the Board, senior management is also responsible for approving the detailed risk management policies of their responsible areas.

Various units of the Group have their respective risk management responsibilities. Business units act as the first line of defence while risk management units, which are independent from the business units, are responsible for the day-to-day management of different kinds of risks. Risk management units have the primary responsibility for drafting, reviewing and updating various risk management policies and procedures.

The Group’s principal banking subsidiaries are subject to risk management policies that are consistent with those of the Group. Risk management units of BOCHK monitor the risk management status of these subsidiaries.

The Group has put in place appropriate internal control systems, including the establishment of an organisation structure that sets clear lines of authority and responsibility for monitoring compliance with policies, procedures and limits. Proper reporting lines also provide sufficient independence of the control functions from the business areas, as well as adequate segregation of duties throughout the organisation which helps to promote an appropriate internal control environment.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 產品開發及風險監控

為了提高風險評估及監控工作的有效性，本集團建立了一套完善的產品開發及風險監控管理制度。在產品開發過程中，本集團各單位具有清晰的職責及分工，並制定了適當的風險盡職審查程序。

根據董事會及管理層提出的發展目標，產品管理單位負責提出相應的業務發展和產品開發計劃，進行具體的產品開發工作。策略發展部門負責確保業務發展和產品開發計劃符合集團整體策略；風險管理、法律、合規及財務等方面的專責部門負責對風險評估結果進行審核。

除負責本單位新產品開發項目的管理工作外，產品管理單位將與風險評估部門共同負責識別和評估項目所涉及的各項風險。風險評估部門需要對項目的風險評估結果和風險管理措施進行獨立審查，只有在風險評估部門滿意盡職審查結果，有關產品才可推出市場。

對於提供予客戶的財資產品則採納更審慎的方法，所有新的財資產品在推出前，都必須經由專責委員會審批同意通過。

#### 4.1 信貸風險

信貸風險指因客戶或交易對手未能或不願意履行償債責任而造成損失的風險。本集團的交易賬和銀行賬、以及資產負債表內和表外之交易均存在這種風險。信貸風險主要來自借貸、貿易融資及資金業務。

#### Product development and risk monitoring

To ensure the effectiveness of risk assessment and monitoring, the Group has a comprehensive product development and risk monitoring system where roles and responsibilities of all related units are clearly defined and proper due diligence processes on product development are in place.

In accordance with the strategic objectives set by the Board and the Management, respective product management units are responsible for formulating business and product development plans, and proceeding to specific product development activities. The department of strategic development shall ensure the plans are aligned with the Group's overall strategies. Departments that are responsible for risk management, legal, compliance and finance, etc. are accountable for review of the risk assessment results.

Apart from product development, respective product management units shall work closely with relevant risk evaluating departments to identify and assess the risks of new products. Risk evaluating departments shall conduct independent review on the risk assessment results and the corresponding risk management measures. Products can only be launched upon completion of the product due diligence process to the satisfaction of all risk evaluating departments.

A prudent approach is adopted in offering treasury products to our clients. All new treasury products require approval from a special committee before launching.

#### 4.1 Credit risk

Credit risk is the risk of loss that a customer or counterparty is unable to or unwilling to meet its contractual obligations. Credit risk exists in the trading book and banking book, as well as from on- and off-balance sheet transactions of the Group. It arises principally from lending, trade finance and treasury businesses.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### 信貸風險管理架構

本集團制定了一套全面的信貸風險管理政策與程序和恰當的信貸風險限額，用以管理及控制信貸風險。本集團定期重檢及更新該等政策與程序及信貸風險限額，以配合市場及業務策略的轉變。

本集團的組織架構制定了明確的授權及職責，以監控遵守政策、程序及限額的情況。

信貸風險總監負責主持各類信貸風險管理工作，直接向風險總監匯報，並在與本集團制定的信貸風險管理原則及要求相一致前提下管控附屬機構的信貸風險承擔。本集團的不同單位都有其相應的信貸風險管理責任。業務單位是風險管理的第一道防線，而風險管理部則獨立於業務單位，負責信貸風險的日常管理，對信貸風險的識別、量度、監督和控制做獨立的盡職調查，確保有效的制約與平衡，以及草擬、檢查和更新信貸風險管理政策與程序。風險管理部同時負責設計、開發及維護本集團的內部評級體系，並確保符合相關的監管要求。後線支援單位負責授信執行、對落實發放貸款前條件提供操作支援及監督。

根據本集團的營運總則，本集團的主要附屬機構制定與本集團核心原則一致的信貸風險管理政策。這些附屬機構須定期向本集團管理層提交風險管理報告。

#### 4.1 Credit risk (continued)

##### Credit risk management framework

The Group has formulated a comprehensive set of credit risk management policies and procedures, and appropriate credit risk limits to manage and control credit risk that may arise. These policies, procedures and credit risk limits are regularly reviewed and updated to cope with changes in market conditions and business strategies.

The Group's organisation structure establishes a clear set of authority and responsibility for monitoring compliance with policies, procedures and limits.

The Chief Credit Officer, who reports directly to the CRO, takes charge of credit risk management and is also responsible for the control of credit risk exposures of subsidiaries in line with the credit risk management principles and requirements set by the Group. Various units of the Group have their respective credit risk management responsibilities. Business units act as the first line of defence. The Risk Management Department ("RMD"), which is independent from the business units, is responsible for the day-to-day management of credit risks and has the primary responsibility for providing an independent due diligence through identifying, measuring, monitoring and controlling credit risk to ensure an effective checks and balances, as well as drafting, reviewing and updating credit risk management policies and procedures. It is also responsible for the design, development and maintenance of the Group's internal rating system and ensures the system complies with the relevant regulatory requirements. Back offices are responsible for credit administration, providing operations support and supervision on the implementation of prerequisite terms and conditions of credit facilities.

In accordance with the Group's operating principle, the Group's principal subsidiaries have to formulate their own credit risk policies that are consistent with those of the Group's core principle. These subsidiaries are required to submit their risk management reports to the Group's Management on a regular basis.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### 信貸風險管理架構 (續)

總裁在董事會授予之信貸審批權限內按管理需要轉授權予相關下級人員。本集團按照信貸業務性質、評級、交易風險的程度、信貸風險承擔大小，設置信貸業務的審批權限。

##### 信貸風險評估及監控

因應迅速變化的市場情況，本集團已持續重檢信貸策略，並對關注的組合開展嚴格的信貸重檢。

##### 貸款

不同客戶、交易對手或交易會根據其風險程度採用不同的信貸審批及監控程序。信貸評審委員會由信貸和其他業務專家組成，負責對副總裁級或以上人員審批的重大信貸申請進行獨立評審。非零售風險承擔信貸申請由風險管理單位進行獨立審核、客觀評估，並確定債務人評級（按照違約概率程度）和授信等級（按照違約損失率程度）以支持信貸審批；零售信貸交易包括零售風險承擔下的小企業貸款、住宅按揭貸款、私人貸款及信用卡等利用零售內部評級系統進行信貸風險評估。本集團會應用貸款分類級別、債務人評級、授信等級和損失預測結果（如適用）於支持信貸審批。

#### 4.1 Credit risk (continued)

##### Credit risk management framework (continued)

The Board of Directors delegates credit approval authority to the CE. The CE can further delegate to the subordinates within his limit authorised by the Board of Directors. The Group sets the limits of credit approval authority according to the credit business nature, rating, the level of transaction risk, and the extent of the credit exposure.

##### Credit risk measurement and control

In view of the rapidly changing market conditions, the Group has been continuously revisiting its credit strategies and conducting rigorous reviews on the concerned portfolios.

##### Advances

Different credit approval and control procedures are adopted according to the level of risk associated with the customer, counterparty or transaction. The Credit Risk Assessment Committee, comprising experts from credit and other functions, is responsible for making an independent assessment of material credit applications which require the approval of DCEs or above. Credit applications for non-retail exposures are independently reviewed and objectively assessed by risk management units. Obligor ratings (in terms of probability of default) and facility ratings (in terms of loss given default) are assigned to these portfolios to support credit approval. Retail internal rating systems are deployed in the risk assessment of retail credit transactions, including small business loans under retail exposures, residential mortgage loans, personal loans and credit cards. Loan grades, obligor and facility ratings as well as loss estimates (if applicable) are used to support credit approval.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### 信貸風險評估及監控 (續)

##### 貸款 (續)

本集團亦會應用貸款分類級別、債務人評級和損失預測結果(如適用)於支持信貸監控、信貸風險報告及分析。對於非零售風險承擔,本集團會對較高風險的客戶採取更頻密的評級重檢及更密切的監控;對於零售風險承擔則會在組合層面應用每月更新的內部評級及損失預測結果進行監察,對識別為高風險組別客戶,會進行更全面檢討。

本集團使用的內部評級總尺度表能與標準普爾(Standard & Poor's)外部信用評級相對應。該內部評級總尺度表結構符合香港《銀行業條例》項下《銀行業(資本)規則》的要求。

風險管理部定期提供信貸風險管理報告,並按管理委員會、風險委員會及董事會的特別要求,提供專題報告,以供其持續監控信貸風險。

#### 4.1 Credit risk (continued)

##### Credit risk measurement and control (continued)

##### Advances (continued)

The Group also uses loan grades, obligor ratings and loss estimates (if applicable) to support credit monitoring, reporting and analysis of credit risk information. For non-retail exposures, more frequent rating review and closer monitoring are required for higher-risk customers. For retail exposures, monthly updated internal ratings and loss estimates are used for credit monitoring on a portfolio basis. More comprehensive review is required for obligors being identified under high-risk pools.

The Group employs an internal master rating scale that can be mapped to Standard & Poor's external credit ratings. The structure of internal master rating scale is in compliance with the requirement of the Banking (Capital) Rules under the Hong Kong Banking Ordinance.

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



## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### 信貸風險評估及監控 (續)

##### 貸款 (續)

本集團也會按照行業、地區、客戶或交易對手等維度識別信貸風險集中度，並監察每一交易對手信貸風險、信貸資產組合質素、信貸風險集中度的變化，定期向本集團管理層匯報。

本集團參照金管局貸款分類制度的指引，實施信貸資產的五級分類如下：

「合格」是指借款人目前有履行還款責任的貸款，同時全數償還利息及本金的機會也不成疑問。

「需要關注」是指借款人正面對困難，可能會影響本集團收回貸款的本金及利息。現時並未預期出現最終損失，但如不利情況持續，有可能出現最終損失。

「次級」是指借款人正出現明顯問題，以致可能影響還款的貸款。

「呆滯」是指不大可能全數收回，而本集團在扣除抵押品的可變現淨值後預計會承受本金和／或利息虧損的貸款。

「虧損」是指用盡所有追討欠款方法後（如變賣抵押品、提出法律訴訟等）仍被視為無法收回的貸款。

#### 4.1 Credit risk (continued)

##### Credit risk measurement and control (continued)

##### Advances (continued)

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

The Group adopts loan grading criteria which divide credit assets into five categories with reference to the HKMA's guidelines, as below:

“Pass” represents loans where the borrower is current in meeting its repayment obligations and full repayment of interest and principal is not in doubt.

“Special Mention” represents loans where the borrower is experiencing difficulties which may threaten the Group's position. Ultimate loss is not expected at this stage but could occur if adverse conditions persist.

“Substandard” represents loans where the borrower displays a definable weakness that is likely to jeopardise repayment.

“Doubtful” represents loans where collection in full is improbable and the Group expects to sustain a loss of principal and/or interest, taking into account the net realisable value of the collateral.

“Loss” represents loans which are considered uncollectible after all collection options (such as the realisation of collateral or the institution of legal proceedings) have been exhausted.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### 信貸風險評估及監控 (續)

###### 債務證券及衍生產品

對於債務證券及證券化資產的投資，本集團會應用債務人評級或外部信用評級、通過評估證券相關資產的質素及設定客戶及證券發行人信貸限額，以管理債務證券及證券化資產投資的信貸風險；對於衍生產品，本集團會採用客戶限額及採用與貸款一致的審批及監控程序管理信貸風險，並制定持續監控及止損程序。

結算風險主要來自交易對手相關外匯交易，以及來自任何以現金、證券或股票支付但未能如期相應收回該交易對手的現金、證券或股票的衍生產品交易。本集團對各交易對手或客戶制定每日結算限額，以涵蓋任何單一日子本集團的交易而產生的所有結算風險。

#### 4.1 Credit risk (continued)

##### Credit risk measurement and control (continued)

###### Debt securities and derivatives

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

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

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### 預期信用損失(ECL)方法論

對於減值評估，根據香港財務報告準則第9號引入減值模型，其要求在確認金融工具的預期信用損失(ECL)時需按攤餘成本計量及以公平值變化計入其他全面收益。在香港財務報告準則第9號下，預期信用損失分類為三個階段進行評估，而金融資產和貸款承諾需在三個階段中歸類為其中一個階段。

第一階段：如果金融工具不是在初始日起為信貸減值資產，以及在初始確認後沒有出現信用風險顯著增加的情況，減值準備為12個月內的預期信用損失；

第二階段：如果金融工具不是在初始日起為信貸減值資產，但在初始確認後出現信用風險顯著增加的情況，減值準備為整個存續期的預期信用損失；

第三階段：如果金融工具為信貸減值資產，且未來現金流量已受到一項或多項事件的不良影響，減值準備為整個存續期的預期信用損失。

本集團已建立重大信貸風險轉差條件框架來判斷各金融工具的所屬階段，此框架包括定量及定性的評估，考慮因素例如逾期天數、內部評級變化及監察名單等。

#### 4.1 Credit risk (continued)

##### Expected Credit Loss ("ECL") Methodology

For impairment assessment, an impairment model is introduced in compliance with HKFRS 9, it requires the recognition of ECL for financial instrument held at amortised cost and fair value through other comprehensive income. Under HKFRS 9, ECL is assessed in three stages and the financial assets and loan commitments are classified in one of the three stages.

Stage 1: if the financial instrument is not credit-impaired upon origination and the credit risk on the financial instrument has not increased significantly since initial recognition, the loss allowance is measured at an amount up to 12-month ECL;

Stage 2: if the financial instrument is not credit-impaired upon origination but the credit risk on the financial instrument has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime ECL;

Stage 3: if the financial instrument is credit-impaired, with one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, the loss allowance is also measured at an amount equal to the lifetime ECL.

The Group has established the significant credit deterioration criteria framework to determine the stage of the financial instrument. The framework incorporates both quantitative and qualitative assessment, taking into account of factors such as number of days past due, change in IRB rating, and the watchlist.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### 預期信用損失(ECL)方法論 (續)

本集團利用巴塞爾資本協定二的內部評級(IRB)模型及其他可行和可用內部模型的參數來評估預期信用損失。對於沒有模型的組合，本集團則使用所有合理及有理據支持的資料，例如歷史資料、相關損失經驗或代理方法。而預期信用損失的計量是金融工具違約概率(PD)、違約損失率(LGD)和違約風險承擔(EAD)於報告日以實際利率折現後的計算結果。

預期信用損失是透過無偏頗及概率加權計算的金額，而此金額是通過評估一系列可能的結果、金額的時間價值，以及過去事件、當前狀況和未來經濟狀況預測的合理及有理據支持的資料來評估。本集團在預期信用損失計量中採用三個經濟情景以滿足香港財務報告準則第9號的要求。「基礎」情景代表最可能的結果，而另外兩個情景，分別為「良好」情景和「低迷」情景，則代表較低可能的結果，與基礎情景相比，此兩個情景的結果較為樂觀或悲觀。

基礎情景由本集團發展規劃部提供。為確保情景合理和有理據支持，本集團亦使用歷史數據、經濟趨勢、官方和非官方組織的外部經濟預測等資料作為參考。至於良好情景和低迷情景，本集團參考歷史宏觀經濟數據設定。

#### 4.1 Credit risk (continued)

##### Expected Credit Loss ("ECL") Methodology (continued)

The Group leverages the parameters implemented under Basel II Internal Ratings-Based ("IRB") models and internal models where feasible and available to assess ECL. For the portfolios without models, all other reasonable and supportable information such as historical information, relevant loss experience or proxies are utilised. The measurement of ECL is the product of the financial instrument's probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") discounted at the effective interest rate to the reporting date.

ECL is measured at an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The Group adopts three economic scenarios in the ECL measurement to meet the requirements of HKFRS 9. The "Baseline" scenario represents a most likely outcome and the other two scenarios, referred to as "Good" scenario and "Bad" scenario, represent less likely outcomes which are more optimistic or more pessimistic compared to Baseline scenario.

The Baseline scenario is prepared by our Economics & Strategic Planning Department. Historical data, economic trend, external forecast from governmental and non-governmental organisation, etc. are also used as benchmarks to ensure the scenario is reasonable and supportable. For the Good and Bad scenarios, the Group makes reference to the historical macroeconomics data.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### 預期信用損失(ECL)方法論 (續)

本集團在設定經濟情景時，採用主要經營國家／地區的宏觀經濟因素，如國內生產總值增長、消費者物價指數、物業價格指數和失業率。這些宏觀經濟因素在預期信用損失統計分析和業務意見上，均具有相當重要意義。

本集團對經濟環境的觀點反映於每個情景所分配的概率，而本集團採用審慎及貫徹的信貸策略，以確保減值準備的充足性。基礎情景獲分配較高的概率以反映最可能的結果，而良好和低迷情景獲分配較低的概率以反映較低可能的結果，概率於每季度更新一次。

風險委員會負責審批預期信用損失方法論，管理層負責預期信用損失模型的應用。信貸風險管理負責維護預期信用損失方法論，包括常規性的模型重檢及參數更新。獨立模型驗證團隊負責每年的預期信用損失模型驗證。如預期信用損失方法論有任何變更，本集團將按既定的程序進行審批。

#### 4.1 Credit risk (continued)

##### Expected Credit Loss (“ECL”) Methodology (continued)

The macroeconomic factors in the major countries/regions the Group operates such as Gross Domestic Product growth, Consumer Price Index, Property Price Index and Unemployment Rate are applied in the economic scenarios. These macroeconomic factors are considered to be important to the Group's ECL in statistical analysis and business opinion.

The probability assigned for each scenario reflects the Group's view for the economic environment, which implements the Group's prudent and consistent credit strategy of ensuring the adequacy of impairment allowance. A higher probability is assigned to the Baseline scenario to reflect the most likely outcome and a lower probability is assigned to the Good and Bad scenarios to reflect the less likely outcomes. The probabilities assigned are updated in each quarter.

RMC is responsible for approving ECL methodology and the Management is responsible for the ECL model implementation. Credit Risk Management is responsible for the maintenance of ECL methodology including models review and parameters update on a regular basis. Independent Model Validation Team is responsible for the annual validation of ECL models. If there is any change in ECL methodology, the Group will follow the proper approval process.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### 抵押品及其他改善信貸條件

本集團制定抵押品估值及管理的信貸風險管理政策與程序，明確抵押品的接受準則、法律有效性、貸款與估值比率、估損折扣比率、估值及保險等規定。本集團須定期重估抵押品價值，並按抵押品種類、授信性質及風險狀況而採用不同的估值頻率及方式。物業抵押品是本集團主要押品，本集團已建立機制包括利用指數以組合形式對物業進行估值。抵押品須購買保險並以本集團作為第一受益人。個人貸款以房地產、存款及證券作為主要抵押品；工商貸款的抵押品包括房地產、證券、現金存款、船舶等。

對於由第三者提供擔保的貸款，本集團會評估擔保人的財政狀況、信貸紀錄及履約能力。

於 2019 年 12 月 31 日，本集團持有允許於借款人未違約情況下出售或再抵押之抵押品公平值為港幣 63.35 億元 (2018 年：港幣 53.22 億元)。本集團並無出售或再抵押該等抵押品 (2018 年：無)。該等交易乃按反向回購及借入證券協議之一般及慣常條款進行。

#### 4.1 Credit risk (continued)

##### Collateral held as security and other credit enhancements

The valuation and management of collateral have been documented in the credit risk management policies and procedures which cover acceptance criteria, validity of collateral, loan-to-value ratio, haircut ratio, valuation and insurance, etc. The collateral is revalued on a regular basis, though the frequency and the method used varies with the type of collateral involved and the nature and the risk of the underlying credit. The Group has established a mechanism to update the value of its main type of collateral, property collateral including the use of public indices on a portfolio basis. Collateral is insured with the Group as the beneficiary. In the personal sector, the main types of collateral are real estate, cash deposits and securities. In the commercial and industrial sector, the types of collateral include real estate, securities, cash deposits, vessels, etc.

For loans guaranteed by a third party, the Group will assess the guarantor's financial condition, credit history and ability to meet obligations.

As at 31 December 2019, the fair value of collateral held by the Group that was permitted to sell or re-pledge in the absence of default by the borrower amounted to HK\$6,335 million (2018: HK\$5,322 million). The Group had not sold or re-pledged such collateral (2018: Nil). These transactions are conducted under terms that are usual and customary to reverse repurchase and securities borrowing agreements.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### (A) 信貸風險承擔

本集團之最高信貸風險承擔是未考慮任何抵押品或其他改善信貸條件的最大風險承擔。對於資產負債表內資產，最高信貸風險承擔相等於其賬面值。對於開出擔保函，最高信貸風險承擔是被擔保人要求本集團代為償付債務的最高金額。對於貸款承諾及其他信貸有關負債，最高信貸風險承擔為授信承諾的全額。

以下為所持抵押品及其他改善信貸條件的性質及其對本集團各類金融資產的財務影響。

##### 在銀行及其他金融機構之結餘及定期存放

考慮到交易對手的性質，一般會視為低風險承擔。因此一般不會就此等資產尋求抵押品。

##### 以公平值變化計入損益之金融資產及證券投資

一般不會就債務證券尋求抵押品。

#### 4.1 Credit risk (continued)

##### (A) Credit exposures

The maximum credit exposure is the worst case scenario of exposure to the Group without taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the maximum exposure to credit risk equals their carrying amount. For letters of guarantee issued, the maximum exposure to credit risk is the maximum amount that the Group could be required to pay if the guarantees are called upon. For loan commitment and other credit related liabilities, the maximum exposure to credit risk is the full amount of the committed facilities.

The nature of the collateral held and other credit enhancements and their financial effect to the different classes of the Group's financial assets are as follows.

##### Balances and placements with banks and other financial institutions

These exposures are generally considered to be low risk due to the nature of the counterparties. Collateral is generally not sought on these assets.

##### Financial assets at fair value through profit or loss and investment in securities

Collateral is generally not sought on debt securities.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### (A) 信貸風險承擔 (續)

##### 衍生金融工具

本集團傾向以國際掉期及衍生工具協會出版的主協議(「ISDA 主協議」)作為衍生工具業務的協議文件。該 ISDA 主協議為做場外衍生交易提供合約框架,並載有於發生違約事件或終止事件後終止交易時所採用之淨額結算條款。此外,亦會視乎需要考慮於 ISDA 主協議之附約中附加信用支持附件(CSA)。根據 CSA, 抵押品會按情況由交易一方轉交另一方,以緩解信貸風險承擔。

##### 貸款及其他賬項、或然負債及承擔

一般抵押品種類已載於第 128 頁。本集團根據對貸款及其他賬項、或然負債及承擔的個別風險承擔的評估,考慮適當之抵押品。有關客戶貸款之抵押品覆蓋率已分析於第 144 至 145 頁。或然負債及承擔之主要組合及性質已載於附註 39,就不需事先通知的無條件撤銷之承諾,如客戶的信貸質素下降,本集團會評估撤回其授信額度的需要性。於 2019 年 12 月 31 日,有抵押品覆蓋之或然負債及承擔為 14.15%(2018 年: 13.32%)。

#### 4.1 Credit risk (continued)

##### (A) Credit exposures (continued)

##### Derivative financial instruments

The Master Agreement published by the International Swaps and Derivatives Association, Inc. ("ISDA Master Agreement") is the preferred agreement for documenting derivative activities of the Group. It provides the contractual framework under which dealing activities of over-the-counter ("OTC") transactions are conducted, and sets out close-out netting provisions upon termination following the occurrence of an event of default or a termination event. In addition, if deemed necessary, Credit Support Annex ("CSA") will be included to form part of the Schedule to the ISDA Master Agreement. Under a CSA, collateral is passed from one counterparty to another, as appropriate, to mitigate the credit exposures.

##### Advances and other accounts, contingent liabilities and commitments

The general types of collateral are disclosed on page 128. Advances and other accounts, contingent liabilities and commitments are collateralised to the extent considered appropriate by the Group taking account of the risk assessment of individual exposures. The collateral coverage of advances to customers is analysed on pages 144 to 145. The components and nature of contingent liabilities and commitments are disclosed in Note 39. Regarding the commitments that are unconditionally cancellable without prior notice, the Group would assess the necessity to withdraw the credit line in case where the credit quality of a borrower deteriorates. For contingent liabilities and commitments, 14.15% (2018: 13.32%) were covered by collateral as at 31 December 2019.



## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### (B) 貸款及其他賬項

提取減值準備前之總貸款及其他賬項按產品類別概述如下：

客戶貸款  
 個人  
   - 按揭  
   - 信用卡  
   - 其他  
 公司  
   - 商業貸款  
   - 貿易融資

貿易票據  
 銀行及其他金融機構  
 貸款

有明確到期日之貸款，若其本金或利息已逾期及仍未償還，則列作逾期貸款。須定期分期償還之貸款，若其中一次分期還款已逾期及仍未償還，則列作逾期處理。須即期償還之貸款若已向借款人送達還款通知，但借款人未按指示還款，或貸款一直超出借款人獲通知之批准貸款限額，亦列作逾期處理。

#### 4.1 Credit risk (continued)

##### (B) Advances and other accounts

Gross advances and other accounts before impairment allowances are summarised by product type as follows:

Advances to customers

Personal

- Mortgages  
 - Credit cards  
 - Others

Corporate

- Commercial loans  
 - Trade finance

Trade bills

Advances to banks and other financial institutions

	2019	2018
	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
	<b>298,914</b>	256,723
	<b>14,688</b>	15,640
	<b>100,754</b>	80,442
	<b>905,303</b>	848,285
	<b>75,764</b>	65,437
	<b>1,395,423</b>	1,266,527
	<b>20,727</b>	17,361
	<b>3,387</b>	3,822
	<b>1,419,537</b>	1,287,710

Advances with a specific repayment date are classified as overdue when the principal or interest is past due and remains unpaid. Advances repayable by regular instalments are classified as overdue when an instalment payment is past due and remains unpaid. Advances repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction or when the advances have remained continuously to exceed the approved limit that was advised to the borrower.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

#### 4.1 Credit risk (continued)

##### (B) 貸款及其他賬項 (續)

##### (B) Advances and other accounts (continued)

當發生一項或多項事件對授信的未來現金流產生不利的影響，例如超過 90 天以上逾期，或借款人可能無法全額支付本集團的債務，有關授信將視為信貸減值授信。信貸減值授信被確定為第三階段需按整個存續期計提預期信用損失。

Advances are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred such as past due for more than 90 days or the borrower is unlikely to pay in full for the credit obligations to the Group. Credit-impaired advances are classified as Stage 3 and lifetime expected credit losses will be recognised.

根據以下可觀察證據來決定授信是減值貸款：

Evidence that an advance is credit-impaired include observable data about the following events:

- 借款人出現重大的財務困難；
  - 出現違約事件，例如不履行或逾期償還本金或利息；
  - 當借款人出現財務困難，本集團基於經濟或法律因素考慮而特別給予借款人貸款條件上的優惠；
  - 有證據顯示借款人將會破產或進行財務重整；或
  - 其他明顯訊息反映有關貸款的未來現金流將會出現明顯下降。
- Significant financial difficulty incurred by the borrower;
  - A breach of contract, such as a default or delinquency in principal or interest payment;
  - For economic or legal reasons related to the borrower's financial difficulty, the Group has granted to the borrower a concession that it would not otherwise consider;
  - Probable that the borrower will become bankrupt or undergo other financial reorganisation; or
  - Other observable data indicating that there is a measurable decrease in the estimated future cash flows from such advances.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### (B) 貸款及其他賬項 (續)

當貸款受全數抵押擔保，即使被界定為第三階段，亦未必導致減值損失。

提取減值準備前之總貸款及其他賬項按內部信貸評級及階段分析如下：

#### 4.1 Credit risk (continued)

##### (B) Advances and other accounts (continued)

Advances classified as Stage 3 may not necessarily result in impairment loss where the advances are fully collateralised.

Gross advances and other accounts before impairment allowances are analysed by internal credit grade and stage classification as follows:

		2019			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
<b>客戶貸款</b>	<b>Advances to customers</b>				
合格	Pass	1,385,310	1,592	-	1,386,902
需要關注	Special mention	2,683	2,621	-	5,304
次級或以下	Substandard or below	-	-	3,217	3,217
		<b>1,387,993</b>	<b>4,213</b>	<b>3,217</b>	<b>1,395,423</b>
<b>貿易票據</b>	<b>Trade bills</b>				
合格	Pass	20,727	-	-	20,727
需要關注	Special mention	-	-	-	-
次級或以下	Substandard or below	-	-	-	-
		<b>20,727</b>	<b>-</b>	<b>-</b>	<b>20,727</b>
<b>銀行及其他金融機構貸款</b>	<b>Advances to banks and other financial institutions</b>				
合格	Pass	3,387	-	-	3,387
需要關注	Special mention	-	-	-	-
次級或以下	Substandard or below	-	-	-	-
		<b>3,387</b>	<b>-</b>	<b>-</b>	<b>3,387</b>
		<b>1,412,107</b>	<b>4,213</b>	<b>3,217</b>	<b>1,419,537</b>
減值準備	Impairment allowances	<b>(4,564)</b>	<b>(297)</b>	<b>(2,175)</b>	<b>(7,036)</b>
		<b>1,407,543</b>	<b>3,916</b>	<b>1,042</b>	<b>1,412,501</b>

**財務報表附註 (續) Notes to the Financial Statements (continued)**

**4. 金融風險管理 (續) 4. Financial risk management (continued)**

**4.1 信貸風險 (續)**

**4.1 Credit risk (continued)**

**(B) 貸款及其他賬項 (續)**

**(B) Advances and other accounts (continued)**

		2018			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>客戶貸款</b>	<b>Advances to customers</b>				
合格	Pass	1,254,058	5,019	-	1,259,077
需要關注	Special mention	1,934	3,133	-	5,067
次級或以下	Substandard or below	-	-	2,383	2,383
		<u>1,255,992</u>	<u>8,152</u>	<u>2,383</u>	<u>1,266,527</u>
<b>貿易票據</b>	<b>Trade bills</b>				
合格	Pass	17,357	-	-	17,357
需要關注	Special mention	-	-	-	-
次級或以下	Substandard or below	-	-	4	4
		<u>17,357</u>	<u>-</u>	<u>4</u>	<u>17,361</u>
<b>銀行及其他金融機構 貸款</b>	<b>Advances to banks and other financial institutions</b>				
合格	Pass	3,822	-	-	3,822
需要關注	Special mention	-	-	-	-
次級或以下	Substandard or below	-	-	-	-
		<u>3,822</u>	<u>-</u>	<u>-</u>	<u>3,822</u>
		1,277,171	8,152	2,387	1,287,710
減值準備	Impairment allowances	<u>(3,748)</u>	<u>(546)</u>	<u>(1,130)</u>	<u>(5,424)</u>
		<u>1,273,423</u>	<u>7,606</u>	<u>1,257</u>	<u>1,282,286</u>

財務報表附註 (續) Notes to the Financial Statements (continued)

4. 金融風險管理 (續) 4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

(B) 貸款及其他賬項 (續)

(B) Advances and other accounts (continued)

貸款及其他賬項之減值準備及總額變動情況列示如下：

Reconciliation of impairment allowances and gross amount for advances and other accounts is as follows:

		2019			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>減值準備</b>	<b>Impairment allowances</b>				
於 2019 年 1 月 1 日之 早期列賬	At 1 January 2019, as previously reported	3,740	546	1,130	5,416
合併受共同控制之實 體之影響	Effect of merger of entity under common control	8	-	-	8
於 2019 年 1 月 1 日之 重列	At 1 January 2019, as restituted	3,748	546	1,130	5,424
轉至第一階段	Transfer to Stage 1	154	(143)	(11)	-
轉至第二階段	Transfer to Stage 2	(26)	103	(77)	-
轉至第三階段	Transfer to Stage 3	(15)	(184)	199	-
階段轉撥產生之變動	Changes arising from transfer of stage	(131)	84	1,216	1,169
其他變動(包括新增資 產及終止確認之資 產)	Other changes (including new assets and derecognised assets)	832	(105)	(44)	683
撇銷	Write-offs	-	-	(462)	(462)
收回已撇銷賬項	Recoveries	-	-	213	213
折現減值準備回撥	Unwind of discount on impairment allowances	-	-	(4)	(4)
匯兌差額	Exchange difference	2	(4)	15	13
於 2019 年 12 月 31 日	At 31 December 2019	4,564	297	2,175	7,036
借記收益表(附註 12)	Charged to income statement (Note 12)				1,852

財務報表附註 (續) Notes to the Financial Statements (continued)

4. 金融風險管理 (續) 4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

(B) 貸款及其他賬項 (續)

(B) Advances and other accounts (continued)

		2019			
		第一階段	第二階段	第三階段	總計
		Stage 1	Stage 2	Stage 3	Total
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
		HK\$'m	HK\$'m	HK\$'m	HK\$'m
<b>總額</b>	<b>Gross amount</b>				
於2019年1月1日之 早期列賬	At 1 January 2019, as previously reported	1,276,641	8,152	2,387	1,287,180
合併受共同控制之實 體之影響	Effect of merger of entity under common control	530	-	-	530
於2019年1月1日之 重列	At 1 January 2019, as restated	1,277,171	8,152	2,387	1,287,710
轉至第一階段	Transfer to Stage 1	3,103	(2,614)	(489)	-
轉至第二階段	Transfer to Stage 2	(1,783)	1,927	(144)	-
轉至第三階段	Transfer to Stage 3	(1,048)	(729)	1,777	-
新增資產、進一步貸 款、終止確認之資產 及還款	New assets, further lending, derecognised assets and repayments	135,085	(2,507)	136	132,714
撇銷	Write-offs	-	-	(462)	(462)
匯兌差額	Exchange difference	(421)	(16)	12	(425)
於2019年12月31日	At 31 December 2019	1,412,107	4,213	3,217	1,419,537

**財務報表附註 (續) Notes to the Financial Statements (continued)**

**4. 金融風險管理 (續) 4. Financial risk management (continued)**

**4.1 信貸風險 (續)**

**4.1 Credit risk (continued)**

**(B) 貸款及其他賬項 (續)**

**(B) Advances and other accounts (continued)**

		2018			
		第一階段	第二階段	第三階段	總計
		Stage 1	Stage 2	Stage 3	Total
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
		HK\$m	HK\$m	HK\$m	HK\$m
<b>減值準備</b>	<b>Impairment allowances</b>				
於2018年1月1日之	At 1 January 2018, as				
早期列賬	previously reported	3,689	651	618	4,958
合併受共同控制之實	Effect of merger of entity				
體之影響	under common				
	control	3	-	-	3
於2018年1月1日之	At 1 January 2018, as				
重列	restated	3,692	651	618	4,961
轉至第一階段	Transfer to Stage 1	267	(253)	(14)	-
轉至第二階段	Transfer to Stage 2	(38)	53	(15)	-
轉至第三階段	Transfer to Stage 3	(7)	(240)	247	-
階段轉撥產生之變動	Changes arising from				
	transfer of stage	(241)	293	815	867
其他變動(包括新增資	Other changes				
產及終止確認之資	(including new				
產)	assets and	79	43	194	316
	derecognised				
	assets)				
撇銷	Write-offs	-	-	(834)	(834)
收回已撇銷賬項	Recoveries	-	-	120	120
折現減值準備回撥	Unwind of discount on				
	impairment				
	allowances	-	-	(1)	(1)
匯兌差額	Exchange difference	(4)	(1)	-	(5)
於2018年12月31日	At 31 December 2018	3,748	546	1,130	5,424
借記收益表(附註12)	Charged to income				
	statement (Note 12)				1,183

**財務報表附註 (續) Notes to the Financial Statements (continued)**

**4. 金融風險管理 (續) 4. Financial risk management (continued)**

**4.1 信貸風險 (續)**

**4.1 Credit risk (continued)**

**(B) 貸款及其他賬項 (續)**

**(B) Advances and other accounts (continued)**

		2018			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>總額</b>	<b>Gross amount</b>				
於2018年1月1日之 早期列賬	At 1 January 2018, as previously reported	1,187,973	3,958	2,107	1,194,038
合併受共同控制之實 體之影響	Effect of merger of entity under common control	378	-	-	378
於2018年1月1日之 重列	At 1 January 2018, as restated	1,188,351	3,958	2,107	1,194,416
轉至第一階段	Transfer to Stage 1	1,477	(1,449)	(28)	-
轉至第二階段	Transfer to Stage 2	(4,868)	4,884	(16)	-
轉至第三階段	Transfer to Stage 3	(599)	(275)	874	-
新增資產、進一步貸 款、終止確認之資產 及還款	New assets, further lending, derecognised assets and repayments	95,588	1,071	285	96,944
撇銷	Write-offs	-	-	(834)	(834)
匯兌差額	Exchange difference	(2,778)	(37)	(1)	(2,816)
於2018年12月31日	At 31 December 2018	<u>1,277,171</u>	<u>8,152</u>	<u>2,387</u>	<u>1,287,710</u>



## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

#### 4.1 Credit risk (continued)

##### (B) 貸款及其他賬項 (續)

##### (B) Advances and other accounts (continued)

##### (a) 減值貸款

##### (a) Impaired advances

減值之客戶貸款  
分析如下：

Impaired advances to customers are analysed as follows:

	2019		2018	
	減值 Impaired	特定分類或 減值 Classified or impaired	減值 Impaired	特定分類或 減值 Classified or impaired
	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
客戶貸款總額	3,217	3,217	2,383	2,383
佔客戶貸款總額百分比	0.23%	0.23%	0.19%	0.19%
就上述貸款作出 之減值準備	2,175	2,175	1,126	1,126

特定分類或減值之客戶貸款是指按本集團貸款質量分類的「次級」、「呆滯」或「虧損」貸款或分類為第三階段的貸款。

Classified or impaired advances to customers represent advances which are either classified as “substandard”, “doubtful” or “loss” under the Group’s classification of loan quality, or classified as Stage 3.

減值準備已考慮上述貸款之抵押品價值。

The impairment allowances were made after taking into account the value of collateral in respect of the credit-impaired advances.

財務報表附註 (續) Notes to the Financial Statements (continued)

4. 金融風險管理 (續) 4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

(B) 貸款及其他賬項 (續)

(B) Advances and other accounts (continued)

(a) 減值貸款 (續)

(a) Impaired advances (continued)

		2019	2018
		港幣百萬元	港幣百萬元
		HK\$m	HK\$m
就上述有抵押品覆蓋的減值客戶貸款之抵押品市值	Current market value of collateral held against the covered portion of impaired advances to customers	<u>2,187</u>	<u>2,988</u>
上述有抵押品覆蓋之減值客戶貸款	Covered portion of impaired advances to customers	<u>1,011</u>	<u>1,511</u>
上述沒有抵押品覆蓋之減值客戶貸款	Uncovered portion of impaired advances to customers	<u>2,206</u>	<u>872</u>

於 2019 年 12 月 31 日，沒有減值之貿易票據 (2018 年：港幣 4 百萬元) 和銀行及其他金融機構貸款 (2018 年：無)。

As at 31 December 2019, there were no impaired trade bills (2018: HK\$4 million), and advances to banks and other financial institutions (2018: Nil).

財務報表附註 (續) Notes to the Financial Statements (continued)

4. 金融風險管理 (續) 4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

(B) 貸款及其他賬項 (續)

(B) Advances and other accounts (continued)

(b) 逾期超過 3 個月之貸款

(b) Advances overdue for more than three months

逾期超過 3 個月之貸款總額分析如下：

The gross amount of advances overdue for more than three months is analysed as follows:

	2019		2018	
	金額 Amount 港幣百萬元 HK\$m	佔客戶貸款總額 百分比 % of gross advances to customers	金額 Amount 港幣百萬元 HK\$m	佔客戶貸款總額 百分比 % of gross advances to customers
客戶貸款總額，已逾期：				
- 超過 3 個月但不超過 6 個月	145	0.01%	443	0.04%
- 超過 6 個月但不超過 1 年	836	0.06%	309	0.02%
- 超過 1 年	948	0.07%	310	0.02%
逾期超過 3 個月之貸款	<u>1,929</u>	<u>0.14%</u>	<u>1,062</u>	<u>0.08%</u>
就上述貸款作出之減值準備				
- 第三階段	<u>1,651</u>		<u>828</u>	

**財務報表附註 (續) Notes to the Financial Statements (continued)**

**4. 金融風險管理 (續) 4. Financial risk management (continued)**

**4.1 信貸風險 (續)**

**4.1 Credit risk (continued)**

**(B) 貸款及其他賬項 (續)**

**(B) Advances and other accounts (continued)**

**(b) 逾期超過 3 個月之貸款 (續)**

**(b) Advances overdue for more than three months (continued)**

	<b>2019</b>	<b>2018</b>
	<b>港幣百萬元</b>	<b>港幣百萬元</b>
	<b>HK\$m</b>	<b>HK\$m</b>
就上述有抵押品覆蓋的客戶貸款之抵押品市值	<b>487</b>	<b>849</b>
上述有抵押品覆蓋之客戶貸款	<b>315</b>	<b>349</b>
上述沒有抵押品覆蓋之客戶貸款	<b>1,614</b>	<b>713</b>

逾期貸款或減值貸款的抵押品主要包括公司授信戶項下的商用資產如商業、住宅樓宇及船舶、個人授信戶項下的住宅按揭物業。

Collateral held against overdue or impaired loans is principally represented by charges over business assets such as commercial, residential premises and vessels for corporate loans and mortgages over residential properties for personal loans.

於 2019 年 12 月 31 日，沒有逾期超過 3 個月之貿易票據 (2018 年：港幣 4 百萬元) 和銀行及其他金融機構貸款 (2018 年：無)。

As at 31 December 2019, there were no trade bills (2018: HK\$4 million) and advances to banks and other financial institutions overdue for more than three months (2018: Nil).

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

#### 4.1 Credit risk (continued)

##### (B) 貸款及其他賬項 (續)

##### (B) Advances and other accounts (continued)

##### (c) 經重組貸款

##### (c) Rescheduled advances

	2019		2018	
	金額	佔客戶貸款總額 百分比 % of gross advances to customers	金額	佔客戶貸款總額 百分比 % of gross advances to customers
	Amount		Amount	
	港幣百萬元 HK\$m		港幣百萬元 HK\$m	
經重組客戶貸款 淨額(已扣減包 含於「逾期超過 3個月之貸款」 部分)				
Rescheduled advances to customers net of amounts included in “Advances overdue for more than three months”	<b>239</b>	<b>0.02%</b>	280	0.02%

經重組貸款指因借款人財務狀況轉壞或無法按原定還款時間表還款，經銀行與借款人重新協定還款計劃的重組貸款，且修訂後的有關利息或還款期等還款條件對集團而言屬於「非商業性」。修訂還款計劃後之經重組貸款如仍逾期超過3個月，則包括在「逾期超過3個月之貸款」內。

Rescheduled advances are those advances that have been restructured and renegotiated between the bank and borrowers because of deterioration in the financial position of the borrower or the inability of the borrower to meet the original repayment schedule, and the revised repayment terms, either of interest or the repayment period, are “non-commercial” to the Group. Rescheduled advances, which have been overdue for more than three months under the revised repayment terms, are included in “Advances overdue for more than three months”.

財務報表附註 (續) Notes to the Financial Statements (continued)

4. 金融風險管理 (續) 4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

(B) 貸款及其他賬項 (續)

(B) Advances and other accounts (continued)

(d) 客戶貸款集中度

(d) Concentration of advances to customers

(i) 按行業分類之  
客戶貸款總額

(i) Sectoral analysis of gross advances to customers

以下關於客戶貸款總額之行業分類分析，其行業分類乃參照有關貸款及墊款之金管局報表的填報指示而編製。

The following analysis of the gross advances to customers by industry sector is based on the categories with reference to the completion instructions for the HKMA return of loans and advances.

		2019					
		客戶貸款總額 Gross advances to customers	抵押品或 其他抵押覆 蓋之百分比 % covered by collateral or other security	特定分類 或減值 Classified or impaired	逾期 Overdue	減值準備 - 第三階段 Impairment allowances - Stage 3	減值準備 - 第一和第二 階段 Impairment allowances - Stages 1 and 2
		港幣百萬元 HK\$m		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
在香港使用之貸款	Loans for use in Hong Kong						
工商金融業	Industrial, commercial and financial						
- 物業發展	- Property development	137,663	21.53%	-	9	-	695
- 物業投資	- Property investment	49,073	81.98%	-	158	-	62
- 金融業	- Financial concerns	29,411	0.88%	-	-	-	53
- 股票經紀	- Stockbrokers	815	98.27%	-	-	-	1
- 批發及零售業	- Wholesale and retail trade	39,880	36.86%	88	283	87	210
- 製造業	- Manufacturing	42,719	12.98%	193	222	95	174
- 運輸及運輸設備	- Transport and transport equipment	66,511	27.29%	325	69	-	180
- 休閒活動	- Recreational activities	2,161	1.19%	-	-	-	3
- 資訊科技	- Information technology	22,464	0.90%	-	48	-	76
- 其他	- Others	125,909	47.30%	6	138	4	365
個人	Individuals						
- 購買居者有其屋計劃、私人機構參建居屋計劃及租者置其屋計劃樓宇之貸款	- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	19,855	99.68%	18	161	-	10
- 購買其他住宅物業之貸款	- Loans for purchase of other residential properties	277,288	99.93%	96	1,374	-	97
- 信用卡貸款	- Credit card advances	14,663	-	127	579	113	159
- 其他	- Others	95,862	90.94%	71	504	63	358
在香港使用之貸款總額	Total loans for use in Hong Kong	924,274	59.85%	924	3,545	362	2,443
貿易融資	Trade financing	75,764	14.75%	318	340	237	154
在香港以外使用之貸款	Loans for use outside Hong Kong	395,385	6.74%	1,975	1,988	1,576	2,263
客戶貸款總額	Gross advances to customers	1,395,423	42.35%	3,217	5,873	2,175	4,860

財務報表附註 (續) Notes to the Financial Statements (continued)

4. 金融風險管理 (續) 4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

(B) 貸款及其他賬項 (續)

(B) Advances and other accounts (continued)

(d) 客戶貸款集中度  
(續)

(d) Concentration of advances to customers (continued)

(i) 按行業分類之  
客戶貸款總額  
(續)

(i) Sectoral analysis of gross advances to customers (continued)

		2018					
		客戶貸款總額 Gross advances to customers	抵押品或 其他抵押覆 蓋之百分比 % covered by collateral or other security	特定分類 或減值 Classified or impaired	逾期 Overdue	減值準備 - 第三階段 Impairment allowances - Stage 3	減值準備 - 第一和第二 階段 Impairment allowances - Stages 1 and 2
		港幣百萬元 HK\$m		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
在香港使用之貸款	Loans for use in Hong Kong						
工商金融業	Industrial, commercial and financial						
- 物業發展	- Property development	126,328	20.51%	-	-	-	543
- 物業投資	- Property investment	50,223	80.51%	37	117	-	44
- 金融業	- Financial concerns	22,345	0.89%	-	-	-	37
- 股票經紀	- Stockbrokers	1,171	95.73%	-	-	-	1
- 批發及零售業	- Wholesale and retail trade	38,147	34.46%	21	127	3	179
- 製造業	- Manufacturing	51,093	10.57%	136	148	134	87
- 運輸及運輸設備	- Transport and transport equipment	66,256	27.37%	867	17	9	150
- 休閒活動	- Recreational activities	1,675	1.90%	-	-	-	2
- 資訊科技	- Information technology	18,006	1.27%	1	220	1	107
- 其他	- Others	118,574	38.43%	9	166	7	269
個人	Individuals						
- 購買居者有其屋計劃、私人機構參建居屋計劃及租者置其屋計劃樓宇之貸款	- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	11,150	99.80%	18	166	-	4
- 購買其他住宅物業之貸款	- Loans for purchase of other residential properties	243,963	99.92%	65	1,534	-	58
- 信用卡貸款	- Credit card advances	15,613	-	135	558	118	150
- 其他	- Others	76,468	86.53%	60	634	52	397
在香港使用之貸款總額	Total loans for use in Hong Kong	841,012	56.03%	1,349	3,687	324	2,028
貿易融資	Trade financing	65,437	19.37%	206	232	194	124
在香港以外使用之貸款	Loans for use outside Hong Kong	360,078	8.80%	828	970	608	2,141
客戶貸款總額	Gross advances to customers	1,266,527	40.71%	2,383	4,889	1,126	4,293

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### (B) 貸款及其他賬項 (續)

##### (d) 客戶貸款集中度 (續)

- (i) 按行業分類之客戶貸款總額 (續)

就構成本集團客戶貸款總額不少於 10% 的行業，於收益表撥備之新提減值準備，及當年撇銷特定分類或減值貸款如下：

#### 4.1 Credit risk (continued)

##### (B) Advances and other accounts (continued)

##### (d) Concentration of advances to customers (continued)

- (i) Sectoral analysis of gross advances to customers (continued)

For those industry sectors constitute not less than 10% of the Group's gross advances to customer, the amounts of new impairment allowances charged to the income statements, and classified or impaired loans written off during the year are shown below:

	2019		2018	
	新提減值準備 New impairment allowances 港幣百萬元 HK\$'m	撇銷特定分類或減值貸款 Classified or impaired loans written off 港幣百萬元 HK\$'m	新提減值準備 New impairment allowances 港幣百萬元 HK\$'m	撇銷特定分類或減值貸款 Classified or impaired loans written off 港幣百萬元 HK\$'m
在香港使用之貸款				
工商金融業				
- 物業發展		370	337	-
個人				
- 購買其他住宅物業之貸款	50	-	27	-



## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### (B) 貸款及其他賬項 (續)

##### (d) 客戶貸款集中度 (續)

- (ii) 按地理區域分類之客戶貸款總額

下列關於客戶貸款之地理區域分析是根據交易對手之所在地，並已顧及風險轉移因素。若客戶貸款之擔保人所在地與客戶所在地不同，則風險將轉移至擔保人之所在地。

#### 客戶貸款總額

香港  
中國內地  
其他

#### 就客戶貸款總額作出之減值準備 - 第一和第二階段

香港  
中國內地  
其他

#### 4.1 Credit risk (continued)

##### (B) Advances and other accounts (continued)

##### (d) Concentration of advances to customers (continued)

- (ii) Geographical analysis of gross advances to customers

The following geographical analysis of advances to customers is based on the locations of the counterparties, after taking into account the transfer of risk. For an advance to customer guaranteed by a party situated in a location different from the customer, the risk will be transferred to the location of the guarantor.

#### Gross advances to customers

Hong Kong  
Chinese Mainland  
Others

#### Impairment allowances made in respect of the gross advances to customers - Stages 1 and 2

Hong Kong  
Chinese Mainland  
Others

	2019	2018
	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
	<b>1,124,352</b>	1,007,394
	<b>126,075</b>	127,348
	<b>144,996</b>	131,785
	<b>1,395,423</b>	1,266,527
	<b>3,228</b>	2,798
	<b>492</b>	529
	<b>1,140</b>	966
	<b>4,860</b>	4,293

**財務報表附註 (續) Notes to the Financial Statements (continued)**

**4. 金融風險管理 (續) 4. Financial risk management (continued)**

**4.1 信貸風險 (續)**

**4.1 Credit risk (continued)**

**(B) 貸款及其他賬項 (續)**

**(B) Advances and other accounts (continued)**

**(d) 客戶貸款集中度 (續)**

**(d) Concentration of advances to customers (continued)**

(ii) 按地理區域分類之客戶貸款總額 (續)

(ii) Geographical analysis of gross advances to customers (continued)

**逾期貸款**

**Overdue advances**

		<u>2019</u>	<u>2018</u>
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
香港	Hong Kong	4,341	3,752
中國內地	Chinese Mainland	607	257
其他	Others	<u>925</u>	<u>880</u>
		<u><b>5,873</b></u>	<u><b>4,889</b></u>

**就逾期貸款作出之減值準備 - 第三階段**

**Impairment allowances made in respect of the overdue advances - Stage 3**

香港	Hong Kong	975	407
中國內地	Chinese Mainland	423	84
其他	Others	<u>489</u>	<u>445</u>
		<u><b>1,887</b></u>	<u><b>936</b></u>

**財務報表附註 (續) Notes to the Financial Statements (continued)**

**4. 金融風險管理 (續) 4. Financial risk management (continued)**

**4.1 信貸風險 (續)**

**4.1 Credit risk (continued)**

**(B) 貸款及其他賬項 (續)**

**(B) Advances and other accounts (continued)**

**(d) 客戶貸款集中度 (續)**

**(d) Concentration of advances to customers (continued)**

(ii) 按地理區域分類之客戶貸款總額 (續)

(ii) Geographical analysis of gross advances to customers (continued)

特定分類或減值貸款

Classified or impaired advances

香港  
中國內地  
其他

Hong Kong  
Chinese Mainland  
Others

	2019	2018
	港幣百萬元	港幣百萬元
	HK\$m	HK\$m
	1,766	1,485
	507	197
	944	701
	<b>3,217</b>	<b>2,383</b>

就特定分類或減值貸款作出之減值準備 - 第三階段

Impairment allowances made in respect of the classified or impaired advances - Stage 3

香港  
中國內地  
其他

Hong Kong  
Chinese Mainland  
Others

	1,132	490
	436	107
	607	529
	<b>2,175</b>	<b>1,126</b>

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### (C) 收回資產

於年內，本集團通過對抵押品行使收回資產權而取得並於12月31日持有的資產，其種類及賬面值概述如下：

##### 住宅物業

本集團於2019年12月31日持有的收回資產之估值為港幣0.33億元（2018年：港幣0.23億元）。這包括本集團通過對抵押取得處置或控制權的物業（如通過法律程序或業主自願交出抵押資產方式取得）而對借款人的債務進行全數或部分減除。

當收回資產的變現能力受到影響時，本集團將按情況以下列方式處理：

- 調整出售價格
- 連同抵押資產一併出售貸款
- 安排債務重組

#### 4.1 Credit risk (continued)

##### (C) Repossessed assets

During the year, the Group obtained assets by taking possession of collateral held as security. The nature and carrying value of these assets held as at 31 December are summarised as follows:

	2019	2018
	港幣百萬元 HK\$m	港幣百萬元 HK\$m
住宅物業	<u>7</u>	<u>10</u>

The estimated market value of repossessed assets held by the Group as at 31 December 2019 amounted to HK\$33 million (2018: HK\$23 million). The repossessed assets comprise properties in respect of which the Group has acquired access or control (e.g. through court proceedings or voluntary actions by the proprietors concerned) for release in full or in part of the obligations of the borrowers.

When the repossessed assets are not readily convertible into cash, the Group may consider the following alternatives:

- adjusting the selling prices
- selling the loans together with the assets
- arranging loan restructuring

財務報表附註 (續) Notes to the Financial Statements (continued)

4. 金融風險管理 (續) 4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

(D) 在銀行及其他金融機構之結餘及定期存放

(D) Balances and placements with banks and other financial institutions

提取減值準備前之在銀行及其他金融機構之結餘及定期存放按內部信貸評級及階段分析如下：

Balances and placements with banks and other financial institutions before impairment allowances are analysed by internal credit grade and stage classification as follows:

		2019			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
中央銀行	Central banks				
合格	Pass	163,019	-	-	163,019
需要關注	Special mention	-	-	-	-
次級或以下	Substandard or below	-	-	-	-
		<b>163,019</b>	<b>-</b>	<b>-</b>	<b>163,019</b>
其他銀行及其他金融機構	Other banks and other financial institutions				
合格	Pass	184,592	-	-	184,592
需要關注	Special mention	-	-	-	-
次級或以下	Substandard or below	-	-	-	-
		<b>184,592</b>	<b>-</b>	<b>-</b>	<b>184,592</b>
		<b>347,611</b>	<b>-</b>	<b>-</b>	<b>347,611</b>
減值準備	Impairment allowances	(3)	-	-	(3)
		<b>347,608</b>	<b>-</b>	<b>-</b>	<b>347,608</b>

**財務報表附註 (續) Notes to the Financial Statements (continued)**

**4. 金融風險管理 (續) 4. Financial risk management (continued)**

**4.1 信貸風險 (續)**

**4.1 Credit risk (continued)**

**(D) 在銀行及其他金融機構之結餘及定期存放 (續)**

**(D) Balances and placements with banks and other financial institutions (continued)**

		2018			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>中央銀行</b>	<b>Central banks</b>				
合格	Pass	171,020	-	-	171,020
需要關注	Special mention	-	-	-	-
次級或以下	Substandard or below	-	-	-	-
		<u>171,020</u>	<u>-</u>	<u>-</u>	<u>171,020</u>
<b>其他銀行及其他金融機構</b>	<b>Other banks and other financial institutions</b>				
合格	Pass	240,071	-	-	240,071
需要關注	Special mention	-	-	-	-
次級或以下	Substandard or below	-	-	-	-
		<u>240,071</u>	<u>-</u>	<u>-</u>	<u>240,071</u>
		411,091	-	-	411,091
減值準備	Impairment allowances	(15)	-	-	(15)
		<u>411,076</u>	<u>-</u>	<u>-</u>	<u>411,076</u>

財務報表附註 (續) Notes to the Financial Statements (continued)

4. 金融風險管理 (續) 4. Financial risk management (continued)

4.1 信貸風險 (續)

(D) 在銀行及其他金融機構之結餘及定期存放 (續)

在銀行及其他金融機構之結餘及定期存放之減值準備變動情況列示如下：

4.1 Credit risk (continued)

(D) Balances and placements with banks and other financial institutions (continued)

Reconciliation of impairment allowances for balances and placements with banks and other financial institutions is as follows:

		2019			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
		HK\$m	HK\$m	HK\$m	HK\$m
於 2019 年 1 月 1 日	At 1 January 2019	15	-	-	15
階段轉撥產生之變動	Changes arising from transfer of stage	-	-	-	-
其他變動 (包括新增資產及終止確認之資產)	Other changes (including new assets and derecognised assets)	(12)	-	-	(12)
匯兌差額	Exchange difference	-	-	-	-
於 2019 年 12 月 31 日	At 31 December 2019	3	-	-	3
貸記收益表 (附註 12)	Credited to income statement (Note 12)				(12)

		2018			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
		HK\$m	HK\$m	HK\$m	HK\$m
於 2018 年 1 月 1 日	At 1 January 2018	83	-	-	83
階段轉撥產生之變動	Changes arising from transfer of stage	-	-	-	-
其他變動 (包括新增資產及終止確認之資產)	Other changes (including new assets and derecognised assets)	(70)	-	-	(70)
匯兌差額	Exchange difference	2	-	-	2
於 2018 年 12 月 31 日	At 31 December 2018	15	-	-	15
貸記收益表 (附註 12)	Credited to income statement (Note 12)				(70)

於 2019 年 12 月 31 日，沒有逾期或減值之在銀行及其他金融機構之結餘及定期存放 (2018 年：無)。

As at 31 December 2019, there were no overdue or impaired balances and placements with banks and other financial institutions (2018: Nil).

財務報表附註 (續) Notes to the Financial Statements (continued)

4. 金融風險管理 (續) 4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

(E) 債務證券及存款證

(E) Debt securities and certificates of deposit

下表為以發行評級及階段分析之債務證券及存款證賬面值。在無發行評級的情況下，則會按發行人的評級報告。

The following tables present an analysis of the carrying value of debt securities and certificates of deposit by issue rating and stage classification. In the absence of such issue ratings, the ratings designated for the issuers are reported.

		2019	2018
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>以公平值變化計入其他全面收益之證券投資</b>	<b>Investment in securities at fair value through other comprehensive income</b>		
- 第一階段	- Stage 1		
Aaa	Aaa	105,381	87,005
Aa1 至 Aa3	Aa1 to Aa3	170,367	147,984
A1 至 A3	A1 to A3	351,809	200,721
A3 以下	Lower than A3	18,655	22,431
無評級	Unrated	21,445	11,626
		<b>667,657</b>	<b>469,767</b>
- 第二階段	- Stage 2	-	-
- 第三階段	- Stage 3	-	-
		<b>667,657</b>	<b>469,767</b>
其中：減值準備	Of which: impairment allowances	<b>(147)</b>	<b>(128)</b>
<b>以攤餘成本計量之證券投資</b>	<b>Investment in securities at amortised cost</b>		
- 第一階段	- Stage 1		
Aaa	Aaa	57,569	55,589
Aa1 至 Aa3	Aa1 to Aa3	2,748	3,248
A1 至 A3	A1 to A3	5,081	8,980
A3 以下	Lower than A3	2,230	1,161
無評級	Unrated	782	791
		<b>68,410</b>	<b>69,769</b>
- 第二階段	- Stage 2	-	-
- 第三階段	- Stage 3	-	-
		<b>68,410</b>	<b>69,769</b>
減值準備	Impairment allowances	<b>(20)</b>	<b>(10)</b>
		<b>68,390</b>	<b>69,759</b>



**財務報表附註 (續)      Notes to the Financial Statements (continued)**

**4. 金融風險管理 (續)      4. Financial risk management (continued)**

**4.1 信貸風險 (續)**

**4.1 Credit risk (continued)**

**(E) 債務證券及存款證  
(續)**

**(E) Debt securities and certificates of deposit (continued)**

	<b>2019</b>	<b>2018</b>
	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>以公平值變化計入損益之金融資產</b>		
<b>Aaa</b>	<b>2,844</b>	3,634
<b>Aa1 至 Aa3</b>	<b>26,442</b>	23,241
<b>A1 至 A3</b>	<b>7,058</b>	6,444
<b>A3 以下</b>	<b>1,962</b>	1,814
<b>無評級</b>	<b>3,019</b>	906
	<b>41,325</b>	<b>36,039</b>

財務報表附註 (續) Notes to the Financial Statements (continued)

4. 金融風險管理 (續) 4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

(E) 債務證券及存款證  
(續)

(E) Debt securities and certificates of deposit (continued)

債務證券及存款證  
之減值準備變動情  
況列示如下：

Reconciliation of impairment allowances for debt securities and certificates of deposit  
is as follows:

		2019			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
以公平值變化計入其 他全面收益之證 券投資	Investment in securities at fair value through other comprehensive income				
於 2019 年 1 月 1 日	At 1 January 2019	128	-	-	128
階段轉撥產生之變動	Changes arising from transfer of stage	-	-	-	-
其他變動 (包括新增 資產及終止確認 之資產)	Other changes (including new assets and derecognised assets)	19	-	-	19
匯兌差額	Exchange difference	-	-	-	-
於 2019 年 12 月 31 日	At 31 December 2019	147	-	-	147
借記收益表 (附註 12)	Charged to income statement (Note 12)				19
以攤餘成本計量之證 券投資	Investment in securities at amortised cost				
於 2019 年 1 月 1 日	At 1 January 2019	10	-	-	10
階段轉撥產生之變動	Changes arising from transfer of stage	-	-	-	-
其他變動 (包括新增 資產及終止確認 之資產)	Other changes (including new assets and derecognised assets)	10	-	-	10
撤銷	Write-offs	-	-	-	-
於 2019 年 12 月 31 日	At 31 December 2019	20	-	-	20
借記收益表 (附註 12)	Charged to income statement (Note 12)				10

財務報表附註 (續) Notes to the Financial Statements (continued)

4. 金融風險管理 (續) 4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit risk (continued)

(E) 債務證券及存款證  
(續)

(E) Debt securities and certificates of deposit (continued)

		2018			
		第一階段	第二階段	第三階段	總計
		Stage 1	Stage 2	Stage 3	Total
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
		HK\$m	HK\$m	HK\$m	HK\$m
以公平值變化計入其 他全面收益之證 券投資	Investment in securities at fair value through other comprehensive income				
於 2018 年 1 月 1 日	At 1 January 2018	111	-	-	111
階段轉撥產生之變動	Changes arising from transfer of stage	-	-	-	-
其他變動 (包括新增 資產及終止確認 之資產)	Other changes (including new assets and derecognised assets)	18	-	-	18
匯兌差額	Exchange difference	(1)	-	-	(1)
於 2018 年 12 月 31 日	At 31 December 2018	128	-	-	128
借記收益表 (附註 12)	Charged to income statement (Note 12)				18
以攤餘成本計量之證 券投資	Investment in securities at amortised cost				
於 2018 年 1 月 1 日	At 1 January 2018	7	-	45	52
階段轉撥產生之變動	Changes arising from transfer of stage	-	-	-	-
其他變動 (包括新增 資產及終止確認 之資產)	Other changes (including new assets and derecognised assets)	3	-	-	3
撤銷	Write-offs	-	-	(45)	(45)
於 2018 年 12 月 31 日	At 31 December 2018	10	-	-	10
借記收益表 (附註 12)	Charged to income statement (Note 12)				3

於 2019 年 12 月 31 日，沒有減值或逾期之債務證券及存款證 (2018 年：無)。

As at 31 December 2019, there were no impaired or overdue debt securities and certificates of deposit (2018: Nil).

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.1 信貸風險 (續)

##### (F) 貸款承諾及財務擔保合同

貸款承諾及財務擔保合同按內部信貸評級及階段分析如下：

#### 4.1 Credit risk (continued)

##### (F) Loan commitments and financial guarantee contracts

Loan commitments and financial guarantee contracts are analysed by internal credit grade and stage classification as follows:

		2019			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
貸款承諾及財務擔保合同	Loan commitments and financial guarantee contracts				
合格	Pass	683,020	477	-	683,497
需要關注	Special mention	1,769	749	-	2,518
次級或以下	Substandard or below	-	-	38	38
		<b>684,789</b>	<b>1,226</b>	<b>38</b>	<b>686,053</b>
		2018			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
貸款承諾及財務擔保合同	Loan commitments and financial guarantee contracts				
合格	Pass	605,718	2,900	-	608,618
需要關注	Special mention	1,017	367	-	1,384
次級或以下	Substandard or below	-	-	91	91
		<b>606,735</b>	<b>3,267</b>	<b>91</b>	<b>610,093</b>

財務報表附註 (續) Notes to the Financial Statements (continued)

4. 金融風險管理 (續) 4. Financial risk management (continued)

4.1 信貸風險 (續)

(F) 貸款承諾及財務擔保合同 (續)

貸款承諾及財務擔保合同之減值準備變動情況列示如下：

4.1 Credit risk (continued)

(F) Loan commitments and financial guarantee contracts (continued)

Reconciliation of impairment allowances for loan commitments and financial guarantee contracts is as follows:

		2019			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
於 2019 年 1 月 1 日	At 1 January 2019	375	20	43	438
轉至第一階段	Transfer to Stage 1	14	(13)	(1)	-
轉至第二階段	Transfer to Stage 2	(2)	2	-	-
轉至第三階段	Transfer to Stage 3	-	-	-	-
階段轉撥產生之變動	Changes arising from transfer of stage	(12)	11	-	(1)
其他變動(包括新增資產及終止確認之資產)	Other changes (including new assets and derecognised assets)	161	1	(25)	137
匯兌差額	Exchange difference	(1)	1	3	3
於 2019 年 12 月 31 日	At 31 December 2019	<u>535</u>	<u>22</u>	<u>20</u>	<u>577</u>
借記收益表(附註 12)	Charged to income statement (Note 12)				<u>136</u>
		2018			
		第一階段 Stage 1	第二階段 Stage 2	第三階段 Stage 3	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
於 2018 年 1 月 1 日	At 1 January 2018	331	21	-	352
轉至第一階段	Transfer to Stage 1	14	(14)	-	-
轉至第二階段	Transfer to Stage 2	(1)	1	-	-
轉至第三階段	Transfer to Stage 3	(1)	-	1	-
階段轉撥產生之變動	Changes arising from transfer of stage	(12)	12	22	22
其他變動(包括新增資產及終止確認之資產)	Other changes (including new assets and derecognised assets)	49	-	20	69
匯兌差額	Exchange difference	(5)	-	-	(5)
於 2018 年 12 月 31 日	At 31 December 2018	<u>375</u>	<u>20</u>	<u>43</u>	<u>438</u>
借記收益表(附註 12)	Charged to income statement (Note 12)				<u>91</u>

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險

市場風險是指因金融市場價格(匯率、利率、股票價格、商品價格)波動導致銀行外匯、利率、股票和商品持倉值出現變化而可能給本集團帶來的損失。本集團採取適中的市場風險偏好,實現風險與收益的平衡。市場風險管理的目標,是根據本集團的風險偏好和資金業務發展策略,依靠完善的風險管理制度和相關管理手段,有效管理本集團業務中可能產生的市場風險,促進資金業務健康發展。

本集團按照風險管理企業管治原則管理市場風險,董事會及風險委員會、高層管理人員和職能部門/單位,各司其職,各負其責。風險管理部負責本集團市場風險管理,協助高層管理人員履行日常管理職責,獨立監察本集團及中銀香港的市場風險狀況以及管理政策和限額執行情況,並確保整體和個別的市場風險均控制在可接受水平內。

#### 4.2 Market risk

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

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

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險 (續)

本集團市場風險管理的範圍，包括中銀香港和附屬機構。本集團制訂市場風險管理政策，規範中銀香港及附屬機構的市場風險管理，同時，設置集團風險值及壓力測試限額，並根據業務需求和風險承受能力統一配置和監督使用。在符合集團政策規定的前提下，附屬機構制訂具體的政策及程序，承擔其日常市場風險管理責任。

本集團設有市場風險指標及限額，用於識別、計量、監測和控制市場風險。主要風險指標和限額包括但不限於風險值、止損額、敞口額、壓力測試以及敏感性分析(基點價值、期權敏感度)等。主要風險指標和限額視管理需要劃分為四個層級，分別由風險委員會、管理委員會、風險總監及主管資金業務的副總裁或業務單位主管批准，中銀香港資金業務單位及附屬機構(就集團限額而言)必須在批核的市場風險指標和限額範圍內開展業務。

#### 4.2 Market risk (continued)

The Group's market risk management covers BOCHK and its subsidiaries. The Group establishes market risk management policies to regulate BOCHK's and its subsidiaries' market risk management; meanwhile, the Group sets up the Group's VaR and stress test limits, which are allocated and monitored across the Group according to the business requirements and risk tolerance levels. In line with the requirements set in the Group's policy, the subsidiaries formulate the detailed policies and procedures and are responsible for managing their daily market risk.

The Group sets up market risk indicators and limits to identify, measure, monitor and control market risk. Major risk indicators and limits include but are not limited to VaR, Stop Loss, Open Position, Stress Testing and Sensitivity Analysis (Basis Point Value, Greeks), etc. To meet management's requirements, major risk indicators and limits are classified into four levels, and are approved by the RMC, MC, CRO and the DCE in charge of the treasury business or the head of the respective business unit respectively. The treasury business units of BOCHK and subsidiaries (as for Group Limit) are required to conduct their business within approved market risk indicators and limits.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險 (續)

##### (A) 風險值

本集團採用風險值量度一般市場風險，並定期向風險委員會和高層管理人員報告。本集團採用統一的風險值計量模型，運用歷史模擬法，以過去2年歷史市場數據為參照，計算99%置信水平下及1天持有期內集團層面及各附屬機構的風險值，並設定本集團和各附屬機構的風險值限額。

下表詳述本集團一般市場風險持倉的風險值<sup>1</sup>。

#### 4.2 Market risk (continued)

##### (A) VaR

The Group uses the VaR to measure and report general market risks to the RMC and senior management on a periodic basis. The Group adopts a uniformed VaR calculation model, using a historical simulation approach and two years of historical market data, to calculate the VaR of the Group and its subsidiaries over a one-day holding period with a 99% confidence level, and sets up the VaR limit of the Group and its subsidiaries.

The following table sets out the VaR for all general market risk exposures<sup>1</sup> of the Group.

	年份 Year	於 12 月 31 日	全年	全年	全年	
		At 31 December	最低數值 Minimum for the year	最高數值 Maximum for the year	平均數值 Average for the year	
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	
全部市場風險之風險值	VaR for all market risk	<b>2019</b>	<b>26.6</b>	<b>17.6</b>	<b>52.3</b>	<b>31.0</b>
		2018	26.0	24.1	45.8	33.0
匯率風險之風險值	VaR for foreign exchange risk	<b>2019</b>	<b>9.3</b>	<b>7.2</b>	<b>21.1</b>	<b>12.7</b>
		2018	15.9	10.7	27.1	18.0
交易賬利率風險之風險值	VaR for interest rate risk in the trading book	<b>2019</b>	<b>25.3</b>	<b>9.8</b>	<b>41.6</b>	<b>21.3</b>
		2018	13.0	12.9	43.0	26.4
交易賬股票風險之風險值	VaR for equity risk in the trading book	<b>2019</b>	<b>0.7</b>	<b>0.2</b>	<b>2.5</b>	<b>0.8</b>
		2018	0.3	0.2	7.0	1.6
商品風險之風險值	VaR for commodity risk	<b>2019</b>	<b>1.7</b>	<b>0.2</b>	<b>43.7</b>	<b>16.1</b>
		2018	9.6	0.8	9.7	3.1

註：

1. 不包括結構性外匯敞口的風險值。

Note:

1. Structural FX positions have been excluded.



## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險 (續)

##### (A) 風險值 (續)

雖然風險值是量度市場風險的一項重要指標，但也有其局限性，例如：

- 採用歷史市場數據估計未來動態未能顧及所有可能出現的情況，尤其是一些極端情況；
- 1天持有期的計算方法假設所有頭盤均可以在一日內套現或對沖。這項假設未必能完全反映市場風險，尤其在市場流通度極低時，可能未及在1天持有期內套現或對沖所有頭盤；
- 根據定義，當採用99% 置信水平時，即未有考慮在此置信水平以外或會出現的虧損；以及
- 風險值是以營業時間結束時的頭盤作計算基準，因此並不一定反映交易時段內的風險。

#### 4.2 Market risk (continued)

##### (A) VaR (continued)

Although there is a valuable guide to market risk, VaR should always be viewed in the context of its limitations. For example:

- the use of historical market data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- the use of a one-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;
- the use of a 99% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence; and
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險 (續)

##### (A) 風險值 (續)

本集團充分了解風險值指標的局限性，因此，制定了壓力測試指標及限額以評估和管理風險值不能涵蓋的市場風險。市場風險壓力測試包括按不同風險因素改變的嚴峻程度所作的敏感性測試，以及對歷史事件的情景分析，如1987股災、1994債券市場危機、1997亞洲金融風暴、2001年美國911事件以及2008金融海嘯等。

##### (B) 外匯風險

本集團的資產及負債集中在港元、美元及人民幣等主要貨幣。為確保外匯風險承擔保持在可接受水平，本集團利用風險限額（例如頭盤及風險值限額）作為監控工具。此外，本集團致力於減少同一貨幣的資產與負債錯配，並通常利用外匯合約（例如外匯掉期）管理由外幣資產負債所產生的外匯風險。

#### 4.2 Market risk (continued)

##### (A) VaR (continued)

The Group recognises these limitations by formulating stress test indicators and limits to assess and manage the market risk uncovered by VaR. The stress testing programme of the market risk includes sensitivity testing on changes in risk factors with various degrees of severity, as well as scenario analysis on historical events including the 1987 Equity Market Crash, 1994 Bond Market Crash, 1997 Asian Financial Crisis, 2001 9-11 event and 2008 Financial Tsunami, etc.

##### (B) Currency risk

The Group's assets and liabilities are denominated in major currencies, particularly HK Dollar, US Dollar and Renminbi. To ensure the currency risk exposure of the Group is kept to an acceptable level, risk limits (e.g. Position and VaR limit) are used to serve as a monitoring tool. Moreover, the Group seeks to minimise the gap between assets and liabilities in the same currency. Foreign exchange contracts (e.g. FX swaps) are usually used to manage FX risk associated with foreign currency-denominated assets and liabilities.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險 (續)

##### (B) 外匯風險 (續)

下表列出本集團因自營交易、非自營交易及結構性倉盤而產生之主要外幣風險額，並參照有關持有外匯情況之金管局報表的填報指示而編製。期權盤淨額乃根據所有外匯期權合約之「得爾塔加權持倉」為基礎計算。

#### 4.2 Market risk (continued)

##### (B) Currency risk (continued)

The following is a summary of the Group's major foreign currency exposures arising from trading, non-trading and structural positions and is prepared with reference to the completion instructions for the HKMA return of foreign currency position. The net options position is calculated based on the basis of delta-weighted positions of all foreign exchange options contracts.

		2019							
		港幣百萬元等值							
		Equivalent in million of HK\$							
		美元 US Dollars	英鎊 Pound Sterling	日圓 Japanese Yen	歐羅 Euro	人民幣 Renminbi	澳元 Australian Dollars	其他外幣 Other foreign currencies	外幣總額 Total foreign currencies
現貨資產	Spot assets	836,139	29,513	123,344	40,611	272,977	37,785	70,894	1,411,263
現貨負債	Spot liabilities	(800,834)	(17,530)	(13,099)	(25,326)	(262,978)	(24,821)	(67,571)	(1,212,159)
遠期買入	Forward purchases	987,222	21,177	35,349	49,566	529,913	20,718	50,291	1,694,236
遠期賣出	Forward sales	(1,021,888)	(33,139)	(145,612)	(64,801)	(538,243)	(33,632)	(54,187)	(1,891,502)
期權盤淨額	Net options position	144	56	4	(86)	(293)	(15)	(24)	(214)
長 / (短) 盤淨額	Net long/(short) position	783	77	(14)	(36)	1,376	35	(597)	1,624
		2018							
		港幣百萬元等值							
		Equivalent in million of HK\$							
		美元 US Dollars	英鎊 Pound Sterling	日圓 Japanese Yen	歐羅 Euro	人民幣 Renminbi	澳元 Australian Dollars	其他外幣 Other foreign currencies	外幣總額 Total foreign currencies
現貨資產	Spot assets	784,876	26,486	23,821	33,069	527,079	38,679	63,409	1,497,419
現貨負債	Spot liabilities	(851,274)	(16,358)	(7,125)	(17,729)	(287,409)	(23,991)	(63,989)	(1,267,875)
遠期買入	Forward purchases	1,120,568	22,996	54,990	55,338	454,667	14,107	74,958	1,797,624
遠期賣出	Forward sales	(1,055,159)	(33,076)	(71,582)	(70,369)	(693,622)	(28,786)	(73,864)	(2,026,458)
期權盤淨額	Net options position	1,312	(9)	(66)	(217)	(696)	(33)	4	295
長 / (短) 盤淨額	Net long/(short) position	323	39	38	92	19	(24)	518	1,005

財務報表附註 (續) Notes to the Financial Statements (continued)

4. 金融風險管理 (續) 4. Financial risk management (continued)

4.2 市場風險 (續)

4.2 Market risk (continued)

(B) 外匯風險 (續)

(B) Currency risk (continued)

		2019					
		港幣百萬元等值					
		Equivalent in million of HK\$					
		美元 US Dollars	泰銖 Baht	馬來西亞 林吉特 Malaysian Ringgit	菲律賓披索 Philippine Peso	其他外幣 Other foreign currencies	外幣總額 Total foreign currencies
結構性倉盤淨額	Net structural position	29,052	2,625	2,903	1,737	4,523	40,840
		2018					
		港幣百萬元等值					
		Equivalent in million of HK\$					
		美元 US Dollars	泰銖 Baht	馬來西亞 林吉特 Malaysian Ringgit	菲律賓披索 Philippine Peso	其他外幣 Other foreign currencies	外幣總額 Total foreign currencies
結構性倉盤淨額	Net structural position	28,122	2,301	2,769	1,608	1,812	36,612

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險 (續)

##### (C) 利率風險

利率風險是指因利率水平、資產負債期限結構等要素發生變動而可能導致銀行整體收益和經濟價值承受損失的風險。本集團的利率風險承擔主要來自結構性持倉。結構性持倉的主要利率風險類別為：

- 利率重訂風險：資產與負債的到期日或重訂價格期限可能錯配，進而影響淨利息收入及經濟價值；
- 利率基準風險：不同交易的定價基準不同，令資產的收益率和負債的成本可能會在同一重訂價格期間以不同的幅度變化；及
- 期權風險：由於資產、負債或表外項目附設有期權，當期權行使時會改變相關資產或負債的現金流。

#### 4.2 Market risk (continued)

##### (C) Interest rate risk

Interest rate risk means the risks to a bank's earnings and economic value arising from movements in interest rate and term structures of the bank's asset and liability positions. The Group's interest rate risk exposures are mainly structural. The major types of interest rate risk from structural positions are:

- Gap risk: mismatches in the maturity or repricing periods of assets and liabilities that may affect net interest income and economic value;
- Basis risk: different pricing basis for different transactions resulting that the yield on assets and cost of liabilities may change by different amounts within the same repricing period; and
- Option risk: exercise of the options embedded in assets, liabilities or off-balance sheet items that can cause a change in the cash flows of assets and liabilities.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險 (續)

##### (C) 利率風險 (續)

本集團風險管理架構同樣適用於利率風險管理。根據風險委員會批准的《中銀香港集團銀行賬利率風險管理政策》，資產負債管理委員會(ALCO)具體履行管理集團利率風險的職責。風險管理部負責本集團利率風險管理，在財務管理部及投資管理等的配合下，協助資產負債管理委員會開展日常的利率風險管理工作，包括但不限於起草管理政策，選擇管理方法，設立風險指標和限額，評估目標資產負債表，監督利率風險管理政策與限額執行情況，向高層管理人員以及風險委員會提交利率風險管理報告等。

#### 4.2 Market risk (continued)

##### (C) Interest rate risk (continued)

The Group's risk management framework applies also to interest rate risk management. The Asset and Liability Management Committee ("ALCO") exercises its oversight of interest rate risk in accordance with the "BOCHK Group Banking Book Interest Rate Risk Management Policy" approved by the RMC. The RMD is responsible for the Group's interest rate risk management. With the cooperation of the Financial Management Department and Investment Management, etc., RMD assists the ALCO to perform day-to-day interest rate risk management. Its roles include, but are not limited to, the formulation of management policies, selection of methodologies, setting of risk indicators and limits, assessment of target balance sheet, monitoring of the compliance with policies and limits, and submission of interest rate risk management reports to senior management and the RMC, etc.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險 (續)

##### (C) 利率風險 (續)

本集團設定利率風險指標及限額，每日用於識別、計量、監測和控制利率風險。主要風險指標和限額包括但不限於重訂價缺口、利率基準風險、久期、基點現值(PVBP)、淨利息波動比率(NII)、經濟價值波動比率(EV)等。主要風險指標和限額劃分不同層級，按不同層級分別由財務總監、風險總監、資產負債管理委員會及風險委員會批准。承擔利率風險的各業務單位必須在利率風險指標限額範圍內開展相關業務。本集團推出銀行賬新產品或新業務前，相關單位須先執行風險評估程序，包括評估潛在的利率風險，並考慮現行的風險監控機制是否足夠。如在風險評估程序中發現對銀行利率風險造成重大影響，須上報風險委員會審批。

#### 4.2 Market risk (continued)

##### (C) Interest rate risk (continued)

The Group sets out interest rate risk indicators and limits to identify, measure, monitor and control interest rate risk on a daily basis. The indicators and limits include, but are not limited to, repricing gap limits, basis risk, duration, price value of a basis point ("PVBP"), net interest income sensitivity ratio ("NII"), economic value sensitivity ratio ("EV"), etc. The indicators and limits are classified into different levels, which are approved by the CFO, CRO, ALCO and RMC accordingly. Risk-taking business units are required to conduct their business within the boundary of the interest rate risk limits. Before launching a new product or business in the banking book, the relevant departments are required to go through a risk assessment process, which includes the assessment of underlying interest rate risk and consideration of the adequacy of current risk monitoring mechanism. Any material impact on interest rate risk noted during the risk assessment process will be submitted to the RMC for approval.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險 (續)

##### (C) 利率風險 (續)

淨利息波動比率(NII)和經濟價值波動比率(EV)反映利率變動對集團淨利息收入和資本基礎的影響,是本集團管理利率風險的重要風險指標。前者衡量利率變動導致的淨利息收入變動佔當年預期淨利息收入的比率;後者衡量利率變化對銀行經濟價值(即按市場利率折算的資產、負債及表外業務預測現金流的淨現值)的影響佔最新一級資本的比率。風險委員會為這兩項指標設定限額,用來監測和控制本集團銀行賬利率風險。

本集團採用情景分析和壓力測試方法,評估不利市況下銀行賬可能承受的利率風險。情景分析和壓力測試同時用於測試儲蓄存款客戶擇權、按揭客戶提早還款,以及內含期權債務證券提前還款對銀行淨利息收入和經濟價值的影響。

#### 4.2 Market risk (continued)

##### (C) Interest rate risk (continued)

NII and EV assess the impact of interest rate movement on the Group's net interest income and capital base. They are the Group's key interest rate risk indicators. The former assesses the impact of interest rate movement on net interest income as a percentage to the projected net interest income for the year. The latter assesses the impact of interest rate movement on economic value (i.e. the net present value of cash flows of assets, liabilities and off-balance sheet items discounted using the market interest rate) as a percentage to the latest Tier 1 capital. Limits are set by the RMC on these two indicators to monitor and control the Group's banking book interest rate risk.

The Group uses scenario analyses and stress tests to assess the banking book interest rate risk that the Group would face under adverse circumstances. Scenario analyses and stress tests are also used to assess the impact on net interest income and economic value arising from the optionality of savings deposits, the prepayment of mortgage loans and the prepayment of debt securities with embedded options.



## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險 (續)

#### 4.2 Market risk (continued)

##### (C) 利率風險 (續)

##### (C) Interest rate risk (continued)

本集團主要面對港元、美元及人民幣利率風險。截至 2019 年 12 月 31 日，若市場利率的收益率曲線平行移動 100 個基點，其他因素不變情況下，對本集團未來 12 個月的淨利息收入及對儲備的敏感度如下：

The Group is principally exposed to HK Dollar, US Dollar and Renminbi in terms of interest rate risk. As at 31 December 2019, if market interest rates had a 100 basis point parallel shift of the yield curve with other variables held constant, the sensitivities on net interest income over a twelve-month period and on reserves for the Group would have been as follows:

		於 12 月 31 日對未來 12 個月 淨利息收入的影響 Impact on net interest income over the next twelve months at 31 December		於 12 月 31 日對儲備的影響 Impact on reserves at 31 December	
		2019	2018	2019	2018
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>收益率曲線平行 上移 100 個基點</b>	<b>100 basis point parallel up of yield curve</b>				
合計	Total	<u>2,305</u>	<u>2,515</u>	<u>(6,482)</u>	<u>(3,680)</u>
其中：	Of which:				
港元	HK Dollar	3,583	3,153	(263)	(357)
美元	US Dollar	(387)	(12)	(3,585)	(1,743)
人民幣	Renminbi	<u>(623)</u>	<u>(478)</u>	<u>(2,017)</u>	<u>(1,262)</u>
<b>收益率曲線平行 下移 100 個基點</b>	<b>100 basis point parallel down of yield curve</b>				
合計	Total	<u>(2,309)</u>	<u>(2,519)</u>	<u>6,482</u>	<u>3,680</u>
其中：	Of which:				
港元	HK Dollar	(3,583)	(3,154)	263	357
美元	US Dollar	387	11	3,585	1,743
人民幣	Renminbi	<u>623</u>	<u>477</u>	<u>2,017</u>	<u>1,262</u>

註：在 2019 年 7 月實施修訂後的 IRRBB 監管政策手冊 IR-1 後，2018 年淨利息收入影響的比較資料因無固定到期日存款及其他相關產品的假設改變而重列。

Note: The comparative information of impact on net interest income for the year 2018 has been restated due to the behavioural assumption change of non-maturity deposit and other relevant products since the implementation of the revised IRRBB Supervisory Policy Manual IR-1 in July 2019.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險 (續)

##### (C) 利率風險 (續)

在收益率曲線平行上移 100 個基點的情況下，2019 年上述貨幣的整體淨利息收入為正面影響。同時，預計債券組合及對沖會計下的利率衍生工具因收益率曲線平行上移 100 個基點出現估值減少而令集團儲備減少。淨利息收入正面影響較 2018 年減少及儲備減少幅度較 2018 年增加乃由於資本市場之債券組合規模及久期增加。

在收益率曲線平行下移 100 個基點的情況下，2019 年上述貨幣的整體淨利息收入為負面影響。同時，預計債券組合及對沖會計下的利率衍生工具因收益率曲線平行下移 100 個基點出現估值增加而令集團儲備增加。淨利息收入負面影響較 2018 年減少及儲備增加幅度較 2018 年增加乃由於資本市場之債券組合規模及久期增加。

#### 4.2 Market risk (continued)

##### (C) Interest rate risk (continued)

In a parallel shift up of 100 basis points of yield curve, the overall impact on net interest income of the above currencies is positive in 2019. Reserves of the Group would have been reduced because of the expected reduction in valuation of the debt securities portfolio and relevant interest rate derivatives under hedge accounting due to a parallel shift up of 100 basis points in the yield curve. The positive impact on net interest income is decreased and the reduction of reserves is increased compared with 2018 because the size and duration of the debt securities portfolio in capital market is increased.

In a parallel shift down of 100 basis points of yield curve, the overall impact on net interest income of the above currencies is negative in 2019. Reserves of the Group would have been increased because of the expected increase in valuation of the debt securities portfolio and relevant interest rate derivatives under hedge accounting due to a parallel shift down of 100 basis points in the yield curve. The negative impact on net interest income is decreased and the increase of reserves is increased compared with 2018 because the size and duration of the debt securities portfolio in capital market is increased.

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財務報表附註 (續) Notes to the Financial Statements (continued)

4. 金融風險管理 (續) 4. Financial risk management (continued)

4.2 市場風險 (續)

(C) 利率風險 (續)

上述敏感度計算僅供說明用途，當中包括（但不限於）下列假設，如相關貨幣息口的相關性變化、利率平行移動、未計及為減低利率風險可能採取的緩釋風險行動、對沖會計的有效性、所有持倉均計至到期日為止、實際重訂息日與合約重訂息日有差異或沒有到期日之產品的習性假設。上述風險承擔只為本集團整體利率風險承擔的一部分。

4.2 Market risk (continued)

(C) Interest rate risk (continued)

The sensitivities above are for illustration only and are based on several assumptions, including, but not limited to, the change in the correlation between interest rates of relevant currencies, parallel movement of interest rates, the absence of actions that would be taken to mitigate the impact of interest rate risk, the effectiveness of hedge accounting, all positions being assumed to run to maturity, behavioural assumptions of products in which the actual repricing date differs from the contractual repricing date or products without contractual maturity. The above exposures form only a part of the Group's overall interest rate risk exposures.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險 (續)

#### 4.2 Market risk (continued)

##### (C) 利率風險 (續)

##### (C) Interest rate risk (continued)

下表概述了本集團於12月31日之資產負債表內的利率風險承擔。表內以賬面值列示資產及負債，並按合約重訂息率日期或到期日(以較早者為準)分類。

The tables below summarise the Group's on-balance sheet exposure to interest rate risk as at 31 December. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing date and maturity date.

		2019						
		一個月內 Up to 1 month	一至 三個月 1 to 3 months	三至 十二個月 3 to 12 months	一至五年 1 to 5 years	五年以上 Over 5 years	不計息 Non- interest bearing	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>資產</b>	<b>Assets</b>							
庫存現金及在銀行及其他金融機構之結餘及定期存放	Cash and balances and placements with banks and other financial institutions	247,810	25,193	6,201	-	-	87,432	366,636
以公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss	9,684	17,216	7,740	8,871	3,111	40	46,662
衍生金融工具	Derivative financial instruments	-	-	-	-	-	31,167	31,167
香港特別行政區政府負債證明書	Hong Kong SAR Government certificates of indebtedness	-	-	-	-	-	163,840	163,840
貸款及其他賬項	Advances and other accounts	1,141,861	178,504	35,698	43,576	5,126	7,736	1,412,501
證券投資	Investment in securities							
- 以公平值變化計入其他全面收益	- At FVOCI	123,257	165,711	109,874	167,811	101,004	3,288	670,945
- 以攤餘成本計量	- At amortised cost	1,849	4,888	10,080	38,407	13,166	-	68,390
聯營公司及合資企業權益	Interests in associates and joint ventures	-	-	-	-	-	619	619
投資物業	Investment properties	-	-	-	-	-	20,428	20,428
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	51,173	51,173
其他資產(包括應收稅項及遞延稅項資產)	Other assets (including current and deferred tax assets)	14,170	-	-	-	-	28,023	42,193
<b>資產總額</b>	<b>Total assets</b>	<b>1,538,631</b>	<b>391,512</b>	<b>169,593</b>	<b>258,665</b>	<b>122,407</b>	<b>393,746</b>	<b>2,874,554</b>

財務報表附註 (續) Notes to the Financial Statements (continued)

4. 金融風險管理 (續) 4. Financial risk management (continued)

4.2 市場風險 (續)

4.2 Market risk (continued)

(C) 利率風險 (續)

(C) Interest rate risk (continued)

		2019						
		一個月內 Up to 1 month	一至 三個月 1 to 3 months	三至 十二個月 3 to 12 months	一至五年 1 to 5 years	五年以上 Over 5 years	不計息 Non- interest bearing	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>負債</b>	<b>Liabilities</b>							
香港特別行政區流通紙幣	Hong Kong SAR currency notes in circulation	-	-	-	-	-	163,840	163,840
銀行及其他金融機構之存款 及結餘	Deposits and balances from banks and other financial institutions	236,747	1,271	897	1,628	-	27,114	267,657
以公平值變化計入損益之金 融負債	Financial liabilities at fair value through profit or loss	2,843	6,046	9,202	724	391	-	19,206
衍生金融工具	Derivative financial instruments	-	-	-	-	-	32,833	32,833
客戶存款	Deposits from customers	1,411,486	295,979	139,866	4,577	-	162,184	2,014,092
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	-	116	-	-	-	-	116
其他賬項及準備 (包括應付 稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	19,556	6	114	968	721	59,861	81,226
後償負債	Subordinated liabilities	-	12,954	-	-	-	-	12,954
<b>負債總額</b>	<b>Total liabilities</b>	<b>1,670,632</b>	<b>316,372</b>	<b>150,079</b>	<b>7,897</b>	<b>1,112</b>	<b>445,832</b>	<b>2,591,924</b>
利率敏感度缺口	Interest sensitivity gap	(132,001)	75,140	19,514	250,768	121,295	(52,086)	282,630

財務報表附註 (續) Notes to the Financial Statements (continued)

4. 金融風險管理 (續) 4. Financial risk management (continued)

4.2 市場風險 (續)

4.2 Market risk (continued)

(C) 利率風險 (續)

(C) Interest rate risk (continued)

		2018						
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	不計息	總計
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
<b>資產</b>	<b>Assets</b>							
庫存現金及在銀行及其他金融機構之結餘及定期存放	Cash and balances and placements with banks and other financial institutions	305,286	36,385	20,853	-	-	70,544	433,068
以公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss	243,603	8,839	7,700	10,158	3,850	7	274,157
衍生金融工具	Derivative financial instruments	-	-	-	-	-	34,955	34,955
香港特別行政區政府負債證明書	Hong Kong SAR Government certificates of indebtedness	-	-	-	-	-	156,300	156,300
貸款及其他賬項	Advances and other accounts	1,040,004	166,331	27,422	34,612	5,482	8,435	1,282,286
證券投資	Investment in securities							
- 以公平值變化計入其他全面收益	- At FVOCI	52,870	81,489	110,282	158,674	66,452	1,329	471,096
- 以攤餘成本計量	- At amortised cost	240	1,676	9,957	46,514	11,372	-	69,759
聯營公司及合資企業權益	Interests in associates and joint ventures	-	-	-	-	-	482	482
投資物業	Investment properties	-	-	-	-	-	19,988	19,988
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	49,071	49,071
其他資產 (包括遞延稅項資產)	Other assets (including deferred tax assets)	7,491	-	-	-	-	25,132	32,623
<b>資產總額</b>	<b>Total assets</b>	<b>1,649,494</b>	<b>294,720</b>	<b>176,214</b>	<b>249,958</b>	<b>87,156</b>	<b>366,243</b>	<b>2,823,785</b>

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.2 市場風險 (續)

#### 4.2 Market risk (continued)

##### (C) 利率風險 (續)

##### (C) Interest rate risk (continued)

		2018						
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	不計息	總計
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
<b>負債</b>	<b>Liabilities</b>							
香港特別行政區流通紙幣	Hong Kong SAR currency notes in circulation	-	-	-	-	-	156,300	156,300
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	356,095	5,747	118	460	-	14,101	376,521
以公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	3,274	8,820	1,761	1,160	520	-	15,535
衍生金融工具	Derivative financial instruments	-	-	-	-	-	30,812	30,812
客戶存款	Deposits from customers	1,324,454	235,953	166,630	5,284	-	166,781	1,899,102
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	3,480	4,813	1,160	-	-	-	9,453
其他賬項及準備 (包括應付稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	15,493	-	-	-	-	40,619	56,112
後償負債	Subordinated liabilities	-	-	-	13,246	-	-	13,246
<b>負債總額</b>	<b>Total liabilities</b>	<b>1,702,796</b>	<b>255,333</b>	<b>169,669</b>	<b>20,150</b>	<b>520</b>	<b>408,613</b>	<b>2,557,081</b>
利率敏感度缺口	Interest sensitivity gap	(53,302)	39,387	6,545	229,808	86,636	(42,370)	266,704

#### 4.3 流動資金風險

#### 4.3 Liquidity risk

流動資金風險是指銀行無法以合理成本及時獲得充足資金，履行到期義務的風險。本集團遵循穩健的流動資金風險偏好，確保在正常情況或壓力情景下均有能力提供穩定、可靠和足夠的現金來源，滿足流動資金需求；在極端情景下累積的淨現金流為正值，可以保證基本生存期內的流動資金需要。

Liquidity risk is the risk that banks may not be able to obtain sufficient and timely funding at a reasonable cost to meet their obligations as they fall due. The Group maintains a sound liquidity risk appetite to provide stable, reliable and adequate sources of cash to meet liquidity needs under normal circumstances or stressed scenarios; and to survive with net positive cumulative cash flow in extreme scenarios.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

本集團按照風險管理企業管治原則管理流動資金風險，董事會及風險委員會、高層管理人員和職能部門／單位，各司其職，各負其責。風險委員會是流動資金風險管理決策機構，並對流動資金風險承擔最終管理責任。風險委員會授權資產負債管理委員會管理日常的流動資金風險，確保本集團的業務經營符合風險委員會設定的流動資金風險偏好和政策規定。風險管理部負責本集團流動資金風險管理，它與財務管理部及投資管理等合作，根據各自的職責分工協助資產負債管理委員會履行具體的流動資金管理職能。

#### 4.3 Liquidity risk (continued)

In accordance with the Group's corporate governance principles in respect of risk management, the Board and the RMC, senior management and functional departments/units perform their duties and responsibilities to manage the Group's liquidity risk. The RMC is the decision-making authority of liquidity risk management, and assumes the ultimate responsibility of liquidity risk management. As authorised by the RMC, ALCO exercises its oversight of liquidity risk and ensures the daily operations of the Group are in accordance with the risk appetite and policies as set by the RMC. The RMD is responsible for the Group's liquidity risk management. It cooperates with the Financial Management Department and Investment Management, etc. to assist the ALCO to perform liquidity management functions according to their specific responsibilities.



## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

本集團管理流動資金風險的目標，是按照流動資金風險偏好，以合理的成本有效管理資產負債表內及表外業務的流動性，實現穩健經營和持續盈利。本集團以客戶存款為主要的資金來源，積極吸納和穩定核心存款，並輔以同業市場拆入款項及在資本市場發行票據，確保穩定和充足的資金來源。本集團根據不同期限及壓力情景下的流動資金需求，調整資產組合的結構（包括貸款、債券投資及拆放同業等），保持充足的流動資產，以便提供足夠的流動資金支持正常業務需要，及在緊急情況下有能力以合理的成本及時籌集到資金，保證對外支付。本集團致力實現融資渠道及期限和資金運用的多樣化，以避免資產負債過於集中，防止因資金來源或運用過於集中在某個方面，當其出現問題時，導致整個資金供應鏈斷裂，觸發流動資金風險。為了管理此類風險，集團對抵押品和資金來源設置了管理集中度的限額，如第一類流動資產佔總流動資產比率、首十大存戶比率和大存戶比率等。必要時，本集團可採取緩釋措施改善流動性狀況，措施包括但不限於通過銀行同業拆借或在貨幣市場進行回購獲得資金，在二手市場出售債券或挽留現有及吸納新的客戶存款。除了增加資金外，集團還將與交易對手、總行和監管機構保持良好溝通，以加強相互信任。

#### 4.3 Liquidity risk (continued)

The Group's liquidity risk management objective is to effectively manage the liquidity of on- and off-balance sheet items with a reasonable cost based on the liquidity risk appetite to achieve sound operation and sustainable profitability. Deposits from customers are the Group's primary source of funds. To ensure stable and sufficient sources of funds are in place, the Group actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market and by issuing bills in the capital market. According to different term maturities and the results of funding needs estimated from stressed scenarios, the Group adjusts its asset structure (including loans, bonds investment, interbank placement, etc.) to maintain sufficient liquid assets which provides adequate funds in support of normal business needs and ensure its ability to raise funds at a reasonable cost to serve external claims in case of emergency. The Group is committed to diversify the sources, tenors and use of funding to avoid excessive concentration of assets and liabilities; and prevent triggering liquidity risk due to the break of funding strand resulting from over-concentration of sources and use of funding in a particular area where problems occur. In order to manage such risk, the Group sets concentration limits on collateral pools and sources of funding such as Tier 1 high-quality readily liquefiable assets to total high-quality readily liquefiable assets ratio, top ten depositors ratio and large depositors ratio. Whenever necessary, the Group could improve the liquidity position by taking mitigation actions including, but not limited to obtaining funding through interbank borrowings or repos in the money market, selling bonds in the secondary market or retaining existing and attracting new customer deposits. Apart from increasing the funding, the Group would maintain good communication with the counterparties, the parent and the regulators to enhance mutual confidence.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

本集團制訂了集團內部流動資金風險管理指引，管理集團內各成員之間的流動資金，避免相互間在資金上過度依賴。本集團亦注重管理表外業務可能產生的流動資金風險，如貸款承諾、衍生工具、期權及其他複雜的結構性產品。本集團的流動資金風險管理策略涵蓋了外幣資產負債流動管理、抵押品、即日流動性、集團內流動性以及其他風險引致的流動資金風險等，並針對流動資金風險制訂了應急計劃。

本集團設定流動資金風險指標和限額，每日用來識別、計量、監測和控制流動資金風險，包括但不限於流動性覆蓋比率、穩定資金淨額比率、貸存比率、最大累計現金流出、以及流動資金緩衝等。本集團採用現金流量分析以評估本集團於正常情況下的流動資金狀況，並最少每月進行流動資金風險壓力測試（包括自身危機、市場危機情況及合併危機）和其他方法，評估本集團抵禦各種嚴峻流動資金危機的能力。本集團亦建立了相關管理資訊系統如資產負債管理系統及巴塞爾流動比率管理系統，提供數據及協助編製常規管理報表，以管理好流動資金風險。

#### 4.3 Liquidity risk (continued)

The Group has established intra-group liquidity risk management guidelines to manage the liquidity funding among different entities within the Group, and to restrict their reliance of funding on each other. The Group also pays attention to manage liquidity risk created by off-balance sheet activities, such as loan commitments, derivatives, options and other complex structured products. The Group has an overall liquidity risk management strategy to cover the liquidity management of foreign currency assets and liabilities, collateral, intra-day liquidity, intra-group liquidity, the liquidity risk arising from other risks, etc., and has formulated corresponding contingency plan.

The Group established liquidity risk management indicators and limits to identify, measure, monitor and control liquidity risk on a daily basis. These indicators and limits include, but are not limited to liquidity coverage ratio ("LCR"), net stable funding ratio ("NSFR"), loan-to-deposit ratio, Maximum Cumulative Cash Outflow ("MCO") and liquidity cushion. The Group applies a cash flow analysis to assess the Group's liquidity condition under normal conditions and also performs a liquidity stress test (including institution specific, general market crisis and combined crisis) and other methods at least on a monthly basis to assess the Group's capability to withstand various severe liquidity crises. Also, relevant management information systems such as the Assets and Liabilities Management System and the Basel Liquidity Ratio Management System are developed to provide data and to prepare for regular management reports to facilitate liquidity risk management duties.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

本集團根據金管局頒佈之監管政策手冊 LM-2 《穩健的流動資金風險管理系統及管控措施》中的要求，落實對現金流分析及壓力測試當中所採用的習性模型及假設，以強化本集團於日常及壓力情景下的現金流分析。在日常情況下的現金流分析，本集團對各項應用於表內項目（如客戶存款）及表外項目（如貸款承諾）作出假設。因應不同資產、負債及表外項目的特性，根據合約到期日、客戶習性假設及資產負債規模變化假設，以預測本集團的未來現金流量狀況。本集團設定「最大累計現金流出」指標，根據以上假設預測在日常情況下的未來30日之最大累計現金淨流出，以評估本集團的融資能力是否足以應付該現金流缺口，以達到持續經營的目的。於2019年12月31日，在沒有考慮出售未到期有價證券的現金流入之情況下，中銀香港之30日累計現金流是淨流入，為港幣1,160.71億元（2018年：港幣934.39億元），符合內部限額要求。

#### 4.3 Liquidity risk (continued)

In accordance with the requirements of Supervisory Policy Manual LM-2 “Sound Systems and controls for Liquidity Risk Management” issued by the HKMA, the Group has implemented a behaviour model and assumptions of cash flow analysis and stress test to enhance the Group’s cash flow analysis under both normal and stressed conditions. In cash flow analysis under normal circumstances, assumptions have been made relating to on-balance sheet items (such as deposits from customers) and off-balance sheet items (such as loan commitments). According to various characteristics of the assets, liabilities and off-balance sheet items, the Group forecasts the future cash flow based on the contractual maturity date and the assumptions of customer behaviour and balance sheet changes. The Group establishes the MCO indicator which predicts the future 30 days maximum cumulative net cash outflow in normal situations based on the above assumptions, to assess if the Group has sufficient financing capacity to meet the cash flow gap in order to achieve the objective of continuing operations. As at 31 December 2019, before taking the cash inflow through the sale of outstanding marketable securities into consideration, BOCHK’s 30-day cumulative cash flow was a net cash inflow, amounting to HK\$116,071 million (2018: HK\$93,439 million) and was in compliance with the internal limit requirements.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

在流動資金風險壓力測試中，本集團設立了自身危機、市場危機及合併危機情景，合併危機情景結合自身危機及市場危機，並採用一套更嚴謹的假設，以評估本集團於更嚴峻的流動資金危機情況下的抵禦能力。壓力測試的假設包括零售存款、批發存款及同業存款之流失率，貸款承諾及與貿易相關的或然負債之提取率，貸款逾期比例及滾動發放比率，同業拆出及有價證券的折扣率等。於2019年12月31日，本集團在以上三種壓力情景下都能維持現金淨流入，表示本集團有能力應付壓力情景下的融資需要。此外，本集團的管理政策要求本集團維持流動資金緩衝，當中包括的高質素或質素相若有價證券為由官方實體、中央銀行、公營單位或多邊發展銀行發行或擔保，而其風險權重為0%或20%，或由非金融企業發行的有價證券，其外部信用評級相等於A-或以上，以確保在壓力情況下的資金需求。於2019年12月31日，中銀香港流動資金緩衝（折扣前）為港幣5,313.88億元（2018年：港幣4,471.75億元）。應急計劃明確了需根據壓力測試結果和預警指標結果為啟動方案的條件，並詳述了相關行動計劃、程序以及各相關部門的職責。

#### 4.3 Liquidity risk (continued)

In the liquidity stress test, institution specific, general market crisis and combined crisis scenarios have been set up, a combined crisis scenario is a combination of institution specific and general market crisis to assess the Group's capability to withstand a more severe liquidity crisis, with a more stringent set of assumptions being adopted. Stress test assumptions include the run-off rate of retail, wholesale and interbank deposits; the drawdown rate of loan commitments and trade-related contingent liabilities; the delinquency ratio and rollover rate of customer loans; and haircut of interbank placement and marketable securities. As at 31 December 2019, the Group was able to maintain a net cash inflow under the three stressed scenarios, indicating the Group has the ability to meet financing needs under stressed conditions. In addition, the Group has a policy in place to maintain a liquidity cushion which includes high quality or comparable quality marketable securities issued or guaranteed by sovereigns, central banks, public sector entities or multilateral development banks with 0% or 20% risk weight or marketable securities issued by non-financial corporate with a corresponding external credit rating of A- or above to ensure funding needs even under stressed scenarios. As at 31 December 2019, the liquidity cushion (before haircut) of BOCHK was HK\$531,388 million (2018: HK\$447,175 million). A contingency plan is being established which details the conditions to trigger the plan based on stress test results and early warning indicators, the action plans and relevant procedures and responsibility of relevant departments.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

金管局指定本集團為第一類認可機構，並需要根據《銀行業(流動性)規則》以綜合基礎計算流動性覆蓋比率及穩定資金淨額比率。於2019年，本集團須維持流動性覆蓋比率及穩定資金淨額比率不少於100%。

在部分衍生工具合約中，交易對手有權基於對本集團的信用狀況的關注而向本集團收取額外的抵押品。

本集團對流動資金風險的管理，同時適用於新產品或新業務。在新產品或業務推出前，相關單位必須先履行風險評估程序，包括評估潛在的流動資金風險，並考慮現行的風險監控機制是否足夠。如在風險評估程序中發現對銀行流動資金風險造成重大影響，須上報風險委員會審批。

#### 4.3 Liquidity risk (continued)

The Group, being classified as a category 1 authorised institution by the HKMA, is required to calculate the LCR and NSFR on a consolidated basis in accordance with the Banking (Liquidity) Rules. The Group is required to maintain a LCR and NSFR not less than 100% in 2019.

In certain derivative contracts, the counterparties have the right to request from the Group additional collateral if they have concerns about the Group's creditworthiness.

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

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

本集團制訂統一的流動資金風險管理政策，規範和指導所有集團成員的流動資金風險管理；各附屬機構根據集團的統一政策，結合自身特點制訂具體的管理辦法，並各自承擔管理本管機構流動資金風險的責任。各附屬機構須定期向中銀香港報告流動資金風險管理信息及相關流動資金比率，中銀香港風險管理部匯總各附屬機構的信息，對整個集團的流動資金風險狀況進行評估，確保滿足相關要求。

#### (A) 流動性覆蓋比率及穩定資金淨額比率

流動性覆蓋比率的平均值  
- 第一季度  
- 第二季度  
- 第三季度  
- 第四季度

流動性覆蓋比率的平均值是基於該季度的每個工作日終結時的流動性覆蓋比率的算術平均數及有關流動性狀況之金管局報表列明的計算方法及指示計算。

#### 4.3 Liquidity risk (continued)

The Group has established a set of uniform liquidity risk management policies which serve as standards and guidance to all the Group's members for liquidity risk management. On the basis of the Group's uniform policies, each of the subsidiaries develops its own liquidity management policies according to its own characteristics, and assumes its own liquidity risk management responsibility. Subsidiaries are required to report their respective liquidity positions with relevant liquidity ratios on a regular basis to the RMD of BOCHK, which consolidates this information and evaluates group-wide liquidity risk to ensure relevant requirements are satisfied.

#### (A) Liquidity coverage ratio and net stable funding ratio

		2019	2018
Average value of liquidity coverage ratio			
- First quarter		<b>183.00%</b>	134.33%
- Second quarter		<b>156.57%</b>	146.39%
- Third quarter		<b>142.85%</b>	141.44%
- Fourth quarter		<b>146.53%</b>	160.23%

Average value of liquidity coverage ratio is calculated based on the arithmetic mean of the liquidity coverage ratio as at the end of each working day in the quarter and the calculation methodology and instructions set out in the HKMA return of liquidity position.

**財務報表附註 (續) Notes to the Financial Statements (continued)**

**4. 金融風險管理 (續) 4. Financial risk management (continued)**

**4.3 流動資金風險 (續)**

**4.3 Liquidity risk (continued)**

**(A) 流動性覆蓋比率及  
穩定資金淨額比率  
(續)**

**(A) Liquidity coverage ratio and net stable funding ratio (continued)**

		2019	2018
穩定資金淨額比率 的季度終結值	Quarter-end value of net stable funding ratio		
- 第一季度	- First quarter	<b>121.36%</b>	118.98%
- 第二季度	- Second quarter	<b>119.15%</b>	118.82%
- 第三季度	- Third quarter	<b>116.47%</b>	122.24%
- 第四季度	- Fourth quarter	<b>118.00%</b>	124.41%

穩定資金淨額比率的季度終結值是基於有關穩定資金狀況之金管局報表列明的計算方法及指示計算。

Quarter-end value of net stable funding ratio is calculated based on the calculation methodology and instructions set out in the HKMA return of stable funding position.

流動性覆蓋比率及穩定資金淨額比率是以綜合基礎計算，並根據《銀行業（流動性）規則》由中銀香港及其部分金管局指定之附屬公司組成。

Liquidity coverage ratio and net stable funding ratio are computed on the consolidated basis which comprise the positions of BOCHK and certain subsidiaries specified by the HKMA in accordance with the Banking (Liquidity) Rules.

有關流動性覆蓋比率及穩定資金淨額比率披露的補充資料可於中銀香港網頁 [www.bochk.com](http://www.bochk.com) 中「監管披露」一節瀏覽。

The additional information of liquidity coverage ratio and net stable funding ratio disclosures is available under the section "Regulatory Disclosures" on BOCHK's website at [www.bochk.com](http://www.bochk.com).

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

#### 4.3 Liquidity risk (continued)

##### (B) 到期日分析

##### (B) Maturity analysis

下表為本集團於12月31日之資產及負債的到期日分析，按於結算日時，資產及負債相距合約到期日的剩餘期限分類。

The tables below analyse the Group's assets and liabilities as at 31 December into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

		2019							
		即期	一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定日期	總計
		On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
		港幣	港幣	港幣	港幣	港幣	港幣	港幣	港幣
		百萬元	百萬元	百萬元	百萬元	百萬元	百萬元	百萬元	百萬元
		HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
<b>資產</b>	<b>Assets</b>								
庫存現金及在銀行及其他金融機構之結餘及定期存放	Cash and balances and placements with banks and other financial institutions	244,731	90,511	24,799	5,810	785	-	-	366,636
以公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss	-	9,649	16,903	7,794	9,182	3,094	40	46,662
衍生金融工具	Derivative financial instruments	11,662	2,561	3,574	4,981	5,399	2,990	-	31,167
香港特別行政區政府負債證明書	Hong Kong SAR Government certificates of indebtedness	163,840	-	-	-	-	-	-	163,840
貸款及其他賬項	Advances and other accounts	210,109	47,032	58,341	167,062	619,292	309,478	1,187	1,412,501
證券投資	Investment in securities								
- 以公平值變化計入其他全面收益	- At FVOCI	-	113,573	141,875	118,179	191,726	102,304	3,288	670,945
- 以攤銷成本計量	- At amortised cost	-	2,031	4,962	9,742	38,517	13,138	-	68,390
聯營公司及合資企業權益	Interests in associates and joint ventures	-	-	-	-	-	-	619	619
投資物業	Investment properties	-	-	-	-	-	-	20,428	20,428
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	-	51,173	51,173
其他資產 (包括應收稅項及遞延稅項資產)	Other assets (including current and deferred tax assets)	25,481	16,016	270	355	61	-	10	42,193
<b>資產總額</b>	<b>Total assets</b>	<b>655,823</b>	<b>281,373</b>	<b>250,724</b>	<b>313,923</b>	<b>864,962</b>	<b>431,004</b>	<b>76,745</b>	<b>2,874,554</b>



## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續) 4.3 Liquidity risk (continued)

##### (B) 到期日分析 (續) (B) Maturity analysis (continued)

		2019							
		即期	一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定日期	總計
		On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
<b>負債</b>	<b>Liabilities</b>								
香港特別行政區流通紙幣	Hong Kong SAR currency notes in circulation	163,840	-	-	-	-	-	-	163,840
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	168,004	95,857	1,271	897	1,628	-	-	267,657
以公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	-	2,843	6,049	9,202	724	388	-	19,206
衍生金融工具	Derivative financial instruments	9,576	2,517	3,051	5,184	7,549	4,956	-	32,833
客戶存款	Deposits from customers	1,110,519	463,151	295,979	139,866	4,577	-	-	2,014,092
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	-	-	116	-	-	-	-	116
其他賬項及準備 (包括應付稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	31,959	35,525	2,110	3,444	8,011	177	-	81,226
後償負債	Subordinated liabilities	-	-	12,954	-	-	-	-	12,954
<b>負債總額</b>	<b>Total liabilities</b>	<b>1,483,898</b>	<b>599,893</b>	<b>321,530</b>	<b>158,593</b>	<b>22,489</b>	<b>5,521</b>	<b>-</b>	<b>2,591,924</b>
流動資金缺口	Net liquidity gap	(828,075)	(318,520)	(70,806)	155,330	842,473	425,483	76,745	282,630

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續) 4.3 Liquidity risk (continued)

##### (B) 到期日分析 (續) (B) Maturity analysis (continued)

		2018							
		即期	一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定	總計
		On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
		港幣	港幣	港幣	港幣	港幣	港幣	港幣	港幣
		百萬元	百萬元	百萬元	百萬元	百萬元	百萬元	百萬元	百萬元
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
<b>資產</b>	<b>Assets</b>								
庫存現金及在銀行及其他金融機構之結餘及定期存放	Cash and balances and placements with banks and other financial institutions	300,311	75,519	36,385	20,457	396	-	-	433,068
以公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss	-	243,106	8,299	7,968	10,960	3,817	7	274,157
衍生金融工具	Derivative financial instruments	11,303	3,285	4,039	5,912	6,972	3,444	-	34,955
香港特別行政區政府負債證明書	Hong Kong SAR Government certificates of indebtedness	156,300	-	-	-	-	-	-	156,300
貸款及其他賬項	Advances and other accounts	176,589	53,549	53,037	158,880	579,083	259,797	1,351	1,282,286
證券投資	Investment in securities								
- 以公平值變化計入其他全面收益	- At FVOCI	-	44,748	52,071	114,852	190,756	67,340	1,329	471,096
- 以攤餘成本計量	- At amortised cost	-	410	1,772	9,229	47,007	11,341	-	69,759
聯營公司及合資企業權益	Interests in associates and joint ventures	-	-	-	-	-	-	482	482
投資物業	Investment properties	-	-	-	-	-	-	19,988	19,988
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	-	49,071	49,071
其他資產 (包括遞延稅項資產)	Other assets (including deferred tax assets)	14,499	17,164	157	694	95	-	14	32,623
<b>資產總額</b>	<b>Total assets</b>	<b>659,002</b>	<b>437,781</b>	<b>155,760</b>	<b>317,992</b>	<b>835,269</b>	<b>345,739</b>	<b>72,242</b>	<b>2,823,785</b>

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續) 4.3 Liquidity risk (continued)

##### (B) 到期日分析 (續) (B) Maturity analysis (continued)

		2018							
		即期	一至	三至	一至五年	五年以上	不確定	總計	
		On	Up to	1 to 3	3 to 12	1 to 5	Over	日期	
		demand	1 month	months	months	years	5 years	Indefinite	
		港幣	港幣	港幣	港幣	港幣	港幣	港幣	
		百萬元	百萬元	百萬元	百萬元	百萬元	百萬元	百萬元	
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	
<b>負債</b>	<b>Liabilities</b>								
香港特別行政區流通紙幣	Hong Kong SAR currency notes in circulation	156,300	-	-	-	-	-	-	156,300
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	241,851	128,345	5,747	118	460	-	-	376,521
以公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	-	3,274	8,823	1,762	1,159	517	-	15,535
衍生金融工具	Derivative financial instruments	8,260	4,059	3,164	5,818	6,558	2,953	-	30,812
客戶存款	Deposits from customers	1,064,747	426,488	235,953	166,630	5,284	-	-	1,899,102
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	-	3,480	4,813	1,160	-	-	-	9,453
其他賬項及準備 (包括應付稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	27,598	18,438	1,876	1,195	6,998	7	-	56,112
後償負債	Subordinated liabilities	-	-	275	-	12,971	-	-	13,246
<b>負債總額</b>	<b>Total liabilities</b>	<b>1,498,756</b>	<b>584,084</b>	<b>260,651</b>	<b>176,683</b>	<b>33,430</b>	<b>3,477</b>	<b>-</b>	<b>2,557,081</b>
流動資金缺口	Net liquidity gap	(839,754)	(146,303)	(104,891)	141,309	801,839	342,262	72,242	266,704

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

#### 4.3 Liquidity risk (continued)

##### (B) 到期日分析 (續)

##### (B) Maturity analysis (continued)

上述到期日分類乃按照《銀行業(披露)規則》之相關條文而編製。本集團將逾期不超過 1 個月之資產，例如貸款及債務證券列為「即期」資產。對於按不同款額或分期償還之資產，只有該資產中實際逾期之部分被視作逾期。其他未到期之部分仍繼續根據剩餘期限分類，但假若對該資產之償還存有疑慮，則將該等款項列為「不確定日期」。上述列示之資產已扣除任何相關準備(如有)。

按尚餘到期日對債務證券之分析是根據合約到期日分類。所作披露不代表此等證券將持有至到期日。

The above maturity classifications have been prepared in accordance with relevant provisions under the Banking (Disclosure) Rules. The Group has reported assets such as advances and debt securities which have been overdue for not more than one month as "On demand". In the case of an asset that is repayable by different payments or instalments, only that portion of the asset that is actually overdue is reported as overdue. Any part of the asset that is not due is reported according to the residual maturity unless the repayment of the asset is in doubt in which case the amount is reported as "Indefinite". The above assets are stated after deduction of provisions, if any.

The analysis of debt securities by remaining period to maturity is based on contractual maturity date. The disclosure does not imply that the securities will be held to maturity.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

##### (C) 按合約到期日分析 之未折現現金流

##### (a) 非衍生工具之現 金流

下表概述了本集團於12月31日之非衍生金融負債以剩餘合約到期日列示之現金流。

#### 4.3 Liquidity risk (continued)

##### (C) Analysis of undiscounted cash flows by contractual maturities

##### (a) Non-derivative cash flows

The tables below summarise the cash flows of the Group as at 31 December for non-derivative financial liabilities by remaining contractual maturity.

		2019					
		一至	三至				
		一個月內	三個月	十二個月	一至五年	五年以上	總計
		Up to	1 to 3	3 to 12	1 to 5	Over	Total
		1 month	months	months	years	5 years	Total
		港幣	港幣	港幣	港幣	港幣	港幣
		百萬元	百萬元	百萬元	百萬元	百萬元	百萬元
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
<b>金融負債</b>	<b>Financial liabilities</b>						
香港特別行政區流通紙幣	Hong Kong SAR currency notes in circulation	163,840	-	-	-	-	163,840
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	263,879	1,275	903	1,688	-	267,745
以公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	2,845	6,066	9,291	777	406	19,385
客戶存款	Deposits from customers	1,574,045	297,100	141,446	4,696	-	2,017,287
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	-	117	-	-	-	117
後償負債	Subordinated liabilities	-	12,991	-	-	-	12,991
租賃負債	Lease liabilities	56	111	443	1,153	181	1,944
其他金融負債	Other financial liabilities	61,615	233	242	4	6	62,100
<b>金融負債總額</b>	<b>Total financial liabilities</b>	<b>2,066,280</b>	<b>317,893</b>	<b>152,325</b>	<b>8,318</b>	<b>593</b>	<b>2,545,409</b>
		2018					
		一至	三至				
		一個月內	三個月	十二個月	一至五年	五年以上	總計
		Up to	1 to 3	3 to 12	1 to 5	Over	Total
		1 month	months	months	years	5 years	Total
		港幣	港幣	港幣	港幣	港幣	港幣
		百萬元	百萬元	百萬元	百萬元	百萬元	百萬元
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
<b>金融負債</b>	<b>Financial liabilities</b>						
香港特別行政區流通紙幣	Hong Kong SAR currency notes in circulation	156,300	-	-	-	-	156,300
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	370,344	5,764	154	556	-	376,818
以公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	3,279	8,850	1,801	1,238	560	15,728
客戶存款	Deposits from customers	1,491,539	236,892	168,931	5,426	-	1,902,788
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	3,485	4,837	1,179	-	-	9,501
後償負債	Subordinated liabilities	-	353	353	13,064	-	13,770
其他金融負債	Other financial liabilities	45,035	172	107	6	7	45,327
<b>金融負債總額</b>	<b>Total financial liabilities</b>	<b>2,069,982</b>	<b>256,868</b>	<b>172,525</b>	<b>20,290</b>	<b>567</b>	<b>2,520,232</b>

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

##### (C) 按合約到期日分析之未折現現金流 (續)

##### (b) 衍生工具之現金流

下表概述了本集團於12月31日以剩餘合約到期日列示之現金流，包括按淨額基準結算之衍生金融負債，及所有按總額基準結算之衍生金融工具（不論有關合約屬資產或負債）。除部分衍生工具以公平值列示外，下表披露的其他金額均為未經折現的合同現金流。

本集團按淨額基準結算之衍生金融工具主要包括利率掉期，而按總額基準結算之衍生金融工具主要包括貨幣遠期及貨幣掉期。

#### 4.3 Liquidity risk (continued)

##### (C) Analysis of undiscounted cash flows by contractual maturities (continued)

##### (b) Derivative cash flows

The tables below summarise the cash flows of the Group by remaining contractual maturity as at 31 December for derivative financial liabilities that will be settled on a net basis, together with all derivative financial instruments that will be settled on a gross basis regardless of whether the contract is in an asset or liability position. The amounts disclosed in the tables are the contractual undiscounted cash flows, except for certain derivatives which are disclosed at fair value.

The Group's derivative financial instruments that will be settled on a net basis mainly include interest rate swaps whereas derivative financial instruments that will be settled on a gross basis mainly include currency forwards and currency swaps.

財務報表附註 (續) Notes to the Financial Statements (continued)

4. 金融風險管理 (續) 4. Financial risk management (continued)

4.3 流動資金風險 (續)

4.3 Liquidity risk (continued)

(C) 按合約到期日分析  
之未折現現金流  
(續)

(C) Analysis of undiscounted cash flows by contractual maturities (continued)

(b) 衍生工具之現金  
流 (續)

(b) Derivative cash flows (continued)

		2019					
		一 個月內 Up to 1 month	一至 三個月 1 to 3 months	三至 十二個月 3 to 12 months	一至五年 1 to 5 years	五年以上 Over 5 years	總計 Total
		港幣 百萬元 HK\$m	港幣 百萬元 HK\$m	港幣 百萬元 HK\$m	港幣 百萬元 HK\$m	港幣 百萬元 HK\$m	港幣 百萬元 HK\$m
按淨額基準結 算之衍生金 融負債	Derivative financial liabilities settled on a net basis	(10,065)	(736)	(2,531)	(7,443)	(1,614)	(22,389)
按總額基準結 算之衍生金 融工具	Derivative financial instruments settled on a gross basis						
總流入	Total inflow	593,459	436,313	687,147	119,126	964	1,837,009
總流出	Total outflow	(592,945)	(432,346)	(687,051)	(118,885)	(967)	(1,832,194)
		2018					
		一 個月內 Up to 1 month	一至 三個月 1 to 3 months	三至 十二個月 3 to 12 months	一至五年 1 to 5 years	五年以上 Over 5 years	總計 Total
		港幣 百萬元 HK\$m	港幣 百萬元 HK\$m	港幣 百萬元 HK\$m	港幣 百萬元 HK\$m	港幣 百萬元 HK\$m	港幣 百萬元 HK\$m
按淨額基準結 算之衍生金 融負債	Derivative financial liabilities settled on a net basis	(8,983)	(884)	(2,338)	(5,061)	(1,002)	(18,268)
按總額基準結 算之衍生金 融工具	Derivative financial instruments settled on a gross basis						
總流入	Total inflow	787,297	382,875	641,513	134,766	6,199	1,952,650
總流出	Total outflow	(788,110)	(381,656)	(638,603)	(134,882)	(6,146)	(1,949,397)

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.3 流動資金風險 (續)

#### 4.3 Liquidity risk (continued)

##### (C) 按合約到期日分析 之未折現現金流 (續)

##### (C) Analysis of undiscounted cash flows by contractual maturities (continued)

##### (c) 資產負債表外 項目

##### (c) Off-balance sheet items

##### 貸款承諾

##### Loan commitments

有關本集團於2019年12月31日向客戶承諾延長信貸及其他融資之表外金融工具，其合約金額為港幣6,236.53億元(2018年：港幣5,479.99億元)，此等貸款承諾可於一年內提取。

The contractual amounts of the Group's off-balance sheet financial instruments as at 31 December 2019 that the Group commits to extend credit to customers and other facilities amounted to HK\$623,653 million (2018: HK\$547,999 million). Those loan commitments can be drawn within one year.

##### 財務擔保合同

##### Financial guarantee contracts

本集團於2019年12月31日之財務擔保及其他財務融資金額為港幣624.00億元(2018年：港幣620.94億元)，其到期日少於一年。

Financial guarantees and other financial facilities of the Group as at 31 December 2019 amounting to HK\$62,400 million (2018: HK\$62,094 million) are maturing no later than one year.



## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.4 資本管理

本集團資本管理的主要目標是維持與集團整體風險狀況相稱的資本充足水平，同時為股東帶來最大回報。資產負債管理委員會定期檢討本集團資本結構，並在需要時進行調整以保持風險、回報與資本充足性的最佳平衡。

本集團已經建立一套有效的資本管理政策和調控機制，並且運行良好。此套機制保證集團在支持業務發展的同時，滿足法定資本充足率的要求。資產負債管理委員會負責監控集團的資本充足性。本集團在報告時段內就銀行業務符合各項金管局的法定資本規定，詳述如下：

本集團已採用基礎內部評級基準計算法計算大部分非證券化類別風險承擔的信貸風險資本要求。剩餘小部分信貸風險承擔按標準（信貸風險）計算法計算。本集團採用標準信貸估值調整方法，計算具有信貸估值調整風險的交易對手資本要求。

#### 4.4 Capital management

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

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

The Group has adopted the foundation internal ratings-based ("FIRB") approach to calculate the credit risk capital charge for the majority of its non-securitisation exposures. Small residual credit exposures are remained under the standardised (credit risk) ("STC") approach. The Group has adopted the standardised credit valuation adjustment ("CVA") method to calculate the capital charge for the CVA risk of the counterparty.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.4 資本管理 (續)

本集團繼續採用內部模型計算法計算外匯及利率的一般市場風險資本要求，並獲金管局批准豁免計算結構性外匯敞口產生的市場風險資本要求。本集團繼續採用標準(市場風險)計算法計算其餘市場風險資本要求。

本集團繼續採用標準(業務操作風險)計算法計算操作風險資本要求。

本集團於2019年繼續採用內部資本充足評估程序以符合金管局監管政策手冊「監管審查程序」內的要求。按金管局對第二支柱的指引，內部資本充足評估程序主要用以評估在第一支柱下未有涵蓋或充分涵蓋的重大風險所需的額外資本，從而設定本集團最低普通股權一級資本比率、最低一級資本比率及最低總資本比率。同時，本集團亦就前述的資本比率設定了運作區間，以支持業務發展需要及促進資本的有效運用。本集團認為內部資本充足評估程序是一個持續的資本管理過程，並會因應自身的整體風險狀況而定期重檢及按需要調整其資本結構。

#### 4.4 Capital management (continued)

The Group continues to adopt the internal models (“IMM”) approach to calculate the general market risk capital charge for foreign exchange and interest rate exposures and, with the approval from the HKMA, exclude its structural FX positions in the calculation of the market risk capital charge. The Group continues to adopt the standardised (market risk) (“STM”) approach to calculate the market risk capital charge for the remaining exposures.

The Group continues to adopt the standardised (operational risk) (“STO”) approach to calculate the operational risk capital charge.

The Group has continued to adopt an internal capital adequacy assessment process (“ICAAP”) to comply with the HKMA’s requirements in the Supervisory Policy Manual “Supervisory Review Process” in 2019. Based on the HKMA’s guidelines on Pillar II, ICAAP has been initiated to assess the extra capital needed to cover the material risks not captured or not adequately captured under Pillar I, and therefore minimum Common Equity Tier 1 capital ratio, minimum Tier 1 capital ratio and minimum Total capital ratio are determined. Meanwhile, operating ranges for the aforementioned capital ratios have also been established which enable the flexibility for future business growth and efficiency of capital utilisation. The Group considers this ICAAP as an on-going process for capital management and periodically reviews and adjusts its capital structure where appropriate in relation to the overall risk profile.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.4 資本管理 (續)

此外，本集團每年制定年度資本規劃，由資產負債管理委員會審議後呈董事會批准。資本規劃從業務策略、股東回報、風險偏好、信用評級、監管要求等多維度評估對資本充足性的影響，從而預測未來資本需求及資本來源，以保障集團能維持良好的資本充足性及資本組合結構，配合業務發展，保持風險、回報與資本充足性的最佳平衡。

#### (A) 監管綜合基礎

監管規定的綜合基礎乃根據《銀行業(資本)規則》由中銀香港及其部分金管局指定之附屬公司組成。在會計處理方面，則按照香港財務報告準則綜合附屬公司，其名單載於「附錄－本銀行之附屬公司」。

#### 4.4 Capital management (continued)

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

#### (A) Basis of regulatory consolidation

The consolidation basis for regulatory purposes comprises the positions of BOCHK and certain subsidiaries specified by the HKMA in accordance with the Banking (Capital) Rules. For accounting purposes, subsidiaries are consolidated in accordance with HKFRSs and the list of subsidiaries is set out in "Appendix – Subsidiaries of the Bank".

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.4 資本管理 (續)

#### 4.4 Capital management (continued)

##### (A) 監管綜合基礎 (續)

##### (A) Basis of regulatory consolidation (continued)

包括在會計準則綜合範圍，而不包括在監管規定綜合範圍內的附屬公司之詳情如下：

The particulars of subsidiaries which are included within the accounting scope of consolidation but not included within the regulatory scope of consolidation are as follows:

名稱	Name	2019		2018	
		資產總額	資本總額	資產總額	資本總額
		Total assets	Total equity	Total assets	Total equity
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
		HK\$'m	HK\$'m	HK\$'m	HK\$'m
中銀集團信託人有限公司	BOC Group Trustee Company Limited	200	200	200	200
中銀國際英國保誠信託有限公司	BOCI-Prudential Trustee Limited	612	483	506	464
China Bridge (Malaysia) Sdn. Bhd.	China Bridge (Malaysia) Sdn. Bhd.	56	36	38	31
中國銀行(香港)代理人有限公司	Bank of China (Hong Kong) Nominees Limited	-	-	-	-
中國銀行(香港)信託有限公司	Bank of China (Hong Kong) Trustees Limited	12	11	15	15
中銀金融服務(南寧)有限公司	BOC Financial Services (Nanning) Company Limited	173	42	N/A	N/A
中銀信息科技(深圳)有限公司	BOCHK Information Technology (Shenzhen) Co., Ltd.	401	255	377	242
中銀信息技術服務(深圳)有限公司	BOCHK Information Technology Services (Shenzhen) Co., Ltd.	418	348	377	336
浙興(代理人)有限公司	Che Hsing (Nominees) Limited	1	1	1	1
寶生金融投資服務有限公司	Po Sang Financial Investment Services Company Limited	364	345	364	346
寶生證券及期貨有限公司	Po Sang Securities and Futures Limited	664	373	657	553
新僑企業有限公司	Sin Chiao Enterprises Corporation, Limited	6	6	6	6
新華信託有限公司	Sin Hua Trustee Limited	5	5	7	6
Billion Express Development Inc.	Billion Express Development Inc.	-	-	-	-
Billion Orient Holdings Ltd.	Billion Orient Holdings Ltd.	-	-	-	-
Elite Bond Investments Ltd.	Elite Bond Investments Ltd.	-	-	-	-
Express Capital Enterprise Inc.	Express Capital Enterprise Inc.	-	-	-	-

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.4 資本管理 (續)

#### 4.4 Capital management (continued)

##### (A) 監管綜合基礎 (續)

##### (A) Basis of regulatory consolidation (continued)

名稱	Name	2019		2018	
		資產總額	資本總額	資產總額	資本總額
		Total assets	Total equity	Total assets	Total equity
		港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
		HK\$'m	HK\$'m	HK\$'m	HK\$'m
Express Charm Holdings Corp.	Express Charm Holdings Corp.	-	-	-	-
Express Shine Assets Holdings Corp.	Express Shine Assets Holdings Corp.	-	-	-	-
Express Talent Investment Ltd.	Express Talent Investment Ltd.	-	-	-	-
Gold Medal Capital Inc.	Gold Medal Capital Inc.	-	-	-	-
Gold Tap Enterprises Inc.	Gold Tap Enterprises Inc.	-	-	-	-
Maxi Success Holdings Ltd.	Maxi Success Holdings Ltd.	-	-	-	-
Smart Linkage Holdings Inc.	Smart Linkage Holdings Inc.	-	-	-	-
Smart Union Capital Investments Ltd.	Smart Union Capital Investments Ltd.	-	-	-	-
Success Trend Development Ltd.	Success Trend Development Ltd.	-	-	-	-
Wise Key Enterprises Corp.	Wise Key Enterprises Corp.	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.4 資本管理 (續)

##### (A) 監管綜合基礎 (續)

以上附屬公司的主要業務載於「附錄一本銀行之附屬公司」。

於2019年12月31日，並無任何附屬公司只包括在監管規定綜合範圍，而不包括在會計準則綜合範圍(2018年：無)。

於2019年12月31日，亦無任何附屬公司同時包括在會計準則和監管規定綜合範圍而使用不同綜合方法(2018年：無)。

本集團在不同國家／地區經營附屬公司，這些公司的資本須受當地規則監管，而本集團成員公司之間相互轉讓資金或監管資本，亦可能受到限制。

##### (B) 資本比率

資本比率分析如下：

普通股權一級資本比率

一級資本比率

總資本比率

#### 4.4 Capital management (continued)

##### (A) Basis of regulatory consolidation (continued)

The principal activities of the above subsidiaries are set out in "Appendix – Subsidiaries of the Bank".

There were no subsidiaries which are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation as at 31 December 2019 (2018: Nil).

There were also no subsidiaries which are included within both the accounting scope of consolidation and the regulatory scope of consolidation where the methods of consolidation differ as at 31 December 2019 (2018: Nil).

The Group operates subsidiaries in different countries/regions where capital is governed by local rules and there may be restrictions on the transfer of funds or regulatory capital between the members of the Group.

##### (B) Capital ratio

The capital ratios are analysed as follows:

	<u>2019</u>	<u>2018</u>
CET1 capital ratio	<u>17.76%</u>	17.48%
Tier 1 capital ratio	<u>19.90%</u>	19.76%
Total capital ratio	<u>22.89%</u>	23.10%

財務報表附註 (續) Notes to the Financial Statements (continued)

4. 金融風險管理 (續) 4. Financial risk management (continued)

4.4 資本管理 (續)

4.4 Capital management (continued)

(B) 資本比率 (續)

(B) Capital ratio (continued)

用於計算以上資本比率之扣減後的綜合資本基礎分析如下：

The consolidated capital base after deductions used in the calculation of the above capital ratios is analysed as follows:

		2019 港幣百萬元 HK\$m	2018 港幣百萬元 HK\$m
普通股權一級(CET1)資本：票據及儲備	CET1 capital: instruments and reserves		
直接發行的合資格CET1資本票據	Directly issued qualifying CET1 capital instruments	43,043	43,043
保留溢利	Retained earnings	164,113	153,501
已披露儲備	Disclosed reserves	51,309	45,367
		<u>258,465</u>	<u>241,911</u>
監管扣減之前的CET1資本	CET1 capital before regulatory deductions		
CET1資本：監管扣減	CET1 capital: regulatory deductions		
估值調整	Valuation adjustments	(65)	(9)
遞延稅項資產（已扣除相聯的遞延稅項負債）	Deferred tax assets (net of associated deferred tax liabilities)	(62)	(82)
按公平價值估值的負債因本身的信用風險變動所產生的損益	Gains and losses due to changes in own credit risk on fair valued liabilities	237	141
因土地及建築物（自用及投資用途）進行價值重估而產生的累積公平價值收益	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	(52,459)	(51,263)
一般銀行業務風險監管儲備	Regulatory reserve for general banking risks	(11,077)	(10,496)
		<u>(63,426)</u>	<u>(61,709)</u>
對CET1資本的監管扣減總額	Total regulatory deductions to CET1 capital		
		<u>195,039</u>	<u>180,202</u>
CET1資本	CET1 capital		
AT1資本：票據	AT1 capital: instruments		
合資格AT1資本票據根據適用會計準則列為股本類別	Qualifying AT1 capital instruments classified as equity under applicable accounting standards	23,476	23,476
		<u>23,476</u>	<u>23,476</u>
AT1資本	AT1 capital		
		<u>23,476</u>	<u>23,476</u>
一級資本	Tier 1 capital	<u>218,515</u>	<u>203,678</u>

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.4 資本管理 (續)

#### 4.4 Capital management (continued)

##### (B) 資本比率 (續)

##### (B) Capital ratio (continued)

		2019	2018
		港幣百萬元	港幣百萬元
		HK\$'m	HK\$'m
二級資本：票據及準備金 須從二級資本逐步遞減 的資本票據	Tier 2 capital: instruments and provisions Capital instruments subject to phase-out arrangements from Tier 2 capital	2,505	5,010
合資格計入二級資本的 集體準備金及一般銀 行業務風險監管儲備	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	6,743	6,315
監管扣減之前的二級資本	Tier 2 capital before regulatory deductions	9,248	11,325
二級資本：監管扣減 加回合資格計入二級資 本的因土地及建築物 (自用及投資用途) 進行價值重估而產生 的累積公平價值收益	Tier 2 capital: regulatory deductions Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	23,607	23,068
對二級資本的監管扣減 總額	Total regulatory adjustments to Tier 2 capital	23,607	23,068
二級資本	Tier 2 capital	32,855	34,393
監管資本總額	Total regulatory capital	251,370	238,071



## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 4. 金融風險管理 (續) 4. Financial risk management (continued)

#### 4.4 資本管理 (續)

#### 4.4 Capital management (continued)

##### (B) 資本比率 (續)

##### (B) Capital ratio (continued)

緩衝資本比率分析如下：

The capital buffer ratios are analysed as follows:

		<u>2019</u>	<u>2018</u>
防護緩衝資本比率	Capital conservation buffer ratio	<u>2.500%</u>	<u>1.875%</u>
較高吸收虧損能力比率	Higher loss absorbency ratio	<u>1.500%</u>	<u>1.125%</u>
逆周期緩衝資本比率	Countercyclical capital buffer ratio	<u>1.552%</u>	<u>1.418%</u>

有關資本比率披露的補充資料可於中銀香港網頁 [www.bochk.com](http://www.bochk.com) 中「監管披露」一節瀏覽。

The additional information of capital ratio disclosures is available under the section "Regulatory Disclosures" on BOCHK's website at [www.bochk.com](http://www.bochk.com).

##### (C) 槓桿比率

##### (C) Leverage ratio

槓桿比率分析如下：

The leverage ratio is analysed as follows:

		<u>2019</u>	<u>2018</u>
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
一級資本	Tier 1 capital	<u>218,515</u>	<u>203,678</u>
槓桿比率風險承擔	Leverage ratio exposure	<u>2,799,606</u>	<u>2,733,653</u>
槓桿比率	Leverage ratio	<u>7.81%</u>	<u>7.45%</u>

有關槓桿比率披露的補充資料可於中銀香港網頁 [www.bochk.com](http://www.bochk.com) 中「監管披露」一節瀏覽。

The additional information of leverage ratio disclosures is available under the section "Regulatory Disclosures" on BOCHK's website at [www.bochk.com](http://www.bochk.com).

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 5. Fair values of assets and liabilities

所有以公平值計量或在財務報表內披露的資產及負債，均按香港財務報告準則第13號「公平值計量」的定義，於公平值層級表內分類。該等分類乃參照估值方法所採用的因素之可觀察性及重大性，並基於對整體公平值計量有重大影響之最低層級因素來釐定：

- 第一層級：相同資產或負債在活躍市場中的報價（未經調整）。此層級包括在交易所上市的股份證券、部分政府發行的債務工具、若干場內交易的衍生合約及貴金屬。
- 第二層級：乃基於估值技術所採用的最低層級因素（同時需對整體公平值計量有重大影響）可被直接或間接地觀察。此層級包括大部分場外交易的衍生合約、從估值服務供應商獲取價格的債務證券及存款證、發行的結構性存款，以及其他債務工具。同時亦包括對可觀察的市場因素進行了不重大調整的貴金屬及物業。
- 第三層級：乃基於估值技術所採用的最低層級因素（同時需對整體公平值計量有重大影響）屬不可被觀察。此層級包括有重大不可觀察因素的股份投資、債務工具及若干場外交易的衍生合約。同時亦包括對可觀察的市場因素進行了重大調整的物業。

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as defined in HKFRS 13, "Fair value measurement". The categorisation are determined with reference to the observability and significance of the inputs used in the valuation methods and based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities. This category includes equity securities listed on exchange, debt instruments issued by certain governments, certain exchange-traded derivative contracts and precious metals.
- Level 2: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly. This category includes majority of the OTC derivative contracts, debt securities and certificates of deposit with quote from pricing services vendors, issued structured deposits and other debt instruments. It also includes precious metals and properties with insignificant adjustments made to observable market inputs.
- Level 3: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. This category includes equity investment, debt instruments and certain OTC derivative contracts with significant unobservable components. It also includes properties with significant adjustments made to observable market inputs.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

對於以重複基準確認於財務報表的資產及負債，本集團會於每一財務報告週期的結算日重新評估其分類（基於對整體公平值計量有重大影響之最低層級因素），以確定有否在公平值層級之間發生轉移。

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### 5.1 以公平值計量的金融工具

#### 5.1 Financial instruments measured at fair value

本集團建立了完善的公平值管治及控制架構，公平值數據由獨立於前線的控制單位確定或核實。各控制單位負責獨立核實前線業務之估值結果及重大公平值數據。其他特定控制程序包括核實可觀察的估值參數、審核新的估值模型及任何模型改動、根據可觀察的市場交易價格校準及回顧測試所採用的估值模型、深入分析日常重大估值變動、評估重大不可觀察估值參數及估值調整。重大估值事項將向高層管理人員、風險委員會及審計委員會匯報。

The Group has an established governance structure and controls framework to ensure that fair values are either determined or validated by control units independent of the front offices. Control units have overall responsibility for independent verification of valuation results from front line businesses and all other significant fair value measurements. Specific controls include verification of observable pricing inputs; review and approval for new models and changes to models; calibration and back-testing of models against observed market transactions; analysis and investigation of significant daily valuation movements; review of significant unobservable inputs and valuation adjustments. Significant valuation issues are reported to senior management, Risk Committee and Audit Committee.

一般而言，金融工具以單一工具為計量基礎。香港財務報告準則第 13 號允許在滿足特定條件的前提下，可以選用會計政策以同一投資組合下的金融資產及金融負債的淨敞口作為公平值的計量基礎。本集團的估值調整以單一工具為基礎，與金融工具的計量基礎一致。根據衍生金融工具的風險管理政策及系統，一些滿足特定條件的組合的公平值是按其淨敞口所獲得或支付的價格計量。組合層面的估值調整按照單一工具對於投資組合的相對比重分配到單一資產或負債。

Generally, the unit of account for a financial instrument is the individual instrument. HKFRS 13 permits a portfolio exception, through an accounting policy election, to measure the fair value of a portfolio of financial assets and financial liabilities on the basis of the net open risk position when certain criteria are met. The Group applies valuation adjustments at an individual instrument level, consistent with that unit of account. According to its risk management policies and systems to manage derivative financial instruments, the fair value of certain derivative portfolios that meet those criteria is measured on the basis of the price to be received or paid for net open risk. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative size of each of the individual instruments in the portfolio.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

#### 5.1 以公平值計量的金融工具 (續)

當無法從公開市場獲取報價時，本集團通過一些估值技術或經紀／交易商之詢價來確定金融工具的公平值。

對於本集團所持有的金融工具，其估值技術使用的主要參數包括債券價格、利率、匯率、權益及股票價格、商品價格、波幅及相關系數、交易對手信貸利差及其他等，主要為可從公開市場觀察及獲取的參數。

用以釐定以下金融工具公平值的估值方法如下：

#### 債務證券及存款證及其他債務工具

此類工具的公平值由交易所、交易商或外間獨立估值服務供應商提供的市場報價或使用貼現現金流模型分析而決定。貼現現金流模型是一個利用預計未來現金流，以一個可反映市場上相類似風險的工具所需信貸息差之貼現率或貼現差額計量而成現值的估值技術。這些參數是市場上可觀察或由可觀察或不可觀察的市場數據證實。

#### 資產抵押債券

這類工具由外間獨立第三者提供報價。有關的估值視乎交易性質以市場標準的現金流模型及估值參數(包括可觀察或由近似發行的價格矩陣編輯而成的貼現率差價、違約及收回率、及提前預付率)估算。

#### 5.1 Financial instruments measured at fair value (continued)

The Group uses valuation techniques or broker/dealer quotations to determine the fair value of financial instruments when unable to obtain the open market quotation in active markets.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stock prices, commodity prices, volatilities and correlations, counterparty credit spreads and others, which are mostly observable and obtainable from open market.

The technique used to calculate the fair value of the following financial instruments is as below:

#### Debt securities and certificates of deposit and other debt instruments

The fair value of these instruments is determined by obtaining quoted market prices from exchange, dealer or independent pricing service vendors or using discounted cash flow technique. Discounted cash flow model is a valuation technique that measures present value using estimated expected future cash flows from the instruments and then discounts these flows using a discount rate or discount margin that reflects the credit spreads required by the market for instruments with similar risk. These inputs are observable or can be corroborated by observable or unobservable market data.

#### Asset backed securities

For this class of instruments, external prices are obtained from independent third parties. The valuation of these securities, depending on the nature of transaction, is estimated from market standard cash flow models with input parameter which include spreads to discount rates, default and recovery rates and prepayment rates that may be observable or compiled through matrix pricing for similar issues.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

#### 5.1 以公平值計量的金融工具 (續) 5.1 Financial instruments measured at fair value (continued)

##### 衍生工具

場外交易的衍生工具合約包括外匯、利率、股票、商品或信貸的遠期、掉期及期權合約。衍生工具合約的公平值主要由貼現現金流模型及期權計價模型等估值技術釐定。所使用的參數為可觀察或不可觀察市場數據。可觀察的參數包括利率、匯率、權益及股票價格、商品價格、信貸違約掉期利差、波幅及相關系數。不可觀察的參數可用於嵌藏於結構性存款中非交易頻繁的期權類產品。對一些複雜的衍生工具合約，公平值將按經紀／交易商之報價為基礎。

本集團對場外交易的衍生工具作出了信貸估值調整及債務估值調整。調整分別反映對市場因素變化、交易對手信譽及本集團自身信貸息差的期望。有關調整主要是按每一交易對手，以未來預期敞口、違約率及收回率釐定。

##### 界定為以公平值變化計入損益之金融負債

這類工具包括若干嵌藏衍生工具的客戶存款。非結構性合約的估值方法與前述債務證券估值方法相近。結構性存款的公平值則由基本存款及嵌藏衍生工具的公平值組合而成。存款的公平值考慮本集團自身的信貸風險並利用貼現現金流分析估算，嵌藏衍生工具的公平值與前述衍生工具的估值方法相近。

##### Derivatives

OTC derivative contracts include forward, swap and option contracts on foreign exchange, interest rate, equity, commodity or credit. The fair values of these contracts are mainly measured using valuation techniques such as discounted cash flow models and option pricing models. The inputs can be observable or unobservable market data. Observable inputs include interest rate, foreign exchange rates, equity and stock prices, commodity prices, credit default swap spreads, volatilities and correlations. Unobservable inputs may be used for less commonly traded option products which are embedded in structured deposits. For certain complex derivative contracts, the fair values are determined based on broker/dealer price quotations.

Credit valuation adjustments ("CVAs") and debit valuation adjustments ("DVAs") are applied to the Group's OTC derivatives. These adjustments reflect market factors movement, expectations of counterparty creditworthiness and the Group's own credit spread respectively. They are mainly determined for each counterparty and are dependent on expected future values of exposures, default probabilities and recovery rates.

##### Financial liabilities designated at fair value through profit or loss

This class of instruments includes certain deposits received from customers that are embedded with derivatives. The plain vanilla contracts are valued in the similar way described in previous debt securities section. The fair value of structured deposits is derived from the fair value of the underlying deposit by using discounted cash flow analysis taking the Group's own credit risk into account, and the fair value of the embedded derivatives determined as described in the paragraph above on derivatives.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 5. Fair values of assets and liabilities (continued) (續)

#### 5.1 以公平值計量的金融工具 (續)

##### 後償負債

後償票據之公平值是按市場價格或經紀／交易商之報價為基礎。後償票據之自身信貸調整計算為市值與利用最新基準利率及估值計量期初的自身信貸利差匡算的淨現值之差。

#### 5.1 Financial instruments measured at fair value (continued)

##### Subordinated liabilities

Fair value for subordinated notes is based on market prices or broker/dealer price quotations. Own credit adjustment for subordinated notes is calculated as the difference between the market value and the net present value calculated by the latest benchmark interest rate and own credit spreads of the subordinated notes determined on the beginning of measurement period.

#### (A) 公平值的等級

#### (A) Fair value hierarchy

		2019			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
<b>金融資產</b>	<b>Financial assets</b>				
交易性資產 (附註 21)	Trading assets (Note 21)				
- 債務證券及存款證	- Debt securities and certificates of deposit	133	37,457	-	37,590
- 股份證券	- Equity securities	37	-	-	37
- 基金	- Fund	-	-	-	-
- 其他債務工具	- Other debt instruments	-	5,297	-	5,297
其他強制分類為以公平值變化計入損益之金融資產 (附註 21)	Other financial assets mandatorily classified at fair value through profit or loss (Note 21)				
- 債務證券及存款證	- Debt securities and certificates of deposit	-	744	-	744
- 股份證券	- Equity securities	3	-	-	3
界定為以公平值變化計入損益之金融資產 (附註 21)	Financial assets designated at fair value through profit or loss (Note 21)				
- 債務證券及存款證	- Debt securities and certificates of deposit	708	2,283	-	2,991
- 其他債務工具	- Other debt instruments	-	-	-	-
衍生金融工具 (附註 22)	Derivative financial instruments (Note 22)	11,673	19,483	11	31,167
以公平值變化計入其他全面收益之證券投資 (附註 24)	Investment in securities at FVOCI (Note 24)				
- 債務證券及存款證	- Debt securities and certificates of deposit	197,156	470,501	-	667,657
- 股份證券	- Equity securities	-	1,134	2,154	3,288

財務報表附註 (續) Notes to the Financial Statements (continued)

5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

5.1 以公平值計量的金融工具 (續) 5.1 Financial instruments measured at fair value (continued)

(A) 公平值的等級 (續) (A) Fair value hierarchy (continued)

		2019			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
<b>金融負債</b>	<b>Financial liabilities</b>				
以公平值變化計入損益 之金融負債 (附註 30)	Financial liabilities at fair value through profit or loss (Note 30)				
- 交易性負債	- Trading liabilities	-	19,206	-	19,206
- 界定為以公平值 變化計入損益 之金融負債	- Financial liabilities designated at fair value through profit or loss	-	-	-	-
衍生金融工具 (附註 22)	Derivative financial instruments (Note 22)	9,687	23,146	-	32,833
後償負債 (附註 35)	Subordinated liabilities (Note 35)				
- 後償票據	- Subordinated notes	-	12,954	-	12,954

財務報表附註 (續) Notes to the Financial Statements (continued)

5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

5.1 以公平值計量的金融工具 (續)

5.1 Financial instruments measured at fair value (continued)

(A) 公平值的等級 (續)

(A) Fair value hierarchy (continued)

		2018			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>金融資產</b>	<b>Financial assets</b>				
交易性資產 (附註 21)	Trading assets (Note 21)				
- 債務證券及存款證	- Debt securities and certificates of deposit	334	31,783	-	32,117
- 股份證券	- Equity securities	2	-	-	2
- 基金	- Fund	3	-	-	3
- 其他債務工具	- Other debt instruments	-	4,634	-	4,634
其他強制分類為以公平值變化計入損益之金融資產 (附註 21)	Other financial assets mandatorily classified at fair value through profit or loss (Note 21)				
- 債務證券及存款證	- Debt securities and certificates of deposit	-	751	-	751
- 股份證券	- Equity securities	2	-	-	2
界定為以公平值變化計入損益之金融資產 (附註 21)	Financial assets designated at fair value through profit or loss (Note 21)				
- 債務證券及存款證	- Debt securities and certificates of deposit	691	2,480	-	3,171
- 其他債務工具	- Other debt instruments	-	233,477	-	233,477
衍生金融工具 (附註 22)	Derivative financial instruments (Note 22)	11,356	23,592	7	34,955
以公平值變化計入其他全面收益之證券投資 (附註 24)	Investment in securities at FVOCI (Note 24)				
- 債務證券及存款證	- Debt securities and certificates of deposit	68,013	401,754	-	469,767
- 股份證券	- Equity securities	-	185	1,144	1,329



財務報表附註 (續) Notes to the Financial Statements (continued)

5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

5.1 以公平值計量的金融工具 (續)

5.1 Financial instruments measured at fair value (continued)

(A) 公平值的等級 (續)

(A) Fair value hierarchy (continued)

		2018			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>金融負債</b>	<b>Financial liabilities</b>				
以公平值變化計入損益之金融負債 (附註 30)	Financial liabilities at fair value through profit or loss (Note 30)				
- 交易性負債	- Trading liabilities	-	13,336	-	13,336
- 界定為以公平值變化計入損益之金融負債	- Financial liabilities designated at fair value through profit or loss	-	2,199	-	2,199
衍生金融工具 (附註 22)	Derivative financial instruments (Note 22)	8,417	22,395	-	30,812
後償負債 (附註 35)	Subordinated liabilities (Note 35)				
- 後償票據	- Subordinated notes	-	13,246	-	13,246

本集團之金融資產及負債於年內均沒有第一層級及第二層級之間的重大轉移 (2018年：無)。

There were no significant financial asset and liability transfers between level 1 and level 2 for the Group during the year (2018: Nil).

財務報表附註 (續) Notes to the Financial Statements (continued)

5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

5.1 以公平值計量的金融工具 (續)

5.1 Financial instruments measured at fair value (continued)

(B) 第三層級的項目變動

(B) Reconciliation of level 3 items

		2019		
		金融資產		
		Financial assets		
		其他強制分類為以公平值變化計入損益之金融資產 Other financial assets mandatorily classified at FVPL	衍生金融工具 Derivative financial instruments	以公平值變化計入其他全面收益之證券投資 Investment in securities at FVOCI 股份證券 Equity securities
		基金 Fund	基金 Fund	基金 Fund
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
於 2019 年 1 月 1 日	At 1 January 2019	-	7	1,144
收益	Gains			
- 收益表	- Income statement			
- 淨交易性收益	- Net trading gain	-	11	-
- 其他全面收益	- Other comprehensive income			
- 公平值變化	- Change in fair value	-	-	446
增置	Additions	-	-	564
處置、贖回及到期	Disposals, redemptions and maturity	-	-	-
轉出第三層級	Transfer out of level 3	-	(7)	-
於 2019 年 12 月 31 日	At 31 December 2019	-	11	2,154
於 2019 年 12 月 31 日持有的金融資產於年內計入收益表的未實現收益總額	Total unrealised gains for the year included in income statement for financial assets held as at 31 December 2019			
- 淨交易性收益	- Net trading gain	-	11	-

財務報表附註 (續) Notes to the Financial Statements (continued)

5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

5.1 以公平值計量的金融工具 (續)

5.1 Financial instruments measured at fair value (continued)

(B) 第三層級的項目變動 (續)

(B) Reconciliation of level 3 items (continued)

		2018		
		金融資產		
		Financial assets		
	其他強制分類為以公平值變化計入損益之金融資產 Other financial assets mandatorily classified at FVPL	衍生金融工具 Derivative financial instruments	以公平值變化計入其他全面收益之證券投資 Investment in securities at FVOCI	股份證券 Equity securities
	基金 Fund			
	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
於 2018 年 1 月 1 日	At 1 January 2018	124	-	812
收益	Gains			
- 收益表	- Income statement			
- 淨交易性收益	- Net trading gain	-	7	-
- 其他全面收益	- Other comprehensive income			
- 公平值變化	- Change in fair value	-	-	296
增置	Additions	-	-	36
處置、贖回及到期	Disposals, redemptions and maturity	(124)	-	-
轉出第三層級	Transfer out of level 3	-	-	-
於 2018 年 12 月 31 日	At 31 December 2018	-	7	1,144
於 2018 年 12 月 31 日持有的金融資產於年內計入收益表的未實現收益總額	Total unrealised gains for the year included in income statement for financial assets held as at 31 December 2018			
- 淨交易性收益	- Net trading gain	-	7	-

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

#### 5.1 以公平值計量的金融工具 (續)

#### 5.1 Financial instruments measured at fair value (continued)

##### (B) 第三層級的項目變動 (續)

##### (B) Reconciliation of level 3 items (continued)

於 2019 年 12 月 31 日及 2018 年 12 月 31 日，分類為第三層級的金融工具主要包括非上市股權及若干場外交易的衍生合約。

As at 31 December 2019 and 2018, financial instruments categorised as level 3 are mainly comprised of unlisted equity shares and certain OTC derivative contracts.

對於某些低流動性基金，本集團從交易對手處詢價；其公平值的計量可能採用了對估值產生重大影響的不可觀察參數。對於若干場外交易的衍生合約，其交易對手信貸利差為不可觀察參數並對其估值有重大影響。因此本集團將這些金融工具劃分至第三層級。於 2019 年轉出第三層級乃因估值可觀察性改變。本集團已建立相關內部控制程序監控集團對此類金融工具的敞口。

For certain illiquid fund, the Group obtains valuation quotations from counterparties which may be based on unobservable inputs with significant impact on the valuation. For certain OTC derivative contracts, the counterparty credit spreads used in valuation techniques are unobservable inputs with significant impact on valuation. Therefore, these instruments have been classified by the Group as level 3. Transfers out of level 3 during 2019 were due to change of valuation observability. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

#### 5.1 以公平值計量的金融工具 (續)

#### 5.1 Financial instruments measured at fair value (continued)

##### (B) 第三層級的項目變動 (續)

##### (B) Reconciliation of level 3 items (continued)

以公平值變化計入其他全面收益之非上市股權的公平值乃參考: (i) 可供比較的上市公司之平均市價/盈利倍數; 或 (ii) 該股權投資之股息貼現模型計算結果; 或 (iii) 若沒有合適可供比較的公司或沒有適用的股息貼現模型, 則按其資產淨值釐定。公平值與適合採用之可比較市價/盈利倍數比率、預估未來派發的股息流或資產淨值存在正向關係, 並與股息貼現模型所採用的貼現率成反向關係。

The fair values of unlisted FVOCI equity shares are determined with reference to (i) multiples of comparable listed companies, such as average of the price/earning ratios of comparables; or (ii) dividend discount model calculation of the underlying equity investments; or (iii) net asset value, if neither appropriate comparables nor dividend discount model calculation is available or applicable. The fair value is positively correlated to the price/earning ratios of appropriate comparables, forecasted stream of future dividend payout or net asset values, and is negatively correlated to the discount rate used in the dividend discount model.

## 財務報表附註（續） Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

#### 5.2 非以公平值計量的金融工具

公平值是在一特定時點按相關市場資料及不同金融工具之資料來評估。以下之方法及假設已按實際情況應用於評估各類金融工具之公平值。

##### 存放／尚欠銀行及其他金融機構之結餘及貿易票據

大部分之金融資產及負債將於結算日後一年內到期，其賬面值與公平值相若。

##### 客戶貸款及銀行及其他金融機構貸款

大部分之客戶貸款及銀行及其他金融機構貸款是浮動利率，按市場息率計算利息，其賬面值與公平值相若。

##### 以攤餘成本計量之證券投資

以攤餘成本計量之證券之公平值釐定與附註 5.1 內以公平值計量的債務證券及存款證和資產抵押債券採用之方法相同。除此之外，若干以攤餘成本計量之證券採用以現時收益率曲線相對應剩餘限期之利率為基礎的貼現現金流模型計算。

#### 5.2 Financial instruments not measured at fair value

Fair value estimates are made at a specific point in time based on relevant market information and information about various financial instruments. The following methods and assumptions have been used to estimate the fair value of each class of financial instrument as far as practicable.

##### Balances with/from banks and other financial institutions and trade bills

Substantially all the financial assets and liabilities mature within one year from the balance sheet date and their carrying value approximates fair value.

##### Advances to customers and banks and other financial institutions

Substantially all the advances to customers and banks and other financial institutions are on floating rate terms, bear interest at prevailing market interest rates and their carrying value approximates fair value.

##### Investment in securities at amortised cost

The fair value of securities at amortised cost is determined by using the same approach as those debt securities and certificates of deposit and asset backed securities measured at fair value as described in Note 5.1. Besides, a discounted cash flow model is used for certain securities at amortised cost based on a current yield curve appropriate for the remaining term to maturity.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

#### 5.2 非以公平值計量的金融工具 (續)

##### 客戶存款

大部分之客戶存款將於結算日後一年內到期，其賬面值與公平值相若。

##### 已發行債務證券及存款證

此類工具之公平值釐定與附註 5.1 內以公平值計量的債務證券及存款證採用之方法相同。

除以上其賬面值與公平值相若的金融工具外，下表為非以公平值計量的金融工具之賬面值和公平值。

#### 5.2 Financial instruments not measured at fair value (continued)

##### Deposits from customers

Substantially all the deposits from customers mature within one year from the balance sheet date and their carrying value approximates fair value.

##### Debt securities and certificates of deposit in issue

The fair value of these instruments is determined by using the same approach as those debt securities and certificates of deposit measured at fair value as described in Note 5.1.

The following tables set out the carrying values and fair values of the financial instruments not measured at fair value, except for the above with their carrying values being approximation of fair values.

	2019		2018	
	賬面值	公平值	賬面值	公平值
	Carrying value	Fair value	Carrying value	Fair value
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
	HK\$m	HK\$m	HK\$m	HK\$m
<b>金融資產</b>	<b>Financial assets</b>			
以攤餘成本計量之證券投資 (附註 24)	Investment in securities at amortised cost (Note 24)			
	<b>68,390</b>	<b>68,883</b>	69,759	69,110
<b>金融負債</b>	<b>Financial liabilities</b>			
已發行債務證券及存款證 (附註 32)	Debt securities and certificates of deposit in issue (Note 32)			
	<b>116</b>	<b>116</b>	9,453	9,454

財務報表附註 (續) Notes to the Financial Statements (continued)

5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

5.2 非以公平值計量的金融工具 (續)

下表列示已披露其公平值的金融工具之公平值等級。

5.2 Financial instruments not measured at fair value (continued)

The following tables show the fair value hierarchy for financial instruments with fair values disclosed.

		2019			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>金融資產</b>	<b>Financial assets</b>				
以攤餘成本計量之證券投資	Investment in securities at amortised cost	1,002	67,099	782	68,883
<b>金融負債</b>	<b>Financial liabilities</b>				
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	-	116	-	116
		2018			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>金融資產</b>	<b>Financial assets</b>				
以攤餘成本計量之證券投資	Investment in securities at amortised cost	2,475	65,844	791	69,110
<b>金融負債</b>	<b>Financial liabilities</b>				
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	-	9,454	-	9,454



## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

#### 5.3 以公平值計量的非金融工具

本集團通過一些估值技術或活躍市場報價來確定非金融工具的公平值。

##### 投資物業及房產

本集團之物業可分為投資物業及房產。所有本集團之投資物業及房產已於年底進行重估。本年之估值由獨立特許測量師萊坊測量師行有限公司進行，其擁有具備香港測量師學會資深專業會員及專業會員資格之人員，並在估值物業所處地區及種類上擁有經驗。當估值於每半年末及年末進行時，本集團管理層會跟測量師討論估值方法、估值假設及估值結果。除一個於年內開展的投資物業重建項目採用剩餘估值法外，估值方法於年內沒有改變，亦與去年一致。

#### (i) 第二層級公平值計量採用的估值方法及因素

被分類為第二層級之物業的公平值，乃參考可比較物業之近期出售成交價（市場比較法）或參考市場租金及資本化率（收入資本法），再對可比較物業及被評估物業之間的差異作出適當調整。此等調整被認為對整體計量並不構成重大影響。

#### 5.3 Non-financial instruments measured at fair value

The Group uses valuation techniques or quoted market prices in active market to determine the fair value of non-financial instruments.

##### Investment properties and premises

The Group's properties can be divided into investment properties and premises. All of the Group's investment properties and premises were revalued as at year end. This year, the valuations were carried out by an independent firm of chartered surveyors, Knight Frank Petty Limited, who have among their staff Fellow and Members of The Hong Kong Institute of Surveyors with recent experience in the locations and categories of properties being valued. The Group's Management had discussions with the surveyors on the valuation methods, valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date. Except for a site redevelopment of investment property that has been commenced during the year using the residual approach valuation, there has been no change in valuation methods during the year and the methods used are consistent with last year.

#### (i) Valuation methods and inputs used in Level 2 fair value measurements

The fair value of properties classified as Level 2 is determined using either the market comparison approach by reference to recent sales price of comparable properties or the income capitalisation approach by reference to market rent and capitalisation rate, with appropriate adjustments to reflect the differences between the comparable properties and the subject properties. These adjustments are considered as insignificant to the entire measurement.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

#### 5.3 以公平值計量的非金融工具 (續)

#### 5.3 Non-financial instruments measured at fair value (continued)

##### 投資物業及房產 (續)

##### Investment properties and premises (continued)

##### (i) 第二層級公平值計量採用的估值方法及因素 (續)

##### (i) Valuation methods and inputs used in Level 2 fair value measurements (continued)

本集團之物業均位於香港、若干內地、泰國及馬來西亞之主要城市，被認為是活躍及透明的物業市場。可比較物業之出售價、市場租金及資本化率一般均可在此等市場上被直接或間接觀察得到。

The Group's properties are located in Hong Kong, certain major cities in the mainland, Thailand and Malaysia where the property markets are considered active and transparent. Sales price, market rent and capitalisation rate of comparable properties are generally observable either directly or indirectly in these markets.

##### (ii) 有關第三層級公平值計量的資料

##### (ii) Information about Level 3 fair value measurements

除銀行金庫外，被分類為第三層級的本集團物業之公平值均採用市場比較法或收入資本法，再按本集團物業相對於可比較物業之性質作折溢價調整來釐定。

The fair value of all of the Group's properties classified as Level 3, except for the bank vault, is determined using either the market comparison approach or the income capitalisation approach, adjusted for a premium or a discount specific to the features of the Group's properties compared to the comparable properties.

由於銀行金庫之獨特性質，並無市場交易實例可資比較，其公平值乃採用折舊重置成本法釐定。主要的因素為現時土地的市值、重置該建築物的現時成本及折舊率，並作適當的調整以反映物業的獨特性質。

The fair value of the bank vault is determined using the depreciated replacement cost approach as no direct comparable is available given the specialised nature of the property. The major inputs are the market value of the existing land, the current cost of replacing the property and the depreciation rate. Appropriate adjustments are made to reflect the specialised nature of the property.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

#### 5.3 以公平值計量的非金融工具 (續)

#### 5.3 Non-financial instruments measured at fair value (continued)

##### 投資物業及房產 (續)

##### Investment properties and premises (continued)

##### (ii) 有關第三層級公平值計量的資料 (續)

##### (ii) Information about Level 3 fair value measurements (continued)

以下為在公平值計量時對被分類為第三層級之本集團物業所採用的估值方法及重大不可觀察因素：

The valuation methods and significant unobservable inputs used in the fair value measurement of the Group's properties classified as Level 3 are as follows:

	估值方法 Valuation method	重大不可觀察因素 Significant unobservable inputs	加權平均 Weighted average	不可觀察因素與公平值的關係 Relationship of unobservable inputs to fair value
銀行金庫 Bank vault	折舊重置成本法 Depreciated replacement cost approach	折舊率 Depreciation rate	每年2% (2018年：2%) 2% (2018: 2%) per year	折舊率愈高，公平值愈低。 The higher the depreciation rate, the lower the fair value.
		物業獨特性質之溢價 Premium on specialised nature of the property	建築成本+15% (2018年：+15%) +15% (2018: +15%) to building cost	溢價愈高，公平值愈高。 The higher the premium, the higher the fair value.
其他物業 Other properties	市場比較法或收入資本法 Market comparison approach or income capitalisation approach	物業相對可比較物業在性質上之溢價／(折價) Premium/(discount) on features of the property compared to comparable properties	-11% (2018: -6%)	溢價愈高，公平值愈高。 The higher the premium, the higher the fair value.  折價愈高，公平值愈低。 The higher the discount, the lower the fair value.

物業相對可比較物業在性質上之溢價／(折價)乃參考與可比較物業在不同因素上的差異，例如成交後之市場變動、位置、便達性、樓齡／狀況、樓層、面積、佈局等而釐定。

Premium/(discount) on features of a property is determined after taken into account various factors, such as time for market movement, location, accessibility, building age/condition, floor level, size, layout, etc., with reference to the differences in features with comparable properties.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

#### 5.3 以公平值計量的非金融工具 (續)

#### 5.3 Non-financial instruments measured at fair value (continued)

##### 投資物業及房產 (續)

##### Investment properties and premises (continued)

##### (ii) 有關第三層級公平值計量的資料 (續)

##### (ii) Information about Level 3 fair value measurements (continued)

對於已有重建計劃的投資物業之公平值，會按採用剩餘估值法的重建基準來計量其價值。剩餘估值法一般是用於土地發展的估值方法。首先會按市場比較法來釐定重建項目的總發展價值。市場比較法是參考近期成交的可比物業的成交價，並按可比物業與集團發展項目的質素差異來作折溢價調整。最終得出的公平值乃總發展價值的現值於扣除發展成本（包括專業費用、拆卸成本、建築成本等）及發展利潤的現值後所剩餘的價值。總發展價值愈高，公平值會愈高；發展成本及折現率愈高，公平值會愈低。

For the fair value of the investment property with a redevelopment plan, it is measured on a redevelopment basis by adopting residual approach which is a valuation method generally used to value development of lands. Gross Development Value ("GDV") is first determined using market comparison approach by reference to recent transactions of comparable properties and adjusted for a premium or a discount specific to the quality of the Group's development compared to the comparable properties. The ultimate fair value of the redevelopment is the residual value after deducting the present value of the development costs (including professional fees, demolition cost, constructions cost etc.) and developer's profit from the present value of the GDV. The higher the GDV, the higher the fair value; the higher the development costs and the discount rate, the lower is the fair value.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

#### 5.3 以公平值計量的非金融工具 (續)

#### 5.3 Non-financial instruments measured at fair value (continued)

##### 貴金屬

貴金屬之公平值是按活躍市場報價或有若干調整的市場報價為基礎。

##### Precious metals

The fair values of precious metals are determined by obtaining quoted market prices in active market or market quote with certain adjustments.

#### (A) 公平值的等級

#### (A) Fair value hierarchy

##### 非金融資產

投資物業 (附註 26)  
物業、器材及設備  
(附註 27)  
- 房產  
其他資產 (附註 28)  
- 貴金屬

##### Non-financial assets

Investment properties (Note 26)  
Properties, plant and equipment  
(Note 27)  
- Premises  
Other assets (Note 28)  
- Precious metals

2019

第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
-	396	20,032	20,428
-	1,020	45,004	46,024
6,542	2,719	-	9,261

##### 非金融資產

投資物業 (附註 26)  
物業、器材及設備  
(附註 27)  
- 房產  
其他資產 (附註 28)  
- 貴金屬

##### Non-financial assets

Investment properties (Note 26)  
Properties, plant and equipment  
(Note 27)  
- Premises  
Other assets (Note 28)  
- Precious metals

2018

第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
-	386	19,602	19,988
-	1,023	45,063	46,086
3,012	3,590	-	6,602

本集團之非金融資產於年內沒有第一層級及第二層級之間的轉移 (2018年：無)。

There were no non-financial asset transfers between level 1 and level 2 for the Group during the year (2018: Nil).

財務報表附註 (續) Notes to the Financial Statements (continued)

5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

5.3 以公平值計量的非金融工具 (續)

5.3 Non-financial instruments measured at fair value (continued)

(B) 第三層級的項目變動

(B) Reconciliation of level 3 items

		2019	
		非金融資產	
		Non-financial assets	
		投資物業	物業、器材及設備
		Investment properties	Properties, plant and equipment
		房產	Premises
		港幣百萬元	港幣百萬元
		HK\$m	HK\$m
於 2019 年 1 月 1 日	At 1 January 2019	19,602	45,063
收益	Gains		
- 收益表	- Income statement		
- 投資物業公平值調整之淨收益	- Net gain from fair value adjustments on investment properties	279	-
- 重估房產之淨收益	- Net gain from revaluation of premises	-	11
- 其他全面收益	- Other comprehensive income		
- 房產重估	- Revaluation of premises	-	1,015
折舊	Depreciation	-	(1,138)
增置	Additions	32	133
轉入第三層級	Transfer into level 3	54	155
轉出第三層級	Transfer out of level 3	(136)	(35)
重新分類	Reclassification	201	(201)
匯兌差額	Exchange difference	-	1
於 2019 年 12 月 31 日	At 31 December 2019	<u>20,032</u>	<u>45,004</u>
於 2019 年 12 月 31 日持有的非金融資產於年內計入收益表的未實現收益總額	Total unrealised gains for the year included in income statement for non-financial assets held as at 31 December 2019		
- 投資物業公平值調整之淨收益	- Net gain from fair value adjustments on investment properties	279	-
- 重估房產之淨收益	- Net gain from revaluation of premises	-	11
		<u>279</u>	<u>11</u>

財務報表附註 (續) Notes to the Financial Statements (continued)

5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

5.3 以公平值計量的非金融工具 (續)

5.3 Non-financial instruments measured at fair value (continued)

(B) 第三層級的項目變動 (續)

(B) Reconciliation of level 3 items (continued)

		2018	
		非金融資產	
		Non-financial assets	
		投資物業	物業、器材及設備
		Investment properties	Properties, plant and equipment
		房產	Premises
		Premises	Premises
		港幣百萬元	港幣百萬元
		HK\$m	HK\$m
於 2018 年 1 月 1 日	At 1 January 2018	19,582	42,842
收益	Gains		
- 收益表	- Income statement		
- 投資物業公平值調整之淨收益	- Net gain from fair value adjustments on investment properties	895	-
- 重估房產之淨收益	- Net gain from revaluation of premises	-	21
- 其他全面收益	- Other comprehensive income		
- 房產重估	- Revaluation of premises	-	2,051
折舊	Depreciation	-	(1,062)
增置	Additions	13	90
轉入第三層級	Transfer into level 3	-	234
轉出第三層級	Transfer out of level 3	-	-
重新分類	Reclassification	(888)	888
匯兌差額	Exchange difference	-	(1)
於 2018 年 12 月 31 日	At 31 December 2018	<u>19,602</u>	<u>45,063</u>
於 2018 年 12 月 31 日持有的非金融資產於年內計入收益表的未實現收益總額	Total unrealised gains for the year included in income statement for non-financial assets held as at 31 December 2018		
- 投資物業公平值調整之淨收益	- Net gain from fair value adjustments on investment properties	895	-
- 重估房產之淨收益	- Net gain from revaluation of premises	-	21
		<u>895</u>	<u>21</u>

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 5. 資產和負債的公平值 (續) 5. Fair values of assets and liabilities (continued)

#### 5.3 以公平值計量的非金融工具 (續)

#### 5.3 Non-financial instruments measured at fair value (continued)

##### (B) 第三層級的項目變動 (續)

##### (B) Reconciliation of level 3 items (continued)

轉入及轉出第三層級的物業乃因該等被估物業相對其可比較物業在性質上之溢價／(折價)於年內出現變化所引致。性質上之溢價／(折價)乃取決於被估物業與近期成交之可比較物業在性質上的差異。由於每年來自近期市場成交之可比較物業均會不盡相同，被估物業與可比較物業在性質上之溢價／(折價)會相應每年有所變化，從而對可觀察的市場因素所進行之調整之重大性亦會隨之變化，引致物業被轉入及轉出第三層級。

The transfer of properties into and out of level 3 is due to change in the premium/(discount) on features applied between the subject and comparable properties during the year. Premium/(discount) on features is determined with reference to differences in features between the subject properties and the comparable properties recently transacted in the market. As comparable properties that come from recent market transactions may be different in each year, the premium/(discount) on features applied between the subject and comparable properties would change from year to year accordingly. As a result, the significance of adjustments made to observable market inputs may vary and lead to the transfer of properties into and out of level 3.



**財務報表附註 (續) Notes to the Financial Statements (continued)**

**6. 淨利息收入**

**6. Net interest income**

	<b>2019</b>	<b>2018</b>
	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>利息收入</b>		
客戶貸款、存放銀行及其他金融機構的款項	<b>46,718</b>	42,682
證券投資及以公平值變化計入損益之金融資產	<b>17,257</b>	15,783
其他	<b>563</b>	370
	<b>64,538</b>	58,835
<b>利息支出</b>		
客戶存款、銀行及其他金融機構存放的款項	<b>(25,859)</b>	(20,293)
已發行債務證券及存款證	<b>(79)</b>	(517)
後償負債	<b>(719)</b>	(992)
租賃負債	<b>(54)</b>	N/A
其他	<b>(562)</b>	(556)
	<b>(27,273)</b>	(22,358)
<b>淨利息收入</b>	<b>37,265</b>	36,477

按攤餘成本及以公平值變化計入其他全面收益作計量之金融資產的利息收入（未計算對沖影響）分別為港幣 491.09 億元（2018 年：港幣 450.31 億元）及港幣 132.67 億元（2018 年：港幣 106.99 億元）。

非以公平值變化計入損益之金融負債作計量的利息支出（未計算對沖影響）為港幣 261.86 億元（2018 年：港幣 211.19 億元）。

Included within interest income are HK\$49,109 million (2018: HK\$45,031 million) and HK\$13,267 million (2018: HK\$10,699 million), before hedging effect, for financial assets measured at amortised cost and at fair value through other comprehensive income respectively.

Included within interest expense are HK\$26,186 million (2018: HK\$21,119 million), before hedging effect, for financial liabilities that are not measured at fair value through profit or loss.

**財務報表附註 (續)      Notes to the Financial Statements (continued)**

**7. 淨服務費及佣金收入      7. Net fee and commission income**

		2019	2018
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>服務費及佣金收入</b>	<b>Fee and commission income</b>		
信用卡業務	Credit card business	2,985	3,478
貸款佣金	Loan commissions	2,675	2,613
保險	Insurance	2,577	1,832
證券經紀	Securities brokerage	2,113	2,769
基金分銷	Funds distribution	816	864
繳款服務	Payment services	716	681
匯票佣金	Bills commissions	700	739
信託及託管服務	Trust and custody services	660	641
買賣貨幣	Currency exchange	599	590
保管箱	Safe deposit box	294	285
其他	Others	1,286	1,323
		<b>15,421</b>	<b>15,815</b>
<b>服務費及佣金支出</b>	<b>Fee and commission expense</b>		
信用卡業務	Credit card business	(2,044)	(2,545)
證券經紀	Securities brokerage	(255)	(323)
其他	Others	(917)	(980)
		<b>(3,216)</b>	<b>(3,848)</b>
<b>淨服務費及佣金收入</b>	<b>Net fee and commission income</b>	<b>12,205</b>	<b>11,967</b>
其中源自：	Of which arise from:		
非以公平值變化計入損益 之金融資產或金融負債	Financial assets or financial liabilities not at fair value through profit or loss		
- 服務費及佣金收入	- Fee and commission income	3,141	3,124
- 服務費及佣金支出	- Fee and commission expense	(12)	(23)
		<b>3,129</b>	<b>3,101</b>
信託及其他受託活動	Trust and other fiduciary activities		
- 服務費及佣金收入	- Fee and commission income	850	826
- 服務費及佣金支出	- Fee and commission expense	(28)	(27)
		<b>822</b>	<b>799</b>

**財務報表附註 (續) Notes to the Financial Statements (continued)**

**8. 淨交易性收益**

**8. Net trading gain**

	<b>2019</b>	<b>2018</b>
	港幣百萬元 HK\$m	港幣百萬元 HK\$m
淨收益／(虧損)源自：		
外匯交易及外匯交易產品	5,732	2,896
利率工具及公平值對沖的項目	(530)	56
商品	366	184
股權及信貸衍生工具	81	140
	<b>5,649</b>	<b>3,276</b>

**9. 其他以公平值變化計入損益之金融工具淨收益**

**9. Net gain on other financial instruments at fair value through profit or loss**

	<b>2019</b>	<b>2018</b>
	港幣百萬元 HK\$m	港幣百萬元 HK\$m
其他強制分類為以公平值變化計入損益之金融工具淨收益／(虧損)	61	(39)
界定為以公平值變化計入損益之金融工具淨收益	267	557
	<b>328</b>	<b>518</b>

財務報表附註 (續) Notes to the Financial Statements (continued)

10. 其他金融資產之淨收益 10. Net gain on other financial assets

	2019	2018
	港幣百萬元	港幣百萬元
	HK\$m	HK\$m
處置/贖回以公平值變化計入其他全面收益之證券投資之淨收益	795	35
Net gain on disposal/redemption of investment in securities at FVOCI		
贖回以攤餘成本計量之證券投資之淨虧損	(41)	(31)
Net loss on redemption of investment in securities at amortised cost		
其他	17	(3)
Others		
	<u>771</u>	<u>1</u>

11. 其他經營收入 11. Other operating income

	2019	2018
	港幣百萬元	港幣百萬元
	HK\$m	HK\$m
股息收入		
Dividend income		
- 來自年內被終止確認之以公平值變化計入其他全面收益之證券投資	3	3
- From investment in securities at FVOCI derecognised during the year		
- 來自年底仍持有之以公平值變化計入其他全面收益之證券投資	114	42
- From investment in securities at FVOCI held at the end of the year		
投資物業之租金總收入	670	663
Gross rental income from investment properties		
減：有關投資物業之支出	(60)	(73)
Less: Outgoings in respect of investment properties		
其他	104	103
Others		
	<u>831</u>	<u>738</u>

「有關投資物業之支出」包括年內未出租投資物業之直接經營支出港幣 1 百萬元 (2018 年：港幣 1 百萬元)。

Included in the "Outgoings in respect of investment properties" is HK\$1 million (2018: HK\$1 million) of direct operating expenses related to investment properties that were not let during the year.

財務報表附註 (續)      **Notes to the Financial Statements (continued)**

12. 減值準備淨撥備

12. Net charge of impairment allowances

		2019	2018
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
減值準備淨(撥備)／撥回：	Net (charge)/reversal of impairment allowances on:		
貸款及其他賬項	Advances and other accounts	(1,852)	(1,183)
在銀行及其他金融機構之結 餘及定期存放	Balances and placements with banks and other financial institutions	12	70
證券投資	Investment in securities		
- 以公平值變化計入其他 全面收益	- At FVOCI	(19)	(18)
- 以攤餘成本計量	- At amortised cost	(10)	(3)
		(29)	(21)
貸款承諾及財務擔保合同	Loan commitments and financial guarantee contracts	(136)	(91)
其他	Others	(10)	(12)
減值準備淨撥備	Net charge of impairment allowances	<u>(2,015)</u>	<u>(1,237)</u>

**財務報表附註 (續)      Notes to the Financial Statements (continued)**

**13. 經營支出**

**13. Operating expenses**

		<u>2019</u>	<u>2018</u>
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
人事費用 (包括董事酬金)	Staff costs (including directors' emoluments)		
- 薪酬及其他費用	- Salaries and other costs	<b>8,488</b>	7,854
- 退休成本	- Pension cost	<b>497</b>	453
		<b>8,985</b>	8,307
房產及設備支出(不包括折舊)	Premises and equipment expenses (excluding depreciation)		
- 房產租金	- Rental of premises	<b>N/A</b>	734
- 短期租賃、低價值資產租賃及浮動租金租賃	- Short-term leases, leases of low-value assets and variable lease payments	<b>198</b>	N/A
- 資訊科技	- Information technology	<b>799</b>	626
- 其他	- Others	<b>524</b>	446
		<b>1,521</b>	1,806
折舊 (附註 27)	Depreciation (Note 27)	<b>2,823</b>	2,045
核數師酬金	Auditor's remuneration		
- 審計服務	- Audit services	<b>27</b>	27
- 非審計服務	- Non-audit services	<b>9</b>	19
其他經營支出	Other operating expenses	<b>2,759</b>	2,518
		<b>16,124</b>	14,722

於 2018 年,「房產租金」包括或然租金港幣 0.51 億元。

Contingent rent included in the "Rental of premises" amounted to HK\$51 million in 2018.

**財務報表附註 (續)      Notes to the Financial Statements (continued)**

**14. 投資物業處置／公平  
值調整之淨收益      14. Net gain from disposal of/fair value adjustments on investment  
properties**

	<u>2019</u>	<u>2018</u>
	港幣百萬元	港幣百萬元
	HK\$'m	HK\$'m
投資物業公平值調整之 淨收益 (附註 26)	<u>288</u>	<u>921</u>

**15. 處置／重估物業、器材  
及設備之淨 (虧損) /  
收益      15. Net (loss)/gain from disposal/revaluation of properties, plant and  
equipment**

	<u>2019</u>	<u>2018</u>
	港幣百萬元	港幣百萬元
	HK\$'m	HK\$'m
處置設備、固定設施及裝備 之淨虧損	(7)	(5)
重估房產之淨收益(附註 27)	<u>6</u>	<u>24</u>
	<u>(1)</u>	<u>19</u>

財務報表附註 (續) Notes to the Financial Statements (continued)

16. 稅項

16. Taxation

收益表內之稅項組成如下：

Taxation in the income statement represents:

		2019	2018
		港幣百萬元	港幣百萬元
		HK\$'m	HK\$'m
本期稅項	Current tax		
香港利得稅	Hong Kong profits tax		
- 年內計入稅項	- Current year taxation	5,706	5,552
- 往年超額撥備	- Over-provision in prior years	(88)	(65)
		<u>5,618</u>	<u>5,487</u>
海外稅項	Overseas taxation		
- 年內計入稅項	- Current year taxation	643	803
- 往年超額撥備	- Over-provision in prior years	(135)	(27)
		<u>6,126</u>	<u>6,263</u>
遞延稅項	Deferred tax		
暫時性差額之產生及撥回 及未使用稅項抵免 (附註 34)	Origination and reversal of temporary differences and unused tax credits (Note 34)	(146)	79
		<u>5,980</u>	<u>6,342</u>

香港利得稅乃按照本年度估計於香港產生的應課稅溢利依稅率 16.5% (2018 年：16.5%) 提撥。海外溢利之稅款按照本年度估計應課稅溢利依本集團經營業務所在國家／地區之現行稅率計算。

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries/regions in which the Group operates.

本集團除稅前溢利產生的實際稅項，與根據香港利得稅率計算的稅項差異如下：

The taxation on the Group's profit before taxation that differs from the theoretical amount that would arise using the taxation rate of Hong Kong is as follows:

		2019	2018
		港幣百萬元	港幣百萬元
		HK\$'m	HK\$'m
除稅前溢利	Profit before taxation	39,334	38,027
按稅率 16.5% (2018 年：16.5%) 計算的稅項	Calculated at a taxation rate of 16.5% (2018: 16.5%)	6,490	6,274
其他國家／地區稅率差異的影響	Effect of different taxation rates in other countries/regions	166	131
無需課稅之收入	Income not subject to taxation	(936)	(592)
稅務上不可扣減之開支	Expenses not deductible for taxation purposes	589	328
使用往年未確認的稅務虧損	Utilisation of previously unrecognised tax losses	(2)	-
往年超額撥備	Over-provision in prior years	(223)	(92)
海外預提稅	Foreign withholding tax	125	293
其他	Others	(229)	-
計入稅項	Taxation charge	<u>5,980</u>	<u>6,342</u>
實際稅率	Effective tax rate	<u>15.2%</u>	<u>16.7%</u>



**財務報表附註 (續)      Notes to the Financial Statements (continued)**

**17. 股息**

**17. Dividends**

	2019		2018	
	每股 港元 Per share HK\$	總額 港幣百萬元 Total HK\$m	每股 港元 Per share HK\$	總額 港幣百萬元 Total HK\$m
股息				
		Dividends		
	<b>0.366</b>	<b>15,754</b>	0.375	16,141

於 2019 年 8 月 30 日，董事會宣派中期股息每股普通股港幣 0.131 元，總額約為港幣 56.39 億元，並已於 2019 年 9 月 24 日支付。

On 30 August 2019, the Board declared an interim dividend of HK\$0.131 per ordinary share amounting to approximately HK\$5,639 million, which was paid on 24 September 2019.

於 2019 年 12 月 23 日，董事會宣派中期股息每股普通股港幣 0.235 元，總額約為港幣 101.15 億元，並已於 2019 年 12 月 24 日支付。

On 23 December 2019, the Board declared an interim dividend of HK\$0.235 per ordinary share amounting to approximately HK\$10,115 million, which was paid on 24 December 2019.

## 財務報表附註 (續)

## Notes to the Financial Statements (continued)

### 18. 退休福利成本

### 18. Retirement benefit costs

本集團提供退休福利予集團內合資格的員工。在香港，提供予本集團員工的定額供款計劃主要為獲《強積金條例》豁免之職業退休計劃及中銀保誠簡易強積金計劃。

根據職業退休計劃，僱員須向職業退休計劃之每月供款為其基本薪金之 5%，而僱主之每月供款為僱員基本月薪之 5% 至 15% 不等（視乎僱員之服務年期）。僱員有權於退休、提前退休或僱用期終止且服務年資滿 10 年或以上等情況下收取 100% 之僱主供款。服務滿 3 年至 9 年的員工，因其他原因而終止僱用期（被即時解僱除外），可收取 30% 至 90% 之僱主供款。僱員收取的僱主供款，須受《強積金條例》所限。

隨著《強積金條例》於 2000 年 12 月 1 日實施，本集團亦按法例要求設立了強積金計劃，並於 2019 年起，對服務年資滿 5 年的員工增設行方自願性供款。該計劃之受託人為中銀國際英國保誠信託有限公司，投資管理人為中銀國際英國保誠資產管理有限公司，此兩間公司均為本銀行之有關連人士。

截至 2019 年 12 月 31 日止年度，在扣除約港幣 0.10 億元（2018 年：約港幣 0.10 億元）之沒收供款後，職業退休計劃之供款總額約為港幣 3.58 億元（2018 年：約港幣 3.43 億元），而本集團向強積金計劃之供款總額則約為港幣 0.99 億元（2018 年：約港幣 0.76 億元）。

Retirement benefits are provided to eligible employees of the Group. In Hong Kong, defined contribution schemes for the Group's employees are ORSO schemes exempted under the MPF Schemes Ordinance and the BOC-Prudential Easy Choice MPF Scheme.

Under the ORSO schemes, employees make monthly contributions to the ORSO schemes equal to 5% of their basic salaries, while the employer makes monthly contributions equal to 5% to 15% of the employees' monthly basic salaries, depending on years of service. The employees are entitled to receive 100% of the employer's contributions upon retirement, early retirement or termination of employment after completing 10 years of service. Employees with 3 to 9 years of service are entitled to receive the employer's contributions at a scale ranging from 30% to 90% upon termination of employment for other reasons other than summary dismissal. All employer's contributions received by employee are subject to MPF Schemes Ordinance.

With the implementation of the MPF Schemes Ordinance on 1 December 2000, the Group also launched the MPF Scheme according to the regulatory requirement. Since 2019, employees with 5 years of service or above are entitled to employer's voluntary contribution. The trustee of the Scheme is BOCI-Prudential Trustee and the investment manager is BOCI-Prudential Manager, which are related parties of the Bank.

The Group's total contributions made to the ORSO schemes for the year ended 31 December 2019 amounted to approximately HK\$358 million (2018: approximately HK\$343 million), after a deduction of forfeited contributions of approximately HK\$10 million (2018: approximately HK\$10 million). For the MPF Scheme, the Group contributed approximately HK\$99 million (2018: approximately HK\$76 million) for the year ended 31 December 2019.

財務報表附註 (續) Notes to the Financial Statements (continued)

19. 董事、高層管理人員及主要人員酬金 19. Directors', senior management's and key personnel's emoluments

(a) 董事及高層管理人員酬金

(a) Directors' and senior management's emoluments

(i) 董事酬金

(i) Directors' emoluments

本年度本集團就本銀行董事為本銀行及管理附屬公司提供之服務而已付及其應收未收之酬金詳情如下：

Details of the emoluments paid to or receivable by the directors of the Bank in respect of their services rendered for the Bank and managing the subsidiaries within the Group during the year are as follows:

		2019				
		基本薪金、津貼及實物福利 Basic salaries, allowances and benefits in kind	花紅 Bonus	其他付款 <sup>#</sup> Other payments <sup>#</sup>	總計 Total	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	
<b>執行董事</b>	<b>Executive Directors</b>					
高迎欣 (總裁)	GAO Yingxin (Chief Executive)	-	7,142	4,247	-	11,389
李久仲 <sup>#2</sup>	LI Jiuzhong <sup>Note2</sup>	-	1,008	533	-	1,541
		-	8,150	4,780	-	12,930
<b>非執行董事</b>	<b>Non-executive Directors</b>					
劉連舸	LIU Liange	-	-	-	-	-
林景臻	LIN Jingzhen	-	-	-	-	-
鄭汝樺*	CHENG Eva*	502	-	-	-	502
蔡冠深*	CHOI Koon Shum*	551	-	-	-	551
高銘勝*	KOH Beng Seng*	601	-	-	-	601
羅義坤 <sup>#1</sup>	LAW Yee Kwan Quinn <sup>*Note1</sup>	404	-	-	-	404
童偉鶴*	TUNG Savio Wai-Hok*	651	-	-	-	651
陳四清 <sup>#2</sup>	CHEN Siqing <sup>Note2</sup>	-	-	-	-	-
		2,709	-	-	-	2,709
		2,709	8,150	4,780	-	15,639

註 1：於年內委任。  
註 2：於年內辭任。

Note 1: Appointed during the year.  
Note 2: Resigned during the year.

財務報表附註 (續) Notes to the Financial Statements (continued)

19. 董事、高層管理人員及主要人員酬金 (續) 19. Directors', senior management's and key personnel's emoluments (continued)

(a) 董事及高層管理人員酬金 (續)

(a) Directors' and senior management's emoluments (continued)

(i) 董事酬金 (續)

(i) Directors' emoluments (continued)

		2018				
		董事袍金 Directors' fee	基本薪金、 津貼及 實物福利 Basic salaries, allowances and benefits in kind	花紅 Bonus	其他付款# Other payments#	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
<b>執行董事</b>	<b>Executive Directors</b>					
高迎欣 (總裁)	GAO Yingxin (Chief Executive)	-	6,530	4,018	-	10,548
李久仲	LI Jiuzhong	-	4,846	2,490	-	7,336
		-	11,376	6,508	-	17,884
<b>非執行董事</b>	<b>Non-executive Directors</b>					
劉連舸	LIU Liange	-	-	-	-	-
林景臻	LIN Jingzhen	-	-	-	-	-
鄭汝樺*	CHENG Eva*	500	-	-	-	500
蔡冠深*	CHOI Koon Shum*	592	-	-	-	592
高銘勝*	KOH Beng Seng*	642	-	-	-	642
童偉鶴*	TUNG Savio Wai-Hok*	692	-	-	-	692
陳四清	CHEN Siqing	-	-	-	-	-
任德奇	REN Deqi	-	-	-	-	-
劉強	LIU Qiang	-	-	-	-	-
		2,426	-	-	-	2,426
		2,426	11,376	6,508	-	20,310

\* 獨立非執行董事

\* Independent Non-executive Directors

# 包括為董事所付的退休金計劃供款金額、為促使董事加盟及為補償董事因失去董事職位已支付或應付的款項。

# Including the contributions to pension scheme for directors, inducement to join the group and the compensation for the loss of office paid to or receivable by directors.

截至2019年12月31日止年度，沒有董事放棄其酬金（2018年：無）。

There were no directors waived emoluments for the year ended 31 December 2019 (2018: Nil).

財務報表附註 (續) **Notes to the Financial Statements (continued)**

**19. 董事、高層管理人員及主要人員酬金 (續)** **19. Directors', senior management's and key personnel's emoluments (continued)**

**(a) 董事及高層管理人員酬金 (續)**

**(a) Directors' and senior management's emoluments (continued)**

**(ii) 五位最高薪酬人士**

**(ii) Five highest paid individuals**

本集團年內五位最高薪酬人士包括 1 名 (2018 年: 2 名) 董事, 其酬金已載於上文分析。其餘 4 名 (2018 年: 3 名) 最高薪酬人士之酬金分析如下:

The five individuals whose emoluments were the highest in the Group for the year include one (2018: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2018: three) individuals during the year are as follows:

	<b>2019</b>	<b>2018</b>
	港幣百萬元	港幣百萬元
	HK\$m	HK\$m
基本薪金及津貼	<b>16</b>	12
花紅	<b>11</b>	9
退休金計劃供款	<b>1</b>	1
	<b>28</b>	<b>22</b>

年內就彼等任期內已付及其應收未收之酬金組別如下:

Emoluments paid to or receivable by individuals during the year with reference to their tenure are within the following bands:

		人數	
		Number of individuals	
		<b>2019</b>	<b>2018</b>
港幣 6,000,001 元至港幣 6,500,000 元	HK\$6,000,001 to HK\$6,500,000	<b>1</b>	-
港幣 6,500,001 元至港幣 7,000,000 元	HK\$6,500,001 to HK\$7,000,000	<b>1</b>	1
港幣 7,000,001 元至港幣 7,500,000 元	HK\$7,000,001 to HK\$7,500,000	-	1
港幣 7,500,001 元至港幣 8,000,000 元	HK\$7,500,001 to HK\$8,000,000	<b>2</b>	1

**財務報表附註（續） Notes to the Financial Statements (continued)**

**19. 董事、高層管理人員及主要人員酬金（續） 19. Directors', senior management's and key personnel's emoluments (continued)**

**(a) 董事及高層管理人員酬金（續）**

**(a) Directors' and senior management's emoluments (continued)**

**(iii) 高層管理人員酬金**

**(iii) Senior management's emoluments**

高層管理人員年內就彼等任期內已付及其應收未收之酬金組別如下：

Emoluments paid to or receivable by individuals during the year with reference to their tenure as senior management are within the following bands:

		人數 Number of individuals	
		2019	2018
港幣 0 元至港幣 500,000 元	HK\$0 to HK\$500,000	-	2
港幣 500,001 元至港幣 1,000,000 元	HK\$500,001 to HK\$1,000,000	1	1
港幣 1,500,001 元至港幣 2,000,000 元	HK\$1,500,001 to HK\$2,000,000	1	-
港幣 2,000,001 元至港幣 2,500,000 元	HK\$2,000,001 to HK\$2,500,000	1	-
港幣 5,000,001 元至港幣 5,500,000 元	HK\$5,000,001 to HK\$5,500,000	2	2
港幣 5,500,001 元至港幣 6,000,000 元	HK\$5,500,001 to HK\$6,000,000	2	1
港幣 6,000,001 元至港幣 6,500,000 元	HK\$6,000,001 to HK\$6,500,000	1	-
港幣 7,000,001 元至港幣 7,500,000 元	HK\$7,000,001 to HK\$7,500,000	-	2
港幣 7,500,001 元至港幣 8,000,000 元	HK\$7,500,001 to HK\$8,000,000	1	-
港幣 10,500,001 元至港幣 11,000,000 元	HK\$10,500,001 to HK\$11,000,000	-	1
港幣 11,000,001 元至港幣 11,500,000 元	HK\$11,000,001 to HK\$11,500,000	1	-

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 19. 董事、高層管理人員及主要人員酬金 (續) 19. Directors', senior management's and key personnel's emoluments (continued)

#### (b) CG-5 下高級管理人員及主要人員的薪酬

就披露用途，高級管理人員及主要人員定義如下：

- 高級管理人員：董事會指定的高級管理人員，負責總體策略或重要業務，包括總裁、副總裁、財務總監、風險總監、營運總監、董事會秘書以及集團審計總經理。
- 主要人員：個人業務活動涉及重大風險承擔，對風險暴露有重大影響，或個人職責對風險管理有直接、重大影響，或對盈利有直接影響的人員，包括業務盈利規模較大的單位主管、本集團主要附屬公司第一責任人、東南亞機構高職人員、交易主管，以及對風險管理有直接影響的職能單位第一責任人。

本年度本集團之高級管理人員及主要人員的薪酬詳情如下：

#### (b) Remuneration for Senior Management and Key Personnel under CG-5

For the purpose of disclosure, Senior Management and Key Personnel are defined as follows:

- Senior Management: The senior executives designated by the Board who are responsible for oversight of the firm-wide strategy or material business lines, including the Chief Executive, Deputy Chief Executives, Chief Financial Officer, Chief Risk Officer, Chief Operating Officer, Board Secretary and General Manager of Group Audit.
- Key Personnel: The employees whose individual business activities involve the assumption of material risk which may have significant impact on risk exposure, or whose individual responsibilities are directly and materially linked to the risk management, or those who have direct influence to the profit, including heads of material business lines, heads of major subsidiaries, senior executives of Southeast Asian entities, head of trading, as well as heads of risk control functions.

Details of the remuneration for Senior Management and Key Personnel of the Group during the year are as follows:

#### (i) 於財政年度內給予的薪酬

#### (i) Remuneration awarded during financial year

		2019		2018	
		高級管理人員 Senior Management 港幣百萬元 HK\$m	主要人員 Key Personnel 港幣百萬元 HK\$m	高級管理人員 Senior Management 港幣百萬元 HK\$m	主要人員 Key Personnel 港幣百萬元 HK\$m
固定薪酬	Fixed remuneration				
現金	Cash-based	42	137	36	125
其中：遞延	Of which: deferred	-	-	-	-
浮動薪酬	Variable remuneration				
現金	Cash-based	19	85	16	76
其中：遞延	Of which: deferred	5	22	5	20
薪酬總額	Total remuneration	<b>61</b>	<b>222</b>	<b>52</b>	<b>201</b>
員工數目	Number of employees				
固定薪酬	Fixed remuneration	12	56	11	50
浮動薪酬	Variable remuneration	12	55	11	50

財務報表附註 (續) Notes to the Financial Statements (continued)

19. 董事、高層管理人員及主要人員酬金 (續) 19. Directors', senior management's and key personnel's emoluments (continued)

(b) CG-5 下高級管理人員及主要人員的薪酬 (續)

(b) Remuneration for Senior Management and Key Personnel under CG-5 (continued)

(ii) 特別付款

(ii) Special payments

截至 2019 年 12 月 31 日止年度，沒有給予高級管理人員及主要人員保證花紅、簽約獎金及遣散費 (2018 年：無)。

There were no guaranteed bonuses, sign-on awards and severance payments to Senior Management and Key Personnel for the year ended 31 December 2019 (2018: Nil).

(iii) 遞延薪酬

(iii) Deferred remuneration

		2019				
		未支付的遞延薪酬總額 Total amount of outstanding deferred remuneration 港幣百萬元 HK\$m	其中：可能受在宣布給予後出現的外在及／或內在調整影響的未支付遞延及保留薪酬總額 Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment 港幣百萬元 HK\$m	在有關財政年度內在宣布給予後作出的外在調整而被修訂的薪酬總額 Total amount of amendment during the year due to ex post explicit adjustments 港幣百萬元 HK\$m	在有關財政年度內在宣布給予後出現的內在調整而被修訂的薪酬總額 Total amount of amendment during the year due to ex post implicit adjustments 港幣百萬元 HK\$m	在有關財政年度內發放的遞延薪酬總額 Total amount of deferred remuneration paid out in the financial year 港幣百萬元 HK\$m
高級管理人員	Senior Management					
現金	Cash	10	10	-	-	(5)
主要人員	Key Personnel					
現金	Cash	39	39	-	-	(14)
總額	Total	49	49	-	-	(19)
		2018				
		未支付的遞延薪酬總額 Total amount of outstanding deferred remuneration 港幣百萬元 HK\$m	其中：可能受在宣布給予後出現的外在及／或內在調整影響的未支付遞延及保留薪酬總額 Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment 港幣百萬元 HK\$m	在有關財政年度內在宣布給予後作出的外在調整而被修訂的薪酬總額 Total amount of amendment during the year due to ex post explicit adjustments 港幣百萬元 HK\$m	在有關財政年度內在宣布給予後出現的內在調整而被修訂的薪酬總額 Total amount of amendment during the year due to ex post implicit adjustments 港幣百萬元 HK\$m	在有關財政年度內發放的遞延薪酬總額 Total amount of deferred remuneration paid out in the financial year 港幣百萬元 HK\$m
高級管理人員	Senior Management					
現金	Cash	10	10	-	-	(5)
主要人員	Key Personnel					
現金	Cash	31	31	-	-	(11)
總額	Total	41	41	-	-	(16)



**財務報表附註 (續) Notes to the Financial Statements (continued)**

**20. 庫存現金及在銀行及其他金融機構之結餘及定期存放 20. Cash and balances and placements with banks and other financial institutions**

		<b>2019</b>	<b>2018</b>
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
庫存現金	Cash	<b>19,028</b>	21,992
存放中央銀行之結餘	Balances with central banks	<b>150,249</b>	158,355
在中央銀行一個月內到期之定期存放	Placements with central banks maturing within one month	<b>9,541</b>	9,572
在中央銀行一至十二個月內到期之定期存放	Placements with central banks maturing between one and twelve months	<b>2,444</b>	2,697
在中央銀行超過一年到期之定期存放	Placements with central banks maturing over one year	<b>785</b>	396
		<b>163,019</b>	171,020
存放其他銀行及其他金融機構之結餘	Balances with other banks and other financial institutions	<b>75,455</b>	119,968
在其他銀行及其他金融機構一個月內到期之定期存放	Placements with other banks and other financial institutions maturing within one month	<b>80,971</b>	65,949
在其他銀行及其他金融機構一至十二個月內到期之定期存放	Placements with other banks and other financial institutions maturing between one and twelve months	<b>28,166</b>	54,154
		<b>184,592</b>	240,071
		<b>366,639</b>	433,083
減值準備	Impairment allowances		
- 第一階段	- Stage 1	<b>(3)</b>	(15)
- 第二階段	- Stage 2	-	-
- 第三階段	- Stage 3	-	-
		<b>366,636</b>	433,068

財務報表附註 (續) Notes to the Financial Statements (continued)

21. 以公平值變化計入損益之金融資產 21. Financial assets at fair value through profit or loss

		2019	2018
		港幣百萬元	港幣百萬元
		HK\$'m	HK\$'m
證券	Securities		
交易性資產	Trading assets		
- 庫券	- Treasury bills	21,025	16,301
- 存款證	- Certificates of deposit	2,953	623
- 其他債務證券	- Other debt securities	13,612	15,193
		<b>37,590</b>	32,117
- 股份證券	- Equity securities	37	2
- 基金	- Fund	-	3
		<b>37,627</b>	32,122
其他強制分類為以公平值 變化計入損益之金融 資產	Other financial assets mandatorily classified at fair value through profit or loss		
- 存款證	- Certificates of deposit	-	-
- 其他債務證券	- Other debt securities	744	751
		<b>744</b>	751
- 股份證券	- Equity securities	3	2
		<b>747</b>	753
界定為以公平值變化計入 損益之金融資產	Financial assets designated at fair value through profit or loss		
- 存款證	- Certificates of deposit	-	-
- 其他債務證券	- Other debt securities	2,991	3,171
		<b>2,991</b>	3,171
證券總額	Total securities	<b>41,365</b>	36,046
其他債務工具	Other debt instruments		
交易性資產	Trading assets	5,297	4,634
界定為以公平值變化計入 損益之金融資產	Financial assets designated at fair value through profit or loss	-	233,477
其他債務工具總額	Total other debt instruments	<b>5,297</b>	238,111
		<b>46,662</b>	274,157

財務報表附註 (續) Notes to the Financial Statements (continued)

21. 以公平值變化計入損益之金融資產 (續) 21. Financial assets at fair value through profit or loss (continued)

證券總額按上市地之分類如下：

Total securities are analysed by place of listing as follows:

		2019	2018
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
債務證券及存款證	Debt securities and certificates of deposit		
- 於香港上市	- Listed in Hong Kong	5,903	8,053
- 於香港以外上市	- Listed outside Hong Kong	4,192	6,186
- 非上市	- Unlisted	31,230	21,800
		<b>41,325</b>	<b>36,039</b>
股份證券	Equity securities		
- 於香港上市	- Listed in Hong Kong	37	2
- 於香港以外上市	- Listed outside Hong Kong	3	2
		<b>40</b>	<b>4</b>
基金	Fund		
- 於香港上市	- Listed in Hong Kong	-	3
證券總額	Total securities	<b>41,365</b>	<b>36,046</b>

證券總額按發行機構之分類如下：

Total securities are analysed by type of issuer as follows:

		2019	2018
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
官方實體	Sovereigns	30,302	25,930
公營單位	Public sector entities	1,526	1,720
銀行及其他金融機構	Banks and other financial institutions	7,506	6,525
公司企業	Corporate entities	2,031	1,871
證券總額	Total securities	<b>41,365</b>	<b>36,046</b>

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 22. 衍生金融工具及對沖會計 22. Derivative financial instruments and hedge accounting

本集團訂立匯率、利率、商品、股權及信貸相關的衍生金融工具合約作買賣及風險管理之用。

貨幣遠期是指於未來某一日期買或賣外幣的承諾。利率期貨是指根據合約按照利率的變化收取或支付一個淨金額的合約，或在交易所管理的金融市場上按約定價格在未來的某一日期買進或賣出利率金融工具的合約。遠期利率協議是經單獨協商而達成的利率期貨合約，要求在未來某一日期根據合約利率與市場利率的差異及名義本金的金額進行計算及現金交割。

貨幣、利率及商品掉期是指交換不同現金流或商品的承諾。掉期的結果是交換不同貨幣、利率（如固定利率與浮動利率）或貴金屬（如白銀掉期）或以上的所有組合（如交叉貨幣利率掉期）。除某些貨幣掉期合約外，該等交易無需交換本金。

外匯、利率、貴金屬及股權期權是指期權的賣方（出讓方）為買方（持有方）提供未來某一特定日期或未來一定時期內按約定的價格買進（認購期權）或賣出（認沽期權）一定數量的金融工具的權利（而非承諾）的一種協議。考慮到外匯和利率風險，期權的賣方從購買方收取一定的期權費。本集團期權合約是與對手方在場外協商達成或透過交易所進行（如於交易所進行買賣之期權）。

The Group enters into exchange rate, interest rate, commodity, equity and credit related derivative financial instrument contracts for trading and risk management purposes.

Currency forwards represent commitments to purchase and sell foreign currency on a future date. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates or buy or sell interest rate financial instruments on a future date at an agreed price in the financial market under the administration of the stock exchange. Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contract rate of interest and the current market rate, based on a notional principal amount.

Currency, interest rate and commodity swaps are commitments to exchange one set of cash flows or commodity for another. Swaps result in an exchange of currencies, interest rates (for example, fixed rate for floating rate), or precious metals (for example, silver swaps) or a combination of all these (for example, cross-currency interest rate swaps). Except for certain currency swap contracts, no exchange of principal takes place.

Foreign currency, interest rate, precious metal and equity options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of the financial instrument at a predetermined price. In consideration for the assumption of foreign exchange and interest rate risk, the seller receives a premium from the purchaser. Options are negotiated over-the-counter between the Group and its counterparty or traded through the stock exchange (for example, exchange-traded stock option).

## 財務報表附註（續） Notes to the Financial Statements (continued)

### 22. 衍生金融工具及對沖會計（續） 22. Derivative financial instruments and hedge accounting (continued)

本集團之衍生金融工具合約／名義數額及其公平值詳列於下表。各類型金融工具的合約／名義數額僅顯示於資產負債表日未完成之交易量，而若干金融工具之合約／名義數額則提供了一個與資產負債表內所確認的資產或負債的公平值對比的基礎。但是，這並不反映所涉及的未來的現金流或當前的公平值，因而也不能反映本集團所面臨的信貸風險或市場風險。隨著與衍生金融工具合約條款相關的匯率、市場利率、商品價格或股權價格的波動，衍生金融工具的估值可能產生有利（資產）或不利（負債）的影響，這些影響可能在不同期間有較大的波動。

#### (a) 衍生金融工具

本集團進行場內及場外衍生產品交易的主要目的是開展客戶業務。集團與客戶及同業市場所做的衍生產品交易均需嚴格遵從本集團各相關風險管理政策及規定。

衍生產品亦應用於管理銀行賬的利率風險，只有在獲批准之產品名單上載有的衍生產品方可進行交易。由衍生產品交易產生的風險承擔名義數額以設限控制，並制訂交易的最長期限。每宗衍生產品交易必須記錄於相應的系統，以進行結算、市場劃價、報告及監控。

The contract/notional amounts and fair values of derivative financial instruments held by the Group are set out in the following tables. The contract/notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet dates and certain of them provide a basis for comparison with the fair values of instruments recognised on the balance sheet. However, they do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates, market interest rates, commodity prices or equity prices relative to their terms. The aggregate fair values of derivative financial instruments can fluctuate significantly from time to time.

#### (a) Derivative financial instruments

The Group trades derivative products (both exchange-traded and OTC) mainly for customer business. The Group strictly follows risk management policies and requirements in providing derivative products to our customers and in trading of derivative products in the interbank market.

Derivatives are also used to manage the interest rate risk of the banking book. A derivative instrument must be included in the approved product list before any transactions for that instrument can be made. There are limits to control the notional amount of exposure arising from derivative transactions, and the maximum tenor of the deal is set. Every derivative transaction must be input into the relevant system for settlement, mark-to-market revaluation, reporting and control.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 22. 衍生金融工具及對沖會計 (續) 22. Derivative financial instruments and hedge accounting (continued)

#### (a) 衍生金融工具 (續)

下表概述各類衍生金融工具於12月31日之合約／名義數額及其公平值：

#### (a) Derivative financial instruments (continued)

The following tables summarise the contract/notional amounts and fair values of each class of derivative financial instrument as at 31 December:

		2019		
		合約／ 名義數額 Contract/ notional amounts	公平值 Fair values	
			資產 Assets	負債 Liabilities
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
匯率合約	Exchange rate contracts			
即期、遠期及期貨	Spot, forwards and futures	318,664	11,812	(8,105)
掉期	Swaps	1,559,311	10,992	(10,027)
期權	Options	49,544	132	(100)
		<u>1,927,519</u>	<u>22,936</u>	<u>(18,232)</u>
利率合約	Interest rate contracts			
期貨	Futures	1,126	2	-
掉期	Swaps	1,223,157	7,462	(12,002)
期權	Options	3,114	-	-
		<u>1,227,397</u>	<u>7,464</u>	<u>(12,002)</u>
商品合約	Commodity contracts	48,446	756	(2,576)
股權合約	Equity contracts	1,301	11	(14)
信貸衍生工具合約	Credit derivative contracts	389	-	(9)
		<u>3,205,052</u>	<u>31,167</u>	<u>(32,833)</u>

財務報表附註(續) Notes to the Financial Statements (continued)

22. 衍生金融工具及對沖會計(續) 22. Derivative financial instruments and hedge accounting (continued)

(a) 衍生金融工具(續)

(a) Derivative financial instruments (continued)

		2018		
		合約/ 名義數額 Contract/ notional amounts	公平值 Fair values	
			資產 Assets	負債 Liabilities
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
匯率合約	Exchange rate contracts			
即期、遠期及期貨	Spot, forwards and futures	347,580	12,706	(8,876)
掉期	Swaps	1,731,486	12,421	(12,100)
期權	Options	29,715	158	(64)
		<u>2,108,781</u>	<u>25,285</u>	<u>(21,040)</u>
利率合約	Interest rate contracts			
期貨	Futures	20,242	1	(39)
掉期	Swaps	1,047,515	9,312	(8,428)
期權	Options	1,566	1	(1)
		<u>1,069,323</u>	<u>9,314</u>	<u>(8,468)</u>
商品合約	Commodity contracts	<u>28,782</u>	<u>239</u>	<u>(1,184)</u>
股權合約	Equity contracts	<u>2,998</u>	<u>117</u>	<u>(119)</u>
信貸衍生工具合約	Credit derivative contracts	<u>392</u>	<u>-</u>	<u>(1)</u>
		<u>3,210,276</u>	<u>34,955</u>	<u>(30,812)</u>

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 22. 衍生金融工具及對沖會計 (續) 22. Derivative financial instruments and hedge accounting (continued)

#### (b) 對沖會計

##### 公平值對沖

本集團利用利率掉期合約對沖由市場利率引致的金融資產及負債公平值變動。

以下原因可能導致對沖無效：

- 對沖工具和被對沖項目的增加或減少；
- 交易對手信用風險重大變化。

下表概述了於 12 月 31 日以剩餘合約到期日列示之對沖工具的合約／名義數額。

#### (b) Hedge accounting

##### Fair value hedges

The Group uses interest rate swaps to hedge against change in fair value of financial assets and liabilities arising from movements in market interest rates.

Possible sources of ineffectiveness are as follows:

- Increase or decrease in the amounts of hedged items or hedging instruments;
- Significant changes in counterparties' credit risk.

The table below summarises the contract/notional amounts of the hedging instruments as at 31 December by remaining contractual maturity.

		2019					
		一至	三至	一至五年	五年以上	總計	
		一個月內	三個月	十二個月	一至五年	五年以上	
		Up to	1 to 3	3 to 12	1 to 5	Over	
		1 month	months	months	years	5 years	
		港幣	港幣	港幣	港幣	港幣	
		百萬元	百萬元	百萬元	百萬元	百萬元	
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	
利率掉期	Interest rate swaps	849	1,575	6,065	67,336	38,066	113,891
		2018					
		一至	三至	一至五年	五年以上	總計	
		一個月內	三個月	十二個月	一至五年	五年以上	
		Up to	1 to 3	3 to 12	1 to 5	Over	
		1 month	months	months	years	5 years	
		港幣	港幣	港幣	港幣	港幣	
		百萬元	百萬元	百萬元	百萬元	百萬元	
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	
利率掉期	Interest rate swaps	235	78	10,808	70,258	34,845	116,224



財務報表附註 (續) Notes to the Financial Statements (continued)

22. 衍生金融工具及對沖會計 (續) 22. Derivative financial instruments and hedge accounting (continued)

(b) 對沖會計 (續)

(b) Hedge accounting (continued)

公平值對沖 (續)

Fair value hedges (continued)

界定為對沖工具之相關金額如下：

The amounts relating to items designated as hedging instruments are as follows:

		2019			
	合約/ 名義數額 Contract/ notional amounts 港幣百萬元 HK\$m	公平值 Fair values		用以確認對沖 無效部分之 公平值變動 Change in fair value used for recognising hedge ineffectiveness 港幣百萬元 HK\$m	
		資產 Assets	負債 Liabilities		
		港幣百萬元 HK\$m	港幣百萬元 HK\$m		
衍生金融工具 利率掉期		Derivative financial instruments Interest rate swaps			
	113,891	330	(2,632)	(3,714)	
		2018			
	合約/ 名義數額 Contract/ notional amounts 港幣百萬元 HK\$m	公平值 Fair values		用以確認對沖 無效部分之 公平值變動 Change in fair value used for recognising hedge ineffectiveness 港幣百萬元 HK\$m	
		資產 Assets	負債 Liabilities		
		港幣百萬元 HK\$m	港幣百萬元 HK\$m		
衍生金融工具 利率掉期		Derivative financial instruments Interest rate swaps			
	116,224	2,038	(477)	612	

財務報表附註 (續) Notes to the Financial Statements (continued)

22. 衍生金融工具及對沖會計 (續) 22. Derivative financial instruments and hedge accounting (continued)

(b) 對沖會計 (續)

(b) Hedge accounting (continued)

公平值對沖 (續)

Fair value hedges (continued)

被對沖項目之相關金額如下：

The amounts relating to hedged items are as follows:

	2019		
	賬面值 Carrying amounts 港幣百萬元 HK\$m	計入賬面值的 公平值對沖 調整累計金額 Accumulated amount of fair value hedge adjustment included in the carrying amounts 港幣百萬元 HK\$m	用以確認對沖 無效部分之 價值變動 Change in value used for recognising hedge ineffectiveness 港幣百萬元 HK\$m
證券投資 債務證券及存款證			
Investment in securities Debt securities and certificates of deposit	118,224	2,813	3,921

	2018		
	賬面值 Carrying amounts 港幣百萬元 HK\$m	計入賬面值的 公平值對沖 調整累計金額 Accumulated amount of fair value hedge adjustment included in the carrying amounts 港幣百萬元 HK\$m	用以確認對沖 無效部分之 價值變動 Change in value used for recognising hedge ineffectiveness 港幣百萬元 HK\$m
證券投資 債務證券及存款證			
Investment in securities Debt securities and certificates of deposit	115,598	(2,233)	(273)

確認對沖無效部分如下：

Hedge ineffectiveness recognised is as follows:

	2019 港幣百萬元 HK\$m	2018 港幣百萬元 HK\$m
淨交易性收益	207	339

財務報表附註 (續)

Notes to the Financial Statements (continued)

23. 貸款及其他賬項

23. Advances and other accounts

		2019	2018
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
個人貸款	Personal loans and advances	414,356	352,805
公司貸款	Corporate loans and advances	981,067	913,722
客戶貸款	Advances to customers	1,395,423	1,266,527
減：減值準備	Less: Impairment allowances		
- 第一階段	- Stage 1	(4,563)	(3,747)
- 第二階段	- Stage 2	(297)	(546)
- 第三階段	- Stage 3	(2,175)	(1,126)
		<b>1,388,388</b>	<b>1,261,108</b>
貿易票據	Trade bills	20,727	17,361
減：減值準備	Less: Impairment allowances		
- 第一階段	- Stage 1	(1)	(1)
- 第二階段	- Stage 2	-	-
- 第三階段	- Stage 3	-	(4)
		<b>20,726</b>	<b>17,356</b>
銀行及其他金融機構貸款	Advances to banks and other financial institutions	3,387	3,822
		<b>1,412,501</b>	<b>1,282,286</b>

於 2019 年 12 月 31 日，客戶貸款包括應計利息港幣 27.56 億元 (2018 年：港幣 23.44 億元)。

As at 31 December 2019, advances to customers included accrued interest of HK\$2,756 million (2018: HK\$2,344 million).

**財務報表附註 (續)      Notes to the Financial Statements (continued)**

**24. 證券投資**

**24. Investment in securities**

		<b>2019</b>	<b>2018</b>
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
以公平值變化計入其他全面 收益之證券投資	Investment in securities at fair value through other comprehensive income		
- 庫券	- Treasury bills	<b>234,284</b>	122,462
- 存款證	- Certificates of deposit	<b>51,167</b>	34,849
- 其他債務證券	- Other debt securities	<b>382,206</b>	312,456
		<b>667,657</b>	469,767
- 股份證券	- Equity securities	<b>3,288</b>	1,329
		<b>670,945</b>	471,096
以攤餘成本計量之證券投資	Investment in securities at amortised cost		
- 存款證	- Certificates of deposit	<b>1,508</b>	-
- 其他債務證券	- Other debt securities	<b>66,902</b>	69,769
		<b>68,410</b>	69,769
- 減值準備	- Impairment allowances		
第一階段	Stage 1	<b>(20)</b>	(10)
第二階段	Stage 2	-	-
第三階段	Stage 3	-	-
		<b>68,390</b>	69,759
		<b>739,335</b>	540,855

財務報表附註 (續)      Notes to the Financial Statements (continued)

24. 證券投資 (續)      24. Investment in securities (continued)

證券投資按上市地之分類如下：

Investment in securities is analysed by place of listing as follows:

		2019	2018
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
以公平值變化計入其他全面 收益之證券投資	Investment in securities at fair value through other comprehensive income		
債務證券及存款證	Debt securities and certificates of deposit		
- 於香港上市	- Listed in Hong Kong	65,315	63,791
- 於香港以外上市	- Listed outside Hong Kong	178,740	180,206
		<b>244,055</b>	243,997
- 非上市	- Unlisted	423,602	225,770
		<b>667,657</b>	469,767
股份證券	Equity securities		
- 於香港上市	- Listed in Hong Kong	550	-
- 於香港以外上市	- Listed outside Hong Kong	584	185
- 非上市	- Unlisted	2,154	1,144
		<b>3,288</b>	1,329
		<b>670,945</b>	471,096
以攤餘成本計量之證券投資	Investment in securities at amortised cost		
債務證券及存款證	Debt securities and certificates of deposit		
- 於香港上市	- Listed in Hong Kong	1,227	1,200
- 於香港以外上市	- Listed outside Hong Kong	41,441	42,069
		<b>42,668</b>	43,269
- 非上市	- Unlisted	25,722	26,490
		<b>68,390</b>	69,759
		<b>739,335</b>	540,855
以攤餘成本計量之上市證券 市值	Market value of listed securities at amortised cost	<b>43,207</b>	43,189

財務報表附註 (續)      Notes to the Financial Statements (continued)

24. 證券投資 (續)      24. Investment in securities (continued)

證券投資按發行機構之分類如下：

Investment in securities is analysed by type of issuer as follows:

		2019	2018
		港幣百萬元	港幣百萬元
		HK\$m	HK\$m
官方實體	Sovereigns	356,432	184,665
公營單位	Public sector entities	46,790	44,984
銀行及其他金融機構	Banks and other financial institutions	196,167	185,110
公司企業	Corporate entities	139,946	126,096
		<b>739,335</b>	<b>540,855</b>

證券投資之變動概述如下：

The movements in investment in securities are summarised as follows:

		2019	
		以公平值變化計入其他全面收益	以攤餘成本計量
		At fair value through other comprehensive income	At amortised cost
		港幣百萬元	港幣百萬元
		HK\$m	HK\$m
於 2019 年 1 月 1 日	At 1 January 2019	471,096	69,759
增置	Additions	1,033,786	14,388
處置、贖回及到期	Disposals, redemptions and maturity	(843,401)	(15,282)
攤銷	Amortisation	2,630	(116)
公平值／公平值對沖調整之變化	Change in fair value/fair value hedge adjustment	9,546	42
減值準備淨撥備	Net charge of impairment allowances	-	(10)
匯兌差額	Exchange difference	(2,712)	(391)
於 2019 年 12 月 31 日	At 31 December 2019	<b>670,945</b>	<b>68,390</b>

財務報表附註 (續) Notes to the Financial Statements (continued)

24. 證券投資 (續) 24. Investment in securities (continued)

		2018	
		以公平值變化計 入其他全面收益 At fair value through other comprehensive income 港幣百萬元 HK\$m	以攤餘成本計量 At amortised cost 港幣百萬元 HK\$m
於 2018 年 1 月 1 日之早期 列賬	At 1 January 2018, as previously reported	517,205	51,057
合併受共同控制之實體之 影響	Effect of merger of entity under common control	-	790
於 2018 年 1 月 1 日之重列	At 1 January 2018, as restated	517,205	51,847
增置	Additions	723,080	30,731
處置、贖回及到期	Disposals, redemptions and maturity	(762,516)	(12,466)
攤銷	Amortisation	1,389	94
公平值／公平值對沖調整 之變化	Change in fair value/fair value hedge adjustment	(1,657)	(26)
減值準備淨撥備	Net charge of impairment allowances	-	(3)
匯兌差額	Exchange difference	(6,405)	(418)
於 2018 年 12 月 31 日	At 31 December 2018	<u>471,096</u>	<u>69,759</u>

本集團因以策略性持有作考慮，將部分股份證券選擇以公平值變化計入其他全面收益作計量。此包括後償額外一級證券，上市及非上市股權。

The Group has designated certain equity securities as equity securities at fair value through other comprehensive income. The fair value through other comprehensive income designation was made because these are held for strategic investments. Investments include subordinated Additional Tier 1 securities, listed and unlisted equity shares.

基於重新平衡投資組合及發行人贖回證券，本集團於年內終止確認若干以公平值變化計入其他全面收益之股份證券，其公平值為港幣 0.78 億元（2018 年：港幣 1.39 億元）。

The Group derecognised certain equity securities at fair value through other comprehensive income with fair value of HK\$78 million (2018: HK\$139 million) during the year. The derecognition was made because of portfolio rebalancing and the redemption by issuer.

財務報表附註 (續) Notes to the Financial Statements (continued)

25. 聯營公司及合資企業權益 25. Interests in associates and joint ventures

		2019 港幣百萬元 HK\$m	2018 港幣百萬元 HK\$m
於 1 月 1 日	At 1 January	482	415
應佔盈利	Share of results	179	101
應佔稅項	Share of tax	(42)	(32)
已收股息	Dividend received	-	(2)
於 12 月 31 日	At 31 December	<b>619</b>	<b>482</b>

本集團之聯營公司及合資企業均為非上市公司，詳情如下：

The particulars of the Group's associates and joint ventures, all of which are unlisted, are as follows:

名稱 Name	註冊及營業地點 Place of incorporation and operation	已發行股本 Issued share capital	持有權益 Interest held	主要業務 Principal activities
中銀金融商務有限公司 BOC Services Company Limited	中國 PRC	註冊資本 50,000,000 人民幣 Registered capital RMB50,000,000	45%	信用卡後台服務支援 Credit card back-end service support
銀聯通寶有限公司 Joint Electronic Teller Services Limited	香港 Hong Kong	10,026,000 港元 HK\$10,026,000	19.96%	為自動櫃員機服務提供 銀行私人訊息轉換網絡 Operation of a private inter-bank message switching network in respect of ATM services



## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 26. 投資物業

### 26. Investment properties

		2019	2018
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
於 1 月 1 日	At 1 January	19,988	19,949
增置	Additions	35	13
公平值收益 (附註 14)	Fair value gains (Note 14)	288	921
重新分類轉自 / (轉至) 物業、器材及設備 (附註 27)	Reclassification from/(to) properties, plant and equipment (Note 27)	117	(895)
		<b>20,428</b>	<b>19,988</b>
於 12 月 31 日	At 31 December	<b>20,428</b>	<b>19,988</b>

投資物業之賬面值按租約  
剩餘期限分析如下：

The carrying value of investment properties is analysed based on the remaining terms of the leases as follows:

		2019	2018
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
在香港持有	Held in Hong Kong		
長期租約 (超過 50 年)	On long-term lease (over 50 years)	5,320	4,991
中期租約 (10 年至 50 年)	On medium-term lease (10 to 50 years)	14,746	14,639
在香港以外持有	Held outside Hong Kong		
長期租約 (超過 50 年)	On long-term lease (over 50 years)	-	86
中期租約 (10 年至 50 年)	On medium-term lease (10 to 50 years)	330	244
短期租約 (少於 10 年)	On short-term lease (less than 10 years)	32	28
		<b>20,428</b>	<b>19,988</b>

於 2019 年 12 月 31 日，列於資產負債表內之投資物業，乃依據獨立特許測量師萊坊測量師行有限公司於 2019 年 12 月 31 日以公平值為基準所進行之專業估值。公平值指在計量當日若在有秩序成交的情況下向市場參與者出售每一項投資物業應取得的價格。

As at 31 December 2019, investment properties were included in the balance sheet at valuation carried out at 31 December 2019 on the basis of their fair value by an independent firm of chartered surveyors, Knight Frank Petty Limited. The fair value represents the price that would be received to sell each investment property in an orderly transaction with market participants at the measurement date.

財務報表附註 (續)

Notes to the Financial Statements (continued)

27. 物業、器材及設備

27. Properties, plant and equipment

		房產 Premises	設備、固定設施 及裝備 Equipment, fixtures and fittings	使用權資產 Right-of-use assets	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
於 2019 年 1 月 1 日之 賬面淨值之早期列賬	Net book value at 1 January 2019, as previously reported	46,086	2,980	-	49,066
合併受共同控制之實體 之影響	Effect of merger of entity under common control	-	5	-	5
於 2019 年 1 月 1 日之 賬面淨值之重列	Net book value at 1 January 2019, as restated	46,086	2,985	-	49,071
採納香港財務報告準則 第 16 號之影響	Effect of adoption of HKFRS 16	-	-	1,700	1,700
於 2019 年 1 月 1 日， 採納香港財務報告準 則第 16 號後	At 1 January 2019, after adoption of HKFRS 16	46,086	2,985	1,700	50,771
增置	Additions	147	1,271	861	2,279
處置	Disposals	-	(8)	-	(8)
重估	Revaluation	1,060	-	-	1,060
年度折舊 (附註 13)	Depreciation for the year (Note 13)	(1,153)	(993)	(677)	(2,823)
重新分類轉至投資物業 (附註 26)	Reclassification to investment properties (Note 26)	(117)	-	-	(117)
匯兌差額	Exchange difference	1	4	6	11
於 2019 年 12 月 31 日 之賬面淨值	Net book value at 31 December 2019	46,024	3,259	1,890	51,173
於 2019 年 12 月 31 日 成本值或估值 累計折舊及減值	At 31 December 2019 Cost or valuation Accumulated depreciation and impairment	46,024	11,313	2,567	59,904
於 2019 年 12 月 31 日 之賬面淨值	Net book value at 31 December 2019	46,024	3,259	1,890	51,173
上述資產之成本值或估 值分析如下：	The analysis of cost or valuation of the above assets is as follows:				
於 2019 年 12 月 31 日	At 31 December 2019				
按成本值	At cost	-	11,313	2,567	13,880
按估值	At valuation	46,024	-	-	46,024
		46,024	11,313	2,567	59,904

財務報表附註 (續)

Notes to the Financial Statements (continued)

27. 物業、器材及設備  
(續)

27. Properties, plant and equipment (continued)

		房產 Premises	設備、固定設施 及裝備 Equipment, fixtures and fittings	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
於 2018 年 1 月 1 日之 賬面淨值之早期列賬	Net book value at 1 January 2018, as previously reported	44,049	2,870	46,919
合併受共同控制之實體之 影響	Effect of merger of entity under common control	-	7	7
於 2018 年 1 月 1 日之 賬面淨值之重列	Net book value at 1 January 2018, as restated	44,049	2,877	46,926
增置	Additions	94	1,071	1,165
處置	Disposals	(4)	(7)	(11)
重估	Revaluation	2,142	-	2,142
年度折舊 (附註 13)	Depreciation for the year (Note 13)	(1,089)	(956)	(2,045)
重新分類轉自投資物業 (附註 26)	Reclassification from investment properties (Note 26)	895	-	895
匯兌差額	Exchange difference	(1)	-	(1)
於 2018 年 12 月 31 日之 賬面淨值	Net book value at 31 December 2018	<u>46,086</u>	<u>2,985</u>	<u>49,071</u>
於 2018 年 12 月 31 日 成本值或估值	At 31 December 2018 Cost or valuation	46,086	10,367	56,453
累計折舊及減值	Accumulated depreciation and impairment	-	(7,382)	(7,382)
於 2018 年 12 月 31 日之 賬面淨值	Net book value at 31 December 2018	<u>46,086</u>	<u>2,985</u>	<u>49,071</u>
上述資產之成本值或估值 分析如下：	The analysis of cost or valuation of the above assets is as follows:			
於 2018 年 12 月 31 日	At 31 December 2018			
按成本值	At cost	-	10,367	10,367
按估值	At valuation	46,086	-	46,086
		<u>46,086</u>	<u>10,367</u>	<u>56,453</u>

財務報表附註 (續)

Notes to the Financial Statements (continued)

27. 物業、器材及設備  
(續)

27. Properties, plant and equipment (continued)

房產之賬面值按租約剩餘  
期限分析如下：

The carrying value of premises is analysed based on the remaining terms of the leases as follows:

		2019	2018
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
在香港持有	Held in Hong Kong		
長期租約 (超過 50 年)	On long-term lease (over 50 years)	13,420	13,474
中期租約 (10 年至 50 年)	On medium-term lease (10 to 50 years)	32,240	32,263
在香港以外持有	Held outside Hong Kong		
長期租約 (超過 50 年)	On long-term lease (over 50 years)	75	6
中期租約 (10 年至 50 年)	On medium-term lease (10 to 50 years)	289	266
短期租約 (少於 10 年)	On short-term lease (less than 10 years)	-	77
		<b>46,024</b>	<b>46,086</b>

於 2019 年 12 月 31 日，列於資產負債表內之房產，乃依據獨立特許測量師萊坊測量師行有限公司於 2019 年 12 月 31 日以公平值為基準所進行之專業估值。公平值指在計量當日若有秩序成交的情況下向市場參與者出售每一項房產應取得的價格。

As at 31 December 2019, premises were included in the balance sheet at valuation carried out at 31 December 2019 on the basis of their fair value by an independent firm of chartered surveyors, Knight Frank Petty Limited. The fair value represents the price that would be received to sell each premises in an orderly transaction with market participants at the measurement date.

根據上述之重估結果，房產  
估值變動確認如下：

As a result of the above-mentioned revaluations, changes in value of the premises were recognised as follows:

		2019	2018
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
貸記收益表之重估增值 (附註 15)	Increase in valuation credited to income statement (Note 15)	6	24
貸記其他全面收益之重估 增值	Increase in valuation credited to other comprehensive income	1,054	2,118
		<b>1,060</b>	<b>2,142</b>

於 2019 年 12 月 31 日，假若房產按成本值扣減累計折舊及減值損失列賬，本集團之資產負債表內之房產賬面淨值應為港幣 87.46 億元 (2018 年：港幣 86.39 億元)。

As at 31 December 2019, the net book value of premises that would have been included in the Group's balance sheet had the premises been carried at cost less accumulated depreciation and impairment losses was HK\$8,746 million (2018: HK\$8,639 million).

財務報表附註（續） **Notes to the Financial Statements (continued)**

**28. 其他資產**

**28. Other assets**

		2019	2018
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
收回資產	Reposessed assets	7	10
貴金屬	Precious metals	9,261	6,602
應收賬項及預付費用	Accounts receivable and prepayments	32,817	25,929
		<b>42,085</b>	<b>32,541</b>

**29. 香港特別行政區流通紙幣**

**29. Hong Kong SAR currency notes in circulation**

香港特別行政區流通紙幣由持有之香港特別行政區政府負債證明書之存款基金作擔保。

The Hong Kong SAR currency notes in circulation are secured by deposit of funds in respect of which the Hong Kong SAR Government certificates of indebtedness are held.

**30. 以公平值變化計入損益之金融負債**

**30. Financial liabilities at fair value through profit or loss**

		2019	2018
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
交易性負債	Trading liabilities		
- 外匯基金票據及債券短盤	- Short positions in Exchange Fund Bills and Notes	19,206	13,336
界定為以公平值變化計入損益之金融負債	Financial liabilities designated at fair value through profit or loss		
- 結構性存款（附註 31）	- Structured deposits (Note 31)	-	2,199
		<b>19,206</b>	<b>15,535</b>

於 2018 年 12 月 31 日，界定為以公平值變化計入損益之金融負債的賬面值與本集團於到期日約定支付予持有人之金額的差異並不重大。

As at 31 December 2018, the carrying amount of financial liabilities designated at fair value through profit or loss was approximately the same as the amount that the Group would be contractually required to pay at maturity to the holders.

**財務報表附註 (續)      Notes to the Financial Statements (continued)**

**31. 客戶存款**

**31. Deposits from customers**

		2019	2018
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
往來、儲蓄及其他存款 (於資產負債表)	Current, savings and other deposit accounts (per balance sheet)	2,014,092	1,899,102
列為以公平值變化計入損益之金融負債的結構性存款 (附註 30)	Structured deposits reported as financial liabilities at fair value through profit or loss (Note 30)	-	2,199
		<b>2,014,092</b>	<b>1,901,301</b>
分類：	Analysed by:		
即期存款及往來存款	Demand deposits and current accounts		
- 公司	- Corporate	141,107	147,431
- 個人	- Personal	68,367	62,827
		<b>209,474</b>	<b>210,258</b>
儲蓄存款	Savings deposits		
- 公司	- Corporate	401,525	338,087
- 個人	- Personal	499,106	516,185
		<b>900,631</b>	<b>854,272</b>
定期、短期及通知存款	Time, call and notice deposits		
- 公司	- Corporate	518,816	488,639
- 個人	- Personal	385,171	348,132
		<b>903,987</b>	<b>836,771</b>
		<b>2,014,092</b>	<b>1,901,301</b>

**32. 已發行債務證券及存款證**

**32. Debt securities and certificates of deposit in issue**

		2019	2018
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
以攤餘成本計量	At amortised cost		
- 存款證	- Certificates of deposit	116	-
- 其他債務證券	- Other debt securities	-	9,453
		<b>116</b>	<b>9,453</b>

財務報表附註 (續) Notes to the Financial Statements (continued)

33. 其他賬項及準備 33. Other accounts and provisions

		2019	2018
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
其他應付賬項	Other accounts payable	64,558	47,522
租賃負債	Lease liabilities	1,810	N/A
貸款承諾及財務擔保合同 減值準備	Impairment allowances on loan commitments and financial guarantee contracts		
- 第一階段	- Stage 1	535	375
- 第二階段	- Stage 2	22	20
- 第三階段	- Stage 3	20	43
		<b>66,945</b>	<b>47,960</b>

34. 遞延稅項

遞延稅項是根據香港會計準則第12號「所得稅」計算，就資產負債之稅務基礎與其在財務報表內賬面值兩者之暫時性差額及未使用稅項抵免作提撥。

資產負債表內之遞延稅項（資產）／負債主要組合，及其在年度內之變動如下：

34. Deferred taxation

Deferred tax is recognised in respect of the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and unused tax credits in accordance with HKAS 12 "Income Taxes".

The major components of deferred tax (assets)/liabilities recorded in the balance sheet, and the movements during the year are as follows:

		2019				
		加速折舊 免稅額 Accelerated tax depreciation	物業重估 Property revaluation	減值準備 Impairment allowances	其他 Others	總計 Total
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
於 2019 年 1 月 1 日	At 1 January 2019	703	6,940	(723)	(1,287)	5,633
借記／(貸記) 收益表 (附註 16)	Charged/(credited) to income statement (Note 16)	49	(126)	(80)	11	(146)
借記其他全面收益	Charged to other comprehensive income	-	130	-	695	825
於 2019 年 12 月 31 日	At 31 December 2019	<b>752</b>	<b>6,944</b>	<b>(803)</b>	<b>(581)</b>	<b>6,312</b>

財務報表附註 (續) Notes to the Financial Statements (continued)

34. 遞延稅項 (續) 34. Deferred taxation (continued)

		2018				
		加速折舊 免稅額 Accelerated tax depreciation	物業重估 Property revaluation	減值準備 Impairment allowances	其他 Others	總計 Total
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
於 2018 年 1 月 1 日	At 1 January 2018	690	6,603	(734)	(989)	5,570
借記收益表(附註 16)	Charged to income statement (Note 16)	13	44	11	11	79
借記/(貸記)其他全 面收益	Charged/(credited) to other comprehensive income	-	293	-	(312)	(19)
因處置以公平值變化 計入其他全面收益 之股權工具之轉撥	Release upon disposal of equity instruments at fair value through other comprehensive income	-	-	-	3	3
於 2018 年 12 月 31 日	At 31 December 2018	703	6,940	(723)	(1,287)	5,633

當有法定權利可將現有稅項資產與現有稅項負債抵銷，而遞延稅項涉及同一財政機關，則可將個別法人的遞延稅項資產與遞延稅項負債互相抵銷。下列在資產負債表內列賬之金額，已計入適當抵銷：

Deferred tax assets and liabilities are offset on an individual entity basis when there is a legal right to set off current tax assets against current tax liabilities and when the deferred taxation relates to the same authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

		2019 港幣百萬元 HK\$m	2018 港幣百萬元 HK\$m
遞延稅項資產	Deferred tax assets	(63)	(82)
遞延稅項負債	Deferred tax liabilities	6,375	5,715
		6,312	5,633
		2019 港幣百萬元 HK\$m	2018 港幣百萬元 HK\$m
遞延稅項資產(超過 12 個月後收回)	Deferred tax assets to be recovered after more than twelve months	(43)	(60)
遞延稅項負債(超過 12 個月後支付)	Deferred tax liabilities to be settled after more than twelve months	6,914	6,959
		6,871	6,899

於 2019 年 12 月 31 日，本集團未確認遞延稅項資產之稅務虧損為港幣 0.09 億元（2018 年：港幣 0.23 億元）。按照不同國家/地區的現行稅例，其中本集團無作廢期限的有關金額為港幣 0.09 億元（2018 年：港幣 0.09 億元），而沒有於 6 年內作廢的有關金額（2018 年：港幣 0.14 億元）。

As at 31 December 2019, the Group has not recognised deferred tax assets in respect of tax losses amounting to HK\$9 million (2018: HK\$23 million). Of the amount, HK\$9 million (2018: HK\$9 million) for the Group has no expiry date and none of the amount for the Group is scheduled to expire within six years (2018: HK\$14 million) under the current tax legislation in different countries/regions.



**財務報表附註 (續)      Notes to the Financial Statements (continued)**

**35. 後償負債**

**35. Subordinated liabilities**

	2019	2018
	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
後償票據		
- 界定為以公平值變化計入損益		
Subordinated notes		
- designated at fair value through profit or loss		
	<b>12,954</b>	<b>13,246</b>

於 2010 年，中銀香港發行總值 25.00 億美元上市後償票據，利息每半年支付一次，年利率 5.55%，2020 年 2 月到期。於 2018 年 9 月，中銀香港購買及贖回本金 8.77 億美元的票據，並已根據該票據之條款，將該金額的票據註銷。中銀香港尚持有本金總額 16.23 億美元的票據。按監管要求可作為二級資本票據之後償負債金額，於附註 4.4(B) 中列示。2019 年 12 月 31 日界定為以公平值變化計入損益之後償票據的賬面值比本集團於到期日約定支付予持有人的金額多港幣 0.41 億元（2018 年：港幣 2.60 億元）。

In 2010, BOCHK issued listed subordinated notes with an aggregate amount of USD2,500 million, interest rate at 5.55% per annum payable semi-annually, due February 2020. In September 2018, USD877 million in principal amount of subordinated notes were purchased and redeemed by BOCHK and cancelled pursuant to the terms and conditions of the notes. USD1,623 million of the aggregate principal amount of subordinated notes remain outstanding. Amounts qualified as Tier 2 capital instruments for regulatory purposes are shown in Note 4.4(B). The carrying amount of subordinated notes designated at fair value through profit or loss as at 31 December 2019 was more than the amount that the Group would be contractually required to pay at maturity to the holders by HK\$41 million (2018: HK\$260 million).

**財務報表附註 (續) Notes to the Financial Statements (continued)**

**36. 股本**

**36. Share capital**

		<u>2019</u>	<u>2018</u>
		港幣百萬元	港幣百萬元
		HK\$m	HK\$m
已發行及繳足：	Issued and fully paid:		
43,042,840,858 股普通股	43,042,840,858 ordinary shares	<b>43,043</b>	<b>43,043</b>

**37. 本銀行其他股權工具**

**37. Other equity instruments of the Bank**

		<u>2019</u>	<u>2018</u>
		港幣百萬元	港幣百萬元
		HK\$m	HK\$m
永續非累積次級額外一級資本票據	Undated non-cumulative subordinated Additional Tier 1 capital securities	<b>23,476</b>	<b>23,476</b>

於 2018 年 9 月，中銀香港發行 30.00 億美元的永續非累積次級額外一級資本票據。該資本票據為永續票據，不設固定贖回日，在首五年內不可贖回。其初期票息為每年 5.90%，每半年支付一次，中銀香港有獨有酌情權決定是否取消支付票息。2019 年支付其他股權工具持有者股息為港幣 13.90 億元。

In September 2018, BOCHK issued USD3,000 million undated non-cumulative subordinated Additional Tier 1 capital securities. The capital securities are perpetual securities in respect of which there is no fixed redemption date and are not callable within the first 5 years. They have an initial rate of distribution of 5.90% per annum payable semi-annually which may be cancelled at the sole discretion of BOCHK. Dividend paid to other equity instrument holders in 2019 amounted to HK\$1,390 million.

財務報表附註 (續) Notes to the Financial Statements (continued)

38. 綜合現金流量表附註 38. Notes to consolidated cash flow statement

(a) 經營溢利與除稅前經營現金之(流出)/流入對賬	(a) Reconciliation of operating profit to operating cash (outflow)/inflow before taxation	2019 港幣百萬元 HK\$m	2018 港幣百萬元 HK\$m
經營溢利	Operating profit	38,910	37,018
折舊	Depreciation	2,823	2,045
減值準備淨撥備	Net charge of impairment allowances	2,015	1,237
折現減值準備回撥	Unwind of discount on impairment allowances	(4)	(1)
已撇銷之貸款(扣除收回款額)	Advances written off net of recoveries	(249)	(714)
已撇銷之證券投資	Investment in securities written off	-	(45)
租賃負債之利息支出	Interest expense on lease liabilities	54	N/A
後償負債之變動	Change in subordinated liabilities	370	521
原到期日超過3個月之在銀行及其他金融機構之結餘及定期存放之變動	Change in balances and placements with banks and other financial institutions with original maturity over three months	9,276	6,707
以公平值變化計入損益之金融資產之變動	Change in financial assets at fair value through profit or loss	(4,898)	22,763
衍生金融工具之變動	Change in derivative financial instruments	5,809	(1,507)
貸款及其他賬項之變動	Change in advances and other accounts	(131,827)	(93,183)
證券投資之變動	Change in investment in securities	(198,488)	20,578
其他資產之變動	Change in other assets	(9,576)	(2,042)
銀行及其他金融機構之存款及結餘之變動	Change in deposits and balances from banks and other financial institutions	(108,864)	153,851
以公平值變化計入損益之金融負債之變動	Change in financial liabilities at fair value through profit or loss	3,671	(4,185)
客戶存款之變動	Change in deposits from customers	114,990	119,058
已發行債務證券及存款證之變動	Change in debt securities and certificates of deposit in issue	(9,337)	(12,188)
其他賬項及準備之變動	Change in other accounts and provisions	16,861	6,766
匯率變動之影響	Effect of changes in exchange rates	4,261	20,084
除稅前經營現金之(流出)/流入	Operating cash (outflow)/inflow before taxation	<u>(264,203)</u>	<u>276,763</u>
經營業務之現金流量中包括	Cash flows from operating activities included		
- 已收利息	- interest received	64,224	57,083
- 已付利息	- interest paid	26,180	19,904
- 已收股息	- dividend received	117	45

財務報表附註 (續) Notes to the Financial Statements (continued)

38. 綜合現金流量表附註 (續) 38. Notes to consolidated cash flow statement (continued)

(b) 融資業務產生的負債之對賬

(b) Reconciliation of liabilities arising from financing activities

		<u>2019</u>	<u>2018</u>
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
後償負債 於 1 月 1 日	Subordinated liabilities At 1 January	13,246	21,048
現金流量：	Cash flows:		
贖回後償負債所付款項	Payment for redemption of subordinated liabilities	-	(7,211)
支付後償負債利息	Interest paid for subordinated liabilities	<u>(707)</u>	<u>(1,087)</u>
		<b>(707)</b>	<b>(8,298)</b>
非現金變動：	Non-cash changes:		
自身信貸風險之公平 值變化借記／(貸 記) 其他全面收益	Change in fair value of own credit risk charged/(credited) to other comprehensive income	45	(25)
匯兌差額	Exchange difference	(72)	59
其他變動	Other changes	<u>442</u>	<u>462</u>
於 12 月 31 日	At 31 December	<u><b>12,954</b></u>	<u><b>13,246</b></u>

		<u>2019</u>
		港幣百萬元 HK\$'m
租賃負債 採納香港財務報告準則 第 16 號之影響	Lease liabilities Effect of adoption of HKFRS 16	<b>1,684</b>
現金流量：	Cash flows:	
支付租賃負債	Payment of lease liabilities	<b>(608)</b>
非現金變動：	Non-cash changes:	
新增	Additions	<b>680</b>
其他變動	Other changes	<u><b>54</b></u>
於 12 月 31 日	At 31 December	<u><b>1,810</b></u>

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 38. 綜合現金流量表附註 (續) 38. Notes to consolidated cash flow statement (continued)

#### (c) 現金及等同現金項目結存分析

#### (c) Analysis of the balances of cash and cash equivalents

	2019 港幣百萬元 HK\$'m	2018 港幣百萬元 HK\$'m
庫存現金及原到期日在3個月內之在銀行及其他金融機構之結餘及定期存放	322,683	379,851
原到期日在3個月內之庫券、存款證及其他債務工具		
- 以公平值變化計入損益之金融資產	6,627	239,020
- 證券投資	2,149	7,024
	<b>331,459</b>	<b>625,895</b>

### 39. 或然負債及承擔

### 39. Contingent liabilities and commitments

或然負債及承擔乃參照有關資本充足比率之金管局報表的填報指示而編製，其每項重要類別之合約數額及總信貸風險加權數額概述如下：

The following is a summary of the contractual amounts of each significant class of contingent liability and commitment and the aggregate credit risk-weighted amount and is prepared with reference to the completion instructions for the HKMA return of capital adequacy ratio.

	2019 港幣百萬元 HK\$'m	2018 港幣百萬元 HK\$'m
直接信貸替代項目	5,455	6,533
與交易有關之或然負債	29,080	29,292
與貿易有關之或然負債	27,865	26,269
不需事先通知的無條件撤銷之承諾	449,306	406,542
其他承擔，原到期日為		
- 1年或以下	13,772	10,189
- 1年以上	160,575	131,268
	<b>686,053</b>	<b>610,093</b>
信貸風險加權數額	<b>76,911</b>	<b>68,508</b>

信貸風險加權數額是根據《銀行業(資本)規則》計算。此數額取決於交易對手之情況及各類合約之期限特性。

The credit risk-weighted amount is calculated in accordance with the Banking (Capital) Rules. The amount is dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 40. 資本承擔

本集團未於財務報表中撥備之資本承擔金額如下：

已批准及簽約但未撥備  
已批准但未簽約

以上資本承擔大部分為將購入之電腦硬件及軟件，以及本集團之樓宇裝修工程之承擔。

### 40. Capital commitments

The Group has the following outstanding capital commitments not provided for in the financial statements:

Authorised and contracted for but not provided for  
Authorised but not contracted for

The above capital commitments mainly relate to commitments to purchase computer equipment and software, and to renovate the Group's premises.

	2019	2018
	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
已批准及簽約但未撥備	188	215
已批准但未簽約	72	35
	<b>260</b>	<b>250</b>

### 41. 經營租賃承擔

作為出租人

根據不可撤銷之經營租賃合約，下列為本集團與租客簽訂合約之未來有關租賃之最低應收租金：

土地及樓宇  
- 不超過 1 年  
- 1 至 2 年  
- 2 至 3 年  
- 3 至 4 年  
- 4 至 5 年

本集團以經營租賃形式租出投資物業；租賃年期通常由 1 年至 3 年。租約條款一般要求租客提交保證金。於續租約時，因應租務市場之狀況而調整租金。

### 41. Operating lease commitments

As lessor

The Group has contracted with tenants for the following future minimum lease receivables under non-cancellable operating leases:

Land and buildings  
- Not later than one year  
- One to two years  
- Two to three years  
- Three to four years  
- Four to five years

The Group leases its investment properties under operating lease arrangements, with leases typically for a period from one to three years. The terms of the leases generally require the tenants to pay security deposits and provide for rent adjustments according to the prevailing market conditions upon the lease renewal.

	2019	2018
	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
土地及樓宇	561	549
- 不超過 1 年	394	304
- 1 至 2 年	191	114
- 2 至 3 年	33	1
- 3 至 4 年	1	-
- 4 至 5 年	-	-
	<b>1,180</b>	<b>968</b>

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## 財務報表附註（續） Notes to the Financial Statements (continued)

### 42. 訴訟

本集團正面對多項由獨立人士提出的索償及反索償。此等索償及反索償與本集團的正常商業活動有關。

由於董事認為本集團可對申索人作出有力抗辯或預計此等申索所涉及的數額不大，故並未對此等索償及反索償作出重大撥備。

### 42. Litigation

The Group has been served a number of claims and counterclaims by various independent parties. These claims and counterclaims are in relation to the normal commercial activities of the Group.

No material provision was made against these claims and counterclaims because the directors believe that the Group has meritorious defences against the claimants or the amounts involved in these claims are not expected to be material.

## 財務報表附註（續）      Notes to the Financial Statements (continued)

### 43. 分類報告

本集團主要按業務分類對業務進行管理，而集團的收入、稅前利潤和資產，超過 90% 來自香港。現時集團業務共分為三個業務分類，它們分別是個人銀行業務、企業銀行業務和財資業務。業務線的分類是基於不同客戶層及產品種類，這與集團推行的 RPC（客戶關係、產品及渠道）管理模型是一致的。

個人銀行和企業銀行業務線均會提供全面的銀行服務，包括各類存款、透支、貸款、信用卡、與貿易相關的產品及其他信貸服務、投資及保險產品、外幣業務及衍生產品。個人銀行業務線主要是服務個人及小企客戶，而企業銀行業務線主要是服務公司客戶。至於財資業務線，除了自營買賣外，還負責管理集團的流動資金、利率和外匯敞口。「其他」這一欄，主要包括本集團持有房地產、投資物業、股權投資、若干聯營公司與合資企業權益及東南亞機構業務。

業務線的資產、負債、收入、支出、經營成果及資本性支出是基於集團會計政策進行計量。分類資料包括直接屬於該業務線的績效以及可以合理攤分至該業務線的績效。跨業務線資金的定價，按集團內部資金轉移價格機制釐定，主要是以市場利率為基準，並考慮有關產品的特性。

本集團的主要收入來源為利息收入，並且高層管理人員主要按淨利息收入來管理業務，因此所有業務分類的利息收入及支出以淨額列示。

按本集團的最新管理模式，若干產品／業務已在業務分類中重新分類。比較數字已重新列示，以符合本年之列示形式。

### 43. Segmental reporting

The Group manages the business mainly from a business segment perspective and over 90% of the Group's revenues, profits before tax and assets are derived from Hong Kong. Currently, three operating segments are identified: Personal Banking, Corporate Banking and Treasury. The classification of the Group's operating segments is based on customer segment and product type, which is aligned with the RPC (relationship, product and channel) management model of the Group.

Both Personal Banking and Corporate Banking provide general banking services including various deposit products, overdrafts, loans, credit cards, trade related products and other credit facilities, investment and insurance products, and foreign currency and derivative products. Personal Banking mainly serves retail customers and small enterprises, while Corporate Banking mainly deals with corporate customers. Treasury manages the funding and liquidity, and the interest rate and foreign exchange positions of the Group in addition to proprietary trades. "Others" mainly represents the Group's holdings of premises, investment properties, equity investments, certain interests in associates and joint ventures and the businesses of the Southeast Asian entities.

Measurement of segment assets, liabilities, income, expenses, results and capital expenditure is based on the Group's accounting policies. The segment information includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment funding is charged according to the internal funds transfer pricing mechanism of the Group, which is primarily based on market rates with the consideration of specific features of the product.

As the Group derives a majority of revenue from interest and the senior management relies primarily on net interest income in managing the business, interest income and expense for all reportable segments are presented on a net basis.

Several products/businesses have been reclassified among operating segments in accordance with the latest management model of the Group. Comparative amounts have been restated to conform with current year presentation.



## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 43. 分類報告 (續) 43. Segmental reporting (continued)

		個人銀行 Personal Banking	企業銀行 Corporate Banking	財資業務 Treasury	其他 Others	小計 Subtotal	合併抵銷 Eliminations	綜合 Consolidated
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
<b>截至 2019 年 12 月 31 日</b>	<b>Year ended 31 December 2019</b>							
淨利息收入 / (支出)	Net interest income/(expense)							
- 外來	- External	7	16,423	18,551	2,284	37,265	-	37,265
- 跨業務	- Inter-segment	13,300	(1,682)	(9,996)	(1,622)	-	-	-
		13,307	14,741	8,555	662	37,265	-	37,265
淨服務費及佣金收入	Net fee and commission income	7,077	3,939	303	1,149	12,468	(263)	12,205
淨交易性收益	Net trading gain	789	1,389	3,100	371	5,649	-	5,649
其他以公平值變化計入 損益之金融工具淨(虧 損)/收益	Net (loss)/gain on other financial instruments at fair value through profit or loss	(1)	-	328	1	328	-	328
其他金融資產之淨收益	Net gain on other financial assets	-	17	754	-	771	-	771
其他經營收入	Other operating income	101	2	42	2,023	2,168	(1,337)	831
<b>提取減值準備前之淨經 營收入</b>	<b>Net operating income before impairment allowances</b>	<b>21,273</b>	<b>20,088</b>	<b>13,082</b>	<b>4,206</b>	<b>58,649</b>	<b>(1,600)</b>	<b>57,049</b>
減值準備淨撥備	Net charge of impairment allowances	(351)	(1,385)	(9)	(270)	(2,015)	-	(2,015)
淨經營收入	Net operating income	20,922	18,703	13,073	3,936	56,634	(1,600)	55,034
經營支出	Operating expenses	(9,820)	(3,394)	(1,086)	(3,424)	(17,724)	1,600	(16,124)
經營溢利	Operating profit	11,102	15,309	11,987	512	38,910	-	38,910
投資物業處置/公平值 調整之淨收益	Net gain from disposal of/fair value adjustments on investment properties	-	-	-	288	288	-	288
處置/重估物業、器材及 設備之淨(虧損)/收 益	Net (loss)/gain from disposal/ revaluation of properties, plant and equipment	(5)	-	-	4	(1)	-	(1)
應佔聯營公司及合資企 業之稅後溢利扣減虧 損	Share of profits less losses after tax of associates and joint ventures	137	-	-	-	137	-	137
<b>除稅前溢利</b>	<b>Profit before taxation</b>	<b>11,234</b>	<b>15,309</b>	<b>11,987</b>	<b>804</b>	<b>39,334</b>	<b>-</b>	<b>39,334</b>
<b>於 2019 年 12 月 31 日</b>	<b>At 31 December 2019</b>							
<b>資產</b>	<b>ASSETS</b>							
分部資產	Segment assets	442,694	947,164	1,353,860	152,718	2,896,436	(22,501)	2,873,935
聯營公司及合資企業 權益	Interests in associates and joint ventures	559	-	-	60	619	-	619
		443,253	947,164	1,353,860	152,778	2,897,055	(22,501)	2,874,554
<b>負債</b>	<b>LIABILITIES</b>							
分部負債	Segment liabilities	1,079,821	907,381	521,156	106,067	2,614,425	(22,501)	2,591,924
<b>截至 2019 年 12 月 31 日</b>	<b>Year ended 31 December 2019</b>							
<b>其他資料</b>	<b>Other information</b>							
資本性支出	Capital expenditure	48	4	-	2,262	2,314	-	2,314
折舊	Depreciation	1,205	233	100	1,285	2,823	-	2,823
證券攤銷	Amortisation of securities	-	-	2,547	(33)	2,514	-	2,514

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 43. 分類報告 (續) 43. Segmental reporting (continued)

		個人銀行 Personal Banking	企業銀行 Corporate Banking	財資業務 Treasury	其他 Others	小計 Subtotal	合併抵銷 Eliminations	綜合 Consolidated
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>截至 2018 年 12 月 31 日</b>	<b>Year ended 31 December 2018</b>							
淨利息收入／(支出)	Net interest income/(expense)							
- 外來	- External	1,366	15,774	17,062	2,275	36,477	-	36,477
- 跨業務	- Inter-segment	10,030	(2,695)	(6,105)	(1,230)	-	-	-
		11,396	13,079	10,957	1,045	36,477	-	36,477
淨服務費及佣金收入	Net fee and commission income	6,899	3,874	309	1,129	12,211	(244)	11,967
淨交易性收益	Net trading gain	784	1,438	740	314	3,276	-	3,276
其他以公平值變化計入損益之金融工具淨收益／(虧損)	Net gain/(loss) on other financial instruments at fair value through profit or loss	9	-	510	(1)	518	-	518
其他金融資產之淨(虧損)／收益	Net (loss)/gain on other financial assets	-	(3)	4	-	1	-	1
其他經營收入	Other operating income	48	2	9	1,980	2,039	(1,301)	738
<b>提取減值準備前之淨經營收入</b>	<b>Net operating income before impairment allowances</b>	19,136	18,390	12,529	4,467	54,522	(1,545)	52,977
減值準備淨撥備	Net charge of impairment allowances	(123)	(784)	(3)	(327)	(1,237)	-	(1,237)
<b>淨經營收入</b>	<b>Net operating income</b>	19,013	17,606	12,526	4,140	53,285	(1,545)	51,740
經營支出	Operating expenses	(8,820)	(3,180)	(1,016)	(3,251)	(16,267)	1,545	(14,722)
<b>經營溢利</b>	<b>Operating profit</b>	10,193	14,426	11,510	889	37,018	-	37,018
投資物業處置／公平值調整之淨收益	Net gain from disposal of fair value adjustments on investment properties	-	-	-	921	921	-	921
處置／重估物業、器材及設備之淨(虧損)／收益	Net (loss)/gain from disposal/ revaluation of properties, plant and equipment	(4)	-	-	23	19	-	19
應佔聯營公司及合資企業之稅後溢利扣減虧損	Share of profits less losses after tax of associates and joint ventures	72	-	-	(3)	69	-	69
<b>除稅前溢利</b>	<b>Profit before taxation</b>	10,261	14,426	11,510	1,830	38,027	-	38,027
<b>於 2018 年 12 月 31 日</b>	<b>At 31 December 2018</b>							
<b>資產</b>	<b>ASSETS</b>							
分部資產	Segment assets	379,233	887,900	1,438,029	136,698	2,841,860	(18,557)	2,823,303
聯營公司及合資企業權益	Interests in associates and joint ventures	422	-	-	60	482	-	482
		379,655	887,900	1,438,029	136,758	2,842,342	(18,557)	2,823,785
<b>負債</b>	<b>LIABILITIES</b>							
分部負債	Segment liabilities	1,038,805	839,505	616,408	80,920	2,575,638	(18,557)	2,557,081
<b>截至 2018 年 12 月 31 日</b>	<b>Year ended 31 December 2018</b>							
<b>其他資料</b>	<b>Other information</b>							
資本性支出	Capital expenditure	26	5	-	1,147	1,178	-	1,178
折舊	Depreciation	567	144	106	1,228	2,045	-	2,045
證券攤銷	Amortisation of securities	-	-	1,502	(19)	1,483	-	1,483

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 44. 金融工具之抵銷

下表列示本集團已抵銷、受執行性淨額結算總協議和類似協議約束的金融工具詳情。

### 44. Offsetting financial instruments

The following tables present details of the Group's financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

		2019					
		已確認金融資產總額 Gross amounts of recognised financial assets	於資產負債表中抵銷之已確認金融負債總額 Gross amounts of recognised financial liabilities set off in the balance sheet	於資產負債表中列示的金融資產淨額 Net amounts of financial assets presented in the balance sheet	未有於資產負債表中抵銷之相關金額 Related amounts not set off in the balance sheet		淨額 Net amount
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	金融工具 Financial instruments	已收取之現金押品 Cash collateral received	港幣百萬元 HK\$'m
<b>資產</b>	<b>Assets</b>						
衍生金融工具	Derivative financial instruments	31,135	-	31,135	(22,120)	(2,380)	6,635
反向回購協議	Reverse repurchase agreements	3,138	-	3,138	(3,138)	-	-
借入證券協議	Securities borrowing agreements	2,900	-	2,900	(2,900)	-	-
其他資產	Other assets	12,622	(11,547)	1,075	-	-	1,075
		<b>49,795</b>	<b>(11,547)</b>	<b>38,248</b>	<b>(28,158)</b>	<b>(2,380)</b>	<b>7,710</b>

		2019					
		已確認金融負債總額 Gross amounts of recognised financial liabilities	於資產負債表中抵銷之已確認金融資產總額 Gross amounts of recognised financial assets set off in the balance sheet	於資產負債表中列示的金融負債淨額 Net amounts of financial liabilities presented in the balance sheet	未有於資產負債表中抵銷之相關金額 Related amounts not set off in the balance sheet		淨額 Net amount
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	金融工具 Financial instruments	已抵押之現金押品 Cash collateral pledged	港幣百萬元 HK\$'m
<b>負債</b>	<b>Liabilities</b>						
衍生金融工具	Derivative financial instruments	32,660	-	32,660	(22,120)	(7,105)	3,435
回購協議	Repurchase agreements	562	-	562	(562)	-	-
其他負債	Other liabilities	13,427	(11,547)	1,880	-	-	1,880
		<b>46,649</b>	<b>(11,547)</b>	<b>35,102</b>	<b>(22,682)</b>	<b>(7,105)</b>	<b>5,315</b>

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 44. 金融工具之抵銷 (續) 44. Offsetting financial instruments (continued)

		2018					
		於資產負債表中抵銷之已確認金融負債總額	於資產負債表中列示的金融資產淨額	未有於資產負債表中抵銷之相關金額		淨額	
		Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	金融工具	已收取之現金押品	Net amount	
		港幣百萬元	港幣百萬元	Financial instruments	Cash collateral received	港幣百萬元	
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	
<b>資產</b>	<b>Assets</b>						
衍生金融工具	Derivative financial instruments	34,870	-	34,870	(19,867)	(3,326)	11,677
反向回購協議	Reverse repurchase agreements	2,764	-	2,764	(2,764)	-	-
借入證券協議	Securities borrowing agreements	2,200	-	2,200	(2,200)	-	-
其他資產	Other assets	13,384	(9,213)	4,171	-	-	4,171
		<u>53,218</u>	<u>(9,213)</u>	<u>44,005</u>	<u>(24,831)</u>	<u>(3,326)</u>	<u>15,848</u>
		2018					
		於資產負債表中抵銷之已確認金融資產總額	於資產負債表中列示的金融負債淨額	未有於資產負債表中抵銷之相關金額		淨額	
		Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	金融工具	已抵押之現金押品	Net amount	
		港幣百萬元	港幣百萬元	Financial instruments	Cash collateral pledged	港幣百萬元	
		HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	
<b>負債</b>	<b>Liabilities</b>						
衍生金融工具	Derivative financial instruments	30,594	-	30,594	(19,867)	(2,107)	8,620
回購協議	Repurchase agreements	25,617	-	25,617	(25,617)	-	-
其他負債	Other liabilities	9,907	(9,213)	694	-	-	694
		<u>66,118</u>	<u>(9,213)</u>	<u>56,905</u>	<u>(45,484)</u>	<u>(2,107)</u>	<u>9,314</u>

按本集團簽訂有關場外衍生工具、售後回購及證券借出借入交易的淨額結算總協議，倘若發生違約或其他事先議定的事件，則同一交易對手之相關金額可採用淨額結算。

For master netting agreements of OTC derivative, sale and repurchase and securities lending and borrowing transactions entered into by the Group, related amounts with the same counterparty can be offset if an event of default or other predetermined events occur.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 45. 已抵押資產

於 2019 年 12 月 31 日，本集團之負債港幣 158.62 億元（2018 年：港幣 118.91 億元）是以存放於中央保管系統以便利結算之資產作抵押。此外，本集團通過售後回購協議的債務證券抵押之負債為港幣 605.62 億元（2018 年：港幣 656.17 億元）。本集團為擔保此等負債而質押之資產金額為港幣 766.56 億元（2018 年：港幣 782.30 億元），並主要於「以公平值變化計入損益之金融資產」及「證券投資」內列賬。

### 46. 金融資產轉移

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。

回購協議

### 45. Assets pledged as security

As at 31 December 2019, the liabilities of the Group amounting to HK\$15,862 million (2018: HK\$11,891 million) were secured by assets deposited with central depositories to facilitate settlement operations. In addition, the liabilities of the Group amounting to HK\$605,622 million (2018: HK\$656,172 million) were secured by debt securities related to sale and repurchase arrangements. The amount of assets pledged by the Group to secure these liabilities was HK\$766,562 million (2018: HK\$782,300 million) mainly included in "Financial assets at fair value through profit or loss" and "Investment in securities".

### 46. Transfers of financial assets

The transferred financial assets of the Group below that do not qualify for derecognition are debt securities held by counterparties as collateral under sale and repurchase agreements.

	2019		2018	
	已轉移資產 賬面值 Carrying amount of transferred assets 港幣百萬元 HK\$m	相關負債 賬面值 Carrying amount of associated liabilities 港幣百萬元 HK\$m	已轉移資產 賬面值 Carrying amount of transferred assets 港幣百萬元 HK\$m	相關負債 賬面值 Carrying amount of associated liabilities 港幣百萬元 HK\$m
回購協議	590	562	26,079	25,617

### 47. 董事貸款

根據香港《公司條例》第 383 條及《公司（披露董事利益資料）規例》第三部的規定，向本銀行董事提供之貸款詳情如下：

於年末尚未償還之有關  
交易總額

於年內未償還有關交易之  
最高總額

### 47. Loans to directors

Particulars of loans made to directors of the Bank pursuant to section 383 of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2019 港幣百萬元 HK\$m	2018 港幣百萬元 HK\$m
Aggregate amount of relevant transactions outstanding at year end	-	-
Maximum aggregate amount of relevant transactions outstanding during the year	-	-

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 48. 主要之有關連人士交易 48. Significant related party transactions

中華人民共和國國務院通過中國投資有限責任公司(「中投」)、其全資附屬公司中央匯金投資有限責任公司(「匯金」)及匯金擁有控制權益之中國銀行，對本集團實行控制。

#### (a) 與母公司及母公司控制之其他公司進行的交易

母公司的基本資料：

本集團受中國銀行控制。匯金是中國銀行之控股公司，亦是中投的全資附屬公司，而中投是從事外匯資金投資管理業務的國有獨資公司。

匯金於某些內地實體均擁有控制權益。

本集團在正常業務中與此等實體進行銀行業務交易，包括貸款、證券投資及貨幣市場交易。

大部分與中國銀行進行的交易源自貨幣市場活動。於 2019 年 12 月 31 日，本集團相關應收及應付中國銀行款項總額分別為港幣 980.43 億元 (2018 年：港幣 1,588.65 億元) 及港幣 569.95 億元 (2018 年：港幣 1,375.62 億元)。截至 2019 年 12 月 31 日止年度，與中國銀行做此類業務過程中產生的收入及支出總額分別為港幣 19.71 億元 (2018 年：港幣 28.77 億元) 及港幣 4.78 億元 (2018 年：港幣 5.81 億元)。

與中國銀行控制之其他公司並無重大交易。

The Group is subject to the control of the State Council of the PRC Government through China Investment Corporation ("CIC"), its wholly-owned subsidiary Central Huijin Investment Ltd. ("Central Huijin"), and BOC in which Central Huijin has controlling equity interests.

#### (a) Transactions with the parent companies and the other companies controlled by the parent companies

General information of the parent companies:

The Group is controlled by BOC. Central Huijin is the controlling entity of BOC, and it is a wholly-owned subsidiary of CIC which is a wholly state-owned company engaging in foreign currency investment management.

Central Huijin has controlling equity interests in certain other entities in the PRC.

The Group enters into banking transactions with these entities in the normal course of business which include loans, investment securities and money market transactions.

The majority of transactions with BOC arise from money market activities. As at 31 December 2019, the related aggregate amounts due from and to BOC of the Group were HK\$98,043 million (2018: HK\$158,865 million) and HK\$56,995 million (2018: HK\$137,562 million) respectively. The aggregate amounts of income and expenses of the Group arising from these transactions with BOC for the year ended 31 December 2019 were HK\$1,971 million (2018: HK\$2,877 million) and HK\$478 million (2018: HK\$581 million) respectively.

Transactions with other companies controlled by BOC are not considered material.

## 財務報表附註（續） Notes to the Financial Statements (continued)

### 48. 主要之有關連人士交易 48. Significant related party transactions (continued) (續)

#### (b) 與政府機構、代理機構、附屬機構及其他國有控制實體的交易

中華人民共和國國務院通過中投及匯金對本集團實施控制，而中華人民共和國國務院亦通過政府機構、代理機構、附屬機構及其他國有控制實體直接或間接控制大量其他實體。本集團按一般商業條款與政府機構、代理機構、附屬機構及其他國有控制實體進行常規銀行業務交易。

這些交易包括但不局限於下列各項：

- 借貸、提供授信及擔保和接受存款；
- 銀行同業之存放及結餘；
- 出售、購買、包銷及贖回由其他國有控制實體所發行之債券；
- 提供外匯、匯款及相關投資服務；
- 提供信託業務；及
- 購買公共事業、交通工具、電信及郵政服務。

#### (b) Transactions with government authorities, agencies, affiliates and other state controlled entities

The Group is subject to the control of the State Council of the PRC Government through CIC and Central Huijin, which also directly or indirectly controls a significant number of entities through its government authorities, agencies, affiliates and other state controlled entities. The Group enters into banking transactions with government authorities, agencies, affiliates and other state controlled entities in the normal course of business at commercial terms.

These transactions include, but are not limited to, the following:

- lending, provision of credits and guarantees, and deposit taking;
- inter-bank balance taking and placing;
- sales, purchases, underwriting and redemption of bonds issued by other state controlled entities;
- rendering of foreign exchange, remittance and investment related services;
- provision of fiduciary activities; and
- purchase of utilities, transport, telecommunication and postage services.

財務報表附註（續） Notes to the Financial Statements (continued)

48. 主要之有關連人士交易 48. Significant related party transactions (continued)  
(續)

(c) 與聯營公司、合資企業及其他有關連人士在正常業務範圍內進行之交易摘要

與本集團之聯營公司、合資企業及其他有關連人士達成之有關連人士交易所產生之總收入／支出及結餘概述如下：

(c) Summary of transactions entered into during the ordinary course of business with associates, joint ventures and other related parties

The aggregate income/expenses and balances arising from related party transactions with associates, joint ventures and other related parties of the Group are summarised as follows:

		2019	2018
		港幣百萬元	港幣百萬元
		HK\$'m	HK\$'m
收益表項目	Income statement items		
聯營公司及合資企業	Associates and joint ventures		
- 服務費及佣金支出	- Fee and commission expenses	6	11
- 其他經營支出	- Other operating expenses	84	82
其他有關連人士	Other related parties		
- 服務費及佣金收入	- Fee and commission income	11	11
資產負債表項目	Balance sheet item		
聯營公司及合資企業	Associates and joint ventures		
- 其他賬項及準備	- Other accounts and provisions	1	7



財務報表附註 (續) Notes to the Financial Statements (continued)

48. 主要之有關連人士交易 48. Significant related party transactions (continued)  
(續)

(d) 主要高層人員

主要高層人員是指某些能直接或間接擁有權力及責任來計劃、指導及掌管集團業務之人士，包括董事及高層管理人員。本集團在正常業務中會接受主要高層人員存款及向其提供貸款及信貸融資。於本年及去年，本集團並沒有與本銀行及其控股公司之主要高層人員或其有關連人士進行重大交易。

主要高層人員截至 12 月 31 日止年度之薪酬如下：

薪酬及其他短期員工福利

(d) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and senior management. The Group accepts deposits from and grants loans and credit facilities to key management personnel in the ordinary course of business. During both the current and prior years, no material transaction was conducted with key management personnel of the Bank and its holding companies, as well as parties related to them.

The compensation of key management personnel for the year ended 31 December is detailed as follows:

	2019	2018
	港幣百萬元	港幣百萬元
	HK\$m	HK\$m
Salaries and other short-term employee benefits	<b>53</b>	<b>45</b>

(e) 與附屬公司的結餘

於 2019 年 12 月 31 日，本銀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 109.63 億元 (2018 年：港幣 115.91 億元) 及港幣 22.19 億元 (2018 年：港幣 24.84 億元)。

(e) Balances with subsidiaries

As at 31 December 2019, 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\$10,963 million (2018: HK\$11,591 million) and HK\$2,219 million (2018: HK\$2,484 million) respectively.

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 49. 國際債權

以下分析乃參照有關國際銀行業統計之金管局報表的填報指示而編製。國際債權按照交易對手所在地計入風險轉移後以交易對手之最終風險承擔的地域分佈，其總和包括所有貨幣之跨地域債權及本地之外幣債權。若債權之擔保人所在地與交易對手所在地不同，則風險將轉移至擔保人之所在地。若債權屬銀行之海外分行，其風險將會轉移至該銀行之總行所在地。

本集團的個別國家／地區其已計及風險轉移後佔國際債權總額 10%或以上之債權如下：

### 49. International claims

The below analysis is prepared with reference to the completion instructions for the HKMA return of international banking statistics. International claims are exposures to counterparties on which the ultimate risk lies based on the locations of the counterparties after taking into account the transfer of risk, and represent the sum of cross-border claims in all currencies and local claims in foreign currencies. For a claim guaranteed by a party situated in a location different from the counterparty, the risk will be transferred to the location of the guarantor. For a claim on an overseas branch of a bank whose head office is located in another location, the risk will be transferred to the location where its head office is located.

Claims on individual countries/regions, after risk transfer, amounting to 10% or more of the aggregate international claims of the Group are shown as follows:

		2019				
		非銀行私人機構 Non-bank private sector				總計 Total
		銀行 Banks	官方機構 Official sector	非銀行 金融機構 Non-bank financial institutions	非金融 私人機構 Non-financial private sector	
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
中國內地	Chinese Mainland	284,001	108,716	14,599	136,156	543,472
香港	Hong Kong	6,718	96	36,143	352,962	395,919
美國	United States	11,718	106,473	22,721	17,426	158,338
		2018				
		非銀行私人機構 Non-bank private sector				總計 Total
		銀行 Banks	官方機構 Official sector	非銀行 金融機構 Non-bank financial institutions	非金融 私人機構 Non-financial private sector	
		港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m	港幣百萬元 HK\$'m
中國內地	Chinese Mainland	327,997	361,168	14,350	128,308	831,823
香港	Hong Kong	7,853	-	31,464	304,771	344,088
美國	United States	13,270	79,573	24,936	16,926	134,705

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 50. 非銀行的內地風險承擔 50. Non-bank Mainland exposures

對非銀行交易對手的內地相關風險承擔之分析乃參照有關內地業務之金管局報表的填報指示所列之機構類別及直接風險類別分類。此報表僅計及中銀香港的香港辦事處之內地風險承擔。

The analysis of non-bank Mainland exposures is based on the categories of non-bank counterparties and the types of direct exposures with reference to the completion instructions for the HKMA return of Mainland activities, which includes the Mainland exposures extended by BOCHK's Hong Kong office only.

	金管局 報表項目 Items in the HKMA return	2019		總風險承擔 Total exposure 港幣百萬元 HK\$m	
		資產負債 表內的 風險承擔 On-balance sheet exposure 港幣百萬元 HK\$m	資產負債 表外的 風險承擔 Off-balance sheet exposure 港幣百萬元 HK\$m		
中央政府、中央政府持有的機構、其附屬公司及合資企業	Central government, central government-owned entities and their subsidiaries and joint ventures	1	310,795	43,519	354,314
地方政府、地方政府持有的機構、其附屬公司及合資企業	Local governments, local government-owned entities and their subsidiaries and joint ventures	2	65,697	13,247	78,944
中國籍境內居民或其他在境內註冊的機構、其附屬公司及合資企業	PRC nationals residing in Mainland or other entities incorporated in Mainland and their subsidiaries and joint ventures	3	102,300	21,580	123,880
不包括在上述第一項中央政府內的其他機構	Other entities of central government not reported in item 1 above	4	32,086	3,735	35,821
不包括在上述第二項地方政府內的其他機構	Other entities of local governments not reported in item 2 above	5	500	2	502
中國籍境外居民或在境外註冊的機構，其用於境內的信貸	PRC nationals residing outside Mainland or entities incorporated outside Mainland where the credit is granted for use in Mainland	6	80,635	13,988	94,623
其他交易對手而其風險承擔被視為非銀行的內地風險承擔	Other counterparties where the exposures are considered to be non-bank Mainland exposures	7	1,770	-	1,770
總計	Total	8	<u>593,783</u>	<u>96,071</u>	<u>689,854</u>
扣減準備金後的資產總額	Total assets after provision	9	<u>2,800,915</u>		
資產負債表內的風險承擔佔資產總額百分比	On-balance sheet exposures as percentage of total assets	10	<u>21.20%</u>		

財務報表附註 (續) Notes to the Financial Statements (continued)

50. 非銀行的內地風險承擔 (續) 50. Non-bank Mainland exposures (continued)

	金管局 報表項目 Items in the HKMA return	2018		總風險承擔 Total exposure 港幣百萬元 HK\$m	
		資產負債 表內的 風險承擔 On-balance sheet exposure 港幣百萬元 HK\$m	資產負債 表外的 風險承擔 Off-balance sheet exposure 港幣百萬元 HK\$m		
中央政府、中央政府持有的 機構、其附屬公司及合資 企業	Central government, central government-owned entities and their subsidiaries and joint ventures	1	292,682	37,793	330,475
地方政府、地方政府持有的 機構、其附屬公司及合資 企業	Local governments, local government-owned entities and their subsidiaries and joint ventures	2	60,506	13,060	73,566
中國籍境內居民或其他在境 內註冊的機構、其附屬公 司及合資企業	PRC nationals residing in Mainland or other entities incorporated in Mainland and their subsidiaries and joint ventures	3	93,286	18,961	112,247
不包括在上述第一項中央政 府內的其他機構	Other entities of central government not reported in item 1 above	4	27,618	630	28,248
不包括在上述第二項地方政 府內的其他機構	Other entities of local governments not reported in item 2 above	5	88	-	88
中國籍境外居民或在境外註 冊的機構，其用於境內的 信貸	PRC nationals residing outside Mainland or entities incorporated outside Mainland where the credit is granted for use in Mainland	6	70,926	8,677	79,603
其他交易對手而其風險承擔 被視為非銀行的內地風險 承擔	Other counterparties where the exposures are considered to be non-bank Mainland exposures	7	2,214	379	2,593
總計	Total	8	<u>547,320</u>	<u>79,500</u>	<u>626,820</u>
扣減準備金後的資產總額	Total assets after provision	9	<u>2,752,643</u>		
資產負債表內的風險承擔 佔資產總額百分比	On-balance sheet exposures as percentage of total assets	10	<u>19.88%</u>		

財務報表附註 (續)      Notes to the Financial Statements (continued)

51. 資產負債表及權益變動表      51. Balance sheet and statement of changes in equity

(a) 資產負債表

(a) Balance sheet

於 12 月 31 日	As at 31 December	2019 港幣百萬元 HK\$m	2018 港幣百萬元 HK\$m
<b>資產</b>	<b>ASSETS</b>		
庫存現金及在銀行及其他金融機構之結餘及定期存放	Cash and balances and placements with banks and other financial institutions	359,946	421,389
以公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss	49,189	276,679
衍生金融工具	Derivative financial instruments	31,164	34,954
香港特別行政區政府負債證明書	Hong Kong SAR Government certificates of indebtedness	163,840	156,300
貸款及其他賬項	Advances and other accounts	1,383,685	1,258,744
證券投資	Investment in securities	732,101	537,837
附屬公司權益	Interests in subsidiaries	8,713	8,568
聯營公司及合資企業權益	Interests in associates and joint ventures	8	8
投資物業	Investment properties	21,633	21,340
物業、器材及設備	Properties, plant and equipment	49,033	47,048
遞延稅項資產	Deferred tax assets	22	8
其他資產	Other assets	41,135	31,605
資產總額	Total assets	2,840,469	2,794,480
<b>負債</b>	<b>LIABILITIES</b>		
香港特別行政區流通紙幣	Hong Kong SAR currency notes in circulation	163,840	156,300
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	264,282	374,211
以公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	19,206	15,535
衍生金融工具	Derivative financial instruments	32,829	30,812
客戶存款	Deposits from customers	1,989,108	1,877,617
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	116	9,453
其他賬項及準備	Other accounts and provisions	63,656	44,131
應付稅項負債	Current tax liabilities	7,794	2,299
遞延稅項負債	Deferred tax liabilities	5,925	5,253
後償負債	Subordinated liabilities	12,954	13,246
負債總額	Total liabilities	2,559,710	2,528,857

**財務報表附註 (續)      Notes to the Financial Statements (continued)**

**51. 資產負債表及權益變動表 (續)      51. Balance sheet and statement of changes in equity (continued)**

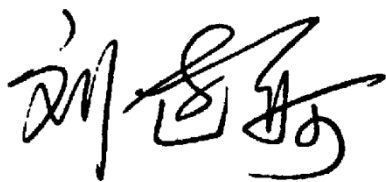
**(a) 資產負債表 (續)**

**(a) Balance sheet (continued)**

於 12 月 31 日	As at 31 December	<u>2019</u>	<u>2018</u>
		港幣百萬元 HK\$m	港幣百萬元 HK\$m
<b>資本</b>	<b>EQUITY</b>		
股本	Share capital	<b>43,043</b>	43,043
儲備	Reserves	<b>214,240</b>	199,104
本銀行股東應佔股本和儲備	Capital and reserves attributable to equity holders of the Bank	<b>257,283</b>	242,147
本銀行其他股權工具	Other equity instruments of the Bank	<b>23,476</b>	23,476
資本總額	Total equity	<b>280,759</b>	265,623
負債及資本總額	Total liabilities and equity	<b>2,840,469</b>	2,794,480

經董事會於 2020 年 3 月 27 日通過核准並由以下人士代表簽署：

Approved by the Board of Directors on 27 March 2020 and signed on behalf of the Board by:



**劉連舸**      **LIU Liange**  
董事      Director



**高迎欣**      **GAO Yingxin**  
董事      Director

財務報表附註 (續) Notes to the Financial Statements (continued)

51. 資產負債表及權益變動表 (續) 51. Balance sheet and statement of changes in equity (continued)

(b) 權益變動表

(b) Statement of changes in equity

		儲備 Reserves										
		股本 Share capital	房產 重估儲備 Premises revaluation reserve	公平值 變動儲備 Reserve for fair value changes	自身信貸 風險儲備 Reserve for own credit risk	監管儲備* Regulatory reserve*	換算儲備 Translation reserve	合併儲備** Merger reserve**	留存盈利 Retained earnings	總計 Total	其他 股權工具 Other equity instruments	資本總額 Total equity
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
於 2018 年 1 月 1 日之早 期列賬	At 1 January 2018, as previously reported	43,043	33,920	(903)	-	9,405	(351)	1,062	142,343	228,519	-	228,519
合併受共同控制之 實體之影響	Effect of merger of entity under common control	-	-	-	-	-	21	350	25	396	-	396
於 2018 年 1 月 1 日之重 列	At 1 January 2018, as restarted	43,043	33,920	(903)	-	9,405	(330)	1,412	142,368	228,915	-	228,915
年度溢利	Profit for the year	-	-	-	-	-	-	-	30,987	30,987	-	30,987
其他全面收益：	Other comprehensive income:											
房產	Premises	-	1,687	-	-	-	-	-	-	1,687	-	1,687
以公平值變化計入其 他全面收益之股權 工具	Equity instruments at fair value through other comprehensive income	-	-	11	-	-	-	-	-	11	-	11
自身信貸風險	Own credit risk	-	-	-	25	-	-	-	-	25	-	25
以公平值變化計入其 他全面收益之債務 工具	Debt instruments at fair value through other comprehensive income	-	-	(1,377)	-	-	-	-	-	(1,377)	-	(1,377)
貨幣換算差額	Currency translation difference	-	-	27	-	-	(74)	-	-	(47)	-	(47)
全面收益總額	Total comprehensive income	-	1,687	(1,339)	25	-	(74)	-	30,987	31,286	-	31,286
因處置以公平值變化計 入其他全面收益之股 權工具之轉撥：	Release upon disposal of equity instruments at fair value through other comprehensive income:											
轉撥	Transfer	-	-	16	-	-	-	-	(16)	-	-	-
遞延稅項	Deferred tax	-	-	(3)	-	-	-	-	-	(3)	-	(3)
應付稅項	Current tax	-	-	-	-	-	-	-	3	3	-	3
因贖回界定為以公平值 變化計入損益之金融 負債之轉撥：	Release upon redemption of financial liabilities designated at fair value through profit or loss:											
轉撥	Transfer	-	-	-	(20)	-	-	-	20	-	-	-
應付稅項	Current tax	-	-	-	-	-	-	-	(3)	(3)	-	(3)
收購受共同控制之實體	Acquisition of entities under common control	-	-	-	-	-	-	(2,168)	-	(2,168)	-	(2,168)
轉撥自留存盈利	Transfer from retained earnings	-	-	-	-	1,028	-	1,106	(2,134)	-	-	-
發行其他股權工具	Issue of other equity instruments	-	-	-	-	-	-	-	-	-	23,476	23,476
股息	Dividends	-	-	-	-	-	-	-	(15,883)	(15,883)	-	(15,883)
於 2018 年 12 月 31 日	At 31 December 2018	43,043	35,607	(2,229)	5	10,433	(404)	350	155,342	242,147	23,476	265,623

財務報表附註 (續)

Notes to the Financial Statements (continued)

51. 資產負債表及權益變動表 (續)

51. Balance sheet and statement of changes in equity (continued)

(b) 權益變動表 (續)

(b) Statement of changes in equity (continued)

		儲備 Reserves										
		股本 Share capital	房產 重估儲備 Premises revaluation reserve	公平值 變動儲備 Reserve for fair value changes	自身信貸 風險儲備 Reserve for own credit risk	監管儲備* Regulatory reserve*	換算儲備 Translation reserve	合併儲備** Merger reserve**	留存盈利 Retained earnings	總計 Total	其他 股權工具 Other equity instruments	資本總額 Total equity
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
於2019年1月1日之早期列賬	At 1 January 2019, as previously reported	43,043	35,607	(2,229)	5	10,433	(425)	-	155,247	241,681	23,476	265,157
合併受共同控制之實體之影響	Effect of merger of entity under common control	-	-	-	-	-	21	350	95	466	-	466
於2019年1月1日之重列	At 1 January 2019, as restated	43,043	35,607	(2,229)	5	10,433	(404)	350	155,342	242,147	23,476	265,623
年度溢利	Profit for the year	-	-	-	-	-	-	-	32,829	32,829	-	32,829
其他全面收益：	Other comprehensive income:											
房產	Premises	-	842	-	-	-	-	-	-	842	-	842
以公平值變化計入其他全面收益之股權工具	Equity instruments at fair value through other comprehensive income	-	-	343	-	-	-	-	-	343	-	343
自身信貸風險	Own credit risk	-	-	-	(38)	-	-	-	-	(38)	-	(38)
以公平值變化計入其他全面收益之債務工具	Debt instruments at fair value through other comprehensive income	-	-	3,704	-	-	-	-	-	3,704	-	3,704
貨幣換算差額	Currency translation difference	-	-	10	-	-	52	-	-	62	-	62
全面收益總額	Total comprehensive income	-	842	4,057	(38)	-	52	-	32,829	37,742	-	37,742
因處置以公平值變化計入其他全面收益之股權工具之轉撥：	Release upon disposal of equity instruments at fair value through other comprehensive income:											
轉撥	Transfer	-	-	1	-	-	-	-	(1)	-	-	-
遞延稅項	Deferred tax	-	-	-	-	-	-	-	-	-	-	-
應付稅項	Current tax	-	-	-	-	-	-	-	-	-	-	-
收購受共同控制之實體	Acquisition of entity under common control	-	-	-	-	-	-	(728)	-	(728)	-	(728)
轉撥自留存盈利	Transfer from retained earnings	-	-	-	-	574	-	378	(952)	-	-	-
支付其他股權工具持有者股息	Dividend paid to other equity instrument holders	-	-	-	-	-	-	-	(1,390)	(1,390)	-	(1,390)
股息	Dividends	-	-	-	-	-	-	-	(20,488)	(20,488)	-	(20,488)
於2019年12月31日	At 31 December 2019	43,043	36,449	1,829	(33)	11,007	(352)	-	165,340	257,283	23,476	280,759

\* 除按香港財務報告準則第9號對貸款提取減值準備外，按金管局要求撥轉部分留存盈利至監管儲備作銀行一般風險之用（包括未來損失或其他不可預期風險）。

\* In accordance with the requirements of the HKMA, the amounts are set aside for general banking risks, including future losses or other unforeseeable risks, in addition to the loan impairment allowances recognised under HKFRS 9.

\*\* 合併儲備乃因合併受共同控制之實體而採用合併會計處理而產生。

\*\* Merger reserve was arising on the application of merger accounting method in relation to the combination with entities under common control.



## 財務報表附註 (續)      Notes to the Financial Statements (continued)

### 52. 主要附屬公司

### 52. Principal subsidiaries

本銀行所有直接及間接附屬公司之詳情載於「附錄－本銀行之附屬公司」。於 2019 年 12 月 31 日之主要附屬公司列示如下：

The particulars of all direct and indirect subsidiaries of the Bank are set out in "Appendix – Subsidiaries of the Bank". The following is a list of principal subsidiaries as at 31 December 2019:

名稱 Name	註冊及營業地點 Place of incorporation and operation	已發行股本 Issued share capital	持有權益 Interest held	主要業務 Principal activities
中銀信用卡(國際)有限公司 BOC Credit Card (International) Limited	香港 Hong Kong	565,000,000 港元 HK\$565,000,000	100%	信用卡服務 Credit card services
馬來西亞中國銀行 Bank of China (Malaysia) Berhad	馬來西亞 Malaysia	760,518,480 馬來西亞林吉特 RM760,518,480	100%	銀行業務 Banking business
中國銀行(泰國)股份有限公司 Bank of China (Thai) Public Company Limited	泰國 Thailand	10,000,000,000 泰銖 Baht10,000,000,000	#100%	銀行業務 Banking business
寶生證券及期貨有限公司 Po Sang Securities and Futures Limited	香港 Hong Kong	335,000,000 港元 HK\$335,000,000	*100%	證券及期貨業務 Securities and futures brokerage

# 本銀行直接持有 99.99% 股份及間接持有 0.01% 股份。

# 99.99% of the shares held directly and 0.01% of the shares held indirectly by the Bank.

\* 本銀行間接持有股份

\* Shares held indirectly by the Bank

## 財務報表附註 (續) Notes to the Financial Statements (continued)

### 53. 合併會計之應用

於2019年1月21日，中國銀行以港幣7.28億元現金之總交易對價轉讓老撾中國銀行股份有限公司萬象分行擁有權益予中銀香港。在此合併前及合併後，中銀萬象分行與中銀香港均共同受到中國銀行之控制。本集團根據香港會計師公會頒佈的會計指引第5號「共同控制合併之合併會計處理」，採用合併會計處理以編製財務報表。比較數據已相應重新列示，將合併假設中銀萬象分行乃一直由本集團經營。

於12月31日之綜合資本調整表如下：

### 53. Application of merger accounting

On 21 January 2019, the Branch Interests in Bank of China Limited, Vientiane Branch in Laos was transferred from BOC to BOCHK for a total consideration of HK\$728 million in cash. BOC Vientiane Branch and BOCHK are both under the common control of BOC before and after the combination. The Group has applied the merger accounting method in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA in the preparation of financial statements. The comparative amounts have been restated accordingly as if the business of BOC Vientiane Branch had always been carried out by the Group.

The statements of the adjustments to the consolidated equity as at 31 December are as follows:

		2019			
		合併前 Before combination	受共同控制 之實體 Entity under common control	調整 Adjustment	合併後 After combination
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
股本	Share capital	43,043	350	(350)	43,043
合併儲備	Merger reserve	-	-	(378)	(378)
留存盈利及其他儲備	Retained earnings and other reserves	216,006	201	-	216,207
		<b>259,049</b>	<b>551</b>	<b>(728)</b>	<b>258,872</b>
其他股權工具	Other equity instruments	23,476	-	-	23,476
非控制權益	Non-controlling interests	282	-	-	282
		<b>282,807</b>	<b>551</b>	<b>(728)</b>	<b>282,630</b>
		2018			
		合併前 Before combination	受共同控制 之實體 Entity under common control	調整 Adjustment	合併後 After combination
		港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m	港幣百萬元 HK\$m
股本	Share capital	43,043	350	(350)	43,043
合併儲備	Merger reserve	-	-	350	350
留存盈利及其他儲備	Retained earnings and other reserves	199,441	116	-	199,557
		242,484	466	-	242,950
其他股權工具	Other equity instruments	23,476	-	-	23,476
非控制權益	Non-controlling interests	278	-	-	278
		<b>266,238</b>	<b>466</b>	<b>-</b>	<b>266,704</b>

## 財務報表附註 (續)

## Notes to the Financial Statements (continued)

### 54. 最終控股公司

中華人民共和國國務院通過中國投資有限責任公司、其全資附屬公司中央匯金投資有限責任公司(「匯金」)及匯金擁有控制權益之中國銀行,對本集團實行控制。

### 54. Ultimate holding company

The Group is subject to the control of the State Council of the PRC Government through China Investment Corporation, its wholly-owned subsidiary Central Huijin Investment Ltd. (“Central Huijin”), and BOC in which Central Huijin has controlling equity interests.

### 55. 比較數據

就 2019 年 1 月 21 日中國銀行轉讓老撾中國銀行股份有限公司萬象分行擁有權權益事,如附註 53 所述,本集團就受共同控制的業務合併採用合併會計處理。財務報表之比較數據已重新列示,將合併假設中銀萬象分行之業務乃一直由本集團經營。

### 55. Comparative amounts

In respect of the transfer of the Branch Interests in Bank of China Limited, Vientiane Branch in Laos from BOC on 21 January 2019 as explained in Note 53, the Group has applied merger accounting method for the business combination under common control. Comparative amounts in the financial statements have been restated as if the business of BOC Vientiane Branch had always been carried out by the Group.

### 56. 期後事項

2020 年 1 月初新型冠狀病毒肺炎疫情爆發,對整體經濟運行帶來階段性衝擊,從而可能在一定程度上影響本集團的資產質量及部分業務收益水平。疫情影響程度將取決於疫情防控的情況、持續時間以及各項經濟措施的實施。本集團對於 2019 年 12 月 31 日預期信用損失的評估,是按當日各種經濟預測情況為評估基礎。本集團將繼續密切關注疫情的發展情況,評估和積極應對其對本集團財務狀況、經營成果等方面的影響。截至本報告日,該評估工作尚在進行中。

### 56. Events after the balance sheet date

The outbreak of the novel coronavirus disease (COVID-19) since early January 2020 has taken a phased toll on the economy, and thus likely has impacted, to a certain extent, the Group's asset quality and returns from certain businesses. The magnitude of the COVID-19 impact depends on the progress of prevention and containment of the epidemic, its duration and the implementation of related economic measures. The ECL of the Group at 31 December 2019 was estimated based on a range of forecast economic conditions as at that date. The Group will continuously and closely monitor the developments of COVID-19, evaluate and proactively address its impact on the Group's financial position and performance. As of the date of this report, such evaluation is still in progress.

### 57. 財務報表核准

本財務報表於 2020 年 3 月 27 日經董事會通過及核准發佈。

### 57. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2020.

## 未經審計之 補充財務資料

## Unaudited Supplementary Financial Information

### 1. 監管披露

### 1. Regulatory Disclosures

監管披露連同本年報內之披露，已載列金管局頒佈之《銀行業（披露）規則》要求的所有披露。監管披露可於中銀香港網頁 [www.bochk.com](http://www.bochk.com) 中「監管披露」一節瀏覽。

The Regulatory Disclosures, together with the disclosures in this Annual Report, contained all the disclosures required by the Banking (Disclosure) Rules issued by the HKMA. The Regulatory Disclosures is available under the section “Regulatory Disclosures” on BOCHK’s website at [www.bochk.com](http://www.bochk.com).

本年報及監管披露乃按照本集團之財務披露政策編製。財務披露政策建立一個健全的機制，在合法合規的情況下，披露本集團的財務信息，並釐訂財務披露的原則及內部監控措施，確保財務披露的及時性、公平性、準確性、真實性、完整性和合規性。

This Annual Report and the Regulatory Disclosures are prepared according to the Group’s disclosure policy. The disclosure policy sets out a robust mechanism for the Group’s disclosures of financial information on a legitimate and compliant basis. It depicts the principles and internal control measures to ensure the timeliness, fairness, accuracy, integrity, completeness and legitimacy of financial disclosures.

### 2. 風險管理

### 2. Risk management

#### 總覽

#### Overview

本集團深信良好的風險管理是企業成功的重要元素。在日常經營中，本集團高度重視風險管理，並強調風險控制與業務發展之間必須取得平衡。本集團業務的主要內在風險包括信貸風險、市場風險、利率風險、流動資金風險、操作風險、信譽風險、法律及合規風險及策略風險。本集團的風險管理目標是在提高股東價值的同時，確保風險控制在可接受的水平之內。本集團設有經董事會審批的風險偏好陳述，表達本集團在風險可控的前提下所願意承擔的風險類型與程度，以實現業務發展目標和達到利益相關者的期望。有關本集團風險管理管治架構的詳細資料，請見財務報表附註4。

The Group believes that sound risk management is crucial to the success of any organisation. In its daily operation, the Group attaches a high degree of importance to risk management and emphasises that a balance must be struck between risk control and business development. The principal types of risk inherent in the Group’s businesses are credit risk, market risk, interest rate risk, liquidity risk, operational risk, reputation risk, legal and compliance risk, and strategic risk. The Group’s risk management objective is to enhance shareholder value by maintaining risk exposures within acceptable limits. The Group has a defined risk appetite statement approved by the Board, which is an expression of the types and level of risk that the Group is willing to take in a controllable way in order to achieve its business goals and to meet the expectations of its stakeholders. For details of the Group’s risk management governance structure, please refer to Note 4 to the Financial Statements.

未經審計之  
補充財務資料 (續)

Unaudited Supplementary Financial Information (continued)

2. 風險管理 (續)

2. Risk management (continued)

信貸風險管理

信貸風險指因客戶或交易對手未能或不願意履行償債責任而造成損失的風險。本集團的交易賬和銀行賬、以及資產負債表內和表外之交易均存在這種風險。信貸風險主要來自借貸、貿易融資及資金業務。有關本集團信貸風險管理之詳細資料，請見財務報表附註4.1。

市場風險管理

市場風險是指因金融市場價格（匯率、利率、股票價格、商品價格）波動導致銀行外匯、利率、股票和商品持倉值出現變化而可能給本集團帶來的損失。本集團採取適中的市場風險偏好，實現風險與收益的平衡。有關本集團市場風險管理之詳細資料，請見財務報表附註4.2。

Credit risk management

Credit risk is the risk of loss that a customer or counterparty is unable to or unwilling to meet its contractual obligations. Credit risk exists in the trading book and banking book, as well as from on- and off-balance sheet transactions of the Group. It arises principally from lending, trade finance and treasury businesses. For details of the Group's Credit Risk Management, please refer to Note 4.1 to the Financial Statements.

Market risk management

Market risk refers to the risk of loss arising from movements in the value of foreign exchange, interest rate, equity and commodity positions held by the Group due to the volatility of financial market price (foreign exchange rate, interest rate, equity price, commodity price). The Group adopts a moderate market risk appetite to achieve a balance between risk and return. For details of the Group's Market Risk Management, please refer to Note 4.2 to the Financial Statements.

未經審計之  
補充財務資料 (續)

Unaudited Supplementary Financial Information (continued)

2. 風險管理 (續)

2. Risk management (continued)

市場風險管理 (續)

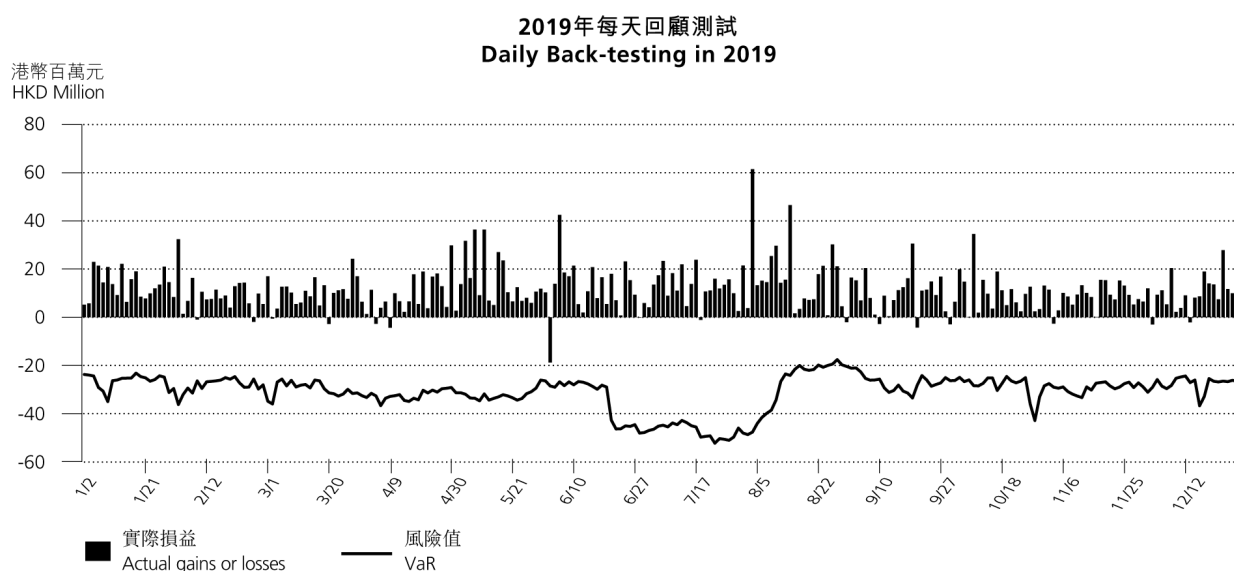
Market risk management (continued)

本集團採用風險值量度一般市場風險，並定期向風險委員會和高層管理人員報告。本集團採用統一的風險值計量模型，運用歷史模擬法，以過去2年歷史市場數據為參照，計算99%置信水平下及1天持有期內集團層面及各附屬機構的風險值，並設定本集團和各附屬機構的風險值限額。

The Group uses the VaR to measure and report general market risks to the Risk Committee (“RMC”) and senior management on a periodic basis. The Group adopts a uniform VaR calculation model, using a historical simulation approach and two years of historical market data, to calculate the VaR of the Group and its subsidiaries over a one-day holding period with a 99% confidence level, and sets up the VaR limit of the Group and its subsidiaries.

本集團採用回顧測試衡量風險值模型計量結果的準確性。回顧測試是將每一交易日市場風險持倉的風險值數字與下一個交易日從這些持倉得到的實際及假設損益作出比較。一般而言，在99%置信水平下，在連續12個月內的例外情況應該不超過4次。下圖列示本集團風險值與實際損益比較之回顧測試結果。

The Group adopts back-testing to measure the accuracy of VaR model results. The back-testing compares the calculated VaR figure of market risk positions of each business day with the actual and hypothetical gains or losses arising from those positions on the next business day. Generally speaking, the number of back-testing exceptions in a rolling 12-month period will not exceed four times, given a 99% confidence level. The graph below shows the back-testing result of the VaR against actual gains or losses of the Group.



2019年內回顧測試結果顯示，本集團並無出現實際交易損失超過風險值的情況。

There was no actual loss exceeding the VaR for the Group in 2019 as shown in the back-testing results.

未經審計之  
補充財務資料 (續)

Unaudited Supplementary Financial Information (continued)

2. 風險管理 (續)

2. Risk management (continued)

利率風險管理

利率風險是指因利率水平、資產負債期限結構等要素發生變動而可能導致銀行整體收益和經濟價值承受損失的風險。本集團的利率風險承擔主要來自結構性持倉。結構性持倉的主要利率風險類別為利率重訂風險、利率基準風險及期權風險。有關本集團利率風險管理之詳細資料，請見財務報表附註4.2。

Interest rate risk management

Interest rate risk means the risks to a bank's earnings and economic value arising from movements in interest rate and term structures of the bank's asset and liability positions. The Group's interest rate risk exposures are mainly structural. The major types of interest rate risk from structural positions are gap risk, basis risk and option risk. For details of the Group's Interest Rate Risk Management, please refer to Note 4.2 to the Financial Statements.

流動資金風險管理

流動資金風險是指銀行無法以合理成本及時獲得充足資金，履行到期義務的風險。本集團遵循穩健的流動資金風險偏好，確保在正常情況或壓力情景下均有能力提供穩定、可靠和足夠的現金來源，滿足流動資金需求；在極端情景下累積的淨現金流為正值，可以保證基本生存期內的流動資金需要。有關本集團流動資金風險管理之詳細資料，請見財務報表附註 4.3。

Liquidity risk management

Liquidity risk is the risk that banks may not be able to obtain sufficient and timely funding at a reasonable cost to meet their obligations as they fall due. The Group maintains a sound liquidity risk appetite to provide stable, reliable and adequate sources of cash to meet liquidity needs under normal circumstances or stressed scenarios; and to survive with net positive cumulative cash flow in extreme scenarios. For details of the Group's Liquidity Risk Management, please refer to Note 4.3 to the Financial Statements.

操作風險管理

操作風險是指由不完善或有問題的內部程序、人員、系統，以及外部事件所造成損失的風險。操作風險隱藏於業務操作的各個環節，是本集團在日常操作活動中面對的風險。

Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal process, people and system, or from external events. The risk is inherent in every aspect of business operations and confronted by the Group in its day-to-day operational activities.

未經審計之  
補充財務資料 (續)

Unaudited Supplementary Financial Information (continued)

2. 風險管理 (續)

2. Risk management (continued)

操作風險管理 (續)

Operational risk management (continued)

本集團實施操作風險管理「三道防線」體系：所有部門或功能單位為第一道防線，是操作風險管理的第一責任人，通過自我評估與自我提升來履行業務經營過程中自我風險控制職能。法律合規與操作風險管理部連同一些與操作風險管理相關的專門職能單位包括人力資源部、資訊科技部、公司服務部、防範金融犯罪部、財務管理部、司庫與會計部（統稱為「專門職能單位」）為第二道防線，負責評估和監控第一道防線操作風險狀況，對其工作提供指導。獨立於業務單位的法律合規與操作風險管理部，負責協助管理層管理本集團的操作風險，包括制定和重檢操作風險管理政策和框架、設計操作風險的管理工具和匯報機制、評估及向管理層和風險委員會匯報總體操作風險狀況；專門職能單位對操作風險的一些特定的範疇或與其相關事項，履行第二道防線的牽頭管理責任，除負責本單位操作風險管理外，亦須就指定的操作風險管理範疇向其他單位提供專業意見／培訓並履行集團整體的操作風險牽頭管理。集團審計為第三道防線，對操作風險管理框架的有效性與充足性作獨立評估，需定期稽查本集團各部門或功能單位操作風險管理工作的合規性和有效性，並提出整改意見。

The Group has implemented the “Three Lines of Defence” for its operational risk management. All departments or functional units as the first line of defence are the first parties responsible for operational risk management, and carry out the duties and functions of self risk control in the process of business operation through self assessment and self enhancement. The Legal & Compliance and Operational Risk Management Department (“LCO”), together with certain specialist functional units in relation to operational risk management within the Group, including the Human Resources Department, Information Technology Department, Corporate Services Department, Financial Crime Compliance Department, Financial Management Department, Treasury and General Accounting & Accounting Policy Department (collectively known as “specialist functional units”), are the second line of defence. They are responsible for assessing and monitoring the operational risk conditions in the first line of defence, and providing them with guidance. The LCO, being independent from the business units, is responsible for assisting the Management in managing the Group’s operational risk, including the establishment and review of the operational risk management policy and framework, designing the operational risk management tools and reporting mechanism, and assessing and reporting the overall operational risk position to the Management and RMC. Specialist functional units are required to carry out their managerial duties of the second line of defence with respect to some specific aspects of operational risk and its related issues. Besides taking charge of operational risk management in their own units, these units are also required to provide other units with professional advice/training in respect of certain operational risk categories and to lead the group-wide operational risk management. Group Audit is the third line of defence which provides independent assessment to the effectiveness and adequacy of the operational risk management framework and is required to conduct periodic audit of the operational risk management activities of various departments or functional units within the Group regarding their compliance and effectiveness and to put forward recommendations for remedial actions.



## 未經審計之 補充財務資料 (續)

## Unaudited Supplementary Financial Information (continued)

### 2. 風險管理 (續)

### 2. Risk management (continued)

#### 操作風險管理 (續)

#### Operational risk management (continued)

本集團建立了有效的內部控制程序，對所有重大活動訂下政策及監控措施。設置適當的職責分工和授權乃本集團緊守的基本原則。本集團採用關鍵風險指標、自我評估、操作風險事件匯報及檢查等不同的操作風險管理工具或方法來識別、評估、監察及控制潛在於業務活動及產品內的風險，同時透過購買保險將未能預見的操作風險減低。對支援緊急或災難事件時的業務運作備有持續業務運作計劃，並維持充足的後備設施及定期進行演練。

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

#### 信譽風險管理

#### Reputation risk management

信譽風險是指因與本集團業務經營有關的負面報導（不論是否屬實），可能引致客戶基礎縮小、成本高昂的訴訟或收入減少等風險。信譽風險隱藏於其他風險及各業務運作環節，涉及層面廣泛。

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

為減低信譽風險，本集團制定並遵循信譽風險管理政策。此政策的目的是當信譽風險事件發生時本集團能夠盡早識別和積極防範。鑒於信譽風險往往是由各種可能令公眾對本集團信任受損的操作及策略失誤所引發，本集團建立關鍵控制自我評估機制包括相關風險評估工具，以評估各主要風險可能對本集團造成的嚴重影響，包括對本集團信譽的損害程度。

In order to mitigate reputation risk, the Group has formulated and duly followed its Reputation Risk Management Policy. The policy aims to identify and prevent reputation risk proactively at an early stage when an incident occurs. Since reputation risk is often caused by various types of operational and strategic issues that negatively impact the trust and perception of the Group, all operational and key risks identified are assessed through the established Key Control Self-Assessment framework, including risk assessment tools, to evaluate the severity of their impact on the Group, including the damage to reputation.

未經審計之  
補充財務資料 (續)

Unaudited Supplementary Financial Information (continued)

2. 風險管理 (續)

2. Risk management (continued)

信譽風險管理 (續)

此外，本集團建立完善機制持續監測金融界所發生的信譽風險事件，以有效管理、控制及減低信譽風險事件的潛在負面影響。本集團亦借助健全有效機制及時向利益相關者披露信息，由此建立公眾信心及樹立本集團良好公眾形象。

法律及合規風險管理

法律風險是指因不可執行合約、訴訟或不利判決而可能使本集團運作或財務狀況出現混亂或負面影響的風險。合規風險是指因未有遵守適用法例及規則，而可能導致本集團需承受遭法律或監管機構制裁、引致財務損失或信譽損失的風險。法律及合規風險由法律合規與操作風險管理部管理，而關於洗錢、恐怖分子資金籌集及金融犯罪包括貪腐風險則由防範金融犯罪部負責作獨立管理及監控。法律合規與操作風險管理部及防範金融犯罪部均直接向副總裁匯報。法律合規風險管理政策，以及防洗錢、反恐怖分子資金籌集及防範金融犯罪合規風險管理政策是集團公司治理架構的組成部分，由董事會屬下的風險管理委員會審批。

Reputation risk management (continued)

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

Legal and compliance risk management

Legal risk is the risk that unenforceable contracts, lawsuits or adverse judgments may disrupt or otherwise negatively affect the operations or financial conditions of the Group. Compliance risk is the risk of legal or regulatory sanctions, financial losses or losses in reputation the Group may suffer as a result of its failure to comply with applicable laws and regulations. Legal and compliance risks are managed by the LCO, while the risks related to money laundering, terrorist financing and financial crimes including bribery and corruption are independently managed and monitored by the Financial Crime Compliance Department ("FCC"). Both LCO and FCC report directly to the DCE. As part of the Group's corporate governance framework, the policies for the management of legal and compliance risks, and money laundering, terrorist financing and financial crime compliance risks are approved by the RMC as delegated by the Board.

## 未經審計之 補充財務資料 (續)

## Unaudited Supplementary Financial Information (continued)

### 2. 風險管理 (續)

### 2. Risk management (continued)

#### 策略風險管理

策略風險指本集團在實施各項策略，包括宏觀戰略與政策，以及為執行戰略與政策而制訂各項具體的計劃、方案和制度時，由於在策略制訂、實施及調整過程中失當，從而使本集團的盈利、資本、信譽或市場地位受到影響的風險。董事會檢討和審批策略風險管理政策。重點戰略事項均得到高層管理人員與董事會的充分評估與適當的審批。

本集團會因應最新市場情況及發展，定期檢討業務策略。

#### 資本管理

本集團資本管理的主要目標是維持與集團整體風險狀況相稱的資本充足水平，同時為股東帶來最大回報。資產負債管理委員會定期檢討本集團資本結構，並在需要時進行調整以保持風險、回報與資本充足性的最佳平衡。

為符合金管局監管政策手冊「監管審查程序」內的要求，本集團採用內部資本充足評估程序並每年作出重檢。按金管局對第二支柱的指引，內部資本充足評估程序主要用以評估在第一支柱下未有涵蓋或充分涵蓋的重大風險所需的額外資本，從而設定本集團最低普通股權一級資本比率、最低一級資本比率及最低總資本比率。同時，本集團亦就前述的資本比率設定了運作區間，以支持業務發展需要及促進資本的有效運用。

#### Strategic risk management

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

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

#### Capital management

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

To comply with the HKMA's requirements as stated in the Supervisory Policy Manual "Supervisory Review Process", the Group adopts the internal capital adequacy assessment process ("ICAAP") and reviews it annually. Based on the HKMA's guidelines on Pillar II, ICAAP has been initiated to assess the extra capital needed to cover the material risks not captured or not adequately captured under Pillar I, and therefore minimum Common Equity Tier 1 capital ratio, minimum Tier 1 capital ratio and minimum Total capital ratio are determined. Meanwhile, operating ranges for the aforementioned capital ratios have also been established which enable the flexibility for future business growth and efficiency of capital utilisation.

未經審計之  
補充財務資料 (續)

Unaudited Supplementary Financial Information (continued)

2. 風險管理 (續)

2. Risk management (continued)

壓力測試

本集團以壓力測試輔助各項風險的分析工作。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變化並產生極端不利的經營環境時銀行風險暴露的情況。本集團內各風險管理單位按金管局監管政策手冊「壓力測試」內的原則，定期進行壓力測試。資產負債管理委員會根據風險委員會批准的主要風險限額，對壓力測試的結果進行監控，財務管理部定期向董事會及風險委員會匯報本集團的綜合測試結果。

Stress testing

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

## 附錄

## Appendix

### 本銀行之附屬公司

### Subsidiaries of the Bank

附屬公司的具體情況如下：

The particulars of subsidiaries are as follows:

名稱 Name	註冊／營業 地點及日期 Place and date of incorporation/ operation	已發行股本 Issued share capital	持有權益 Interest held	主要業務 Principal activities
中銀信用卡(國際)有限公司 BOC Credit Card (International) Limited	香港 1980年9月9日 Hong Kong 9 September 1980	565,000,000 港元 HK\$565,000,000	100.00%	信用卡服務 Credit card services
中銀集團信託人有限公司 BOC Group Trustee Company Limited	香港 1997年12月1日 Hong Kong 1 December 1997	200,000,000 港元 HK\$200,000,000	66.00%	信託服務 Trustee services
中銀國際英國保誠信託有限公司 BOCI-Prudential Trustee Limited	香港 1999年10月11日 Hong Kong 11 October 1999	300,000,000 港元 HK\$300,000,000	42.24%*	信託服務 Trustee services
馬來西亞中國銀行 Bank of China (Malaysia) Berhad	馬來西亞 2000年4月14日 Malaysia 14 April 2000	760,518,480 馬來西亞林吉特 RM760,518,480	100.00%	銀行業務 Banking business
China Bridge (Malaysia) Sdn. Bhd.	馬來西亞 2009年4月24日 Malaysia 24 April 2009	1,000,000 馬來西亞林吉特 RM1,000,000	100.00%	受理中國簽證 China visa application
中國銀行(泰國)股份有限公司 Bank of China (Thai) Public Company Limited	泰國 2014年4月1日 Thailand 1 April 2014	10,000,000,000 泰銖 Baht10,000,000,000	100.00%	銀行業務 Banking business
中國銀行(香港)代理人有限公司 Bank of China (Hong Kong) Nominees Limited	香港 1985年10月1日 Hong Kong 1 October 1985	2 港元 HK\$2	100.00%	代理人服務 Nominee services
中國銀行(香港)信託有限公司 Bank of China (Hong Kong) Trustees Limited	香港 1987年11月6日 Hong Kong 6 November 1987	3,000,000 港元 HK\$3,000,000	100.00%	信託及代理服務 Trustee and agency services
中銀金融服務(南寧)有限公司** BOC Financial Services (Nanning) Company Limited**	中國 2019年2月19日 PRC 19 February 2019	註冊資本 60,000,000 港元 Registered capital HK\$60,000,000	100.00%	金融營運服務 Financial operational services
中銀香港金融產品(開曼)有限公司 BOCHK Financial Products (Cayman) Ltd.	開曼群島 2006年11月10日 Cayman Islands 10 November 2006	50,000 美元 US\$50,000	100.00%	發行結構性票據 Issuing structured notes
中銀信息科技(深圳)有限公司** BOCHK Information Technology (Shenzhen) Co., Ltd.**	中國 1990年4月16日 PRC 16 April 1990	註冊資本 70,000,000 港元 Registered capital HK\$70,000,000	100.00%	物業持有及 物業投資 Property holding and investment

附錄 (續)

Appendix (continued)

本銀行之附屬公司 (續)

Subsidiaries of the Bank (continued)

名稱 Name	註冊/營業 地點及日期 Place and date of incorporation/ operation	已發行股本 Issued share capital	持有權益 Interest held	主要業務 Principal activities
中銀信息技術服務(深圳)有限公司** BOCHK Information Technology Services (Shenzhen) Co., Ltd.**	中國 1993年5月26日 PRC 26 May 1993	註冊資本 40,000,000 港元 Registered capital HK\$40,000,000	100.00%	信息技術服務 Information technology services
浙興(代理人)有限公司 Che Hsing (Nominees) Limited	香港 1980年4月23日 Hong Kong 23 April 1980	10,000 港元 HK\$10,000	100.00%	代理人服務 Nominee services
寶生金融投資服務有限公司 Po Sang Financial Investment Services Company Limited	香港 1980年9月23日 Hong Kong 23 September 1980	335,000,000 港元 HK\$335,000,000	100.00%	黃金買賣及 投資控股 Gold trading and investment holding
寶生證券及期貨有限公司 Po Sang Securities and Futures Limited	香港 1993年10月19日 Hong Kong 19 October 1993	335,000,000 港元 HK\$335,000,000	100.00%	證券及期貨業務 Securities and futures brokerage
新僑企業有限公司 Sin Chiao Enterprises Corporation, Limited	香港 1961年9月13日 Hong Kong 13 September 1961	3,000,000 港元 HK\$3,000,000	100.00%	物業持有及 物業投資 Property holding and investment
新華信託有限公司 Sin Hua Trustee Limited	香港 1978年10月27日 Hong Kong 27 October 1978	3,000,000 港元 HK\$3,000,000	100.00%	信託服務 Trustee services
Billion Express Development Inc.	英屬維爾京群島 2014年2月7日 British Virgin Islands 7 February 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Billion Orient Holdings Ltd.	英屬維爾京群島 2014年2月3日 British Virgin Islands 3 February 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Elite Bond Investments Ltd.	英屬維爾京群島 2014年2月7日 British Virgin Islands 7 February 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Express Capital Enterprise Inc.	英屬維爾京群島 2014年2月3日 British Virgin Islands 3 February 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Express Charm Holdings Corp.	英屬維爾京群島 2014年2月7日 British Virgin Islands 7 February 2014	1 美元 US\$1	100.00%	投資控股 Investment holding

附錄 (續)

Appendix (continued)

本銀行之附屬公司 (續)

Subsidiaries of the Bank (continued)

名稱 Name	註冊/營業 地點及日期 Place and date of incorporation/ operation	已發行股本 Issued share capital	持有權益 Interest held	主要業務 Principal activities
Express Shine Assets Holdings Corp.	英屬維爾京群島 2014年1月3日 British Virgin Islands 3 January 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Express Talent Investment Ltd.	英屬維爾京群島 2014年2月13日 British Virgin Islands 13 February 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Gold Medal Capital Inc.	英屬維爾京群島 2014年1月3日 British Virgin Islands 3 January 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Gold Tap Enterprises Inc.	英屬維爾京群島 2014年2月13日 British Virgin Islands 13 February 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Maxi Success Holdings Ltd.	英屬維爾京群島 2014年2月7日 British Virgin Islands 7 February 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Smart Linkage Holdings Inc.	英屬維爾京群島 2014年2月13日 British Virgin Islands 13 February 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Smart Union Capital Investments Ltd.	英屬維爾京群島 2014年1月3日 British Virgin Islands 3 January 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Success Trend Development Ltd.	英屬維爾京群島 2014年2月18日 British Virgin Islands 18 February 2014	1 美元 US\$1	100.00%	投資控股 Investment holding
Wise Key Enterprises Corp.	英屬維爾京群島 2014年2月18日 British Virgin Islands 18 February 2014	1 美元 US\$1	100.00%	投資控股 Investment holding

\* 中銀國際英國保誠信託有限公司為本銀行屬下一家非全資附屬公司的附屬公司，憑藉本銀行對該公司的控制權，該公司被視為本銀行的附屬公司。

\* BOCI-Prudential Trustee Limited is a subsidiary of a non-wholly-owned subsidiary of the Bank and, accordingly, is accounted for as a subsidiary by virtue of the Bank's control over it.

\*\* 在中國註冊的有限責任公司。

\*\* It is registered as limited liability company in the PRC.

## 釋義

在本年報中，除非文義另有所指，否則下列詞彙具有以下涵義：

詞彙	涵義
「中國銀行」	中國銀行股份有限公司，一家根據中國法例成立之商業銀行及股份制有限責任公司，其 H 股及 A 股股份分別於香港聯交所及上海證券交易所掛牌上市
「中銀香港（控股）」	中銀香港（控股）有限公司，根據香港法例註冊成立之公司
「中銀香港」或「本銀行」	中國銀行（香港）有限公司，根據香港法例註冊成立之公司，並為中銀香港（控股）有限公司之全資附屬公司
「中銀馬來西亞」	馬來西亞中國銀行，為中銀香港之全資附屬公司
「中銀泰國」	中國銀行（泰國）股份有限公司，為中銀香港之全資附屬公司
「董事會」	本銀行的董事會
「中投」	中國投資有限責任公司
「匯金」	中央匯金投資有限責任公司
「金管局」	香港金融管理局
「香港」	中華人民共和國香港特別行政區
「上市規則」	香港聯合交易所有限公司證券上市規則
「強積金」	強制性公積金
「強積金條例」	強制性公積金計劃條例，香港法例第 485 章（修訂）



釋義 (續)

詞彙	涵義
「標準普爾」	標準普爾評級服務
「聯交所」或「香港聯交所」	香港聯合交易所有限公司
「本集團」	本銀行及其附屬公司
「風險值」	風險持倉涉險值

## Definitions

In this Annual Report, unless the context otherwise requires, the following terms shall have the meanings set out below:

Terms	Meanings
"ALCO"	the Asset and Liability Management Committee
"AT1"	Additional Tier 1
"ATM"	Automated Teller Machine
"BOC"	Bank of China Limited, a joint stock commercial bank with limited liability established under the laws of the PRC, the H shares and A shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively
"BOCHK (Holdings)"	BOC Hong Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong
"BOCHK" or "the Bank"	Bank of China (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOC Hong Kong (Holdings) Limited
"BOCI-Prudential Manager"	BOCI-Prudential Asset Management Limited, a company incorporated under the laws of Hong Kong, in which BOCI Asset Management Limited, a wholly-owned subsidiary of BOC International Holdings Limited, and Prudential Corporation Holdings Limited hold equity interests of 64% and 36% respectively
"BOCI-Prudential Trustee"	BOCI-Prudential Trustee Limited, a company incorporated under the laws of Hong Kong, in which BOC Group Trustee Company Limited and Prudential Corporation Holdings Limited hold equity interests of 64% and 36% respectively
"BOC Malaysia"	Bank of China (Malaysia) Berhad, a wholly-owned subsidiary of BOCHK
"BOC Thailand"	Bank of China (Thai) Public Company Limited, a wholly-owned subsidiary of BOCHK
"Board" or "Board of Directors"	the Board of Directors of the Bank
"CE"	Chief Executive
"CET1"	Common Equity Tier 1
"CFO"	Chief Financial Officer
"CIC"	China Investment Corporation
"CRO"	Chief Risk Officer
"CVA"	Credit Valuation Adjustment

## Definitions (continued)

Terms	Meanings
“Central Huijin”	Central Huijin Investment Ltd.
“DCE”	Deputy Chief Executive
“DVA”	Debit Valuation Adjustment
“ECL”	Expected Credit Loss
“EV”	Economic Value Sensitivity Ratio
“FCC”	the Financial Crime Compliance Department
“FIRB”	Foundation Internal Ratings-based
“FVOCI”	Fair value through other comprehensive income
“FVPL”	Fair value through profit or loss
“HKAS”	Hong Kong Accounting Standard
“HKFRS”	Hong Kong Financial Reporting Standard
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKMA”	Hong Kong Monetary Authority
“Hong Kong” or “Hong Kong SAR”	Hong Kong Special Administrative Region of the PRC
“ICAAP”	Internal Capital Adequacy Assessment Process
“IFRS”	International Financial Reporting Standard
“IMM”	Internal Models
“IT”	Information Technology
“LCO”	the Legal & Compliance and Operational Risk Management Department
“LCR”	Liquidity Coverage Ratio
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

## Definitions (continued)

Terms	Meanings
“MC”	the Management Committee
“MCO”	Maximum Cumulative Cash Outflow
“MPF”	Mandatory Provident Fund
“MPF Schemes Ordinance”	the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong, as amended
“N/A”	Not applicable
“NII”	Net Interest Income Sensitivity Ratio
“NSFR”	Net Stable Funding Ratio
“ORSO schemes”	the Occupational Retirement Schemes under Occupational Retirement Schemes Ordinance, Chapter 426 of the Laws of Hong Kong
“OTC”	Over-the-counter
“PRC”	the People’s Republic of China
“PVBP”	Price Value of a Basis Point
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RMC”	the Risk Committee
“RMD”	the Risk Management Department
“RWA”	Risk-weighted Assets
“SME”	Small and Medium-sized Enterprise
“STC”	Standardised (Credit Risk)
“STM”	Standardised (Market Risk)
“STO”	Standardised (Operational Risk)
“Standard & Poor’s”	Standard & Poor’s Ratings Services
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“the Group”	the Bank and its subsidiaries collectively referred as the Group
“US”	the United States of America
“VaR”	Value at Risk

**ISSUER**

**Bank of China (Hong Kong) Limited**

14/F Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

**DEALERS**

**Bank of China Limited**

7/F Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

**Bank of China (Hong Kong) Limited**

8/F Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

**BOCI Asia Limited**

26/F Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

**Cinda International Capital Limited**

45/F Cosco Tower  
183 Queen's Road  
Central  
Hong Kong

**Citigroup Global Markets Limited**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**Goldman Sachs (Asia) L.L.C.**

68th Floor, Cheung Kong Center  
2 Queen's Road  
Central  
Hong Kong

**AUDITOR OF THE ISSUER**

**For the years ended 31 December 2018, 2019 and 2020**

**Ernst & Young**

27/F, One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

**TRUSTEE**

**ISSUING AND PAYING  
AGENT, TRANSFER AGENT  
AND CALCULATION  
AGENT IN RESPECT OF  
EACH SERIES OF  
UNRESTRICTED NOTES  
OTHER THAN CMU NOTES**

**ISSUING AND PAYING  
AGENT, TRANSFER AGENT  
AND CALCULATION  
AGENT IN RESPECT OF  
EACH SERIES OF  
RESTRICTED NOTES**

**Citicorp International  
Limited**

20/F, Citi Tower  
One Bay East 83 Hoi Bun Road  
Kwun Tong, Hong Kong

**Citibank, N.A., London  
Branch**

1 North Wall Quay  
Dublin 1, Ireland

**Citibank, N.A., London  
Branch**

1 North Wall Quay  
Dublin 1, Ireland

**REGISTRAR IN RESPECT  
OF EACH SERIES OF  
UNRESTRICTED NOTES  
OTHER THAN CMU NOTES**

**Citigroup Global Markets**  
**Europe AGR**  
Reuterweg 16  
60323 Frankfurt  
Germany

**REGISTRAR IN RESPECT  
OF EACH SERIES OF  
RESTRICTED NOTES**

**Citigroup Global Markets**  
Europe AG  
Reuterweg 16  
60323 Frankfurt  
Germany

**REGISTRAR IN RESPECT  
OF EACH SERIES OF  
CMU NOTES**

**Citicorp International Limited**  
9/F, Citi Tower  
One Bay East  
83 Hoi Bun Road  
Kwun Tong, Hong Kong

**CMU LODGING AND PAYING AGENT**

**Citicorp International Limited**  
9/F, Citi Tower  
One Bay East  
83 Hoi Bun Road  
Kwun Tong, Hong Kong

**LEGAL ADVISERS**

**To the Issuer**

*in respect of United States, English  
and Hong Kong Law*

**Clifford Chance**  
27/F Jardine House  
One Connaught Place  
Central  
Hong Kong

**To the Arrangers**

*in respect of United States  
and English law*

**Linklaters**  
11th Floor, Alexandra House  
Chater Road  
Central  
Hong Kong

**To the Trustee**

*in respect of English law*

**Linklaters**  
11th Floor, Alexandra House  
Chater Road  
Central  
Hong Kong

附录二－日期为2022年2月10日有关票据的定价补充文件

## IMPORTANT NOTICE

**THIS DOCUMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE OR ARE ACTING FOR THE ACCOUNT OR BENEFIT OF NON-U.S. PERSONS THAT ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.**

**IMPORTANT: You must read the following disclaimer before continuing.** The following disclaimer applies to the attached pricing supplement (the “**Pricing Supplement**”). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the Pricing Supplement. In accessing the Pricing Supplement, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

**Confirmation of Your Representation:** The Pricing Supplement is being sent to you at your request and by accepting the e-mail and accessing the Pricing Supplement, you shall be deemed to represent to Bank of China (Hong Kong) Limited (the “**Issuer**”), Bank of China (Hong Kong) Limited, Bank of China Limited, BOCI Asia Limited, Crédit Agricole Corporate and Investment Bank, Agricultural Bank of China Limited Hong Kong Branch, Australia and New Zealand Banking Group Limited, BOCOM International Securities Limited, CEB International Capital Corporation Limited, China Construction Bank (Asia) Corporation Limited, China Construction Bank (Europe) S.A., China Everbright Bank Co., Ltd., Hong Kong Branch, China Minsheng Banking Corp., Ltd., Hong Kong Branch, Chiyu Banking Corporation Limited, Citigroup Global Markets Limited, CLSA Limited, CMB Wing Lung Bank Limited, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial Bank Co., Ltd. Hong Kong Branch, J.P. Morgan Securities (Asia Pacific) Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch and The Bank of East Asia, Limited (together, the “**Managers**”) (1) that you are or are acting for the account or benefit of a non-U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”)) outside the United States and to the extent you purchase the securities described in the Pricing Supplement and any amendments or supplements thereto, you will be doing so pursuant to Regulation S under the Securities Act AND (2) that you consent to delivery of the Pricing Supplement and any amendments or supplements thereto by electronic transmission.

The Pricing Supplement has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Managers, the Trustee (as defined in the Offering Circular dated 29 June 2021 (the “**Offering Circular**”)) or the Agents (as defined in the Offering Circular) or any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls any Manager accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

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## PRICING SUPPLEMENT

**MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of the 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 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 target market assessment) and determining appropriate distribution channels.

**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” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

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

This Pricing Supplement, together with the Offering Circular, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange 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 Pricing Supplement and confirm, 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 10 February 2022**

**Bank of China (Hong Kong) Limited**

中國銀行(香港)有限公司

Issue of HKD2,000,000,000 1.33 per cent. Notes due 2024 (the “Notes”)  
under the U.S.\$15,000,000,000 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 (the “Conditions”) set forth in the Offering Circular dated 29 June 2021. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular and the information set out in the Schedules 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 and this Pricing Supplement.

1. Issuer: Bank of China (Hong Kong) Limited  
(Legal Entity Identifier:  
KNPC1X7GHDZW8U2ZSF89)
2. (i) Series Number: 004  
(ii) Tranche Number: (If 001  
fungible with an existing  
Series, details of that  
Series, including the date  
on which the Notes  
become fungible).
3. Specified Currency or Currencies: Hong Kong dollar (“HKD”)
4. Aggregate Nominal Amount:
  - (i) Series: HKD2,000,000,000
  - (ii) Tranche: HKD2,000,000,000
5. (i) Issue Price: 100.0 per cent. of the Aggregate Nominal Amount  
(ii) Gross Proceeds: HKD2,000,000,000
6. (i) Specified Denominations: HKD1,000,000 and integral multiples of HKD500,000 in  
excess thereof  
(ii) Calculation Amount: HKD500,000
7. (i) Issue Date: 17 February 2022  
(ii) Interest Commencement Issue Date  
Date:
8. Maturity Date: Interest Payment Date falling on or nearest to 17  
February 2024
9. Interest Basis: 1.33 per cent. Fixed Rate  
(further particulars specified below)
10. Redemption/Payment Basis: Redemption at par
11. Change of Interest or Redemption/  
Payment Basis: Not Applicable

12. Put/Call Options: Not Applicable
13. (i) Status of the Notes: Senior Notes
- (ii) Qualification of the Notes: Not Applicable
- (iii) Date of regulatory approval for issuance of Notes obtained: NDRC pre-issuance registration: Pursuant to the Approval by the Enterprise Borrowing Foreign Debt Registration Certificate of 2021 (《企业借用外债备案登记证明》(发改办外资备[2021]242号)) issued by the NDRC General Office on 24 March 2021 to Bank of China Limited (the “**NDRC Approval**”), the Issuer is not required to complete any pre-issuance registration (other than the NDRC Approval which it has obtained) in respect of the Notes with the NDRC as the Notes will be issued within the NDRC Approval
- (iv) Date of Board approval for issuance of Notes obtained: 23 June 2011
14. Listing and admission to trading: Hong Kong Stock Exchange (effective date of listing of the Notes is on or about 18 February 2022)
15. Method of distribution: Syndicated

**Provisions Relating to Interest (if any) Payable**

16. Fixed Rate Note Provisions: Applicable
- (i) Rate of Interest: 1.33 per cent. per annum payable semi-annually in arrear
- (ii) Interest Payment Date(s): 17 February and 17 August in each year, commencing on 17 August 2022, provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. For these purposes, “**Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and currency deposits) in Hong Kong.
- (iii) Fixed Coupon Amount(s): Interest 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 HKD0.01, HKD0.005 being rounded upwards
- (iv) Broken Amount(s): Not Applicable
- (v) Day Count Fraction: Actual/365 (Fixed)
- (vi) Determination Date(s): Not Applicable
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: Not Applicable
17. Floating Rate Note Provisions: Not Applicable

- |     |  |                |
|-----|--|----------------|
| 18. | Zero Coupon Note Provisions:           | Not Applicable |
| 19. | Index-Linked Interest Note Provisions: | Not Applicable |
| 20. | Dual Currency Note Provisions:         | Not Applicable |

**Provisions Relating to Redemption**

- |     |                                       |                                   |
|-----|---------------------------------------|-----------------------------------|
| 21. | Call Option:                          | Not Applicable                    |
| 22. | Put Option:                           | Not Applicable                    |
| 23. | Final Redemption Amount of each Note: | HKD500,000 per Calculation Amount |
| 24. | Early Redemption Amount:              | HKD500,000 per Calculation Amount |

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default 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**

- |     |   |   |
|-----|---|---|
| 25. | Form of Notes:  | Registered Notes:<br><br>Unrestricted Global Certificate exchangeable for Definitive Certificates in the limited circumstances specified in the Unrestricted Global Certificate |
| 26. | Financial Centre(s) or other special provisions relating to Payment Dates:  | Not Applicable  |
| 27. | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):   | Not Applicable  |
| 28. | Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | Not Applicable  |
| 29. | Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:  | Not Applicable  |
| 30. | Redenomination, renominatisation and reconventioning provisions:  | Not Applicable  |
| 31. | Consolidation provisions:   | Not Applicable  |

32. Details relating to Subordinated Notes: Not Applicable
33. Other terms or special conditions: Not Applicable

### Distribution

34. (i) If syndicated, names of Managers: Bank of China (Hong Kong) Limited, Bank of China Limited, BOCI Asia Limited, Crédit Agricole Corporate and Investment Bank, Agricultural Bank of China Limited Hong Kong Branch, Australia and New Zealand Banking Group Limited, BOCOM International Securities Limited, CEB International Capital Corporation Limited, China Construction Bank (Asia) Corporation Limited, China Construction Bank (Europe) S.A., China Everbright Bank Co., Ltd., Hong Kong Branch, China Minsheng Banking Corp., Ltd., Hong Kong Branch, Chiyu Banking Corporation Limited, Citigroup Global Markets Limited, CLSA Limited, CMB Wing Lung Bank Limited, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial Bank Co., Ltd. Hong Kong Branch, J.P. Morgan Securities (Asia Pacific) Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch and The Bank of East Asia, Limited
- (ii) Date of Subscription Agreement: 10 February 2022
- (iii) Stabilisation Manager(s) (if any): Any of the Managers (or persons acting on its behalf) appointed and acting in such capacity
35. If non-syndicated, name and address of Dealer: Not Applicable
36. U.S. Selling Restrictions: Reg. S Category 2; TEFRA not applicable
37. Prohibition of Sales to EEA Retail Investors: Not Applicable
38. Prohibition of Sales to UK Retail Investors: Not Applicable
39. Additional selling restrictions: Not Applicable

### Operational Information

40. ISIN Code: HK0000814258
41. Common Code: 243631742
42. CMU Instrument Number: BCHKFN22001
43. CUSIP Number: Not Applicable
44. Any clearing system(s) other than Euroclear/Clearstream, Luxembourg and the relevant identification number(s): CMU
45. Delivery: Delivery against payment

46. Additional Paying Agent(s) (if any): Not Applicable

### General

47. The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of U.S.\$1.00 = HKD7.7933 producing a sum of (for Notes not denominated in U.S. dollars): Approximately U.S.\$256,630,695.60
48. In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong: Not Applicable
49. In the case of Bearer Notes, specify the location of the office of the Issuing and Paying Agent if other than Dublin, Ireland: Not Applicable
50. Ratings: The Notes to be issued are expected to be rated:  
Moody's Investor Service, Inc.: Aa3
51. Green bond attestation: Attestation Report on Pre-issuance of the Notes by Ernst & Young

### USE OF PROCEEDS

An amount equal to the net proceeds from the issuance of the Notes are intended to be used by the Issuer for financing or refinancing low-carbon infrastructure related Eligible Projects that foster sustainable and smart living in the renewable energy and green buildings sectors as defined in the Issuer's Sustainability Series Bonds Management Statement. See "*Description of the Sustainable and Smart Living Themed Green Bonds*" and "*Risk Factors Related to Notes Being Issued as Green Bonds*" set out in Schedule 2 and Schedule 3, respectively, for further details.

### PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the Hong Kong Stock Exchange of the Notes described herein pursuant to the U.S.\$15,000,000,000 Medium Term Note Programme.

### STABILISATION

In connection with this issue, any of the Managers (or persons acting on its behalf) appointed and acting in such capacity as stabilisation manager (each a "**Stabilisation Manager**") 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, there is no assurance that the Stabilisation Manager (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be discontinued at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.

### INVESTMENT CONSIDERATIONS

There are significant risks associated with the Notes including, but not limited to, counterparty risk, country risk, price risk and liquidity risk. Investors should contact their own financial, legal, accounting and tax

advisers about the risks associated with an investment in these Notes, the appropriate tools to analyse that investment, and the suitability of the investment in each investor's particular circumstances. No investor should purchase the Notes unless that investor understands and has sufficient financial resources to bear the price, market liquidity, structure and other risks associated with an investment in these Notes.

Before entering into any transaction, investors should ensure that they fully understand the potential risks and rewards of that transaction and independently determine that the transaction is appropriate given their objectives, experience, financial and operational resources and other relevant circumstances. Investors should consider consulting with such advisers as they deem necessary to assist them in making these determinations.

## **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Pricing Supplement. None of the Managers makes any representation or warranty, express or implied, concerning any information in the Management Statement (as defined below), and nothing contained in the Management Statement is, or shall be relied upon as, a promise or representation, from the Managers. None of the Managers accept any responsibility for the contents of the Management Statement.



Signed on behalf of Bank of China (Hong Kong) Limited:

By: S.D.  
Duly authorised

## Schedule 1

*The Offering Circular is hereby supplemented with the following information, which shall be deemed to be incorporated in, and to form part of, the Offering Circular. Save as otherwise defined herein, terms defined in the Offering Circular have the same meaning when used in this Schedule 1.*

### RECENT DEVELOPMENTS

In the first half of 2021, the Group remained committed to its strategic goal of building a first-class regional banking group. It actively responded to arduous market challenges and strengthened the execution of its strategic plans. By steadily pushing forward its business priorities, the Group achieved satisfactory performance in its core businesses, with major financial indicators remaining at solid levels. It fostered environmental, social and governance (ESG) concepts and actively promoted green finance so as to advance sustainable and high-quality development. The Group captured market opportunities and continued to develop its core market in Hong Kong. It also deepened cross-border collaboration and proactively supported the construction of the Guangdong-Hong Kong-Macao Greater Bay Area. It accelerated the development of its regional footprint in Southeast Asia and leveraged its regional synergies. At the same time, the Group pushed forward digital transformation while remaining customer-centric, and cautiously responded to the impacts of the pandemic so as to mitigate various risks.

In the first half of 2021, operating income in the banking sector remained under pressure as the operating environment remained complex and challenging, stemming from a volatile COVID-19 pandemic situation and a continued low interest rate environment. For the six months ended 30 June 2021, the Group's net operating income before impairment allowances amounted to HK\$24,140 million, a decrease of HK\$3,843 million or 13.7 per cent. year-on-year. This was mainly due to a year-on-year decrease in net interest income resulting from falling market interest rates. Nevertheless, the Group actively responded to a challenging market environment, captured market opportunities amid satisfactory investor sentiment in the beginning of 2021, and stepped up its efforts to enhance its integrated service capabilities. Net fee and commission income grew year-on-year as a result, partially offsetting the decrease in net interest income. Operating expenses decreased slightly as a result of the Group's effort to engage in green banking practices and optimise resource allocation. Meanwhile, the net charge of impairment allowances decreased and a lower net loss was recorded from fair value adjustments on investment properties. Profit for the six months ended 30 June 2021 amounted to HK\$13,136 million, a year-on-year decrease of HK\$2,654 million or 16.8 per cent. Profit attributable to equity holders for the six months ended 30 June 2021 was HK\$13,040 million, a decrease of HK\$2,664 million or 17.0 per cent. year-on-year.

As at 30 June 2021, the total assets of the Group amounted to HK\$3,649,349 million, an increase of HK\$504,819 million or 16.1 per cent. from 31 December 2020. Cash and balances and placements with banks and other financial institutions increased by HK\$82,483 million or 17.8 per cent., mainly due to an increase in balances with banks. Securities investments and other debt instruments increased by HK\$106,314 million or 12.9 per cent., as the Group increased investments in government-related bonds and bills. Advances and other accounts rose by HK\$247,380 million or 16.5 per cent., with advances to customers growing by HK\$247,033 million or 16.5 per cent. and trade bills increasing by HK\$1,920 million or 19.5 per cent.. Other assets increased by HK\$61,201 million or 58.7 per cent., as the result of an increase in accounts receivable of clearing items due to IPO-related activities.

### Publication of Interim Financial Statements

The Issuer has published on its official website its unaudited but reviewed interim financial statements as at and for the six months ended 30 June 2021 (the "**2021 Interim Financial Statements**"). The 2021 Interim Financial Statements have been reviewed by PricewaterhouseCoopers, which was appointed as the Issuer's independent auditor at the Issuer's 2021 annual general meeting. The 2021 Interim Financial Statements are accessible on pages 63 to 183 at the following link: [https://www.bochk.com/dam/bochk/desktop/top/aboutus/ir/docs/finreport/bochk/finreport\\_bochk\\_interim\\_2021\\_en.pdf](https://www.bochk.com/dam/bochk/desktop/top/aboutus/ir/docs/finreport/bochk/finreport_bochk_interim_2021_en.pdf). The Offering Circular and this Pricing Supplement should be read and construed in conjunction with the 2021 Interim Financial Statements. The 2021 Interim Financial Statements should not be taken as an indication of the expected financial condition or results of operation of the Issuer or the Group for the full financial year ended 31 December 2021 or any other future period.

## Update to Senior Management

With effect from 26 January 2022, Mdm. Sui Yang has ceased to be the Chief Financial officer of the Issuer.

*The biography of Mdm. Sui Yang in the section "Management" in the Offering Circular shall be deleted in its entirety.*

## Appointment of Vice Chairman, Non-executive Director and Changes of Members of Board Committees

*The section "Management" in the Offering Circular shall be supplemented with the following:*

With effect from 3 August 2021, Mr. Liu Jin has been appointed as Vice Chairman, Non-executive Director, and member of each of the Nomination and Remuneration Committee as well as the Strategy and Budget Committee of BOCHK (Holdings) and the Issuer.

**Mr. Liu Jin**, age 54, is the Vice Chairman and Executive Director of BOC since June 2021 and the President of BOC since April 2021. He is also a Director of BOC Hong Kong (BVI) Limited and BOC Hong Kong Group Limited. Prior to joining BOC in 2021, Mr. Liu served as Executive Director of China Everbright Group Ltd from December 2019 to March 2021, President of China Everbright Bank Company Limited ("**China Everbright Bank**") from January 2020 to March 2021, and Executive Director of China Everbright Bank from March 2020 to March 2021. He served as Executive Vice President of China Development Bank from September 2018 to November 2019. Mr. Liu had worked in Industrial and Commercial Bank of China Limited ("**ICBC**") for many years, and successively served as Deputy General Manager of its Shandong Branch, Vice Chairman, Executive Director, General Manager of Industrial and Commercial Bank of China (Europe) S.A. and General Manager of ICBC Frankfurt Branch, General Manager of the Investment Banking Department of the Head Office of ICBC, and General Manager of Jiangsu Branch of ICBC. Mr. Liu graduated from Shandong University in 1993, and obtained his Master's degree in Arts. He holds the title of Senior Economist.

## Updates to Biography of Independent Non-executive Director

*The biography of Dr. Choi Koon Shum in the section "Management" in the Offering Circular shall be deleted in its entirety and replaced with the following as at the date of this Pricing Supplement:*

**Dr. Choi Koon Shum**, age 64, is an Independent Non-executive Director, the Chairman of the Nomination and Remuneration Committee as well as a member of each of the Strategy and Budget Committee and the Sustainability Committee of BOCHK (Holdings) and the Issuer. Dr. Choi is the Chairman of Sunwah Group, Sunwah International Limited (delisted in Toronto and privatised on 14 June 2021), Sunwah Kingsway Capital Holdings Limited (listed in Hong Kong) and Vietnam VinaCapital. He is also an Independent Non-executive Director of Hui Xian Asset Management Limited, the Manager of Hui Xian Real Estate Investment Trust (listed in Hong Kong). Dr. Choi has extensive experience in the food industry, real estate development, and international trade, as well as technology and finance related business.

Dr. Choi is a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference ("**CPPCC**") of the PRC. He was awarded the Grand Bauhinia Medal, the highest honour in the Hong Kong SAR Award and Recognition System. He also holds a number of public positions, including Permanent Honorary President of the Chinese General Chamber of Commerce in Hong Kong, Standing Committee Member of the All-China Federation of Industry and Commerce, Chairman of Guangdong-HK-Macao Bay Area Entrepreneurs Union, Chairman of Professional Services Advancement Support Scheme Vetting Committee of the Hong Kong SAR Government, Economic Advisor to the President of the Chinese Academy of Sciences, Founding Patron and Senior Advisor to the President of the Academy of Sciences of Hong Kong, Executive Director of the China Overseas Friendship Association, Council Member of the Hong Kong Trade Development Council, Founding Chairman of the Hong Kong-Vietnam Chamber of Commerce, Founding Chairman of the Hong Kong-Korea Business Council, Chairman of the China-India Software Association, Chairman of the China Hong Kong Israel Technology Cooperation and Promotion Center and Chairman of the U.S.-China Center for Research on Educational Excellence of the Michigan State University. Dr. Choi is a Court or Council Member of a number of universities including Fudan University, Nanjing University and the Hong Kong Polytechnic University.

## Schedule 2

### DESCRIPTION OF THE SUSTAINABLE AND SMART LIVING THEMED GREEN BONDS

The Issuer has obtained independent pre-issuance attestation by Ernst & Young ("EY") in respect of the Notes which are intended to be issued as "Sustainable and Smart Living" themed green bonds (the "**Green Bonds**") in accordance with the Green Bond Principles 2021 published by the International Capital Market Association.

BOCHK (Holdings), the direct holding company of the Issuer, was assigned an MSCI ESG Rating of "AAA" in December 2021.

The Issuer has established the *Bank of China (Hong Kong) Limited Sustainability Series Bonds Management Statement* (the "**Management Statement**"). The Management Statement has been prepared to demonstrate how the Issuer will issue (amongst other sustainability series bonds) green bonds in accordance with the *Sustainability Bond Guidelines 2021* (the "**Sustainability Bond Guidelines**") and the *Green Bond Principles 2021* (the "**Green Bond Principles**") issued by the International Capital Market Association to finance or refinance, in part or in whole, new and/or existing assets and projects with environmental benefits.

#### Use of Proceeds

Under the Management Statement, an amount equal to the net proceeds of green bonds will be allocated to finance or refinance, in whole or in part, eligible assets and projects, including the Issuer's own operations, in the Eligible Project Categories as defined below (the "**Eligible Projects**"). Such Eligible Projects may include financing for other related and supporting expenditures such as research and development, or to a customer or project that derives at least 90 per cent. of its revenue from activities in Eligible Project Categories.

"**Eligible Project Categories**" include but are not limited to:

- renewable energy (including the production and transmission of renewable energy, and the manufacturing of renewable energy appliances and products; renewable energy includes solar energy, onshore and offshore wind energy and biomass energy);
- energy efficiency (such as in newly built and refurbished buildings, energy storage, district heating, smart grids, appliances and products);
- pollution prevention and control (including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy);
- environmentally sustainable management of living natural resources and land use (including environmentally sustainable agriculture; environmentally sustainable animal husbandry; climate smart farm inputs such as biological crop protection or drip-irrigation; environmentally sustainable fishery and aquaculture; environmentally sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes);
- clean transportation (such as electric, public, rail, non-motorised, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions);
- sustainable water and wastewater management (including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation); and
- green buildings which meet regional, national or internationally recognised standards or certifications.

In any case, Eligible Projects exclude the following categories (the "**Explicitly Excluded Projects**"):

- fossil fuel dedicated assets;
- biofuels, biogas or biomass which utilise food crops as sources;
- nuclear related projects;
- mining and quarrying related projects;
- luxury services or goods related, such as clubhouse operation;
- alcoholic beverages related projects;
- gambling and predatory lending enterprises related projects;
- tobacco and tobacco related products or projects; and
- weapons and ammunitions related projects.

### **Project Evaluation and Selection**

Under the Management Statement, the Issuer shall follow the procedures below to evaluate and select the Eligible Projects.

#### *Preliminary Screening*

Based on project compliance documents (such as feasibility study reports, environmental impact assessment reports and approvals) and referring to criteria and standards of Eligible Project Categories set out in the Management Statement, the relevant business departments of the Issuer shall conduct preliminary screening to form the list of nominated projects for further review by the relevant risk management departments.

#### *Review and Approval*

The relevant risk management departments of the Issuer shall further review each of the nominated projects to ensure compliance with the Issuer's risk management policies prior to submitting such nominated projects to professional third-party agencies for independent assessment. Only projects certified by a professional third-party agency will form the "**Eligible Project List**".

#### *Update and Maintenance*

The Issuer shall review the Eligible Project List on a quarterly basis and determine if any changes are necessary (for example, if a project has become ineligible due to amortisation, prepayment, sale or other reasons). If projects have become ineligible due to amortisation, prepayment, sale or other reasons, the Issuer shall nominate new projects for review and include those approved in the Eligible Project List.

### **Management of Proceeds**

The Issuer will allocate an amount equal to the net proceeds of green bonds to the Eligible Projects across various domestic and overseas markets via the Issuer's global network. The Issuer has established an effective mechanism to manage the proceeds, ensuring that the proceeds from green bonds will be used to fund the Eligible Projects.

#### *Planning for Use of Proceeds*

Prior to the issuance of green bonds, the Issuer shall develop a preliminary Eligible Project List (as described in "*Project Evaluation and Selection*" above) to ensure that an amount equal to the net proceeds from the green bonds can be allocated to Eligible Projects in a timely manner.

### *Management of Separate Ledger*

The Issuer shall record the relevant information in a separate ledger management system to ensure that the amounts are properly managed and used. The ledger system shall contain transaction information (such as issue amount, coupon rate, issue date and maturity date) and proceeds allocation information (such as project name, borrower description, project category, approved limit, outstanding balance, drawdown date, repayment date and interest rate of the loan). The Issuer will review and update the ledger on a quarterly basis. Any amounts allocated to the Eligible Projects that have amortised, been prepaid, sold or otherwise become ineligible shall be reallocated to newly nominated and approved Eligible Projects.

### *Use of Unallocated Proceeds*

Unallocated amounts shall not be invested in greenhouse gas intensive, highly polluting, energy intensive projects or projects with negative social impacts (including but not limited to the Explicitly Excluded Projects). The unallocated amounts could be temporarily invested in sustainability series bonds (which includes green bonds, social bonds and sustainability bonds) issued by non-financial institutions in domestic or international capital markets, and in money market instruments with good credit ratings and market liquidity, or kept in cash until they are allocated to Eligible Projects.

### **Reporting**

The Issuer will disclose the allocation of the amounts and the environmental impacts of the Eligible Projects on an annual basis on its official website (<https://www.bochk.com/en/aboutus/esg/sustainability.html>). The Issuer is committed to maintaining transparency of information disclosure following the best practices recommended by the Sustainability Bond Guidelines and the Green Bond Principles. The following contents will be disclosed annually:

- Annual report of the green bonds, where the content includes the following allocation and environmental impacts information:
  - a brief description of the Eligible Projects to which the amounts were allocated, and the breakdown in terms of amount and percentage allocated to each Eligible Project Category;
  - any unallocated amounts and how they are invested temporarily;
  - appropriate case information of the Eligible Projects; and
  - the environmental impact per Eligible Projects Category under which amounts were allocated;
- An attestation report for the annual report issued by an independent qualified third party; and
- An attestation report for the use of proceeds issued by a qualified third party.

Moreover, the Issuer will also publish a statement on an annual basis to confirm that the utilisation of proceeds of the green bonds complies with the Management Statement on its official website (<https://www.bochk.com/en/aboutus/esg/sustainability.html>).

### **Eligible Project List**

With an aim of contributing to the transformation to, and promotion of, low-carbon and eco-friendly lifestyles, the Issuer intends to issue the "Sustainable and Smart Living" themed green bonds, the proceeds of which will be used to finance or refinance low-carbon infrastructure projects or businesses that foster sustainable and smart living. Eligible Project Categories under the "Sustainable and Smart Living" theme include "renewable energy" and "green buildings" sectors as defined in the Management Statement. An Eligible Project List has been established by the Issuer for the Green Bonds, with an approximate total value of HK\$4,340 million. Such Eligible Project List may evolve over time. The following tables set forth detailed information of the current Eligible Projects.

<b>No.</b>	<b>Location</b>	<b>Eligible Project</b>	<b>Eligible Project Category</b>	<b>Loan Amount (HK\$ in millions)</b>
1	Hong Kong, China	Green Building	Green Building	2,600
2	Hong Kong, China	Green Building	Green Building	750
3	China	Renewable Energy	Renewable Energy	600
4	China	Green Building	Green Building	390
<b>Total Loan Amount (HK\$ in millions)</b>				<b>4,340</b>

<b>Eligible Project Category</b>	<b>Loan Amount (HK\$ in millions)</b>	<b>Number of Projects</b>	<b>Loan Proportion</b>
Green Buildings	3,740	3	86%
Renewable Energy	600	1	14%
<b>Total</b>	<b>4,340</b>	<b>4</b>	<b>100%</b>

<b>Location</b>	<b>Loan Amount (HK\$ in millions)</b>	<b>Number of Projects</b>	<b>Loan Proportion</b>
China	4,340	4	100%
<b>Total</b>	<b>4,340</b>	<b>4</b>	<b>100%</b>

### Schedule 3

*The principal risk factors that may affect the ability of the Issuer to fulfil its obligations in respect of the Notes are discussed under “Risk Factors” in the Offering Circular. In addition, the section “Risk Factors” in the Offering Circular shall be supplemented with the following:*

#### **RISK FACTORS RELATED TO NOTES BEING ISSUED AS GREEN BONDS**

*The Notes being issued as green bonds may not be a suitable investment for all investors seeking exposure to green assets.*

EY has been engaged by the Issuer to examine the assertions in “*Description of the Sustainable and Smart Living Themed Green Bonds*” in Schedule 2, and has expressed a limited assurance conclusion on such description (the “**Attestation Report**”), in accordance with the Green Bond Principles published by International Capital Market Association.

There is currently no market consensus on what precise attributes are required for a particular project to be defined as “green”, and therefore no assurance can be provided to potential investors that the relevant eligible green assets will continue to meet the relevant eligibility criteria. Although applicable green projects are expected to be selected in accordance with the criteria and standards of Eligible Project Categories set out in the Issuer’s Management Statement and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and/or operation of any such green projects. Where any negative impacts are insufficiently mitigated, green projects may become controversial, and/or may be criticised by activist groups or other stakeholders.

Potential investors should be aware that the Attestation Report and any other certification will not be incorporated into, and will not form part of, this Pricing Supplement or the terms and conditions relating to the Notes. The Attestation Report and any other certification may not reflect the potential impact of all risks related to the Notes, their marketability, trading price or liquidity or any other factors that may affect the price or value of the Notes. The Attestation Report and any other certification are not recommendations to buy, sell or hold securities and are only current as of their date of issue.

Further, while it is the intention of the Issuer to apply the proceeds of the Notes in the manner described in the “Use of Proceeds” section of this Pricing Supplement, it would not be an event of default under the Notes if (i) the Issuer were to fail to comply with such obligations or were to fail to use the proceeds in the manner specified in the relevant terms and conditions and/or (ii) the Attestation Report and/or any other certification were to be withdrawn. Any failure to use an amount equal to the net proceeds of the Notes in connection with green projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain environmentally focused investors with respect to the Notes may affect the value and/or trading price of the Notes, and/or may have consequences for certain investors with portfolio mandates to invest in green assets.

None of the Issuer, the Managers, the Trustee nor the Agents make any representation as to the suitability or reliability for any purpose of the Attestation Report or any other certification or whether the Notes fulfil, in whole or in part, the relevant environmental criteria or any present or future investor expectations or requirements. None of the Managers has undertaken, or is responsible for, any assessment of the eligibility of projects in Eligible Project Categories or the monitoring of the use of proceeds from the offering of the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in the Offering Circular and this Pricing Supplement in the terms and conditions relating to the Notes regarding the use of proceeds and its purchase of the Notes should be based upon such investigation as it deems necessary.